



Sustainability Report
of the PKP CARGO Group

2023



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General information

Basis for preparation

Disclosure Requirement BP-1 – General basis for preparation of sustainability statements

In 2022, the PKP CARGO Group presented its Sustainability Report for the first time, in line with the capital market's best practices. In 2023, in order to comply with the regulations and to meet the expectations of stakeholders in the area of sustainability, the Group has prepared this report based on the European Sustainability Reporting Standards (ESRS).

The process of preparing the report made it possible to verify the existing data status and identify necessary supplements, which are planned to be included in 2024. The Group's objective is to prepare for the new reporting rules that will become mandatory for the organization in the next reporting year. Nevertheless, exercising the due care, the PKP CARGO Group's 2023 Sustainability Report has already been prepared and elaborated with reference to the requirements of the ESRS.

Since areas that require implementation of more extensive reporting have been identified, the Group plans in the next reporting period to, inter alia, improve and organize the data collection process within the PKP CARGO Group, carefully analyze the value chain in order to be able to prepare a full double materiality assessment, and draft another sustainability report fully compliant with ESRS standards.

Basis for preparation of the Sustainability Report of the PKP CARGO Group

This report has been prepared in line with Corporate Sustainability Reporting (CSRD) and European Sustainability Reporting Standards (ESRS).

The reporting entity is PKP CARGO S.A. and its subsidiaries, constituting the PKP CARGO Group. The Sustainability Report is a periodic publication of non-financial data provided by the PKP CARGO Group pursuant to the Accounting Act of 29 September 1994.

Scope of consolidation of the consolidated sustainability report

The PKP CARGO Group's Sustainability Report covers the period from 1 January 2023 to 31 December 2023 and corresponds to the period covered by the Consolidated Financial Statements for the financial year ended 31 December 2023.

The PKP CARGO Group includes 20 subsidiaries. The consolidation covers consolidated non-financial data of the PKP CARGO Group and its parent company, PKP CARGO S.A. in line with the structure of the organization included in the Consolidated Financial Statements and the Report on the Activity of the Management Board.

The report includes information and data for the parent company PKP CARGO S.A. and 7 subsidiaries (to different degrees, depending on the availability of information and data owned by each company) consolidated by the full method:

- ◆ PKP CARGO SERVICE Sp. z o.o.
- ◆ PKP CARGOTABOR Sp. z o.o.
- ◆ PKP CARGO TERMINALE Sp. z o.o.
- ◆ CARGOSPED TERMINAL BRANIEWO Sp. z o.o.
- ◆ CARGOTOR Sp. z o.o.
- ◆ PKP CARGO CONNECT Sp. z o.o.
- ◆ PKP CARGO INTERNATIONAL a.s.

The report does not include PKP CARGOTABOR USŁUGI Sp. z o.o. since the company did not conduct operating activity in 2023. A contribution-in-kind in the form of a property located in Gniewczyna Łańcucka was made to the company in March 2023. On 26 September 2023, PKP CARGOTABOR USŁUGI Sp. z o.o. signed a sale agreement for State defense and security purposes, selling assets of the former Fabryka Wagonów Gniewczyna S.A. in Gniewczyna Łańcucka to the State Treasury, the Regional Board of Infrastructure in Lublin, i.e. to an entity organizationally subordinated to the Minister of National Defence. As at 31 December 2023, the Company employed one person.

Disclosure of the extent to which the sustainability statement includes the value chain

Information concerning the value chain has been identified and presented on the basis of the materiality analysis conducted and is disclosed with respect to the individual ESRS.

The operations of the PKP CARGO Group focus on rail freight in the all-train system in Poland and in selected European Union countries.

The value chain of the PKP CARGO Group consists of:

- ◆ key suppliers, including the supplier of access services to rail infrastructure in Poland, namely PKP Polskie Linie Kolejowe S.A. (PKP PLK), traction energy supplier (PGE Energetyka S.A.) and traction fuel supplier, as well as suppliers of the rolling stock, equipment necessary to conduct operations and providers of rolling stock repair services;
- ◆ key customers/buyers of the Group's services: heating plants, power plants, construction companies, steel mills and steel plants, local governments and transportation companies;
- ◆ counterparties.

The main freight categories in all PKP CARGO shipments are as follows:

- ◆ solid fuels, including mainly hard coal,
- ◆ aggregates and construction materials,
- ◆ metals and ores, liquid fuels (e.g. oil),
- ◆ chemicals,
- ◆ fertilizers,
- ◆ timber and agricultural produce,
- ◆ intermodal transport, i.e. transport of cargo using more than one mode of transport.

Possibility to exclude information regarding intellectual property, know-how or results of innovation

No information constituting intellectual property has been identified in the PKP CARGO Group. No investments were classified as R&D (Research and Development) capital expenditures.

Exemption from disclosure of impending developments or matters in the course of negotiation

Information on upcoming or ongoing developments can be found in the Report on the Activity of the Management Board for 2023 in the "Significant Information and Events" Section.

This Report will be reviewed by an external and independent auditor.

Disclosure Requirement BP-2 – Disclosures in relation to specific circumstances

The 2023 Sustainability Report has been prepared following the guidelines of the CSRD, and the presentation of sustainability information is based on the European Sustainability Reporting Standards (ESRS).

Disclosures in relation to specific circumstances

Given the Group's decision to provide ESRS-based reporting earlier than the regulatory obligation, this report provides a basis for comprehensive preparation and further improvement of the reporting system and the scope of disclosures to be provided in further years. The Group intends to eventually implement reporting and data capture systems for the required data in all of its subsidiaries.

Time horizons

Disclosure of definitions of medium- or long-term time horizons and the reasons for using these definitions.

The time horizons adopted in the report are the same as for ESRS disclosures.

The PKP CARGO Group has adopted time horizons consistent with the CSRD guidelines, i.e. short time < 1 year, medium time horizon (1-5 years), long time horizon > 5 years. The ESG Strategy of the PKP Group has been developed for a period of 5 years (2024- 2028).

Not disclosed - reporting systems for the specified data have not yet been implemented.

Value chain estimation

Metrics

As part of its monitoring of the value chain and cooperation with the key parties, the PKP CARGO Group reports the following metrics:

- ◆ average freight turnover,
- ◆ freight turnover per employee,
- ◆ average haul,
- ◆ average tonnage,
- ◆ freight volume,
- ◆ financial data (costs),
- ◆ capital expenditures in specific areas (e.g., repairs and periodic inspections).

For customers, aggregate values of freight volume transported are reported.

Planned actions to improve the accuracy in the future

In order to, inter alia, improve the accuracy of future reporting of the aforementioned metrics, which include the PKP CARGO Group's value chain data, works to implement the following are underway:

- ◆ Code of Conduct with Suppliers
- ◆ Survey to review the key ESG areas, including, inter alia, transparency and integrity of operations, respect for human rights, and care for the environment

- ◆ Additional requirements included in purchasing procedures organized via a purchasing platform to screen contractors for observance of human rights and other requirements in the area of sustainability.

Changes in preparation or presentation of sustainability information

Changes in the presentation of sustainability information are due to the fact that the 2022 Sustainability Report was prepared based on GRI (Global Reporting Initiative) Standards. The 2023 sustainability report was prepared based on other standards, i.e. the European Sustainability Reporting Standards (ESRS).

Reporting errors in prior periods

The Report does not include corrections and additions to data from the previous reporting period.

Use of phase-In provisions in accordance with Appendix C of ESRS 1

Not applicable to the PKP CARGO Group. (The employment level of 750 employees exceeded).

Governance

Disclosure Requirement GOV-1 – The role of the administrative, management and supervisory bodies

Composition of the administrative, management and supervisory bodies, their roles and responsibilities and access to expertise and skills with regard to sustainability matters

PKP CARGO S.A. is governed by the Shareholder Meeting, the Management Board, the Supervisory Board and the following Committees: Audit Committee, Nomination Committee, and Strategy and Sustainability Committee.

Data as at 31 December 2023

The number of executive and non-executive members

	Number of members	
The Group and its subsidiaries (as at 31 December 2023)	Executive body (the Management Board)	Non-executive body (the Supervisory Board).
PKP CARGO Group	20	43
PKP CARGO S.A.	5	11
PKP CARGO SERVICE	2	4
PKP CARGOTABOR	3	5
PKP CARGO TERMINALE	3	4
CARGOSPED TERMINAL BRANIEWO	1	3
CARGOTOR	1	4
PKP CARGO CONNECT	3	6
PKP CARGO INTERNATIONAL	3	6



Representation of employees and other workers

Representation of employees
(number of members who are representatives of employees)

The Group and its subsidiaries (as at 31 December 2023)	Executive body (the Management Board)	Non-executive body (the Supervisory Board).
PKP CARGO Group	1	6
PKP CARGO	1	3
PKP CARGO SERVICE	0	0
PKP CARGOTABOR	0	1
PKP CARGO TERMINALE	0	0
CARGOSPED TERMINAL BRANIEWO	0	0
CARGOTOR	0	0
PKP CARGO CONNECT	0	0
PKP CARGO INTERNATIONAL	0	2

experience relevant to the sectors, products and geographic locations of the undertaking

The documents, i.e.:

- the Company's Articles of Association,
- the Bylaws for Appointing Management Board Members in PKP CARGO S.A.,
- the Bylaws for Electing Candidates to Become an Employee Representative in the PKP CARGO S.A. Management Board and to Appoint Employee Representatives to the Company's Supervisory Board and the Procedure for Their Removal.

The appointment of the Management Board Members is preceded by a recruitment procedure conducted by an independent HR consulting company, selected by a resolution of the PKP CARGO S.A. Supervisory Board. During the procedure, candidates are also required to submit statements on fulfilling the independence criteria.

The criteria applied in the appointment of the management body include some of those discussed in this disclosure, including:

- knowledge of the Company's activity,
- experience in building relationships with the Company's stakeholders,
- familiarity with the functioning of commercial companies,
- expertise and experience in managing employee teams, including a minimum of five years' experience in senior management positions.

Information on the PKP CARGO S.A.'s Management Board
Management Board members' experience relevant to the sectors, products and geographic locations of the undertaking

Dariusz Seliga – President of the Management Board

He has experience in serving in companies' management boards and supervisory boards. Affiliated with the rail industry for many years:

- in 2016 he became the President of the Management Board of PKP CARGO CONNECT (a company of the PKP CARGO Group),
- since 2019, he has been associated with the company PKP CARGO INTERNATIONAL a.s. (a Czech company owned by PKP CARGO S.A.) initially as a Member of the Management Board and from 2021 as the President of the Management Board.

Among other things, he is a graduate of the Railway Sector Executive MBA postgraduate management program.

Marek Olkiewicz – Management Board Member in charge of Operations

He has experience in the sector, including 15 years in managerial positions at PKP Polskie Linie Kolejowe S.A., as Vice-President – Operations Director, Deputy Director and Director of the Rail Lines Unit in Łódź. From 2017 to 2021, he served as a Board Member at the Association of Rail Employers of PKP and sat on the supervisory boards of other commercial law companies. A transportation and management specialist, he has experience in key areas of operational management, i.e. train operations, logistics, finance and human resources, and management of geographically and organizationally dispersed structures.

Maciej Jankiewicz – Management Board Member

His professional experience includes the restructuring of business entities and corporate groups, the initiation and coordination of activities to establish corporations as well as development of applications, acquisition and settlement of EU funds. He also engaged in CSR activities. Mr. Maciej Jankiewicz has over twenty years of experience in holding managerial positions and serving as a member of statutory corporate bodies. He served in management and supervisory positions in commercial companies.

Jacek Rutkowski – Management Board Member

He has more than 16 years of professional experience in the rail industry. He served:

- as the President of the Management Board of Cargotor sp. z o.o.

- in 2016-2018. He was the President of the Management Board of PKP CARGO Centrum Logistyczne Małaszewicze Sp. z o.o. from 2018 to 2019 and
- he has been the President of the Management Board of PKP CARGO TERMINALE Sp. z o.o. since 2019.

He has experience in cooperating with domestic institutions overseeing the rail industry and with EU institutions. Author of restructuring and optimization programs pertaining to the functioning of commercial law companies.

Zenon Kozendra – Management Board Member

From 2005 to 2008, he served as Member of the Management Board for Personnel and Administrative Affairs, and since 2008 as the Management Board Representative for Human Resources Strategy.

Member of:

- the PKP CARGO Supervisory Board from 2001 to 2005 and
- the Management Board Member of the Association of Rail Employers from 2006 to 2008.

He has served in the supervisory boards of companies such as:

- PKP CARGO SERVICE – as the Supervisory Board Chairman from 2006 to 2007,
- PKP CARGO WAGON Kraków – as the Supervisory Board Chairman from 2007 to 2008,
- PKP CARGO TABOR Karsznice Sp. z o.o. – as a Supervisory Board Member from 2010 to 2014,
- PKP S.A. – as a Supervisory Board Member from 2014 to 2016.





Percentage by gender and other aspects of diversity that the company takes into account (as at 31 December 2023).

The Group and its subsidiaries (as at 31 December 2023)	Percentage of women (%)		Percentage of men (%)	
	Executive body (the Management Board)	Non-executive body (the Supervisory Board).	Executive body (the Management Board)	Non-executive body (the Supervisory Board).
PKP CARGO Group	5%	16%	95%	84%
PKP CARGO S.A.	0%	9%	100%	91%
PKP CARGO SERVICE	0%	25%	100%	75%
PKP CARGOTABOR	0%	20%	100%	80%
PKP CARGO TERMINALE	33%	25%	67%	75%
CARGOSPED TERMINAL BRANIEWO	0%	33%	100%	67%
CARGOTOR	0%	0%	100%	100%
PKP CARGO CONNECT	0%	17%	100%	83%
PKP CARGO INTERNATIONAL	0%	17%	100%	83%

The Group and its subsidiaries (as at 31 December 2023)	Number of women		Number of men	
	Executive body (the Management Board)	Non-executive body (the Supervisory Board).	Executive body (the Management Board)	Non-executive body (the Supervisory Board).
PKP CARGO Group	1	7	19	36
PKP CARGO S.A.	0	1	5	10
PKP CARGO SERVICE	0	1	2	3
PKP CARGOTABOR	0	1	3	4
PKP CARGO TERMINALE	1	1	2	3
CARGOSPED TERMINAL BRANIEWO	0	1	1	2
CARGOTOR	0	0	1	4
PKP CARGO CONNECT	0	1	3	5
PKP CARGO INTERNATIONAL	0	1	2	5

As part of the recruitment procedure for the positions of the Management Board Members, the diversity-related criteria have been introduced by PKP CARGO INTERNATIONAL.

Percentage of independent members of the Supervisory Board

The Group and its subsidiaries	Percentage of independent members of the Supervisory Board	Number of persons
PKP CARGO Group	0.05	2
PKP CARGO S.A.	0.18	2
PKP CARGO SERVICE	...	0
PKP CARGOTABOR	...	0
PKP CARGO TERMINALE	...	0
CARGOSPED TERMINAL BRANIEWO	...	0
CARGOTOR	...	0
PKP CARGO CONNECT	...	0
PKP CARGO INTERNATIONAL	...	0

Information on the roles and responsibilities of administrative, management and supervisory bodies

Identity of administrative, management and supervisory bodies or persons within the body responsible for overseeing influence, risks and opportunities

The Company has in place the "Risk Management Policy at PKP CARGO S.A." adopted by Resolution No. 115/2022 of the Management Board of PKP CARGO S.A. of 20 April 2022.

The Management Board is responsible for risk management on the basis of the Company's Business Strategy. The Management Board Members are indicated in disclosure GOV-1. At the operating level, the responsibility for risk management lies with the risk owners who are in charge of organizational cells and organizational units within the framework of their assigned tasks (e.g. a unit responsible for human resources is accountable for risks in the employment area).

Supervision over the appropriate implementation of the "Risk Management Policy" is exercised by Compliance within PKP CARGO S.A. Head Office, reporting directly to the President of the Company. This unit keeps aggregate risk records and based on reports from individual organizational units prepares periodic reports for the Company's Management Board and the Supervisory Board Audit Committee.

The effectiveness in terms of minimizing environmental management risks is assessed periodically as part of the formally adopted "Risk Management Policy at PKP CARGO S.A." If the risk level is high, action plans are drawn up whose progress is monitored by the risk Owner.

The Committee consists of at least three members of the Supervisory Board, and a majority of the members of the Audit Committee, including its Chairman, must fulfill the independence criteria. Additional requirements regarding the Committee's work:

- ◆ at least one member must be qualified in accounting or auditing,
- ◆ at least one member must have expertise and skills in the industry in which the Company operates.

The tasks of the Audit Committee include, inter alia, monitoring the effective operation of internal control systems, risk management systems and internal audit.

The Audit Committee Members as at 31 December 2023:

- ◆ Izabela Wojtyczka
- ◆ Michał Wnorowski
- ◆ Jarosław Ślepaczuk

PKP CARGO does not have a system in place to manage possibilities/opportunities.

PKP CARGO has also established the Strategy and Sustainability Committee. Its duties include, inter alia, assessing risks and opportunities that may affect the pursuit of the Company's or its Group's strategy.

Members of the Strategy and Sustainability Committee of the PKP CARGO S.A. Supervisory Board as at 31 December 2023:

- ◆ Władysław Szczepkowski
- ◆ Michał Wnorowski
- ◆ Henryk Grymel
- ◆ Tomasz Pietrek
- ◆ Andrzej Leszczyński

Description of management's role in the governance processes, controls and procedures used to monitor, manage and oversee impacts, risks and opportunities

The specific roles and responsibilities of management bodies with respect to adverse impact and risk management are defined in the "Risk Management Policy".

The Management Board is responsible for risk management on the basis of the Company's Strategy, including defining the directions of the Company's development and making decisions regarding risk handling plans.

The responsibility for risk management in individual areas of activity lies with the risk owners who are in charge of organizational cells and organizational units within the framework of their assigned tasks. They are responsible, in particular, for identifying and assessing risks, monitoring, analyzing and evaluating risks, as well as risk reporting and validation.

The risk management system is evaluated by the Supervisory Board Audit Committee.

As part of risk management, the Compliance Department performs tasks including developing risk management procedures, maintaining a comprehensive risk register, coordinating risk validation work, and developing periodic reports based on information provided by individual units of the Head Office and Units for the Management Board and the Supervisory Board Audit Committee.

Description of how executive positions or committees are supervised and assigned a leadership role

The Compliance Department of PKP CARGO S.A. reports directly to the Company President. The risk management process is reported to the Management Board and the Audit Committee of the Supervisory Board.

Disclosure of how dedicated controls and procedures are integrated with other internal functions

When conducting an investigation, the Compliance Department of PKP CARGO S.A. may request the President of the Management Board to perform an additional check (in line with the PKP CARGO S.A. Anti-Corruption Policy).

In the case of other subsidiaries, they adopt internal management documents and individual procedures established by the parent company.

Disclosure of how administrative, management and supervisory bodies and senior management oversee the setting of targets related to material influence, risks and opportunities, and how progress in achieving them is monitored

There is a position of the Risk Leader within the Compliance Department of PKP CARGO S.A. The Risk Leader's responsibilities include keeping the aggregate risk register, reporting on the level of significant risks in the Company based on key

risk indicators (KRI), and preparing an annual Report on the implementation of the "Risk Management Policy" for the Management Board and the Supervisory Board Audit Committee.

Quality targets are stated in the PKP CARGO S.A. Integrated Management System Policy adopted by a Resolution of the PKP CARGO S.A. Management Board.

Disclosure of how administrative, management and supervisory bodies determine whether appropriate skills and expertise are available or will be developed to oversee sustainability issues.

The Strategy and Sustainability Committee is the body overseeing the area of sustainability at PKP CARGO.

The Committee's responsibilities include:

- ◆ defining the strategy,
- ◆ implementing the strategy and the annual and multi-year business plans of the Company and its Group.

It is composed of five members of the Supervisory Board with the appropriate competence and knowledge to effectively oversee the sustainability area. The Committee can expand its professional knowledge by taking part in training provided by third parties, as well as workshops organized in the Company.

Information on expertise related to sustainability that authorities either have directly or can use.

The employees of PKP CARGO, as well as its subsidiaries, have access to a knowledge base where training and information materials in the ESG area are made available.





In 2023, during the development of the 2022 Sustainability Report and ESG Strategy, workshops and training on these topics were organized for the Group, including:

- ◆ introduction to Taxonomy and Minimum Safeguards,
- ◆ mapping the Group's stakeholders,
- ◆ materiality of risks and opportunities for the purposes of the ESG Strategy,
- ◆ introduction to the requirements of CSRD and ESRS,
- ◆ preparing periodic reports.

Disclosure on how sustainability skills and expertise relate to material influence, risks and opportunities.

Knowledge acquired by employees during training courses and workshops in the ESG area (including, inter alia, those mentioned in the disclosure above), as well as the ongoing exchange of information within PKP CARGO and its subsidiaries, contributes to creating awareness among employees about the materiality of influence on other entities, including, in particular, social and environmental responsibility.

Disclosure Requirement GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

Information on whether, by whom and how often the administrative, management and supervisory bodies, including their respective committees, are informed of material influence, risks and opportunities

The Management Board of PKP CARGO S.A. is periodically informed by the Compliance Department of the current levels of key risk indicators (KRI) established for risks that have a significant impact on the achievement of the objectives set out in the PKP CARGO S.A.'s Business Plan and Strategy.

As described in the GOV-1 disclosure, a register of all risks is kept, and each organizational unit identifies and estimates the level of risk within its own functional areas and according to its responsibilities. The Risk Owners in the specific organizational units are responsible for this task.

When the risk exceeds the acceptable level and is estimated as alert at the alarm or critical level, the Risk Owner is required to develop a risk management plan. Depending on the estimated cost of its implementation and the risk probability, the management bodies decide whether to implement the plan.

In the case of subsidiaries, oversight of impacts, risks and opportunities is carried out by the Management Board Members and Directors of specific business areas. Supervision of compliance with procedures in individual business areas is entrusted to Area Directors, who in turn report to the Management Board Member responsible for the respective division. The Directors of the respective business areas are required to notify the Company's Management Board of any failures to comply with the procedures.

How the administrative, management and supervisory bodies consider impacts, risks and opportunities when overseeing the undertaking's strategy

Risks that have been identified by an organizational unit in the process of risk management are analyzed and evaluated according to the criterion of probability of occurrence and consequences, i.e. possible impacts. The Risk Handling Plans are developed for risks that exceed acceptable levels. The Risk Handling Plans that involve expenditures are submitted by the Risk Owners to the Company's Management Board which makes the appropriate decisions.

For key and critical services and assets affecting the company's operations, the so-called Business Continuity Plans are additionally established. These are documented sets of emergency procedures and information, developed, implemented and maintained in readiness for use in the event of a business disruption and enabling operations to be carried out at a specific level.

They are designed to enable swift corrective action when risks arise. To ensure high efficiency, these plans are periodically tested and dedicated scenarios are drawn up. Management bodies do not decide on their implementation, the scenarios are triggered as needed at the operational level. The Management Board is informed of such situations by the unit that developed and activated the relevant business continuity plan. The Management Board of PKP CARGO may decide how often business continuity plans should be tested.

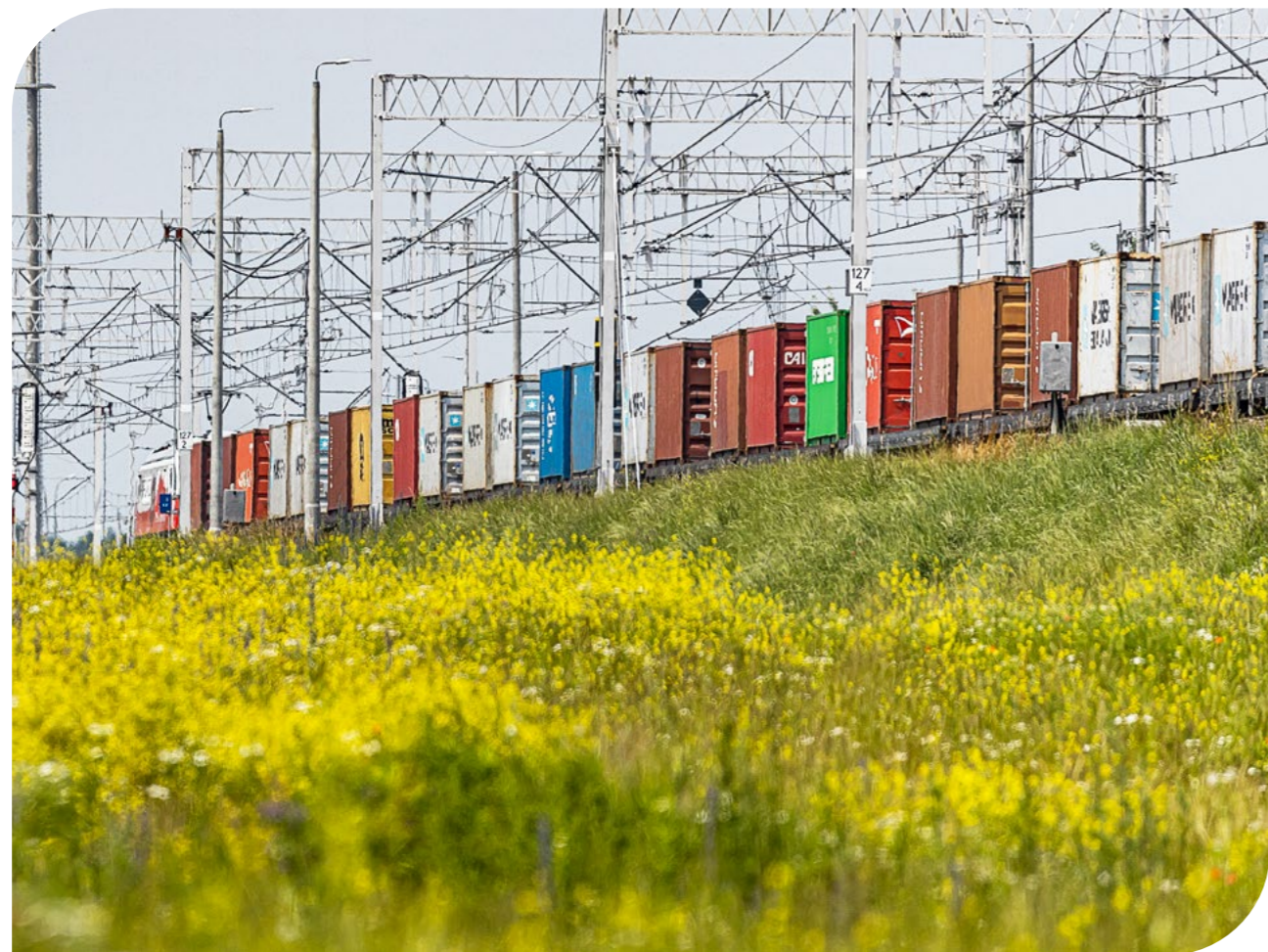
In the case of subsidiaries, oversight of strategies, decisions on major transactions and the risk management process is carried out by the Directors of the respective business areas. In the event of any discrepancies, the Directors are obliged to immediately inform the Company's Management Board.

A list of the material impacts, risks and opportunities addressed by the administrative, management and supervisory bodies, or their relevant committees during the reporting period

The list constitutes PKP CARGO's internal information.

In the due diligence process, the following 6 highest-rated risks were identified for the PKP CARGO Group:

- ◆ Existing generation gap - a large percentage of workers of retirement age in the near term.
(ESRS S1 – Equal treatment and equal opportunities for all)
- ◆ Transition risk - rising costs of CO₂ emissions into the atmosphere, due to, inter alia, the inclusion of the rail sector in the ETS
(ESRS E1 – Climate change mitigation)
- ◆ Increase in fuel prices - increase in transportation costs
(ESRS E1 – Climate change adaptation)
- ◆ Low rates as compared to the market entail the risk of losing employees
(ESRS S1 – Working conditions)
- ◆ Risk of loss due to subcontractors' restrictions on reducing greenhouse gas emissions in the supply chain - from adapting to actual and expected climate change and its effects.
(ESRS E1 – Climate change adaptation)
- ◆ Strikes and shutdowns due to industrial dispute over pay raise
(ESRS S1 – Working conditions)



The risks were also disclosed in Chapter 6.1.1. of the Management Board Activity Report for 2023. These risks include:

- ◆ risks arising from macroeconomic conditions, related to the economic and market environment,
- ◆ risks arising from geopolitical conditions – including those related to the armed conflict in Ukraine,
- ◆ risk associated with the rail freight sector,
- ◆ risks associated with operations,
- ◆ financial risks.

Disclosure Requirement GOV-3 – Integration of sustainability-related performance in incentive schemes

Incentive programs and compensation policies associated with sustainability issues for members of administrative, management and supervisory bodies

PKP CARGO S.A. has in place the Compensation Policy for Members of the PKP CARGO S.A. Management Board and Supervisory Board. The Policy does not provide for a connection between compensation and the achievement of sustainability goals.

In 2023, a Management by Objectives (MBO) system was implemented with respect to the Management Board members, and an ESG target was set therein.

Description of key elements of incentive schemes

Benefits available to the Management Board Members include a bonus that is partially linked to the Company's performance. The objective is to enhance the efforts of the Management Board Members to attain the objectives set in the Company's business strategy and its business plans. As a consequence, the adopted compensation system indirectly contributes to growth in the Company's business and product offering.

In turn, the compensation of Supervisory Board Members consists solely of fixed compensation set by the Shareholder Meeting, which is intended to reduce the exposure to risk.

Rules of granting bonuses, setting the management objectives, specifying their weights criteria for their attainment and settlement are defined pursuant to a resolution of the PKP CARGO S.A. Supervisory Board.

Information on whether performance is being assessed against specific sustainability-related targets and/or impacts

In 2023, a Management by Objectives (MBO) system was implemented with respect to the Management Board members. One of the objectives to be achieved was related to the area and included developing and implementing the PKP CARGO Group's ESG Strategy. It was assigned for performance by the President of the Management Board. The objective has been attained.

This objective was also incorporated into the MBO system for the Management Board members of the subsidiaries.

Information on how sustainability-related performance metrics are considered as performance benchmarks or included in remuneration policies

Sustainability-related performance metrics was included in the MBO for the Management Board Members in 2023 (as disclosed above).

The proportion of variable remuneration dependent on sustainability-related targets and/or impacts

In 2023, the proportion of variable remuneration dependent on sustainability-related targets was 20%.

The level in the undertaking at which the terms of incentive schemes are approved and updated.

The terms of incentive schemes for the Management Board members of the PKP CARGO Group are approved and updated by the Supervisory Board. PKP CARGO S.A. has in place the Compensation Policy for Members of the PKP CARGO S.A. Management Board and Supervisory Board which was adopted by Resolution No. 23/2020 of the Ordinary Shareholder Meeting of PKP CARGO S.A. on 29 June 2020.

PKP CARGO Group subsidiaries do not have their own remuneration policies for the Management Board and Supervisory Board Members.

Disclosure Requirement GOV-4 – Statement on due diligence

Disclosure of mapping of information provided in sustainability statement on due diligence

Core elements of due diligence - paragraphs in the sustainability statement

Embedding due diligence in governance, strategy and business model

In 2023, the PKP CARGO Group did not perform a formalized due diligence with respect to environment and human rights. Nonetheless, the Group is taking actions to incorporate these elements into its governance, strategy and business model. This is being done on many different levels:

- ◆ A governance structure has been established, covering the responsibilities and duties of various departments and teams, including with respect to environment and human rights.
- ◆ Regular reviews of processes and procedures are conducted to ensure compliance with legal regulations, industry standards and internal quality standards.
- ◆ Employees undergo training in business ethics, regulatory compliance as well as risk identification and management.
- ◆ An analysis of the market and industry trends is carried out in order to adapt the strategy and its objectives to the changing business environment. The new ESG strategy, embedded in the business strategy, was developed based on dialogue with stakeholders, and the information obtained during stakeholder consultations (interviews, surveys, workshops) was taken into account in the process of its development.
- ◆ An anonymous whistleblowing system has been implemented to enable employees and other stakeholders to raise concerns regarding actual and potential negative impacts of the organization.

It is planned to develop and implement sustainability due diligence throughout the Group.

Engaging with affected stakeholders in all key steps of the due diligence

The process of cooperation with affected stakeholders is a constant element of the PKP CARGO Group's business operations, but has not yet been fully defined with regard to the key stages of due diligence.

The PKP CARGO Group is in constant dialogue with various stakeholder groups, such as employees, trade union organizations, suppliers, customers, the local community, NGOs, government institutions, which it addresses and takes into account in its decision-making process. That means, for example, inviting them to participate in working groups, consulting on draft policies and strategies, or developing solutions together. Cooperating with the Group's stakeholders can take various forms, such as business meetings, meetings with analysts, press conferences with the media, internal meetings with labor unions or employee representatives, industry events and even general shareholder meetings, e-mail and telephone contacts, or anonymous market surveys.

Identifying and assessing adverse impacts

The first step to formalize the due diligence was to conduct a materiality assessment to identify significant sustainability-related influence, risks and opportunities. Surveys were conducted among internal (353 completed surveys) and external stakeholders (21 completed surveys), interviews and meetings and workshops with Group employees and management representatives and representatives of external stakeholders, resulting in a list of actual and potential negative impacts on the environment and human rights. The PKP CARGO Group will continue to work on streamlining and performing due diligence in future reporting periods. This will involve, inter alia, implementing appropriate policies and processes to identify and assess the Group's adverse impact on the environment and human rights.

Taking actions to address those adverse impacts

The Group does not have a procedure in place to address those adverse impacts.

Tracking the effectiveness of these efforts and communicating

PKP CARGO does not have a system in place to monitor performance with respect to due diligence.

Disclosure Requirement GOV-5 – Risk management and internal controls over sustainability reporting

Description of the scope, main features and components of the risk management and internal control processes and systems in relation to sustainability reporting

The scope, main features and components of the risk management and internal control processes and systems in relation to sustainability reporting

In performing their tasks, the Management Board and senior executives are further supported by a system of internal controls. The applicable resolutions of the Management Board, decisions of the President or Members of the Management Board in this regard constitute internal regulations of PKP CARGO S.A. These documents address forms of control, the scope of tasks to be performed, and the powers and duties of those involved in the process.

The risk assessment approach followed, including the risk prioritization methodology

A process indicating knowledge of the nature of a given risk and the determination of the level of risk, a method of assessing the vulnerability of a process to risk factors.

The main risks identified and their mitigation strategies including related controls

Key risk indicators (KRIs) are indicated by the risk owner and reported on a monthly basis to the Risk Leader, who submits aggregate information to the Company's Management Board.

A description of how the undertaking integrates the findings of its risk assessment and internal controls as regards the sustainability reporting process into relevant internal functions and processes

The Risk Coordinator, appointed by the manager of the organizational unit or function to handle risk management matters at the level of the unit or function, is responsible for risk evaluation in the unit or function in question. The Coordinator reports to the Risk Leader.

The Management Board and senior executives of PKP CARGO S.A. are further supported by a system of internal controls. Tasks performed as part of internal control may concern all aspects of the Company's operations.

A description of the periodic reporting of the findings referred to in point (d) to the administrative, management and supervisory bodies

The overall estimation of risk of information security and business risks is performed once a year.



Strategy

Disclosure Requirement SBM-1 – Strategy, business model and value chain

Disclosure of key elements of the overall strategy that address or affect sustainability issues

The PKP CARGO Group is a rail freight operator offering comprehensive logistics services in Poland and across the European Union. It also provides freight forwarding (domestic and international), terminal, siding and traction services as well as repair and maintenance of rolling stock and land reclamation services.

As at 31 December 2023, the Company had in place the “PKP CARGO Group Strategy Revision for 2019–2023” which reaffirmed the previously adopted mission and vision of the Group.

VISION:
Become the Central European leader in rail freight transport by taking the dominant position in the area of the Three Seas Initiative and on the New Silk Road.

MISSION:
Offering comprehensive logistics services on the freight and intermodal services market in a manner making us the operator of first choice for customers.

Strategic growth pillars and key drivers of change

Three pillars of strategic growth were the Focus of assumed objectives:

SALES

- Intensive commercial activities
- Logistics package development
- High efficiency in sales and customer care process

PROCESSES

- Constant improvement of freight transport and maintenance processes
- Digitalisation

STRUCTURE

- Optimizing and adaptation of company's structure and resources to market environments and economic challenges

The key strategic initiatives

The key strategic initiatives on which forces and resources will be focused were identified in the “Strategy Revision”:

- Organic growth on the domestic market
- Rolling stock availability
- Logistics and rail freight transport efficiency
- Human resources management
- Digitalisation and IT development
- Asset management - optimizing cost structure

The growth directions defined in the business development strategy are aligned with sustainability principles.

To embed sustainability in its strategies, the Group takes into consideration the following aspects:

- supporting social and economic development and integrating the region, i.e. inter alia
 - the Three Seas Initiative and the New Silk Road which directly translate into new business development prospects,
 - offering sustainable transport services, namely low-emission and emission-free domestic and international transport of freight.

The PKP CARGO Group also puts great emphasis on investing in the development of intermodal transport services, which are an opportunity for the Group to diversify its revenue portfolio, as they have the potential to significantly reduce the share of those of the currently prevailing cargo categories, including the transport of fossil fuels, that look ever less promising.

The PKP CARGO Group's business strategy is a document underlying the PKP CARGO Group's ESG Strategy for 2024-2028. The business strategy defines PKP CARGO's segments and areas of operation. On the other hand, the ESG strategy defines how the Group will take care of the environment, the community, and the principles of corporate governance and management in carrying out its business activities. The business strategy, while defining the Group's core business, i.e. rail freight transport, also imposes a framework for implementing the ESG Strategy, particularly in the area of sustainable rail transport, based on intermodal transport, a segment of the Group's services which the Group is steadily developing.



Significant groups of products and/or services offered, including changes in the reporting period (new/removed products and/or services)

The PKP CARGO Group's core business is cargo rail transport.

In addition to rail freight transport services, the Group also provides the following services:

- ◆ freight forwarding (domestic and international),
- ◆ terminal, including transshipment, storage, packaging
- ◆ siding and traction,
- ◆ land reclamation,
- ◆ repairs and periodic inspections of rolling stock,

Significant markets and/or customer groups served, including changes in the reporting period (new/removed markets and/or customer groups)

The PKP CARGO Group has adopted an ambitious organic growth goal of regaining the domestic market share by 2027. Depending on geopolitical and economic developments, the Group does not rule out acquisitions to increase market share.

Markets served:

- ◆ rail freight transport services (domestic and international).

PKP CARGO provides transport services (based on transportation licenses) in the territory of Germany, the Netherlands, Austria, the Czech Republic, Slovakia, Hungary, Slovenia, Lithuania.

Important client groups:

- ◆ large entities, such as: utility companies, heat plants, power plants, construction companies, chemical companies, intermodal sector.

Headcount of employees by geographical areas

Number of active employees – as at 31 December 2023, the PKP CARGO Group had 19,935 employees, of which 14,095 working for PKP CARGO S.A., and 1450 for PKP CARGO International (Czech Republic).

Where applicable and material, products and services that are banned in certain markets

The bans are based on regulations issued by various governmental authorities in the countries in which the Group operates and are subject to change.

The list of additional significant ESRS sectors, in which significant activity is conducted, or in which the undertaking is or may be associated with significant impacts

Sectors associated with the PKP CARGO Group's rail transport sector include the mining sector.

The two main categories of cargo transported are:

- ◆ hard coal and other fossil fuel,
- ◆ stone and gravel.

The company does not engage in activities in the field of fossil fuels, chemical production, controversial weapons or tobacco cultivation and production.

Sustainability-related goals of the undertaking in terms of significant groups of products and services, customer categories, geographical areas and relationships with stakeholders

The PKP CARGO Group has in place the **ESG Strategy for 2024-2028**, the goal of which is to actively shaping of the rail market as the most sustainable form of freight operations, through investment, innovation, market education and the pursuit of excellence in management.

It identified 8 operational ESG goals, which were developed, among other things, with a view to the future impact of the PKP CARGO Group on the environment, society and governance, but also with a view to the goals updated in the Business Strategy for 2024-2028.

8 operational goals of ESG Strategy

- 1 We will include ESG criteria into the process of modernization and purchase of rolling stock. The criteria shall encompass decarbonisation needs in key business activities of the Group**
- 2 We will implement the circular economy principles and reduce use of resources**
- 3 We will strengthen human capital by new talent acquisition, creation of safe, comfortable and diverse workplace**
- 4 We will strive towards change of energy model based on higher share of renewable energy sources, specific for rail cargo transport**
- 5 We will build awareness of benefits arising from sustainable transformations both internally and within value chain**
- 6 We will create sustainable product offer based on ESG activities**
- 7 We will intensify the dialogue with stakeholders in order to better address their needs and to build partnerships**
- 8 We will optimize and digitalize business processes and cargo transportations through ESG mindset**



The following goals are directly related to the offering for clients and stakeholder relations:

Goal 6 – “We will build a sustainable service offering based on ESG activities”.

The following activities are planned as part of this goal:

- ◆ integrating sustainability benefits into the marketing strategy currently being developed,
- ◆ providing clients with carbon footprint data for reporting purposes.
- ◆ incorporating ESG-related sales arguments in the Group's marketing messaging.

Goal 7 - “We will deepen our dialogue with stakeholders to better address their needs and build partnerships”.

The following activities are planned as part of this goal:

- ◆ implementing the employee volunteerism program,
- ◆ strengthening human capital by attracting the best talent and creating a safe, comfortable and diverse workplace,
- ◆ increasing collaboration with other companies to develop new technologies, including the use of hydrogen fuel to power locomotives.

An assessment of current significant products and/or services, and significant markets and customer groups, in relation to its sustainability-related goals

The core business of the PKP CARGO Group is rail freight transport. Other services are considered supplementary, i.e. traction and station services, siding, transshipment services, rolling stock repairs and inspections.

The core business is broken down by categories of cargo transported.

The main cargo includes:

- ◆ solid fuels, including hard coal,
- ◆ aggregates and construction materials,
- ◆ metals and ores,
- ◆ chemicals,
- ◆ liquid fuels,
- ◆ timber and agricultural produce,
- ◆ intermodal transport,
- ◆ other.

Intermodal transport is the category with the greatest impact on sustainability.

The PKP CARGO Group is operating on markets in 8 European countries, in which it holds a transport license.

The main client groups:

- ◆ power plants,
- ◆ heat plants,
- ◆ smelters,
- ◆ steelworks,
- ◆ local government,
- ◆ construction companies,
- ◆ refineries and chemical sector,
- ◆ manufacturers of synthetic fertilizers,
- ◆ agriculture and food industry,
- ◆ other, such as military, other freight operators.

The segments of intermodal transportation and transshipment and warehousing services are treated as sectors under development.

Disclosure of key elements of the overall strategy that address or affect sustainability issues

According to the accepted strategic objective in the ESG Strategy of the PKP CARGO Group for 2024, 2028, the PKP CARGO Group will actively shape the rail market as the most sustainable form of freight transport, through investment, innovation, market education and the pursuit of excellence in management.

The 8 operational goals identified in the Strategy (and mentioned in item (e) of this disclosure) refer in detail to sustainability issues.

Goal 1. We will integrate ESG criteria into the rolling stock modernization and procurement process, taking into account the need for decarbonization in the Group's key business areas.

The following tasks are planned under Goal 1:

- ◆ calculating the carbon footprint of key Group companies,
- ◆ modernizing and developing rolling stock - locomotives,
- ◆ modernizing and developing rolling stock - wagons,

Goal 2. We will limit the consumption of resources and implement the circular economy principles

The following tasks are planned under Goal 2:

- ◆ sustainable management of real estate,
- ◆ sustainable management of rolling stock,
- ◆ resource management.

Goal 3. We will strengthen human capital by attracting the best talent and creating a safe, comfortable and diverse workplace

Under Goal 3, the company intends to attract and retain more young employees by increasing PKP CARGO's attractiveness as an employer, among others by:

- ◆ creating career paths,
- ◆ evaluating jobs and remuneration system,
- ◆ Employer Branding activities,
- ◆ cooperation with universities,
- ◆ developing internship and scholarship programs.

Goal 4. We will strive to change the energy consumption model towards increasing the share of renewable energy, taking into account the unique requirements of the rail transport market

Changes in the energy mix of domestic energy suppliers, anticipated under Goal 4, are independent of PKP CARGO Group's actions (including an increase in the share of RES).

Goal 5. We will raise awareness of the benefits of sustainable transformation both within the organization and in its environment, including in our value chain.

The following tasks are planned under Goal 5:

- ◆ building awareness of sustainability issues among employees,
- ◆ improvement of non-financial reporting,
- ◆ sustainable supply chain.

Goal 6. "We will build a sustainable service offering based on ESG activities".

The following tasks are planned under Goal 6:

- ◆ integrating sustainability benefits into the marketing strategy currently being developed,
- ◆ providing clients with carbon footprint data for reporting purposes.
- ◆ incorporating ESG-related sales arguments in the Group's marketing messaging.

Goal 7. "We will deepen our dialogue with stakeholders to better address their needs and build partnerships".

The following tasks are planned under Goal 7:

- ◆ implementing the employee volunteerism program,
- ◆ strengthening human capital by attracting the best talent and creating a safe, comfortable and diverse workplace,
- ◆ increasing collaboration with other companies to develop new technologies, including the use of hydrogen fuel to power locomotives.

Goal 8. We will optimize business and transport processes for ESG by using digital tools

The following tasks are planned under Goal 8:

- ◆ establishment and continuous updates of a rolling stock diagnostics and maintenance support system by the IT function,
- ◆ metering of locomotives in terms of energy consumption,

- ◆ optimization - minimizing empty wagon runs,
- ◆ Digital Automatic Coupling (DAC),
- ◆ development of hydrogen propulsion.

List of ESRS sectors material for the undertaking

- ◆ mining sector - transport of coal, aggregate, stone (dominating scale),
- ◆ transport sector,
- ◆ chemical sector - chemicals, artificial fertilizers (smaller scale),
- ◆ intermodal sector,
- ◆ agricultural sector - agricultural products, crops, timber, sugar, etc. (smaller scale).

Description of the business model and supply chain

Description of the business model

The PKP CARGO Group conducts business within one main segment, namely domestic and international cargo freight and provision of comprehensive logistics services related to rail freight.

The Group additionally provides services that are less material for its operations, which are not treated as separate operating segments. They are associated with:

- ◆ repairs of the rolling stock,
- ◆ infrastructure maintenance,
- ◆ land reclamation services.

The activities of the PKP CARGO Group are aimed at developing a broad range of logistics services, including freight, terminal services, distribution, warehousing and support services.

It is necessary to intensify digitization to tap into additional opportunities arising from the provision of comprehensive services and to reach customers. An important element of this operating model is the ability to use the Group's own transshipment terminals. Also, freight-related processes are being improved in terms of planned changes in the organization as well as the implementation of IT solutions. A systematic modernization and profiling for the planned development of owned rolling stock, including multi-system locomotives, will be an important factor ensuring the efficiency of transport.

Description of the supply chain

The Group's value chain is based on the provision of comprehensive logistics services, for which rail transport serves as the primary service complemented by a broad range of freight-related services, including:

- ◆ freight forwarding (domestic and international),
- ◆ terminal services,
- ◆ siding and traction services,
- ◆ repairs and periodic inspections of rolling stock,
- ◆ land reclamation services.

Inputs and its approach to gathering, developing and securing those inputs

The business strategy is based on the foundation of the business model.

The development of the business strategy begins with an analysis of the types of services and markets. The main sectors in which PKP CARGO provides services include: power generation, construction, metallurgy and steel production, agriculture and forestry, petrochemical, automotive, intermodal and chemical industries.

Outputs and outcomes in terms of current and expected benefits for customers, investors and other stakeholders

The freight performance, i.e. freight volume, freight turnover, average haul and other parameters are reported as part of periodic reports.

In the case of PKP SERVICE, in order to assess the outputs and outcomes in terms of current and expected benefits for customers, investors and other stakeholders, the company conducts an annual customer satisfaction survey by sending out anonymous questionnaires for completion.



The main characteristics of the upstream and downstream value chain and the company's position in the value chain.





Disclosure Requirement SBM-2 - Views, interests and expectations of stakeholders

Engagement of stakeholders

The PKP CARGO Group conducts a dialogue and maintains relationships with its stakeholders in a regular manner through various communication channels.

The main channels for engaging PKP CARGO Company's stakeholders are trade events (e.g. trade fairs), investor and industry conferences.

For certain subsidiaries, engagement channels also include: the company's website, customer satisfaction surveys and cooperation with trade unions representing employee interests. Direct contact with stakeholders or their representatives takes place over the telephone, e-mail and direct meetings at the companies' head offices.

In the case of trade unions, social dialogue takes the form of meetings between representatives of the management board and management and trade union representatives.

Stakeholder engagement, including the undertaking's key stakeholders

Key stakeholders of PKP CARGO S.A. include:

- ◆ employees,
- ◆ customers and business partners,
- ◆ suppliers of infrastructure, traction energy and fuel for locomotives, machinery and equipment,
- ◆ banks,
- ◆ insurers,
- ◆ investment and pension funds,
- ◆ private investors,
- ◆ the media;
- ◆ trade unions;
- ◆ capital market organizations and institutions,
- ◆ industry institutions;

Stakeholder categories for which engagement occurs

Stakeholders	Description
Employees	The PKP CARGO Group employs approx. 20 thousand people. The Group's employees form its intellectual capital (knowledge and experience) on which success may be built.
Customers	The biggest recipients of the services provided by the PKP CARGO Group are heating plants, power plants, combined heat and power plants, enterprises and local governments.
Suppliers/ counterparties	Operating on the freight transport market, the Group is dependent on the largest supplier of access services to rail infrastructure in Poland, namely PKP Polskie Linie Kolejowe S.A. (PKP PLK). In turn, PKP Energetyka S.A. is the Group's main supplier of traction fuel and traction energy.
Shareholders	PKP CARGO S.A.'s share capital is divided into 44,786,917 shares. The main shareholders are: PKP S.A., Nationale-Nederlanden OFE, Allianz Funds and Generali PTE
Stock market analysts	Analysts representing brokerage houses or investment funds.
Financial institutions/ funds	Banks and insurers are financial institutions cooperating with the PKP CARGO Group to the largest extent. In addition to day-to-day financial and insurance service, they provide, among others, funding for execution of the Group's investment plans.
Social organizations/ local communities	Social organizations constitute one of the engines of development of a civil society. The PKP CARGO Group actively supports environmental protection initiatives (including initiatives related to ecology of transport), science and education, culture and art, safety and leveling out social differences.
Supervisory Board	Members of the PKP CARGO S.A. Supervisory Board
Competitors	Companies conducting the same or similar business activities to PKP CARGO or its subsidiaries. Due to the Group's involvement in business operations conducted outside the Polish market, foreign entities with a similar business profile are also considered competitors.
Business partners	Companies, units and organizations with which PKP CARGO cooperates in the execution of joint initiatives or business projects.
Industry organizations	Organizations gathering companies falling into the "rail freight transport" category operating both domestically and internationally.
Local governments	Administrative bodies (territorial and local) representing communities, established to direct and manage public affairs in the interest of local residents.
Potential employees	Candidates for employees, trainees, apprentices, persons in the process of recruitment for work, students of institutions of higher education and schools with a professional profile that prepare them for work in the rail sector.
Environmental organizations	Organizations whose goal and mission are to support and advance environmental causes.
Subcontractors	Businesses cooperating with the PKP CARGO Group and rendering commissioned services or delivering ordered products.
Investors	Retail investors – persons holding shares of PKP CARGO S.A. stock.
Other stakeholders	Other businesses, organizations or individuals and persons interested in the activities and financial performance of PKP CARGO S.A.

Strategic initiatives

As part of the Strategy Revision, the most important strategic stages were identified



Employees

- ♦ training courses improving the qualifications of employees and increasing their safety (including OHS training)
- ♦ numerous grants from the Company Social Benefits Fund, e.g. for sports activities and vacations
- ♦ adaptation program for newly hired employees
- ♦ Post-Accident Psychological Support Program
- ♦ adoption of the Code of Ethics
- ♦ organization of sports events, such as "Biegamy Pomagamy" [We Run & Help]
- ♦ deployment of the Company Collective Bargaining Agreement (ZUZP)



Customers

- ♦ communication via the website (including the RFP form), hotline and social media
- ♦ access to our procurement platform
- ♦ satisfaction and opinion surveys
- ♦ regular meetings with customers
- ♦ industry conferences, fairs



Counterparties

- ♦ transport and logistics fairs (e.g. Innotrans in Berlin)
- ♦ cooperation on financial settlements, the use of shared IT systems and access to rail infrastructure (of the PKP S.A. Group)



Shareholders/financial institutions

- ♦ earnings calls and investor conferences
- ♦ Shareholder Meetings
- ♦ Direct meetings with the Management Board
- ♦ Participation in conferences dedicated to retail investor



Local communities

- ♦ co-financing of and active participation in initiatives pursued by social organizations

Purpose of stakeholder engagement

The objective of stakeholder engagement is to find out stakeholders' opinions and take them into account in current and planned activities of the PKP CARGO Group.

In order to determine the materiality of the topic of sustainability in the PKP CARGO Group for the purpose of preparing this report:

- ♦ a survey of external and internal stakeholders was conducted (described in point v),
- ♦ an internal due diligence process was carried out to improve existing procedures; to determine the importance of ESG issues in PKP CARGO's strategy and operations.

Description of how the outcome of stakeholder engagement is taken into account

As part of the work on the report, a survey was conducted among internal and external stakeholders to identify relevant topics and assess issues related to the double materiality process. The surveys were carried out in the period from 15 to 24 January 2024 and were available electronically. Stakeholders responded to both closed and open-ended questions. In the survey, respondents were asked to evaluate the way in which the materiality of ESG issues was taken into account in the PKP CARGO Group's Sustainability Report for 2023.

This Sustainability Report has been prepared on the basis of, among other things, the above-mentioned materiality survey, taking into account the most important issues identified by stakeholders, those ranked highest, and other problematic issues that need to be addressed by the PKP CARGO Group.

Amendments to its strategy and/or business model

In 2023, the Sustainable Development Strategy of the PKP CARGO Group came into effect.

How the undertaking has amended or expects to amend its strategy and/or business model to address the interests and views of its stakeholders

The PKP CARGO Group continues the efforts defined in the business strategy.

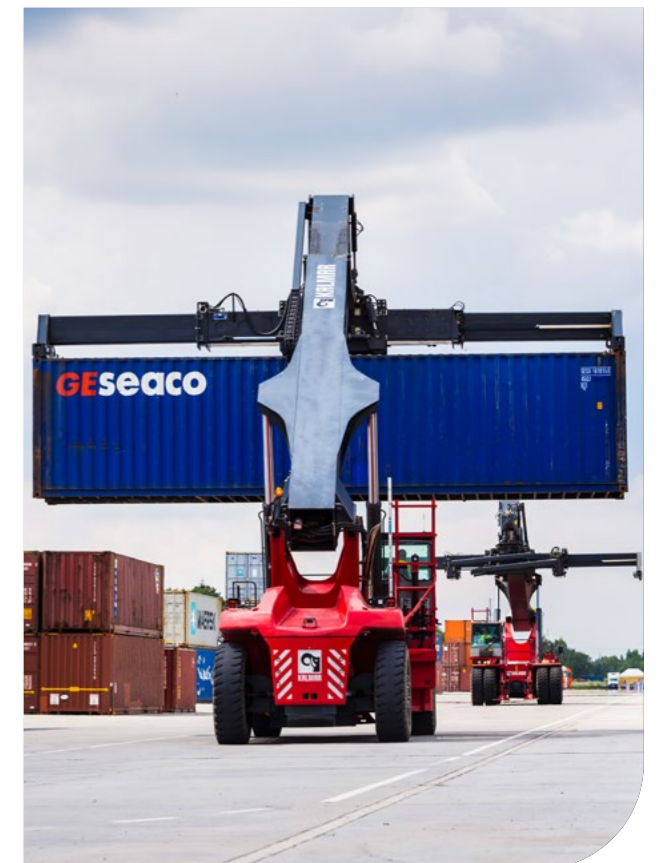
Any further steps that are being planned and in what timeline

As part of the Group's continuous endeavors aimed at improving its operating business model, further work is underway to organize the division of business lines in terms of increasing the efficiency of processes, taking advantage of synergies and reducing operating expenses.

Description of how the administrative, management or supervisory bodies are informed of stakeholder views and interests regarding sustainability impacts

Management bodies are informed of the outcome of the materiality analysis during the review and approval of the sustainability report.

In addition, the Strategy and Sustainability Committee may request additional clarification of sustainability impacts.



Management of impacts, risks and opportunities

Description of material impacts resulting from materiality assessment

The most significant impacts, risks and opportunities are subject to special analysis and determine the topics to be included in the report.

Short description of its material impacts, risks, and opportunities resulting from the materiality analysis

Impact
<p>During the due diligence process, the following 25 highest-rated impacts for the PKP CARGO Group were identified:</p> <p>ESRS E1 Climate change adaptation</p> <p>Transportation of coal - is a significant part of PKP CARGO's business model, as daily coal transportation accounts for about half of all transported goods.</p> <hr/> <p>ESRS E1 Climate change mitigation</p> <p>Shifting freight from road to rail - climate benefits from reduced GHG emissions in the road transportation sector</p> <hr/> <p>ESRS E1 Climate change mitigation</p> <p>Replacing locomotives with low-emission units - reducing GHG emissions and keeping global average temperature increase at 1.5°C</p> <hr/> <p>ESRS E1 Climate change adaptation</p> <p>GHG emissions in three areas - operating in a sector with significant climate impact (freight rail transport - NACE 49.20), including locomotives powered with diesel fuel and electricity generated by coal-fired power plants</p>

<p>ESRS E1 Climate change mitigation</p> <p>Purchase of electricity from renewable sources</p> <hr/> <p>ESRS E1 Climate change mitigation</p> <p>Use of low-carbon energy sources, by purchasing energy renewable energy</p> <hr/> <p>ESRS E2 Pollution of air</p> <p>Use of low-carbon energy sources through the purchase of renewable energy</p> <hr/> <p>Emissions generated:</p> <ul style="list-style-type: none"> ◆ from fuel combustion by cars, equipment units ◆ from fuel combustion in locomotives (diesel fuel) ◆ from storage and transshipment of diesel fuel ◆ from combustion of liquid or gaseous fuels in boiler plants ◆ refrigerants ◆ consumption of materials (paints, solvents, electrodes, welding wires, etc.) <hr/> <p>ESRS E2 Pollution of air</p> <p>Reducing air pollution by shifting freight from road to rail</p> <hr/> <p>ESRS G1 protection of whistleblowers</p> <p>Reporting channels for whistleblowers - Following the Resolution and Bylaws applicable in the Company, whistleblowers may report irregularities to the Compliance Department either by name or anonymously through an external entity.</p> <hr/> <p>ESRS G1 Management of relationships with suppliers, including payment practices</p> <p>The way of awarding contracts (including taking into account social and environmental criteria when selecting suppliers), delays in payments, taking into account risks related to sustainable development.</p>
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<p>ESRS G1 Corruption and bribery</p> <p>Investigations into corruption and bribery</p> <hr/> <p>ESRS G1 Corruption and bribery</p> <p>Prevention and detection of corruption and bribery, including training</p> <hr/> <p>ESRS S1 Working conditions</p> <p>Building social dialogue through cooperation with trade unions.</p> <hr/> <p>Scope of representation at the workplace, cross-border and at the management board level</p> <hr/> <p>ESRS S1 Working conditions</p> <p>Creating safe working conditions in units</p> <hr/> <p>ESRS S1 Working conditions</p> <p>Provide adequate financial conditions for employees - Employees' remuneration is increased by various types of variable elements, or additional benefits</p> <hr/> <p>ESRS S1 Working conditions</p> <p>Compliance with statutory provisions on issues of mandatory agreement on both individual and collective labor rights.</p> <hr/> <p>Separate internal regulations governing the relationship between employers and trade unions operating in the Company.</p> <hr/> <p>ESRS S1 Working conditions</p> <p>All employees are subject to a collective bargaining agreement to the extent appropriate to their position and duties</p> <hr/> <p>All employees can join unions, employer does not restrict this right.</p> <hr/> <p>ESRS S1 Working conditions</p> <p>Appropriate work organization, implementing activities to improve work-life-balance</p> <hr/> <p>ESRS S1 Equal treatment and opportunities for all</p> <p>Gender equality and equal pay for work of equal value.</p> <hr/> <p>ESRS S1 Equal treatment and opportunities for all</p>
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<p>Measures to prevent violence and harassment in the workplace</p> <hr/> <p>ESRS S1 Equal treatment and opportunities for all</p> <p>Employee training and development. Number and distribution of training, percentage of employees subjected to regular performance reviews and development evaluations.</p> <hr/> <p>ESRS S1 Equal treatment and opportunities for all</p> <p>Creating a diverse and inclusive work environment</p> <hr/> <p>ESRS S1 Working conditions</p> <p>Security of employment. Impact on employees' sentiment of employment security - job stability.</p> <hr/> <p>ESRS S2 Working conditions</p> <p>100% employees with employment contracts are covered by the Collective Bargaining Agreement.</p> <hr/> <p>ESRS S4 Social inclusion of consumers and/or end-users</p> <p>Providing power plants and other buyers with fossil fuels by transporting coal.</p>



Risks

During the due diligence process, 6 highest-rated risks for the PKP CARGO Group were identified:

ESRS S1 Equal treatment and equal opportunities for all

Existing generation gap - a large percentage of workers of retirement age in the near term.

ESRS S1 Climate change mitigation

Transition risk - rising costs of CO₂ emissions into the atmosphere, due to, inter alia, the inclusion of the rail sector in the ETS

ESRS S1 Climate change adaptation

Increase in fuel prices - increase in transportation costs

ESRS S1 Working conditions

Low rates as compared to the market entail the risk of losing employees

ESRS S1 Climate change adaptation

Risk of loss due to subcontractors' restrictions on reducing greenhouse gas emissions in the supply chain - from adapting to actual and expected climate change and its effects.

ESRS S1 Working conditions

Strikes and shutdowns due to industrial dispute over pay raise

Opportunities

During the due diligence process, 2 highest-rated opportunities for the PKP CARGO Group were identified:

ESRS S1 Climate change mitigation

Transition to locomotives powered with renewable energy - it will become a green alternative to carbon-intensive modes of transportation, attracting customers and business partners

ESRS S1 Climate change adaptation

Increase in prices of fuel used in road transport

Disclosure of how significant negative and positive impacts affect (or may affect) people or the environment

During the due diligence process, risks with the highest impact strength and scope parameter were identified and are disclosed in this report. As part of the analysis, existing procedures and policies were reviewed (in an internal due diligence process).

As part of the process improvement planned by the PKP CARGO Group, these procedures will be improved and gradually adapted to better address the identified risks.

The financial impact of the risks has not been estimated for the purposes of this report. The Group plans to begin the process of assessing the financial impact in the coming years

How the undertaking's material negative and positive impacts affect (or, in the case of potential impacts, are likely to affect) people or the environment

Disclosure whether and how the impacts originate from or are connected to the undertaking's strategy and business model

The identified impacts relate to business interactions with entities to which PKP CARGO provides services (e.g. carrier - operator). They are mainly financial interactions that result in financial results.

A similar situation applies to key suppliers, including suppliers of access services, rail infrastructure, traction energy and fuel, where the impact translates into the ability and scope of transportation services provided and financial performance (costs).

Disclosure of reasonably expected impact horizons.

The PKP CARGO Group has adopted time horizons consistent with the CSRD guidelines, i.e. short time < 1 - year, medium time horizon (1-5 years), long time horizon > 5 years. The ESG Strategy of the PKP Group has been developed for a period of 5 years (2024- 2028).

Description of the type of activities or business relationships through which the company is involved in activities with significant impact.

Activities of the PKP CARGO Group are aimed at developing a broad range of logistics services, including freight, terminal services, distribution, warehousing and support services.

The activities with significant impact are aimed at internal strengthening of PKP CARGO to increase its domestic market share and build efficient rail logistics.

Current financial effects of the undertaking's material risks and opportunities on its financial position, financial performance and cash flows cash flows and information on significant risks and opportunities

As at the date of this report, the PKP CARGO Group has not identified any such risks.

In the short term, the PKP CARGO Group has not identified any significant risks affecting its financial standing. A detailed description of financial risk is provided in the Management Board Activity Report for 2023.

Information about the resilience of the undertaking's strategy and business model regarding its capacity to address its material impacts and risks and to take advantage of its material opportunities. Qualitative disclosures

Business continuity plans created in the PKP CARGO Group are an important element of risk management. They are a documented set of processes (emergency procedures and information) developed, implemented and maintained to be ready and available for use in the event of a disruption of business activity to enable operations to continue at the identified level.

Identified risks associated with activities:

Risk of changes to legal regulations

The frequently amended legal regulations on the import and transit of grain from Ukraine, put in place without any appropriate vacatio legis, caused information chaos and difficulties in the application of such regulations by exporters, importers and operators.

Road transport as competition for the Group

In the case of UA-PL transport services, road freight competes with rail freight, because 60% of grain is delivered, after reloading, by road transport.

Lack of equalization of infrastructure access charges in rail transport with those in road transport.

The amount of network rate for minimum access to freight trains in accordance with the price list of PKP PLK S.A. for 2023/2024 is PLN 12.77 per km. On the other hand, electronic toll rates (e-TOLL) for 1 km of national road for motor vehicles having gross vehicle mass of at least 12 t depending on the EURO standard of a vehicle are as follows: EURO 2 – PLN 0.73, EURO 3 – PLN 0.63, EURO 4 – PLN 0.51, EURO 5 – PLN 0.38. In this context, it makes sense to equalize the cost of access to rail infrastructure with the cost of access to road infrastructure. Without taking major steps, there is a threat of continued dominance of road transport over rail transport.

Threat of road transport taking over selected freight groups

The ability of transporting large cargo by truck has so far been limited, the result being that bulk goods have been transported by rail. Given today's market conditions, it is possible to transport almost any type of commodity using road transport. To date, bulk cargo has served as the backbone of rail transport (coal, ores, coke, aggregates) with their economic advantages providing rail operators with the opportunity to compete with road transport. The most endangered area in this situation is the transport of those cargo categories whose share in the total road and rail transport volumes is comparable – these include: metal ores and other mining and quarrying products including stones, sand, gravel and clays, metals and finished metal products, and chemical products. The carriage of these commodities accounts for approx. 33% of the share in overall rail freight.

Insufficient throughput capacity of the rail network and insufficient information on the possibility of performing operational activities at transshipment points.

The development of rail freight operations, including intermodal transport, is associated with the need for the line infrastructure manager to ensure appropriate parameters and accessibility of the rail network. In Poland, rail lines have not been codified following the example of neighboring countries and no significant facilitation exists for the ordering of routes and the provision of transport services. Moreover, the absence of information on the possibility of performing operational activities at transshipment points exerts a negative impact on the working time of train crews and rolling stock circulation.

Opportunities

Update of the "Agreement between Polskie Koleje Państwowe State Enterprise and the State Administration of Railway Transport of Ukraine on railway communication across the state border" of 11 March 1994.

The war in Ukraine led to intensified work on the draft "Agreement between Polskie Koleje Państwowe S.A. and 'Ukrzaliznycia S.A.' on cooperation in the organization of international railway transport", which is to replace the "Agreement between Polskie Koleje Państwowe State Enterprise and the State Administration of Railway Transport of Ukraine on railway communication across the state border" of 11 March 1994.

Other risks and opportunities are described in the Management Board Activity Report (in the chapter on risks and opportunities).

Risks and opportunities related to sustainability were worked out as part of the materiality analysis.

Risks/impacts/opportunities related to the ESRS are listed in disclosure SBM-3.

Disclosure Requirement IRO-1 - Description of the processes to identify and assess material impacts, risks and opportunities

Description of the methodology and assumptions used in the process for identifying impacts, risks, and opportunities

The process to identify and assess material impacts, risks, and opportunities was carried out as a double materiality analysis, internal and external stakeholder surveys, and teamwork during workshops.

Description of how the process focuses on specific activities, business relationships, geographic areas, or other factors that result in an increased risk of negative impacts.

"Coal priority", i.e. the order received by the company to increase shipments and increase its activity in coal transport operations to avert an energy crisis - has caused delays in other shipments, such as intermodal shipments.

The armed conflict in Ukraine has directly affected global supply chains. PKP CARGO, as a national rail freight operator, has focused its attention on adapting to rapidly changing market challenges. The situation in Ukraine has become an element of the strategy, with the Group actively participating in the handling of cargo between Poland and Ukraine. The Group has become involved in handling the movement of products for which transport routes have been disrupted as a result of the conflict initiated by Russia. EU sanctions against Russia and Belarus have resulted in a decrease in freight volumes along the New Silk Road and have prompted PKP CARGO to intensify its activity in the Three Seas Initiative area. Investments in modern rolling stock and the expansion of the multimodal terminal in Zduńska Wola – Karsznice have become a step towards taking advantage of greater intermodal freight potential, especially in the context of the dwindling transport volumes along the New Silk Road. Moreover, PKP CARGO adjusted its operations to the change in the direction of coal consignments, as after the imposition of sanctions imports from Russia were replaced by imports from other continents to Polish and foreign ports. This resulted in an increased volume of coal freight from ports to domestic customers.

Due to the wide range of activities of the PKP CARGO Group and its ability to adapt to market challenges, the events resulting from the armed conflict in Ukraine have not significantly affected the level of risk of the operating result. The PKP CARGO Group is constantly monitoring and taking corrective actions in terms of the services it offers. Due to the uncertain date of the end of the war in Ukraine, the possibilities for planning operations in the eastern direction are limited. Currently, trade exchange between Poland and Ukraine must be arranged in the context the ongoing conflict. The emergence of North-South transportation routes linking the East with Western Europe through the Three Seas Initiative countries may reduce the economic distance between these regions.

How the process includes ongoing consultation with stakeholders to understand how they may be affected, and with external agents.

The conducted due diligence process included consultations with external stakeholders and comprised of 2 key stages:

1. Conducting a materiality analysis for impacts, risks and opportunities, in the form of surveys addressed to internal and external stakeholders (January 2023).
2. Workshop on analyzing actual materiality of human rights in PKP CARGO's registered offices and online.

Description of how the process prioritizes negative impacts based on their relative severity and likelihood and, if applicable, positive impacts, based on their relative scale, scope and likelihood, and determines which sustainability matters are material for reporting purposes.

On the basis of survey responses, the adopted materiality threshold (> or =4) and a discussion of potential priorities during workshop analysis, a list of topics has been worked under the approach of double materiality for human rights.

The process to set priorities for negative impacts for reporting purposes included:

- ◆ A survey conducted in 2 groups, i.e. internal and external stakeholders. It included both open-ended and closed-ended questions. Respondents rated the importance of including each ESG issue in the report on a scale of 1 (least important) to 5 (most important). The survey was fully anonymous and information was analyzed collectively. The materiality threshold for the topics was adopted at the level of 4 and above.
- ◆ Simple materiality assessment, in which the undertaking's impacts on its surroundings and the risks and opportunities related to sustainable development.

The impacts, risks and opportunities identified were then evaluated based on the criteria specified in the ESRS, namely the following parameters:

- ◆ the scale,
- ◆ scope,
- ◆ irremediable character of the impact,
- ◆ likelihood.

The scale was 1 to 5. Subsequently, based on the accepted materiality threshold (4 and above), material impacts, risk and opportunities were proposed.

Human rights due diligence, which is an element of the materiality assessment.

The severity of negative impact was evaluated based on the parameters, i.e.:

- ◆ the scale,
- ◆ scope,
- ◆ irremediable character of the impact,
- ◆ likelihood.

The scale was 1 to 5. Then a catalogue of human rights was selected in connection with the conducted value chain analysis.

Description of how the likelihood, magnitude, and nature of the effects of identified risks and opportunities have been assessed.

The following are taken into account in the risk assessment process:

- ◆ risk factor,
- ◆ risk evaluation,
- ◆ risk identification.

The assessment methodology is based on ongoing analysis and monitoring of the financial markets and the volatility of macroeconomic parameters (exchange rates, interest rates). A process for assessing the impact, risks and opportunities related to financial risk has not yet been developed.

Description of how sustainability risks have been prioritized relative to other risks.

The risk weights were developed by employees in the entire Group in the course of meetings and workshops.

Description of the decision-making process and the related internal control procedures

In performance of the assigned tasks and on the basis of internal legal acts (including the "Instructions for exercise of institutional control and cooperation with external control authorities in PKP CARGO S.A."), the Internal Control Department of PKP CARGO provides the Management Board with information on the assessment of the status of inspected activities, including the elimination of risks and the occurrence of unfavorable phenomena for the Company. Based on the risk analysis described above, an Inspection plan is prepared annually and approved by the President of the Management Board of PKP CARGO S.A.

The extent to which and how the process to identify, assess and manage impacts and risks is integrated into the undertaking's overall risk management process and used to evaluate the

undertaking's overall risk profile and risk management processes.

The extent to which and how the process to identify risk is integrated into the overall risk management process is defined in the Risk Management Policy of PKP CARGO S.A.

How the process to identify, assess and manage opportunities is integrated into the overall management process is defined in the Risk Management Policy of PKP CARGO S.A.

The input parameters used in the process to identify, assess and manage material impacts, risks and opportunities.

The PKP CARGO Group is in the process of developing a process to identify, assess and manage impacts, risks and opportunities.

Disclosure Requirement IRO-2 – Disclosure requirements in ESRS covered by the undertaking's sustainability statement

Information on the location of each data point can be found in the ESRS Content Index along with the appropriate page numbers.

Explanation how the material information to be disclosed in relation to significant impacts, risks and opportunities has been determined

The following were undertaken in order to identify the material information to be disclosed in relation to significant impacts, risks and opportunities for the purposes of preparation of this report:

- ◆ A survey of external and internal stakeholders. It was conducted to identify material topics and to assess issues related to the double materiality process. The surveys were carried out in the period from 15 to 24 January 2024 and were available electronically. Stakeholders responded to both closed and open-ended questions. In the survey, respondents were asked to evaluate the way in which the materiality of ESG issues was taken into account in the PKP CARGO Group's Sustainability Report for 2023.
- ◆ The materiality assessment, in which the undertaking's impacts on its surroundings and the risks and opportunities related to sustainable development.

Once the resulting impacts, risks and opportunities were identified within the value chain mapped earlier, they were assessed during the workshop based on the criteria specified in the ESRS, namely the following parameters:

- ◆ the scale,
- ◆ scope,
- ◆ irremediable character of the impact,
- ◆ likelihood.

Then, based on the accepted threshold, material impacts, risk and opportunities were proposed.

Human rights due diligence, which is an element of the materiality assessment. Within this process, a value chain was analyzed as well as actual and potential negative impacts on human rights. The severity of negative impact was evaluated based on the parameters, i.e.:

- ◆ the scale,
- ◆ scope,
- ◆ irremediable character of the impact,
- ◆ likelihood.

The process also included a workshop (held on 1 February 2024) to discuss the identified actual and potential negative impacts on human rights in the context of due diligence. After the analysis, the influence of the negative impacts on human rights in the value chain was assessed and a catalogue of human rights was selected in connection with the conducted value chain analysis.



E Environment

6

impacts with highest importance in ESRS E1 for PKP CARGO Group

3

most important risks in ESRS E1 for PKP CARGO Group

2

most important chances for PKP CARGO Group

PKP CARGO S.A. calculates its carbon footprint in scope 1 and 2



PKP CARGO S.A. Carbon footprint 2023- Scope 1 and 2

Market based:

445,8 ths tCO₂e (-14,3% y/y)

Location based:

407,5 ths tCO₂e (-14,1% y/y)

Taxonomy numbers in PKP CARGO Group

Sustainable revenues	35,7 %
Sustainable CAPEX	26,9 %
Sustainable OPEX	30,5 %
Total energy consumption	3,5 m GJ
- from renewable sources	12,3 %

The Group plans:

- calculation of carbon footprint in scope 1, 2 and 3 for the PKP CARGO Group
- creation of decarbonisation plan up to 2028

CDP Rating

- Climate Change C
- Water Security C-



2.

Environmental information

Disclosures pursuant to Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation)

Safe transportation of goods by means of rolling stock that meets environmental requirements is a strategic goal and one of the standards of responsible operation in the environmental protection area of the PKP CARGO Group. The individual companies in the Group fulfill this goal by investing in the purchase of new rolling stock, modernizing the rolling stock in use and activities in the areas of maintenance, repair facilities and equipment for rolling stock diagnostics. This way, the Group makes sure to achieve both high standards of rolling stock maintenance and to protect the environment from the potential consequences of rolling stock breakdowns and accidents.

The key components of sustainable development are included in the PKP CARGO Group's business strategy, which is integrated in ESG's strategy for 2024-2028.

Within the framework of the 8 operational goals set in the ESG strategy, the PKP CARGO Group plans to carry out activities in the area of environment and climate, including the following:

- ♦ integrating the criteria supporting the calculation and mitigation of carbon footprint into the rolling stock modernization and procurement process, taking into account the need for decarbonization in the Group's key business areas.

- ♦ Implementing circular economy principles and reducing resource consumption,
- ♦ striving to change the energy consumption model towards increasing the share of renewable energy.

The PKP CARGO Group is also involved in the implementation of the "Sustainable and Smart Mobility Strategy – European transport on track for the future" published in 2020. Many of the Group's activities are already in line with this strategy, such as the purchase of modern electric locomotives and wagons or the modernization of our rolling stock.



Climate change - ESRS E1

Rail is the greenest mode of freight transport, with a positive impact on mitigating the consequences of climate change. Because rail transport reduces the carbon footprint of freight operations and cutting down on emissions of dusts and other pollutants. As such, the development of rail transport is part of achieving global climate and environmental goals, including the global Sustainable Development Goals adopted by the UN in Agenda 2030.

ESRS E1-1

Transition plan for climate change mitigation

Transformation plan

The PKP CARGO Group has no approved transition plan for mitigating climate change. However, within the framework of goal 1 of the ESG strategy, the Group plans to:

- ♦ calculate Scope 1, 2 and 3 carbon footprint for the PKP CARGO Group by the end of 2024,
- ♦ develop the decarbonization plan by the end of 2028.

How the targets are compatible with limiting global warming to 1.5°C in accordance with the Paris Agreement.

The PKP CARGO Group has not yet adopted any specific GHG emission reduction targets. They are to be defined when the decarbonization plan is developed by the end of 2028 (in accordance with the adopted ESG strategy).

Disclosure of decarbonization levers and key actions planned

The PKP CARGO Group has not yet adopted decarbonization levers and related key actions. They will be defined when the decarbonization plan is developed by the end of 2028 (in accordance with the adopted ESG strategy).

Compliance with the EU classification of sustainable activities (Taxonomy Regulation)

On 18 June 2020, Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment, amending Regulation (EU), was adopted. Subsequently, on 21 April 2021, a classification of environmentally sustainable activities based on the Regulation, called the Taxonomy, took its current shape. The Taxonomy defines which specific economic activities, absent the fulfillment of additional criteria, including technological and social ones, may be considered environmentally sustainable.

Based on the provisions of the said Regulation, the PKP CARGO Group identified its business activities that are Taxonomy-eligible and evaluated their alignment with the Taxonomy.

Accordingly, an analysis was carried out in terms of the percentage share of:

- ♦ revenue generated from products and services related to these activities in the PKP CARGO Group's total turnover,
- ♦ capital expenditures (CAPEX) of the PKP CARGO Group corresponding to the assets or processes conducted as part of the Group's activities,
- ♦ operating expenses (OPEX) of the PKP CARGO Group reflecting all spending on the day-to-day handling and maintenance of the Group's assets.

Consequently, it was established that in 2023 the following percentages were Taxonomy-eligible and Taxonomy-aligned:

- ◆ 35.7% of the PKP CARGO Group's total turnover, that is PLN 1,959.6 million,
- ◆ 26.9% of the PKP CARGO Group's capital expenditures (CAPEX), that is PLN 464.0 million,
- ◆ 30.5% operating expenses (OPEX) on products or services, that is PLN 231.5 million.

Distinct types of activity were assigned to only one activity qualifying for the Taxonomy. No portion of the Group's turnover, CAPEX or OPEX was double-counted. In cases where revenue (turnover) generated from the respective activity was considered eligible for the Taxonomy, also the CAPEX and OPEX related to this activity were assigned to it in full and excluded from other activities. The remaining CAPEX and OPEX values (not related to the eligible turnover-generating activities) were evaluated in terms of their possible inclusion in other categories of eligible activities. Distinct CAPEX and OPEX items were ascribed to only one activity. In situations where it seemed reasonable to ascribe them to more than one activity, the most suitable one was selected.

The calculation of the share of turnover eligible for the Taxonomy was based on the following principles:

- ◆ for the turnover ratio, adopted as the basis for the calculation (the ratio denominator) was the consolidated revenue from contracts with customers,
- ◆ in turn, plugged into the numerator was the consolidated revenue generated from activities eligible for Taxonomy.

The activities of the PKP CARGO Group that contribute significantly to mitigating climate change and are Taxonomy-aligned (section A1) in terms of turnover include:

- 6.2.** freight rail transport – that is the rental and operation of means of freight transport on mainline rail networks as well as short line freight railroads. In particular, revenue generated from the carriage of goods, excluding fossil fuels, using locomotives and wagons with zero direct emissions of CO₂ in exhaust gases when operated on tracks with the necessary infrastructure and using locomotives fitted with conventional engines where such infrastructure is unavailable (electric-and-combustion),
- 3.3.** manufacture of low carbon technologies for transport – that is the repair, maintenance, modernization, reassignment and retrofitting of low-emission transport vehicles and rolling stock. In particular, revenue generated from the repair and maintenance of locomotives and freight wagons with zero direct emissions of CO₂ in exhaust gases when operated on tracks with the necessary infrastructure and using locomotives

fitted with conventional engines where such infrastructure is unavailable (electric-and-combustion),

6.14. infrastructure for rail transport – that is the construction, modernization, operation and maintenance of surface and underground railroads, bridges, tunnels, stations, terminals and rail service infrastructure facilities, and safety and traffic management systems, including the provision of architectural and engineering services, design services, construction oversight services, and surveying and mapping services, etc., conducting physical, chemical and other analytical tests on all types of materials and products. In particular, revenue from the maintenance and operation of electrified trackside infrastructure and from the provision of infrastructure and installations intended for the transshipment of cargo in intermodal connections, that is terminal infrastructure and load-bearing structures for the loading, unloading and handling of cargo.

The activities of the PKP CARGO Group that are eligible for the Taxonomy, but are environmentally unsustainable (non-Taxonomy-aligned – section A2) in terms of turnover, include:

- 6.2.** freight rail transport – that is the rental and operation of means of freight transport on mainline rail networks as well as short line freight railroads. Assigned to this category was revenue from the carriage of goods by locomotives using conventional combustion engines and revenue from the carriage of fossil fuels,
- 6.6.** freight transport services by road – that is the purchase, financing, lease, rental and operation of vehicles for the provision of freight transport services by road. Assigned to this category were all activities considered environmentally unsustainable,
- 3.3.** manufacture of low carbon technologies for transport – that is the repair, maintenance, modernization, reassignment and retrofitting of low-emission transport vehicles and rolling stock. Assigned to this category was revenue from repairs and maintenance of diesel locomotives and those freight wagons that are predominantly intended for the carriage of fossil fuels,
- 6.14.** infrastructure for rail transport – that is the construction, modernization, operation and maintenance of surface and underground railroads, bridges, tunnels, stations, terminals and rail service infrastructure facilities, and safety and traffic management systems, including the provision of architectural and engineering services, design services, construction oversight services, and surveying and mapping services, etc.,

conducting physical, chemical and other analytical tests on all types of materials and products. Assigned to this category was revenue from the maintenance and operation of non-electrified trackside infrastructure and from the provision of infrastructure and installations (terminal infrastructure and load-bearing structures) intended for the transshipment of cargo as part of non-intermodal services.

The remaining turnover is generated by activities that are not considered eligible for Taxonomy (section B).

Plugged in as the basis for calculating the turnover ratio was consolidated revenue from contracts with customers disclosed in the "Consolidated Financial Statements for the financial year ended 31 December 2023".

The percentage share of turnover from products or services related to Taxonomy-aligned activities, based on disclosures for 2022, is presented in Table 1.

The calculation of the CAPEX ratio eligible for the Taxonomy was based on the following principles:

- ◆ the calculation (ratio denominator) was based on the PKP CARGO Group's consolidated capital expenditures, which included: property, plant and equipment, intangible assets and right-of-use assets,
- ◆ capital expenditures related to activities eligible for the Taxonomy were plugged into the numerator.

The activities of the PKP CARGO Group that contribute significantly to mitigating climate change and are Taxonomy-aligned (section A1) in terms of CAPEX include:

- 6.2.** freight rail transport – that is the rental and operation of means of freight transport on mainline rail networks as well as short line freight railroads,
- 3.3.** manufacture of low carbon technologies for transport – that is the repair, maintenance, modernization, reassignment and retrofitting of low-emission transport vehicles and rolling stock. Assigned to this category were expenditures on electric locomotives and freight wagons not intended for the carriage of fossil fuels,
- 3.6.** manufacture of other low carbon technologies – that is the manufacture of technologies aimed at a substantial reduction of greenhouse gas emissions in other sectors of the economy,

5.4. Upgrade of sewage collection and treatment systems – modernization of centralized sewage systems, including collection (sewer network) and treatment,

6.14. infrastructure for rail transport – that is the construction, modernization, operation and maintenance of surface and underground railroads, bridges, tunnels, stations, terminals and rail service infrastructure facilities, and safety and traffic management systems, including the provision of architectural and engineering services, design services, construction oversight services, and surveying and mapping services, etc., conducting physical, chemical and other analytical tests on all types of materials and products. Assigned to this category were expenditures related to electrified trackside infrastructure and expenditures on the provision of infrastructure and installations (terminal infrastructure and load-bearing structures) intended for the transshipment of cargo as part of intermodal services,

7.3. installation, maintenance and repair of energy efficiency equipment – that is individual renovation measures consisting in installation, maintenance or repair of energy efficiency equipment.

The activities of the PKP CARGO Group that are eligible for the Taxonomy, but are environmentally unsustainable (non-Taxonomy-aligned – section A2) in terms of CAPEX, include

3.3. manufacture of low carbon technologies for transport – that is the repair, maintenance, modernization, reassignment and retrofitting of low-emission transport vehicles and rolling stock. Assigned to this category were expenditures on diesel locomotives and those freight wagons that are predominantly intended for the carriage of fossil fuels,

6.14. infrastructure for rail transport – that is the construction, modernization, operation and maintenance of surface and underground railroads, bridges, tunnels, stations, terminals and rail service infrastructure facilities, and safety and traffic management systems, including the provision of architectural and engineering services, design services, construction oversight services, and surveying and mapping services, etc., conducting physical, chemical and other analytical tests on all types of materials and products. Assigned to this category were expenditures related to non-electrified trackside infrastructure and expenditures on the provision of infrastructure and installations (terminal infrastructure and load-bearing structures) intended for the transshipment of cargo as part of non-intermodal services.

The remaining CAPEX are generated by activities that are not considered eligible for Taxonomy (section B).

The percentage share of capital expenditures on products or services related to Taxonomy-aligned activities, based on disclosures for 2022, is presented in Table 2.

Plugged in for the calculation of the CAPEX ratio presented Table 2 were the consolidated capital expenditures disclosed in sec. 3.6. "The Company's and the PKP CARGO Group's investments" of the "Management Board report on the activity of PKP CARGO and the PKP CARGO Group for 2023".

The calculation of the OPEX ratio eligible for the Taxonomy was based on the following principles:

- ◆ plugged into the denominator was all spending on the day-to-day handling and maintenance of the PKP CARGO Group's assets. These included: maintenance and repairs of wagons and locomotives, track infrastructure and container terminals, expenses related to repairs and overhauls of equipment, surface cleaning expenses, consumption of utilities, building security expenses, equipment legalization expenses,
- ◆ OPEX related to activities eligible for the Taxonomy were plugged into the numerator.

The activities of the PKP CARGO Group that contribute significantly to mitigating climate change and are Taxonomy-aligned (section A1) in terms of OPEX include:

3.3. manufacture of low carbon technologies for transport – that is the repair, maintenance, modernization, reassignment and retrofitting of low-emission transport vehicles and rolling stock. In particular, expenses related to the repair and maintenance of locomotives and freight wagons with zero direct emissions of CO2 in exhaust gases when operated on tracks with the necessary infrastructure and using locomotives fitted with conventional engines where such infrastructure is unavailable (electric-and-combustion),

6.2. freight rail transport – that is the rental and operation of means of freight transport on mainline rail networks as well as short line freight railroads. Assigned to this category was short-term lease of electric locomotives and freight wagons not intended for the carriage of fossil fuels,

6.14. infrastructure for rail transport – that is the construction, modernization, operation and maintenance of surface and underground railroads, bridges, tunnels, stations, terminals and rail service infrastructure facilities, and safety and traffic management systems, including the provision of architectural and engineering services, design services, construction oversight services, and surveying and mapping services, etc.,

conducting physical, chemical and other analytical tests on all types of materials and products. In particular, expenses related to the maintenance and operation of electrified trackside infrastructure and to the maintenance of infrastructure and installations intended for the transshipment of cargo in intermodal connections, that is terminal infrastructure and load-bearing structures for the loading, unloading and handling of cargo.

The activities of the PKP CARGO Group that are eligible for the Taxonomy, but are environmentally unsustainable (non-Taxonomy-aligned – section A2) in terms of OPEX, include:

3.3. manufacture of low carbon technologies for transport – that is the repair, maintenance, modernization, reassignment and retrofitting of low-emission transport vehicles and rolling stock. Assigned to this category were expenses related to the repair and maintenance of diesel locomotives and those freight wagons that are predominantly intended for the carriage of fossil fuels,

6.2. freight rail transport – that is the rental and operation of means of freight transport on mainline rail networks as well as short line freight railroads. Assigned to this category was the short-term lease of diesel locomotives and those freight wagons that are predominantly intended for the carriage of fossil fuels,

6.6. freight transport services by road – that is the purchase, financing, lease, rental and operation of vehicles for the provision of freight transport services by road. Assigned to this category were all activities considered environmentally unsustainable,

6.14. infrastructure for rail transport – that is the construction, modernization, operation and maintenance of surface and underground railroads, bridges, tunnels, stations, terminals and rail service infrastructure facilities, and safety and traffic management systems, including the provision of architectural and engineering services, design services, construction oversight services, and surveying and mapping services, etc., conducting physical, chemical and other analytical tests on all types of materials and products. Assigned to this category was spending on the maintenance and operation of non-electrified trackside infrastructure and on the maintenance of infrastructure and installations (terminal infrastructure and load-bearing structures) intended for the transshipment of cargo as part of non-intermodal services,

7.2. Renovation of existing buildings – that is construction and civil engineering works or preparation thereof. Assigned

to this category were all activities considered environmentally unsustainable.

The remaining OPEX are generated by activities that are not considered eligible for Taxonomy (section B).

As regards the OPEX ratio, due to its specific definition included in the Taxonomy, it was impossible to clearly identify such expenses in the "Consolidated Financial Statements of the PKP CARGO Group for the financial year ended 31 December 2023".

Accordingly, the OPEX denominator for the purposes of the Taxonomy is not the same as total operating expenses incurred by the PKP CARGO Group as disclosed in the said Consolidated Financial Statements.

The percentage share of operating expenses spent on products or services related to Taxonomy-aligned activities, based on disclosures for 2023, is presented in Table 3.

In the Appendix to this Report, disclosure is provided in accordance with Commission Delegated Regulation (EU) 2022/1214, supplementing Commission Delegated Regulation (EU) 2021/2178 with Annex XII, regarding standard templates for the disclosure of information referred to in Articles 8(6) and (7), i.e. for nuclear and fossil gas activities.



Table 3. Percentage share of operating expenses on products or services related to Taxonomy-aligned activities – based on disclosures for 2023

Business activities (1)	2023		Criteria pertaining to a significant contribution						
	Code(s) (2)	Operating expenses (3) PLN million	Percentage of operating expenses, 2023 (4) %	Mitigation of climate change (5) Y; N; N/EL	Adaptation to climate change (6) Y; N; N/EL	Water and marine resources (7) Y; N; N/EL	Pollution (8) Y; N; N/EL	Circular economy (9) Y; N; N/EL	Biodiversity and ecosystems (10) Y; N; N/EL
A. ACTIVITY ELIGIBLE FOR THE TAXONOMY									
A.1. Types of environmentally sustainable activity (Taxonomy-aligned)									
Cargo rail transport	CCM 6.2	183.9	24.2%	Y	Y	N/EL	N/EL	N/EL	N/EL
Manufacture of low carbon technologies for transport	CCM 3.3	14.2	1.9%	Y	Y	N/EL	N/EL	Y	N/EL
Infrastructure for rail transport	CCM 6.14	33.5	4.4%	Y	Y	N/EL	N/EL	Y	N/EL
Operating expenses pertaining to an environmentally sustainable activity (Taxonomy-aligned) (A.1)		231.5	30.5%	30.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Including enabling activity		0.0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Including transitional activity		0.0	0.0%	0.0%					
A.2 Activity eligible for the Taxonomy but not environmentally sustainable (non-Taxonomy-aligned)									
Manufacture of low carbon technologies for transport	CCM 3.3	240.9	31.7%	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL
Cargo rail transport	CCM 6.2	31.8	4.2%	EL	EL	N/EL	N/EL	N/EL	N/EL
Road freight transport services	CCM 6.6	3.1	0.4%	EL	EL	N/EL	N/EL	EL	N/EL
Infrastructure for rail transport	CCM 6.14	172.6	22.7%	EL	EL	N/EL	N/EL	EL	N/EL
Renovation of existing buildings	CCM 7.2	3.3	0.4%	EL	EL	N/EL	N/EL	EL	N/EL
Operational expenditures related to Taxonomy-eligible but not environmentally sustainable (non-Taxonomy-aligned) activities (A.2)		451.7	59.4%	59.4%	0.0%	0.0%	0.0%	0.0%	0.0%
A. Operating expenses related to Taxonomy-eligible activities (A.1+A.2)		683.3	89.9%	89.9%	0.0%	0.0%	0.0%	0.0%	0.0%
B. ACTIVITY NOT ELIGIBLE FOR THE TAXONOMY									
Operating expenses related to non-Taxonomy-eligible activities (B)		76.7	10.1%						
TOTAL (A+B)		760.0	100.0%						

Criteria pertaining to the DNSH principle ("do no serious harm")									
Mitigation of climate change (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Share of Taxonomy-aligned activities (A.1.) or Taxonomy-eligible activities (A.2.) Operating expenses, 2022 (18)	Auxiliary activity category (19)	Transitional activity category (20)
Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	Y
Y	Y	Y	Y	Y	Y	Y	12.5%		
Y	Y	Y	Y	Y	Y	Y	0.8%		
Y	Y	Y	Y	Y	Y	Y	1.9%		
Y	Y	Y	Y	Y	Y	Y	15.2%		
Y	Y	Y	Y	Y	Y	Y	0.0%		
Y	Y	Y	Y	Y	Y	Y	0.0%		
							40.9%		
							28.9%		
							0.3%		
							7.3%		
							0.1%		
							77.6%		
							92.8%		



Appendix – disclosure in accordance with Commission Delegated Regulation (EU) 2022/1214, supplementing Commission Delegated Regulation (EU) 2021/2178 with Annex XII, regarding standard templates for the disclosure of information referred to in Articles 8(6) and (7), i.e. for nuclear and fossil gas activities

Nuclear and fossil gas-related activities in 2023

Nuclear energy activities

1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO

Fossil gas-related activities

4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO



Turnover – Taxonomy-aligned economic activities (denominator) in 2023

Types of economic activity	Amount and percentage share					
	CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
	Amount [PLN million]	%	Amount [PLN million]	%	Amount [PLN million]	%
1. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
2. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
3. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
4. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
5. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
6. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
7. Amount and proportion of other Taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	1,959.6	35.7%	1,959.6	35.7%	0.0	0.0%
8. Total applicable KPI	5,491.9		5,491.9		0.0	

Turnover – Taxonomy-aligned economic activities (numerator) in 2023

Types of economic activity	Amount and percentage share					
	CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
	Amount [PLN million]	%	Amount [PLN million]	%	Amount [PLN million]	%
1. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
2. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
3. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
4. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
5. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
6. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
7. Amount and proportion of other Taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	1,959.6	100.0%	1,959.6	100.0%	0.0	0.0%
8. Total amount and proportion of Taxonomy-aligned economic activities in the numerator of the applicable KPI	1,959.6	100.0%	1,959.6	100.0%	0.0	0.0%

Turnover – Taxonomy-eligible but non-Taxonomy-aligned economic activities in 2023

Types of economic activity	Amount and percentage share					
	CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
	Amount [PLN million]	%	Amount [PLN million]	%	Amount [PLN million]	%
1. Amount and proportion of Taxonomy-eligible but non-Taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
2. Amount and proportion of Taxonomy-eligible but non-Taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
3. Amount and proportion of Taxonomy-eligible but non-Taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
4. Amount and proportion of Taxonomy-eligible but non-Taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
5. Amount and proportion of Taxonomy-eligible but non-Taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
6. Amount and proportion of Taxonomy-eligible but non-Taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
7. Amount and proportion of other Taxonomy-eligible but non-Taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	2,647.0	48.2%	2,647.0	48.2%	0.0	0.0%
8. Total amount and proportion of Taxonomy-eligible but non-Taxonomy-aligned economic activities in the denominator of the applicable KPI	2,647.0	48.2%	2,647.0	48.2%	0.0	0.0%

Turnover – non-Taxonomy-eligible activities in 2023

Types of economic activity	Amount [PLN million]	Percentage share
1. Amount and proportion of non-Taxonomy-eligible economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%
2. Amount and proportion of non-Taxonomy-eligible economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%
3. Amount and proportion of non-Taxonomy-eligible economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%
4. Amount and proportion of non-Taxonomy-eligible economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%
5. Amount and proportion of non-Taxonomy-eligible economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%
6. Amount and proportion of non-Taxonomy-eligible economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%
7. Amount and proportion of other non-Taxonomy-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	885.3	16.1%
8. Total amount and proportion of non-Taxonomy-eligible economic activities in the denominator of the applicable KPI	885.3	16.1%



Capital expenditures – Taxonomy-aligned economic activities (denominator) in 2023

Types of economic activity	Amount and percentage share					
	CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
	Amount [PLN million]	%	Amount [PLN million]	%	Amount [PLN million]	%
1. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
2. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
3. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
4. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
5. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
6. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
7. Amount and proportion of other Taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	464.0	26.9%	464.0	26.9%	0.0	0.0%
8. Total applicable KPI	1,721.6		5,491.9		0.0	

Capital expenditures – Taxonomy-aligned economic activities (numerator) in 2023

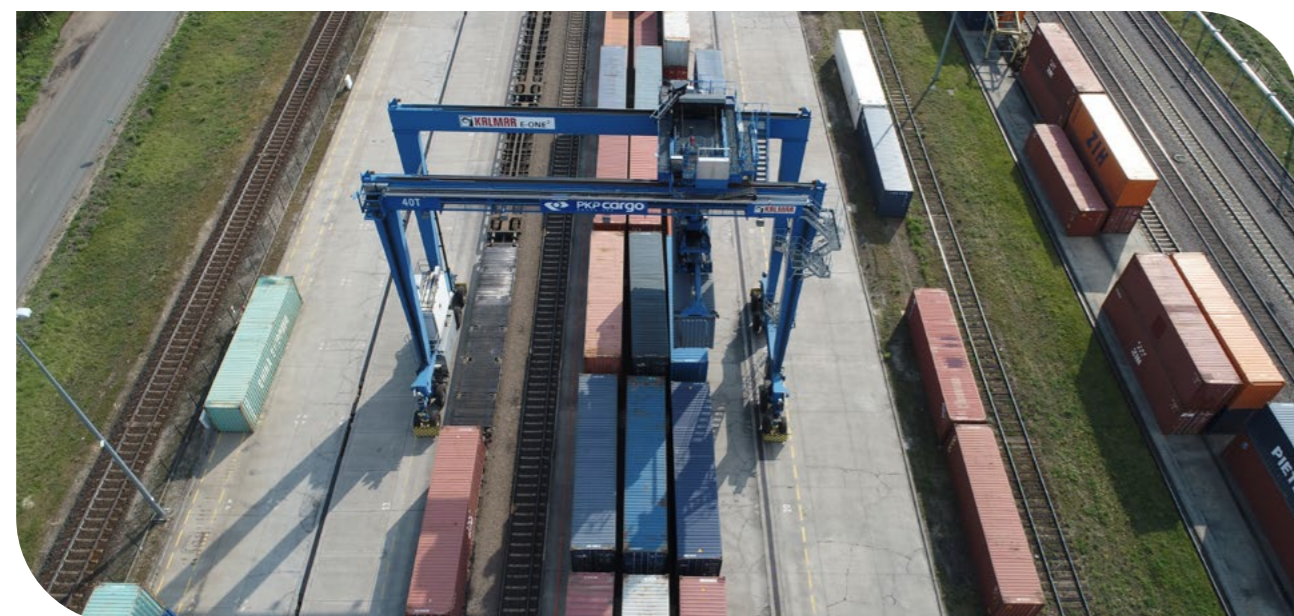
Types of economic activity	Amount and percentage share					
	CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
	Amount [PLN million]	%	Amount [PLN million]	%	Amount [PLN million]	%
1. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
2. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
3. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
4. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
5. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
6. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
7. Amount and proportion of other Taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	464.0	100.0%	464.0	100.0%	0.0	0.0%
8. Total amount and proportion of Taxonomy-aligned economic activities in the numerator of the applicable KPI	464.0	100.0%	464.0	100.0%	0.0	0.0%

Capital expenditures – Taxonomy-eligible but non-Taxonomy-aligned economic activities in 2023

Types of economic activity	Amount and percentage share					
	CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
	Amount [PLN million]	%	Amount [PLN million]	%	Amount [PLN million]	%
1. Amount and proportion of Taxonomy-eligible but non-Taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
2. Amount and proportion of Taxonomy-eligible but non-Taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
3. Amount and proportion of Taxonomy-eligible but non-Taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
4. Amount and proportion of Taxonomy-eligible but non-Taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
5. Amount and proportion of Taxonomy-eligible but non-Taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
6. Amount and proportion of Taxonomy-eligible but non-Taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
7. Amount and proportion of other Taxonomy-eligible but non-Taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	820.4	47.7%	820.4	47.7%	0.0	0.0%
8. Total amount and proportion of Taxonomy-eligible but non-Taxonomy-aligned economic activities in the denominator of the applicable KPI	820.4	47.7%	820.4	47.7%	0.0	0.0%

Capital expenditures – non-Taxonomy-eligible activities in 2023

Types of economic activity	Amount and percentage share	
	Amount [PLN million]	Percentage share
1. Amount and proportion of non-Taxonomy-eligible economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%
2. Amount and proportion of non-Taxonomy-eligible economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%
3. Amount and proportion of non-Taxonomy-eligible economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%
4. Amount and proportion of non-Taxonomy-eligible economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%
5. Amount and proportion of non-Taxonomy-eligible economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%
6. Amount and proportion of non-Taxonomy-eligible economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%
7. Amount and proportion of other non-Taxonomy-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	437.2	25.4%
8. Total amount and proportion of non-Taxonomy-eligible economic activities in the denominator of the applicable KPI	437.2	25.4%



Operating expenses – Taxonomy-aligned economic activities (denominator) in 2023

Types of economic activity	Amount and percentage share					
	CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
	Amount [PLN million]	%	Amount [PLN million]	%	Amount [PLN million]	%
1. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
2. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
3. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
4. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
5. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
6. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
7. Amount and proportion of other Taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	231.5	30.5%	231.5	30.5%	0.0	0.0%
8. Total applicable KPI	760.0		760.0		0.0	

Operating expenses – Taxonomy-aligned economic activities (numerator) in 2023

Types of economic activity	Amount and percentage share					
	CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
	Amount [PLN million]	%	Amount [PLN million]	%	Amount [PLN million]	%
1. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
2. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
3. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
4. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
5. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
6. Amount and proportion of Taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
7. Amount and proportion of other Taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	231.5	100.0%	231.5	100.0%	0.0	0.0%
8. Total amount and proportion of Taxonomy-aligned economic activities in the numerator of the applicable KPI	231.5	100.0%	231.5	100.0%	0.0	0.0%

Operating expenses – Taxonomy-eligible but non-Taxonomy-aligned economic activities in 2023

Types of economic activity	Amount and percentage share					
	CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
	Amount [PLN million]	%	Amount [PLN million]	%	Amount [PLN million]	%
1. Amount and proportion of Taxonomy-eligible but non-Taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
2. Amount and proportion of Taxonomy-eligible but non-Taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
3. Amount and proportion of Taxonomy-eligible but non-Taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
4. Amount and proportion of Taxonomy-eligible but non-Taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
5. Amount and proportion of Taxonomy-eligible but non-Taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
6. Amount and proportion of Taxonomy-eligible but non-Taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%	0.0	0.0%	0.0	0.0%
7. Amount and proportion of other Taxonomy-eligible but non-Taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	451.7	59.4%	451.7	59.4%	0.0	0.0%
8. Total amount and proportion of Taxonomy-eligible but non-Taxonomy-aligned economic activities in the denominator of the applicable KPI	451.7	59.4%	451.7	59.4%	0.0	0.0%

Operating expenses – non-Taxonomy-eligible activities in 2023

	Types of economic activity	Amount [PLN million]	Percentage share
1.	Amount and proportion of non-Taxonomy-eligible economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%
2.	Amount and proportion of non-Taxonomy-eligible economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%
3.	Amount and proportion of non-Taxonomy-eligible economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%
4.	Amount and proportion of non-Taxonomy-eligible economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%
5.	Amount and proportion of non-Taxonomy-eligible economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%
6.	Amount and proportion of non-Taxonomy-eligible economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0.0	0.0%
7.	Amount and proportion of other non-Taxonomy-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	76.7	10.1%
8.	Total amount and proportion of non-Taxonomy-eligible economic activities in the denominator of the applicable KPI	76.7	10.1%



Explanation of potential locked-in greenhouse gas emissions from key assets and products and how the locked-in greenhouse gas emissions may jeopardize the achievement of GHG emission reduction targets and increase transition risk

The PKP CARGO Group has not yet adopted any specific GHG emission reduction targets, so it is unable to make any disclosure of potential locked-in GHG emissions from key assets and products. They are to be defined when the decarbonization plan is developed by the end of 2028 (in accordance with the adopted ESG strategy).

The undertaking is excluded from EU Paris-aligned benchmarks

The PKP CARGO Group is not excluded from EU Paris-aligned benchmarks

Explanation how well the transition plan is integrated within and adapted to overall business strategy and financial planning

The PKP CARGO Group has no approved transition plan for mitigating climate change. Nevertheless, within the framework of Goal 1 of the ESG Strategy, the Group plans to, among others, develop the decarbonization plan by the end of 2028 and adapt it to the overall business strategy and financial planning.

The transition plan has been approved by administrative, management and supervisory bodies

The PKP CARGO Group has no approved transition plan for mitigating climate change. Nevertheless, within the framework of Goal 1 of the ESG Strategy, the Group plans to, among others, develop the decarbonization plan by the end of 2028 and have it approved by the management and supervisory bodies.

Explanation of progress in the implementation of the transition plan

The PKP CARGO Group has no approved transition plan for mitigating climate change.

Adoption date of a transition plan, for undertakings that have not yet adopted a transition plan

The PKP CARGO Group has no approved transition plan for mitigating climate change. Within the framework of Goal 1 of the ESG Strategy, the Group plans to, among others, develop the decarbonization plan by the end of 2028



Management of impacts, risks and opportunities

Impacts

In the due diligence process, 6 highest-rated impacts were identified in the ESRS E1 disclosure area for the PKP CARGO Group:

- ESRS E1** Climate change adaptation
Transportation of coal - is a significant part of PKP CARGO's business model, as daily coal transportation accounts for about half of all transported goods.
- ESRS E1** Climate change mitigation
Shifting freight from road to rail - climate benefits from reduced GHG emissions in the road transportation sector.
- ESRS E1** Climate change mitigation
Replacing locomotives with low-emission units - reducing GHG emissions and keeping global average temperature increase at 1.5°C
- ESRS E1** Climate change adaptation
GHG emissions in three areas - operating in a sector with significant climate impact (freight rail transport - NACE 49.20), including locomotives powered with diesel fuel and electricity generated by coal-fired power plants
- ESRS E1** Climate change mitigation
Purchase of electricity from renewable sources
- ESRS E1** Climate change mitigation
Use of low-carbon energy sources, by purchasing energy renewable energy

Risks

In the due diligence process, 3 highest-rated risks were identified for the PKP CARGO Group in the ESRS E1 area:

- ESRS E1** Climate change mitigation
Transition risk - rising costs of CO₂ emissions into the atmosphere, due to, inter alia, the inclusion of the rail sector in the ETS
- ESRS E1** Climate change adaptation
Increase in fuel prices - increase in transportation costs
- ESRS E1** Climate change adaptation
Risk of loss due to subcontractors' restrictions on reducing greenhouse gas emissions in the supply chain - from adapting to actual and expected climate change and its effects.

Opportunities

In the due diligence process, two highest-rated opportunities were identified for the PKP CARGO Group:

- ESRS E1** Climate change mitigation
Transition to locomotives powered with renewable energy - it will become a green alternative to carbon-intensive modes of transportation, attracting customers and business partners.
- ESRS E1** Climate change adaptation
Increase in prices of fuel used in road transport.

ESRS E1-2

Policies related to climate change mitigation and adaptation

Implemented policies to manage material impacts, risks and opportunities related to climate change mitigation and adaptation

The PKP CARGO Group has no climate policy implemented within the current system of management of environmental topics.

PKP CARGO SA

The Company plans to implement a climate policy in the coming years. Climate risk issues have been partially recorded in the register of risks kept and updated annually in accordance with the "Risk Management Policy in PKP CARGO SA" and are managed within the risk management system. The risk assessment system is assigned to individual posts and falls under the responsibility of employees. For individual identified business risks that have been identified as requiring action, those responsible for this area develop Risk Management Plans.

PKP CARGO identifies climate risk as the potentially negative impact of climate change on the Company in two dimensions:

1. Physical risk – the company assumes that physical climate risks are weather phenomena beyond its control, which may exist in two dimensions – acute (extreme phenomena such as droughts, floods, fires, etc.) or chronic (construed as, for instance, long-term changes in average temperatures or rising water levels). In case of PKP CARGO S.A., these phenomena may make it difficult or temporarily also impossible to carry out transport operations.
2. Transition (transformation) risks – risks arising from the need to transition to a low-carbon economy and to adapt operations in such a way as to be resilient to climate change.

Additionally, a system of oversight over environmental issues is being implemented within the "Integrated Management System" and will be compliant with the requirements of, among others, the PN- EN ISO 14001:2015-09 standard (international standard for environmental management).

Through this system, PKP CARGO monitors in detail those environmental aspects that it considers material.

With regard to climate change, in accordance with the recommendations of the TCFG, PKP CARGO S.A. also identifies opportunities in this respect, which should directly help the Company consolidate its leading position in the freight transport market and continue expansion into foreign markets.

The operations carried out by PKP CARGO SA, i.e. rail and multimodal freight transport, are the type of activities that satisfy the general expectations related to climate issues.

Accordingly, the Company has identified its opportunities among others in the following dimensions:

3. Potential opportunity for a change in transport lending policy - at the level of European Union regulation and product and service development forecasts, there is a trend towards the development of rail transport to support the achievement of the EU's CO₂ reduction targets. Accordingly, rail transport will be prioritized due to its contribution to the development of energy-efficient and low-emission transport operations. This will translate into the availability of financial support for rail transport projects and for the implementation of modern solutions in this sector. This approach should entail:
 - ♦ support for environmentally friendly transport projects and endeavors aimed at creating conditions conducive to shifting transport from roads to railways,
 - ♦ increased interest in rail transport and consequently rail services should be relatively cheaper. As a result, this could increase the chances of attracting new customers.
4. Raising awareness of climate change and the benefits of low-emission mobility among customers and direct consumers, and influencing their purchasing decisions - this opportunity could lead to the development of Europe-wide standardized tools, such as carbon calculators, to compare the emissions of different modes of transport and to develop guidelines for the eco-labeling of transported goods.

Sustainability issues integrated in the climate policy

The PKP CARGO Group has no climate policy in place.

ESRS E1-3

Actions and resources in relation to climate change policies

Actions and resources associated with climate change mitigation and adaptation

The PKP CARGO Group has no climate policy in place and it has not set GHG emission reduction targets. Within the framework of Goal 1 of the ESG Strategy, the Group plans to, among others, develop the decarbonization plan by the end of 2028.

Key actions taken in the reporting year and planned for the future, present the climate change mitigation actions by decarbonization lever

PKP CARGO S.A

PKP CARGO consistently reduces the energy-intensity of its activities through:

- ♦ replacement and upgrade of rolling stock,
- ♦ continued replacement of light sources with energy-efficient lighting
- ♦ gradual liquidation of high-emission heating boilers.

In accordance with the adopted ESG strategy for 2024-2028, some of the activities planned for the coming years are: investments in renewable energy facilities, training of employees in climate and energy efficiency activities, promotion of PKP CARGO S.A.'s activities.

PKP CARGO CONNECT plans to invest in a new generation of transshipment equipment to replace and supplement its machinery with a view to reducing energy intensity. Plans also call for replacing lighting and surveillance equipment in the terminals with energy-efficient devices

GHG reduction achieved

The PKP CARGO Group has not yet established and adopted GHG emission reduction targets. They will be defined and subsequently disclosed as part of the process of developing and implementing the decarbonization plan by the end of 2028.

GHG reduction expected

The PKP CARGO Group has not yet established and adopted GHG emission reduction targets. They will be defined in the process of developing the decarbonization plan by the end of 2028.

Explanation of the extent to which the ability to implement action depends on the availability and allocation of resources

The ability to implement actions to reduce greenhouse gas emissions depends on the ability to finance them.

Metrics and targets

The PKP CARGO Group has not yet established and adopted GHG emission reduction targets. They will be defined in the process of developing the decarbonization plan by the end of 2028. Accordingly, the Group has not yet adopted any specific metrics for monitoring the planned GHG emission reduction.



ESRS E1-4

Targets related to climate change mitigation and adaptation

Tracking the effectiveness of policies and actions through objectives

The PKP CARGO Group has no climate policy in place and therefore has not set climate-related targets and has not tracked the effectiveness of its actions. Within the framework of Goal 1 of the ESG Strategy, the Group plans to, among others, develop the decarbonization plan by the end of 2028

Disclosure how GHG emission reduction targets and/or any other targets to manage material climate-related impacts, risks and opportunities

The PKP CARGO Group has no climate policy in place and therefore has not set climate-related targets and has not tracked the effectiveness of its actions. Within the framework of Goal 1 of the ESG Strategy, the Group plans to, among others, develop the decarbonization plan by the end of 2028

The PKP CARGO Group has no climate policy in place and therefore has not set climate-related targets and GHG emission reduction targets. Therefore, no tables can be provided.



ESRS E1-5

Energy consumption and mix

Total energy consumption related to own operations

Group and subsidiaries	Total energy consumption related to own activities
PKP CARGO Group	3 531 843 GJ
PKP CARGO S.A.	2 756 723 GJ
PKP CARGO SERVICE	62 048 GJ
PKP CARGOTABOR	174 926 GJ
PKP CARGO TERMINALE	20 499 GJ
CARGOSPED TERMINAL BRANIEWO	14 459 GJ
CARGOTOR	1 577 GJ
PKP CARGO CONNECT	18 530 GJ
PKP CARGO INTERNATIONAL	483 081 GJ

Total fossil energy consumption

Group and subsidiaries	Total fossil energy consumption
PKP CARGO Group	3 062 055 GJ
PKP CARGO S.A.	2 331 249 GJ
PKP CARGO SERVICE	62 048 GJ
PKP CARGOTABOR	174 926 GJ
PKP CARGO TERMINALE	20 499 GJ
CARGOSPED TERMINAL BRANIEWO	14 459 GJ
CARGOTOR	1 577 GJ
PKP CARGO CONNECT	18 530 GJ
PKP CARGO INTERNATIONAL	438 767 GJ

Total energy consumption from nuclear sources

Group and subsidiaries	Total nuclear energy consumption
PKP CARGO Group	36 930 GJ
PKP CARGO S.A.	-
PKP CARGO SERVICE	-
PKP CARGOTABOR	-
PKP CARGO TERMINALE	-
CARGOSPED TERMINAL BRANIEWO	-
CARGOTOR	-
PKP CARGO CONNECT	-
PKP CARGO INTERNATIONAL	36 930 GJ

Percentage of nuclear energy consumption in total energy consumption

Group and subsidiaries	Percentage of nuclear energy consumption in total energy consumption
PKP CARGO Group	1.05%
PKP CARGO S.A.	-
PKP CARGO SERVICE	-
PKP CARGOTABOR	-
PKP CARGO TERMINALE	-
CARGOSPED TERMINAL BRANIEWO	-
CARGOTOR	-
PKP CARGO CONNECT	-
PKP CARGO INTERNATIONAL	7.64%

Total energy consumption from renewable sources

Group and subsidiaries	Total energy consumption from renewable sources
PKP CARGO Group	432 858 GJ
PKP CARGO S.A.	425 474 GJ
PKP CARGO SERVICE	-
PKP CARGOTABOR	-
PKP CARGO TERMINALE	-
CARGOSPED TERMINAL BRANIEWO	-
CARGOTOR	-
PKP CARGO CONNECT	-
PKP CARGO INTERNATIONAL	7 384 GJ

Consumption of self-generated non-fuel renewable energy

Group and subsidiaries	Consumption of self-generated non-fuel renewable energy
PKP CARGO Group	40 GJ
PKP CARGO S.A.	40 GJ
PKP CARGO SERVICE	-
PKP CARGOTABOR	-
PKP CARGO TERMINALE	-
CARGOSPED TERMINAL BRANIEWO	-
CARGOTOR	-
PKP CARGO CONNECT	-
PKP CARGO INTERNATIONAL	-

Share of renewable sources in total energy consumption

Group and subsidiaries	Share of renewable sources in total energy consumption (%)
PKP CARGO Group	12.26%
PKP CARGO S.A.	15.43%
PKP CARGO SERVICE	-
PKP CARGOTABOR	-
PKP CARGO TERMINALE	-
CARGOSPED TERMINAL BRANIEWO	-
CARGOTOR	-
PKP CARGO CONNECT	-
PKP CARGO INTERNATIONAL	1.53%

Fuel consumption from coal and coal products

PKP CARGO Group	Consumption of fuels from coal and coal products
PKP CARGO Group	115 086 GJ
PKP CARGO S.A.	27 650 GJ
PKP CARGO SERVICE	12 561 GJ
PKP CARGOTABOR	67 765 GJ
PKP CARGO TERMINALE	2 700 GJ
CARGOSPED TERMINAL BRANIEWO	3 423 GJ
CARGOTOR	41 GJ
PKP CARGO CONNECT	0
PKP CARGO INTERNATIONAL	947 GJ



Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources

Group and subsidiaries	Consumption of purchased or procured electricity, heat, steam and cooling from renewable sources
PKP CARGO Group	432 818 GJ
PKP CARGO S.A.	425 434 GJ
PKP CARGO SERVICE	-
PKP CARGOTABOR	-
PKP CARGO TERMINALE	-
CARGOSPED TERMINAL BRANIEWO	-
CARGOTOR	-
PKP CARGO CONNECT	-
PKP CARGO INTERNATIONAL	7 384 GJ

Fuel consumption from crude oil and petroleum products

Group and subsidiaries	Fuel consumption from oil and petroleum products
PKP CARGO Group	1 274 548 GJ
PKP CARGO S.A.	815 630 GJ
PKP CARGO SERVICE	36 927 GJ
PKP CARGOTABOR	20 793 GJ
PKP CARGO TERMINALE	12 026 GJ
CARGOSPED TERMINAL BRANIEWO	9 650 GJ
CARGOTOR	1 028 GJ
PKP CARGO CONNECT	14 459 GJ
PKP CARGO INTERNATIONAL	364 035 GJ

Fuel consumption from natural gas

Group and subsidiaries	Fuel consumption from natural gas
PKP CARGO Group	24 275 GJ
PKP CARGO S.A.	10 145 GJ
PKP CARGO SERVICE	-
PKP CARGOTABOR	8 666 GJ
PKP CARGO TERMINALE	2 120 GJ
CARGOSPED TERMINAL BRANIEWO	629 GJ
CARGOTOR	140 GJ
PKP CARGO CONNECT	147 GJ
PKP CARGO INTERNATIONAL	2 427 GJ



Consumption of purchased or acquired electricity, heat, steam, or cooling from fossil sources

Group and subsidiaries	Consumption of purchased or acquired electricity, heat, steam or cooling from fossil sources
PKP CARGO Group	1 648 145 GJ
PKP CARGO S.A.	1 477 824 GJ
PKP CARGO SERVICE	12 561 GJ
PKP CARGOTABOR	77 701 GJ
PKP CARGO TERMINALE	3 653 GJ
CARGOSPED TERMINAL BRANIEWO	757 GJ
CARGOTOR	368 GJ
PKP CARGO CONNECT	3 924 GJ
PKP CARGO INTERNATIONAL	71 358 GJ

Share of fossil sources in total energy consumption

Group and subsidiaries	Share of fossil sources in total energy consumption (%)
PKP CARGO Group	86.70%
PKP CARGO S.A.	84.57%
PKP CARGO SERVICE	100.00%
PKP CARGOTABOR	100.00%
PKP CARGO TERMINALE	100.00%
CARGOSPED TERMINAL BRANIEWO	100.00%
CARGOTOR	100.00%
PKP CARGO CONNECT	100.00%
PKP CARGO INTERNATIONAL	90.83%

Non-renewable energy production

Group and subsidiaries	Non-renewable energy production
PKP CARGO Group	74 288 GJ
PKP CARGO S.A.	70 865 GJ
PKP CARGO SERVICE	-
PKP CARGOTABOR	-
PKP CARGO TERMINALE	-
CARGOSPED TERMINAL BRANIEWO	3 423 GJ
CARGOTOR	-
PKP CARGO CONNECT	-
PKP CARGO INTERNATIONAL	-

Renewable energy production

Group and subsidiaries	Energy production from renewable sources
PKP CARGO Group	40 GJ
PKP CARGO S.A.	40 GJ
PKP CARGO SERVICE	-
PKP CARGOTABOR	-
PKP CARGO TERMINALE	-
CARGOSPED TERMINAL BRANIEWO	-
CARGOTOR	-
PKP CARGO CONNECT	-
PKP CARGO INTERNATIONAL	-

Total energy consumption in high climate impact sectors

Group and subsidiaries	Total energy consumption in sectors with high climate impact
PKP CARGO Group	3 531 843 GJ
PKP CARGO S.A.	2 756 723 GJ
PKP CARGO SERVICE	62 048 GJ
PKP CARGOTABOR	174 926 GJ
PKP CARGO TERMINALE	20 499 GJ
CARGOSPED TERMINAL BRANIEWO	14 459 GJ
CARGOTOR	1 577 GJ
PKP CARGO CONNECT	18 530 GJ
PKP CARGO INTERNATIONAL	483 081 GJ

High climate impact sectors that are used to determine the energy intensity

PKP CARGO

The sector, in which the PKP CARGO Group operates is a high climate impact sector. Clarification:Annex 1 of Regulation No. 1893/2006 of the European Parliament and of the Council of 30 December 2006 classifies freight rail transport (49.20) and service activities incidental to land transportation (52.21) as high climate impact sectors.



ESRS E1-6

Gross Scopes 1, 2, 3 and Total GHG emissions

Gross Scope 1 and 2 GHG emissions

No.	Direct emission source	GHG emissions [tCO ₂ e]	
		2022	2023
Scope 1			
1.	boiler plants using solid fuels ¹⁾	2 989,1	2 308,8
2.	boiler plants using gaseous and liquid fuels ¹⁾	4 258,7	4 414,8
stationary combustion TOTAL:		7 247,8	6 723,6
3.	steam locomotives ²⁾	194,5	232,0
4.	vehicles and machinery ³⁾	3 027,9	3 107,1
5.	diesel locomotives ⁵⁾	81 850,8	62 717,5
mobile combustion TOTAL:		85 073,2	66 056,6
6.	process emissions from welding ⁶⁾	1,2	1,4
process emissions TOTAL:		1,2	1,4
7.	air conditioners ⁴⁾	45,2	58,4
fugitive emissions TOTAL:		45,2	58,4
GHG emissions TOTAL		92 367,4	72 840,0
Biogenic emissions of CO₂		1 644	863,7

definitions for reference - [page 84](#)



No.	Indirect emission source	GHG emissions [tCO ₂ e]	
		2022	2023
Scope 2 - marked-based method			
8.	Traction energy ⁶⁾	406 411,9	352 790,6
	including energy consumed in Poland	406 411,9	346 912,1
	including energy consumed in Germany	n.a	3 374,5
	including energy consumed in Czech Republic	n.a	2 414,5
	including energy consumed in Slovakia	n.a	89,5
	including energy consumed in Austria	n.a	0,0
8.	Non-traction electric energy ⁷⁾	10 766,2	11 515,1
10.	Heat ⁸⁾	10 620,2	8 683,3
GHG emissions TOTAL		427 798,3	372 989,0
Scope 2 - location-based method			
11.	Traction energy ⁹⁾	359 284,49	313 786,0
	including energy consumed in Poland	359 284,49	306 221,1
	including energy consumed in Germany	n.a	4 625,7
	including energy consumed in Czech Republic	n.a	2 338,5
	including energy consumed in Slovakia	n.a	89,5
	including energy consumed in Austria	n.a	511,2
12.	Non-traction electric energy ¹⁰⁾	11 828,9	10 730,2
13.	Heat ¹¹⁾	11 102,3	10 195,9
GHG emissions TOTAL		382 215,7	334 712,1

Total GHG emissions - Scope 1+2 [tCO₂e]

Scope 1 + Scope 2 (marked-based method)	520 165,7	445 829,0
Scope 1 + Scope 2 (location-based method)	474 583,1	407 552,1

Disclosure of material changes in definition of what constitutes the reporting undertaking and its value chain and explanation of impact on comparability of reported GHG emissions year over year.

PKP CARGO SA

PKP CARGO SA calculates its Scope 1 and 2 carbon footprint (the calculations do not cover the value chain). According to the adopted ESG Strategy, the PKP CARGO Group plans to calculate Scope 1, 2 and 3 carbon footprint of key Group companies by the end of 2024.

Disclosure of methodologies, material assumptions and emission factors used to calculate or measure GHG emissions.

PKP CARGO SA has identified three main emission sources:

1. PKP CARGO carries out freight transport using mainly electric locomotives. However, not all rail lines in Poland are electrified. For this reason, diesel locomotives are used on certain routes and on sidings.
2. Consumption of electricity used in large quantities for traction purposes.
3. administrative buildings and technical facilities. To heat some of these facilities, own heat sources fired by coal, coke, fuel oil, natural gas and LPG are used.

PKP CARGO SA calculates its Scope 1 and 2 carbon footprint. The data required to calculate emissions are collected by employees of the Company's units and Head Office employees and include data on fuel and energy consumption.

Data used to calculate emissions in the scope of:

- 1) Department for Environment, Food and Rural Affairs (DEFRA); Greenhouse gas reporting: conversion factors 2022 and 2023
- 2) EMEP/EEA air pollutant emission inventory guidebook 2023
- 3) Indicators in accordance with PN EN 16258:2013-05 – used for calculation of emission in 2022; ratios in accordance with PN EN ISO 14083:2023 – used for calculation of emissions in 2022; in accordance with the Regulation of the Minister of Economy of October 9, 2015 on quality requirements for liquid fuels, in Poland the maximum

content of methyl esters may amount to 7%; therefore, an average biodiesel content of 3.5% was assumed for calculations; the biogenic emissions demonstrated concern emissions from biodiesel contained in locomotive diesel fuel;

- 4) Emissions indicators in accordance with Safety Data Sheet provided by manufacturer of AIR Products Sp. z o.o.
- 5) GWP Indicators in accordance with https://report.ipcc.ch/ar6/wg1/IPCC_AR6_WGI_FullReport.pdf
- 6) Indicators provided by suppliers and indicators published in POLAND'S NATIONAL INVENTORY REPORT from 2022 and 2023 accordingly (data for 2022 were recalculated due to availability of indicators for 2022 and to change in GWP Indicators applied, data for 2023 were recalculated in accordance with currently available indicators provided by suppliers for 2022 and currently available GWP Indicators), emissions for 2023 include traction electricity consumption from international freight (for this consumption, only CO2 emissions were calculated due to lack of available data for CH4 and N2O) – for the international freight in Austria, emissions amount to 0,00 due to the fact that all electricity is provided from renewable sources; for the international freight in Slovakia – due to lack provided data by energy supplier, the same Indicator was used in both calculation methods i.e.: location based method and market based method
- 7) Indicators provided by suppliers and Indicators published in POLAND'S NATIONAL INVENTORY REPORT from 2022 and 2023 accordingly (data for 2022 were recalculated due to availability of indicators for 2022 and to change in GWP Indicators applied, data for 2023 were recalculated in accordance with currently available indicators provided by suppliers for 2022 and currently available GWP Indicators)
- 8) Indicators provided by suppliers, KOBIZE Indicators and Indicators published in POLAND'S NATIONAL INVENTORY REPORT from 2022 and 2023 accordingly (data for 2022 were recalculated due to change in applied indicators from GWP, data for 2023 were recalculated in accordance with currently available GWP Indicators)
- 9) KOBIZE Indicators, Indicators published in POLAND'S NATIONAL INVENTORY REPORT from 2022 and 2023 accordingly (data for 2022 were recalculated due to change in applied indicators from GWP), emissions for 2023 include traction electricity consumption from international freight (EEA indicators were applied for calculation the electricity consumption)

- 10) KOBIZE Indicators, Indicators published in POLAND'S NATIONAL INVENTORY REPORT from 2022 and 2023 accordingly (data for 2022 were recalculated due to change in applied indicators from GWP),
- 11) KOBIZE Indicators (for 2022), URE Indicators (for 2023), Indicators published in POLAND'S NATIONAL INVENTORY REPORT from 2022 and 2023 accordingly (data for 2022 were recalculated due to change in applied indicators from GWP),

Data used to calculate Scope 2 emissions:

Scope 2 carbon footprint is calculated using two methods:

- a. the marked-based method - emissions from the consumption of utilities are calculated based on emission-intensity information, which is updated annually by utility suppliers:
 - ◆ consumption of traction electricity - CO₂ emission factors are provided by traction energy suppliers.
 - ◆ consumption of non-traction electricity - CO₂ emission factors are provided by PKP CARGO SA's energy suppliers.
 - ◆ consumption heat - emission factors are provided by PKP CARGO SA's energy suppliers.

- b. the location-based method - emissions from the consumption of utilities are calculated based on emission-intensity information based on data published by KOBIZE:
 - ◆ consumption of electricity - CO₂ emission factors stated in KOBIZE (CO₂, SO₂, NO_x, CO and total dust emission factors FOR ELECTRICITY based on information included in the National Database of Greenhouse Gas and Other Emissions, published for a given year.
 - ◆ Consumption of traction electricity abroad - CO₂ emission equivalent factors based on EEA factors
 - ◆ Consumption of heat - CO₂ emission factors specified for the year by the ERO (Energy Regulatory Office);

Data for other greenhouse gases:

Since the data were not available, emissions of greenhouse gases such as CH₄, i N₂O were calculated using factors taken from the POLAND'S NATIONAL INVENTORY REPORT by KOBIZE.

Other subsidiaries - the carbon footprint has not been calculated - no disclosure. According to the adopted ESG Strategy, the PKP CARGO Group plans to calculate Scope 1, 2 and 3 carbon footprint of key Group companies by the end of 2024.

Biogenic CO₂ emissions from biomass combustion or biodegradation not included in Scope 2 GHG emissions

PKP CARGO SA does not burn biomass.

Biogenic CO₂ emissions from biomass combustion or biodegradation that occur in the value chain but are not included in Scope 3 GHG emissions

PKP CARGO SA does not burn biomass.

Disclosure of reconciliation of net revenues to relevant items or notes in the financial statements

Revenues from contracts with customers are presented in the financial statements in compliance with IFRS 15.



ESRS E1-9

Anticipated financial effects from material physical and transition risks and potential climate-related opportunities

No disclosure - the PKP CARGO Group has not yet assessed the potential financial effects from material physical and transition risks and potential climate-related opportunities and no assets have yet been designated.

ESRS E1 GOV-3

Disclosure whether climate-related performance is integrated in the compensation of members of the administrative, management and supervisory bodies

No disclosure - in the PKP CARGO Group, the climate-related performance has not been integrated in the compensation of members of the administrative, management and supervisory bodies.

E1 SBM-3

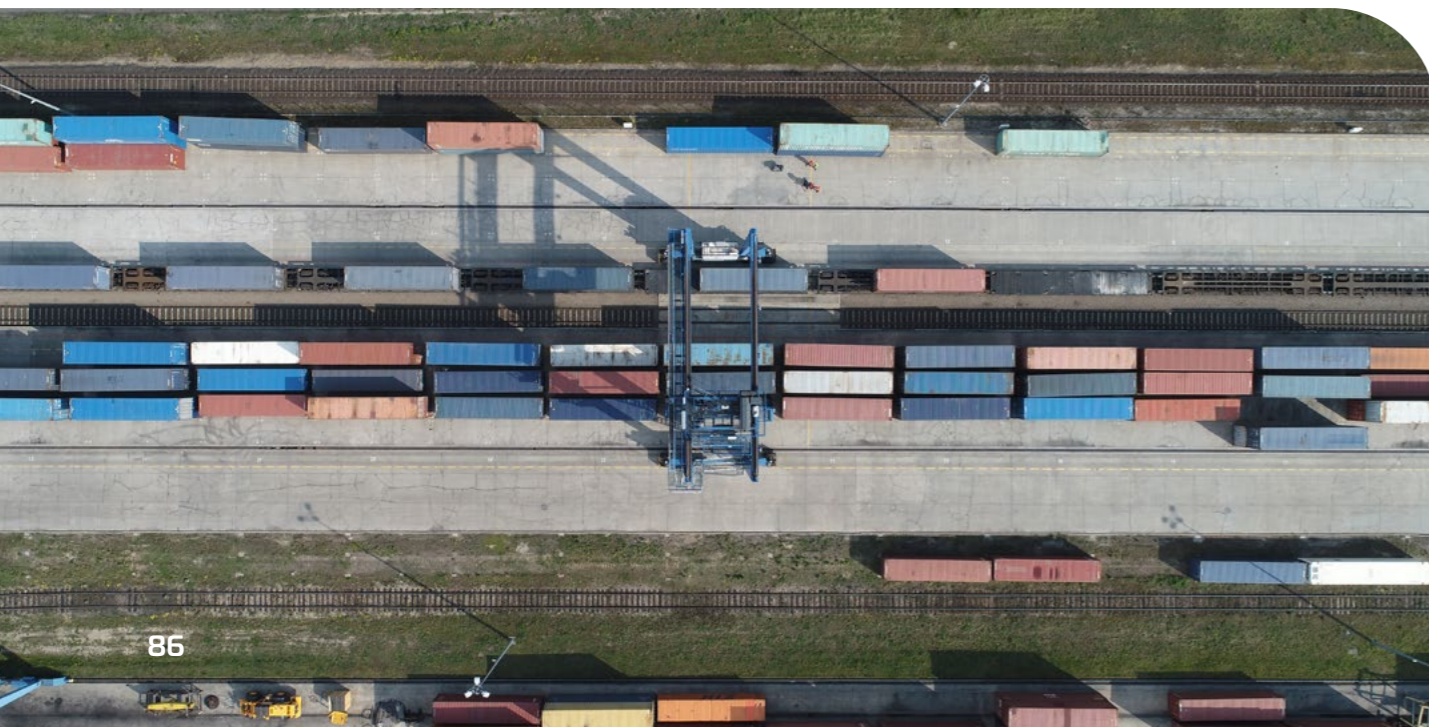
Disclosure of climate-related risks and resilience analysis

No disclosure - the PKP CARGO Group has not yet assessed its assets and operations in terms of climate-related risks and has not conducted a resilience analysis.

E1 IRO-1

Disclosures of, among others, the process to identify impacts on climate change, physical risks in own operations and climate-related scenario analysis

No disclosure - the PKP CARGO Group has not yet assessed its assets and operations in terms of climate-related risks and has not conducted a resilience analysis.



ESRS E2

ESRS E2 Pollution

In conducting its business activities, the PKP CARGO Group attaches great importance to environmental issues, including reduction of pollution, and the implementation of activities in this area is regulated internally and monitored through documents adopted in the Group.

Management of impacts, risks and opportunities

In the due diligence process, two highest-rated impacts were identified for the PKP CARGO Group:

ESRS E1 Pollution of air

Emissions generated:

- ◆ from fuel combustion by cars, equipment units
- ◆ from fuel combustion in locomotives (diesel fuel)
- ◆ from storage and transshipment of diesel fuel
- ◆ from combustion of liquid or gaseous fuels in boiler plants
- ◆ refrigerants
- ◆ consumption of materials (paints, solvents, electrodes, welding wires, etc.)

ESRS E1 Pollution of air

Reducing air pollution by shifting freight from road to rail

The due diligence process has not identified the highest-rated risks and opportunities for the PKP CARGO Group in the ESRS E2 disclosure area.

E2-1 Policies related to pollution

PKP CARGO SA

Environmental issues, including protection of the environment against pollution, are regulated internally and monitored through internal documents adopted in PKP CARGO SA. These are:

1. Integrated Management System Policy of PKP CARGO S.A.

It covers preventive measures, provision of rail transport services as an environmentally-friendly form of freight transport, and reasonable use of raw materials, other materials, energy and water in accordance with the sustainable development principles. The Book of the Integrated Management System (IMS), which is an element of that policy, contains, among other things, a list of environmental management objectives.

The collection of IMS processes and procedures covers the following environmental processes related to pollution:

- ◆ 3.1.1 Managing water and sewage;
- ◆ 3.1.2.1 Managing emissions into air from technology processes and combustion of fuel in installations and equipment;
- ◆ 3.1.2.2 Managing equipment containing substances that deplete the ozone layer and fluorinated greenhouse gases;
- ◆ 3.1.3 Managing industrial waste produced;
- ◆ 3.1.4 Managing municipal waste produced;
- ◆ 3.1.5 Managing noise emissions to the environment;
- ◆ 3.1.7 Managing threats of damage to the environment.

2. Instruction of compliance with environmental protection rules in PKP CARGO SA.

In this document, the volumes of pollutants emitted during a calendar year are presented in the form of an annual Report on Environmental Protection. A SWOT analysis is carried out for the aspect of discharging pollutants into the environment.

PKP CARGO SERVICE

In the Integrated Management System, PKP CARGO SERVICE has a procedure entitled “Estimating risks and opportunities in management of: quality, environment, energy, OSH and information security” under which it identifies and assesses risks and opportunities in the environmental management area. An assessment of risks and opportunities is carried out at least once a year or when new aspects or new types of activities and processes emerge. It is performed for each identified environmental aspect by assessing the risks and opportunities arising from legal and other regulatory requirements applicable to the Company’s operations.

PKP CARGO CONNECT

PKP CARGO CONNECT has in place the Environmental Policy, which is subject to monitoring. Its main assumptions include:

- ◆ reduction of pollutants emitted into the atmosphere,
- ◆ elimination or minimization of threats to the natural environment,
- ◆ systematic identification of threats and material environmental aspects,

PKP CARGO INTERNATIONAL

PKP CARGO International has implemented an integrated sustainable development policy and TMS (Total (integrated) management system). They cover environmental matters, which include preventing environmental pollution and increasing energy efficiency.

PKP CARGOTABOR

PKP CARGOTABOR has internal regulations for protection against pollution, i.e. the Waste Handling Procedure and the Instruction for handling installations and machines which cause emissions. Both documents regulate mainly issues of reducing, preventing and monitoring pollution.

The other subsidiaries have no policies of their own regarding pollution.

Disclosure, in relation to its own upstream and downstream operations and value chain, whether and how its pollution-related policies address the following areas

Mitigation of adverse impact of air, water and soil pollution, including prevention and control

PKP CARGO SA

PKP CARGO defines material environmental impacts related to pollution by monitoring the scale of pollution emissions calculated on the basis of theoretical emission factors and monitoring results of environmental studies conducted in compliance with the law (e.g. analyses of sewage, balance of volatile organic compounds (VOCs), surveys of soils for the purposes of performed remediations).

After each quarter of a given year, the Company makes an assessment of compliance of its own activities with the law, involving:

- ◆ verification that the discharge of pollutants into the environment does not exceed permissible standards and complies with the provisions of environmental decisions and approvals issued,
- ◆ assessment whether all environmental approvals and permits are held in view of the applicable legal requirements and a review of results of external and internal inspections and audits, complaints filed by external parties and penalties imposed on the Company.

Assessment of compliance with the law for each the Company’s Unit includes a description of actions required for discovered cases of breaches in order to eliminate them. Based on findings of the assessment and on an annual summary evaluation of probability of occurrence of adverse impacts and consequences of the impacts, PKP CARGO determines material environmental aspects. For the above aspects, objectives and tasks are set to be achieved as described in the annual Report on Environmental and Climate Protection.

Furthermore, within the “Risk Management Policy in PKP CARGO S.A.”, the Company analyzes environmental risks in the following areas:

- ◆ water management,
- ◆ emissions to air (including greenhouse gas emissions),
- ◆ waste management,
- ◆ protection against noise,
- ◆ environmental damage.

If the identified risk level is high, action plans are drawn up whose progress is regularly monitored under the formally adopted “Risk Management Policy in PKP CARGO SA.”

PKP CARGO SERVICE

Within the adopted Integrated Management System, PKP CARGO SERVICE has the following procedure:

- ◆ “Identification and assessment of environmental aspects and legal and other requirements regarding the environmental and OSH management systems.”

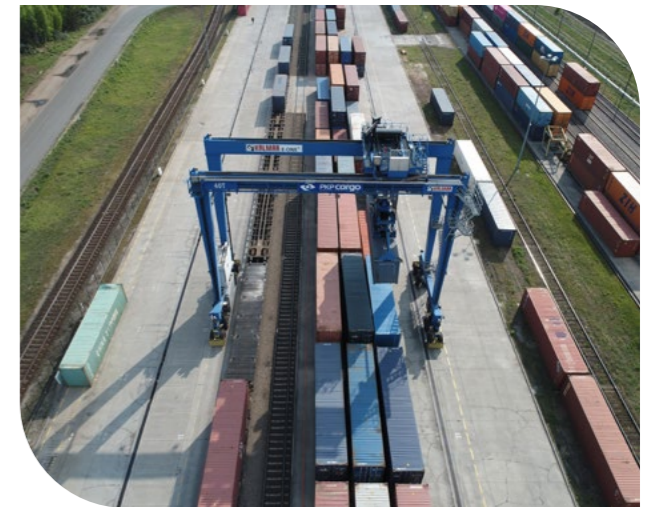
The aim of the procedure is to maintain a system for identifying and assessing environmental aspects connected with the Company’s business activities, including the aspects which have or might have a significant impact on the environment. If material environmental aspects are found, they are taken into consideration while defining objectives, tasks and an environmental management plan in order to:

- ◆ eliminate the environmental aspect,
- ◆ limit adverse impact on the environment connected with the aspect,
- ◆ control the aspect to prevent any uncontrolled environmental impacts.

In addition, PKP CARGO SERVICE has the following procedure:

- ◆ “Being ready for emergencies and responding to emergencies, operational control.”

The aim of the aforementioned procedure is to ensure proper prevention and response to environmental emergencies. Within the procedure, the Company maintains a “Register of Potential Environmental Emergencies”.



PKP CARGO CONNECT

PKP CARGO CONNECT has an implemented Environmental Policy. One of its main assumptions is to reduce pollutants emitted into the atmosphere. In addition, in accordance with the applied procedure, general and detailed targets and action plans are defined to implement the Company’s policy.

PKP CARGO INTERNATIONAL

PKP CARGO INTERNATIONAL has implemented an integrated sustainable development policy and TMS (Total (integrated) management system), whose provisions obligate the Company to reduce environmental pollution.

PKP CARGOTABOR

With regard to pollution prevention and control, PKP CARGOTABOR carries out, as required by the law and duties imposed in environmental permits held, tests of wastewater quality, rainwater, emissions of VOCs, emissions of gaseous and dust pollutants from energy-releasing fuel combustion systems. Furthermore, pollution reduction issues are covered in the internal environmental procedures which are in force in the Company. Those include instructions of how to proceed with leakages of petroleum-derived substances or in the event of an emergency.

Apart from commissioning environmental tests, pollution quantities are inspected by monitoring raw materials and consumables used for the needs of conducted activities.

The other subsidiaries have no policies of their own regarding pollution.

Replacement of potentially dangerous substances and minimizing their use and gradually withdrawing substances which cause especially serious fears, in particular concerning their use in the society which is not necessary and in consumer products

PKP CARGO SA

In PKP CARGO, an internal Instruction of compliance with environmental protection rules is in force. It includes general rules for proceeding with dangerous substances and asbestos products. In accordance with the document, an employee may start working with a dangerous substance or mixture only after prior familiarization with its material safety data sheet and technical sheet.

PKP CARGO SA exploits:

- ◆ **facilities and locomotives containing asbestos.**
The Company has been progressively taking actions to eliminate it (in compliance with the provisions of Directive 76/769/EEC relating to restrictions on the marketing and use of certain dangerous substances and preparations, including asbestos).
- ◆ **railroad tracks, with the structural component of wooden railroad sleepers impregnated with creosote oil, which is recognized as a hazardous substance.**
The European Union admitted the oil for use in industrial installations, e.g. railway systems (Commission Implementing Regulation (EU) 2022/1950 renewing the approval of creosote as an active substance for use in biocidal products of product-type 8).
PKP CARGO Units do not purchase pure creosote and do not treat railway sleepers on their own. What is only purchased are ready-made sleepers which have been treated by the manufacturer.
PKP CARGO has no specific plans to replace creosote-treated railway sleepers with other substances. On the other hand, every year, renovations are carried out, including replacement of wooden sleepers with prestressed ties (as long as it is justified and technologically feasible). For technological reasons, it is currently not possible to abandon the use of wooden sleepers.
- ◆ **equipment containing ozone-depleting substances and hydrofluorocarbons (HFCs).** Equipment which contains refrigerants is monitored by the Company. Each Unit draws up quarterly reports on emergency leakages of refrigerants from the equipment. Most accidental emissions are taken into account in the Company's carbon footprint.

PKP CARGO SERVICE

PKP CARGO SERVICE has a procedure "Being ready for emergencies and responding to emergencies, operational control." The aim of the procedure is to ensure that accidents at work and environmental emergencies are properly prevented, responded to, and that the adverse impact of such incidents on the safety and health of employees and the environment is reduced as much as possible. Under the procedure, the Company follows rules for acquiring, updating and supervising material safety data sheets of substances and mixtures, including dangerous and harmful ones. The Company keeps the Register of dangerous substances, dangerous mixtures, hazardous substances or hazardous mixtures.

PKP CARGO CONNECT

The Environmental Policy implemented in PKP CARGO CONNECT does not refer to replacement and minimization of the use of dangerous and potentially hazardous substances and withdrawal of substances which cause particularly serious concerns.

PKP CARGO INTERNATIONAL

Within the integrated sustainable development policy implemented at PKP CARGO INTERNATIONAL and TMS the Company is obligated to reduce environmental pollution, including reduction of the use of dangerous substances.

PKP CARGOTABOR

Within monitoring of potentially hazardous substances, PKP CARGOTABOR makes assessment of material safety data sheets during procurement proceedings.

The other subsidiaries have no policies of their own regarding pollution, therefore they do not take actions regarding replacement of potentially hazardous substances and minimization of their use as well as their gradual withdrawal.

Avoiding incidents and emergency situations and if and when they do occur, controlling and restricting their impact on people and the environment

PKP CARGO SA

The Integrated Management System Policy implemented in PKP CARGO includes avoiding incidents and emergency situations by ensuring security of transport services and preventive measures.

Rules for avoiding incidents and emergency situations, activity in the event of threats to the environment and processes of responding to emergency situations are regulated by internal regulations:

- ◆ Instruction of compliance with environmental protection rules in PKP CARGO SA
- ◆ The Book of the IMS (as part of the process for handling environmental damage hazards) and the Book of the SMS (crisis management procedures).

In accordance with the internal instructions in force at PKP CARGO, it is acceptable to use, store and transport dangerous chemical substances and their mixtures on condition of applying rules and measures to ensure:

- ◆ protection of health and life of employees,
- ◆ fire protection of buildings, structures and land,
- ◆ protection of natural environment.

The fundamental protection of the environment against leakages of dangerous substances is:

- ◆ for dangerous liquid substances: storing containers on a leak-tight base, resistant to the exposure of these substances, with the use of leakage-detecting drip trays, absorbent mats and sorbents,
- ◆ for solid substances: using the right insulation from the base and protection against weather conditions.

The Instruction of compliance with environmental protection rules in PKP CARGO SA includes a procedure how to act in the event of a damage to the environment or a failure in the rail infrastructure or rail siding. According to the Instruction, whenever an incident or a failure occurs that may result in a discharge of pollution into the environment, PKP CARGO conducts oversight over the location of the failure, under which it:

- ◆ notifies relevant emergency services to mitigate the negative impact on the environment,
- ◆ cooperates with the above services and environmental protection authorities,
- ◆ analyzes the cause of the failure or incident to take preventive measures for the future.

In order to minimize the occurrence of incidents, PKP CARGO SA provides environmental protection training for train drivers and ensures good technical condition of equipment and rolling stock.

PKP CARGO SERVICE

Under the procedure "Being ready for emergencies and responding to emergencies, operational control," implemented at PKP CARGO SERVICE, the Company is obligated to:

- ◆ ensure that accidents at work and environmental emergencies are properly prevented and responded to,
- ◆ minimize the adverse impact of such incidents on the safety and health of employees and the environment.

The aim of the procedure is also to define rules and manner of supervising important and emergency environmental aspects (as part of ensuring the execution of the assumptions of the implemented IMS Policy and environmental management programs). In connection therewith, PKP CARGO SERVICE maintains:

- ◆ a register of potential environmental emergencies,
- ◆ a register of locations of potential accidents at work,
- ◆ a register of dangerous substances, dangerous mixtures, hazardous substances or hazardous mixtures.

PKP CARGO CONNECT

One of the assumptions of the environmental policy adopted in PKP CARGO CONNECT is systematic identification of threats and material environmental aspects. The assumed objective is achieved within the procedures implemented at the Company:

◆ **Identification and assessment of environmental issues.**

It pertains to identification, management and determination of environmental aspects. The process of identifying environmental aspects takes into account, among other things, the risks associated with environmental incidents and the impacts which actually arise or may arise from the consequences of these incidents, accidents and potential emergencies.

◆ **Environmental risk assessment.**

The aim of the procedure is to identify environmental threats and assess the related risks.

PKP CARGO INTERNATIONAL

Within the integrated sustainable development policy implemented at PKP CARGO INTERNATIONAL and TMS the Company is obligated to reduce environmental pollution, including limitation of the risk of accidents and resolution of their consequences.

PKP CARGOTABOR

PKP CARGOTABOR has internal regulations for protection against pollution, i.e. the Waste Handling Procedure and the Instruction for handling installations and machines which cause emissions. Both documents regulate mainly issues of reducing, preventing and monitoring pollution.

The other subsidiaries have no policies of their own regarding pollution.

Disclosure of contextual information on the connections between the implemented policies and how the policies contribute to the EU action plan towards zero pollution for air, water and soil

PKP CARGO SA

Regulatory context and programs supporting sustainable transport

European Green Deal

The European Green Deal is a package of political initiatives that aims to put the EU on the path to a green transition and ultimately to achieve climate neutrality by 2050. The decarbonization of the economy will support the development of rail transport.

Strategy for Sustainable and Smart Mobility

It includes 82 initiatives, which set the direction of the European Commission's work for next 4 years. The strategy is the basis for green transition and digital transformation and for increasing the resilience of the EU transport systems to future crises. The initiatives that the Group focuses on are as follows:

- ◆ MAIN INITIATIVE 3 – more sustainable and healthier mobility between and within cities (further electrification of rail transport; where this is not cost-effective, increase the use of hydrogen).
- ◆ MAIN INITIATIVE 4 – greening freight transport (increasing the role of rail in transport: Intermediate target No. 7: compared to 2015, rail freight traffic will increase by 50% by 2030 and double by 2050).
- ◆ MAIN INITIATIVE 8 – Reinforcing the single market (including investments to finance the retrofitting of fleets across all modes of transport to ensure the deployment of low- and zero-emission technology options, inter alia through retrofitting and appropriate renewal schemes).

Connections between the implemented policies and how the policies contribute to the EU action plan towards zero pollution for air, water and soil

Rail transport is the greenest mode of cargo transport – rail transport reduces the carbon footprint of freight operations and cuts down on emissions of dusts and other pollutants. In connection with this, the activity of PKP CARGO SA, or rail transport, is part of the above operations. Rail transport can provide the least energy-intensive, low-carbon transport of goods on land, and could therefore attract support for the EU's emission reduction strategies and plans mentioned above.

- ◆ As part of the activity of PKP CARGO SA, 90% of freight turnover uses electric traction, which makes it possible to move gradually towards a zero air pollution, in parallel with reducing emissions of the electricity consumed and increasing the use of energy coming from RES. The electric vehicles used are environmentally friendly, produce no emissions at the point of use and locally do not cause smog. This is in line with EU plans to reduce the negative health effects of air pollution.
- ◆ In comparison with road transportation, rail transport exposes a small part of the population to noise. Rail freight transports in Poland avoid city centers and urban areas. In response to the future requirements of the technical interoperability specification pertaining to noise emitted by rolling stock. PKP CARGO S.A. is performing a program of acoustic modernization of the operated freight wagons. The program is performed by replacing cast iron inserts of brake blocks with composite inserts, the so called "silent" wagons. Their number is increasing gradually, which is in line with EU plans to reduce the percentage of people chronically affected by transport noise.

PKP CARGO CONNECT

The environmental policy which is now in force at PKP CARGO CONNECT does not take into account the implementation of the EU action plan towards zero pollution for air, water and soil.

ESRS E2-2

E2-2 Measures and resources related to pollution

PKP CARGO SA

At PKP CARGO, appropriate processes and structures are implemented for monitoring environmental pollution. Issues concerning environmental pollution are monitored by appropriately trained environmental protection employees, responsible for, among others:

- ◆ collection and analysis of pollution data,
- ◆ preparation of detailed reports for areas of their Unit's operation.

Resources as at 31 December 2023 – the environmental protection division consisted of 15 persons.

Within the division, the Environmental Protection and Green Deal team operates in the Energy and Technical Facilities Maintenance Department, in the Rolling Stock and Technical Support Office. It is responsible for processing data provided by employees working at the Environmental Protection positions in the Company's Units.

As part of ongoing tasks, the environmental protection division in PKP CARGO uses the following IT tools:

- ◆ specialist software for collecting data about exploitation of the environment, charging fees for using the environment for business purposes and generating reports in compliance with prevailing legal requirements,
- ◆ the EKOwiedza.com online portal, which is a collection of up-to-date information on environmental protection laws and provides the opportunity for tracking the most important amendments to the law.

Employees working in the division also participate in specialist environmental protection training courses.



PKP CARGO SERVICE

Under the implemented procedure: "Data monitoring, measurement and analysis," PKP CARGO SERVICE monitors:

- ◆ fuel consumption,
- ◆ electricity consumption,
- ◆ substance emissions.

The Company also has:

- ◆ "Plan for environmental monitoring and measurements,"
- ◆ "Plan for the pursuit of the objectives of the Integrated Management System."

PKP CARGO CONNECT

PKP CARGO CONNECT, in compliance with the implemented procedure "Environmental monitoring and measurements," monitors the following environmental indicators with regard to pollution:

- ◆ emissions from fuel combustion by cars, equipment units,
- ◆ emissions from storage and transshipment of diesel fuel,
- ◆ emissions from combustion of liquid or gaseous fuels in boiler plants,
- ◆ emissions of refrigerants,
- ◆ emissions from using such materials as paints, solvents, electrodes, welding wires, etc.

PKP CARGO INTERNATIONAL

PKP CARGO INTERNATIONAL has adopted environmental and energy objectives to be achieved in compliance with ISO 14001 and ISO 50001 standards. They are to be achieved in order to reduce fuel consumption and reduce electricity use for the conducted activity.

PKP CARGOTABOR

PKP CARGOTABOR has internal regulations for protection against pollution, i.e. the Waste Handling Procedure and the Instruction for handling installations and machines which cause emissions.

The monitoring of the raw materials and other materials used from the activities carried out for statutory reporting purposes makes it possible to determine the emission levels of:

1. gas and dust pollution from technological processes

2. gas and dust pollution from the raw material combustion processes for generating energy
3. pollution from fuel combustion by cars, machines and equipment.

To determine each kind of emissions, PKP CARGOTABOR uses the following tools:

- ◆ specialist software for collecting data about exploitation of the environment, charging fees for using the environment for business purposes and generating reports in compliance with prevailing legal requirements,
- ◆ the EKOwiedza.com online portal, which is a collection of up-to-date information on environmental protection laws and provides the opportunity for tracking the most important amendments to the law.

Employees working in the environmental protection division also participate in specialist environmental protection training courses.

Layer in the mitigation hierarchy to which actions can be attributed (pollution)

PKP CARGO SA

PKP CARGO SA attributed actions to the mitigation layer according to the hierarchy below:

- a. avoidance of pollution, including any phasing out of materials or compounds that have a negative impact (prevention of pollution at source)

At PKP CARGO SA, rules for avoiding incidents and emergency situations and activity in the event of threats to the environment are regulated by internal regulations, including the Instruction of compliance with environmental protection rules. It describes detailed rules for exploiting installations which cause emissions and rules how to proceed with dangerous substances. The adopted rules of action in the event of a threat to the environment take into consideration, among others, the following:

- ◆ prevention and remediation of environmental damage,
- ◆ procedure how to act in the event of a damage to the environment or a failure in the rail infrastructure or rail siding.

The processes governing conduct in emergencies are also described in the Book of the IMS (as part of the process for handling environmental damage hazards) and the Book of the SMS (crisis management procedures).

In addition, PKP CARGO SA organizes environmental protection training for employees (including train drivers) and also takes care of the technical condition of machines and rolling stock.

- b. pollution reduction, including: any gradual withdrawal of materials or compounds; satisfaction of requirements for contractors, such as requirements for the best available techniques (BAT); or taking into consideration the "do no serious harm" principle with regard to pollution prevention and control in accordance with the Taxonomy Regulation and its delegated acts (minimization of pollution);

No installations exploited at PKP CARGO SA require obtaining an integrated permit or the application of requirements for the best available techniques (BAT).

PKP CARGO exploits facilities and locomotives containing asbestos. The Company has been taking regular actions to eliminate it. The statutory deadline for complete elimination of asbestos is 31 December 2032.

- c. restoration, regeneration and transformation of ecosystems affected by pollution (monitoring of the impact of both regular actions and incidents).

At PKP CARGO SA, rules for acting in the event of environmental pollution are regulated by internal regulations, including the Instruction of compliance with environmental protection rules. It describes detailed rules for action in the event of a threat to the environment, including:

- ◆ prevention and remediation of environmental damage,
- ◆ procedure how to act in the event of a damage to the environment or a failure in the rail infrastructure or rail siding,
- ◆ taking measures on finding a historical pollution of the earth's surface).





PKP CARGO performs remediation of historical pollution in two locations:

1. South Unit – remediation planned for 2022-2030.
2. West Unit – remediation started in March 2021. The Unit will perform bio-remediation works by the end of 2025.

At a request of the City Council, in 2023, the East Unit performed soil surveys to detect petroleum-derived substances in the area of the former fuel station in Kielce. A report was prepared on the works. The adopted and approved findings of the survey obligate the Unit to continue monitoring works in 2024.

Pollution activities extend to the involvement in the upstream/downstream value chain.

PKP CARGO SA

In 2023, the pollution activity implemented by PKP CARGO SA that extended to the involvement in the value chain was the implementation of the requirement to prevent environmental pollution by entities carrying out work on the Company's premises. They were obligated to sign a coordination protocol setting out the rules of environmental protection (economical use of fuel, reduction of unnecessary emissions) and appoint a person responsible for monitoring the level of safety of the works.

Information about actions plans implemented at a local level (pollution)

PKP CARGO SA

PKP CARGO SA performs remediation of historical pollution in two locations:

1. South Unit – remediation planned for 2022-2030. The completed works included the following activities:
 - ◆ in 2022, STAGE I – EX SITU Remediation and installation and operational works were completed,
 - ◆ in 2023, STAGE II – IN-SITU Remediation started.

The range of work performed at the site of the company's fuel station in Żurawica included: preparation of the site for IN-SITU remediation, laboratory tests of soil and ground samples, application of the biopreparation, monitoring of the levels of the free petroleum product in the process wells and collection of the petroleum product's free phase, and additionally preparation of two reports for each cycle.

2. West Unit – remediation started in March 2021. For the time of preparing the report, bioremediation works were performed involving sprinkling green areas with a ready-made biopreparation and injections into application holes. The works will be done each year when remediation is continued, i.e. until the end of 2025.

PKP CARGO SERVICE

Under implemented procedures within the Integrated Management System, PKP CARGO SERVICE monitors environmental aspects for each location. On a monthly basis, aspects concerning the use of the following are monitored:

- ◆ fuel,
- ◆ electricity,
- ◆ chemical substances,
- ◆ welding and other materials causing emissions into air.

PKP CARGO CONNECT

In accordance with the procedure in place at PKP CARGO CONNECT regarding environmental monitoring and measurements for pollution, the following indicators are monitored:

- ◆ electricity consumption,
- ◆ fuel consumption for heating purposes and production of thermal energy,
- ◆ wastewater discharges with ordering inspections of treatment facilities,
- ◆ total quantity and volume of leakages,
- ◆ fuel combustion by cars, equipment units, devices,
- ◆ consumption of refrigerants,
- ◆ consumption materials (paints, solvents, electrodes, welding wires).

Based on obtained data, PKP CARGO CONNECT calculates emissions:

- ◆ from fuel combustion by cars, equipment units,
- ◆ from storage and transshipment of diesel fuel,
- ◆ from combustion of liquid or gaseous fuels in boiler plants,
- ◆ refrigerants,
- ◆ using such materials as paints, solvents, electrodes, welding wires.

and prepares a report for the individual organizational units to the National Database on greenhouse gas emissions and other substances (KOBiZE)

PKP CARGO INTERNATIONAL

At PKP CARGO INTERNATIONAL, environmental and energy targets are prepared for each operation.

PKP CARGOTABOR

PKP CARGOTABOR has internal regulations for protection against pollution, i.e. the Waste Handling Procedure and the Instruction for handling installations and machines which cause emissions.

The environmental protection cell participates in the following processes:

3. planning and executing investments and renovations, having an impact in this way on the implementation of pollution reduction tasks
4. procurement process, what is agreed on are primarily materials containing hazardous substances and the bidders' compliance with imposed environmental requirements, i.e. holding permits for conducted activities
5. financial process, by planning costs related to environmental protection

Metrics and targets

In terms of protection against pollution, the aim is to minimize the introduction of pollutants into the environment and to comply with the standard values in force in this area, as set out in detailed regulations, and to obtain all the required approvals and emission permits.

ESRS E2-3

Objectives related to pollution

Tracking the effectiveness of policies and actions through objectives

PKP CARGO SA

PKP CARGO SA defined basic objectives in the area of environmental management to prevent pollution:

- ♦ performance of tasks concerning cargo transport, taking into account environmental protection principles (in particular the need to ensure safety when transporting dangerous materials),
- ♦ aiming to satisfy the requirements following from Polish and European Union laws about using technical infrastructure and background facilities to reduce emissions to the environment.

The effectiveness of the measures and policies is tracked by the Company by performing quarterly legal compliance assessments based on:

- ♦ verification that the discharge of pollutants into the environment does not exceed acceptable standards and complies with the provisions of environmental decisions and approvals issued,
- ♦ assessment that all environmental approvals and permits are held in view of the applicable legal requirements,
- ♦ review of results of external and internal inspections and audits, complaints filed by external parties and penalties imposed on the Company and any other irregularities regarding environmental protection.

Furthermore, annual objectives regarding environmental management preventing pollution are set and settled in the annual Report on Environmental and Climate Protection.



PKP CARGO SERVICE

PKP CARGO SERVICE has an implemented procedure “Data monitoring, measurement and analysis,” which includes defined environmental objectives. The Company defines strategic and operational objectives. Objectives in the scope of the Integrated Management System are found in the document: “Plan for the pursuit of the objectives of the Integrated Management System.”

PKP CARGO CONNECT

PKP CARGO CONNECT has implemented the procedure entitled “Setting goals and planning actions”, which is used to set general and detailed goals and action plans for the implementation of the Company’s Environmental Policy.

PKP CARGO INTERNATIONAL

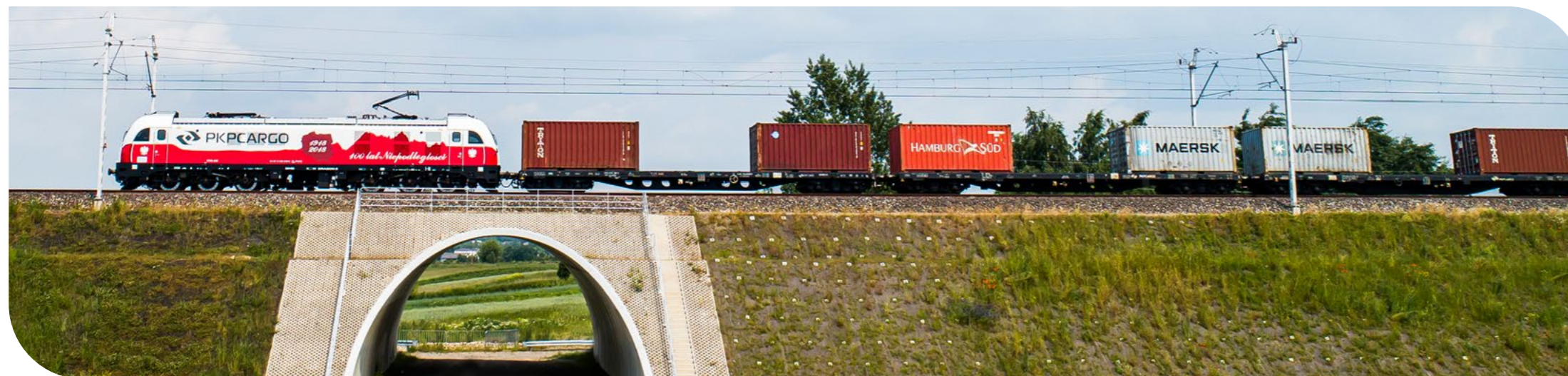
At PKP CARGO INTERNATIONAL, achievement of each objective set based on the integrated policy implemented in the Company is regularly monitored.

PKP CARGOTABOR

While tracking the effectiveness of procedures in force, the Company performs:

1. cyclic reviews of environmental permits held to perform duties specified therein
2. inspections of external authorities regarding the Company’s compliance with the law
3. internal audits
4. internal inspections of each unit/section performed by environmental protection employees





Disclosure of whether and how the objective refers to:

Prevention and control of air pollution and respective specific loads

PKP CARGO SA

PKP CARGO produces emissions to the air caused mainly by the activities involving:

- ♦ operation of diesel locomotives and car fleet (direct emissions, not related to installations and not requiring measurement of emissions)

Prevention objectives refer to modernization of owned diesel locomotives aiming to reduce the consumption of fuel and emissions to air (emissions calculated for such loads as: sulfur dioxide, nitrogen dioxide, carbon oxide, dust, hydrocarbons);

- ♦ operation of electric locomotives and non-traction electricity consumption (indirect emissions from the consumption of purchased electricity).

The possibility of reducing indirect emissions is strictly dependent on the energy mix used by PKP CARGO SA suppliers. A large share of high-emission energy sources causes an increase in indirect emissions (emissions are calculated for such loads as: sulfur dioxide, nitrogen dioxide, dust from fuel combustion);

- ♦ using heating fuels in our own sources (direct emissions not requiring measurement of emissions).

The objectives of PKP CARGO in this respect refer to putting into practice local anti-smog resolutions (emissions calculated for such loads as: sulfur dioxide, nitrogen oxides, carbon oxide, dusts);

- ♦ technological processes (emissions from varnishing, painting, welding, transshipment of fuels, etc.).

The aim is to modernize the background facilities, taking into account measures and technologies which eliminate threats at source, e.g. providing leach trays, separators of petroleum-derived products, providing storage facilities with double wall tanks to store oils, etc. PKP CARGO S.A. also performs remediations of historically contaminated land.

PKP CARGO SERVICE

The program of objectives adopted in PKP CARGO SERVICE for 2023 included objectives with respect to emissions to air, including:

- ♦ introduction of technical and organizational solutions to reduce the demand for electricity,
- ♦ decrease CO₂ emissions and fuel consumption,
- ♦ environmentally friendly waste management.

The plans included replacement of sources of heat with a higher energy-efficiency class boiler or an electric boiler.

PKP CARGO CONNECT

The action plan adopted at PKP CARGO CONNECT to achieve environmental targets in 2023 did not include a target for prevention and control of emissions to air and respective specific loads.

However, PKP CARGO CONNECT, in accordance with the Company's environmental monitoring and surveying schedule, continuously monitors the following pollution indicators regarding emissions:

- ♦ from fuel combustion by cars, equipment units,
- ♦ from storage and transshipment of diesel fuel,
- ♦ from combustion of liquid or gaseous fuels in boiler plants,
- ♦ refrigerants,
- ♦ using such materials as paints, solvents, electrodes, welding wires.

PKP CARGO INTERNATIONAL

The targets adopted in PKP CARGO INTERNATIONAL aimed to reduce energy consumption contribute favorably to the reduction of air pollution.

PKP CARGOTABOR

With regard to emissions of gases and dusts to air from technological processes, the following are distinguished:

- ♦ fugitive emissions, whereby the Company monitors the consumption of raw materials from production processes (i.e. painting, welding, cleaning of parts and components) and prepares relevant reports.

- ♦ organized emissions, whereby the Company obtains permits for the introduction of gases and dust into air, which is preceded by preparing air estimates or reporting the installations concerned. In addition, the Company's employees perform the duties specified in the permits, i.e. conducting tests of emissions. At the same time, they monitor and report on the raw material consumption of the installations.
- ♦ emissions from fuel combustion in boiler plants, whereby the Company verifies the necessity to obtain permits for the introduction of gases and dust into air or reports installations. To obtain a relevant permit, it prepares an air protection estimate. In addition, the Company's employees perform the duties specified in the permits (i.e. conducting tests of emissions and providing results to the Provincial Inspectorate for Environmental Protection, or WIOŚ). At the same time, they monitor and report on the raw material consumption of the installations.
- ♦ emissions from fuel combustion by cars, whereby the Company monitors the consumption of fuels and prepares relevant reports.

Furthermore, the participation of the environmental protection cell at the stage of investment planning makes it possible to perform tasks to reduce emissions i.e. the construction of painting cabins or other ones complying with the law, such as replacement of boilers with higher energy-efficiency class ones or changing heating agents from coal into low-emission agents.

Prevention and control of emissions to water and respective specific loads

PKP CARGO SA

Within the conducted activity, PKP CARGO exploits areas with durable surface, from which:

- ♦ thaw water and rainwater are discharged into waters and soil
- ♦ sewage is discharged into open waters.

Because of the nature of the conducted activity, the Company may introduce petroleum-derived hydrocarbons in sewage and water. In order to prevent pollution, PKP CARGO S.A. nevertheless:

- ♦ uses leach trays at emission sites (gas stations) and oil separators,

- ◆ monitors effectiveness of the aforementioned equipment (operational control),
- ◆ keeps documentation to prove proper supervision of wastewater treatment facilities (operation logbooks),
- ◆ performs structural inspections of sewage systems,
- ◆ commissions wastewater tests in accordance with decisions and contracts for wastewater disposal,
- ◆ collects information on the quality of wastewater discharged into open waters and into the ground (drainage ditches).

PKP CARGO SERVICE

The 2023 Target Program of PKP CARGO SERVICE did not include targets with respect to emissions to water.

PKP CARGO CONNECT

The action plan adopted at PKP CARGO CONNECT to achieve environmental targets in 2023 did not include a target for prevention and control of emissions to water and respective specific loads.

However, PKP CARGO CONNECT, in accordance with the Company's environmental monitoring and surveying schedule, monitors wastewater discharges on an ongoing basis and orders inspections of treatment facilities.

Prevention and control of soil pollution and respective specific loads

PKP CARGO SA

The operations of PKP CARGO SA involve the risk of an accident involving unintentional discharge of petroleum hydrocarbons or other hazardous substances to the environment. The Company monitors transportation of dangerous goods in terms of quantity and quality, and presents the data in annual reports.

PKP CARGO has adopted, as part of its target for responsible action in the area of environmental protection, the operation of safe freight transportation using rolling stock that meets environmental requirements. In connection therewith, the Company has been investing in:

- ◆ procurement of new rolling stock,
- ◆ modernization of existing rolling stock,
- ◆ maintenance and repair facilities,
- ◆ technical equipment for rolling stock troubleshooting.

The aim of these measures is to achieve high standards of rolling stock maintenance and to protect the environment from the potential consequences of rolling stock breakdowns, including inter alia:

- ◆ appropriate waste handling,
- ◆ use of double-jacket tanks with leak detection for used oils,
- ◆ environmental first aid kits,
- ◆ use of leach trays and oil separators.

At PKP CARGO SA, the responsibility for pollution prevention and control lies with the PKP CARGO SA Transport Office whose duties include establishing a work plan for improving the quality and safety of TN transport. Employees responsible for environmental protection take action (participation in committees and administrative proceedings) when environmental pollution is found, and carry out preventive activities in the preparation of training materials intended for train drivers.

PKP CARGO SERVICE

The 2023 Target Program of PKP CARGO SERVICE included targets with respect to emissions into soil. This target included prevention of environmental pollution during:

- ◆ handling of rail sidings,
- ◆ transport of things,
- ◆ rail infrastructure maintenance services, including protection of the ground against spills of oil, fuel and other petroleum liquids by creating locomotive parking areas (selected Company locations equipped with absorbent track mats).

PKP CARGO CONNECT

The action plan adopted at PKP CARGO CONNECT to achieve environmental targets in 2023 did not include a target for prevention and control of soil pollution and respective specific loads.

However, PKP CARGO CONNECT, in accordance with the Company's environmental monitoring and surveying schedule, continuously monitors the total number and volume of spills, i.e.:

- ◆ leakage of consumable fluids from machinery and vehicles during performance of works Terminals),
- ◆ leakage of hazardous substances (e.g. consumable fluids) from vehicles on the Company's premises,
- ◆ leakage of hazardous substances as a result of a traffic accident,



- ◆ spills of diesel fuel and heating oil during transshipment of fuels from tank wagons to storage sites,
- ◆ spills of diesel fuel during refueling of traction vehicles, cars and machinery.

PKP CARGO INTERNATIONAL

In 2023, PKP CARGO INTERNATIONAL did not seek to achieve a target for prevention and control of soil pollution and respective specific loads.

PKP CARGOTABOR

As part of prevention and control of emissions to water and respective specific loads PKP CARGOTABOR performs controls of water quality and quantity.

The Company operates one surface water intake. It holds a water permit and prepares reports in this regard.

Potentially hazardous substances and substances of very high concern.

PKP CARGO SA

As part of its operations, PKP CARGO SA uses facilities and locomotives that contain asbestos. The Company has been taking actions to eliminate asbestos. This task is carried out by specialized third party providers. At the same time, the Company is required to submit a report to the respective province marshals informing them of the amount of asbestos present in the facilities and equipment in use and the amount of asbestos removed. In the course of preparing the reports, an assessment is made with regard to the condition and possibility of safe use of asbestos products.

PKP CARGO does not produce or process substances of very high concern.

PKP CARGO SERVICE

The 2023 Target Program of PKP CARGO SERVICE did not include targets with respect to emissions of substances of concern and substances of very high concern.

PKP CARGO CONNECT

The action plan adopted at PKP CARGO CONNECT for achieving environmental targets in 2023 did not include an objective for the prevention and control of substances of concern and substances of high concern.

PKP CARGO INTERNATIONAL

In 2023, PKP CARGO INTERNATIONAL did not seek to for achieve the target related to prevention and control of substances of concern and substances of high concern.

PKP CARGOTABOR

The Company reports information on asbestos-containing products to the relevant Marshal Offices and performs asbestos removal as part of its operations when repairing locomotives.

Pollution-related target is mandatory (required by legislation)/voluntary

PKP CARGO SA

PKP CARGO has not adopted voluntary targets related to procurement and modernization of rolling stock and facilities. These are voluntary targets. The targets associated with achieving full regulatory compliance are mandatory.

PKP CARGO SERVICE

The targets adopted and implemented by PKP CARGO SERVICE under the "Target Program" for 2023 were voluntary and not required (optional) by legislation.

PKP CARGO CONNECT

The action plan adopted at PKP CARGO CONNECT to achieve environmental targets in 2023 did not include a pollution-related target.

PKP CARGO INTERNATIONAL

The pollution-related target set by PKP CARGO International is voluntary.

The pollution-related target refers to deficiencies related to the criteria for significant contribution to pollution prevention and control

PKP CARGO SERVICE

The targets adopted by PKP CARGO SERVICE do not take into account the criterion of a significant contribution to pollution prevention.

PKP CARGO CONNECT

The action plan adopted at PKP CARGO CONNECT to achieve environmental targets in 2023 did not include a target related to pollution referring to deficiencies associated with the criteria of significant contribution to pollution prevention and control.

Targets implemented at plant level (pollution)

PKP CARGO SA

The pollution prevention actions implemented by PKP CARGO are identified by individual PKP CARGO SA Units and reported in the annual Report on Environmental and Climate Protection for the entire Company.

ESRS E2-4

Pollution of air, water and soil

Emissions to air by type of pollutant

Emissions from stationary combustion

No.	Substance	Emissions from liquid and gaseous fuel boilers [Mg]		Emissions from solid fuel boilers [Mg]	
		2022	2023	2022	2023
1.	Sulphur dioxide	1,8	3,9	7,9	10,9
2.	Nitrogen dioxide	3,2	4,1	2,2	3,5
3.	Carbon monoxide	0,8	1,8	61,2	90,6
4.	Benzoalfapyrene	0,0	0,0	0,0	0,0
5.	Dust	0,5	0,1	8,3	9,5
6.	Soot	0,0	0,0	2,7	1,1

Emissions from mobile combustion

No.	Substance	Emissions from diesel locomotives [Mg]		Emissions from steam locomotives [Mg]		Emissions from vehicles and machinery [Mg]	
		2022	2023	2022	2023	2022	2023
1.	Sulphur dioxide	0,4	0,3	0,5	0,6	0,0	0,0
2.	Nitrogen dioxide	888,9	691,8	0,1	0,1	17,2	16,7
3.	Carbon monoxide	290,6	219,0	8,1	9,7	24,1	25,6
4.	Benzoalfapyrene	0,0	0,0	0,0	0,0	0,0	0,0
5.	Dust	66,9	52,0	0,8	1,0	1,0	1,0
6.	NMVOC	117,0	88,0	0,0	0,0	3,3	3,4



Process emissions (technological processes and disinfection) by pollutant

No.	Substance	Emissions from technological processes and disinfection [kg]	
		2022	2023
1.	Sulphur dioxide	11 463,1	7 058,9
2.	Nitrogen dioxide	1 620,3	1 055,3
3.	Carbon monoxide	245,7	162,3
4.	xylene	5 851,2	8 978,1
5.	benzene	0,1	0,1
6.	Other NMLZO	48 233,5	45 384,3
7.	Lead (Lead and its compounds in dust)	1,0	3,6
8.	Zinc (Zinc and its compounds in dust)	0,8	1,1
9.	Silicon dust	20,6	13,8
10.	Other dust	825,8	742,9

Direct emissions to air by pollutant

No.	Substance	Emissions [Mg]	
		2022	2023
1.	Sulphur dioxide	22,2	22,7
2.	Nitrogen dioxide	913,3	717,3
3.	Carbon monoxide	385,1	346,9
4.	benzoalfapiren	0,0	0,0
5.	ksylen	5,9	9,0
6.	benzene	0,0	0,0
7.	Other NMLZO	168,5	136,7
8.	Lead (Lead and its compounds in dust)	0,0	0,0
9.	Zinc (Zinc and its compounds in dust)	0,0	0,0
10.	Silicon dust	0,0	0,0
11.	Other dust	81,00	65,41

Indirect pollution emissions from purchased electricity and heat in PKP CARGO S.A.

No.	Substance	Indirect emissions [Mg]					
		Traction electricity consumption		Non-traction electricity consumption		heat consumption	
		2022	2023	2022	2023	2022	2023
1.	Sulphur dioxide	1 152,0	983,5	8,0	8,0	11,9	12,7
2.	Nitrogen dioxide	1 518,6	1 296,4	9,2	11,9	10,8	9,9
3.	Dust from fuel consumption	26,2	22,4	0,6	0,5	1,1	1,2



Emissions to open waters and to soil by pollutant

Parameter	South Unit					
	Western Unit Szczecin – emissions to Parnica River (water)		Zabrzeg Czarnolesie – emissions to Borówka River (water)		Żurawica – emissions to Walawa Stream and San River (water)	
	2022	2023	2022	2023	2022	2023
BZT5 [kg]	64,4	134,5	1,0	1,0	82,3	32,5
CHZT [kg]	826,9	807,1	5,6	4,4	306,2	221,2
Slime [kg]	491,9	409,7	0,8	0,8	49,7	38,3
Total chlorides and sulphates [kg]	6 465,0	5 816,6	5,2	3,7	264,3	178,3
Nitrates [kg]	390,9	533,6	2,9	2,7	0,0	0,0
Phosphates [kg]	2,1	2,4	0,2	0,2	0,0	0,0
WWA [kg]	0,0	0,0	0,0	0,0	0,0	0,0
Nickel and its compounds [kg]	0,2	0,2	0,0	0,0	0,0	0,0
Cadmium and its compounds [kg]	0,0	0,0	0,0	0,0	0,0	0,0
Copper [kg]	0,5	0,5	0,0	0,0	0,0	0,0
Lead [kg]	0,2	0,2	0,0	0,0	0,0	0,0
Zinc [kg]	0,8	0,4	0,0	0,0	0,0	0,0

Lower-Silesian Unit Kamieniec Ząbkowicki – emissions to drainage ditch (soil)		Central Unit Kutno - emissions to drainage ditch (soil)		Total	
2022	2023	2022	2023	2022	2023
104,0	58,5	0,4	0,2	252,1	226,6
226,5	156,3	2,8	2,9	1 368,0	1 192,0
57,4	43,2	0,7	0,6	600,5	492,6
not tested	not tested	17,1	11,0	6 751,6	6 009,7
not tested	not tested	not tested	not tested	393,9	536,3
not tested	not tested	not tested	not tested	2,3	2,6
not tested	not tested	not tested	not tested	0,0	0,0
not tested	not tested	0,0	0,0	0,3	0,2
not tested	not tested	0,0	0,0	0,0	0,0
not tested	not tested	0,0	0,0	0,5	0,5
not tested	not tested	0,0	0,0	0,2	0,2
not tested	not tested	0,1	0,0	0,8	0,4
				9 370,0	8 461,0

Microplastics generated

In view of the nature of its operations (rail transportation, which do not entail production of microplastics, the PKP CARGO Group does not monitor their emissions.

Microplastics used

In view of the nature of its operations (rail transportation, which do not entail production of microplastics, the PKP CARGO Group does not monitor their emissions.

Description of changes over time (air, water and soil pollution)

PKP CARGO SA

The volume of emissions depends on the intensity and nature of maintenance, repair and transport processes performed by PKP CARGO SA in a given year. In 2023 the decrease in emissions as compared to 2022 was due to a decrease in freight turnover.

Description of measurement methodologies (air, water and soil pollution)

PKP CARGO SA

PKP CARGO SA calculates air emissions based on the amount of fuel and materials consumed. To calculate emissions, the Company uses the Central Environmental Information System software. For this purpose, available metrics are used, including:

- ◆ data in studies of the National Centre for Emissions Management (KOBIZE),
- ◆ data published in EMEP/EEA Air Pollutant Emission Inventory Guidebook 2023
- ◆ specific data from the available safety data sheets of the substances used.

Data regarding emissions of pollutants to open waters and soil (drainage ditches) are calculated based on quantity of wastewater and results of analyses.

PKP CARGO SERVICE

PKP CARGO SERVICE calculates air emissions on the basis of the following indicators:

- ◆ provided in studies made available by the National Centre for Emissions Management (KOBIZE),

- ◆ emissions of CO₂, SO₂, NO_x, CO and total dust for electricity on the basis of information from the National Centre for Emissions Management (KOBIZE),
- ◆ pollutant emissions from fuel combustion for sources with a nominal thermal power of up to 5 MW, used for the automatic calculation of emissions in the report to the KOBIZE national database.

PKP CARGO TERMINALE

PKP CARGO TERMINALE monitors air emissions on the basis of the following metrics:

- ◆ data collected in the National Database on greenhouse gas emissions and other substances (KOBIZE),
- ◆ pollutant emissions from fuel combustion for sources with a nominal thermal power of up to 5 MW, used for the automatic calculation of emissions in the report to the KOBIZE national database.

CARGOTOR

At CARGOTOR's instruction, air pollution is measured by a specialized entity acting as an environmental inspector, which calculates emissions on the basis of data regarding, inter alia, the amount of fossil fuels consumed.

PKP CARGO CONNECT

The measurement methodology used by PKP CARGO CONNECT is based on studies published in the KOBIZE national database, according to which:

- ◆ benchmarks related to emissions of CO₂, SO₂, NO_x, CO and total dust for electricity on the basis of information from the National Database on greenhouse gas emissions and other substances for 2022,
- ◆ to fuel combustion emission factors for sources with a nominal thermal capacity of up to 5MW, the automatic calculation of emissions in reports to the National Base for 2022 and 2023 was applied.

PKP CARGO INTERNATIONAL

In accordance with the assumptions adopted by PKP CARGO INTERNATIONAL, air pollution is calculated on the basis of emission measurements, and emission calculations are based on the amount of fuel burned. As for water pollution, calculations are made on the basis of measurements of quality and quantity of wastewater.

PKP CARGOTABOR

Measurements of air, water and soil pollution are carried out by accredited external entities, i.e. certified laboratories.

Moreover, air emissions are calculated based on the amount of fuel, raw materials and materials consumed. The Company uses an IT system to make the calculations.

Emissions to water and soil are measured by pollution loads specified in water quality results performed by external entities and the quantities of these waters specified in water permits or, if metering is in place, from meter readings.

Description of processes to collect data for pollution-related accounting and reporting

PKP CARGO SA

To collect data on direct air pollutants, PKP CARGO uses specialized software: Central Environmental Information System (ATMOTERM Environmental Pollution Bank) For the purpose of entering data into the system, each Company Unit collects information regarding the commercial use of the environment at its locations and related emissions.

Data on emissions from processes not included in the Central Environmental Information System, such as emissions from motor vehicles, emissions to water and soil, indirect emissions from energy consumption, are calculated separately, using available emission metrics. Data concerning emissions of pollutants to water and soil (drainage ditches) are collected by PKP CARGO S.A. on the basis of statements submitted by each Unit to the State-Owned Enterprise "Wody Polskie".

PKP CARGO SERVICE

As part of its Integrated Management System procedures, PKP CARGO SERVICE monitors environmental aspects of pollution and collects the relevant information in internal network resources.

PKP CARGO TERMINALE

PKP CARGO TERMINALE collects data on pollution (within its internal systems) as part of monthly reporting from the Company's various organizational units. Reporting is carried out as part of the national database for emission reporting (KOBIZE).

CARGOSPED TERMINAL BRANIEWO

CARGOSPED TERMINAL BRANIEWO collects data used to draft the following:

- ◆ a summary of information on the use of the environment,
- ◆ a report on waste generated and waste management,
- ◆ a report on the volume of emissions of greenhouse gases and other substances released into the air (KOBIZE),
- ◆ a report on packaging placed on the domestic market.

The Company segregates waste and cooperated with authorized entities with regard to waste disposal.

PKP CARGO CONNECT

PKP CARGO CONNECT Sp. z o.o. monitors environmental aspects of pollution and collects them on internal network resources, on the basis of which, inter alia, the Report on Environment Protection Activities (internal compilation) is prepared, and a report is prepared for individual organizational units to the National Center for Emissions Management (KOBIZE).

PKP CARGO INTERNATIONAL

PKP CARGO INTERNATIONAL obtains data on the basis of metering reports, energy invoices, based on fuel consumption data.

PKP CARGOTABOR

To collect data on direct air pollutants, PKP CARGOTABOR uses specialized software: Central Environmental Information System (ATMOTERM Environmental Pollution Bank). Data entered into the system is collected from each of the Company's sites, and refers to the consumption of materials, raw materials and fuel in a given year. Data on environment use is then used to prepare individual reports, i.e.:

- ◆ summaries of information on the use of the environment and the amount of fees due,
- ◆ statements containing information on the quantities and types of gases or dust released into air, data on the basis of which these quantities were determined, and information on the amount of fees due,
- ◆ reports to the National Database on greenhouse gas emissions and other substances (KOBIZE)
- ◆ reports on air pollutant emissions and the status of treatment facilities (Statistics Poland)

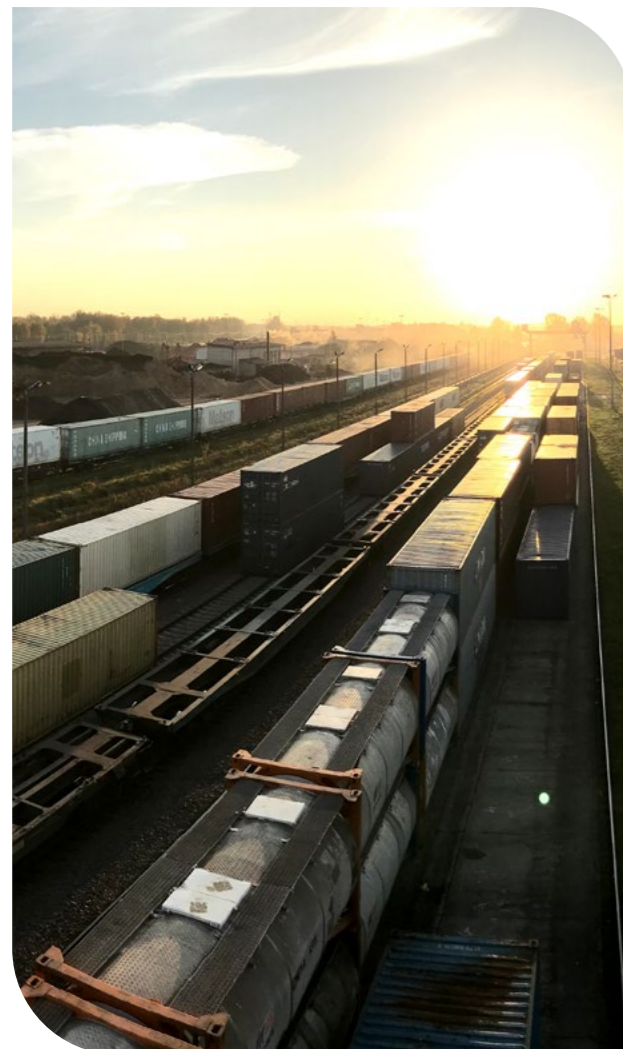
Total water and soil emissions to water in water-stressed and high water stress areas

- ◆ The PKP CARGO Group has not analyzed emissions to water in the context of areas prone to water pollution, areas with high water pressure and water stress.

Disclosure of reasons for selecting an inferior methodology for quantifying emissions

PKP CARGO SA

Given that there is no obligation to measure emissions at all installations in use, PKP CARGO S.A. uses theoretical indicators to calculate emissions to air. Data regarding emissions of pollutants to open waters and soil (drainage ditches) are calculated based on quantity of wastewater and results of analyses.



ESRS E2-IRO-1

Information on methodologies, assumptions, and tools used to inspect unit locations and business operations to identify actual and potential pollution impacts, risks and opportunities of own operations as well as upstream and downstream in the value chain

PKP CARGO SA

Individual Units of PKP CARGO SA perform environmental risk analysis with regard to:

- ◆ water management,
- ◆ emissions to air (including greenhouse gas emissions),
- ◆ waste management,
- ◆ protection against noise,
- ◆ environmental damage.

If required in view of the estimated risk level, the Company prepares action plans whose performance is regularly monitored under the formally adopted "Risk Management Policy in PKP CARGO SA."

Each Unit of the Company performs an annual SWOT analysis with respect to discharge of pollutants into the environment.

PKP CARGO did not analyze risks and opportunities in the value chain.

PKP CARGO SERVICE

As part of the Integrated Management System in place at PKP CARGO SERVICE, the Company has implemented the following procedures:

- ◆ "Identification and assessment of environmental aspects and legal and other requirements regarding the environmental

and OSH management systems." The aim of the procedure is to manage the system for identifying and assessing environmental aspects connected with the Company's business activities, and identifying the aspects which have or might have a significant impact on the environment.

- ◆ "Estimating risks and opportunities in management of the following areas: quality, environment, energy, OSH and information security." In line with the procedure, the Company identifies and evaluates risks and opportunities related to environmental management. Estimation of risks and opportunities is carried out at least once a year or when new aspects or new activities and processes emerge within the Company. Estimation is performed for each identified environmental aspect by assessing the risks

and opportunities arising from legal and other regulatory requirements applicable to the Company's operations.

PKP CARGO CONNECT

PKP CARGO CONNECT has implemented the following procedures:

- ◆ "Identification and assessment of environmental issues" In line with the procedure, the Assessment of environmental aspects is carried out. Each environmental aspect identified by individual business units is evaluated to identify aspects that have a significant impact on the environment;
- ◆ Environmental risk assessment. The aim of the procedure is to identify environmental threats and assess the related risks.



S Social

Due diligence process identified:

11 impacts with highest importance in ESRS S1 for PKP CARGO Group

Due diligence process identified:

3 most important risks in ESRS S1 for PKP CARGO Group

Due diligence process identified:

1 impacts with highest importance in ESRS S2 for PKP CARGO Group

Building safety culture in the workplace

- Safety in the workplace Campaign; intensified program in 2023-2024

Work-life balance program:

- WYGRAJ- Campaign promoting health and cancer prevention (continuous project)
- Running friendly company (annual project, as of 2013)

Support for employees program:

- Post-accident Psychological Support Program (PWP) - (annual project, as of 2017)
- Legal consulting program (2023)

Social responsibility program

- Socially Responsible (2023)



Number of employees in PKP CARGO Group (persons)

19 932

persons

90 %

(employment with indefinite period contracts)

9,6 %

fluctuation ratio

25 %

Women

75 %

Men

10 %

(employment with definite period contracts)

159

persons on the highest managerial positions in the Group

Employees age in the Group

9 %

> 30 years

38 %

from 30 to 50 years

53 %

> 50 years

Family leaves

11,6 %

entitled employees

Health and safety

100 %

employees in the system

Injuries ratio

0,91 %

in the Group

Gender Pay Gap in the Group (base salary)

(-8,4) %

difference between men and women



3.

Information about social issues

ESRS S1

ESRS S1 Own workforce

Human capital is one of the key capitals of the PKP CARGO Group. In view of the challenges facing the Group, including labor market factors, and with the intention of being stable and reliable employers, all Group companies are constantly striving to create friendly and safe working conditions.

Managing impacts, risks and opportunities

Impacts

During the due diligence process, the following 11 highest-rated impacts for the PKP CARGO Group in the ESRS S1 areas were identified:

ESRS S1 Working conditions

Building social dialogue through cooperation with trade unions.

Scope of representation at the workplace, cross-border and at the management board level.

ESRS S1 Working conditions

Creating safe working conditions in units.

ESRS S1 Working conditions

Provide adequate financial conditions for employees - Employees' remuneration is increased by various types of variable elements, or additional benefits.

ESRS S1 Working conditions

Compliance with statutory provisions on issues of mandatory agreement on both individual and collective labor rights.

Separate internal regulations governing the relationship between employers and trade unions operating in the Company.

ESRS S1 Working conditions

All employees are subject to a collective bargaining agreement to the extent appropriate to their position and duties.

All employees can join unions, employer does not restrict this right.

ESRS S1 Working conditions

Appropriate organization of work, work-life balance activities.

ESRS S1 Equal treatment and opportunities for all

Gender equality and equal pay for equal work.

ESRS S1 Equal treatment and opportunities for all

Measures to prevent violence and harassment in the workplace.

ESRS S1 Equal treatment and opportunities for all

Employee training and development. Number and distribution of training, percentage of employees subjected to regular performance reviews and development evaluations.

ESRS S1 Equal treatment and opportunities for all

Creating a diverse and inclusive work environment.

ESRS S1 Working conditions

Security of employment. Impact on employees' sentiment of employment security - job stability.

Risks

During the due diligence process, 3 highest-rated risks for the PKP CARGO Group were identified.

ESRS S1 Equal treatment and opportunities for all

Existing generation gap - a large percentage of workers will reach retirement age in the coming years.

ESRS S1 Working conditions

Low wages as compared to market wages entail the risk of losing employees.

ESRS S1 Working conditions

Strikes and shutdowns caused by a collective dispute over pay raise.

ESRS S1-1

Processes for engaging with own workforce and workers' representatives about impacts

PKP CARGO Group is committed to ensuring that its employees feel safe while performing their duties, receive the necessary support in the area of development and are treated equally. With this objective in mind, the Group has in place appropriate policies and procedures to regulate particular employee areas.

Policies to manage material impacts, risks, and opportunities related to own workforce

PKP CARGO

PKP CARGO S.A. does not have in place a policy to manage material impacts, risks, and opportunities related to own workforce.

The Company's "Risk Management Policy at PKP CARGO S.A." has been developed to obtain reasonable assurance that the goals set in the PKP CARGO S.A. Strategy will be achieved, the business results assumed in the Business Plan will be realized,



and information relevant to its operations will be protected at an appropriate level. It supports the management in the decision process, making informed choices, setting priorities, as well as specific actions and identification of potential alternative courses of action.

PKP CARGO SERVICE

PKP CARGO SERVICE does not have in place a risk policy to manage material impacts, risks, and opportunities related to own workforce. On the other hand, the Company does have the "Financial Risk Management Policy".

As part of day-to-day management, data concerning employee matters are systematically reviewed given the changes that are taking place in the market and factored into the annual Business Plan of the Company (plan projections encompass the next 5 years).

PKP CARGO INTERNATIONAL

PKP CARGO INTERNATIONAL has in place an internal document entitled "Our conduct and actions within PKP CARGO INTERNATIONAL".

Policies to manage material impacts, risks, and opportunities related to own workforce, including specific groups or all own workforce

PKP CARGO Group

The PKP CARGO Group does not have separate policies to manage material impacts, risks, and opportunities related to own workforce, including specific groups or all own workforce.

Relevant commitments in terms of human rights policy with regard to own workforce

PKP CARGO Group

The Group does not have a document constituting a human rights policy. Human rights are observed and respected. The management cooperates with the workforce primarily through their representatives from union organizations. Such cooperation consists primarily of jointly negotiating internal regulations on workforce rights and obligations, as well as conducting constructive dialogue with workforce representatives.

Values and standards of ethical conduct are described in the "Code of Ethics of the PKP CARGO Group."

These include inter alia:

- ◆ customer interests,
- ◆ welfare of workforce and collaborators,
- ◆ respect for human rights,
- ◆ concern for the company's reputation,
- ◆ building positive relationships with stakeholders.

The Code provides a set of welcomed and practical guidelines on how to comply with the Group's values (both inside and outside the organization). It addresses many areas, including those related to employees:

- ◆ working conditions,
- ◆ employment, development and professional advancement,
- ◆ safety and health of employees,
- ◆ communication and cooperation.



Disclosure of general approach with regard to respect for human rights, including labor rights, of the company's workforce

PKP CARGO Group

PKP CARGO respects labor rights as defined by both international and domestic legislation. In the recruitment process, the labor law as stipulated in the Labor Code is observed. The principle of equal treatment regardless of gender is applied throughout the entire process, from recruitment to establishment of employment relationship. At the same time, other specific norms granting labor rights to certain groups by separate legal acts are complied with.

Disclosure of general approach with regard to commitment of the company's workforce

PKP CARGO

In view of its business profile which requires specific qualifications and high quality of work, the Company is committed to long-term cooperation with its employees. Therefore, as an employer, the Company prefers to hire on the basis of an employment contract for an indefinite period. The extensive remuneration system in place, based on stable internal regulations, includes rights and rewards specific to the railroad industry. Thanks to the remuneration policy, stability of employment and benefits that we offer owe have built lasting relationships with employees.

PKP CARGO SERVICE

PKP CARGO SERVICE has in place Bonus Bylaws, addressing, inter alia, the issue of commitment of the Company's employees. In line with this document, depending on the Company's financial standing, employees can be paid a bonus in the amount based on their commitment and performance. Employees who are particularly committed are also selected to receive ministerial awards and state distinctions. Moreover, possibilities of promotion and salary increases are offered.

PKP CARGOTABOR

At PKP CARGOTABOR, the incentive system in place at the Company is mainly based on financial motivation (bonus), both for specific employee groups and in relation to specific tasks (e.g., repair of a specific type of rail car).

PKP CARGO TERMINALE

At PKP CARGO TERMINALE, the employees' commitment is developed based on financial motivation and in consideration of their efforts.

Disclosure of general approach with regard to measures to ensure and/or enable redress for human rights impacts

PKP CARGO Group

The Group respects labor rights as defined by both international and domestic legislation. For this purpose, an anti-bullying procedure has been implemented, providing for specially appointed bodies such as Shop Stewards and Anti-Bullying Committees. Their task is to identify and analyze cases, to take action to solve conflicts as well as to submit recommendations for actions aimed at preventing any instances of bullying. The Company also takes action to prevent other undesirable phenomena in the workplace, including discrimination and harassment. For this reason, great importance is attached to monitoring and effectively eliminating such incidents. Shaping the proper working conditions, interpersonal relations and ethical attitudes in the work environment is among the employer's priorities in terms of ensuring a safe and employee-friendly workplace.

Disclosure of whether and how policies are aligned with relevant internationally recognized instruments

PKP CARGO

PKP CARGO S.A.'s internal procedures take into account international and national standards in the area of employee rights.

PKP CARGO SERVICE

Policies in place at PKP CARGO SERVICE are aligned with relevant nationally and internationally recognized instruments and are drafted on the basis of PKP CARGO Company guidelines, as well as national laws and regulations and EU directives.

Policies that explicitly address human trafficking, forced or compulsory labor, and child labor

PKP CARGO Group

PKP CARGO does not have in place policies that explicitly address human trafficking, forced or compulsory labor, and child labor. However, the Company complies with international standards in this regard.

A policy or management system for workplace accident prevention has been implemented

Care for occupational safety and preventing workplace accidents is one of the key issues in all the companies from the PKP CARGO Group.

The basic OSH goals for PKP CARGO S.A. and all the Group companies are defined in the Book of the Integrated Management System, adopted in 2022. The Group has also an Occupational Safety and Health Management System in place. In accordance with its assumptions, goals in the OSH area are set every year.

The OSH area at the PKP CARGO Group is supervised by persons with proper competence, in compliance with the requirements defined in the Regulation issued by the Council of Ministers on 2 September 1997 regarding occupational safety and health service. The basis for effective management of occupational safety and health issues is also verification that the implemented system and procedures work effectively, therefore documents and regulations are analyzed and updated on an ongoing basis.

By implementing and applying appropriate occupational safety and health procedures and monitoring their effectiveness, and by providing employee training the PKP CARGO Group intends to mitigate the risk of workplace accidents. Preventive measures are also taken to familiarize employees with documentation raising awareness of workplace hazards.

In each company from the PKP CARGO Group, documents are issued or updated on an ongoing basis to regulate issues affecting employees' safety and health.

All the processes at the Company, also those concerning identification of threats, risk assessment and investigation of accidents, are subject to occupational risk assessment in accordance with the PN-ISO 45001:2018-06 standard. In the PKP CARGO Group, environmental inspections and reviews of workplaces are carried out. A system for improving working conditions has been introduced, too. Hazards are identified on the basis of the procedure of "Identification of threats in workplaces and assessment of the associated occupational risk."

There are specific policies in place to eliminate discrimination

The PKP CARGO Group takes measures to prevent discrimination by shaping a work environment based on respect, openness, reliability and fairness, creating and strengthening positive relations between employees and building an organizational culture rooted in company values.

In order to minimize the risk of adverse events related to discrimination, the PKP CARGO Group has in place the Anti-Bullying and Anti-Discrimination Procedure.

PKP CARGO

PKP CARGO S.A. does not have in place a separate policy against discrimination. However, the area of preventing discrimination and workplace harassment (bullying) are governed by the provisions of the Company's Code of Ethics, including those stating that the Company excludes any discrimination and expressing zero tolerance for any forms thereof in relations with employees, clients and suppliers.

A new "Anti-Bullying and Anti-Discrimination Policy" has been developed and is currently in the process of being finalized. The new Policy comprehensively regulates issues related to bullying and discrimination, and its main goal is to foster proper interpersonal relations and take effective measures to prevent these issues in the workplace. This document will enable application of effective procedures in cases of identified incidents of bullying or discrimination, including harassment or sexual harassment in individual employers that constitute the Company. The procedure in place so far applied to bullying only.

PKP CARGOTABOR

PKP CARGOTABOR has implemented an Anti-Bullying Procedure establishing a set of preventive measures and a description of proceedings in case of occurrence/suspicion of bullying in the workplace.

PKP CARGO CONNECT

PKP CARGO CONNECT employees take part in training to prevent bullying and discrimination.

PKP CARGO INTERNATIONAL

PKP CARGO INTERNATIONAL has in place an internal document entitled "Our conduct and actions within PKP CARGO INTERNATIONAL".

Grounds for discrimination in policies

PKP CARGO Group

The new "Anti-Bullying and Anti-Discrimination Policy" specifically takes into account the following grounds for discrimination: racial and ethnic origin, skin color, gender, sexual orientation, gender identity, disability, age, religion, political opinion, national or social origin.

Disclosure of whether and how the policy is implemented through specific procedures to ensure prevention of discrimination, mitigation of its effects and action once it is detected, as well as to promote diversity and inclusion.

In accordance with the Anti-Bullying and Anti-Discrimination Policy, the Employer takes an active stance against bullying and discrimination, which entails, among other things:

1. preventive measures, aimed at preventing bullying and discrimination, in particular by conducting an information policy and ongoing monitoring of social relations among employees,
2. intervention measures to immediately eliminate instances of harassment and discrimination, to eliminate their effects, to prevent the occurrence of such phenomena in the future, and to apply appropriate sanctions to those responsible.

ESRS S1-2

Processes for engaging with own workforce and workers' representatives about impacts

Disclosure of whether and how the view of own workforce influences decisions or actions to manage actual and potential impact

PKP CARGO

At PKP CARGO S.A., trade unions are the only representatives of the workforce in relations with employers and the Management Board. The cooperation concerns, in particular, modifications of the Company's regulations in terms of the expectations of the staff, and at the same time the current needs and capabilities of the employer. In addition, in consultation with employee representatives, initiatives and measures are taken to improve and increase the efficiency of work at the Company, taking into account current market trends and, first and foremost, respecting human rights.



This cooperation is an ongoing process. This means that discussions take place between the authorized representatives according to the present needs and demands made by the employees. Meetings between the employer's representatives and trade unions acting on behalf of the PKP CARGO S.A. workforce to discuss issues of importance to the employer and employees are held periodically, in accordance with internal regulations.

The parties to the dialog engage in talks to reach a common position. As a result of negotiations between the employers and employee representatives, both at the company and higher levels, agreements and arrangements regarding the Company's labor regulations are made. This cooperation significantly affects the content of internal regulations on labor relations, i.e. employees' rights and obligations (Collective Bargaining Agreement, Bonus Regulations, Labor Bylaws, Company Social Benefits Fund Bylaws).

The ongoing negotiations between the employer's representatives and trade unions of PKP CARGO S.A. workforce are aimed at ensuring social peace and a stable situation for the Company.

The highest-level position in the organization which is held by the person with operational responsibility for ensuring that the cooperation in question takes place and that its outcomes affect the organization's approach: President of the Management Board of PKP CARGO S.A. Management Board Member – Employee Representative.

The Company has not entered into agreements with employee representatives regarding respect for the human rights of its own workforce. The agreement concluded with the representatives of the trade union organizations defines the relationship between the employer and the trade union organizations.

PKP CARGO SERVICE

The Management Board of PKP CARGO SERVICE does consider the opinions of employees when making decisions. The interaction with employees is carried out through:

- ◆ regular contact with the Company's management and regular meetings (as needed, at least once a week),
- ◆ meetings in connection with projects carried out at the Company,
- ◆ daily briefings of management with employees responsible for operational aspects,
- ◆ contact with trade unions in which the Company's employees are members (at a frequency depending on the needs, at least once a month).

The Director of the Human Resources Management Office is the person in charge of regular contact with the Company employees. Respective Directors of a particular area who are in contact with their employees also perform this duty.

PKP CARGOTABOR

The Management Board of PKP CARGOTABOR takes into account the opinions of employees communicated by the trade unions that bring together the Company employees. Moreover, as part of day-to-day communication, each location has in place boxes to submit complaints, requests and comments.

PKP CARGO TERMINALE

As far as labor issues are concerned, the workforce representatives influence the decisions made by the Management Board of PKP CARGO TERMINALE (by contributing to the development of HR and payroll policies).

CARGOSPED TERMINAL BRANIEWO

The Management Board of CARGOSPED Terminal Braniewo takes into account the opinions of employees communicated by the trade unions that bring together the Company employees. Due to the scale of operations, direct contacts between each employee and the Management Board are possible.

CARGOTOR

CARGOTOR has a small number of employee which means that it has a direct impact on team management and communication between employees.

PKP CARGO CONNECT

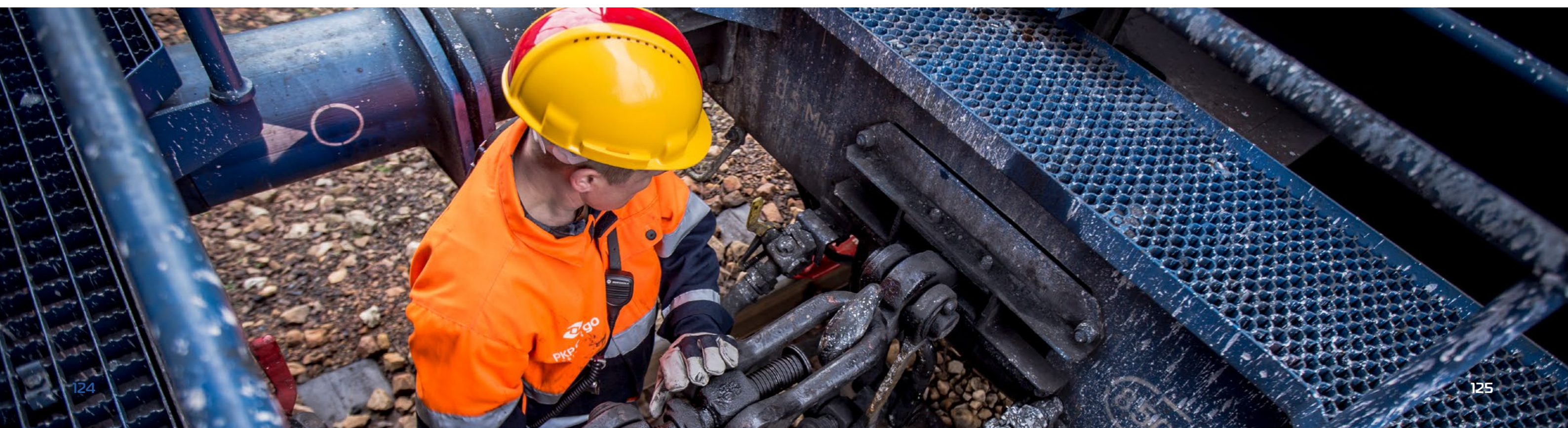
Cooperation with employees of PKP CARGO CONNECT is based on direct communication with the management (direct supervisors).

Commitment of employees or their representatives

PKP CARGO

At PKP CARGO S.A., social dialogue with trade unions representing employees is an important governance component. This is due to a significant unionization and the importance of the issues raised during meetings between the Company's Management Board and representatives of the Social Partners, signatories of the Collective Bargaining Agreement. Social dialogue concerns, to a large extent, labor aspects and, consequently, decisions made in this area have long-term consequences, both in organizational and economic terms.

At PKP CARGO S.A. nearly 82% of employees belong to trade unions. This means that the Company is in the top ranks in terms of trade union membership in large Polish companies with more than 1000 employees. According to Statistics Poland, one in four employees of large organizations in Poland belongs to a trade union. The unionization of the Company's workforce is significantly higher than the average in other large organizations. It is also higher than the average for the mining industry which is 72%.



The Company's management supports a dialog based on the principle of equality of the parties and mutual trust, pursuit of compromise and respect for the law. At the same time, it promotes the idea of partnership, which it sees as a natural evolution of social dialog under market economy conditions, with globalization and increased competition, and as a factor for sustainable business development, job preservation and social improvement. This dialogue is developed in a consistent and long-term manner, including on the basis of the Good Principles for Social Dialogue adopted by the Social Partners in 2017, which refer to general human values: responsibility, honesty, respect, openness, discipline.

Jointly developed standards, adapted to the Company's business needs, serve to raise awareness of the important role of an open, partnership-based approach in seeking solutions that are optimal for both parties involved in the dialog, with a view to increasing the effectiveness of the Company's decision-making processes.

The role of the employees' involvement and cooperation with trade unions in PKP CARGO S.A. in decision-making processes is shown, among others, by:

- ◆ high level of union membership among employees, which is nearly 82%.
- ◆ powers of the Social Partners defined both in general laws and internal regulations: the Company Collective Bargaining Agreement and the agreements defining the mutual obligations of the parties to social dialog in the Company, which include:
 - a. Agreement of 14 February 2005 on mutual obligations of the Parties to Company Collective Bargaining Agreement for Employees of PKP CARGO S.A. Units, the so called "Valentine's Day Agreement";
 - b. Agreement on informing employees and holding consultations with them at PKP CARGO S.A. entered into on 24 May 2006;
 - c. Employee Guarantee Package – the Employee and Social Guarantee Package Agreement for employees of PKP CARGO S.A. Units and for employees of PKP CARGO Group Companies of 2 September 2013.

- ◆ employee participation in managing the Company through delegation of staff representatives to corporate bodies. Rules for electing staff representatives to the Company's Supervisory Board are regulated by the Act of 8 September 2000 on the Commercialization and Restructuring of the State-Owned Enterprise "Polskie Koleje Państwowe". At PKP CARGO S.A., the Employee Guarantee Package also introduced employee participation at the level of the Company's Management Board by the function of Management Board Member – Employee Representative.

PKP CARGO SERVICE

Employees of PKP CARGO SERVICE have their representatives in 7 trade union organizations through whom they provide their comments and proposed solutions of current affairs. The Company's Management Board is always in touch with the staff representatives. Proposals submitted by employees and accepted are reflected in the Company's internal regulations, including the Collective Bargaining Agreement, the Labor Bylaws.

PKP CARGOTABOR

In PKP CARGOTABOR, there are over 20 trade union organizations, whose members are representatives of the Company's employees, through whom any comments from employees are communicated. In addition, junior managers receive information from employees at shift-change briefing sessions in order to provide the information to senior management.

PKP CARGO TERMINALE

At PKP CARGO TERMINALE, the involvement of employee representatives is accounted for by the social side, that is trade unions.

CARGOSPED TERMINAL BRANIEWO

Considering the small scale of the activity of CARGOSPED TERMINAL BRANIEWO, direct contacts of employees are possible at any level (including the Company's Management Board). Employees' affairs are represented also by the trade union operating in the Company.



The disclosure of the stage at which involvement is found, type of involvement and its frequency

PKP CARGO

Social dialog is held at the Company level and at the level of a Unit. At the level of the entire Company, it is conducted by trade union organizations which are signatories of the Collective Bargaining Agreement and by the Company's Management Board. In the trade union participation structure of PKP CARGO S.A., signatories of the CCBA are 12 trade union organizations

representing employees from all professional groups working in the Company. At that level, the most important issues are discussed, most often concerning all the Company's employees. On the other hand, the subject of social dialog at the company level is matters concerning the employees of a given company, with the participation of the company trade union organizations and the company management. This follows from the fact that the Company is a complex employer and consequently, each of the Units is a separate employer.

Levels of social dialog at PKP CARGO S.A.

Levels of social dialog at PKP CARGO S.A.	Social dialog at the Company level	PKP CARGO S.A. Management Board / Signatories to the CCBA
	Social dialog at the Unit level	Unit Director / Company Trade Union Organizations

Social agreements adopted and honored by both parties to PKP CARGO S.A. social dialog, among which particular importance is attached to the Agreement of 14 February 2005 on mutual obligations of parties to the CCBA for employees employed by PKP CARGO S.A. facilities, form the foundation of collaboration and social dialog.

In PKP CARGO S.A., social dialog is conducted by:

- ◆ **at the Company level** – the President of the Management Board or a person designated thereby and the competent statutory bodies of supra-company trade unions operating at the level of PKP CARGO S.A. and company trade unions being a party to the CCBA;
- ◆ **at the Company's Head Office level** – a person designated by the President of the Management Board and the competent statutory bodies of company trade unions;
- ◆ **at the Company's unit level** – the Company's unit manager and the competent statutory bodies of company trade unions.

The basic form of dialog are regular meetings aimed at discussing current issues of material importance to the employer and the employees. They are held, in principle, once a month on the plant level and once a quarter on the Company level.

What is also worth pointing out are meetings devoted entirely to important current business and employee matters, which are held as needed more frequently to ensure a better information flow and increase the effectiveness of the dialog about issues of utmost importance for the Company.

The scope of cooperation with trade unions representing employees of PKP CARGO S.A. is regulated by internal documents (the Company Collective Bargaining Agreement of PKP CARGO S.A. and the aforementioned Agreement of 14 February 2005 on mutual obligations of the Parties to Company Collective Bargaining Agreement for Employees of PKP CARGO S.A. Units) and it includes the following in particular:

- ◆ monitoring of the functioning, and laying down the direction of changes in the Company Collective Bargaining Agreement,
- ◆ agreeing the labor, incentive and company social benefits fund bylaws, as well as and participation in the distribution of benefits from that fund,
- ◆ participating in distribution of funds earmarked for salaries,
- ◆ issuing opinions on the headcount,
- ◆ consulting changes to organizational structures and framework organizational rules and regulations,
- ◆ influencing the development of occupational health and safety conditions through participation in OHS commissions and oversight of Social Labor Inspectors,
- ◆ supervision of provident and loan associations.

In addition, PKP CARGO S.A. provides summaries of meetings held in the past and holds ongoing communication about social dialog issues. Measures taken by the PKP CARGO S.A. Management Board in the area of social dialog are communicated on an ongoing basis both to trade union organizations being the signatories of the PKP CARGO CCBA as well as to the Company's employees, which also supports ongoing involvement of employee teams in the decision-making processes concerning the most significant areas of the enterprise's operation.

Internal communication regarding various aspects of social dialog is carried out on an ongoing basis, as required, through the Company's internal channels, such as the Intranet site of the Management Board Member – Employee Representative dedicated to the subject of social dialog, articles in the Intranet, mailings, letters to trade unions and employees, and a special e-mail address: dialogspoleczny@pkpcargo.com for ongoing contact with trade unions. Issues which are crucial for the development of best practice in the Company's social dialog are also communicated via external channels, among others in trade union press.

The important role of social dialog in PKP CARGO S.A. is validated by the fact that the initiatives in this area are also a regular element of the Company's activities pertaining to corporate social responsibility (CSR). Among the elements of the internal CSR Policy are continuous efforts to ensure an appropriate atmosphere of a partnership-based dialog. This is in line with both PKP CARGO's strategic approach and recognized legal and market standards, including the ISO 26 000 Standard guidelines in two key areas: "organizational governance" and "labor relations".

Employee participation in managing the Company

takes place in particular through delegation of staff representatives to corporate bodies.

Function of Management Board Member – Employee Representative

Rights for employee representation in authorities of commercialized companies are described in the Act of 30 August 1996 on the Commercialization and Certain Employee Rights (Article 11(1) and Article 16(1)). It is due to this Act that in transformed companies having at least 500 employees, there are employee representatives in supervisory and management boards. Employee representation in supervisory boards in the railway sector for is regulated by the Act of 8 September 2000

on the Commercialization and Restructuring of the State-Owned Enterprise "Polskie Koleje Państwowe". Even though the document provides for employee representatives in the Supervisory Board, in PKP CARGO S.A., there is an additional regulatory supplementation of Employee Guarantee Package. It is the latter that ensures to the Company's employees the right to elect their representatives both to the Company's Supervisory Board (3 representatives) and the Management Board (Management Board Member – Employee Representative). Owing to this, the employee representation in PKP CARGO has the character similar to other Polish sectors and general trends in Europe.

Employee Representative in the Management Board of the Company is elected on the basis of the Bylaws for Electing the Employee Representative in the Management Board of PKP CARGO S.A. The Bylaws are approved by the PKP CARGO S.A. Supervisory Board. Each time, by a separate decision, the Central Election Committee is set up to decide on and announce the key elements of the election procedure, namely the schedule of elections and requirements for candidates to employee representatives in the Management Board. The result of the elections to employee representatives in the Company's highest authorities reflects the level of such an important social capital as trust. Employee representatives, taking advantage of the staff's knowledge and experience, may propose solutions proposed by employees, are in constant touch with the Social Side, **making thus employee participation possible on an ongoing basis**, through their representatives in trade unions.

Joint development and implementation of new solutions regarding employees, work organization, building a work safety culture involve extremely complex activities. Especially in such a large Company as PKP CARGO S.A. where about a dozen thousand people work, in view of sharing, on an ongoing basis, knowledge and experience about the development of the railway sector as well as changes in the Company's business environment and the labor market, the partnership between the Company's Management Board and the Social Side in planning processes performed at PKP CARGO S.A. is particularly important. Due to the experience of participants of social dialog, familiarity with the railway industry and also the awareness of the Company's changing objectives and challenges – depending to a large extent on the business environment of PKP CARGO S.A. – solutions are jointly searched to even most difficult situations which naturally contribute to many decision-making processes.

Disclosure of a global framework agreement or other agreements related to respect for employees' human rights

No companies of the PKP CARGO Group have a global framework agreement or other agreements related to respect for employees' human rights.

Disclosure how the effectiveness of engagement of the Company's own workforce is assessed

PKP CARGO SERVICE

In PKP CARGO SERVICE, the effectiveness of administrative employees is assessed on the basis of the principles defined in the Bonus Bylaws, once per quarter. The following aspects are taken into consideration in the assessment:

- ◆ performance of tasks, commitment,
- ◆ achievement of additional objectives,
- ◆ special achievements.

Operational employees are assessed once a month. Their assessments takes into consideration such criteria as:

- ◆ self-reliance,
- ◆ quality of performed work,
- ◆ involvement in the performance of duties,
- ◆ following the rules of safe and healthy work,
- ◆ availability.

PKP CARGOTABOR

In PKP CARGOTABOR, the effectiveness of the commitment of the Company's Head Office employees and the highest level managers of the Repair Sections is assessed once per quarter during the process connected with the payment of a quarterly bonus. That effectiveness is assessed according to the following criteria:

- ◆ attentiveness,
- ◆ diligence,
- ◆ efficiency,
- ◆ quality,
- ◆ discipline in doing work.

Effectiveness of the Section's employees is assessed once a month and the assessment is reflected in the amount of additional bonus. The criteria taken into account are attentiveness and diligence.

PKP CARGO TERMINALE

Based on the Bonus Bylaws which are in force in the Company, the effectiveness of manual employees is measured on a monthly basis by the number of completed transshipments, which the effectiveness of administrative employees – on a quarterly basis – based on the performance of tasks defined in the Company’s Business Activity Plan (PDG) and achievement of the financial result defined in the Company’s Business Activity Plan (PDG).

Disclosure of steps taken to gain insight into perspectives of people from the Company’s workforce who may be especially exposed to the impact and (or) marginalization

PKP CARGO Group

A comprehensive “Anti-Bullying and Anti-Discrimination Policy” is being developed which provides for procedures and remedies in the event of detecting irregularities and a negative impact on employees. The management analysis on an ongoing basis perspectives of their own workforce. Employees may report to the management their comments and proposals at daily shift-change briefing sessions and meetings with the area management. Employees may also report their comments to their representatives in trade union organizations.

ESRS S1-3

Processes to remediate negative impacts and channels for own workforce to raise concerns

Disclosure of the overall approach and processes to ensure or contribute to the remediation of a situation where the company has caused or contributed to a material negative impact on persons employed by the company

A detailed action plan is being agreed to prevent bullying and discrimination in the workplace. This document sets out the actions and remedies to be taken if irregularities are detected and if they have a negative impact on employees. Any situation of potential irregularity on the part of the Company towards an employee is analyzed and reviewed in accordance with applicable regulations.

Disclosure of specific channels for employees to raise concerns or needs directly with the company and respond to them

PKP CARGO

1. The anti-bullying procedure provides an opportunity to report cases of suspected bullying. Reports may be sent to the dedicated e-mail address in each of the Company’s Units or in person to the Trustee who is on duty in each of the Company’s Units. The Policy which is being developed extends the topics of reports to include discrimination.
2. Reporting needs or making proposals in employee matters is also possible directly to the employer or manager (President of the Management Board of PKP CARGO S.A., Management Board Member – Employee Representative of PKP CARGO S.A., Unit Director, Office Director).
3. Furthermore, employees may also take advantage of the aid of trade union organizations.

At PKP CARGO S.A., responsibility for issues of monitoring irregularities rests with the Compliance Department.

The Company provides its employees with various communication channels to report safely any breaches. Employees are obligated to report any irregularities immediately.

Reports may be provided in the manners described below:

- ♦ via a dedicated e-mail address sygnal@pkpcargo.com (information for employees is provided on the PKP CARGO S.A. intranet page in the tabs: “Anti-Corruption Policy” and “Code of Ethics;
- ♦ by traditional post, as a message sent to the following address: Koordynator ds. etyki, przeciwdziałania nadużyciom i korupcji PKP CARGO S.A. [PKP CARGO S.A. Ethics, Anti-Fraud and Corruption Coordinator], 02-021 Warsaw, ul. Grójecka 17 – with a note: “do rąk własnych” [“personal service”].
- ♦ as a memo, personally conveyed to the Compliance Coordinator.

Everybody using the reporting system should give the following information:

- ♦ a detailed description of the event (date and place of the event, the participants, a description of what happened, etc.),
- ♦ nature of the event,
- ♦ data of witnesses of the event (if any),
- ♦ evidence for the event – in the form of attachments.

Anonymous reports may be sent through three channels



online platform
<https://cargo.liniaetyki.pl>



e-mail address
cargo@liniaetyki.pl



hotline
22 290 69 13

The Code of Ethics and the Anti-Corruption and Gift Policy allow whistleblowers to report irregularities, openly or anonymously (in both cases, a verification procedure is always carried out by the Compliance Department). Anyone who wishes to submit a report may turn directly to the Coordinator for the ethics and counteracting fraud and corruption (Ethics Officer) in the Compliance Department or submit a report through an external entity.

An employee using the above solutions is guaranteed absolute anonymity, since these channels are operated by an external entity, where a conversation held is secured by a PIN code. A representative of the external entity shall inform the reporter about the stages of the procedures and its completion. The Compliance Department receives the content of a report from the external entity and then takes further steps to explain the cases connected with the reported irregularities.

The Compliance Department monitors the implementation of issued recommendations after completing the verification procedure. At the same time, the Compliance Officer informs the President of the Management Board about any conducted verification procedures concerning, among other issues, corruption, conflict of interest, personal conflicts, workplace harassment, etc. The Compliance Officer also keeps a Register of Reports on Violations of the Anti-Corruption Policy at PKP CARGO and a Register of Reports on Violations of the PKP CARGO Code of Ethics.

Employees may submit their comments in the systems for reporting and reviewing complaints, while the Compliance Department updates the Code of Ethics at its own initiative or based on submitted comments.

PKP CARGO SERVICE

Employees of PKP CARGO SERVICE may submit reports of violations of the Code of Ethics openly in person to the PKP CARGO S.A. Ethics Officer or the Compliance Coordinator. Contact details to the Ethics Officer and the Compliance Coordinator can be found on the Company’s website. Additional instruments for reporting notifications of violations of the

Code of Ethics are: a dedicated telephone line, e-mail address or special report form, which are accessible in a manner also described on the website.

PKP CARGOTABOR

At PKP CARGOTABOR, there are “boxes of potential threats” where employees may put their reports.

PKP CARGO TERMINALE

At PKP CARGO TERMINALE, the channels which make it possible for employees to report concerns or needs and the ways to respond to them operated on the basis of:

- ♦ the procedure for reporting irregularities and abuses (there is an external platform to handle reports, including a dedicated information hotline, a mail box or the possibility of sending a letter directly to the Compliance Coordinator),
- ♦ the instruction for conducting investigations.

CARGOSPED TERMINAL BRANIEWO

At CARGOSPED Terminal Braniewo, complaints and concerns may be reported by employees by contacting their supervisors or managers up to the level of the Company’s Management Board.

CARGOTOR

At CARGOTOR, employees may report their concerns via a website.

PKP CARGO CONNECT

At PKP CARGO CONNECT, complaints and concerns may be reported by employees by contacting their direct supervisors or Company’s HR Office.

PKP CARGO INTERNATIONAL

At PKP CARGO INTERNATIONAL, the channels for reporting concerns include: e-mail, traditional mail or a report in person.

Existing mechanisms for reviewing complaints or grievances connected with employee matters

PKP CARGO

Each submitted complaint or grievance connected with employee matters are carefully reviewed by the competent organizational cell and the response is made to the petitioner. No matter is left unreviewed.

PKP CARGO SERVICE

Employees of PKP CARGO SERVICE may submit reports of violations of the Code of Ethics openly in person to the PKP CARGO S.A. Ethics Officer or the Compliance Coordinator.

Complaints about employee matters go through an official path inside the Company, i.e. via the Human Resources Management Department and the Management Board and this is the level at which the employee receives a response.

PKP CARGOTABOR

Each location at PKP CARGOTABOR has in place boxes of potential threats for employees to put in all their complaints, requests and comments. Furthermore, every employee may submit a complaint about employee matters directly to the Human Resources Management Department. Each reported case is analyzed and conveyed to the Management Board. In addition, an anti-bullying procedure has been implemented under which an employee may report a complaint.

PKP CARGO TERMINALE

At PKP CARGO TERMINALE, the channels which make it possible for employees to report concerns or needs and the ways to respond to them operated on the basis of:

- ◆ the procedure for reporting irregularities and abuses (there is an external platform to handle reports, including a dedicated information hotline, a mail box or the possibility of sending a letter directly to the Compliance Coordinator),
- ◆ the instruction for conducting investigations.

CARGOSPED TERMINAL BRANIEWO

At CARGOSPED Terminal Braniewo, mechanisms for reviewing complaints or grievances connected with employee matters are handled in compliance with the Labor Code and the prevailing rules and regulations.

CARGOTOR

At CARGOTOR, mechanisms for reviewing complaints or grievances connected with employee matters are handled in compliance with the Labor Code and the prevailing internal rules and regulations.

PKP CARGO CONNECT

Concerns reported by employees of PKP CARGO CONNECT are reviewed and analyzed on an ongoing basis.

PKP CARGO INTERNATIONAL

At PKP CARGO INTERNATIONAL, complaints and grievances are examined by the Ethics Committee and based on the Anti-Bullying Directive.

Disclosure of processes in which the company supports or requires accessibility of channels

PKP CARGO

Relevant procedures (the up-to-date anti-bullying regulation) and supervision on the part of the management.

PKP CARGO SERVICE

At PKP CARGO SERVICE, channels for reporting irregularities are accessible to any of the Company's employees.

PKP CARGOTABOR

Employees of PKP CARGOTABOR may use contact channels available in the Company.

PKP CARGO TERMINALE

For employees of PKP CARGO TERMINALE, anonymous channels for reports are available within the PKP CARGO Group.

CARGOSPED TERMINAL BRANIEWO

At CARGOSPED Terminal Braniewo, mechanisms for reviewing complaints or grievances connected with employee matters are handled in compliance with the Labor Code and the prevailing rules and regulations.

CARGOTOR

At CARGOTOR, processes in which the Company supports or requires accessibility of channels are handled in compliance with the Labor Code and the prevailing internal regulations.

Disclosure whether and how it is assessed that employees are aware of and trust in the structures and processes as ways to report their concerns and needs and responding to them

PKP CARGO Group

PKP CARGO employees who use the hotline, mail box or a report form are guaranteed absolute anonymity. The channels

for such reports are operated by an external entity, where a conversation held is secured by a PIN code. A representative of the external entity shall inform the reporter about the stages of the procedures and its completion. The Ethics Officer, the Compliance Coordinator receive the content of a report from the external entity and then takes further steps to explain the cases connected with the reported irregularities.

ESRS S1-4

Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions

Action plans and resources to manage a material impact, risk and opportunity associated with own workforce

PKP CARGO Group

In most companies, a business activity plan (PDG) for 5 years is prepared every year, in which the Company estimates the planned number of employees and employee departures in connection with the Company's recovery plans.

Description of additional initiatives or activities whose main objective is to ensure a positive impact on own workforce

PKP CARGO

As a company operating on the Polish and international markets, caring for the performance of business processes in a responsible way, we are able to have a positive impact on our entire surroundings. PKP CARGO's commitment in the social area means that the Company willingly participates in meeting international challenges. A considerable area of social involvement at PKP CARGO S.A. includes the performance of additional initiatives supporting the involvement and improvement of working conditions for employees.



Long-term pro-social activities performed by the Company comply with, among others, the following Sustainable Development Goals:

- ◆ Goal 3 – Healthy lives and well-being
- ◆ Goal 4 – Good quality education
- ◆ Goal 8 – Economic growth and decent work
- ◆ Goal 9 – Innovation, industry, infrastructure
- ◆ Goal 12 - Responsible consumption and production
- ◆ Goal 13 – Climate action

In the area of social involvement, PKP CARGO S.A. implements primarily long-term programs strictly adjusted to the specific characteristics of the headcount and the profile of PKP CARGO S.A. **As an employer employing approx. 14,000 people all over Poland, the Company develops long-term employee support programs in issues that make it possible to increase their involvement, improve work quality, ensure safe and decent working conditions, build work-life balance. The key aspects in this area are as follows:**

1. Building the culture of safe workplace
 - a. Direction Safety at Work campaign (start 2019), intensification of actions scheduled for 2023-2024.
2. Employee support programs
 - a. Post-Accident Psychological Support (PPS) – since 2017, a project continuously performed, developed in annual cycles.
 - b. Legal Advice (since 2023).
3. Work-life balance programs
 - a. Cancer Prevention Campaign WIN (start: 2022, a project continuously performed, developed in annual cycles)
 - b. Running-Friendly Company (since 2013, a project continuously performed, developed in annual cycles)
4. Programs in the area of social involvement:
 - a. Socially Responsible – (since 2023).

Detailed information

1. Post-Accident Psychological Support (PPS)

A program has been performed at PKP CARGO S.A. consistently since 2017. The aim of the PPS is to increase safety in rail traffic by providing psychological support to the Company's employees – both in connection with participation in rail accidents and also in difficult personal situations that may influence employees' mental condition and level of concentration and, consequently, the safety of transport processes. The Company defines the significance of the project by, among others, assessment of accessibility of psychological support. The Post-Accident Psychological Support builds awareness of the impact of psychological aspects on work safety. The program is addressed to approx. 7,000 people altogether directly involved in rail traffic and rail traffic safety (including members of train crews and standing rail commissions). For years, people using the hotline have often been employees who participated in a rail accident involving a person (in many cases a fatality) and families of employees who died in rail accidents.

The PPS program is performed by:

- a. Psychological Support Hotline, accessible all the time for nearly 7000 employees working in positions directly related to train traffic, staffed with psychologists specialized in the rail sector support. The hotline is free of charge for the callers, ensures the confidentiality of calls and has no influence on employees' employment situation.
- b. Free of charge consultations at a psychologist's office – employees may use consultations provided in as many as 14 offices all over Poland.
- c. Preventive measures: activities in the area of stress and post-traumatic stress prevention, also in the form of periodical instructions and the Company's communication projects.
- d. Cyclic "PPS Newsletter" – addressed to several thousand train engineers of PKP CARGO S.A. and distributed to the tablet used by train drivers in everyday work, as a result of which train engineers receive them among standard business releases, which increases number of the target group members to whom the newsletter reaches. In 2023, 12 monthly editions of the Newsletter were distributed, promoting, among other things, topics related to stress management and concentration. Newsletters are prepared in cooperation with psychologists, experts coordinating the PPS program.

The project of Post-Accident Psychological Support supports employees in coping with stress, helps them maintain good psychophysical condition, teaches them effective ways of regenerating and concentrating, due to which it also increases the level of professional involvement. Thus, the project contributes to improving working conditions and building the safety culture in rail transport. In 2023, the Program was consistently developed in accordance with the long-term concept of supporting employees working in positions directly related to train traffic.

2. "Direction: Safety at Work" campaign

The "Direction: Safety at Work" campaign is addressed to all employees of PKP CARGO S.A. – about 14,000. The aim of the campaign is to increase safety at work by building a safe workplace culture, changing awareness (through treating safety as a priority) and shaping attitudes conducive to the safe performance of professional duties. The motto the campaign is: "I care about my safety at work, because I love coming back home." The key assumption was to transmit the message effectively to approx. 7,000 employees who work in positions directly related to train traffic (including train engineers, shunting masters and inspectors).

The project was started in 2019; it includes performance of long-term coherent information strategy for employees (posters, intranet website, leaflets, promotional video, special e-mail address, regular articles in internal and external media).

In 2021-2022, the campaign also included prevention activities in the area of mental health, stress and post-traumatic stress, which may affect the safety of transport processes, related to another ESG project (executed under the name of Post-Accident Psychological Support). In 2023, the campaign was intensified as part of the plan to develop the campaign for the period from H2 2023 until the end of 2024. In 2023, the following initiatives were performed within the campaign, with the aim to achieve a continuous long-term improvement in the safety at work of PKP CARGO S.A. employees:

- ◆ **Consultations on the main directions of OHS prevention:** in the second half of 2023, in the course of workshops held in the Company, consultations were held on the main directions of communication in the accident prevention campaign in PKP CARGO S.A. The workshop was attended by members of the Occupational Health and Safety teams from all the plants and the headquarters of PKP CARGO S.A., as well as representatives of the operations division, with the participation of train driver instructors. During the workshop, a project to develop activities to build a safe workplace culture was presented in a consultative mode, taking into account the initiatives planned for the second half of 2023 and 2024.
- ◆ Creation of a plan and schedule to develop a series of posters promoting safe conduct in the workplace, with a focus on positions directly related to rail traffic safety - after identifying key risks in these positions. Distribution of the first two posters began in Q4 2023. Successive parts of the series will be held regularly until the end of 2024. The posters contain key messages for employees that are tailored to the current needs of creating a safe workplace, taking into account the current situation in terms of accidents and near misses. Their purpose is to highlight the most common hazards in the workplace and to help the company's employees perform their jobs safely.
- ◆ Development of the PPS (Post-Accident Psychological Support) Newsletter, distributed once a month to train drivers' tablets.
- ◆ Creation of an OHS Newsletter (starting in October 2023) addressed to OHS teams at the Company's Head Office and Units, ensuring that the campaign messages reach all employees in the OHS area.
- ◆ A series of social advertisements to be published in Q4 2024 in the magazines of the main trade unions of PKP CARGO S.A. employees as part of the communication campaign "Switch on your attention" – 3 press titles of the main trade unions.
- ◆ Distribution of about 500 business cards with the telephone number of the Post-Accident Psychological Support hotline - the cards were distributed to the teams directly related to the implementation of rail transport.
- ◆ Ongoing update of sites dedicated to the "Direction: Safety at Work" Intranet campaigns.





3. WIN campaign

Purpose and assumptions: The WIN campaign is a health prevention project aimed at raising the awareness of the PKP CARGO Group's employees regarding preventive checkups for some of the most common oncological diseases (breast cancer and prostate cancer). The WIN campaign has been performed consistently since 2022 and targeted at all employees of the PKP CARGO Group. The pillars of the project are programs promoted by the National Healthcare Fund, i.e. the government-sponsored campaign "I Plan to Live a Long Life" and the "National Oncology Strategy", dedicated to both women (breast cancer prevention) and men (prostate cancer prevention). In 2023, which was the second year of the WIN campaign, the initiative was extended with a week devoted to cardiovascular health (April - the week devoted to heart health).

The campaign is tailored to the cross-section of employment in the rail sector and takes into account among others the average age of employees of the rail sector and the statistically most common diseases threatening employees in the targeted average age group. The employer is involved in the process of raising awareness of important issues related to disease prevention and encouraging employees to take an active interest in their health. These are elements of responsible support for employees in achieving a work-life balance.

Key activities in 2023:

- ◆ 3 consistent information campaigns during the 3 months of the campaign (September, October, November).
- ◆ 3 mailings, with each targeting up to a few thousand employees.
- ◆ Articles (on the Intranet, home page + dedicated campaign site – several thousand employees with intranet access are continuously reached by key campaign messages).
- ◆ Sustainable Development Newsletter for subsidiaries (November 2023).

4. A Running-Friendly Company

As part of the "Running-Friendly Company" multi-year ESG program, PKP CARGO S.A. supports sports interests among Employees, encourages a healthy and active lifestyle and integrates teams employed in various locations across the country, working in various positions. The "Running-Friendly Company" program is a key initiative of the Company in the area of work-life balance, which has been gradually developed since 2013. The "Running-Friendly Company" initiative promotes a healthy life-work balance and supports employees in taking socially beneficial and charitable activities.

Project assumptions:

The project has been developed based on the following three pillars:

- a. Sports: promotion of healthy lifestyles through the participation of PKP CARGO S.A. employees in various running and other sports initiatives, both external (marathons; half marathons organized in Poland and abroad) and own projects organized by PKP CARGO S.A.
- b. Charity: PKP CARGO employees helped people in need by running. The Company regularly supported various initiatives, including the national charitable Poland Business Run, and provided assistance to the Foundation's beneficiaries – people with motor disabilities.
- c. Integration: integrating employees from various locations and from different units of the PKP CARGO Group.

Relay 2023

In 2023, as part of the Running-Friendly Company project, the PKP CARGO Running and Cycling Relay around the Earth was organized. The project lasted for three months, and all participants combined traveled a distance longer than the length of the equator - over 40,000 kilometers! The project was organized in a form that allowed individual employees to participate in their places of residence (they were able to tally and report the distances themselves, using sports apps). The initiative also brought together employees from subsidiaries, ensuring high integration value of the project.

The positive feedback from the Relay suggests that it should be continued in 2024. The aim of the initiative is to activate employees through the most common and accessible forms of activity: running, walking/racewalking and cycling. Through PKP CARGO's Relay around the Earth, about 200 employees achieved a shared goal in the spirit of work-life balance and sustainability, promoting care for the natural environment and bottom-up initiatives reducing CO₂ emissions (e.g. bicycle as an environmentally friendly mode of transport).

Furthermore, over 20 participants took part in the accompanying campaign "We Are Active at PKP CARGO S.A.", as part of which employees most committed to the cause created messages motivating other participants to engage in sporting activities and combine their professional lives with caring for their health, as well as with the realization of individual passions, which translates into a higher level of satisfaction also with the work and greater efficiency.

The implementation and development of the "A Running-Friendly Company" program results in the following benefits:

- ◆ promotion of a healthy and active life style;
- ◆ employee integration; building the feeling of community between employees from different parts of the country;
- ◆ increase in motivation and effectiveness, identification with PKP CARGO S.A.;
- ◆ promoting the idea of helping, development of pro-social attitudes;
- ◆ building a positive image of the PKP CARGO Group as an employer;
- ◆ promoting the Company as socially responsible with respect to local communities; e.g. family members of persons involved in sports activities.

5. Legal advice for PKP CARGO S.A. employees:

This is a new initiative in the area of employee support, to be provided for the first time in 2023. Legal advice is provided in the form of a hotline - a free, anonymous, confidential service provided by an on-call legal advisor at a dedicated phone number that is open for a certain number of hours on selected weekdays that are communicated to employees;

- ◆ frequency: 2x2 hours per week,
- ◆ Dedicated phone number: The service provider - a law firm - manages a dedicated phone number exclusively for contact between the lawyers providing on-call legal services and the company's employees.

Legal advice on the hotline is provided by experienced lawyers (attorneys, legal advisors) who are dedicated especially to this project. Employees who call the Hotline remain completely anonymous - in order to receive legal advice they only need to provide the ESS/SAP number, i.e. the number of a PKP CARGO S.A. employee. The legal advice is free of charge and is provided in all key areas of law, with the exception of labor law, due to the employment relationship between PKP CARGO S.A. and the employees who are the project's beneficiaries.

The hotline is very popular, as shown by the number of legal consultations provided in the pilot project carried out in the second half of 2023, reported monthly by the law firm providing the services. The demand for the project is evidenced by the fact that - according to the ongoing evaluation - the employees of PKP CARGO S.A. have actively used every time slot offered by the hotline. The formula of the project has also been successful: the number and frequency of on-call hours allow a relatively even distribution of contacts to the hotline and ensure an appropriate level of involvement of the lawyers providing advice.

6. The Socially Responsible Project:

this is a new initiative in the area of supporting employees' social engagement, to be implemented for the first time in 2023. PKP CARGO S.A., as a company with approximately 14,000 employees working in different locations across Poland, has a large number of people who are involved in social activism for the benefit of others. They are active in foundations, associations and clubs, or they pursue initiatives for the benefit of society in their private lives. PKP CARGO's Socially Responsible project is intended to inspire employees to be active and undertake initiatives that improve their immediate surroundings on various levels.

- ◆ The initiative has been implemented in 5 categories: the Eco Leader, the Patron of Railway Culture, the Leader of Helping, the Active, the Rescuers.
- ◆ The project refers to the concept of employee volunteerism. Its purpose is to recognize employees with social involvement, promote their socially responsible activities inside the company, support them in carrying out socially useful initiatives, and inspire other employees to undertake grassroots activities benefiting the public (based on the principle of a bank of inspiration).
- ◆ In 2023, the first edition of the Socially Responsible Project was carried out, in which the employees of all PKP CARGO Group companies were invited to participate. The project lasted 3 months and identified 13 winners, whose initiatives were recognized and promoted in the company as examples of good practices in the social engagement area. The selected group of winners - PKP CARGO's Socially Responsible - are employees who, in their daily lives, devote their time and efforts to others and make the world around them a better place. They help people in financial, health and emotional crises, protect valuable historic railway sites and the heritage of past generations, and safeguard the invaluable natural environment. They carry out their activities in their own time, using their own efforts as their main tool. The project culminated in a final held on 18 December 2023 with the participation of the winners, which took place at the PKP CARGO S.A. head office in Warsaw.
- ◆ The project was widely communicated in the Company's internal media, including the Intranet (home page and dedicated project subsite, posters, PKP CARGO Group Sustainable Development Newsletter, ongoing communication with project winners).

Benefits of implementation:

- ◆ Exchange of experiences, promotion of socially responsible conduct;
- ◆ Inspiring socially responsible behavior by promoting examples of activities carried out by colleagues working for the same Company;
- ◆ Promoting the Sustainable Development goals among the employees of the PKP CARGO Group.

Through the Socially Responsible project, PKP CARGO demonstrates that helping has the power to improve reality; the initiative also aims to promote activities for sustainability.

7. Socially Responsible Communication of PKP CARGO S.A.

Socially Responsible Communication are coordinated communication activities addressed to the employees of the PKP CARGO Group. This practice is implemented through standardized, regular communication materials that reach the target groups on a regular basis. Socially responsible communication at PKP CARGO S.A. is carried out in a coordinated, consistent and holistic manner; it is addressed to approximately 14,000 employees and aims to inform and promote the company's ESG activities, but also to support and strengthen employee engagement, particularly in the following areas:

- ◆ Safe workplace culture: especially for employees directly involved in railway safety. A permanent, regular element of this project is the PPS (Post-Accident Psychological Support) Newsletter for train drivers and the OHS Newsletter for employees of the OHS area.
- ◆ Social dialog with partners: leaders of the main trade unions - signatories of the PKP CARGO Collective Bargaining Agreement - are invited to participate in internal communications on current issues important to the company and its employees.
- ◆ Healthy and active lifestyle - regular promotion of safe physical activity and preventive health care in the spirit of work-life balance.
- ◆ Voluntary blood donation - promotion of voluntary blood drives organized by the railway community (informational and educational function, building the image of voluntary blood donors as people saving health and lives, motivating employees to engage in pro-social and volunteer activities).
- ◆ Sustainability - the Sustainable Development Newsletter, distributed periodically to PKP CARGO Group companies, serves the purpose of promoting social engagement of

PKP CARGO S.A., sharing good practices and updating knowledge on ESG initiatives. The newsletter is distributed to CSR coordinators and employees of all PKP CARGO Group companies and provides a platform for exchanging information on sustainability. The newsletter promotes best ESG practices, the company's objectives in this area and:

- ◆ promotes ESG topics among railway employees and managers who coordinate the Corporate Social Responsibility area in the PKP CARGO Group;
- ◆ allows employees from all PKP CARGO Group companies become involved in ESG initiatives;
- ◆ provides a constant flow of information about important social activities in the PKP CARGO Group to about 20 thousand employees;
- ◆ strengthens the image of PKP CARGO S.A. as a socially responsible company;

Newsletter frequency - at least 1 issue / month. From 2023 it was published under the name of Sustainable Development Newsletter (formerly CSR Newsletter).

PKP CARGO SERVICE

In order to ensure a positive impact on its own workforce, PKP CARGO SERVICE undertakes initiatives in the area of occupational health and safety.

PKP CARGOTABOR

PKP CARGOTABOR seeks to have a positive impact on its own workforce by promoting initiatives to improve occupational health and safety and by offering additional insurance opportunities.

PKP CARGO TERMINALE

PKP CARGO TERMINALE focuses on relationships with employees and the local community: through student internships or apprenticeships, training programs, providing decent working conditions, supporting local initiatives or educational activities.

CARGOSPED TERMINAL BRANIEWO

The company is committed to providing the proper and safe working conditions for its employees. It also offers additional insurance cover. It operates in accordance with the Labor Code.

CARGOTOR

In order to ensure a positive impact on its own workforce, CARGOTOR operates in compliance with the Labor Code and applicable internal regulations.

PKP CARGO CONNECT

PKP CARGO CONNECT aims to have a positive impact on its own workforce by taking initiatives to ensure safe and healthy working conditions.

Description of how to track and evaluate the effectiveness of activities and initiatives in achieving results for own workforce

PKP CARGO

All the projects and initiatives aimed at the employees are intended to improve the situation of the employees in the long term in areas relevant to work in the railway industry. Each initiative implemented as a corporate social responsibility project is analyzed and reviewed on an annual basis, taking into account, among other things, the extent to which it meets the current needs of employees, its effectiveness, the number of recipients or the variety of channels used. Initiatives are analyzed, evaluated and modified after each annual period.

Initiatives that meet employee expectations are continued in subsequent years. Each initiative is included in the annual CSR Plan, evaluated for compliance with the PKP CARGO S.A.'s CSR Policy and approved at the level of the PKP CARGO S.A. Management Board Member – Employee Representative. The level of implementation of the CSR Plan and the conclusions from the implementation of each initiative are summarized in dedicated CSR Summaries on a semi-annual and annual basis.

PKP CARGO's corporate social responsibility initiatives addressed to employees have:

- ◆ clearly defined target groups;
- ◆ dedicated permanent communication tools and channels;

In addition, these initiatives are:

- ◆ developed consistently over the long term;
- ◆ an expression of the Sustainable Development Goals of the 2030 UN Agenda;

- ◆ compliant with the ISO 26 000 international standard and GRI reporting requirements;
- ◆ aligned with PKP CARGO's business model and cross-section of employees.

Description of actions planned or underway to mitigate significant risks arising from the impacts and dependencies on own workforce, and how the effectiveness of these actions is monitored

PKP CARGO Group

The Group continuously analyzes the effectiveness of its risk mitigation efforts and, when a specific risk is identified, evaluates it and takes action to eliminate its negative impact on employees.

Disclosure of whether and how it is ensured that proprietary practices do not cause and do not contribute to a material adverse effect on own workforce

PKP CARGO Group

The practices applied at PKP CARGO do not cause and do not contribute to a material adverse effect on its own workforce.

ESRS S1-5

Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

Targets set in order to manage material impacts, risks, and opportunities related to own workforce

PKP CARGO Group

One of the priorities is employee health and safety and consequently ensuring a safe workplace. This is why each employee is taken care of starting from the first day of employment, and initiatives to improve safety are undertaken. Periodic training and research, additional rights granted to employees and attractive health benefits serve the purpose of limiting the risks associated with own workforce.

PKP CARGO S.A. is committed to being a socially responsible company, building positive and lasting relations with employees, the public and the business community.



Disclosure on whether and how employees or employee representatives were directly involved in the setting of PKP CARGO's targets

PKP CARGO

Employee representatives on the Supervisory Board and the Management Board of PKP CARGO S.A., elected by the company's employees, are involved in the setting of targets that affect the employment situation.

Social dialogue between the Management Board and employee representatives is an important part of running the business and is treated as a form of partnership cooperation necessary to increase the Company's efficiency. Solutions that are developed jointly and respected influence business processes and shape aspects that are important to employees.

PKP CARGO SERVICE

PKP CARGO SERVICE's administrative and management staff are directly involved in setting the targets for the subordinated unit. Fulfillment of targets is reviewed on a quarterly basis.

Disclosure on whether and how employees or employee representatives were directly involved in monitoring the fulfillment of targets

PKP CARGO

Employee representatives on the Supervisory Board and the Management Board of PKP CARGO S.A. are informed by the relevant organizational units about the fulfillment of the set targets that affect the employment situation of the employees. These issues are also discussed at meetings held as part of the social dialogue conducted in the company.

PKP CARGO SERVICE

The fulfillment of targets is discussed once a quarter by the management of PKP CARGO SERVICE with each employee of a given unit. The results are also discussed with the employee representatives as part of the social dialogue conducted in the Company.

PKP CARGOTABOR

Employees at PKP CARGOTABOR are not directly involved in monitoring the fulfillment of targets.

CARGOTOR

At CARGOTOR, employees are involved in tracking performance against targets through ongoing communication and team meetings.

ESRS S1-6

Characteristics of the undertaking's employees

The following ESRS S1-6 disclosures provide data as at 31 December 2023.

The report includes information and data for the parent company PKP CARGO S.A. and 7 subsidiaries (to different degrees, depending on the availability of information and data owned by each company) consolidated by the full method:

- ◆ PKP CARGO SERVICE Sp. z o.o.
- ◆ PKP CARGOTABOR Sp. z o.o.
- ◆ PKP CARGO TERMINALE Sp. z o.o.
- ◆ CARGOSPED TERMINAL BRANIEWO Sp. z o.o.
- ◆ CARGOTOR Sp. z o.o.
- ◆ PKP CARGO CONNECT Sp. z o.o.
- ◆ PKP CARGO INTERNATIONAL a.s.

The report does not include PKP CARGOTABOR USŁUGI Sp. z o.o. since the company did not conduct operating activity in 2023. A contribution-in-kind in the form of a property located in Gniewczyna Łańcucka was made to the company in March 2023. On 26 September 2023, PKP CARGOTABOR USŁUGI Sp. z o.o. signed a sale agreement for State defense and security purposes, selling assets of the former Fabryka Wagonów Gniewczyna S.A. in Gniewczyna Łańcucka to the State Treasury, the Regional Board of Infrastructure in Lublin, i.e. to an entity organizationally subordinated to the Minister of National Defence. As at 31 December 2023, the Company employed one person.

No data disclosure in respect to selected companies means that the reporting systems for the specified data have not yet been implemented in the company.

Characteristics of the Group's employees – number of employees by gender

Group and subsidiaries	Characteristics of the undertaking's employees – number of employees by gender	
	Women	Men
PKP CARGO Group	5 028	14 904
PKP CARGO	4 024	10 038
PKP CARGO SERVICE	156	643
PKP CARGOTABOR	253	2 379
PKP CARGO TERMINALE	56	226
CARGOSPED TERMINAL BRANIEWO	10	51
CARGOTOR	78	102
PKP CARGO CONNECT	220	246
PKP CARGO INTERNATIONAL	231	1 219

Number of employees (translated to FTE equivalents)

Group and subsidiaries	Number of employees (translated to FTE equivalents)
PKP CARGO Group	19 869,15
PKP CARGO	14 034,75
PKP CARGO SERVICE	790,55
PKP CARGOTABOR	2 608,95
PKP CARGO TERMINALE	282,00
CARGOSPED TERMINAL BRANIEWO	61,00
CARGOTOR	180,00
PKP CARGO CONNECT	462,00
PKP CARGO INTERNATIONAL	1 449,90

Characteristics of the Group's employees – number of employees in the countries employing 50 or more workers

Group and subsidiaries	Number of employees in the countries employing 50 or more workers
PKP CARGO Group	19 932
PKP CARGO	14 062
PKP CARGO SERVICE	799
PKP CARGOTABOR	2 632
PKP CARGO TERMINALE	282
CARGOSPED TERMINAL BRANIEWO	61
CARGOTOR	180
PKP CARGO CONNECT	466
PKP CARGO INTERNATIONAL	1 450



Average number of employees (translated to FTE equivalents)

Group and subsidiaries	Average number of employees (translated to FTE equivalents)
PKP CARGO Group	19 916,86
PKP CARGO	14 071,42
PKP CARGO SERVICE	787,52
PKP CARGOTABOR	2 608,95
PKP CARGO TERMINALE	274,27
CARGOSPED TERMINAL BRANIEWO	59,80
CARGOTOR	180,00
PKP CARGO CONNECT	462,00
PKP CARGO INTERNATIONAL	1 473,90

Average number of employees in the countries that employ 50 or more workers

Group and subsidiaries	Average number of employees in the countries that employ 50 or more workers
PKP CARGO Group	19 969,07
PKP CARGO	14 095,58
PKP CARGO SERVICE	787,52
PKP CARGOTABOR	2 632,00
PKP CARGO TERMINALE	274,27
CARGOSPED TERMINAL BRANIEWO	59,80
CARGOTOR	180,00
PKP CARGO CONNECT	466,00
PKP CARGO INTERNATIONAL	1 473,90

Characteristics of the undertaking's employees - information on employees by contract type, gender and region

Group and subsidiaries	Characteristics of the company's workforce - number of employees broken down by gender			
	Permanent employees		Temporary employees	
	Women	Men	Women	Men
PKP CARGO Group	4 488	13 368	596	1 480
PKP CARGO	3 601	9 135	423	903
PKP CARGO SERVICE	131	562	81	25
PKP CARGOTABOR	225	2 111	28	268
PKP CARGO TERMINALE	51	214	5	12
CARGOSPED TERMINAL BRANIEWO	9	42	1	9
CARGOTOR	66	97	12	5
PKP CARGO CONNECT	200	228	20	18
PKP CARGO INTERNATIONAL	205	979	26	240

Number of employees (by head count or full time equivalent)

Group and subsidiaries	Number of employees (by head count or full time equivalent)
PKP CARGO Group	19 906
PKP CARGO	14 062
PKP CARGO SERVICE	782
PKP CARGOTABOR	2 627
PKP CARGO TERMINALE	282
CARGOSPED TERMINAL BRANIEWO	61
CARGOTOR	180
PKP CARGO CONNECT	462
PKP CARGO INTERNATIONAL	1 450

Average number of employees (by head count or full time equivalent)

Group and subsidiaries	Number of employees (by head count or full time equivalent)
PKP CARGO Group	19 963,31
PKP CARGO	14 095,58
PKP CARGO SERVICE	779,03
PKP CARGOTABOR	2 632,00
PKP CARGO TERMINALE	282,00
CARGOSPED TERMINAL BRANIEWO	59,80
CARGOTOR	180,00
PKP CARGO CONNECT	461,00
PKP CARGO INTERNATIONAL	1 473,90



Employee turnover - number and rate

Group and subsidiaries	Employee turnover - number	Turnover rate (%)
PKP CARGO Group	1 908	9,57
PKP CARGO	1478	10,49
PKP CARGO SERVICE	125	15,55
PKP CARGOTABOR	203	7,73
PKP CARGO TERMINALE	12	4,37
CARGOSPED TERMINAL BRANIEWO	2	3,00
CARGOTOR	18	10,00
PKP CARGO CONNECT	38	8,10
PKP CARGO INTERNATIONAL	32	8,13



Description of the methodology and assumptions used to process data (employees)

Number of employees leaving the company in the reporting period, divided by the total number of employees at the end of the reporting period *100.

The number of employees is stated by head count or full time equivalent

The following was assumed:

- ◆ head count - each employee counted as 1
- ◆ FTE equivalent - employees counted according to their FTE fractions

The number of employees is stated at the end of the reporting period/average/other methodology

The data was stated as at 31 December 2023.

ESRS S1-8

Collective bargaining coverage and social dialogue

In the PKP CARGO Group, freedom of association for employees is one of the fundamental and vital rights of workers. Trade unions associating Group employees represent their professional and social interests. The management boards of the individual PKP CARGO Group companies are obliged to cooperate with trade unions on an ongoing basis. One of these areas is the implementation of Collective Bargaining Agreements. The signing of such agreements in the companies of the PKP CARGO Group allowed them to formally define and strengthen communication between the Management Board and trade unions representing employees' rights and suggestions.

Percentage of total employees covered by collective bargaining agreements

Percentage of own employees covered by collective bargaining agreements by country (in EEA)

Group and subsidiaries	Percentage of total employees covered by collective bargaining agreements (%)	Group and subsidiaries	Percentage of own employees covered by collective bargaining agreements by country (in EEA) (%)
PKP CARGO Group	98,85	PKP CARGO Group	98,85
PKP CARGO	100	PKP CARGO	100
PKP CARGO SERVICE	100	PKP CARGO SERVICE	100
PKP CARGOTABOR	100	PKP CARGOTABOR	100
PKP CARGO TERMINALE	100	PKP CARGO TERMINALE	100
CARGOSPED TERMINAL BRANIEWO	0	CARGOSPED TERMINAL BRANIEWO	0
CARGOTOR	100	CARGOTOR	100
PKP CARGO CONNECT	100	PKP CARGO CONNECT	100
PKP CARGO INTERNATIONAL	88,4	PKP CARGO INTERNATIONAL	88,4

Percentage of employees in the country (EEA) covered by workers' representatives

Group and subsidiaries	Percentage of employees in the country (EEA) covered by workers' representatives
PKP CARGO Group	-
PKP CARGO	81,40
PKP CARGO SERVICE	33,08
PKP CARGOTABOR	70,57
PKP CARGO TERMINALE	86,70
CARGOSPED TERMINAL BRANIEWO	60,67
CARGOTOR	78,00
PKP CARGO CONNECT	68,71
PKP CARGO INTERNATIONAL	No disclosure

Disclosure the existence of any agreement with its employees for representation by a European Works Council (EWC), a Societas Europaea (SE) Works Council, or a Societas Cooperativa Europaea (SCE) Works Council.

There are no such agreements with employees; the inter-company trade union organizations operating in PKP CARGO are members of European trade union structures and their representatives, who are employees of the Group, actively participate in the meetings of these structures. Having in mind international and national standards, the employer accepts the above and respects the freedom of association of workers and the legal rights derived from this freedom.



ESRS S1-9

Diversity indicators

Number of employees (by head count) at top management level

Group and subsidiaries	Number of employees (by head count) at top management level
PKP CARGO Group	159
PKP CARGO	68
PKP CARGO SERVICE	7
PKP CARGOTABOR	26
PKP CARGO TERMINALE	7
CARGOSPED TERMINAL BRANIEWO	5
CARGOTOR	12
PKP CARGO CONNECT	17
PKP CARGO INTERNATIONAL	8

Percentage of employees at top management level

Group and subsidiaries	Percentage of employees at top management level (%)
PKP CARGO Group	0,80
PKP CARGO	0,48
PKP CARGO SERVICE	0,48
PKP CARGOTABOR	0,99
PKP CARGO TERMINALE	2,48
CARGOSPED TERMINAL BRANIEWO	8,20
CARGOTOR	6,67
PKP CARGO CONNECT	3,65
PKP CARGO INTERNATIONAL	0,55

Number of employees (by head count) aged under 30

Group and subsidiaries	Number of employees (by head count) aged under 30
PKP CARGO Group	1 845
PKP CARGO	1 147
PKP CARGO SERVICE	96
PKP CARGOTABOR	360
PKP CARGO TERMINALS	9
CARGOSPED TERMINAL BRANIEWO	12
CARGOTOR	43
PKP CARGO CONNECT	35
PKP CARGO INTERNATIONAL	143

Percentage of employees aged under 30

Group and subsidiaries	Percentage of employees aged under 30 (%)
PKP CARGO Group	9
PKP CARGO	8
PKP CARGO SERVICE	12
PKP CARGOTABOR	14
PKP CARGO TERMINALS	3
CARGOSPED TERMINAL BRANIEWO	20
CARGOTOR	24
PKP CARGO CONNECT	8
PKP CARGO INTERNATIONAL	10

Number of employees (by head count) aged from 30 to 50

Group and subsidiaries	Number of employees (by head count) aged from 30 to 50
PKP CARGO Group	7 597
PKP CARGO	4 965
PKP CARGO SERVICE	487
PKP CARGOTABOR	1 037
PKP CARGO TERMINALS	94
CARGOSPED TERMINAL BRANIEWO	26
CARGOTOR	53
PKP CARGO CONNECT	277
PKP CARGO INTERNATIONAL	658

Percentage of employees aged from 30 to 50

Group and subsidiaries	Percentage of employees aged from 30 to 50 (%)
PKP CARGO Group	38
PKP CARGO	35
PKP CARGO SERVICE	61
PKP CARGOTABOR	39
PKP CARGO TERMINALS	33
CARGOSPED TERMINAL BRANIEWO	43
CARGOTOR	29
PKP CARGO CONNECT	59
PKP CARGO INTERNATIONAL	45

Number of employees (by head count) aged over 50

Group and subsidiaries	Number of employees (by head count) aged over 50
PKP CARGO Group	10 492
PKP CARGO	7 950
PKP CARGO SERVICE	216
PKP CARGOTABOR	1 235
PKP CARGO TERMINALS	181
CARGOSPED TERMINAL BRANIEWO	23
CARGOTOR	84
PKP CARGO CONNECT	154
PKP CARGO INTERNATIONAL	649

Percentage of employees aged over 50

Group and subsidiaries	Percentage of employees aged over 50 (%)
PKP CARGO Group	53
PKP CARGO	57
PKP CARGO SERVICE	27
PKP CARGOTABOR	47
PKP CARGO TERMINALS	64
CARGOSPED TERMINAL BRANIEWO	40
CARGOTOR	46
PKP CARGO CONNECT	33
PKP CARGO INTERNATIONAL	45

Disclosure of own definition of top management

PKP CARGO

The company defines top management as employees at the level of Director and Deputy Director.

PKP CARGO SERVICE

Top management is defined as employees working at the position of Department Director and Deputy Department Director.

PKP CARGOTABOR

Top management includes a Department Director, Unit Director, Deputy Director.

PKP CARGO TERMINALE

PKP CARGO TERMINALE defines top management as the Management Board and the Supervisory Board.

CARGOSPED TERMINAL BRANIEWO

Top management is defined as employees working at the position of Department Director, Director and Deputy Director of Sections, Chief Accountant..

CARGOTOR

Top management is defined as the Management Board and the Supervisory Board.

PKP CARGO CONNECT

Top management is defined as the company's Management Board, Supervisory Board, Shareholder Meeting, Business Area Directors.

PKP CARGO INTERNATIONAL

Top management understood as people employed in the positions of: Director and Deputy Director.



ESRS S1-10

Adequate wages

PKP CARGO Group

PKP CARGO S.A. is committed to providing adequate financial conditions for its employees, modifying the existing regulations in accordance with the Company's capabilities. It sets salaries on the basis of clear criteria and an evaluation of each employee's work and skills. The employer monitors and analyzes the level and structure of salaries, taking into account the different groups of employees and the various factors driving salary levels, in order to prevent any form of discrimination.

The Company complies with all applicable laws and regulations, including minimum wage laws.

Percentage of employees paid less than the applicable fair wage benchmark

0% in Group companies.

ESRS S1-14

Occupational health and safety indicators

The Group has in place a Health and Safety Management System, with all procedures for health and safety issues included in the Integrated Management System.

Percentage of employees covered by the occupational health and safety management system based on legal requirements and/or recognized standards or guidelines

Group and subsidiaries	Percentage of employees covered by the occupational health and safety management system (%)
PKP CARGO Group	100
PKP CARGO	100
PKP CARGO SERVICE	100
PKP CARGOTABOR	100
PKP CARGO TERMINALS	100
CARGOSPED TERMINAL BRANIEWO	100
CARGOTOR	100
PKP CARGO CONNECT	100
PKP CARGO INTERNATIONAL	100

Number of fatalities in own workforce as a result of work-related injuries and work-related ill health

The PKP CARGO Group and the individual companies have not had any fatalities in own workforce as a result of work-related injuries and work-related ill health.

Number of fatalities as a result of work-related injuries and work-related ill health among other employees working at the company's locations

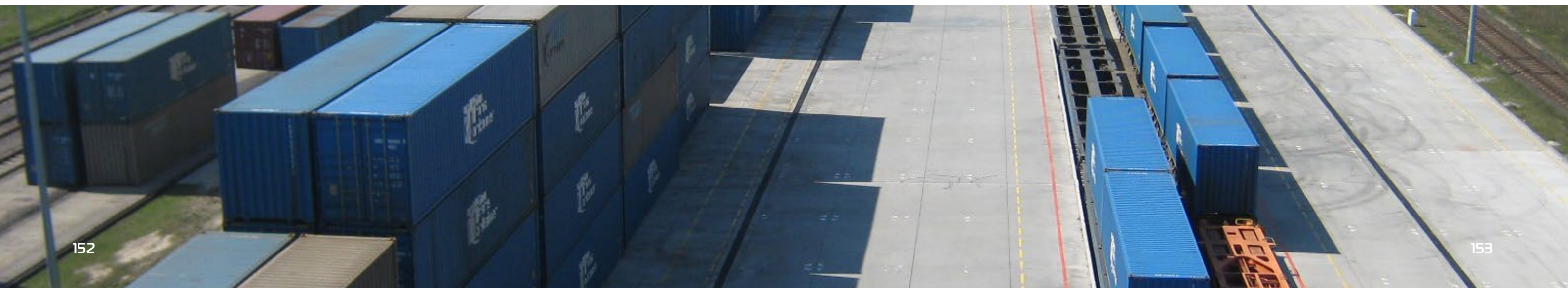
The PKP CARGO Group and the individual companies have not had any fatalities as a result of work-related injuries and work-related ill health among other employees working at the company's locations..

Number of recordable work-related accidents among own workers

Group and subsidiaries	Number of recordable work-related accidents among own workers
PKP CARGO Group	182
PKP CARGO	89
PKP CARGO SERVICE	10
PKP CARGOTABOR	40
PKP CARGO TERMINALS	5
CARGOSPED TERMINAL BRANIEWO	1
CARGOTOR	1
PKP CARGO CONNECT	6
PKP CARGO INTERNATIONAL	30

Ratio of recordable work-related accidents among own workers

Group and subsidiaries	Ratio of recordable work-related accidents among own workers (%)
PKP CARGO Group	0,91
PKP CARGO	0,63
PKP CARGO SERVICE	1,25
PKP CARGOTABOR	1,52
PKP CARGO TERMINALS	1,77
CARGOSPED TERMINAL BRANIEWO	1,64
CARGOTOR	0,56
PKP CARGO CONNECT	1,29
PKP CARGO INTERNATIONAL	2,07



Number of recordable work-related ill health among own workers

Group and subsidiaries	Number of recordable work-related ill health among own workers
PKP CARGO Group	0
PKP CARGO	0
PKP CARGO SERVICE	0
PKP CARGOTABOR	0
PKP CARGO TERMINALS	0
CARGOSPED TERMINAL BRANIEWO	No disclosure
CARGOTOR	0
PKP CARGO CONNECT	No disclosure
PKP CARGO INTERNATIONAL	0

Number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health

Group and subsidiaries	Number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health
PKP CARGO Group	10 929
PKP CARGO	4 006
PKP CARGO SERVICE	567
PKP CARGOTABOR	2 502
PKP CARGO TERMINALS	472
CARGOSPED TERMINAL BRANIEWO	8
CARGOTOR	28
PKP CARGO CONNECT	66
PKP CARGO INTERNATIONAL	3 280

ESRS S1-15

Work-life balance indicators

Percentage of employees entitled to take family-related leaves

Group and subsidiaries	Percentage of employees entitled to take family-related leaves (%)
PKP CARGO Group	11,61
PKP CARGO	12,50
PKP CARGO SERVICE	21,90
PKP CARGOTABOR	3,91
PKP CARGO TERMINALS	9,20
CARGOSPED TERMINAL BRANIEWO	1,64
CARGOTOR	3,89
PKP CARGO CONNECT	48,10
PKP CARGO INTERNATIONAL	1,40

Percentage of entitled employees that took family-related leaves

Group and subsidiaries	Percentage of entitled employees that took family-related leaves (%)
PKP CARGO Group	17,66
PKP CARGO	20,70
PKP CARGO SERVICE	18,29
PKP CARGOTABOR	0,38
PKP CARGO TERMINALE	1,06
CARGOSPED TERMINAL BRANIEWO	100
CARGOTOR	71,00
PKP CARGO CONNECT	51,80
PKP CARGO INTERNATIONAL	1,40



Percentage of entitled employees that took family-related leaves disaggregated by gender

Group and subsidiaries	Percentage of entitled employees that took family-related leaves disaggregated by gender	
	Women	Men
PKP CARGO Group	8,17	14,67
PKP CARGO	5,36	15,36
PKP CARGO SERVICE	17,71	82,29
PKP CARGOTABOR	0,30	0,08
PKP CARGO TERMINALE	0,30	0,76
CARGOSPED TERMINAL BRANIEWO	100	0,00
CARGOTOR	100	66,67
PKP CARGO CONNECT	34,4	17,40
PKP CARGO INTERNATIONAL	1,30	0,10

Employees in the PKP CARGO Group, are entitled to family leave (parental leave) in accordance with the generally applicable laws, i.e. the Labor Code, the provisions of which are respected by the individual companies. All employees are entitled to family leave under social policy and/or collective bargaining agreements.



ESRS S1-16

Compensation metrics (pay gap and total compensation)

Pay gap between women and men

Group and subsidiaries	Average monthly basic salary (PLN)	
	Women	Men
PKP CARGO Group	4 929,34	4 546,29
PKP CARGO	4 645,22	4 186,75
PKP CARGO SERVICE	5 610,00	5 293,00
PKP CARGOTABOR	6406,73	5 196,55
PKP CARGO TERMINALS	6 209,00	5 749,07
CARGOSPED TERMINAL BRANIEWO	7 820,71	4 978,23
CARGOTOR	4 265,31	4 893,43
PKP CARGO CONNECT	7 802,00	7 262,00
PKP CARGO INTERNATIONAL	4 854,00	5 026,00

Pay gap between women and men

Group and subsidiaries	Pay gap between women and men (%)
PKP CARGO Group	8,4
PKP CARGO	11,00
PKP CARGO SERVICE	6,00
PKP CARGOTABOR	23,00
PKP CARGO TERMINALS	8,0
CARGOSPED TERMINAL BRANIEWO	57,00
CARGOTOR	-12,8
PKP CARGO CONNECT	6,9
PKP CARGO INTERNATIONAL	3,5

Annual total compensation ratio

Group and subsidiaries	Annual total compensation ratio (%)
PKP CARGO Group	381
PKP CARGO	401
PKP CARGO SERVICE	235
PKP CARGOTABOR	376
PKP CARGO TERMINALS	217
CARGOSPED TERMINAL BRANIEWO	382
CARGOTOR	285
PKP CARGO CONNECT	296
PKP CARGO INTERNATIONAL	350

Disclosure of contextual information necessary to understand the data and how the data has been compiled and other changes to underlying data that should be taken into account

In addition to the basic salary specified in their employment contract, employees are entitled to a number of additional elements that make up their total remuneration, depending on the remuneration principle (in accordance with the Company's remuneration regulations), including seniority allowance, bonus, coal allowance, allowance for working on Sundays and holidays, allowance for working in conditions that are harmful to health, arduous or dangerous, function allowance, mileage allowance, commuting allowance, allowance for one-man traction service and jubilee awards.

ESRS SBM-3

ESRS Disclosure Requirement SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model

Scope of disclosure under ESRS 2

All PKP CARGO Group employees are covered by information disclosed under ESRS 2.

Description of types of employees and non-employees in own workforce subject to material impacts

PKP CARGO

The vast majority of the PKP CARGO S.A.'s employees work in positions directly related to the transportation process. The remaining part of the workforce are administrative employees. The number of people working on the basis of contracts other than employment contracts is very low.

PKP CARGO SERVICE

Operational and administrative staff employed under employment contracts and employees hired under mandate contracts.

PKP CARGOTABOR

PKP CARGOTABOR divides its employees into white-collar employees (Head Office and Administration, clerical staff) and blue-collar employees (production and maintenance staff). We also employ our staff pursuant to mandate contracts.

Existence of a material negative impact (own workforce)

Does not exist in the PKP CARGO Group.

Description of activities that result in a positive impact and the types of employees and non-employees within own workforce that are or could be positively impacted

PKP CARGO

PKP CARGO S.A. as an employer prefers to hire on the basis of an employment contract for an indefinite period, since long-term cooperation that requires unique skills and high quality of work is the priority. The Company has in place an extensive remuneration system based on stable internal regulations and providing for entitlements and rewards specific to the railroad industry. Employees starting work are provided with the necessary information about the organization and employee benefits. This makes the adaptation in the new workplace easy and effective.

PKP CARGO SERVICE

PKP CARGO SERVICE hires employees the basis of employment contracts and on the basis of civil law mandate contracts. The work performed in the Company is related mainly to traffic safety, and therefore the management is responsible for taking all measures related to health and safety at work.

Description of material risks and opportunities resulting from the impacts and dependencies on own workforce

PKP CARGO Group

Since the average age of employees is high, PKP CARGO has identified the risk of difficulties in attracting appropriate staff to perform the Company's operating tasks. To address this risk, the group has taken action supporting the recruitment of new employees. The companies actively cooperate with 32 trade schools and rail technical secondary schools, supporting the learning process by organizing apprenticeships. This provides students with the opportunity to confront their own knowledge and skills with the requirements of their future employer, and the Group has the opportunity to present itself to the students as an attractive future employer. The Group's participation in the Education and Career Day at the International Railway Fair TRAKO offers an opportunity for direct contact between the employer and potential employees and for discussing mutual expectations and terms of potential cooperation.

ESRS S2

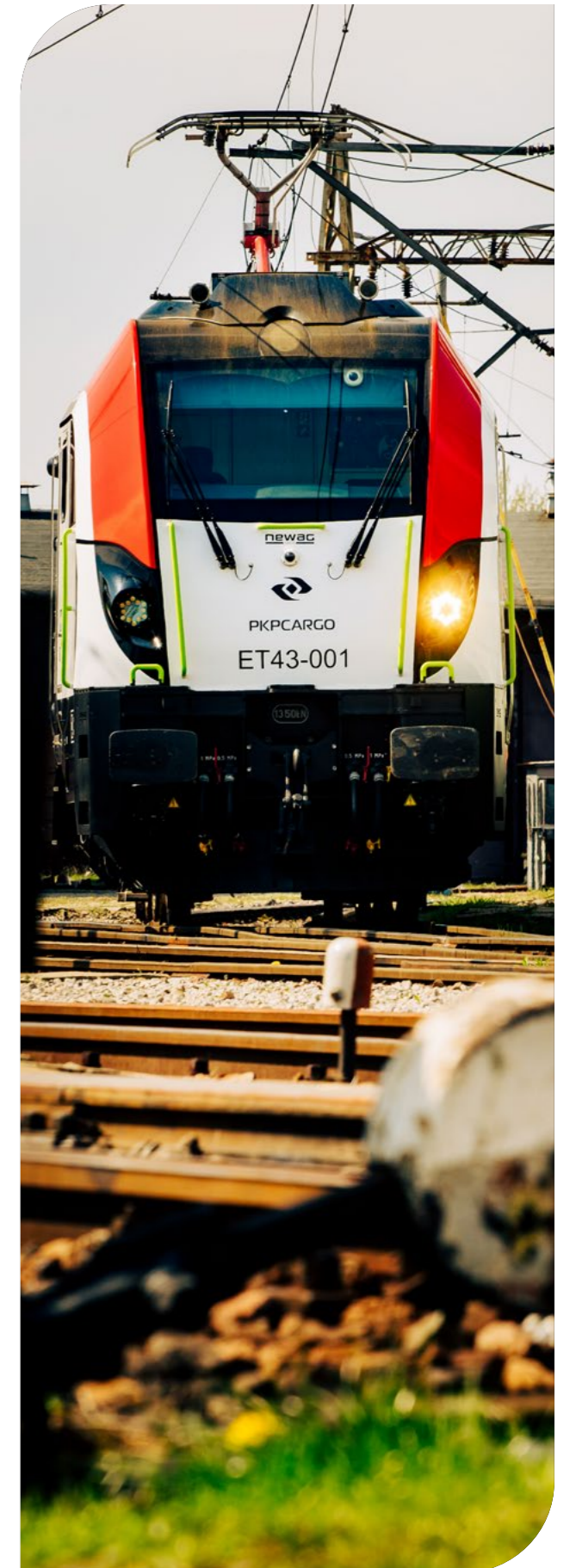
Workers in the value chain

Managing impacts, risks and opportunities

In the due diligence process, 1 highest-rated impact was identified for the PKP CARGO Group in the ESRS S-2 area.

ESRS S2 Working conditions

100% employees with employment contracts are covered by the Collective Bargaining Agreement.



ESRS S2-1

Policies related to value chain workers

Policies to manage material impacts, risks, and opportunities related to value chain workers

PKP CARGO SERVICE

PKP CARGO SERVICE has implemented the Integrated Management System (IMS), which includes, among others Environmental Management System, Occupational Health and Safety Management System, and is in effect throughout the Company's operations. All value chain workers are obligated to know and apply the IMS and the Integrated Management System Policy..

PKP CARGOTABOR

PKP CARGOTABOR does not have policies in place to manage the material impacts, risks and opportunities associated with value chain workers and does not collect data on workers in the value chain. The main buyer of its services is PKP CARGO..

Description of the relevant obligations and disclosure of the general approach to the human rights policy for value chain workers

PKP CARGO Group

PKP CARGO has a transparent policy on labor rights and is committed to the equal treatment of all value chain workers, taking into account the legislation applicable in this respect.

The most important values and standards of ethical conduct in relations with Employees, Clients, Suppliers, Competitors, the public and the natural environment are described in the "Code of Ethics of the PKP CARGO Group."

Sustainability issues integrated in the policy

PKP CARGO Group

Policies in place at PKP CARGO are aligned with relevant documents adopted at the national international level and are drafted on the basis of guidelines issued by PKP CARGO S.A., as well as national laws and regulations and EU directives.

ESRS S2-2

Processes for engaging with value chain workers about impacts

Disclosure of how the view of value chain workers influences decisions or actions to manage actual and potential impact

PKP CARGO Group

PKP CARGO takes into account the views of value chain workers. Communication with external parties takes place as part of daily operations, and the Company's management representatives are designated contacts.

ESRS S2-3

Processes to remediate negative impacts and channels for value chain workers to raise concerns

Disclosure of the general approach and processes for providing or contributing to remediation in the event the company identifies a material negative impact on value chain workers

Any negative impact on value chain workers identified at PKP CARGO is analyzed and examined in accordance with applicable laws and internal regulations.

Disclosure of specific channels for value chain workers to raise concerns or needs directly with the company and receive its response

PKP CARGO Group

Workers may submit reports of violations of the Code of Ethics openly in person to the PKP CARGO S.A. Ethics Officer or the Compliance Coordinator. Contact details to the Ethics Officer and the Compliance Coordinator can be found on PKP CARGO's

website. Additional channels for reporting violations of the Code of Ethics (also accessible through the Company's website) are:

- ♦ a dedicated telephone line,
- ♦ an email box,
- ♦ a reporting form.

Disclosure of how reported issues to be resolved are tracked and monitored and how the effectiveness of the channels is ensured

PKP CARGO Group

At PKP CARGO, after the Ethics Officer or the Compliance Coordinator receives a violation report, he/she enters them in the Register of Code of Ethics violation reports. An initial analysis of the report follows, in which the credibility of the allegations is assessed. If the violation is confirmed, the Officer or Coordinator may decide to launch an investigation procedure. When investigating a report, the Ethics Officer or Compliance Coordinator has the right to access information and documents held by the company, in which the worker is employed, as well as its property (buildings) necessary to clarify the matter, while respecting the rules on access to legally protected information.

Disclosure how it is assessed that value chain workers are aware of and trust these structures or processes as a way to raise their concerns or needs and have them addressed

PKP CARGO Group

PKP CARGO employees are guaranteed complete anonymity using a dedicated telephone line, email box or reporting form. The reporting channels are operated by an external entity, where the dialogue is carried out using a PIN code. The person representing the external entity informs the reporting party of the stages of the procedure and its completion. The Ethics Officer, the Compliance Coordinator and the Compliance Officer carry out their activities in compliance with data protection and corporate secrecy legislation. Anyone who has obtained any knowledge in connection with a report or an ongoing investigation is bound to confidentiality.

ESRS S2-4

Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions

Description of planned or implemented actions aimed at preventing, mitigating or remedying material negative impacts on value chain workers

PKP CARGO Group

PKP CARGO cooperates closely with all value chain workers. The Group respects human rights and values their right to privacy and information, in accordance with the adopted "Code of Ethics of the PKP CARGO Group."

Description of additional initiatives or processes whose main objective is to ensure a positive impact on value chain workers

PKP CARGO Group

PKP CARGO has implemented the Integrated Management System, which includes:

- ♦ The Quality Management System,
- ♦ The Environmental Management System,
- ♦ The Occupational Health and Safety Management System,
- ♦ The Information Security Management System.

Description of how to track and evaluate the effectiveness of activities or initiatives in achieving results for value chain workers

PKP CARGO Group

A supervision audit is carried out once a year to verify the level of functioning of the Integrated Management System.

Disclosure of how it is ensured that proprietary practices do not cause and do not contribute to a material adverse effect on value chain workers

PKP CARGO Group

The rules of cooperation between PKP CARGO and its clients and suppliers are regulated in agreements between the parties.

Disclosure of serious human rights issues and incidents related to the upstream and downstream value chain

PKP CARGO Group

No serious human rights issues and incidents related to the upstream and downstream value chain were reported in 2023.

Disclosure of resources dedicated to managing material impacts

PKP CARGO Group

Data Protection Officers (DPOs) have been appointed to manage material impacts. The individual companies have appointed Conflict Resolution Commissions in accordance with the "Anti-bullying and Anti-discrimination Procedure".

Disclosure of the extent of the company's progress in its efforts in the reporting period

PKP CARGO Group

PKP CARGO has launched efforts to draw up an internal regulation for the Company's suppliers and contractors, i.e. a Supplier Code of Conduct.

Disclosure of targets for further improvement

PKP CARGO Group

At PKP CARGO, contract templates are reviewed to enable verification whether potential contractors observe human rights.

PKP CARGO S.A. has also started work on the development of its own questionnaire ("ESG Survey"), which will be made distributed to counterparties along the entire value chain and will allow it to collect information about the key ESG elements, including the respect for human rights by PKP CARGO's cooperating entities.

ESRS S2-5

Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

Disclosure of the process of setting time-bound and outcome-oriented targets

The target-setting process is carried out without the direct participation and involvement of value chain workers, their legitimate representatives or credible proxies.

ESRS Disclosure Requirement SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model

Description of the types of value chain workers subject to material impact by its operations or through its value chain

The following value chain workers subject to material impact were identified as part of our double materiality analysis:

- ◆ own workforce,
- ◆ business partners,
- ◆ subcontractors.

Disclosure of any geographies or commodities for which there is a significant risk of child labor, or of forced or compulsory labor among workers in the company's value chain

PKP CARGO Group

Due to the geographies in which the companies operate, there is no significant risk of child labor, or of forced or compulsory labor among workers in the company's value chain.

Existence of material negative impacts (on value chain workers)

PKP CARGO Group

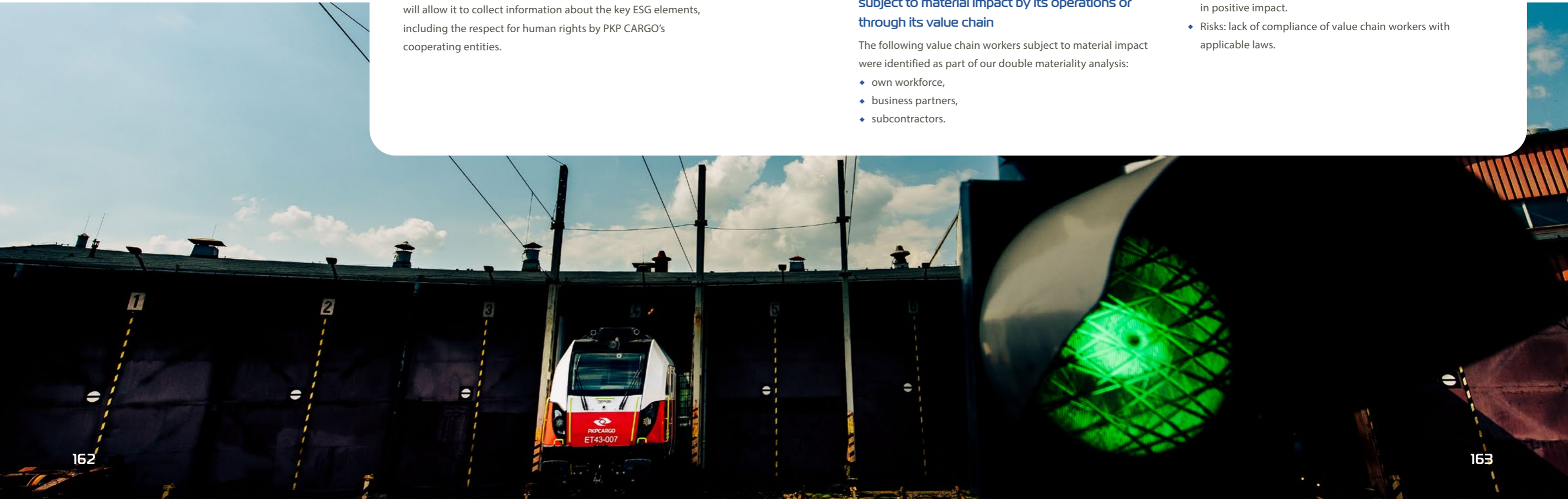
PKP CARGO has not identified any material negative impacts (on value chain workers).

Description of material risks and opportunities resulting from the impacts and dependencies on value chain workers

PKP CARGO Group

The PKP CARGO Group has identified opportunities and risks resulting from the impacts and dependencies on value chain workers:

- ◆ Opportunities: possibility of copying the activities resulting in positive impact.
- ◆ Risks: lack of compliance of value chain workers with applicable laws.



G Governance

Due diligence process identified:

4 impacts with highest importance for PKP CARGO Group

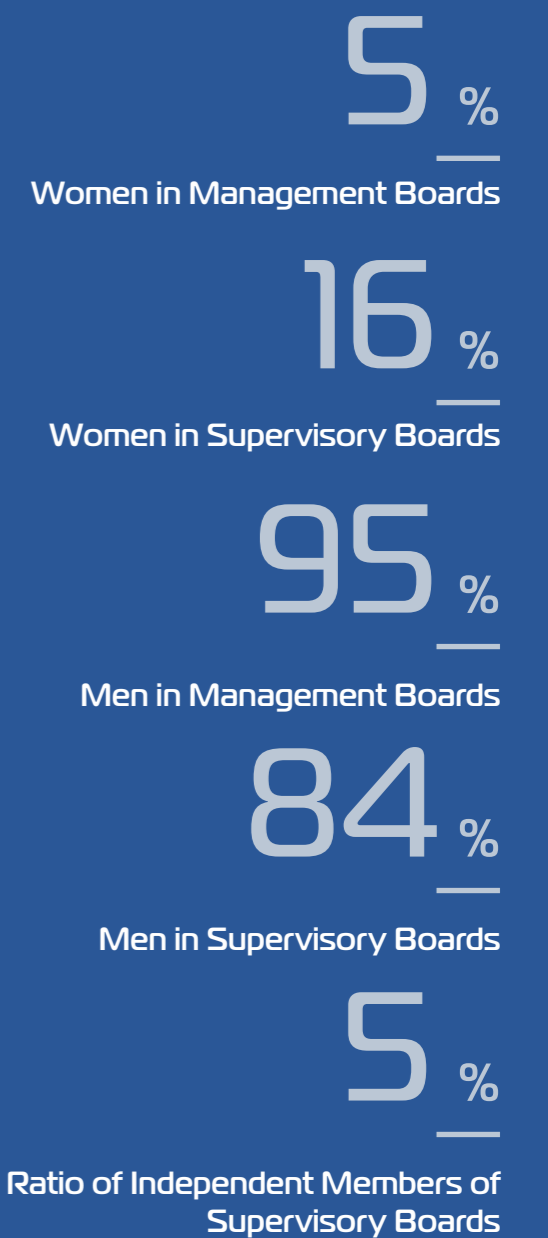
Code of ethics and Anti-corruption and Gift Policy. PKP CARGO enables employees and persons from outside of the Company to safely communicate and report any misconducts and abuses.

ESG Strategy 2024-2028

- ESG Criteria for investments
- Circular economy
- New talents acquisitions
- Renewable energy
- Company transformation with ESG mindset
- Sustainable offer
- Dialogue with stakeholders
- Business process optimization with ESG mindset



Corporate Management – diversity ratios in the Group





4.

Information
on governance

ESRS G1

ESRS G1 Business conduct

A responsible approach to management is one of the basic assumptions of business conduct in the PKP CARGO Group. The Group pursues this by implementing and observing transparent policies, procedures and rules.

In PKP CARGO, ethical issues, including descriptions of unacceptable behavior, are addressed in the Code of Ethics and the Anti-Corruption and Gift Policy. The Code contains a list of values and rules of conduct that guide the Company in its relationships with employees, clients, suppliers, competitors and the social environment.

The unified "Code of Ethics" is implemented throughout the entire Group. Additionally, the subsidiaries have their own ethics and anti-corruption regulations. There are plans to unify the regulations in this area for the entire PKP CARGO Group.

Managing impacts, risks and opportunities

Impacts

During the due diligence process, the following four highest-rated impacts for the PKP CARGO Group were identified:

ESRS G1 Protection of whistleblowers

Reporting channels for whistleblowers - under the Resolution and Bylaws in effect in the Company, whistleblowers may report irregularities to the Compliance Department either by name or anonymously through an external entity.

ESRS G1 Management of relationships with suppliers, including payment practices

The way of awarding contracts (including taking into account social and environmental criteria when selecting suppliers), delays in payments, taking into account risks related to sustainable development.

ESRS G1 Corruption and bribery

Investigations into corruption and bribery.

ESRS G1 Corruption and bribery

Prevention and detection, including training.

Risks

During the due diligence process, the highest-rated risks for the PKP CARGO Group in the area of ESRS G1 were not identified.

Opportunities

During the due diligence process, the highest-rated opportunities for the PKP CARGO Group in the area of ESRS G were not identified.

ESRS G1-1

Business conduct policies and corporate culture

A description of mechanisms for identifying, reporting and investigating concerns about unlawful behavior or behavior conflicting the code of conduct or similar internal policies

PKP CARGO

Mechanisms of breaches reporting are defined in PKP CARGO by the Code of Ethics and the Anti-Corruption and Gift Policy. PKP CARGO provides its Employees but also persons from outside of the Company with communication channels to report safely any breaches and abuses. These persons have the option of reporting incidents of non-compliance and breaches by name or anonymously. The notifications are reviewed and handled by the Compliance Department in accordance with internally adopted regulations. The Department is the unit that analyzes the notifications referred to above and initiates verification proceedings, submits its report to the President of the Management Board and issues conclusions and recommendations.

PKP CARGO SERVICE

Employees of PKP CARGO SERVICE may report any irregularities in accordance with the applicable "Bylaws of reporting irregularities and abuses in the PKP CARGO Group" and the "Code of Ethics of PKP CARGO Group". These documents create a compliance system in the Company and in the entire PKP CARGO Group. The Company has launched an independent, external channel for reporting possible irregularities and abuses, which will then be investigated by the compliance coordinator.

PKP CARGOTABOR

A Compliance Coordinator has been appointed at PKP CARGOTABOR. PKP CARGOTABOR is in the process of implementing the Code of Ethics of the PKP CARGO Capital Group and the Regulations for reporting irregularities and abuses in the PKP CARGO Capital Group.

PKP CARGO TERMINALE

Within PKP CARGO TERMINALE breaches are reported on the basis of:

- ♦ the procedure for reporting irregularities and protecting persons filing reports in the Company,
- ♦ the instruction for conducting investigations in PKP CARGO TERMINALE,
- ♦ PKP CARGO Group's Code of Ethics.

As from 2023, breaches may be reported based on the regulations for reporting irregularities and abuses applicable at the PKP CARGO Group.

CARGOSPED TERMINAL BRANIEWO

CARGOSPED TERMINAL BRANIEWO is in the process of implementing PKP CARGO Group's Code of Ethics.

CARGOTOR

The reporting of irregularities in the Company is carried out in accordance with the binding "Regulations on reporting irregularities and abuse in PKP CARGO Capital Group" and the "PKP CARGO Capital Group Code of Ethics". Employees, Customers, Business Partners and persons outside the Company may report all irregularities through specially dedicated communication channels.

PKP CARGO CONNECT

Mechanisms for identifying, reporting and investigating concerns about unlawful behavior or behavior conflicting the code of conduct are regulated at PKP CARGO CONNECT by:

- ♦ Code of ethical conduct of PKP CARGO CONNECT
- ♦ Company's Organizational Bylaws and Collective Bargaining Agreement.

PKP CARGO INTERNATIONAL

Employees of PKP CARGO INTERNATIONAL as well as outside parties may report irregularities and breaches in accordance with the applicable Company's directive on whistleblowing anonymously (so that the whistleblower's identity is not revealed) by e-mail, traditional mail, telephone or in person. A designated person in the Company deals with the notification and, if it is considered justified, proposes corrective and preventive measures.

Anti-corruption and anti-bribery policies

No anti-corruption or anti-bribery policies consistent with the United Nations Convention against Corruption.

PKP CARGO

The PKP CARGO has an anti-corruption and gift policy.

PKP CARGO SERVICE

An anti-corruption and anti-bribery policy has not been implemented at PKP CARGO SERVICE. However, there is a possibility of reporting suspicions/irregularities in this regard in accordance with the "Bylaws of reporting irregularities and abuses in the in the PKP CARGO Group" and the "Code of Ethics of PKP CARGO Group".

PKP CARGOTABOR

Anti-corruption and anti-bribery policy has not been implemented.

PKP CARGO TERMINALE

The company has implemented an "Anti-Corruption Policy".

CARGOSPED TERMINAL BRANIEWO

Anti-corruption and anti-bribery policy has not been implemented.

CARGOTOR

There is no implemented anti-corruption and gift policy at CARGOTOR. The "PKP CARGO Capital Group Code of Ethics" and the "Regulations for reporting irregularities and abuses in PKP CARGO Capital Group" are in force in the Company.

PKP CARGO CONNECT

An anti-corruption and anti-bribery policy has not been implemented in PKP CARGO CONNECT. The Company has a Code of Ethical Conduct in force, which includes, among others, provisions regarding anti-corruption activities. Additionally, contracts that are concluded with the Company's contractors include detailed provisions prohibiting corruption.

PKP CARGO INTERNATIONAL

PKP CARGO INTERNATIONAL has adopted the Code of Ethics of PKP CARGO Group and the Policy of reporting irregularities and abuses in the in the PKP CARGO Group.

Disclosure of irregularities reporting protections, including the protection of whistleblowers

PKP CARGO

At PKP CARGO, reports of breaches are made via anonymous e-mail, online platform or hotline channels. An employee using the above solutions is guaranteed absolute anonymity, since these channels are operated by an external entity, where a conversation is protected by a PIN code.

PKP CARGO SERVICE

PKP CARGO SERVICE uses the services of access and maintenance of an external system for registering, verifying and reporting employee alerts about potential and committed abuses in the form of: an Internet platform, a telephone line and a mailbox enabling anonymous contact and preparing and carrying out educational activities in the field of ethics.

PKP CARGO TERMINALE

Since March 2024, PKP CARGO Terminale has utilized a mechanism that allows reporting via a dedicated e-mail address, Internet platform, and hotline operated by an external entity.

CARGOTOR

In order to report violation in CARGOTOR there are several channels available to an employee: by posting a letter to a Company address, sending an email, Internet platform, phone call contact. An employee who chooses Internet platform is guaranteed full anonymity as this channel is provided and serviced by an external entity and the dialogue is secured with PIN code.

PKP CARGO CONNECT

PKP CARGO CONNECT is in the process of implementing a reporting mechanism.

PKP CARGO INTERNATIONAL

PKP CARGO INTERNATIONAL has adopted the Code of Ethics of PKP CARGO Group and the Policy of reporting irregularities and abuses in the PKP CARGO Group, both of which define rules to ensure the protection of the whistleblower's identity.

Whistle-blowers safety policy

PKP CARGO Group

PKP CARGO does not have a separate policy of the protection of whistleblowers. The anonymity of whistleblowers is ensured through cooperation with an external entity which manages the reporting process.

Timetable of implementation of a policy of the protection of whistleblowers

PKP CARGO Group

PKP CARGO makes the timetable dependent on work on the draft act on the protection of persons reporting irregularities.

The undertaking is committed to promptly, independently and objectively investigate incidents related to business conduct

PKP CARGO Group

At PKP CARGO, the obligation to quickly, independently and objectively investigate incidents related to business conduct stems from the Code of Ethics and the Anti-Corruption and Gift Policy implemented in the Company.

Information about the undertaking's policy for training on business conduct

PKP CARGO

At PKP CARGO, Compliance Department is responsible is for providing training on the Code of Ethics.

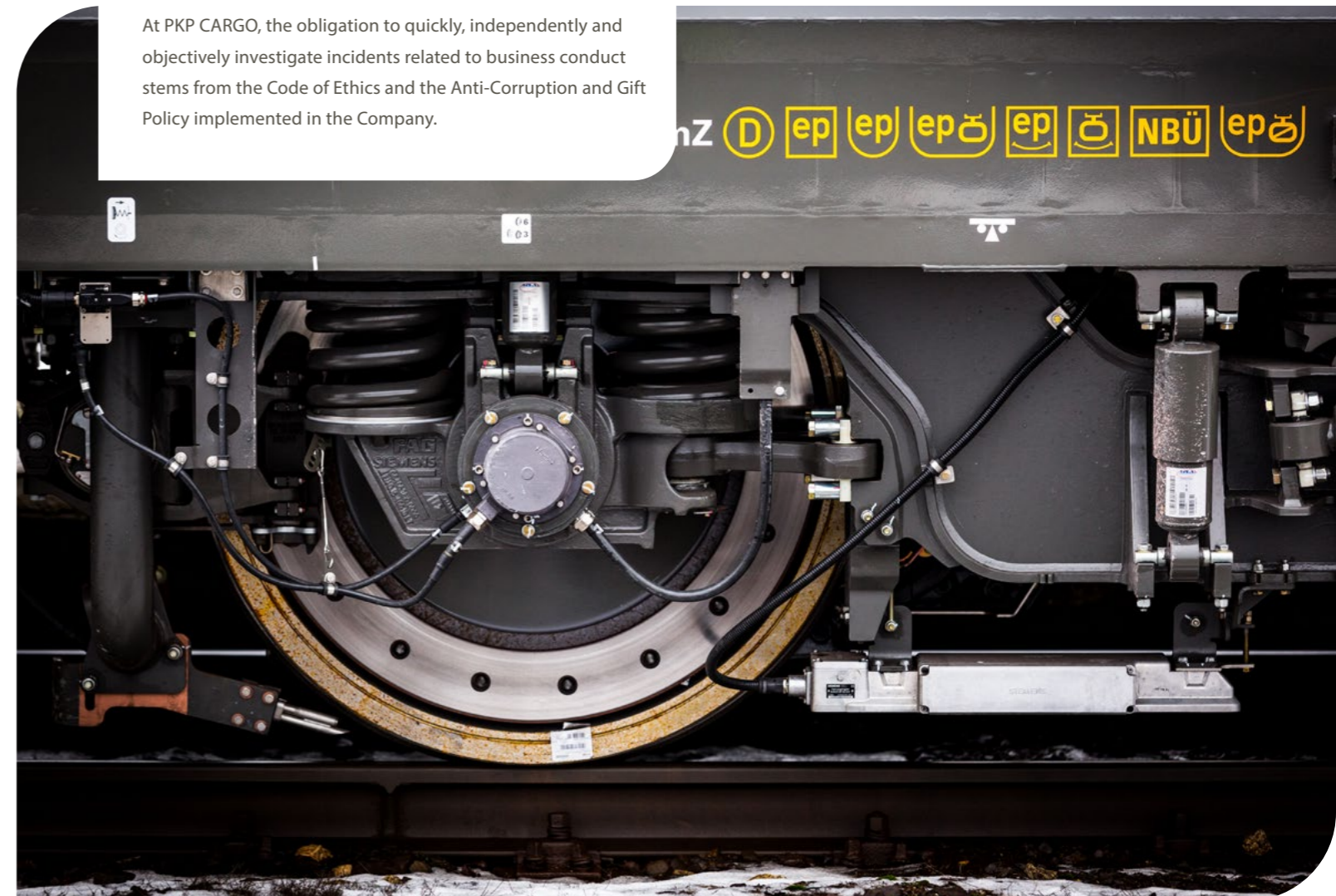
PKP CARGO Subsidiary companies

Internal trainings and workshops are conducted as part of activities undertaken in the PKP CARGO Group.

Disclosure of functions that are most at risk in respect of corruption and bribery

PKP CARGO Group

The functions most exposed to the threat of corruption and bribery are organisational units in charge of trade and purchases processes.



ESRS G1-2

Management of relationships with suppliers

All business relations of PKP CARGO Group are conducted in a transparent and fair manner, under market conditions. In order to provide services at the highest possible level, the Group assigns great importance to the selection of appropriate suppliers to cooperate with. To meet that goal PKP CARGO Group uses, among others, specific evaluation criteria allowing it to make objective choices.

The procedures in force at the Group provide for the exclusion of suppliers who have breached the principles of social co-existence in business trading. The criteria that are taken into consideration in this case include: honesty, reliability and loyalty. Following the performance of a service for PKP CARGO Group, each supplier is assessed via the Supplier Assessment Card. The assessment covers the parameters of each order, including:

- ♦ timeliness,
- ♦ quality of execution,
- ♦ contractual penalties,
- ♦ complaints,
- ♦ cooperation.

Description of the approach to the management of relationships with suppliers including supply chain risks and impacts on sustainability issues

PKP CARGO Group

The Group has no regulations in the area of relations with suppliers, that would take into account the risks related to the supply chain and the impact on sustainable development issues. As part of its internal regulations, the Group has regulations regarding liquidity management, i.e. "Liquidity management policy in the PKP CARGO Group".

PKP CARGO INTERNATIONAL

At PKP CARGO INTERNATIONAL, the purchasing directive applies when one of the possible criteria for evaluating offers is the impact on the environment and social responsibility.

Description of the approach to the management of relationships with suppliers including supply chain risks and impacts on sustainability issues

PKP CARGO

At PKP CARGO, service suppliers are selected under one of three procedures provided for in the Company's internal regulations. During the verification of their offers, the following criteria are verified:

- ♦ no grounds to exclude the supplier from the proceedings,
- ♦ meeting the requirements for participation in the proceedings,
- ♦ compliance of the content of the offer with the requirements of the Contracting Entity.

PKP CARGO SERVICE

At PKP CARGO SERVICE, relationships with suppliers are conducted in a transparent and honest manner, based on market conditions. The selection of suppliers is based on the Procurement Bylaws and the Purchasing Instruction.

PKP CARGOTABOR

At PKP CARGOTABOR, suppliers are treated equally, and purchasing procedures are carried out based on the Regulations for awarding contracts and the Purchasing Instructions and published on a publicly available purchasing platform.

PKP CARGO TERMINALE

At PKP CARGO TERMINALE, the selection of suppliers takes place as part of the ongoing purchasing procedure in accordance with the PKP CARGO Group's Purchasing Policy and the Company's applicable internal instructions.

CARGOSPED TERMINAL BRANIEWO

CARGOSPED TERMINAL BRANIEWO prefers cooperation with local and verified suppliers, but it does not examine their impact on sustainable development issues.

CARGOTOR

The suppliers screening and selecting process is carried out in accordance with the Purchasing Instructions regulations that are implemented within the PKP CARGO Group.

PKP CARGO CONNECT

The Quality Management System adopted in PKP CARGO CONNECT includes the "Supplier Supervision" procedure, which contains detailed information on the supplier selection mechanism and risks related to the process of transporting or storing goods. The Company has a Code of Conduct with Suppliers.

PKP CARGO INTERNATIONAL

At PKP CARGO INTERNATIONAL, the purchasing directive applies when one of the possible criteria for evaluating offers is the impact on the environment and social responsibility.

Disclosure of how social and environmental criteria are taken into account for the selection of suppliers

PKP CARGO Group

During the contractors screening and selecting process of, the entities are verified for the absence of circumstances resulting in their exclusion from the procedure through submitting appropriate declarations. Failure to submit a declaration or failure to confirm the absence of circumstances resulting in exclusion means that a given contractor and its offer are not taken into account when selecting the most competitive offer and granting the contract.

ESRS G1-3

Prevention and detection of corruption and bribery

As of 31 December 2023, the subsidiaries have their own regulations in the area of ethics and corruption prevention. There are plans to unify the regulations in this area for the entire PKP CARGO Group.

Ethical standards are defined at PKP CARGO by the Code of Ethics and the Anti-Corruption and Gift Policy. The rules contained in the Policy are binding for the Company's employees, all individuals cooperating with it based on civil-law agreements and other individuals performing any activities on behalf of or for PKP CARGO. This policy is also addressed to the Company's Stakeholders, including customers, suppliers, subcontractors and business partners, and sets standards of conduct in business relations.

PKP CARGO CONNECT

The "Supervision of suppliers" procedure implemented in PKP CARGO CONNECT does not include social and environmental criteria. As separate they are not taken into account when screening and selecting business partners or suppliers for PKP CARGO CONNECT. However, the implemented Code of Ethical Conduct is in force, which sets out the principles of human rights and social justice. This Code is available on the Company's website.

PKP CARGO INTERNATIONAL

One of the suppliers screening and selection criteria used by PKP CARGO INTERNATIONAL is the environmental and energy criteria.



Information about procedures applied to prevent, detect, and respond to allegations or incidents relating to corruption and bribery

PKP CARGO

As part of the procedures applicable in PKP CARGO, after each notification and its analysis, an inspection procedure is initiated in the Company by the Compliance Department, under which a report containing conclusions and recommendations is prepared and submitted to the President of the Management Board.

PKP CARGO SERVICE

At PKP CARGO SERVICE, any activities to prevent, detect and respond to allegations or incidents relating to corruption and bribery are undertaken in accordance with the "Bylaws of reporting irregularities and abuses in the in the PKP CARGO Group" and the "Code of Ethics of PKP CARGO Group".

PKP CARGOTABOR

As part of the procedures applicable at PKP CARGOTABOR, in case of a notification of a corruption or bribery incident, an inspection procedure is initiated, under which a report containing conclusions and recommendations is prepared and submitted to the Company's Management Board.

PKP CARGO TERMINALE

At PKP CARGO TERMINALE, proper procedures are applied in accordance with the bylaws of reporting irregularities and abuses in the in the PKP CARGO Group.

CARGOTOR

CARGOTOR has not adopted a separate anti-corruption policy. Nonetheless, the business actions taken are in accordance with the adopted "Regulations for reporting irregularities and abuses in the PKP CARGO Capital Group" and the "Code of Ethics of the PKP CARGO Capital Group".

PKP CARGO CONNECT

PKP CARGO CONNECT has adopted Code of Ethical Conduct, which sets out the principles and guidelines in order to prevent any corruption practices (in the section on the Principles of Conducting Business).

PKP CARGO INTERNATIONAL

At PKP CARGO INTERNATIONAL there is a Code on Negotiations with External Entities, which concerns the prevention of corruption, as well as a control directive, under which it is possible to file a complaint. After it has been submitted, the complaint is analyzed by the head of a specific department, and in the event of damage, it is transferred to the damage committee, referred to the police or another preventive measure is applied.

Information about the process to report outcomes to the administrative, management and supervisory bodies

PKP CARGO

In PKP CARGO, the outcomes are reported to the supervisory bodies. The Supervisory Board's Audit Committee receives, via the President of the Management Board of PKP CARGO, an annual information on external audits carried out in the Company and their results, with particular emphasis on financial penalties imposed on the Company. The actions referred to above are taken pursuant to the Instructions for exercise of institutional control and cooperation with external control authorities in PKP CARGO.

PKP CARGO SERVICE

Any activities in this regard are undertaken in the Company in accordance with the "Bylaws of reporting irregularities and abuses in the in the PKP CARGO Group" and the "Code of Ethics of PKP CARGO Group".

PKP CARGO CONNECT

The company runs business in line with the guidelines stated in "Regulation on irregularities and abuses in the PKP Capital Group" and the "Code of Ethics of the PKP CARGO Group".

PKP CARGO INTERNATIONAL

The Company's fundamental issues are discussed during meetings of the Management Board and the Supervisory Board.

Information about how the undertaking communicates its policies to those for whom they are relevant (prevention and detection of corruption or bribery)

Information through training courses - information on training courses is widely available on the intranet websites for all employees of individual companies of the PKP CARGO Group.

Additionally, information regarding internal communication is also displayed in the form of posters, distributed in the form of mailings and forwarded to unit directors for further dissemination.

Information about the nature, scope and depth of anti-corruption and anti-bribery training programs offered or required by the undertaking

PKP CARGO

At PKP CARGO, the anti-corruption and anti-bribery training is provided by the Company's Compliance Department and addressed to management staff and lower-level employees.

Information on members of administrative, supervisory and management bodies regarding anti-corruption training

PKP CARGO

In PKP CARGO, the anti-corruption and anti-bribery training is provided by the Company's Compliance Department and addressed to management staff and lower-level employees.





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