

Polsat Plus Group Sustainability-Linked Financing Performance Report 2023

26 April 2024

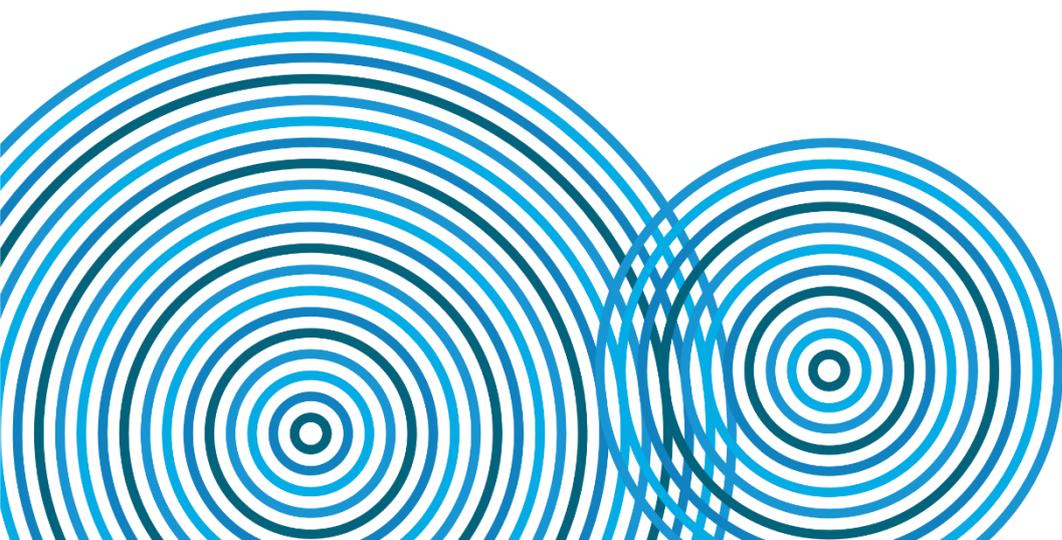




Table of contents

Introduction.....	3
About Polsat Plus Group.....	3
Key performance indicators and sustainability performance targets	4
KPIs performance	5
Actions taken to achieve KPIs.....	8
External verification	10
Disclaimer.....	10

Introduction

This report is intended to provide, on an annual basis, information for investors and other stakeholders on the Sustainability-Linked Financing Framework of the Polsat Plus Group (the “**SLFF**”, the “**Framework**”)¹ issued in 2022 and provides information on the progress of the Key Performance Indicators (KPIs) and the achievement of Sustainability Performance Targets (SPTs). The Sustainability-Linked Financing Framework was established in line with the Sustainability-Linked Bond Principles (SLBP) issued in June 2020 by the International Capital Market Association (ICMA) and includes the five core components of the Sustainability-Linked Loan Principles (SLLP) published in 2022 by the Loan Markets Association (LMA).

The SLFF was evaluated by an independent external verifier – Sustainalytics B.V. – who issued a Second Party Opinion to the SLFF in September 2022 (available on the Group’s website²) confirming the alignment of the Framework with the Sustainability-Linked Bond Principles 2020 and the Sustainability-Linked Loan Principles 2022. Polsat Plus Group has undertaken to comply with four key performance indicators (KPIs) set out in the Sustainability Linked-Financing Framework, which are described further in this report. Moreover, Sustainalytics evaluated the strength of the selected KPIs and ambitiousness of each SPT and their alignment with Polsat Plus Group’s sustainability strategy.

About Polsat Plus Group

Polsat Plus Group (“**GPP**”, the “**Group**”) is Poland’s largest media and telecommunications group and the leader in the Polish entertainment and telecommunications markets. We are the leading pay TV provider and one of the leading telecommunications operators in the country. We are also one of Poland’s largest content producers and hold a leading position among private TV broadcasters in terms of both audience and advertising market shares. We offer a complete package of multimedia services designed for the entire family and a wide array of wholesale services to other telecommunications operators, television operators and broadcasters.

In December 2021, the Group adopted the new Strategy 2023+ (the “**Strategy**”)³, which envisages the expansion of operating activities into a new area – clean energy. In order to effectively and dynamically implement our Strategy 2023+, in July 2023 we acquired control of the company PAK-Polska Czysta Energia sp. z o.o. and its subsidiaries and we focused our activities on developing the green energy segment: production of low- and zero-carbon energy from wind, sun and biomass sources and the production of green hydrogen, the development of hydrogen infrastructure, and the construction of hydrogen-powered buses and electrolyzers. Our goal is to become a leading producer of clean, green energy and green hydrogen in Poland.

Currently our operating activities include four business segments: the B2C and B2B telecommunication services, the media including television and online, the real estate (from April 1, 2022) and the green energy (from July 3, 2023). Detailed information on our business activities can be found in the Group’s Annual Consolidated Report for the financial year 2023.⁴

¹ https://grupapolsatplus.pl/sites/default/files/polsat_group_sustainability_linked_financing_framework_1.pdf

² https://grupapolsatplus.pl/sites/default/files/grupa_polsat_plus_sustainability-linked_financing_framework_second-party_opinion.pdf

³ https://grupapolsatplus.pl/sites/default/files/documents/2021/strategy_of_gpp_2021_fv.pdf

⁴ https://grupapolsatplus.pl/sites/default/files/documents/2021/gpp_fy2023_eng_0.pdf

Key performance indicators and sustainability performance targets

Polsat Plus Group has undertaken to comply with four key performance indicators (KPIs) set out in the Sustainability Linked-Financing Framework which are core, relevant and material to our business and industry:

- KPI 1 Reduction of absolute Scope 1 and 2 Greenhouse Gas (GHG) emissions (CO₂ equiv. tons/year)
- KPI 2 Energy production from renewable energy sources (RES) (GWh/year)
- KPI 3 Production of green hydrogen (tons/year)
- KPI 4 Share of zero-emission energy in the energy mix used by GPP (%).

Specific sustainability performance targets (SPTs) have been defined for each KPI. Sustainability assessed the relevance of KPIs and ambitiousness of the SPTs as outlined in the table below.

Key Performance Indicator (KPI)	Relevance	Sustainable Performance Target (SPT)	Ambition level
#1: Absolute greenhouse gas emissions, scope 1 and 2 (tCO ₂)	Very high	Reduction of total greenhouse gas emissions, scope 1 and 2, by 75% by 2025 and by 80% by 2030 relative to a 2019 baseline	Very ambitious
#2: Energy production from renewable sources (GWh)	Relevant	Increase of renewable energy production to 800 GWh by 2025 and to 1,600 GWh by 2030 relative to a 2021 baseline	Ambitious
#3: Green hydrogen production (t)	Relevant	Increase of green hydrogen production to 1,500 tons annually by 2025 and to 3,000 tons annually by 2030 relative to a 2021 baseline	Ambitious
#4: Share of zero-emission energy in the energy mix (%)	High	Increase of the share of zero-emission in the total energy mix to 25% by 2025, to 30% by 2026 and to 50% by 2030 relative to a 2019 baseline	Ambitious

KPIs performance

Key Performance Indicators and Sustainable Performance Targets of Polsat Plus Group and their actual performance are presented in the table below.

KPI	SPT 2025	SPT 2030	Baseline	Accomplishment 2023
#1: Reduction of absolute Scope 1 and 2 Greenhouse Gas (GHG) emissions (CO ₂ equivalent tons/year)	Reduction by 75%	Reduction by 80%	2019	95%
#2: Energy production from Renewable Energy Sources (RES) (GWh/year) ¹	800 GWh/year	1,600 GWh/year	2021	665 GWh
#3: Production of green hydrogen (tons/year)	1,500 tons/year	3,000 tons/year	2021	0
#4: Share of zero-emission sources in the energy mix of Polsat Plus Group (%) ²	25%	50%	2019	5.6%

¹ Data for Polsat Plus Group including data of the green energy segment companies as of 1 January 2023 (on a pro forma basis)

² Data for Cyfrowy Polsat S.A., Telewizja Polsat sp. z o.o., Polkomtel sp. z o.o. and Netia S.A.

KPI 1: Reduction of absolute scope 1 and 2 greenhouse gas emissions

As defined in the scope of KPI 1 in the SLFF, this indicator measures the absolute scope 1 and 2 GHG emissions in tons of CO₂ equivalent (tCO₂e) generated by the main companies in the Group operating in the technology, media and entertainment, and telecommunications business. Although the scope of this KPI is limited to the main companies operating in the TMT business in the SLFF, the Group decided to include its new business segments (clean energy and real estate) in its carbon footprint calculation methodology in 2023 for the purpose of providing a more transparent and complete picture of the Group's total GHG emissions. Greenhouse gas emissions generated by the green energy segment have been included in the calculation only for the consolidation period, i.e. as of 3 July 2023.

GHG emissions (Scopes 1 and 2) are calculated in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. Detailed information and calculation methodology for each scope emissions is disclosed in GPP's Sustainable Development Report for 2023⁵.

⁵ https://grupapolsatplus.pl/sites/default/files/documents/2021/sustainable_development_report_of_polsat_plus_group_for_2023.pdf

	2019	2023	SPT 2025	SPT 2030
Total emissions: scope 1 + scope 2 [tCO2e]	286 240	15 728	-	-
KPI 1. Reduction of absolute Scope 1 and 2 Greenhouse Gas (GHG) emissions	-	95%	75%	80%

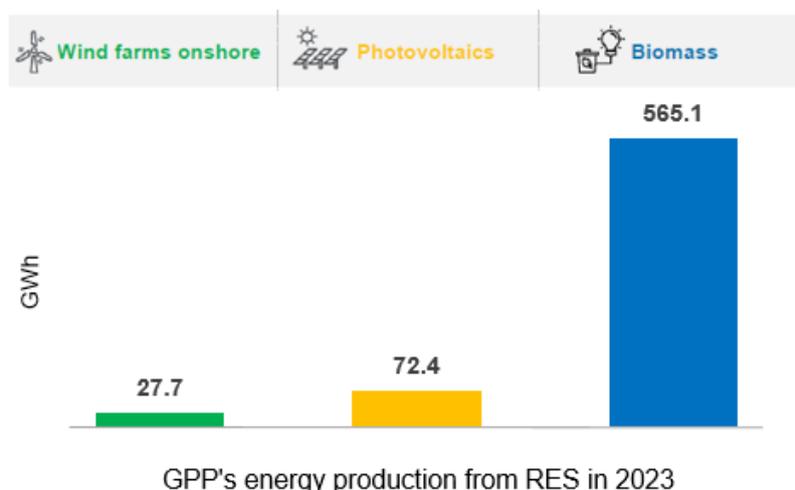
In 2023, the Group reduced absolute scope 1 and 2 GHG emissions by 95% vs. the base year of 2019. What is more, we have not only achieved but also exceeded targets with respect to greenhouse gas emissions reduction set for 2025 and 2030. The main drivers behind this reduction were the disposal of our mobile infrastructure in mid-2020 (resulting in the shift in emissions from scope 2 to scope 3) and the consistent increase in the share of the electricity generated from renewable energy sources in the Group's energy mix.

KPI 2: Energy production from RES

The KPI is defined as the volume of the energy produced per year from renewable energy sources (RES) by Polsat Plus Group. Renewable energy sources defined for this KPI include solar, wind and biomass facilities.

As per the SLFF, in case of an acquisition of control over any entity during the relevant financial year, the KPI will be calculated as if such an entity was member of the Group from the beginning of such financial year. Consequently, the level of production of energy from RES in 2023 has been calculated including, on a pro forma basis, the production generated by companies assigned to the green energy segment, over which the Group acquired control on 3 July 2023.

In 2023, Polsat Plus Group produced 665 GWh of energy from RES, mainly from biomass, thereby achieving 83% of the target set for 2025. In 2023, most of our wind farms were under construction or have just started to operate, therefore in the following years we expect production of energy from wind to gradually increase as subsequent farms are being launched.



KPI 3: Production of green hydrogen

The KPI is defined as the quantity of green hydrogen produced per year by Polsat Plus Group. Green hydrogen is defined as hydrogen produced through electrolysis using electricity generated from solar, wind, bioenergy (biomass and biogas), geothermal, hydropower and tidal sources.

Green hydrogen production had not started yet in 2023. The Group aims to put its first electrolysis plant into operation in 2024.

KPI 4: Share of zero-emission energy in the Group's energy mix

The KPI measures the share (%) of energy from zero-emission sources in the total energy mix used by GPP for any given year. The scope of this KPI refers to the main operating companies of the Group: Cyfrowy Polsat S.A., Telewizja Polsat sp. z o.o., Polkomtel sp. z o.o. and Netia S.A. Zero-emission energy is electricity sourced from solar and wind power facilities.

The KPI is calculated in the following way:

- the denominator is the volume of electricity purchased by the above mentioned entities for own use, that is:
 - electricity purchased for own consumption from an entity being an energy generation or an energy supply company, for purposes other than resale of energy in contracts in which any of the above entities solely performs the role of an electricity supply company, but
 - including the volume of energy being recharged to other entities as a complimentary cost component in combination with other complex service deliverables (mainly as part of data center services or property sub-leases),
- the numerator is the part of the denominator that relates to the purchased electricity generated in solar and wind power facilities.

Energy source [MWh]	2019 ¹	2023	SPT 2025	SPT 2030
Non-renewable	319 972	-		
Biomass	13 290	102 060		
Solar	29	6 004		
Wind	80	-		
Total	333 371	108 064		
Zero-emission energy	109	6 004		
KPI 4. Share of zero-emission energy in the energy mix	0%	5.6%	25%	50%

¹ includes data of Polkomtel Infrastruktura sp. o.o., which was disposed in mid-2021.

Actions taken to achieve KPIs

To achieve the targets for each of KPI Polsat Plus Group has established relevant actions plans, which are in line with our Strategy 2023+.

KPI 1: Reduction of absolute scope 1 and 2 greenhouse gas emissions

The action plan, which the Group has developed to achieve its goals of the area of carbon footprint reduction in scopes 1 and 2, is focused primarily on activities aimed at reducing energy consumption and increasing the share of renewable energy sources in the energy consumed by the Group. It includes, among others, the following initiatives:

- purchasing energy from renewable energy sources for the Group's own consumption. We expect to successively increase the share of wind power in the Group's energy mix with the commissioning of wind farms currently under construction;
- replacing outdated equipment and investing in energy efficient technologies, which consume less power;
- modernizing fixed telecommunications network infrastructure by implementing modern network management systems to optimize energy consumption;
- implementing advanced data storage and processing methods at our data centers and server rooms, enabling significant energy savings;
- modernization of power supply systems to minimize energy usage;
- replacement of cooling and ventilation systems in technical facilities and office buildings with more energy efficient ones;
- increasing the share of low-emissions cars in our fleet by replacing combustion vehicles with electric and hydrogen-powered cars (in 2023 ca. 12% of the Group's car fleet was comprised of zero-emission vehicles);
- monitoring and modifying the set-top box production processes to reduce energy consumption;
- using LED-type lighting in our buildings, stores and partner points of sale.

KPI 2: Energy production from RES

In order to support the dynamic implementation of the Group's Strategy 2023+ and development of the green energy segment, the following activities were undertaken to achieve the goals in the field of production of energy from renewable energy sources:

- acquisition, in 2023, of a controlling stake in PAK-Polska Czysta Energia sp. z o.o., a holding company focused on developing the Group's renewable energy capacity and owning two operational biomass power plants with total capacity 105 MW;
- construction of the photovoltaic farm Brudzew, which started operating at the end of 2021, and installing additional generation capacity in 2023 (total capacity 82.4 MWp);
- launch of 2 on-shore wind farms Kazimierz Biskupi and Miłosław in 2023 (capacity 17.5 MW and 9.6 MW respectively);
- construction of 4 on-shore wind farms:

- Człuchów with installed capacity of 72.6 MW, scheduled to be launched in Q2 2024,
- Przyrów with installed capacity of 50.4 MW, scheduled to be launched in Q3 2024,
- Drzeżewo with installed capacity of 138.6 MW, scheduled to be launched in Q4 2025,
- Dobra with installed capacity of 7.8 MW, scheduled to be launched in Q4 2025.

In the coming years as new farms are being installed, the production of energy from renewable sources will be progressively rising to achieve the strategic goal of electricity production capacity from renewable sources of up to 2TWh per year from 2026.

KPI 3: Production of green hydrogen

In line with our Strategy 2023+, we have been building a full value chain of an economy based on green hydrogen. To reach that goal and to achieve targets set for production of green hydrogen we have undertaken the following actions:

- purchase of a 2.5MW electrolyser with total output capacity of 1000 kg H₂ daily, to be launched in Q2 2024;
- development of a proprietary prototype of a 0.5 MW alkaline electrolyser with total output capacity of 200 kg H₂ daily, to be launched in Q2 2024.

The development of a green hydrogen value chain will not be possible without ensuring hydrogen storage and transportation, hydrogen distribution and fostering demand for hydrogen-powered vehicles. For this purpose, in 2023 we have already undertaken the following activities:

- purchase of hydrogen trailers (8 trailers in use and 2 in delivery in 2024);
- construction of green hydrogen refuelling stations – 2 publicly accessible stations (in Warsaw and Rybnik) are already operational and another 4 are under construction and will be launched in 2024 (in Gdańsk, Gdynia, Wrocław and Lublin);
- construction of a hydrogen bus manufacturing plant in Świdnik, where we produce hydrogen-powered buses of our own design – the NesoBus;
- delivery of 20 NesoBuses to Rybnik for public transportation;
- winning another 2 tender offers for hydrogen-powered buses for municipal transportation (10 NesoBuses to be leased to the city of Gdańsk and 26 NesoBuses to be sold to the city of Chełm).

KPI 4: Share of zero-emission energy in the Group's energy mix

The action plan for increasing the share of zero-emission energy in the Group's energy mix assumes mainly activities aimed at ensuring supplies of energy from zero-emission sources to the companies of the Group. As a result of implementation of its Strategy 2023+, GPP is focused on the development of its own renewable energy sources, predominantly on-shore wind and photovoltaic power plants, as outlined earlier in this report. The Group's aim is to satisfy its internal energy needs in full by energy produced in its own RES units. The commissioning and launch of successive on-shore wind farms in 2024 will ensure supplies of zero-emission energy to the companies of the Group and thereby support the growing share of zero-emission energy in the Group's energy mix.

External verification

In accordance with the reporting and post-issuance verification requirements set forth in the Sustainability-Linked Financing Framework, KPIs selected in connection with issued financing are being verified annually by a qualified audit company.

In 2023, Cyfrowy Polsat S.A., the dominant company of Polsat Plus Group, issued three series of sustainability-linked bonds⁶, linked to KPI 4 (share of zero-emission sources in the Group's energy mix). Moreover, on 28 April 2023, Cyfrowy Polsat S.A. and its subsidiary Polkomtel sp. z o.o. executed a senior facilities agreement⁷ with margins related to KPI 2 (energy production from renewable energy sources) and KPI 4 (share of zero-emission sources in the Group's energy mix).

Consequently, the independent verifier – other than Sustainalytics, the provider of a Second Party Opinion on the Sustainability-Linked Financing Framework – has successfully performed (on an agreed limited assurance basis) the assessment of KPI 2 and KPI 4 and the achievement of SPTs for these KPIs in 2023. The assessment was carried out with a positive outcome.

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⁶ <https://grupapolsatplus.pl/en/investor-relations/bonds>

⁷ <https://grupapolsatplus.pl/en/archive/conclusion-material-financial-agreements-0>