



Polskie Górnictwo Naftowe i Gazownictwo SA

THE PGNiG GROUP'S
NON-FINANCIAL STATEMENT



2019

Polskie Górnictwo Naftowe i Gazownictwo S.A.

THE PGNIG GROUP'S NON- FINANCIAL STATEMENT

for 2019

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1. Introduction

1.1. Legal basis and scope

This consolidated non-financial statement was prepared in accordance with Art. 49b and Art. 55 of the Accounting Act of September 29th 1994 (Dz. U. of 2018, item 395), which requires public-interest entities to disclose their non-financial data.

This statement contains non-financial information on PGNiG S.A. and the PGNiG Group for the period January 1st – December 31st 2019, and covers all subsidiaries included in the PGNiG Group's full-year consolidated report for 2019. The previous report was published in the form of the Management Board's statement in the PGNiG Group's full-year consolidated report for 2018, on March 14th 2019. Reports are published on an annual basis and documents from previous years are available on the PGNiG Group's website, at <http://en.pgnig.pl/investor-relations/reports/periodic>.

This Statement includes no major changes in relation to the Non-Financial Statement for 2018 in terms of the scope of data presented, business model changes and the methods applied for the measurement of key areas, and no adjustments to data presented in the Non-Financial Statement for 2018.

1.2. Reporting rules and methodology

This statement was prepared based on the international GRI Standards 2016 developed by the Global Reporting Initiative. The reported GRI indicators include the 'core' indicators and the PGNiG Group's own indicators.

To ensure due care in the reporting process, PGNiG was supported by the independent consultancy Kapital Intelktualny Sp. z o.o. This statement was internally reviewed by a dedicated project team consisting of the Group's employees.

The content was defined in a three-stage process: identification, prioritisation and validation.

| No. | Stage | Initiatives taken |
|-----|----------------|--|
| 1 | Identification | <p>Significant business issues and sustainable development areas for the Group were defined during consultations with the Management Board, management staff and expert staff.</p> <p>The process involved an analysis of documents, procedures, rules, internal materials of the Group companies and external publications.</p> <p>The identification process took into account the trends and guidelines of international standards for corporate social responsibility and non-financial reporting.</p> |
| 2 | Prioritisation | <p>This stage included cascading the identified key areas and assigning weights to the aspects identified in a dialogue with stakeholders and the project team.</p> |
| 3 | Validation | <p>A validation consultation was held with the Management Board, management staff and key employees with to define the final list of issues to be reported.</p> |

1.3. Relevant reporting aspects

The preparation of this statement was preceded by a stakeholder expectations survey in the form of an on-line questionnaire distributed in November and December 2019. The questionnaire was addressed to employees, trading partners, customers, social partners, representatives of the management staff and institutional investors of the PGNiG Group. In the survey, the respondents answered questions relating to environmental, social, labour, human rights, anti-corruption and anti-bribery matters. Thus, the process led to the identification of key areas presented in this statement. The relevance matrix of the matters and their contents is presented below.

| Relevant reporting aspects | Aspect relevance | | Aspect impact | |
|--|------------------|------|------------------|-------------------|
| | average | high | within the Group | outside the Group |
| ECONOMIC AND STRATEGIC AREA | | | | |
| Effect on the growth of Poland's economy and on Poland's market position in the global economy | • | | • | • |
| Initiatives taken to support the technological development of Poland | • | | • | • |
| Creation of new areas for the application of the products offered or development of new product areas | | • | • | • |
| Adaptation of the organisation in response to challenges related to the technological revolution, e.g. automation and robotisation | | • | • | • |
| SOCIAL AREA | | | | |
| Charitable initiatives and impact on local communities | | • | • | • |
| Initiatives to develop students' talents and facilitate students' entry into the labour market | • | | • | • |
| Initiatives to build civil conscience | • | | • | • |
| Initiatives to integrate with the local communities | • | | • | • |
| HR AREA | | | | |
| Initiatives to improve safety and comfort at the workplace | • | | • | • |
| Development of competence and provision of highly specialised training, courses and post-graduate studies for employees | | • | • | • |
| Initiatives to strengthen employee engagement | • | | • | • |
| Initiatives to improve the quality of communication and strengthen relations among colleagues | • | | • | • |
| ENVIRONMENTAL AREA | | | | |
| Investments in research and development contributing to the reduction of negative environmental impacts | • | | • | • |
| Pro-environmental practices and initiatives | | • | • | • |
| Initiatives to reduce the use of natural resources | • | | • | • |
| Educating the public in best practices in responsible use of the environment in everyday life | • | | • | • |
| HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY AREA | | | | |
| Initiatives to ensure equal access to training and competence development opportunities for all employees | | • | • | • |
| Initiatives to promote ethical work culture and prevent discrimination | | • | • | • |
| Improvement of procurement practices for suppliers, providing transparent cooperation rules | | • | • | • |
| Initiatives to build a corporate culture based on respect and mutual trust between employees, associates and managers | • | | • | • |

2. Information about the Group – business model

2.1. Basic information (GRI 102-1, 102-2, 102-3, 102-4, 102-5, 102-6)

Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna (PGNiG) has its registered office at ul. Marcina Kasprzaka 25, Warsaw, Poland. PGNiG is the Parent of the PGNiG Group (the Group). Its shares have been listed on the Warsaw Stock Exchange (WSE) since September 2005. The State Treasury is the majority shareholder of PGNiG.

PGNiG is the leader of the natural gas market in Poland and one of the largest companies listed on the WSE. PGNiG's business comprises exploration for and production of natural gas and crude oil. Through the Group's key companies, PGNiG is also active in the area of import, storage, sale and distribution of gas and liquid fuels, as well as heat and electricity generation and distribution.

The PGNiG Group plays a key role on the Polish gas market and, as the market leader, takes responsibility for maintaining Poland's energy security. Therefore, it takes measures necessary to satisfy the steadily growing demand for gas fuel. The PGNiG Group ensures supply diversification by developing domestic deposits and sourcing gas from abroad, as the largest importer and supplier of natural gas in Poland. The fuel is transported to Poland via an extensive transmission network and the President Lech Kaczyński LNG Terminal in Świnoujście. Gas is delivered to end users mainly through the distribution networks. The national gas system is complete with gas fuel storage facilities, used to cover seasonal and daily shortages of gas fuel.

PGNiG has foreign branches and representative offices in Pakistan, the United Arab Emirates, Russia, Belgium and Belarus, and holds equity interests in some 30 companies, including providers of specialist geophysical, drilling and well services, highly valued on international markets.

PGNiG is the sole owner of PGNiG Upstream Norway (PUN), engaged in upstream activities on the Norwegian Continental Shelf and the Norwegian Sea, and PGNiG Supply & Trading (PST), which sells gas to wholesale customers abroad. In addition, PST trades on the global LNG market through its London branch.

2.1.1. External initiatives and membership of associations (GRI 102-12, GRI 102-13)

PGNiG sees engagement in the activities of industry associations as essential for strengthening the culture of sustainable and responsible business.

All PGNiG Group companies engage in dialogue aimed at building a modern and responsible energy sector in Poland. PGNiG itself is a member of and has working ties with several dozen industry organisations both in Poland and abroad. The strategic ones include: European Energy Forum, International Association of Oil & Gas Producers and International Gas Union.

Membership of PGNiG Group companies in selected associations and organisations:

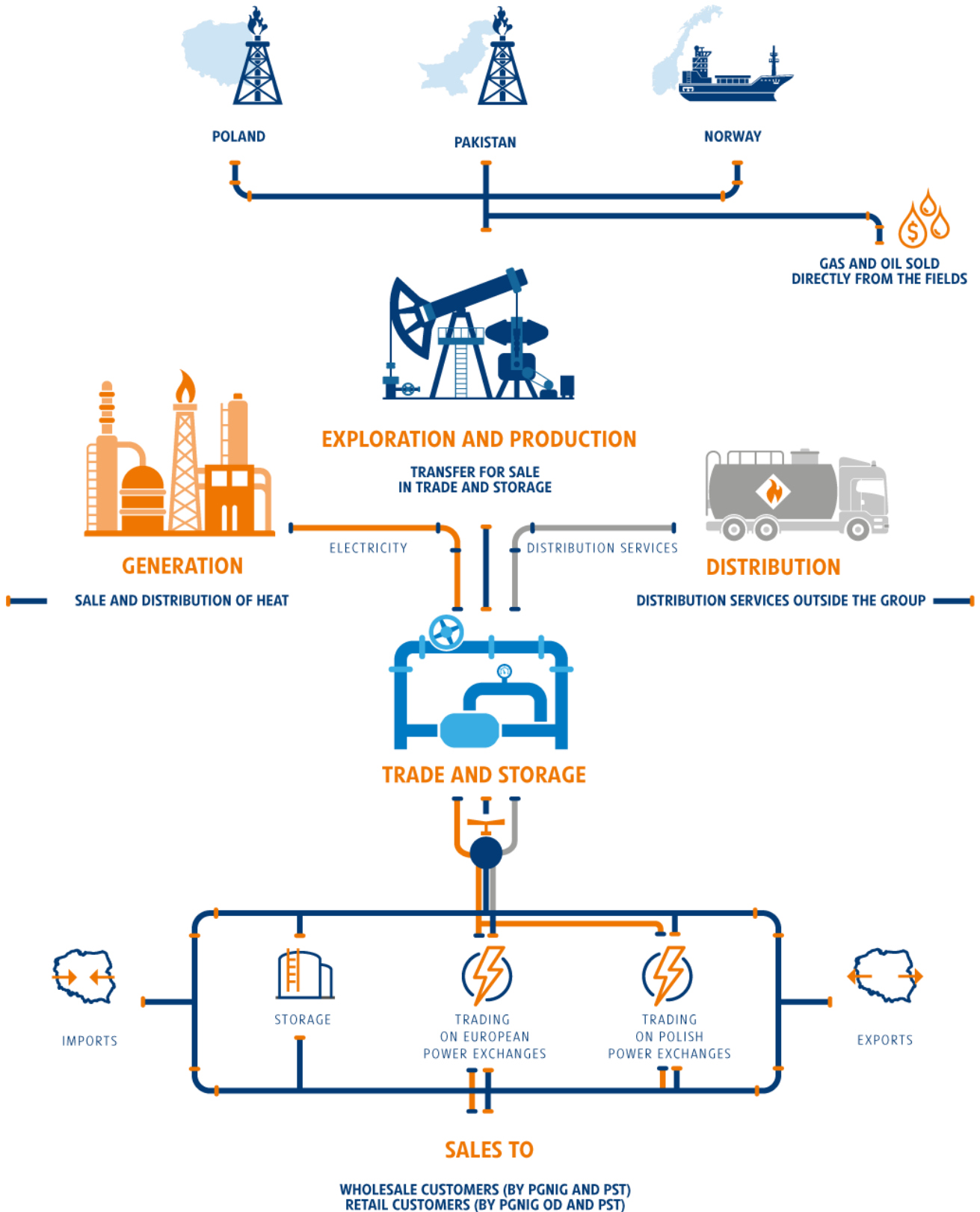
- International Association of Oil & Gas Producers (IOGP) – PGNiG;
As part of its membership in the IOGP, PGNiG was involved in the Hydrogen for Europe project, which was a pre-study to prepare a preliminary report serving as the first stage of in-depth studies presenting hydrogen as the key energy carrier in the EU's low-emission economy;
- International Gas Union (IGU) – PGNiG through Polski Związek Inżynierów i Techników Sanitarnych (Polish Union of Sanitary Engineers and Technicians);
- European Gas Research Group (GERG) – PGNiG;
- European Energy Forum (EEF) – PGNiG;
- Gas Processors Association Europe Ltd. – PGNiG;
- European Federation of Energy Traders (EFET) – PGNiG;
- Society of International Gas Tanker and Terminal Operators (SIGTTO) – PGNiG;
- American Association of Petroleum Geologists (AAPG) – PGNiG;
- Pakistan Exploration and Production Companies Advisory Committee – PGNiG;
- International Well Control Forum (IWCF) – PGNiG;
- Gas Infrastructure Europe (GIE): Gas Storage Europe; – GSP;
- International Association of Geophysical Contractors (IAGC) – Geofizyka Toruń;
- European Association of Geoscientists and Engineers (EAGE) – Geofizyka Toruń;
- Society of Exploration Geophysicists (SEG) – Geofizyka Toruń;
- Society of Petrophysicists and Well Log Analysts (SPWLA) – Geofizyka Toruń;
- International Association of Drilling Contractors (IADC) – Exalo;
- Dropped Objects Prevention Scheme (DROPS) – Exalo;
- Association of Mutual Insurers and Insurance Cooperatives in Europe (AMICE) – Polski Gaz TUW;
- Central Europe Energy Partners (CEEP) – Termika;
- Norsk Olje & Gass – PGNiG UN;
- Norsk Hovedorganisasjon (NHO) – PGNiG UN;
- Izba Gospodarcza Gazownictwa (Gas Industry Commercial Chamber, IGG) – PGNiG and the PGNiG Group companies;
- Polskie Towarzystwo Geologiczne (Polish Geological Association) – PGNiG;
- Towarzystwo Obrotu Energią (Association of Energy Trading) – PGNiG and PGNiG OD;
- Forum Liderów Bezpiecznej Pracy przy Centralnym Instytucie Ochrony Pracy Państwowego Instytutu Badawczego (Forum for Safe Work Leaders at the Central Institute for Labour Protection – National Research Institute) – PSG, TERMIKA;
- Forum Odpowiedzialnego Biznesu (Responsible Business Forum, FOB) – PGNiG;
- Polskie Zrzeszenie Inżynierów i Techników Sanitarnych Oddział w Bydgoszczy (Polish Union of Sanitary Engineers and Technicians, Bydgoszcz Branch) – PSG;
- Polska Izba Ubezpieczeń (Polish Chamber of Insurance; PIU) – Polski Gaz TUW;
- Polskie Towarzystwo Elektrociepłowni Zawodowych (Polish Association of Industrial CHP Plants) – TERMIKA;
- Izba Gospodarcza Ciepłownictwo Polskie (Polish Heat Industry Commercial Chamber) – TERMIKA;
- Towarzystwo Gospodarcze Polskie Elektrownie (Polish Power Plants Association) – TERMIKA.

The PGNiG Group also joins in various projects directly related to the philosophy of responsible business and sustainable development. In Poland, for more than 10 years now, PGNiG has been a member of the Responsible Business Forum, an association whose role is to promote responsible business in Poland.

2.2. PGNiG Group's business model

2.2.1. PGNiG Group's business and the business model

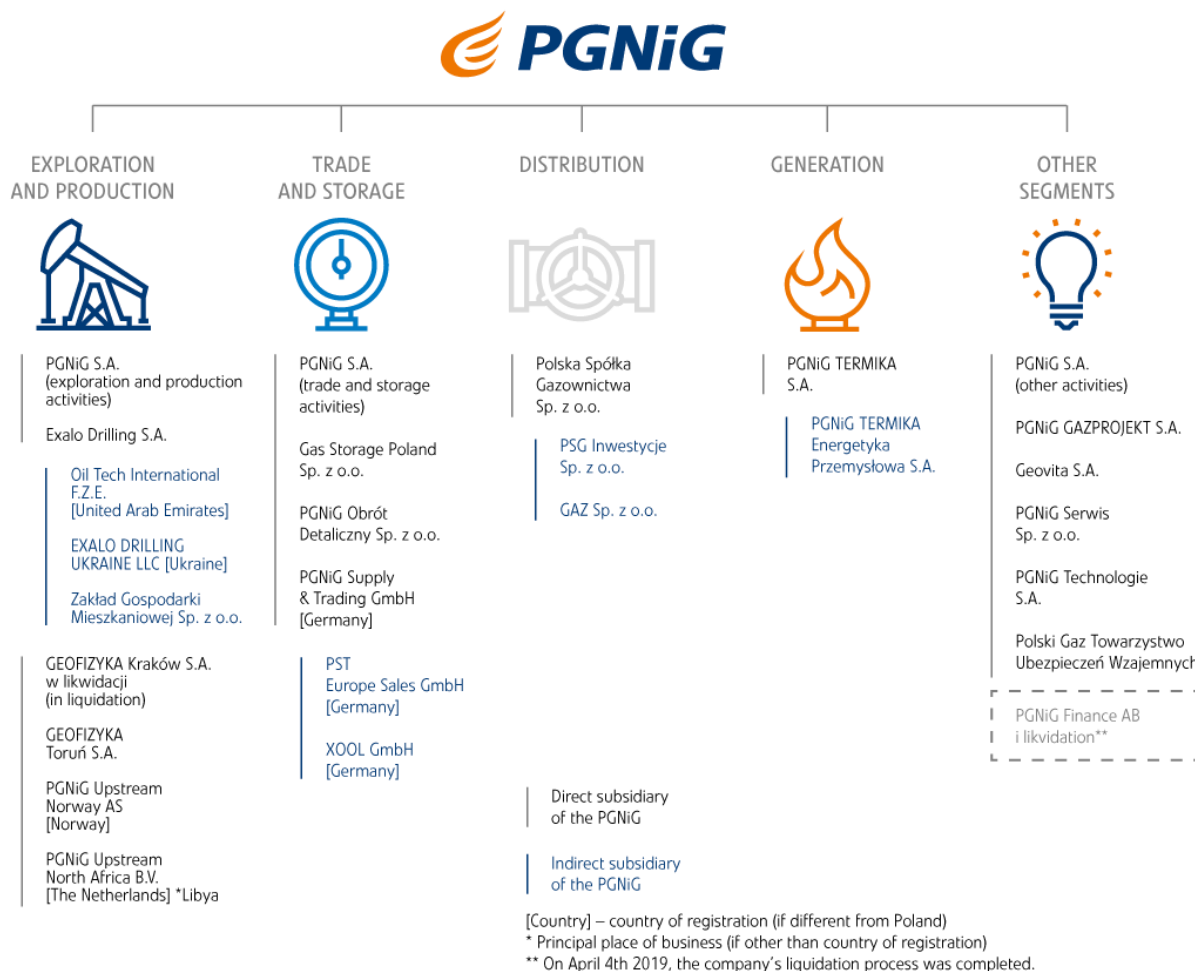
✓ Fig. 1 PGNiG Group's business model



2.2.2. Companies of the PGNiG Group (GRI 102-7)

As at December 31st 2019, PGNiG (the parent) and 23 subsidiaries were consolidated using the full method. The PGNiG Group identifies five business segments. The Group's entities by segment are presented below. For more information on the Group structure, see the Directors' Report on the operations of PGNiG S.A. and the PGNiG Group.

✓ Fig. 2 Fully consolidated companies of the PGNiG Group



2.2.3. Business segments

✓ Fig. 3 Business segments - chart



The PGNiG Group identifies five business segments.

Exploration and Production



The segment's principal business activity is extraction of hydrocarbons from deposits and preparation of produced hydrocarbons for sale. This involves exploring for and extracting natural gas and crude oil from deposits, and includes geological surveys, analysis of geophysical data, drilling, and development of and production of hydrocarbons from gas and oil fields. The work is conducted based on PGNiG's own resources or jointly with partners, under joint operations agreements, in Poland and abroad. The cryogenic processing of nitrogen-rich gas yields, apart from high-methane gas, such products as liquefied natural gas (LNG), gaseous and liquid helium, and liquid nitrogen. In crude refining, crude condensate, sulfur and propane-butane are obtained. The segment relies on storage capacities available at the Daszewo and Bonikowo Underground Gas Storage Facilities.

The segment includes the following companies: PGNiG, PGNiG Upstream Norway AS, PGNiG Upstream North Africa B.V., Geofizyka Toruń Sp. z o.o., and EXALO Drilling S.A.

Trade and Storage



The principal activity of the segment is trade in natural gas in Poland and abroad. The segment specialises in selling natural gas produced from domestic fields or imported. The PGNiG Group is the largest supplier of natural gas in Poland. It is rapidly increasing its presence in foreign markets as a wholesaler and end user supplier by expanding the operations of its subsidiaries. The segment also trades in electricity, certificates of origin for electricity, and CO2 emission allowances. PGNiG is the leader of natural gas trading on the Polish Power Exchange. Trade and Storage operates seven underground gas storage facilities (Brzeźnica, Husów, Kosakowo, Mogilno, Strachocina, Swarzędów and Wierzbowice).

The segment includes the following companies: PGNiG, PGNiG Obrót Detaliczny Sp. z o.o. (PGNiG OD), PGNiG

Sales and Trading GmbH, PST Europe Sales GmbH and Gas Storage Poland.

Distribution



The segment's principal business activity consists in the delivery of high-methane and nitrogen-rich gas, as well as of small amounts of coke-oven gas, over the distribution network to retail and corporate customers. The segment is also engaged in extending and upgrading the gas network and connecting new customers. Gas distribution services are provided by Polska Spółka Gazownictwa Sp. z o.o. (PSG), a subsidiary with a dominant share in the market. As the Distribution System Operator, PSG conducts its business in all provinces of Poland.

Generation



The segment's activities consist in generation of electricity, heat, cooling and compressed air, and distribution of heat. The segment carries out major power engineering projects relying on natural gas. PGNiG TERMIKA is the Group's competence centre for heat and electricity generation as well as execution of heat and power projects.

The segment includes the following companies: PGNiG Termika S.A. and PGNiG Termika Energetyka Przemysłowa S.A.

Other segments



This segment comprises operations which cannot be classified into any of the segments listed above, i.e. the functions performed by the PGNiG Corporate Centre, engineering design and construction of structures, machinery and equipment for the extraction and energy sectors, hospitality and insurance services, as well as support services for companies operating in other segments.

The segment comprises: PGNiG, PGNiG Gazoprojekt S.A., Geovita S.A., PGNiG Serwis Sp. z o.o., PGNiG Technologie S.A. and Polski Gaz TUW.

2.3. Supply chain (GRI 102-9)

The PGNiG Group is the leader of the Polish natural gas market, with a modern and efficiently managed structure. Its operations span almost the entire value chain in the gas sector, and the Group also holds assets in the fuel and power sectors.

The Group comprises companies with diverse business profiles, placed along the supply chain. They work with more than twenty thousand suppliers.

The diversified business structure (including geographical location, different business profiles) requires a diverse supply chain. The PGNiG Group cooperates mostly with suppliers from Poland (93.6% of the total), as well as from the European Union (2.0%), Africa (1.7%), and also from Qatar, Norway, Pakistan, Russia, the United States and the United Arab Emirates.

On the gas market, the PGNiG Group companies are present along the entire supply chain, including production, distribution and sales, both direct and through the Polish Power Exchange. PGNiG engages in exploration for and production of natural gas and crude oil from fields in Poland, Norway and Pakistan (where the output is immediately sold on the local market). In 2019, PGNiG commenced oil and gas exploration in UAE. The Group purchases gas from countries east of Poland through the Yamal pipeline and via the LNG terminal from Qatar, the United States and Norway. In the distribution segment, it relies on the transmission infrastructure owned by Gaz System and uses the PGNiG Group companies' own resources, including in particular the infrastructure of PSG, with connections to end customers, and Gas Trading (distribution of liquefied gas) as well as gas storage facilities (GSP and PGNiG). Gas is sold in Poland on the Polish Power Exchange, directly to wholesale customers, and by PGNiG OD to retail customers. It is exported to Ukraine as well, and sold by PST to end customers in Germany.

PGNiG produces crude oil from combined gas and oil deposits. Oil is sold directly to partners and licence co-operators.

The PGNiG Termika Group is an electricity and heat producer. Electricity is produced from natural gas and hard coal. Heat is sold for distribution to Veolia and end users.

The PGNiG Group also provides auxiliary services for its core business areas, including geophysical services supporting exploration for conventional and unconventional oil and gas, onshore drilling services, specialist construction, design and broadly defined maintenance and financial services.

2.4. Business strategy

2.4.1. Mission and vision (GRI 103-2)

PGNiG's mission statement underscores the Company's responsibility for ensuring Poland's energy security and focus on both retail and corporate customers with their different needs.

The awareness of our environmental impact and responsibility for energy security are the cornerstone of the Group's activities. Considering energy security-related issues and innovation, the PGNiG Group members, striving to live up to the expectations of their stakeholders, commit themselves to meeting the highest standards in organisational culture, relations with employees and customers, corporate citizenship, and pro-environmental initiatives.

Mission – ***We are a trusted supplier of energy for households and businesses***

- **Trusted** – the customers can depend on premium quality and reliability of our services;
- **Energy supplier** – our customers are offered a full range of energy products (gas + electricity + heat + other/services);
- **Households and businesses** – we care for and value all our customers: households, businesses, and institutions.

Vision – ***We deliver innovative energy solutions in a responsible and efficient manner***

- **Responsibly** – we act transparently, in line with the principles of corporate social responsibility;
- **Effectively** – we have implemented process and cost optimisation measures;
- **Innovative solutions** – we are an innovation leader in the energy sector.

2.4.2. Strategy overview

The PGNiG Group developed the new PGNiG Group Strategy for 2017–2022 with an Outlook until 2026, which was approved by the PGNiG Supervisory Board on March 13th 2017.

The key external developments were of macroeconomic nature (e.g. falling prices of crude oil and natural gas), the rapidly accelerating competition growth on the Polish gas market, the need to diversify gas imports from 2022 onwards, and changes in the regulatory environment (gradual withdrawal of the tariff regime, unpredictable future of the support mechanism for power generation beyond 2018). Following analyses, the key macroeconomic assumptions underlying further strategic forecasts were updated, including those related to gas, oil and electricity prices. New strategic objectives and ambitions for the Group until 2022 were formulated.

A major internal change associated with the adoption of the new Strategy was the implementation of the Balanced Scorecard (BSC) methodology, which enables the balancing of the Group's financial, operating and development objectives based on four key BSC 'perspectives' (finances, customers, processes, and resources and growth). The result is a new way of defining main strategic objectives, where targets and ambitions are set at the Group level and then cascaded down to the Group's key business areas.

The pursuit of sustainable development as the Group's priority will be driven by parallel investments in riskier business areas yielding relatively high rates of return (upstream) and in regulated areas offering considerable investment safety (gas distribution, power and heat generation).

The social aspect is one of the main areas addressed in the Strategy. Investment projects carried out by the PGNiG Group largely contribute to eliminating areas with no connection to the gas grid. One of the Group's objectives is to accelerate gas network roll-out in Poland, thus improving the quality of life of local communities. With this goal in mind, multiple investment projects aimed at developing Poland's gas, power and heating infrastructure are under way. This development is also achieved by increasing the availability of gas to businesses and households. Therefore, the PGNiG Group continues to expand its operations abroad and is developing its natural gas and LNG trading operations on global markets.

In addition to financial and social aspects, environmental issues are another important area for the PGNiG Group. The Group keeps a close eye on the macroeconomic environment to monitor changes in not only in economy, but also those affecting markets, raw materials and climate. As a long-standing supporter of growth based on sustainable management, the PGNiG Group feels entitled to set trends not only in sustainable financing of growth plans, but also with respect to the environment, relying also on responsible use of natural resources in its operations. Therefore, a high priority in the Strategy is given to research and development focused on innovation which takes into account projected climate changes. The PGNiG Group takes internal measures to mitigate climate change. It should be stressed that the PGNiG Group sees responsibility in this area as lying in the execution of heat and power projects. In line with its strategy, the Group will allocate approximately 13% of its total capital expenditure to such projects. It should be noted that the PGNiG Group has embarked on an ambitious capital investment programme that lays the foundations for long-term and stable value growth.

3. Organisational culture and corporate governance

3.1. Structure of the PGNIG S.A. Management and Supervisory Boards (GRI 102-18, 102-22)

PGNiG S.A.'s main governing bodies are the Management Board, the Supervisory Board and the General Meeting. The Company has in place the Supervisory Board's Audit Committee which monitors, among other things, the financial reporting processes and the effectiveness of the internal control, risk management and internal audit systems. The operation of these bodies is governed by the Commercial Companies Code, the Company's Articles of Association, the Rules of Procedure for the Management Board, the Rules of Procedure for the Supervisory Board, the Rules of Procedure for the General Meeting, and the Rules of Procedure for the Supervisory Board's Audit Committee.

As an issuer of securities admitted to trading on the Warsaw Stock Exchange, the Company applies the corporate governance standards laid down in the 'Code of Best Practice for WSE Listed Companies 2016'. To ensure transparency of its activities, appropriate quality of its investor communications and protection of shareholder rights, the Company complies with approximately 95% of principles contained therein. In addition, the Company explains all instances of non-compliance with the adopted standards in accordance with the 'comply or explain' rule.

As at December 31st 2019, the PGNIG S.A. Management Board consisted of six members who jointly supervised management and operational processes. As the Management Board's joint term of office expired at the end of the year, the composition of the Management Board changed after the end of the reporting period. Thus, as at the date of this Report, the Management Board was represented by new Members. The Company's Management Board may consist of two to seven members. Management Board members are appointed for a joint term of three years. The new sixth joint term of office of the PGNiG Management Board commenced on January 10th 2020.

3.1.1. Composition of the PGNiG Management Board

Composition of the PGNiG Management Board of a new term of office and allocation of supervision and coordination duties – non-financial operations:

- Jerzy Kwieciński – President of the Management Board
 - HR area (HR strategy, pay and working time scheme; employment and payroll policies)
 - ethics area – compliance
- Jarosław Wróbel – Vice President
- Przemysław Waclawski – Vice President, Chief Financial Officer
- Arkadiusz Sekściński – Vice President, Development
- Robert Perkowski – Vice President, Chief Operating Officer
 - social area
- Magdalena Zegarska – Vice President
 - environmental area
 - HR area (OHS, employee benefits, dialogue with social partners)

Composition of the PGNiG Management Board as at December 31st 2019 and responsibility for supervision and coordination of non-financial matters:

- Piotr Woźniak – President of the Management Board
 - HR strategy, pay and working time schemes, employment and payroll policies
- Maciej Woźniak – Vice President, Trade
- Michał Pietrzyk – Vice President, Finance
- Łukasz Kroplewski – Vice President, Development
- Robert Perkowski – Vice President, Chief Operating Officer
 - corporate social responsibility (CSR),
- Magdalena Zegarska – Vice President
 - occupational health and safety, fire protection,
 - cooperation with trade unions, the Employee Council and other employee organisations where their operations relate to the Company and the PGNiG Group.

3.2. System supporting management processes (GRI 103-2)

The PGNiG Group's key business areas are managed through the implemented and applied QHSE Policy, which defines objectives and directions of operations and ensures maintaining the highest standards of quality, OHS and environmental protection in order to meet the requirements and expectations of our stakeholders. The QHSE Management System complies with the following standards: ISO 9001:2015, ISO 14001:2015, OHSAS 18001:2007 and good HSE practices applying to exploration for and production and tankless storage of hydrocarbons, as well as to the processing and transmission of gas.

The QHSE system is the main pillar which serves as a basis for making management decisions concerning operations. Thus, it is possible to rationally manage the key aspects affecting the economic and financial performance and pursuit of business objectives.

The integration within a single system of areas which are critical to the proper operation of the PGNiG Group makes it possible to counteract developments with an adverse effect on processes.

The person responsible for the System's effective operation is the Management Board's Representative for the QHSE Management System, supported by Representatives of respective Directors at PGNiG S.A. Branches. The Management Board's Representative is authorised to represent PGNiG S.A. in contacts with external stakeholders with regard to the QHSE Management System. The policy is reviewed periodically to evaluate its usefulness and relevance.

| Organisational unit | System (IMS, EMS, QCS, OHSMS, EMAS etc.) | Certified (Yes/No) | Date | | Certifying entity |
|--|--|--------------------|----------------------------|----------------------|-------------------|
| | | | Certification date | Recertification date | |
| PGNiG | QMS – ISO: 9001:2015 EMS – ISO:14001:2015 | YES | Jul 20 2018 | Jul 19 2021 | BSI |
| | OHSMS – BS OHSAS:18001:2007 | | | Mar 11 2021 | |
| PGNiG Central Measurement and Testing Laboratory | MS compliant with PN-EN ISO/IEC 17025:2005+Ap 1:2007, PN-EN ISO/IEC 17065:2013 | YES | | | PCA |
| Exalo Drilling | QMS – ISO: 9001:2015 EMS – ISO:14001:2015 | YES | Jun 20 2018 | Jan 26 2020 | TÜV SÜD |
| | OHSMS – BS OHSAS:18001:2007 | | Mar 13 2017 | | |
| GEOFIZYKA Toruń | IMS QHSE | YES | Mar 18 2011 Mar 18 2017 | Mar 17 2020 | LRQA |
| PGNiG OD | | NO | | | |
| PGNiG Technologie | IMS | YES | 2013 | 2018 | UDT |
| PGNiG TERMIKA | OHSMS | YES | Oct 22 2007 | Sep 23 2016 | PCBC |
| | EMS | YES | Dec 5 2007 | Sep 23 2016 | |
| PSG | IMS – ISO: 14001:2015 QMS – ISO: 9001:2015 | YES | Feb 1 2017 | Jan 1 2020 | TÜV NORD |
| GSP | EMS – ISO:14001:2015 | YES | Sep 3 2018 | Sep 2 2021 | DQS |
| | OHSMS – BS OHSAS:18001:2007 | | | | |

Through its QHSE Policy, the PGNiG Group undertakes to:

- identify, supervise and ensure the effectiveness of processes;
- build lasting relationships with the PGNiG Group Customers;
- identify and ensure compliance with applicable laws and other requirements;
- implement norms and standards that follow from good practices, to promote safe solutions;
- identify various risks, including near misses, in order to prevent accidents at work, occupational diseases, incidents and failures;
- identify and mitigate environmental impacts;
- perform work in a safe, planned, organised and supervised manner;
- effectively strive to improve occupational health and safety in a sustainable manner;
- build a competent, informed and committed workforce.

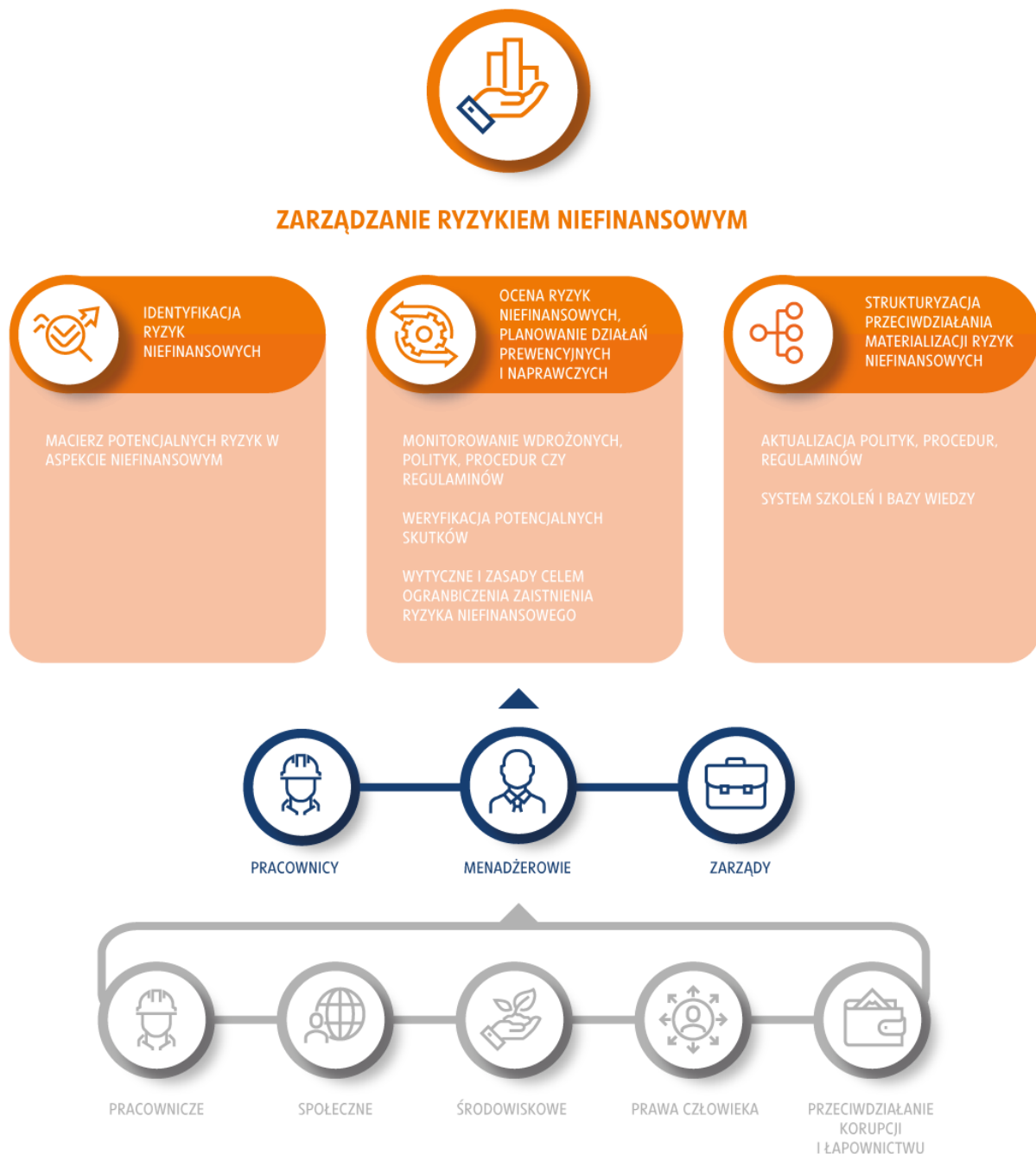
3.3. Risk management (GRI 102-11, 103-2, 103-3)

The PGNiG Group is determined to minimise the possibility of non-financial risks inherent in business activities materialising. Due to the Group's extensive organisational structure and multiple simultaneous processes, the Management Board members are therefore the owners of risk management in specific areas, in accordance their respective competencies. Risk management is supported by the certified QHSE Management System implemented at PGNiG S.A., making it possible to identify, assess and monitor process risks, while specific measures are governed by the Process Risk Management Procedure.

Under applicable regulations, all business processes are subject to an analysis identifying and assessing any risks which could possibly interfere with the delivery of set objectives. Risk assessment is performed against a matrix based on a three-step scale used to define the measures to be taken in order to mitigate risks and reduce the likelihood of their occurrence. A detailed risk analysis is carried out at least once a year, with the participation of owners of respective processes. Risks are analysed and parametrised based on place of occurrence, potential causes and impact, as well as probability of its occurrence. At the same time, the analysis takes into account the mechanisms currently applied to prevent materialisation of risks and mitigate the potential impact of risk events.

The risk management system is subject to ongoing improvement and assessment with regard to the effectiveness of preventive measures taken to minimise the potential impact of risk events. When looking at the number of identified non-financial risks in particular years, the PGNiG Group has seen a slight downward trend with respect to new risks. This is due to the choice of correct preventive measures making risk management efforts more effective. At the same time, the PGNiG Group expands the list of events which may turn into potential risks in the future. For any identified risks, the PGNiG Group determines the measures to be taken to drive down the risk level or, where risk mitigation measures have been exhausted, decides to accept such risks. Those residual risks are subject to ongoing monitoring to prevent their materialisation.

✓ Fig. 4 Non-financial risk management model



This Report presents non-financial risks related to environmental, social, HR and ethical aspects, which include respecting human rights and preventing corruption and bribery. The non-financial risks listed below, along with a description of respective countermeasures, are discussed in more detail in individual sections. Key non-financial risks include:

1. Environmental risks:

- Risk of non-compliance with environmental laws and regulations,
- Risk of soil pollution,
- Risk of incorrect waste management,
- Risk of exceeding wastewater output limits laid down in the water permits in place,
- Risk of failure to meet new BAT requirements for the LCP business (Best Available Techniques for Large Combustion Plants) with regard to emission limits,
- Risk of invalid permits (or failure to secure permits) required to engage in a business having environmental impacts,
- Risk of failure to supervise the environmental monitoring equipment,
- Risk of failure to verify the annual CO₂ emission reports for the EU ETS units in a timely manner,
- Risk of delayed reporting or failure to pay environmental fees,
- Risk of an environmental emergency caused by non-compliance with environmental regulations, equipment and apparatus failures, human errors, errors of judgement, or gas infrastructure breakdowns,
- Risk of exceeding emission limits set for fuel combustion pollutants,

- Risk of failure to meet the conditions set for industrial noise emissions,
- Risk of leakages of substances/oils from tanks and containers, as well as from machinery and equipment, which could cause environmental damage.

2. Social risks:

- Risk of poor relations with local communities and their impact on work performed on site,
- Risk of poor relations with customers,
- Reputational risk – negative publicity in traditional and social media,
- Risk of exploration work causing inconvenience to local communities,
- Risk of conflicts with local communities causing obstacles to business activity,
- Risk of misunderstanding the nature of PGNiG Group's business (including its mining activities) and its environmental impact,

3. HR risks:

- Risk of employees failing to meet working time limits, undermining their motivation,
- Risk of tampering with reported data in order to avoid disciplinary measures or to obtain a performance bonus,
- Risk of difficulties in recruiting qualified workforce, especially highly specialised personnel,
- Risk of frequent legislative changes and lack of up-to-date knowledge of the applicable regulations and operational procedures among employees (especially HR services),
- Risk of employees with valuable skills leaving the Company or losing commitment,
- Risk of a limited transfer of knowledge and competencies due to a high retirement rate,
- Risk of high employee churn driven by labour market conditions, namely higher pay offered outside the PGNiG Group,
- Risk of different interpretations of labour, tax and social security regulations (e.g. court rulings, audit follow-up decisions, recommendations, opinions/interpretations),
- Risk of incorrect estimation of personnel-related needs, both in terms of quality and quantity,
- Risk of accidents at work occurring due to non-compliance with occupational health and safety regulations and procedures,
- Risk of failure to provide appropriate occupational health and safety conditions in a workplace,
- Risk of inadequate working conditions,
- Risk of conflicts with trade unions.

4. Ethical risks:

4.1 Human Rights:

- Risk of human rights violation by employees,
- Risk of human rights violation by managers and directors,
- Risk of human rights violation by external stakeholders,
- Reputational risk due to alleged violations of human rights,
- Risk of discriminatory behaviour and actions in the workplace,
- Risk of mobbing,
- Risk of unequal treatment in job promotion,
- Risk of violating employee personal rights, e.g. confidentiality of their personal data,
- Risk of infringement on the principle of fair competition in contacts with business partners,
- Risk of infringement on the right to freedom of association.

4.2 Counteracting corruption and bribery:

- Risk of employees taking advantage of their position or connections for undue financial or non-financial gain,
- Risk of irregularities in procurement processes and non-compliance with the principles of ethics and anti-corruption regulations,
- Risk of employee actions leading to a breach of law by the Company,
- Risk of offering or accepting a gift without reporting it in the register of benefits,
- Risk of offering or accepting any financial or personal gains;
- Risk of bid rigging,
- Risk of conflicts of interest;
- Risk of unlawful disclosure of any information constituting business secrets, commercially sensitive information, personal data or classified information in the course of procurement processes,
- Risk of corruption allegations,
- Reputational risks in the event of actual or alleged corruption or bribery,
- Risk of a corrupt employee using the Company's assets to the Company's detriment.

4. Sustainable development

4.1. PGNiG Group's sustainable development strategies

At the core of PGNiG Group's sustainable development strategy lies the need to ensure Poland's energy security while making rational use of existing resources and taking due care of the natural environment. As the leader of Poland's natural gas market, the PGNiG Group looks for and implements solutions which are in keeping with the Group's CSR strategy and, at the same time, support the delivery of its business strategy. Driven by a sense of responsibility towards its current stakeholders and future generations, the PGNiG Group is under the obligation to pursue a well-thought-out and transparent course of action, as defined in its sustainable development strategy.

The PGNiG Group Sustainable Development Strategy for 2017-2022 (CSR Strategy) supports and supplements the business objectives defined in the PGNiG Group Strategy for 2017–2022, giving due regard to key CSR, environmental and economic aspects as well as the development directions envisaged in the PGNiG Group's mission and vision.

Sustainable development values are part of every single aspect of the Group's business activity. Awareness of the Group's responsibility for national energy security and its environmental impact calls for the creation of synergies between key business areas, taking into account stakeholders' expectations. Therefore, the PGNiG Group is committed to meeting the highest standards in terms of transparent organisational culture, relations with employees and customers, corporate citizenship, and environmental initiatives.

✓ Fig. 5 Key elements of the PGNiG Group Sustainable Development Strategy for 2017–2022



The CSR Strategy defines strategic objectives pursued by the PGNiG Group through the initiatives it undertakes. There is a plan of action for each of the Strategy objectives, whose status is monitored based on indicators adopted to facilitate the assessment of the implementation progress.

Strategic objectives:

| Area | Topic | Strategic objective |
|----------------------|---|--|
| Market | National energy security | Providing customers with access to natural gas, electricity and heat, based on diversified sources and directions of natural gas supplies |
| Environment | Environmental protection | Effective care for environmental issues in all business areas |
| | Social capital | Improving energy efficiency throughout the PGNiG Group's value chain |
| | Social communication and dialogue when carrying out investment projects | Commitment to the development of social and intellectual capital in Poland by opening up to new initiatives and supporting pro bono projects |
| Customer | Customer satisfaction | Dialogue with local communities in accordance with the best standards developed at the PGNiG Group |
| | Development of the offering | Increasing customer satisfaction by improving service quality and investing in advanced digital communications solutions and tools that meet the needs of various customer groups |
| Employees | Reliable employer | Striving to increase the availability of products and services, including through the development of infrastructure in areas not connected to the gas distribution network, and tailoring the offering to the highest standards and customer needs |
| | Employee development | Promoting and implementing good hiring standards by pursuing a professional HR policy and building a friendly workplace |
| | Occupational Health and Safety | Development of mentoring and proactive initiatives to ensure the availability of qualified staff |
| Innovation | Innovation for development | Implementation of uniform OHS management standards in order to constantly increase the safety of PGNiG employees, any other persons on PGNiG premises, and the local community |
| | | Active support of the development of cooperation with scientific and research institutions and start-ups or SMEs in order to constantly improve the efficiency of the Company's operations. |
| Ethics and Integrity | System of values | Broadening the employees' knowledge of the ethical values and principles applicable in the work environment |
| | | Responsible management of the entire value chain based on transparent cooperation principles taking into account social and environmental criteria as well as human rights |

In 2019, the PGNiG Group undertook numerous initiatives in pursuit of its strategic objectives. These include the 'To Be Like Ignacy' educational programme for pupils and students. PGNiG has already established its position as a supporter of sports activities, including handball, being the title sponsor of the handball Super League and the Handball Association of Poland.

We understand the importance of new technologies in creating a safe future. This is why we constantly support industry innovations as part of InnVento projects and other initiatives undertaken by the Group. As part of the PGNiG Youth Academy, we also provide internship opportunities, such as GeoTalent and Deposits of Career.

4.2. Material sustainability challenges

Changing expectations of customers, as well as challenges facing the fuel and energy sector as a result of progress and technological changes compel the PGNiG Group to work heavily and find solutions acceptable to all stakeholder groups. Global challenges stimulate fuel and energy companies both to change their business models and to pursue non-business roles by engaging in market, consumer, environmental and social issues. The PGNiG Group has been consistently pursuing the objectives of its CSR Strategy, which is a response to the identified sustainable development expectations. The CSR Strategy is delivered through investment projects contributing to the creation of a sustainable business. Thus, the key challenges faced by the energy sector in individual areas are:

- Market:
 - Value- and ethics-based organisational culture;
 - Corporate governance;
 - Ethics and corporate governance;
 - Responsible supply chain management;
 - Development of innovative products and services;
 - Improved customer service quality.
- Environmental protection:
 - Energy efficiency improvement;
 - Reduction of adverse environmental impact;
 - Development of new environment-friendly technologies.
- Education:
 - Customer education;
 - Employee education;
 - Development of human capital and talent management.
- Care for employees:
 - Retaining the existing and employing new staff;
 - Occupational health and safety for the Group's own employees and those of its contractors/suppliers.
- Cooperation and dialogue:
 - Moderating and inspiring public debate on important social and economic issues;
 - Proactive management of the Company's economic and social impact;
 - Engagement in social initiatives;
 - Stakeholder engagement and relationship management;
 - Transparent and responsible communication of products and services.

In implementing the Sustainable Development Strategy, the PGNiG Group seeks to address all those aspects. The strategy covers key corporate social responsibility issues.

4.3. Key areas of the CSR strategy



The Sustainable Development Strategy is based on the strategic areas outlined above, which set priorities in sustainable development activities until 2022. The strategy is implemented to meet sustainable development challenges. Thus, the PGNiG Group's efforts are focused on the following areas:

1. **National energy security:** the PGNiG Group's business activity focuses on providing customers with access to the energy sources offered, thus taking responsibility for Poland's energy security. This is made possible by the Group's work on developing oil and gas production, as well as gas storage. Against this backdrop, key business projects involving gas exploration and production or procurement, diversification of gas supply sources and directions, and the day-to-day business of electricity and heat generation pursued by the Group companies, become all the more important.
2. **Environmental protection:** the PGNiG Group's business has the environmental impact identified throughout the value chain. Considering the contemporary challenges to environmental protection, related to the depletion of natural resources and potential contamination of individual environmental components, PGNiG is taking measures to minimise the adverse environmental impact. To support this goal, we develop technical standards for our operations based on applicable legal requirements and best industry practices. We undertake preventive steps in exploration and production, analyse environmental risks and monitor the impact of our activities on the environment. The Group is taking steps with a view to enhancing energy efficiency, such as implementation and maintenance of an energy management system.
3. **Social capital, communication and dialogue about investments:** the nature and scale of the PGNiG Group's operations, and the interference of its exploration, production, storage and distribution infrastructure with the lives of local communities, make the Group deeply committed to building partnering relations with its social environment, local governments, suppliers and contractors, with the ultimate goal of pursuing joint objectives. The PGNiG Group creates opportunities for cooperation and builds understanding for mutual relations and interdependencies with individual stakeholder groups.
4. **Focus on the customer – customer satisfaction and development of the offering:** care for our customers and their satisfaction is one of the key areas of focus for the PGNiG Group companies. Retaining the existing customers and their satisfaction with cooperation, as well as acquiring new ones is possible thanks to the implementation of projects designed to ensure professional and friendly customer service and tailoring the offering to diverse needs. The initiatives planned as part of this strategic direction are also connected with building a transparent and reliable brand.
5. **Care for employee safety and development – reliable employer, employee development, occupational health and safety:** the PGNiG Group's CSR Strategy supports all employee-oriented initiatives, because employees are the fundamental component of a company, determining its value and development. The adopted values and principles contribute to building a culture of employee engagement in the organisation's operations and growth. Key aspects of care for employees include issues related to occupational health and safety, employee relations, improvement of intra-Group communication or strengthening the competencies of specialists and management staff.
6. **Innovation for development:** The PGNiG Group is looking for new technological solutions and supports the work and professional development of innovators. Investments in innovation and modern solutions enhance operational efficiency, contribute to the growth of the PGNiG Group's business potential and help minimise the adverse impact of the Group's operations on the environment. Innovation based on a foundation underpinned by knowledge, education and R&D activities, can trigger the growth of an organisation. One of the PGNiG Group's priorities is to further develop cooperation with the world of science, as well as to support and initiate the development of start-ups and of small and medium-sized enterprises.
7. **A system of values as the basis for action:** conducting business with due regard for ethics and the law as well as with respect for employees, customers, suppliers, contractors, society and the environment is a matter of special importance today. As a responsible organisation, we aim to maintain ethical standards and to consciously follow them in our business activities. This issue is also related to responsibility for the actions of our suppliers and contractors. We set certain requirements, including in terms of work procedures safe for people and the environment, and verify whether they are met.

4.4. The United Nations' Sustainable Development Goals (GRI 102-12)

The CSR strategy objectives and their implementation are consistent with the global commitments defined in the United Nations 2030 Agenda for Sustainable Development. The Agenda contains 17 Sustainable Development Goals and 169 targets, an ambitious action plan for the sustainable future. The PGNiG Group's business helps implement eight of them. The Group's active involvement supports the achievement of economic and financial goals while applying sustainable business practices.

The United Nations' Sustainable Development Goals supported by the PGNiG Group's initiatives and projects

| Aspect | Goal | Global objectives | Initiatives and projects |
|---|--|---|---|
| social |  1 NO POVERTY | Goal 1: End poverty in all its forms everywhere | <ol style="list-style-type: none"> 1. Christmas fundraising campaigns among staff to support selected local organisations. 2. PGNiG's 'Debt of Gratitude' project to support veterans |
| social business activities |  3 GOOD HEALTH AND WELL-BEING | Goal 3: Ensure healthy lives and promote well-being for all at all ages | <ol style="list-style-type: none"> 1. Continuation of the gas network roll-out across Poland to connect new customers by building infrastructure, thus making a positive difference to local residents' lives. 2. Health Day at PGNiG – promotion of disease prevention among employees 3. Blood donation campaigns organised by PGNiG Group companies |
| social |  4 QUALITY EDUCATION | Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all | <ol style="list-style-type: none"> 1. The Virtual Gas Industry Museum, a platform to promote knowledge of the history, the present and the future of the gas industry and natural gas – PSG, PGNiG (a patron) 2. GeoTalent – an educational programme to promote industry knowledge among students 3. Deposits of Career 4. Oil Miner at School and Kindergarten 5. To Be Like Ignacy |
| environmental, social |  7 AFFORDABLE AND CLEAN ENERGY | Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all | <ol style="list-style-type: none"> 1. Promoting gas mobility by supplying gas, a green alternative to diesel oil, and building bus filling stations in, among others, Tarnów, Tychy, Rzeszów, Łomża, Suwałki, Bielsko-Biala, Kielce, Lublin and Warsaw – PGNiG OD 2. PGNiG's Debt of Gratitude |
| human resources, business activities |  8 DECENT WORK AND ECONOMIC GROWTH | Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all | <ol style="list-style-type: none"> 1. Development of an Integrated Deposit Management System to optimise production operations by optimising energy consumption and the drilling plan and to increase the accuracy of forecasts, which in turn will help ramp up production and improve economic efficiency of the investment. 2. OHS contests – promoting safety at work |
| social |  9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation | <ol style="list-style-type: none"> 1. InnVento – the incubator where PGNiG extends its relationships with start-ups and looks for technological solutions for the oil and gas sector. InnVento offers several forms of support to micro and small businesses. In addition to expert mentoring and coaching, the incubator provides office space, access to certain databases, administrative and operational support (e.g. legal and accounting), and assistance in obtaining financing. 2. Young Innovators for PGNiG – the competition, designed for graduate and post-graduate students, is focused on identifying innovative R&D projects relevant to the PGNiG Group's business. Projects should be original and capable of practical application in the PGNiG Group's operations. |
| social |  10 REDUCED INEQUALITIES | Goal 10: Reduce inequality within and among countries | <ol style="list-style-type: none"> 1. Development and deployment of a Central Billing System to improve service quality and efficiency for retail and small business customers – PGNiG OD |
| social |  11 SUSTAINABLE CITIES AND COMMUNITIES | Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable | <ol style="list-style-type: none"> 1. Involvement in the development of social housing by participating in projects carried out as part of the 'Housing Plus' programme. |
| social business activities |  12 RESPONSIBLE CONSUMPTION AND PRODUCTION | Goal 12: Ensure sustainable consumption and production patterns | <ol style="list-style-type: none"> 1. Working to launch a system for analysing satellite images of gas pipelines in order to detect potential leakages. |
| environmental, social |  15 LIFE ON LAND | Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss | <ol style="list-style-type: none"> 1. Raising environmental awareness among the employees of PGNiG Group companies – e.g. the 'Be eco-friendly' programme 2. PGNiG uses technologies that reduce any adverse environmental impact and maintains management systems within which it implements environmental objectives and tasks seeking to increase environmental efficiency. 3. Supporting customers in replacing their old heating systems with modern gas boilers along with offering them expert assistance in this area – PGNiG OD 4. Working with local governments and encouraging them to rely on gas-powered buses for public transport, |

| Aspect | Goal | Global objectives | Initiatives and projects |
|--------|------|-------------------|--|
| | | | which is both environmentally friendly and cost effective. |

4.5. Stakeholder engagement GRI 102-40

Given the reach of the PGNiG Group's operations, we interact daily with a wide range of diverse stakeholder groups. Each of them has their own needs and expectations regarding the information provided. Although stakeholders are mainly interested in PGNiG Group's economic and financial results, they are also showing a growing need for information about its non-financial performance. The delivery of the CSR Strategy and initiatives undertaken in the human resources, environmental and social areas are gaining in prominence among stakeholders. Whatever their expectations, the PGNiG Group seeks to develop open dialogue and collaboration with each stakeholder group. Bilateral exchange of information allows the PGNiG Group to make business decisions contributing to sustainable development of the Group and of the ecosystem in which it operates.

In order to effectively build strong and positive relations with key stakeholder groups, the PGNiG Group has created a map of its stakeholders along the value chain and defined the relevant activities within and outside the Group. Given its stakeholders' changing expectations and needs, the PGNiG Group reviews them on an ongoing basis taking into account such aspects as the strength and extent of mutual interaction, the stakeholders' activity and interest in the Group's business and their attitude towards the Group or its individual members.

✓ Fig. 6 PGNiG Group Stakeholders – chart



List of PGNiG Group stakeholders (including form of dialogue/communication)

- **Shareholders and investors**
 - meetings and conferences for investors
 - current and periodic reports
 - newsletter

- reports and information materials
- email and telephone contact with the Investor Relations Department
- **Suppliers (of services and products)**
 - evaluation of working relationships
 - interacting with contractors in the course of procurement processes, in keeping with the rules of fair competition and equal treatment of contractors
 - involving contractors in optimising procurement within individual product segments, e.g. through technical dialogue with contractors, RFI, etc.
- Innovators and start-ups
 - participation in the InnVento business incubator project
 - innovation project competitions
 - conferences, workshops and meetings for entrepreneurs running start-ups
 - email and telephone contact with the Innovation and Business Development Department
- Scientific and research institutions
 - joint projects
 - conferences
 - direct email and telephone contact
 - consultations and expert support for investment projects
 - joint research and innovation projects
- Research institutes, universities and other schools
 - support for vocational education at all levels
 - conferences
 - the PGNiG Foundation's projects and grants
 - consultations and expert support for investment projects
 - joint research and innovation projects
- **Customers**
 - satisfaction surveys,
 - helpline,
 - Group companies' websites,
 - Customer Service Offices,
 - dedicated business consultants,
 - contact centre,
 - eBOK (electronic Customer Service Office).
- Competition
 - industry conferences,
 - one-to-one meetings as well as interaction within business and industry organisations,
 - joint ventures under the auspices of the Ministry of State Assets.
- Mass media
 - press articles,
 - interviews,
 - magazine and newspaper inserts,
 - press office and press releases,
 - commentary and opinions,
 - discussions, debates, consultations,
 - press/earnings conferences,
 - special-occasion meetings.
- Business partners, NGOs, social organisations
 - dedicated business consultants,
 - one-on-one meetings,
 - conferences,
 - collaboration in humanitarian aid efforts globally and in Poland – through the PGNiG Foundation.
- **Employees** – existing and retired
 - consultations with employee representatives (as needed),
 - Employee Council (meetings/consultations in accordance with statutory requirements),
 - communicators (employees responsible for internal communication processes) – communicator meetings held typically two times a year,
 - electronic newsletter, corporate intranet (daily),

- employee surveys (a large survey held every two or three years, and a yearly communication and IT services satisfaction survey),
- special-occasion meetings.
- **Representatives of the PGNiG Trade Unions**
 - consultations with the PGNiG Trade Unions and Employee Council in accordance with the law and agreements in place (meetings and correspondence depending on current needs and arrangements between the Management Board and employee representatives),
 - contact with employees of individual Group companies and PGNIG SA Branches responsible for conducting dialogue with the employer,
 - and the same tools as those used to communicate with other employees: daily newsletter, corporate intranet, etc.
- **State Treasury**
 - official top-level meetings,
 - exchange of correspondence,
 - joint initiatives – conferences, workshops, bilateral meetings.
- **Local Communities**
 - public consultations (in accordance with the law and the Company's concept of social dialogue; other activities – as needed),
 - activities of the PGNiG Foundation,
 - direct interaction with local authorities and organisations,
 - dialogue relating to ongoing investment projects.
- Public administration bodies and market regulator, European Commission
 - consultations,
 - joint initiatives – conferences, workshops, bilateral meetings.



5. Environmental issues

5.1. Area description - the environment

Considering the complexity of processes across its various business segments, the PGNiG Group's environmental impact varies in terms of its scale and severity. The PGNiG Group implements pro-environmental measures and initiatives which are adequate to the nature of its business. Environmental matters at the PGNiG Group are governed by two key documents. The first one is the **QHSE Policy**, demonstrating the Group's responsibility for conducting business activities with due consideration given to the global challenges of sustainable development. The second one is the **PGNiG Group Sustainable Development Strategy for 2017–2022**, which underlines the importance of the environmental dimension in the Group as a sustainable business.

Environmental footprint and community impact are inherent in the Group companies' business activity. Therefore, given the potential negative impact on both people and the natural environment, the PGNiG Group strives to minimise its footprint based on environmental risk analysis, continuous monitoring of air, surface water and groundwater, as well as application of state-of-the-art environmental protection technologies.

✓ Fig. 7 Environmental protection aspects applying to the PGNiG Group:



In order to support the delivery of the PGNiG Group's QHSE Policy and the PGNiG Group Sustainable Development Strategy for 2017–2022, the Group has developed technical standards for its operations based on applicable legal requirements and best industrial practices. The Group also undertakes preventive measures in the area of exploration and production, and has partnered with research and development centres in order to develop new technologies or solutions to be integrated within segment-specific operations.

The PGNiG Group is aware of the challenges and stakeholders' expectations with regard to its sustainable growth initiatives. Therefore, inclusion of environmental aspects within the framework of the PGNiG Group Sustainable Development Strategy for 2017–2022 will support the implementation of well-thought-out measures in this area. The adopted CSR Strategy defines the objectives and measures designed to support initiatives aimed at integrating the principles of circular economy in the development of products and services. To that end, the PGNiG Group is engaged in research into new waste management methods, including waste recovery, which will support the achievement of adopted deliverables. The PGNiG Group also continues to implement measures reducing air emissions. Stakeholder and regulatory pressures call for unwavering commitment and focus also with regard to climate change mitigation measures. The importance of environmental matters is demonstrated by the investment projects implemented by the PGNiG Group in 2019 with a view to reducing gas and energy consumption as well as air emissions. Moreover, the Company takes steps aimed at improving energy efficiency through the implementation and maintenance of an energy management system or promotion of existing solutions offering high energy efficiency (such as cogeneration).

5.1.1. Good environmental practices and initiatives

Research and development projects at the PGNiG Group

In 2019, the PGNiG Group carried out research and development work, including the following key projects:

- In cooperation with INiG-PIB, PGNiG carried out stage two of the research project 'Evaluating the possibility of reducing emissions of pollutants into the air at PGNiG S.A.', whose goal is to determine the real potential for reducing emissions of air pollutants in the areas covered by PGNiG's operations.
- PGNiG launched deployment of the Energy Management System described in standards PN-EN ISO 50001:2012 and PN-EN ISO 50001:2018. The project involved employee e-training on the scope and objectives of the new system, including unification of the energy efficiency policy, adoption of common ISO 50001-based standards for exploration and production, as well as end-to-end control and optimisation of the energy management process. As part of the roll-out of the Energy Management System, investment projects are carried out to build photovoltaic farms in underground cavern gas storage facilities, which are intended to generate electricity to cover the Company's own needs and to be fed to the power grid.
- Exalo Drilling worked on a concept of a photovoltaic system for the facilities in Zielona Góra. Installation of 244kW photovoltaic collectors will drive down electricity consumption and CO₂ emissions. Tests were also carried out to determine the potential to reduce CO₂ emissions and diesel oil consumption in compression-ignition engines by using a fuel and gas mixture (CNG). The business objective of that project is to convert certain diesel power units in generators so that they operate in the dual-fuel mode (diesel oil/CNG).
- As part of the project to expand hydrogeological monitoring of underground water in the Mogilno Underground Cavern Gas Storage Facility, GSP developed a plan of geological work to drill four wells (Kp-3, Kp-4, Kp-5 and Kp-6) for the monitoring of groundwater in the Quaternary formations at the Mogilno UCGSF. The project is currently under way. 2019 saw completion of the pilot sea currents monitoring programme, part of the Puck Bay water monitoring project in the area of discharge of salt brine into the Puck Bay from Kosakowo CUGSF Cluster B leached caverns, carried out in partnership IBW PAN. The results of the project are used in the interpretation of data acquired in the course of the Puck Bay water monitoring project.

Environmental protection initiatives

In 2019, the PGNiG Group companies engaged in a number of activities to promote environmental protection:

- Geofizyka Toruń carried out a number of environmental education and environmental awareness projects targeted at the company's employees and the local community. Employee events include talks, internal and external training sessions, distribution of posters and leaflets, as well as information campaigns on waste sorting, air protection, circular economy etc., and promotion of initiatives such as the European Sustainable Transport Day – 'Safe Way to Home'. In addition, the company successfully continued the programme to minimise the potentially adverse environmental impact of the machinery used during seismic survey works. The programme ensured very good technical condition of seismic vibrators, especially of their hydraulic hoses, and reduced air emissions through gradual upgrade of the company's vehicle fleet (about 30 older vehicles were phased out).
- PGNiG carried out the 'Be eco-friendly' education and information campaign to improve environmental awareness among its employees by promoting good habits in rational use of natural resources.
- PGNiG Termika co-organised the 'Picnic with Climate' as part of the Capital City of Warsaw's 'Partnership for Climate' programme, organised the 'Warsaw Energy Day' together with Veolia, and engaged in the cleaning of areas around the Żerański Canal as part of the Global Earth Day event. In 2017, a decision was made to close and reclaim the Siekierki CHP plant's 'Zawady' combustion waste landfill site. The site will be turned into a sports and leisure area, to be opened at the end of 2021.
- PTER supports the promotion of energy cluster projects and development of local energy markets based on local resources. The company cooperates with PGNiG OD in carrying out, developing and promoting projects as part of the programmes to eliminate low-stack emissions. The company has also partnered with Bank Ochrony Środowiska S.A., BOŚ Eko Profit S.A. and Bank Gospodarstwa Krajowego to construct high-efficiency gas-fired heat sources for housing cooperatives and house-owner associations, taking into account the need to cooperate with local municipalities such as Radków and Zawidów focusing on their gasification and development of heating systems based on gas fuel and LNG. The company is also a partner of the Konstancin-Jeziorna municipality in implementing investment projects designed to eliminate low-stack emissions.
- Under the 'PSG in harmony with Nature' programme, the company promoted environmental education among its employees, enhancing their environmental awareness and knowledge and highlighting existing environmental problems.
- PGNiG OD installed photovoltaic systems on selected roofs in its facilities, thus becoming partially energy-independent and driving down its energy consumption. The company also upgraded its lighting systems (light bulbs and lamps), installing LED lighting sources in several facilities.
- PST co-organised environmental workshops in Munich and Graz together with the Plant-for-the-Planet Foundation, where kids learned how to be environmentally friendly and become Climate Justice Ambassadors. As part of the project, the company also hands out 'welcome trees' to its new retail customers and plants new trees whenever a contract is extended for a new period.

5.2. Due diligence policies and procedures

The PGNiG Group is fully committed to sustainable development and environmental performance. Strong commitment and dedication on the part of the management staff and appropriate preparation of the workforce translate into improved environmental performance and delivery of the QHSE Policy objectives. Thus, the Policy addresses the following issues:

- Identifying, supervising and monitoring of environmental aspects.
- Identifying and ensuring compliance with applicable laws and other regulatory requirements.
- Setting and pursuing improvement goals to minimise external and environmental impacts and keep a balance between business growth and environmental protection.
- Applying environmentally-friendly technologies.
- Monitoring the environmental impacts of operations.
- Using fuels and natural resources in an efficient way.
- Implementing remediation and reclamation measures.
- Supervising contractor operations.
- Raising employee awareness and qualifications in the area of environmental protection.

The PGNiG Group's operations affect the natural environment along the entire value chain. Considering the global environmental challenges related to climate change, rational management of natural resources and circular economy, the PGNiG Group takes steps to minimise its environmental impacts. Guidance for such initiatives is set forth in the PGNiG Group Sustainable Development Strategy for 2017–2022, which aims to:

- Implement, maintain and improve the environmental management system as a tool for implementing the QHSE Policy across the PGNiG Group.
- Use environmentally-friendly technologies and techniques reducing emissions and waste and wastewater output, and enabling efficient use of natural resources in order to meet new challenges, including those presented by circular economy.
- Ensure that the PGNiG Group's suppliers and contractors comply with the highest environmental protection standards and use environmentally-friendly technologies and solutions.
- Design, execute and participate in research projects on new technologies to improve the environmental and economic performance of work carried out by the PGNiG Group.
- Protect biodiversity in operations affecting protected habitats and species.
- Minimise the PGNiG Group's environmental impact through land reclamation (including with regard to past operations and the related historical contamination).
- Enhance external communication concerning the PGNiG Group's environmental standards (environmentally-friendly solutions and technologies) along the entire value chain (e.g. organising educational campaigns addressed to key stakeholders, i.e. public institutions, decision-makers, the media, local communities).
- Conduct promotional and awareness campaigns for customers who are switching to gas fuel in their heating systems.

5.2.1. Environmental management system at the PGNiG Group

The operation of the environmental management system according to the PN-EN ISO 14 001 standard is based on the identification of environmental aspects of the organisation:

- **Emission of air pollutants.**
Emissions of particulates and gases, such as nitrogen oxides, sulfur oxides and carbon oxides, are especially relevant to PGNiG TERMIKA, which produces electricity and heat from coal, natural gas and biomass. Atmospheric emissions of methane can occur during incidents involving leaks from gas pipelines and in the event of process blow-outs or burning gas in flare stacks.
- **Noise emissions.**
Most industrial processes involve noise emissions, and in the operations of Geofizyka Toruń also involve vibrations.
- **Land and groundwater contamination.**
Its occurrence may be explained by the presence of contaminants generated in past activities, spills/leaks of petroleum or hazardous substances during drilling and other processes, operation of machinery and equipment, failures, or leaks from storage tanks or pipelines.
- **Generation of hazardous waste.**

Streamlined management of this area is one of the key requirements for carrying out analyses across the PGNiG Group and selecting areas of particular interest to the oil and gas industry in terms of environmental protection.

5.3. Selected environmental performance indicators

5.3.1. Raw materials and consumables used (GRI 301-1)

Consumption of raw materials and fuels at the PGNiG Group in 2018–2019

| Total raw materials and consumables used | 2019 | | 2018 | |
|--|-------|--------------|-------|--------------|
| | [mcm] | [million Mg] | [mcm] | [million Mg] |
| Natural gas | 396.6 | - | 401.4 | - |
| <i>including PGNiG</i> | 295.5 | - | 292.1 | - |
| Hard coal | - | 2.9 | - | 2.9 |
| Lignite | - | - | - | - |

Non-renewable resources are the main materials used in the production of electricity and heat at the PGNiG Group. Coal is used to produce electricity and heat mainly in the PGNiG TERMIKA Group's CHP plants, while natural gas is used in the other companies for heating buildings, in heat and electricity production (including for electricity production in cogeneration and trigeneration) as well as in industrial processes as a fuel for oil heaters in desulfurization and desalination, fuel for boilers, gas compression engines, gas turbines, and post-combustion of waste gases.

In 2019, PGNiG's gas consumption rose due to gas flaring in the course of developing gas deposits for production. The volume of gas burnt off in flare stacks depends on the number and duration of tests carried out on both new exploration wells and those brought on stream.

5.3.2. Energy consumption at the PGNiG Group in 2018–2019 (GRI 302-1, GRI 302-2)

| Energy consumption | | 2019* | | 2018 | |
|---|-------------------|---------------|---------------|---------------|---------------|
| | | PGNiG Group | PGNiG | PGNiG Group | PGNiG |
| Generated internally from non-renewable sources | Electricity [GWh] | 889.9 | 80.5 | 909.0 | 73.9 |
| | Heat [MJ] | 6,555,678,108 | 6,026,967,957 | 5,300,372,394 | 4,842,349,115 |
| | Steam [MJ] | 32,151,357 | 32,151,357 | 36,758,784 | 32,391,784 |
| | Cooling [MJ] | 2,712,345 | - | 2,180,298 | - |
| Generated internally from renewable sources | Electricity [GWh] | 27.5 | - | 21.9 | - |
| | Heat [MJ] | 12,139,248 | - | 10,264,389 | - |
| | Steam [MJ] | - | - | - | - |
| | Cooling [MJ] | - | - | - | - |
| Purchased from the grid | Electricity [GWh] | 7,253.2 | 7,191.4 | 8,147.8 | 8,096.3 |

* The 2019 data provided by some of the PGNiG Group entities include forecasts which could not be fully verified as at the date of this statement.

In 2019, the majority of the PGNiG Group companies consumed mainly energy generated internally on the basis of non-renewable resources. The other Group members have signed contracts with energy companies. The volume of energy used is correlated with the Group's growth. The PGNiG Group implements pro-environmental solutions, such as cogeneration and trigeneration plants owned and operated by some of the companies, and photovoltaic systems. At Norway-based PUN all of the energy consumed is generated by zero-emission hydroelectric power plants. Moreover, in 2019 PGNiG Technologie did not use steam as the steam heating unit was decommissioned.

In 2019, PGNiG TERMIKA EP took steps to reduce electricity consumption for its own needs by optimising the location where energy-intensive equipment operates and by minimising time of work under non-standard conditions. In addition, technological processes maintaining appropriate technological parameters and optimising energy consumption were automated. Under the 'PSG in Harmony with Nature' programme, presentations on environmental protection designed to raise environmental awareness were prepared and communicated to all employees. Similar objectives were pursued by PGNiG in its 'Be eco-friendly' educational campaign for employees.

5.3.3. Water consumption at the PGNiG Group in 2018–2019, by source (GRI 303-1)

| Water (mcm) | 2019* | | 2018 | |
|--|-------------|-------|-------------|-------|
| | PGNiG Group | PGNiG | PGNiG Group | PGNiG |
| surface water withdrawn from own intake points | 142.4 | - | 158.3 | - |
| ground water withdrawn from own intake points | 0.4 | 0.3 | 0.3 | 0.2 |
| rainwater | - | - | - | - |
| purchased from the mains, surface and ground water intakes | 1.8 | 0.1 | 2.0 | 0.1 |

* The 2019 data provided by some of the PGNiG Group entities include forecasts which could not be fully verified as at the date of this statement.

As part of its exploration and production work, the PGNiG Group's objectives with respect to protecting surface and underground water resources are to reduce water consumption in processes and by humans. The Group identifies sources of water supply and ways of water storage in order to use it in the most efficient manner in a given region without restraining other users' access to this natural resource. To this end, rules have been put in place for water and wastewater management, requiring recording and

measuring the volumes of purchased and abstracted water. To reduce waste and water consumption, drilling mud is treated and reused. The most common devices for treating drilling mud are washing cradles, vibrating screens, centrifuges, desilters, desanders. Rock pieces from drilling mud are loaded into steel tanks, are regularly collected by licensed collectors and transported directly to waste recovery or disposal facilities.

To reduce water consumption, some of the industrial wastewater generated in PGNiG TERMIKA EP's units is reused in systems with lower quality requirements. In addition, Geofizyka Toruń pursues educational and awareness-raising initiatives. Initiatives geared towards reducing or optimising water consumption within the organisation are implemented, among other things, through talks at meetings with employees and during in-house training provided by OHS Department staff.

5.3.4. Impact on biodiversity (GRI 304-2)

In 2019, the PGNiG Group implemented projects that were located near protected and valuable natural areas. All of the work involved in the projects was carried out in accordance with decisions and permits in place. Additionally, in the areas with extremely sensitive habitats, wildlife inventory taking was completed. Derogations were obtained in individual cases only.

PGNiG Group companies' key projects that have impact on biodiversity:

| No | Name of project implemented in 2019 | Location (province/municipality) | Names of areas covered by forms of nature protection (national parks, nature reserves, landscape parks, Natura 2000 areas) | | Impacts on biodiversity | |
|----|--|---|--|--|--|--|
| | | | where the project is implemented | in protected areas of which or in the vicinity of which (i.e. within 500 metres from those protected areas) the project is implemented | direct impact | indirect impact |
| 1 | Tree and shrub felling in the area of the Buszewo 11 formation fluid pipeline, owned by Dębno Oil and Gas Production Facility (PGNiG) | Szczecin Province/Dębno | Natura 2000 area – Ostoja Witnicko-Dębniańska (Witnica-Dębno Refugium) | | Felling of 36 trees and 1,400 m ² of shrubs | none |
| 2 | "Construction of a formation water pipeline from well sites to the Barnówko Central Facility together with auxiliary infrastructure. Dębno Oil and Gas Production Facility – development of Różańsko field" (geotechnical surveys) (PGNiG) | Szczecin Province/Dębno | Natura 2000 area – Ostoja Witnicko-Dębniańska (Witnica-Dębno Refugium) | | none | Noise emitted to the surrounding environment in the course of operations. The noise was emitted locally and periodically (only during the work performed on site). It ceased following completion of the work. |
| 3 | Obtaining a natural gas production licence for the Babimost field, within the Babimost mining area and mining site – licence No. 8/2019 of December 20th 2009 (PGNiG) | Poznań Province/Zbąszyń, Wolsztyn; Zielona Góra Province/Babimost | 1. Natural Reserve – Island on Chobienickie Lake, 2. PLH 080002 Obrza Ribbon Lakes 3. PLH 080063 Bory Babimojskie (Babimost Woods), 4. PLB 080005 Pszczew Lakes and Obrza River Valley, 5. Sława Lake District, Obrza Proglacial Stream Valley and Zbąszyń Ribbon Lakes Protected Landscape Area | | none – development wells are located outside the areas and forms of nature protection. | none – it is difficult to determine as the field is not developed. |
| 4 | KROBIELEWKO-7 well (drilling work) (PGNiG) | Zielona Góra Province/Drezdenko | Noteć Forest Natura 2000 area PLB300015 | Noteć Forest Natura 2000 area PLB300015 | exclusion from forest production, land take in a protected area, destruction of vegetation cover to build the rig, scaring away animals – a derogation from the prohibition regarding protected plant and animal species and a permit to scare away game were obtained | fixed lighting of the drilling rig, noise, increased vehicle traffic, scaring away animals |
| 5 | KROBIELEWKO-8 well (drilling work) (PGNiG) | Zielona Góra Province/Skwierzyna | Noteć Forest Natura 2000 area PLB300015 | Noteć Forest Natura 2000 area PLB300015 | exclusion from forest production, land take in a protected area, destruction of vegetation cover to build the rig, scaring away animals – a derogation from the prohibition regarding | fixed lighting of the drilling rig, noise, increased vehicle traffic, scaring away animals |

| No | Name of project implemented in 2019 | Location (province/ municipality) | Names of areas covered by forms of nature protection (national parks, nature reserves, landscape parks, Natura 2000 areas) | | Impacts on biodiversity | |
|----|---|--|---|--|--|--|
| | | | where the project is implemented | in protected areas of which or in the vicinity of which (i.e. within 500 metres from those protected areas) the project is implemented | direct impact | indirect impact |
| 6 | KROBIELEWKO-6 well (drilling rig site decommissioning) (PGNiG) | Zielona Góra Province/Skwierzyna | Noteć Forest Natura 2000 area PLB300015 | Noteć Forest Natura 2000 area PLB300015 | protected plant and animal species and a permit to scare away game were obtained exclusion from forest production, land take in a protected area, destruction of vegetation cover to build the rig, scaring away animals – a derogation from the prohibition regarding protected plant and animal species and a permit to scare away game were obtained | fixed lighting of the drilling rig, noise, increased vehicle traffic, scaring away animals |
| 7 | KROBLEWKO-3 Well (drilling rig site decommissioning) (PGNiG) | Zielona Góra Province/Skwierzyna | Noteć Forest Natura 2000 area PLB300015 | Noteć Forest Natura 2000 area PLB300015 | exclusion from forest production, land take in a protected area, destruction of vegetation cover to build the rig, scaring away animals – a derogation from the prohibition regarding protected plant and animal species and a permit to scare away game were obtained | fixed lighting of the drilling rig, noise, increased vehicle traffic, scaring away animals |
| 8 | RADEW-1 Well (site preparation services, drilling work, well decommissioning, drilling rig site reclamation) (PGNiG) | Szczecin Province/ Biesiekierz | Radew, Chociel and Chotla rivers valley Natura 2000 site PLH320022 | Radew, Chociel and Chotla rivers valley Natura 2000 site PLH320022 | exclusion from forest production, land take in a protected area, destruction of vegetation cover to build the rig, scaring away animals – a derogation from the prohibition regarding protected plant and animal species and a permit to scare away game were obtained | fixed lighting of the drilling rig, noise, increased vehicle traffic, scaring away animals |
| 9 | CHAŁUPCZYN-1 Well (site preparation services) (PGNiG) | Zielona Góra Province/Lubrza | Paklica and Ołobok Ribbon Lakes Protected Landscape Area | Paklica and Ołobok Ribbon Lakes Protected Landscape Area | exclusion from forest production, land take in a protected area, destruction of vegetation cover to build the rig, scaring away animals – a derogation from the prohibition regarding protected plant and animal species and a permit to scare away game were obtained | fixed lighting of the drilling rig, noise, increased vehicle traffic, scaring away animals |
| 10 | KOMORZE-3H Well (site preparation services, drilling work, well decommissioning, drilling rig site reclamation) (PGNiG) | Poznań Province/Pyzdry | Natura 2000 sites: <i>Ostoja Nadwarciańska</i> PLH300009, <i>Dolina Środkowej Warty</i> PLB300002; <i>Nadwarciański Park Krajobrazowy</i> (landscape park), <i>Pyzdrowski Obszar Chronionego Krajobrazu</i> (protected landscape area) | Natura 2000 sites: <i>Ostoja Nadwarciańska</i> PLB300017, <i>Dolina Środkowej Warty</i> PLB300002; <i>Nadwarciański Park Krajobrazowy</i> (landscape park), <i>Pyzdrowski Obszar Chronionego Krajobrazu</i> (protected landscape area) | exclusion from agricultural/forest production, land take in a protected area, scaring away animals | fixed lighting of the drilling rig, noise, increased vehicle traffic, scaring away animals |
| 11 | RUSOCIN 3D seismic surveys (PGNiG) | Poznań Province/Śrem, Książ Wielkopolski, Dolsk, Zaniemyśl, Jaraczewo, Borek Wielkopolski, Nowe Miasto nad Wartą | Natura 2000 sites: <i>Ostoja Rogalińska</i> PLB300017, <i>Rogalińska Dolina Warty</i> PLH300012, <i>Rogaliński Park Krajobrazowy</i> (landscape park), <i>Obszar Chronionego Krajobrazu Krzywińsko-Osiecki</i> (protected landscape area), including the Dezydery Chłapowski tree plantings and the Osieczna Góra forest complex; <i>Zespół przyrodniczo-</i> | Natura 2000 sites: <i>Ostoja Rogalińska</i> PLB300017, <i>Rogalińska Dolina Warty</i> PLH300012, <i>Rogaliński Park Krajobrazowy</i> (landscape park), <i>Obszar Chronionego Krajobrazu Krzywińsko-Osiecki</i> (protected landscape area), | exclusion from agricultural/forest production, land take in a protected area, temporary scaring away of animals – the Poznań Regional Directorate for Environmental Protection's decision confirming that seismic surveys had no impact on the Natura 2000 sites was obtained | fixed lighting of the drilling rig, noise, increased vehicle traffic, scaring away animals |

| No | Name of project implemented in 2019 | Location (province/ municipality) | Names of areas covered by forms of nature protection (national parks, nature reserves, landscape parks, Natura 2000 areas) | | Impacts on biodiversity | |
|----|---|---|---|---|---|-----------------|
| | | | where the project is implemented | in protected areas of which or in the vicinity of which (i.e. within 500 metres from those protected areas) the project is implemented | direct impact | indirect impact |
| | | | <i>krajobrazowy Łęgi Mechlińskie</i> (nature and landscape complex); Protected environment sites: <i>Stara Warta, Przy Białym Gościńcu, Samotnie, Przesmyk</i> | including the Dezydery Chłapowski tree plantings and the Osieczna Góra forest complex; <i>Zespół przyrodniczo-krajobrazowy Łęgi Mechlińskie</i> (nature and landscape complex); Protected environment sites: <i>Stara Warta, Przy Białym Gościńcu, Samotnie, Przesmyk</i> | | |
| 12 | WRZEŚNIA-WITKOWO 2D seismic surveys (PGNiG) | Poznań Province/Lubowo, Gniezno, Czerniejewo, Niechanowo, Witkowo, Strzałkowo, Słupca, Łądek, Powidz, Września, Nekla, Kołaczkowo, Pызdry, Miłosław | <i>Dolina Środkowej Warty</i> PLB300002 Natura 2000 site, <i>Ostoja Nadwarciańska</i> PLH300009 Natura 2000 site, <i>Grądy w Czerniejewie</i> PLH300049 Natura 2000 site, <i>Nadwarciański Park Krajobrazowy</i> (landscape park), <i>Pызdrski Obszar Chronionego Krajobrazu</i> (protected landscape site), <i>Powidzko-Bieniszewski Obszar Chronionego Krajobrazu</i> (protected landscape site) | none | increased vehicle traffic, seismic surveys using heavy equipment or dynamite, temporary scaring away of animals | none |
| 13 | ROKIETNICA E seismic surveys (PGNiG) | Poznań Province/Dopiewo, Rokietnica, Suchy Las, Tarnowo Podgórne, Oborniki, Szamotuły | Natura 2000 sites: <i>Dolina Samicy</i> PLB300013, <i>Biedrusko</i> PLH300001, <i>Rezerwat przyrody Meteoryt</i> Morasko nature reserve, <i>Rezerwat przyrody Gogulec</i> nature reserve, <i>Obszar Chronionego Krajobrazu Biedrusko</i> (protected landscape area), <i>Pawłowicko-Sobocki Obszar Chronionego Krajobrazu</i> (protected landscape area), <i>Obszar Chronionego Krajobrazu Dolina Samicy Kierskiej</i> (protected landscape area) in the Suchy Las village | none | increased vehicle traffic, seismic surveys using heavy equipment or dynamite, temporary scaring away of animals | none |
| | BRZEZIE-GOŁUCHÓW seismic surveys (PGNiG) | Poznań Province/Czermin, Chocz, Pleszew, Gołuchów, Dobrzyca, Raszków, Ostrów Wielkopolski, Nowe Skalmierzyce | Natura 2000 sites: <i>Dąbrowy Krotoszyńskie</i> PLB300007, <i>Obszar Chronionego Krajobrazu Dolina Rzeki Ciemnej</i> (protected landscape area), <i>Obszar Chronionego Krajobrazu Dąbrowy Krotoszyńskie Baszków-Rochy</i> (protected landscape area) | none | increased vehicle traffic, seismic surveys using heavy equipment or dynamite, temporary scaring away of animals | none |
| | CGSF Kosakowo – construction of Cluster B (GSP) | Gdańsk Province, Kosakowo village | Natura 2000 site: – <i>Puck Bay Special Protection Area</i> PLB220005 | Nadmorski Park Krajobrazowy (seaside landscape park) | reversible | reversible |
| | CGSF Kosakowo – construction of Cluster B (GSP) | Gdańsk Province, Kosakowo village | Natura 2000 site: – <i>Specjalny Obszar Ochrony Zatoka Pucka i Półwysep Helski</i> Special Protection Area PLH220032 | <i>Rezerwat Mechlińskie Łąki</i> reserve | reversible | reversible |

5.3.5. Direct CO2 emissions in 2018–2019 (GRI 305-1)

Direct CO2 emissions from the PGNiG Group installations participating in EU ETS in 2018–2019

| EU ETS installation | National Allocation Plan (KPRU) No. | 2019* | | | 2018 | | |
|--|-------------------------------------|--------------------------------|----------------------|------------------------------|-------------------------------|---------------------|-----------------------------|
| | | Emission allowances ['000 Mg]* | Emissions ['000 Mg]* | Surplus/(Deficit) ['000 Mg]* | Emission allowances ['000 Mg] | Emissions ['000 Mg] | Surplus/(Deficit) ['000 Mg] |
| Mogilno CGSF | PL-0898-08 | 3.5 | 13.1 | (9.5) | 4.3 | 10.4 | (6.1) |
| Odolanów | PL-0950-08 | 12.6 | 26.7 | (14.1) | 15.3 | 30.6 | (15.2) |
| Lubiatów Oil and Gas Production Facility, Central Facility | PL-1070-13 | 40.0 | 56.3 | (17.0) | 40.8 | 61.8 | (21.0) |
| Wierzchowice UGSF | PL-1072-13 | - | 83.0 | (83.0) | - | 54.7 | (54.7) |
| Kosakowo CGSF | PL-1076-13 | - | 3.6 | (3.6) | - | 4.3 | (4.3) |
| Dębno Oil and Gas Production Facility, Central Facility | PL-0563-05 | 24.8 | 32.3 | (7.5) | 25.3 | 32.6 | (7.3) |
| Pruszków CHPP | PL-0026-05 | 26.5 | 120.8 | (94.3) | 32.4 | 127.7 | (95.3) |
| Siekierki CHPP | PL-0027-05 | 778.6 | 2,961.1 | (2,182.5) | 959.5 | 3,127.6 | (2,168.1) |
| Żerań CHPP | PL-0028-05 | 571.7 | 2,168.9 | (1,597.2) | 703.5 | 2,224.9 | (1,521.4) |
| Kawęczyn CHPP | PL-0124-05 | 25.7 | 79.7 | (53.9) | 31.4 | 94.0 | (62.6) |
| Wola HP | PL-0125-05 | 2.0 | 0.9 | 1.1 | 2.4 | 4.4 | (2.0) |
| CM Racibórz | PL-0297-05 | 10.7 | 42.4 | (31.7) | 13.1 | 47.4 | (34.3) |
| CM Wodzisław Śląski | PL-0298-05 | 6.7 | 31.3 | (24.5) | 8.5 | 34.0 | (25.4) |
| CM Żory | PL-0299-05 | 8.7 | 31.0 | (22.3) | 10.5 | 35.2 | (24.6) |
| PTEP S.A. Moszczenica CHPP | PL-0083-05 | 33.5 | 42.1 | (8.7) | 41.5 | 66.5 | (25.0) |
| PTEP S.A. Zofiówka CHPP | PL-0084-05 | 135.5 | 478.0 | (342.5) | 176.4 | 216.0 | (39.6) |
| PTEP S.A. Pniówek CHPP | PL-0085-05 | 22.9 | 74.5 | (51.7) | 26.7 | 80.0 | (53.4) |
| PTEP S.A. Suszec CHPP | PL-0086-05 | 10.0 | 28.9 | (18.9) | 11.2 | 35.0 | (23.8) |
| Total* | | 1,713.3 | 6,274.6 | (4,563.4) | 2,102.7 | 6,287.1 | (4,184.4) |

* Unaudited full-year data for 2019. Final data will be available after approval by an external auditor (in March 2020). Pursuant to Art. 86.1 of the Act on Trading in Greenhouse Gas Emission Allowances of June 12th 2015 (Dz.U. of 2017, item 568, as amended), the facility operator is obliged to submit to the National Centre for Emissions Balancing and Management, by March 31st, an audited full-year report for the previous year. Therefore, the data presented for the installations participating in EU ETS and operated by PGNiG, PGNiG Termika and PTEP may differ slightly from the actual figures before they have been audited by an accredited auditor by March 31st 2020.

Currently, 18 installations of the PGNiG Group are covered by the EU ETS. In 2019, the volume of carbon dioxide emissions amounted to 6,274,560 Mg and was slightly lower than in previous years. As free allowances of CO2 emission rights decrease year by year, there is a need to purchase additional emission rights.

5.3.6. Reduction of greenhouse gas (GHG) emissions (GRI 305-7)

The PGNiG Group places great importance on reducing gas and particulate matter emissions into the atmosphere. It has been steadily reducing the amount of pollutants generated by transportation, combustion processes in heat sources, fuel reloading and industrial processes (gas combustion at flares, gas venting, emissions from compressor stations and compressors). The methods of reducing emissions of pollutants into the air include using gas as a low-emission fuel, monitoring fuel consumption, reducing the energy intensity of industrial processes and modernising or replacing heat sources used for the Group's own needs.

In the hydrocarbons exploration segment, PGNiG strives to reduce emissions of air pollutants at all costs. To that end, gas is flared during tests and treatments, and methane is not discharged directly into the atmosphere. Following the discovery of new gas fields and related tests carried out by PGNiG, the level of air emissions from gas flaring has been flat or on a rise over the past three years. Those emissions are of a temporary nature and, as such, they do not cause deterioration of air quality or any air pollution exceeding the applicable limits.

In 2019, PGNiG Group companies implemented environmental projects. PGNiG OD replaced two central heating boilers with a total capacity of 240 kW in the company's facility in Lublin. The new boilers offer considerably higher energy efficiency (108%), lower consumption of gas and reduced carbon dioxide emissions. In addition, a new heat pump system was installed, reducing the emissions of carbon oxides, nitrogen oxides and carbon dioxide.

The PGNiG Zielona Góra Branch upgraded its gas compressor station and modernised the boiler house, dismantling and decommissioning four water boilers and replacing them with a single state-of-the-art water boiler unit. The project helped reduce flue gas emissions. PGNiG TERMIKA Group companies employ various methods to air protection, including organisational solutions and systems for appropriate fuel management. Appropriate combustion techniques are also used, such as secondary combustion which involves flue gas treatment in air protection system.

NO_x, SO_x, and other significant air emissions (GRI 305-7)

Oil and gas exploration and production activities, gas distribution, and modernisation, maintenance and repair works undertaken by the PGNiG Group generate air pollutants such as gases (SO₂, NO_x, CO, CO₂, CH₄), particulate matter, aromatic hydrocarbons, aldehydes, heavy metals, metallic and non-metallic elements.

In 2019, air emissions of other pollutants were mostly on decline as a result of using more advanced coal combustion technologies.

Air pollutants emitted by the PGNiG Group in 2018–2019 (GRI 305-7):

| Emissions of gases, particulates and substances (Mg) | 2019* | | 2018 | |
|--|--------------------|------------------|--------------------|------------------|
| | PGNiG Group* | PGNiG* | PGNiG Group | PGNiG |
| CO ₂ | 6,428,991.6 | 271,932.5 | 6,570,429.1 | 390,423.7 |
| CO ₂ biomass combustion | 280,565.7 | - | 227,901.0 | - |
| CH ₄ | 14,408.6 | 12,027.8 | 12,461.5 | 10,204.3 |
| SO ₂ | 9,563.4 | 1,556.5 | 10,845.5 | 1,746.9 |
| NO _x /NO ₂ | 6,475.6 | 397.9 | 6,317.6 | 401.9 |
| CO | 2,166.0 | 311.1 | 2,067.2 | 268.4 |
| Total particulates | 580.6 | 2.0 | 673.6 | 2.4 |
| Total hydrocarbons | 194.0 | 161.8 | 253.0 | 190.1 |
| H ₂ S | 0.4 | 0.4 | 0.3 | 0.3 |
| Total | 6,743,945.8 | 287,389.9 | 6,830,948.8 | 403,237.8 |

* The 2019 data provided by some of the PGNiG Group entities include forecasts which could not be fully verified as at the date of this statement.

5.3.7. Total water discharge by quality and destination in 2018–2019 (GRI 306-1)

| Wastewater | 2019 | | 2018 | |
|-----------------------------------|--------------|--------|-------------|-------|
| | PGNiG Group* | PGNiG* | PGNiG Group | PGNiG |
| Domestic ['000 m ³] | 395.8 | 0.3 | 367.1 | 0.3 |
| Municipal ['000 m ³] | 103.4 | 83.9 | 116.5 | 89.2 |
| Industrial ['000 m ³] | 8,816.0 | 10.2 | 8,471.2 | 10.9 |
| Other ['000 m ³] | 135,764.6 | 18.5 | 151,760.1 | 17.6 |

* The 2019 data provided by some of the PGNiG Group entities include forecasts which could not be fully verified as at the date of this statement.

Wastewater generated by the PGNiG Group companies is discharged into the sewage system, surface water or soil based on the water permits obtained. Domestic and industrial wastewater is discharged into the sewage system. Rainwater from plant premises and access roads is discharged into the municipal sewage system, as well as into surface water and soil.

The PGNiG TERMIKA Group companies account for a large share in the volume of generated wastewater as they use water for cooling purposes. On the other hand, the policy of economical water management is followed during drilling work and, where possible, wastewater is reused to prepare drilling muds.

PGNiG GHPB reported higher volumes of domestic wastewater from sanitary facilities on drilling rigs as well as higher volumes of rainwater and meltwater removed from drilling rigs, which is due to the drilling of deeper wells and longer time of rig operation.

Water recycled and reused

PGNiG TERMIKA EP reuses some of the process wastewater (such as effluents from boiler system blowdowns) in systems with lower quality requirements. In 2019, Geofizyka Toruń rolled out internal reorganisation measures as part of maintenance of the company's wastewater collectors infrastructure, raising employees' awareness of the importance of saving water and reducing the volume of sewage.

Underground gas storage facilities

In and around the Mogilno UGSF and Kosakowo UGSF, an environmental monitoring project was carried out in order to identify possible impacts related to the discharge of salt brine (classified as an effluent) into the Puck Bay in the case of the Kosakowo UGSF and operation of the onshore part of the project in the case of the Kosakowo UGSF and Mogilno UGSF. The results of the environmental monitoring indicate that construction and operation of underground gas storage facilities has no adverse effect on individual components of the natural environment.

5.3.8. Waste management (GRI 306-2)

Extraction and processing of crude oil and natural gas inherently involves production of hazardous and non-hazardous waste. In 2019, all PGNiG Group companies optimised the volumes of generated waste, mainly as a result of introducing new technologies and using eco-friendly materials and products. The PGNiG Group companies introduce new technologies and increase the use of eco-friendly materials and products, and also run programmes raising the awareness of the need to sort waste. The other waste is recycled by specialised external operators.

In 2019, PGNiG GHPB appointed a technical team to develop the concept of a technology for reducing drilling waste volumes by recovering and reusing the waste. The Zielona Góra Branch carried out internal inspections to verify the delivery of the QHSE Policy in its technical facilities, focusing on the assessment of compliance with environmental protection regulations, including with regard to management and storage of hazardous substances, selective waste collection, or emergency planning. The inspections were an opportunity to explain and consult on issues raising employees' knowledge and awareness of the above-mentioned

environmental aspects. PGNiG TERMIKA EP reduces its waste output by using fuels of appropriate quality and maintaining optimum conditions in its processes. Employees are also trained on appropriate waste management methods and measures to minimise the volume of generated waste.

Waste management methods used at the PGNiG Group in 2018–2019 (GRI 306-2)

| Other waste excluding municipal waste | Recovered | | Disposed of [Mg] | Landfilled [Mg] | |
|---------------------------------------|---------------|-------------------------------|------------------|-----------------|-------|
| | Recycled [Mg] | Other recovery processes [Mg] | | | |
| 2019 | | | | | |
| Hazardous waste | PGNiG Group* | 119.7 | 288.8 | 1,606.6 | - |
| | PGNiG* | 44.5 | 95.1 | 698.7 | - |
| Non-hazardous waste | PGNiG Group* | 1,600.7 | 530,799.3 | 3,196.2 | 171.9 |
| | PGNiG* | 123.8 | 369.8 | 3,003.6 | 171.9 |
| 2018 | | | | | |
| Hazardous waste | PGNiG Group | 111.1 | 229.4 | 1,404.9 | - |
| | PGNiG | 40.9 | 88.9 | 504.1 | - |
| Non-hazardous waste | PGNiG Group | 632.9 | 506,622.2 | 4,258.6 | 200.0 |
| | PGNiG | 10.8 | 353.9 | 3,660.8 | 200.0 |

* The 2019 data provided by some of the PGNiG Group entities include forecasts which could not be fully verified as at the date of this statement.

Method of drilling waste management in 2018–2019 (GRI 306-2)

| Drilling waste | Stored in waste disposal facilities [Mg] | Recovered [Mg] | Disposed of [Mg] | Reused [Mg] | Stored [Mg] | Stored in rock mass [Mg] |
|---------------------|--|----------------|------------------|-------------|-------------|--------------------------|
| 2019 | | | | | | |
| Hazardous waste | PGNiG Group* | - | 2,380.4 | 25.9 | - | - |
| | PGNiG* | - | 2,380.4 | 25.9 | - | - |
| Non-hazardous waste | PGNiG Group* | 748.1 | 85,349.9 | 20,571.3 | - | 990.6 |
| | PGNiG* | - | 80,700.6 | 10,417.6 | - | 149.1 |
| 2018 | | | | | | |
| Hazardous waste | PGNiG Group | - | 1,189.2 | 1,134.2 | - | - |
| | PGNiG | - | 1,189.2 | 499.3 | - | - |
| Non-hazardous waste | PGNiG Group | 1,884.6 | 66,833.6 | 7,902.9 | - | 120.9 |
| | PGNiG | - | 54,622.3 | 7,871.7 | - | 120.9 |

* The 2019 data provided by some of the PGNiG Group entities include forecasts which could not be fully verified as at the date of this statement.

5.3.9. Circular economy

PGNiG Group treats environmental management in a responsible manner, promoting rational management of resources. As a responsible corporate citizen, the Group implements solutions which are well ahead of global trends in environmental care. For many years, the PGNiG Group has been following the rules of circular economy, a concept which is in opposition to linear economy and assumes that all products, materials and resources should be used for as long as possible to minimise waste volumes. The concept, which is gaining in popularity among sustainable businesses, takes account of all phases of the product life cycle, from the design phase, through production, consumption, up to waste collection and waste management. In view of the above, notwithstanding the amendments to legal regulations which, following the transposition into the Polish legal framework of Directive (EU) 2018/851 of the European Parliament and of the Council of 30 May 2018 amending Directive 2008/98/EC on waste, impose as of July 5th 2020 certain obligations on companies, including the obligation to adopt the concept of circular economy as well as prevent and reduce waste volumes, the PGNiG Group has taken action to meet the regulatory requirements by managing waste and treating it as recyclables.

An excellent example here is an initiative undertaken by PGNiG Termika, which for many years has been paying particular attention to the way waste and by-products generated in the course of electricity and heat production are managed. PGNiG Termika generates 550,000-650,000 tonnes of ash, slag and gypsum per year. These substances are known as combustion by-products and are treated as valuable materials that may be reused in other industrial sectors. Extensive research and works proved beyond doubt that these substances are not harmful to human health or the natural environment, and as such may be reused in various material or product applications, mainly in the building materials industry, civil engineering, road construction, construction work in underground mining, as well as in reclamation and restoration of former surface mines.

Reclamation of the Żerań CHP ash landfill site, initiated in 2006, was a flagship project fully in line with the concept of circular economy. The primary objective of the project was to restore the functional value of 50 hectares of land located at the 522nd kilometre along the Vistula river. From the perspective of circular economy, the employed method of site grading, including the use of slags as a sub-base of the Curie-Skłodowska Bridge, was of particular importance. Similar amounts of earth coming from excavations in construction sites of the Czajka wastewater treatment plant and the second line of the Warsaw metro were used to fill excavations and provide a reclamation layer. In this way a substance considered to be waste in one sector of the economy was used as a valuable resource in another sector. This method allowed both to reduce costs of all projects involved and to save valuable mineral deposits. 2017 saw the launch of a process to close and reclaim the combustion waste landfill site of the Siekierki CHP plant. The project draws on the earlier experience of PGNiG Termika Group and is another example of the practical application of the circular economy concept.

5.3.10. Environmental events (GRI 306-3)

In the area of hydrocarbon exploration and production, there is a strong focus on the prevention of environmental emergencies and hazards caused by spills, emissions etc. The adopted measures include not only system-based solutions such as procedures, training and safety briefings, but also technical solutions, on-going checks of the technical condition of plant and machinery, and supervision of work by authorised personnel. All these measures consequently drove down the number of emergencies having environmental impact.

In 2019, as regards exploration activities, only three emergency events were reported on drilling sites. They were followed by quick intervention measures to contain the emergency and had no negative impact on the environment, which was confirmed by the results of ground surface tests carried out after the site was decommissioned.

As regards production activities, two small-scale emergencies causing little environmental damage were reported. Quick prevention measures were taken to contain the emergency and remove most of ground pollution. In one of those cases, reclamation work undertaken to eliminate environmental damage restored the area to the desired condition. In the second case, work is still under way in keeping with the approved remedial action plan.

5.3.11. Penalties for non-compliance with environmental laws and regulations (GRI 307-1)

In 2019, PGNiG reported no breaches of environmental laws or regulations and no penalties for non-compliance with environmental laws and regulations were imposed. The situation was similar across the entire PGNiG Group, with one exception – PGNiG Termika was charged with an administrative fine of PLN 8,000.00 for a delayed test of air conditioner tightness at the Siekierki CHP Plant. A subsequent check was successful and revealed no technical issues in the A/C system.

5.4. Description of significant environmental risks and their management methods

All activities undertaken by PGNiG Group involve identification of environmental risks. This applies in particular to the location of drilling work and includes an analysis of location-specific risks and potential conflicts with local communities. Based on the analysis, planned work is relocated (whenever possible) or action is taken to reduce its environmental footprint or impact. Significant environmental risks are defined in the table below:

Environmental issues

| No. | Identified non-financial risk | Method to prevent risk materialisation |
|-----|---|--|
| 1 | Risk of non-compliance with environmental protection regulations | Identify and update applicable legal requirements |
| 2 | Risk of contamination of green areas and transport routes | Designate specific transport routes and supervise transport service providers and vehicles used; supervise hazardous materials. |
| 3 | Risk of incorrect waste sorting | Supervise waste sorting practices, permits held by collectors and operations of waste collection companies; keep day-to-day records; provide and designate waste storage locations; ensure proper marking of containers. |
| 4 | Risk of exceeding the wastewater limits defined in the water permit | Monitor water consumption and wastewater volumes; draw up reports in line with applicable reporting requirements. |
| 5 | Risk of failure to meet new BAT requirements for the LCP business (Best Available Techniques for Large Combustion Plants) with regard to emission limit values | In order to meet the obligation to adapt installations to the requirements set forth in BAT Conclusions, the Company's capex plan has been developed to ensure that the emission and technology requirements defined in the BAT Conclusions are duly met. Timely completion of investments is essential. The process of securing approvals for proposed amendments to integrated permits in connection with adapting installations to the BAT Conclusions has reached the final stage. Also, the implementation of the BAT Conclusions is monitored on an ongoing basis and any doubts as to their interpretation are clarified. |
| 6 | Risk of negative environmental impacts, especially in terms of drilling noise emission | Locate drilling sites at least 250 metres from any buildings; provide noise protection screens; reduce noise emitted by drilling rig equipment. |
| 7 | Risk of invalid permits (or failure to secure permits) required to engage in a business having environmental impacts | Ensure ongoing monitoring of permits by environmental protection services. |
| 8 | Risk of failure to supervise the environmental monitoring equipment | Ensure ongoing monitoring of the environmental monitoring equipment. |
| 9 | Risk of delayed verification of the annual CO ₂ emissions report for EU ETS installations | Adhere to the "Procedure for reporting greenhouse gas emissions covered by the EU Emissions Trading Scheme (EU ETS) and for keeping accounts and acquiring CO ₂ emission allowances for PGNiG SA's installations in the Union Registry". |
| 10 | Risk of delayed reporting or failure to pay environmental fees | Ensure ongoing supervision of timely payment of environmental fees and compliance with environmental reporting requirements. |
| 11 | Risk of an environmental emergency resulting from non-compliance with environmental regulations, equipment and apparatus failures, human errors, errors of judgement, or gas infrastructure breakdowns. | The implementation of the environmental management system in accordance with current external and internal regulations: Instructions for zoological tests and environmental remediation; Instructions for OHS, fire protection and environmental protection inspections; procedure for environmental aspects identification and assessment; PSG waste management manual; PSG safety manual for handling hazardous substances and mixtures; gas condensate spill procedure; environmental monitoring and measurement manual; procedure in case of emergency, failure, accidents; insurance. |
| 12 | Risk of exceeding emission limits set for fuel combustion pollutants. | Flue gas emissions from the emitters are continuously measured. The Management Board President's order concerning monitoring of the systems for continuous measurement of particulate and gaseous emissions in accordance with environmental protection regulations regarding responsibility for supervising, inspecting and ensuring reliability of systems for continuous measurement of particulate and gaseous emissions was implemented. In addition, in accordance with the requirements of the Environmental Protection Law, periodic measurements of particulate and gaseous emissions are carried out for equipment (boilers and engines) not covered by the continuous measurement obligation. |
| 13 | Risk of failure to meet the conditions set for industrial noise emissions | Risk identification, periodic noise measurements in the environment. |
| 14 | Risk of incorrect waste management | Environmental inspections and internal audits (including waste management) are carried out, during which areas for adaptation are identified. Procedure ZOS-02 was implemented: waste recording and monitoring, waste management instructions and ongoing quantitative and qualitative inspections of generated waste (quantitative waste inspections are carried out to check, among others, compliance with waste volume limits defined in environmental decisions – integrated permits, sectoral permits). |

| | | |
|----|---|---|
| 15 | Risk of leakages of substances/oils from tanks and containers as well as from machinery and equipment, potentially causing environmental damage | Risk identification (implementation of procedure ZOS-05: identification and investigation of near misses), identification of areas for adaptation. |
| 16 | Risk of non-compliance with legal requirements in managing chemicals used for production purposes | Risk identification; safety instructions for handling chemicals, conditions of chemicals purchase, control of chemicals consumption, and for on-site acceptance/unloading of chemicals have been implemented; environmental inspections to verify if chemicals management is correct are carried out. |



6. Social issues

6.1. Area description – social issues

Given the strategic importance of the Group's products, the Group plays a particularly important role in the everyday life of local communities. The nature, operational scale and presence of infrastructure for hydrocarbon exploration, production, storage and distribution make the PGNiG Group deeply committed to building partnership relations with local communities and governments, suppliers and contractors, with the ultimate goal of pursuing joint objectives. The PGNiG Group creates opportunities for cooperation and builds understanding for mutual relations and interdependencies with individual stakeholder groups.

From this perspective, the objectives of the Sustainable Business Strategy can be viewed as increasingly important:

- Increasing supplies and access to natural gas and electricity from sources other than the East, Based on diversified sources and directions of supply, is of key importance to the safety of our customers. The last two years prove that the reliability of supply is absolutely crucial, in particular in the event of bankruptcy of other gas and electricity trading companies. PGNiG OD had to supply approximately 130,000 additional customers who were at the risk of being cut off from gas supplies as a result of bankruptcy of two large companies.
- *Effective care for environmental issues in all business areas.* One component of building environmental responsibility is promoting a product offer which highlights the eco-friendly aspects of using gas as a fuel and initiating programmes to replace the existing heating sources with green gas heating.
 - PGNiG OD initiatives: 'Switch to gas', 'Subsidy of up to PLN 3,000', 'Breathe deeply' loans, and CNG/LNG products – supply of natural CNG/LNG gases to public transport and municipal companies, construction of CNG/LNG filling stations for business partners, LNG bunkering services.
 - PGNiG TERMIKA is a signatory of the 'Partnership for Climate', a programme that promotes 'Municipal Heating for Warsaw'.
- *Increasing customer satisfaction by improving service quality and investing in advanced digital communication solutions and tools that meet the needs of various customer groups.*
 - One of the objectives of the PGNiG OD Operational Strategy for 2017-2020 is improvement of service standards for retail and small business customers. The change involves modernisation of the entire network of Customer Service Offices in Poland and the opening of new offices. In addition, the Company encourages customers to use modern and convenient digital solutions, such as eBOK (electronic Customer Service Office platform), eBOK mobile application, or EKOfaktura (electronic invoice). In 2019, the Company also continued the BOK 2.0 project. In addition, PGNiG OD implemented the 'MIGAM' service solution for the deaf.
 - Visual standardization of PSG's Customer Service Facilities. By the end of 2019, 24 of such Facilities had been modernised. The unified and modern appearance of Customer Service Facilities across Poland, together with their clear marking, make it easier for customers to find and identify a Facility, regardless of its location. Moreover, the location and contact details of PSG facilities were verified and updated on Google Maps, and old addresses or facilities with invalid names were removed.
 - Setting up a Nationwide Contact Centre at PSG. In 2019, the Contact Centre received 274,174 calls, which translates to a daily average of approximately 1,100.
- *Commitment to the development of social capital by opening up to new initiatives and supporting pro bono projects*
 - PGNiG Foundation's projects,
 - PGNiG's 'Debt of Gratitude' – the Foundation's and PGNiG OD's joint project supporting Polish veterans,
 - Scholarship programmes and promotion of education among children and young people – the Foundation and PGNiG Group companies,
 - Support for local initiatives at the place of company's operations – the Foundation and PGNiG Group companies,
 - Commemorating historical events and supporting the development of national heritage - the Foundation and PGNiG Group companies.

6.1.1. PGNiG Ignacy Łukasiewicz Foundation

The Group's influence on local communities comes from its charitable activities, carried out mainly by the PGNiG Ignacy Łukasiewicz Foundation. The Foundation's principal mission is to support projects designed to preserve and develop national heritage and culture, as well as promote knowledge and education in the field of fundamental/technical sciences and sports. The Foundation also seeks to promote the history of Poland, build national identity and commemorate Polish heroes.

The Foundation's activity is based on cooperation with programme partners and implementation of its own projects, which helps it effectively use its potential and reach those who most need support, irrespective of where they are in Poland.

The Foundation's main projects in 2019 included:

- **PGNiG's 'Debt of Gratitude'** – support for the Warsaw Uprising insurgents and the participants of the 1981 strike at Wujek coal mine by paying gas bills of up to PLN 900 a year. In November 2019, the programme was extended to include

another group of veterans, i.e. participants in the Defensive War in 1939. The project was implemented together with PGNiG OD. By the end of 2019, the 'Debt of Gratitude' support programme benefited almost 1,200 people.

- **'To Be Like Ignacy' (3rd edition)** – an educational programme that involves a competition for primary schools which can apply for the title of the 'Ignacy School of Science' and win attractive prizes. Over 20,000 students from nearly 1,300 schools took part in the third edition of the nationwide educational programme 'To Be Like Ignacy'.
- **'The Spark of Heritage'** – a patriotic event commemorating Polish citizens, including officers, non-commissioned officers and privates of the Polish Army, whose blood was shed in the Katyn Forest Massacre in 1940. During the event, over 20,000 candles were lit on the Piłsudski Square in Warsaw and on the Grand Market Square in Zamość.
- **Skawina – a thermal insulation upgrade project** – thanks to a donation, the municipality of Skawina managed to modernise thermal insulation of 16 houses. The houses were modernised by replacing windows and doors, as well as by installing gas furnaces and external insulation.
- **'Energy from Honey'** – on the premises of PGNiG, at ul. Kasprzaka 25 in Warsaw, an apiary with 25 hives was placed given the size of the area and close vicinity of green areas. In the 2019 season, it yielded approximately 100 kg of honey.
- **A vehicle for carrying passengers with disabilities** – since November 2018, the Foundation has used a car for carrying passengers with disabilities and senior citizens – present and former employees of the Group and veterans. The car's drivers have been properly trained in the provision of first aid. The vehicle had been used to transport people and veterans for treatments, rehabilitation, medical visits, events, etc. In total, over 100 such trips were made.
- **Construction of the 'Ignacy' pre-school and nursery school complex in Warsaw, at PGNiG's office complex ul. Kasprzaka 25** – in 2019, the Foundation continued the construction of a nursery school complex for PGNiG employees and local residents. Site protection works were completed. The building, completed, is yet to be commissioned.
- **Refurbishment and extension of the Gas Industry Museum in Warsaw at PGNiG's Head Office** – in 2019, work on conversion and modernisation of the Museum's building was continued. The work is scheduled to be completed in mid-2020. At the end of 2019, the production and assembly of a part of the exhibition at the Museum was completed.

Moreover, the Foundation supported many initiatives aligned with the objectives specified in its Articles of Association. An important one was a financial donation to **the Ignacy Łukasiewicz Museum of Oil and Gas Industry Foundation in Bóbrka** to support the museum's activities. Being one of its main sponsors, PGNiG supports the cradle of the oil industry – the oldest petroleum production site, as well as the heritage of the magnificent Polish inventor and philanthropist Ignacy Łukasiewicz.

Scholarships

Scholarships were paid to the children of employees who died tragically while in service for the PGNiG Group and to talented young people to honour their academic achievements in the 'Hooked on Science' programme created by PGNiG Termika. In 2019, as part of the scholarships the Foundation supported 14 pupils and students.

6.1.2. Other CSR activities

Among many projects implemented by the PGNiG Group companies, in addition to the 'To Be Like Ignacy' educational programme, being the title sponsor of Superliga and the ongoing support for Polish innovation projects under InnVento and other projects pursued by the Group are crucial as well. Internship opportunities provided as part of the PGNiG Youth Academy, such as GeoTalent and Deposits of Career, are equally important. Moreover, PGNiG is committed to preserving and providing access to the historical heritage, which not only constitutes a vital part of the Company's history, but also gives testimony to the development of science and technology in Polish industry.

The main CSR initiatives implemented in 2019 by the PGNiG Group included:

- **Blood donation campaign** – in 2019, the PGNiG Head Office held two blood donation sessions. As of autumn 2019, people can also register as potential blood marrow donors. For this purpose, cooperation with Poltransplant was established. As a result, 75 donors gave blood in 2019. This initiative has enjoyed popularity for more than ten years, attracting employees of both the PGNiG Head Office and other PGNiG Group companies, such as PGNiG Serwis, PGNiG TUW, PGNiG OD. Blood donation sessions are also held at PGNiG Branches and the PGNiG Group companies, e.g. each St. Barbara's Day or Children's Day a 'Gift of Blood' event is organised in Zielona Góra.
 - In October 24th 2019, PGNiG was granted a 'Certificate for the company promoting honorary blood donation' for these initiatives. Thus, PGNiG was appreciated for organising and promoting activities among its employees, as well as for supporting the socially beneficial idea of honorary blood donation, thus helping to save human life. The certificate was awarded by the Ministry of Health and the National Blood Centre.
- **'Health Day'** – the third edition of the prophylactic medical examination programme for PGNiG employees in Warsaw (Head Office, GHPB, OOH and CLPB). This edition included free-of-charge cardiological, anticancer and screening tests for diagnosing borreliosis. In 2019, the programme covered more than 330 people, who could undergo free medical examinations during working hours. The main goal was to provide free-of-charge medical check-ups at one place and

time, since employees usually have no time for them due to busy daily schedules, and to promote health and healthy lifestyle. As prevention is that part of health care which is very often ignored, we wanted to emphasise its importance through medical check-ups at the workplace.

- In 2019, the Sanok Branch organised a similar campaign – **‘White Saturday’ for PGNiG employees in Sanok**. Employees were given an opportunity to undergo abdominal, carotid artery, prostate, breast, thyroid and cardiac ultrasound scanning, as well as obtain medical and dietary advice. The examinations were carried out in a specialised hospital of Sanok, in cooperation with *Stowarzyszenie Sanitas*, an association devoted to preventive healthcare and cancer fighting. As part of the campaign, employees could also have their children examined by paediatricians, who performed abdominal and cardiac ultrasound scans. More than 187 such scans were performed in total.
- **Christmas charity collection among employees** – PGNiG actively supports charitable initiatives as well as the sensitivity and social involvement of its employees. In 2019, employees of the PGNiG Head Office provided support for the Teresa Strzembosz Single Mother Shelter in Chyliczki. Prior to that, the persons running the shelter were interviewed to identify the needs of the shelter. The donated items included more than a dozen boxes of long-term foods, milk, nutrients and meals for children, diapers, personal care and hygiene products, baby monitors, non-contact thermometers, blankets, bed linen, clothes airers.
- The **‘Be eco-friendly’** educational campaign, started in the autumn of 2018 and ended in October 2019. The project was pursued in partnership with the PGNiG Environmental Protection Department and its objective was to reduce the consumption of energy, water, paper and plastic packaging as well as to develop the right habits for rational use of raw materials in employee's daily life. The campaign is communicated internally (the newsletter and Intranet) and is addressed mainly to employees of the Head Office and Branches who work in the office complex at ul. Kasprzaka 25 in Warsaw. As part of the campaign, several internal ambassadors were appointed to promote pro-environmental attitudes among their colleagues. The campaign also features competitions for employees encouraging them to become involved in environmentally-oriented initiatives. The packaging charge was another issue addressed in the campaign. Eco workshops for employees, devoted to modern waste disposal methods, the concept of zero waste, or making eco-bags and forests in glass marked the end of the campaign.
- The **‘Oil Miner at School and Kindergarten’** educational campaign is held as part of an employee volunteering programme. Miners wearing miners' uniforms visit kindergartens and schools located mainly in the area of the PGNiG Zielona Góra Branch's operations (five provinces of western and northern Poland). PGNiG employees describe how crude oil and natural gas were formed and explain how crude oil and natural gas are explored for and produced. Each miner has a kit which contains a multimedia presentation with general information about the Company's business, as well as educational films about mining for children and teenagers. In addition, PGNiG Group companies support local kindergartens and schools by regularly organising and supporting Children's Days, Santa Claus gift-giving events and series of educational meetings, such as the Gazuś Academy. PGNiG uses these opportunities to promote knowledge of the gas and mining industries among children and their parents.
- **Exalo Kids Camp** training workshops for children of Exalo employees, which build in them a sense of interdependence and responsibility between exploration and drilling work and the natural environment, and present visions of the Company's growth and its importance for the Polish economy.
- The **Exhibition Hall** of PGNiG Zielona Góra Branch is where the Company interacts with various external stakeholder groups and Company employees through art and education. It is a venue for presenting achievements of the oil and gas industry and organising exhibitions of works of artists and young talents, charity campaigns and projects carried out by educational institutions, mainly from the Zielona Góra region. Those initiatives are addressed to local communities, employees and their families, participants of educational sessions. Ten exhibitions and meetings were held in 2019, including:
 - ‘Arkadia’ Care Services Centre of the Occupational Therapy Centre in Zielona Góra; photographs by Halina Ratyńska, a geobotanist, as well as watercolour paintings and jewellery by Izabela Berdowska “Heralds of the Spring”,
 - Meetings with employees-painters as part of the ‘Oil Passions’ series; another two meetings with the Branch employees were devoted to presenting five cyclists and Stanisław Leszczyński, a traveller who cycled around South America;
 - A plein air painting event for those under the care of ‘Senior-Vigor’ Day Care Centre in Zielona Góra. Artwork by senior citizens was shown at the Exhibition Hall on October 7th–11th during the Zielona Góra Seniors Week.
- **Maintenance and digitisation of artefacts from the PGNiG Gas Industry Museum and Library** The aim is to preserve and renovate archive materials representing the Company's historical heritage and evidencing its rich history and to adapt the Museum's collections to better suit the needs of contemporary visitors. The list of the 138 items that were renovated and digitised in 2019 includes archive documents, charts and engineering drawings, layouts of street gas pipelines, books and photographs. Among them are unique archival materials, such as seven inventory ledgers of Warsaw's Municipal Gas

House, which date back to 1938 and contain a list of all its properties and movables, supplemented after World War II with a list of war losses. Another item of great historic value is the collection of photographs documenting the overhaul of gas tanks, carried out in the 1950s, containing unique photographs of their internal structure.

- **Peregrine falcon protection project** – PGNiG TERMIKA is actively involved in the efforts to protect the peregrine falcon. In June 2019, four peregrine falcons hatched in the nest box located on the Kawęczyn HP chimney. The event attracted attention of the media and local communities. The Company organised a nationwide competition to choose names for the nestlings. The winning names were: Termik, Ciepłak, Kawek and Kominek. Besides building the nest box, the Company provided support to organisations working towards the protection of the peregrine falcon.
- The annual donation of **liquid helium to the Institute of Molecular Physics of the Polish Academy of Sciences in Poznań** made by PGNiG Odolanów Branch.
- EXALO supports social responsibility projects geared towards helping employees' families by financing **layettes** in the form of 'SMYK' gift card.
- PSG ran the social campaign "**Connect, because every breath matters**". The purpose of the campaign was to combat smog pollution and improve the quality of life of those living in Poland's most air polluted cities. As part of the project, PSG employees visited 20 cities and towns across Poland, and provided municipalities with mobile air pollution measurement devices with an external LED display, and carried out free spirometry tests.

Awards for social initiatives

- The PGNiG Zielona Góra Branch was awarded in the 'Socially Sensitive Business' competition in the area of community engagement and local community development for its long-standing 'Oil Miner at School and Kindergarten' initiative.
- The 'Złoty BohaterON 2019' award for PGNiG for its 'Debt of Gratitude' initiative, under which veterans can apply for co-financing of their gas bills.

6.1.3. Sponsorship

For many years, PGNiG has been involved in sponsorship activities leading to the development of social capital, with sport, culture and education as the three focal areas of the Group's sponsorship activity.

Sports sponsorship

Sports sponsorship of is an important part of PGNiG's marketing efforts. For many years, in addition to supporting local sporting initiatives, the organisation's comprehensive support has focused on one professional sports discipline – handball, which is based on strategic thinking, unlocking the players' potential and dynamic action, which perfectly reflects the Company's nature.

The level of national and international tournaments, the players' engagement and unique atmosphere in the stands translate into growing interest in handball among Poles, creating an excellent opportunity for PGNiG to further promote itself as a modern and dynamic brand. In 2019, PGNiG supported the following initiatives:

- **The Polish Handball Association** – PGNiG has been the strategic sponsor of Polish handball since 2010. Currently, support is provided to senior and junior national women's and men's teams. Numerous major handball events were held in 2019 with PGNiG acting as the strategic sponsor of the Polish Handball Association. The most important ones included:
 - Men's Senior National Team qualification to the 2020 European Championship to be held in January, where the Polish team will be playing Sweden, Slovenia and Switzerland;
 - the Women's Senior National Team made a brilliant start to EHF EURO 2020 by winning the first qualifier matches against the Faroe Islands and Ukraine;
 - in 2019, Poland played host to the European Beach Handball Championship. the Senior Team secured the 7th place (the best on record);
 - the Women's Team came third in the European Championship U17 B Women, held in Italy.
- **Superliga sp. z o.o.** – the Company is also a title sponsor of the men's league. PGNiG Superliga is the operator of Poland's top-class handball league. The name PGNiG Superliga stands for league games among 16 clubs, which compete for the title of the Polish Champion. The tournament is also an opportunity to organise a number of CSR events for fans and local communities. The most important ones included:
 - Trophy Tour 2019 (April 16th–30th 2019), held under a completely new formula, was the only opportunity for the fans to see the Superliga trophy before and during the quarter-finals. In each arena where the trophy was displayed, a special Trophy Tour zone was arranged and a professional photographer was hired to take photos of the fans posing against the trophy.
 - The 'We Play Fair' Anti-Doping Campaign – April 15th marked the launch of a nationwide 'WE PLAY FAIR' anti-doping information and education campaign, initiated by PGNiG Superliga. The campaign is addressed to professional and amateur athletes and youths. Its goal is to raise awareness and promote the ideas of fair play

and zero tolerance for doping in sports. The most accomplished athletes, medallists the Olympic Games and the World and European Championships, such as Arkadiusz Moryto and Michał Daszek, were appointed the campaign's Ambassadors. The campaign was organised under the auspices of the Ministry of Sports and Tourism.

- Kick-off of the professional Women's League, a turning point in the league's development, professionalisation and dynamic expansion;
 - Agreement with TVP for broadcasting matches on TVP Sport channel, starting from the 2019/2020 season, which translated into a more than 1,000% rise in the number of viewers of PGNiG Superliga;
 - For the first time ever, the rights to broadcast PGNiG Superliga competitions were sold abroad – from February, the matches can be watched in the United States;
 - The Independence Day Match (November 11th 2019) – the birth of handball in Poland is closely linked to the date of Poland's regained independence. To commemorate this special anniversary, PGNiG Superliga organised a special match – the handball players were wearing outfits with the image of Józef Piłsudski. An exceptional white and red setting was created for the event itself;
 - Movember (November 2019) – as in previous years, Superliga joined the Movember campaign. Each team selected their ambassador, who – by growing a moustache – will provoke debate on health issues and encourage men to take preventive tests to detect cancer.
- **PGNiG Summer Superliga** – PGNiG is also involved in supporting a new, promising sports discipline, that is beach handball, which is increasingly gaining in popularity. It is an excellent alternative to indoor handball as no indoor handball league tournaments are organised during summer holidays. 2019 finals of PGNiG Summer Superliga were held in early August in Darłowo, preceded by a series of tournaments organised in other towns and cities.
 - **PGNiG Challenge Charity Regatta** – charity regatta with proceeds donated to a Children's Hospice. 16 crews took part in the race. The regatta base was Gdynia Marina. The list of participants included representatives of Enea, Polski Gaz TUW, EuRoPol GAZ S.A., PGNiG Termika, TGE, LGE and LOTOS.
 - PGNiG TERMIKA extended, as of December 1st 2019, its sponsorship contract with Legia Warszawa football club, whereby it became an **'official heat supplier for Legia Warszawa'** for Legia Warszawa's first team for the next football season (until the end of June 2021).
 - The **handball section of the AZS (University Sports Association) of the AGH University of Science and Technology in Kraków** – the Company is the sponsor of the AZS AGH team. The sponsorship is geared towards strengthening collaboration between the PGNiG Group and the AGH University of Science and Technology in Kraków and to promote PGNiG as a reliable partner among the students – prospective employees of the Group.
 - The **17th Polish Oil and Gas Industry All-Terrain Bicycle Championship and the 4th Polish Oil and Gas Industry Cross-Country Run Championship** – a regular event aimed to promote an active and healthy lifestyle. The Championship is the opportunity to integrate employees of the energy sector. The participants compete for the PGNiG CEO's Cup.
 - PGNiG Group companies support local employee and school sports clubs, as well as initiatives and events that promote sports and healthy lifestyle.

Other sponsorship activities

Science and education

The PGNiG Group makes every effort to ensure that its support to initiatives in science and education contributes to the overall promotion of science in Poland. The Group also responsibly treats its cooperation with local communities, especially in the areas where its operations are located. As part of those initiatives, **festivals of science** are organised independently in many Polish cities, in partnership with local universities and other parties.

In addition, the Company supported **the Safety and Defence Knowledge Olympiad**, addressed to secondary school students. The awards include guaranteed enrolment to higher education institutions (national/internal security studies). The aim of the Olympiad is to promote knowledge of security science, including energy security, and defence science, as well as to create patriotic attitudes and promote understanding and tolerance for other people. The event was initiated by the Faculty of Political Science and International Studies of the University of Warsaw.

Culture and patriotic projects

In 2019, PGNiG continued its cooperation with the TVP Television Theatre, launched in 2016. One of the key cultural events sponsored by the Company was the concert in memory of the legendary Polish composer and musician Przemysław Gintrowski, entitled "Gintrowski – We will leave something to this world, after all".

In addition to sponsoring high culture, PGNiG supports a number of patriotic initiatives. Together with the PGNiG Ignacy Łukasiewicz Foundation, the Company runs the programme "We Warm Up Polish Hearts". The PGNiG Group companies also support cultural events in their respective local communities. The main projects included:

- **Sponsorship of the Polish Television Theatre (Teatr Telewizji)**

PGNiG's sponsorship of the Polish Television Theatre (a new agreement has been signed, for the period November 2019 – June 2021) is a very good example of cooperation with Telewizja Polska S.A. It is the Company's important initiative designed to support Polish culture and arts.

- **23rd International Gospel Music Festival – Camp Meeting Gniew 2019** – an international event organised for 23 years. Each of the five days of the festival is filled, from morning until late night, with numerous workshops (singing, conducting), with separate activities organised for children. The event attracts considerable interest. The concerts are attended by an audience of tens of thousands.
- **“Gintrowski – We will leave something to this world, after all”, the fourth edition**, a concert in homage to Przemysław Gintrowski, an artist who used to say that art should address issues related to basic moral values. By sponsoring the initiative, the Company pays homage to victims of the martial law period in Poland.
- **The 14th International Pianistic Forum “Bieszczady without Borders”** – The event is held periodically in Sanok or Warsaw. The concerts provide an opportunity to present the works created by outstanding composers throughout history. In 2019, the central theme of the concerts was “200 years of Polish music history”. PGNiG has for a number of years supported the organisation of this event.
- **Cursed Soldiers Memorial Run – Wolf’s Trail** is a sports event with historical education themes, aimed at promoting knowledge of the Cursed Soldiers and encouraging active spending of free time outdoors. The event is held simultaneously in many regions of Poland.
- **Production and distribution of the fictionalised documentary “Łukasiewicz – A Romantic Oilman”**
The film was produced as part of the ‘Historical Landscape of the Rzeszów Region’ series commemorating the famous people and events of the region. The on-screen depiction of Ignacy Łukasiewicz’s life is designed to restore among Poles the memory of that outstanding man, who made a significant contribution to the development of the oil industry in Poland and globally.
- **The 15th Żarnowiec Festival 2019**
The 15th jubilee opera and operetta music festival in Żarnowiec near Krosno, which also promoted Polish culture, national tradition and patriotic values, including the work of Polish writer and poet Maria Konopnicka, and the Maria Konopnicka Museum. The Festival plays a huge educational role in promoting classical music in the region and serves to preserve the vocal tradition of the Rzeszów region and support young talent.
- **Partial modernisation of the ‘Germans in Warsaw’ exhibition at the Warsaw Uprising Museum of Warsaw**
PGNiG provided financial support for maintenance and restoration of the exhibition ‘Germans in Warsaw’, showing the German system of power and terror, as well as the daily life of the people of Warsaw under occupation.

6.1.4. Customer satisfaction and customer awareness

The PGNiG Group companies providing services to retail customers (such as PGNiG OD and PSG) constantly improve their service quality and develop online sales channels and modern tools of communication with customers by creating a website for mobile devices and adapting the solutions applied to the needs of the disabled and elderly.

At the same time, efforts are made to increase customer awareness on the energy market in the context of market liberalisation and fair competition. Handbooks explaining the matters have been prepared and ‘Informed Customer’ campaigns are under way. The campaigns are targeted at gas and electricity consumers and are also a response to information about some traders’ unfair competition practices. The aim is to warn PGNiG’s customers against dishonest competitor vendors who want to pass for PGNiG employees, and to educate customers about their consumer rights.

New solutions improving customer service:

- **BOK 2.0 project** – modernisation of PGNiG OD customer service facilities. A total of 50 customer service facilities were modernised by the end of 2019. In 2020, the company plans to modernise another 22 Customer Service Offices. This countrywide project to modernise PGNiG OD’s Customer Service Offices involves not only a thorough overhaul and redecoration of the company’s brick-and-mortar facilities, but also implementation of new customer service standards. The modernised Customer Service Offices are equipped with queue ticket dispensers and infokiosks, which enable customers to settle some matters electronically. There will be also other amenities, such as comfortable waiting rooms, charging outlets for mobile device, and children’s plays areas. By the end of 2019, PGNiG OD placed in service a total of 48 renovated sale and service offices, and another 32 locations are scheduled for modernisation in 2020. The BOK 2.0 project will continue until the end of 2021.
- At all its Customer Service Offices PGNiG OD has implemented the **MIGAM** sign language system which enables the deaf without speech to establish a video connection with a sign language interpreter using a web browser, a mobile application or any other device that has a camera (the person communicates with the interpreter via a video connection). The purpose of the MIGAM system is to make it easier for the deaf without speech customers to function on the consumer market thanks to the use of new communication technologies.
- **eBOK self-service system** at PGNiG OD. Development of the eBOK electronic customer service channel (central eBOK, eBOK mobile application, eko-Faktura (eco-invoice), online execution of new contracts).
- In 2019, PSG also modernised 24 Customer Service Sites (MOK). The uniform appearance of Customer Service Sites across Poland, together with their clear marking, makes it easier for customers to reach and identify the sites regardless of its location.
- Review and update of information on the location and contact details of PSG sites published on Google Maps, deletion of old addresses or sites with old names.

- Launch of a single countrywide telephone contact number for the Contact Centre Office – PGNiG OD and PSG launched a countrywide contact centre. In 2019, the Contact Centre received 274,174 calls, which translates to a daily average of approximately 1,100.

Pro-environmental customer-oriented programmes supporting environmental protection:

- **'Switch to Gas'**, where PGNiG joined forces with local authorities to actively reduce smog by offering people easier access to environmentally-friendly gas fuel. Under the programme, PGNiG OD offers customers comprehensive assistance in the installation of gas-fired heating systems. To date, two editions of the programme have been held, covering 70 municipalities all over Poland. Almost 3,600 applications for the determination of connection conditions were received.
- **'Subsidy of up to PLN 3,000'** (1st and 2nd edition), offering financial support to consumers who plan to switch from solid fuel to gas fuel in their heating systems (co-financing of the purchase and installation of a gas-fired condensing boiler).
- The **'Breathe Deeply' loan** is a joint initiative of PGNiG OD and Bank Ochrony Środowiska, which aims, among other things, at reducing smog and improving air quality. The offering has been prepared for the existing and prospective customers of PGNiG OD to facilitate their switch to environmentally friendly heating systems fuelled by natural gas. A customer may receive a loan of up to PLN 100,000 from Bank Ochrony Środowiska. The 'Breathe Deeply' programme continues PGNiG's involvement in the efforts to improve air quality in Poland. Earlier, under the 'Subsidy of up to PLN 3,000' programme, persons interested in switching from solid fuel to gas fuel in their heating systems could receive a subsidy of PLN 1,000 (or even PLN 3,000 in the case of Large Family Card holders). The programme, which ended in May 2019, enjoyed high popularity; the pool of 12,000 subsidies was fully used and PGNiG paid out a total amount of almost PLN 16m. Thanks to the programme, CO₂ emissions fell by 80,000 tonnes and particulate emissions went down by approximately 140 tonnes per year.
- In 2019, PGNiG OD signed letters of intent providing for **the construction of CNG filling** infrastructure in: Łomża, Suwałki, Bielsko-Biała, Kielce and Lubin. Moreover, a contract was signed with Arriva, providing for gas fuel supplies for 54 environmentally friendly buses using mobile gas storage facilities and LCNG filling station at the bus depot in Warsaw. The Company also signed a contract for the supply of liquefied natural gas to 35 buses based in the Ostrobramska Bus Depot in Warsaw. Thanks to those contracts, in the near future we will see a total of around 500 new buses powered by environmentally friendly CNG on the Polish roads. PGNiG OD also signed a contract for the supply of over 1,000 tonnes of LNG for 27 lorries owned by Bisek-Asfalt, a company based in the Wrocław Province.
- Since 2019, PGNiG OD has also offered **LNG bunkering services**. Use of LNG in sea transport enables ship-owners to meet stringent environmental standards. In 2019, the company sold more than 1,000 tonnes of LNG for such purposes. Thanks to the launch of LNG bunkering services, more and more vessels powered by this eco-friendly fuel enters Polish ports. To satisfy the requirements of the Sulphur Directive, ship owners may choose to replace their conventional diesel units (which do not meet the requirements) with ones using LNG as fuel.
- Launch of **'Photovoltaics for Business'** partnership offering in October 2019. The offering, addressed to all existing or future business customers of PGNiG OD, is available on a turn-key basis. Polska Korporacja Fotowoltaiczna S.A. ("PKF") is responsible for installing the solar panel system and for its connection to the power grid and start-up. PKF is a distributor of Corab, one of the largest Polish producers of solar systems. Customers can also benefit from attractive terms of financing the investment, including support in obtaining funding from the existing assistance programmes and commercial financing.

Customer satisfaction survey

In 2019, PGNiG OD carried out comprehensive customer satisfaction surveys, covering both retail and business customers. Customer satisfaction is also included in brand and communication tracking. A CATI research was carried out, using a standardised questionnaire which had also been used in previous surveys (since 2017). The research showed a high level of customer satisfaction, both for the entire pool of respondents (with CSI at 87%), as well as for individual business customer segments: strategic customers (86%), key customers (88%), and business customers (84%). Given the research results from previous years, customer satisfaction indices can be considered very stable and highly satisfactory, as the CSI stood at 86% in 2017 and 87% in 2018 (to note, in 2013 the CSI was 76%)

In the B2B segment, the areas which contribute most to such high CSI are primarily gas fuel supply, the work of customer consultants, and billing (invoicing) processes.

Retail customer satisfaction survey. A CATI research was carried out on a random group of PGNiG's retail customers. Customers visiting Customer Service Offices were interviewed using the MOBI technique. The survey was conducted on the entire customer base and among customers visiting Customer Service Offices.

Retail customers are satisfied with the services provided by PGNiG OD, with the overall customer satisfaction score at a very satisfactory level of 85.2 points. The score is even higher, at 90.8 points, among customers who had direct interaction with the Customer Service Centre.

Retail customers show strong brand loyalty, with the overall customer loyalty score at 83.1 points and at an impressive 89.9 points among customers who visited the Customer Service Centre during the survey.

PSG conducted its third survey to measure customers' satisfaction with the gas network connection process. The survey was carried out by an independent external firm in the form of telephone interviews. The questionnaire contained closed-ended and

open-ended questions on how the connection process could be improved. The 2019 average rating of customer satisfaction with the gas network connection process was 4.05 (on a scale from 1 to 5).

PST improved its online reputation on Google pages, climbing from star rating 2.7 to 4.3. The company also conducted a customer satisfaction survey among its existing customers, with 80% of customers rating their satisfaction at 8 or higher (on a scale from 1 to 10). The high customer satisfaction level was also confirmed by the 92% recommendation score from Check24.

6.2. Due diligence policies and procedures

Corporate social responsibility and sustainable development initiatives are taken on the basis of the PGNiG Group Sustainable Development Strategy for 2017–2022, which supports and supplements the business objectives defined in the PGNiG Group Strategy for 2017–2022, taking into account the key areas of society, environment and economy, as well as the growth direction envisaged in the PGNiG Group's mission and vision.

PGNiG's mission statement underscores the Company's responsibility for ensuring Poland's energy security and focus on both retail and corporate customers with their different needs.

Listed below are internal regulations defining the framework for corporate social responsibility activities of PGNiG S.A., the PGNiG Group and the PGNiG Foundation:

- PGNiG Group Sustainable Development Strategy for 2017–2022 (see Section 5 for details);
- Sponsorship rules for the PGNiG Group providing guidelines on transparent conduct of sponsorship (partnership) activities under dedicated projects consistent with Group companies' business profiles;
- PGNiG S.A. donation rules governing the manner and scope of donations made by the Company;
- PGNiG Foundation donation rules providing a framework for awarding funding by the Foundation;
- Internal sponsorship and donation regulations implemented by Group companies, which incorporate PGNiG's regulations, for instance the rules governing donations made by GSP to various entities, particularly those operating in the municipalities and counties where underground gas storage facilities are located;
- PGNiG Group Ethical Standards Code.

6.3. Selected social performance indicators

In 2019, over 365,000 beneficiaries, including over 20,000 students were direct recipients of CSR projects run by the PGNiG Ignacy Łukasiewicz Foundation and other PGNiG Group entities (including, in particular, PGNiG, PGNiG OD, PGNiG TERMIKA and PSG).

In 2019, the PGNiG Group companies and the PGNiG Foundation provided support to over 500 initiatives and events, compared with over 400 in 2018.

6.4. Significant social risks and their management

The Group identified the following significant social risks and risk mitigation measures:

| No. | Risk | Risk management and prevention measures |
|-----|--|---|
| 1 | Risk of poor relations with local communities and their impact on the progress of work performed on site | <ul style="list-style-type: none"> • Implementation of the CSR strategy • Cooperation with local authorities • Education and information initiatives intended to provide project updates • Interviews with local communities, open/one-on-one meetings, negotiations and mediation • Cooperation with non-governmental organisations • Addressing real problems of local communities (programmes, projects, support for local initiatives) • Contacts with local media |
| 2 | Risk of poor relations with customers | <ul style="list-style-type: none"> • Review of agreements in terms of legal compliance • Provision of customer service training to employees • Compliance with the Code of Ethics • Rules and regulations applicable to customer relations • Development of modern channels of communication with customers • Regular customer satisfaction surveys (PGNiG OD, PSG, PST) • Fair communication of information through direct and indirect channels, including the media |
| 3 | Reputational risk – negative publicity in traditional and social media, | <ul style="list-style-type: none"> • Internal rules governing contacts with the media and use of social media by employees • Building lasting media relations • Ongoing monitoring and contact with key journalists • Quick analysis and response to negative publicity • Ongoing social media monitoring • Internal regulations on crisis communication |

| No. | Risk | Risk management and prevention measures |
|-----|---|--|
| 4 | Risk of exploration work causing inconvenience to local communities | <ul style="list-style-type: none"> • Use of new technology solutions. Implementing growth-oriented projects (the innovative nodal seismic data acquisition system, etc.) Given their small size and weight, nodal sensors allow surveys to be conducted in an environmentally-friendly fashion. They help to simplify the logistics of exploration activities, making them less onerous to the environment and local communities • Education and information initiatives intended to provide project updates |
| 5 | Risk of conflicts with local communities causing obstacles to mining activities | <ul style="list-style-type: none"> • Fostering cooperation through sponsorship, image-building and CSR projects and events • Cooperation with local authorities • Education and information initiatives intended to provide project updates • Interviews with local communities, open/one-on-one meetings, negotiations and mediation |
| 6 | Risk of misunderstanding the nature of mining activities and their environmental impact | <ul style="list-style-type: none"> • Inviting visitors or allowing tours around gas extraction facilities, gas storage facilities, etc. • Information meetings with local authorities and local communities. |



7. Employee issues

7.1. Area description – employees

Employees are PGNiG Group' most valuable asset, instrumental in delivering its stated strategy. Proper application of employee skills and competencies allows the organisation to offer products that meet customer expectations and to ensure Poland's energy security. Employee commitment to ensuring the growth of the PGNiG Group guarantees delivery of strategic plans and achievement of ambitious goals that contribute to building stable market leadership. A strong and recognisable brand is capable of attracting specialists and qualified professionals ready to work as a team to leverage their potential and contribute to its growth. The PGNiG Group makes every effort to ensure that its employee relations are based on mutual trust and transparent standards of conduct. These efforts are aimed at building mutual and fair employer-employee relationships, which help to eliminate potential disputes and contribute to building an efficient organisation. This is reflected in the Group's CSR Strategy, which contributes to building a culture of employee engagement in the organisation's operations and growth. The human resources management style adopted by the PGNiG Group has the important aspect of giving employees the ability to shape the workplace, influence the organisational culture and take their own initiative at work.

The organisational culture is based on information flow and knowledge sharing between employees, which helps to build a modern organisation. Employees are informed of key events and initiatives implemented within the PGNiG Group. The most widely used employee communication channel is the *Głos Grupy* magazine for employees, which is a source of information on projects and undertakings implemented across the Group. The magazine has a teambuilding aspect, sharing stories about interests and hobbies pursued by employees. Everyday communication takes place through company intranets, which publish news and internal communications on a regular basis.

An important factor influencing performance is employee engagement and personal fulfilment opportunities gained through participation in exciting and innovative projects. As the PGNiG Group considers proactive behaviour and loyalty of its employees to be a source of competitive advantage, it strives to create a friendly workplace environment that meets employee expectations. A positive atmosphere at work makes employees feel appreciated, respected and capable of fully realising their professional potential. It should be stressed that this would not be possible if mutual obligations arising from the adopted rules governing the employer-employee relationship were not met. The key factors facilitating strong relations within the organisation are remuneration and incentivisation.

7.1.1. Remuneration and benefits policy (GRI 401-2)

The PGNiG Group applies a clear and transparent remuneration policy governed by the Collective Bargaining Agreement. At the same time, the individual organisational units apply the internal regulations and trade union agreements in force within their own structures. Ensuring that remuneration is appropriate to the type of job and linked to performance quality and efficiency is a vital element of the remuneration policy. Given its deeply rooted ethics, the Group is vigilant in ensuring that there is no discrimination in access to employment and working conditions. In addition to transparent remuneration systems, employees are motivated by numerous benefits as well as co-workers' openness to collaboration in joint initiatives.

New hires emphasise the importance of the Induction Programme, which enables them to get to know the organisation quickly and integrate into its structures. Task diversity, opportunities to improve qualifications through training and conferences, as well as satisfaction with their tasks are only some of the incentives that motivate employees to work. It should be noted that the PGNiG Group also operates an MBO-based bonus system for management personnel. The management-by-objectives system precisely defines key tasks relevant to the PGNiG Group's priorities, with bonuses for managers depending on the quality and degree of performance against those priorities. Employees may also receive a discretionary performance bonus awarded quarterly by line managers. Another form of remuneration is a discretionary task bonus, earmarked for employees excelling in their work. The Group also presents project awards to staff involved in the execution of project tasks. In addition to those awards, the Group offers the following extra payments, fringe and non-financial benefits to employees hired under contracts of employment:

Extra payments:

- Length-of-service award
- Retirement severance payments
- Employee Pension Scheme
- Cash awards to employees receiving Outstanding Service to the Oil and Gas Mining Industry badges
- Christmas bonuses
- Special bonuses
- Night work allowance
- Sickness allowance
- Rescue worker allowance

Fringe benefits:

- Payments from the Company Social Benefits Fund
- Prevention and healing holidays
- Assistance with the cost of eyeglasses
- Medical services plan
- Assistance with commuting costs for Head Office employees
- Language courses
- Costs of travel (business travel) for university students
- Assistance with the costs of graduate, post-graduate, MBA and doctoral programmes, etc.
- Assistance with the cost of sports and recreational cards
- Assistance with the cost of tickets for cultural, educational, sports and recreational events
- Assistance with the cost of miner uniforms

Non-financial benefits

- Additional holiday entitlement (including health leave, special leave, etc.)
- Extended notice period for employees with over 15 years' service
- Recuperative meals (for selected professions)
- Participation in professional development projects
- Participation in group-wide projects, including as a project team member or project manager
- Flexible working hours.

7.1.2. Recruitment

Hiring the right employees that match current needs and the job profile is an important driver of the Group's success. The PGNiG Group operates a recruitment process designed to select candidates that will deliver added value to the entire team. The Group enables existing employees to participate in the recruitment process. Internal recruitment allows to better exploit the potential of current employees, who are given an opportunity to progress their career and gain new experience not only within their company but in any PGNIG Group company. In line with its Code of Ethics, the Group does not differentiate between candidates because of their gender, age, physical disabilities, race, religion, nationality, political beliefs, trade union membership, ethnic origin, or sexual orientation. Questions that candidates can perceive as discriminatory are prohibited.

The recruitment process helps to get to know candidates better and to learn about their competencies, professional experience and personal career goals. It also enables potential employees to learn about the organisational culture and growth opportunities offered by the Group. A clear and transparent recruitment process helps to make responsible decisions regarding employment and career development of candidates. A multi-stage recruitment process comprising application selection, preliminary interview and job interview, helps select employees that will strengthen the Group's current position. During the complex selection process tools are used to select employees appropriate for the scope of duties and skills required in a position. The most popular tools include knowledge tests, practical skills test, case studies, assessment centres and psychometric tools.

7.1.3. Programs for upgrading employee skills and transition assistance programs (GRI 404-2)

The Group takes care to promote employee competency development through the Training Management System. By managing the employee training and development area the Company improves the effectiveness of its training programmes and efficiently calculates and controls funds allocated to employee development. The Group has Training Officers to analyse training needs in order to precisely select development programmes suitable for individual employees. As the PGNiG Group's subsidiaries are engaged in a wide range of business activities and employees' knowledge in key fields needs to be kept up-to-date, it is up to each subsidiary to determine the type and extent of their staff training.

Employees develop their skills through internal and external training. There are also various projects that employees carry out as part of the Group's broad operations. Resolving unique issues relating to long-term contracts is perceived by employees as the quickest route towards professional development. Employees are encouraged to exchange knowledge and share it with colleagues and thus contribute to creating an open and creative organisation. Thanks to the Training Officer, employees receive training tailored to their skills, knowledge gaps and competencies. Investment in qualified staff from the date of hire is key as it enhances professional skills of the entire team. Our employees are given opportunities to improve their professional qualifications through a range of postgraduate university programmes, industry conferences, seminars and symposia, and also through occupational training. Depending on their respective responsibilities and individual needs, employees can participate in a variety of training courses covering all aspects of a modern business, including risk management, legal environment analysis and customer service. The Training Management System specifies in detail the forms of training applied. These include:

- Training courses and seminars in Poland (including language courses organised by PGNiG Head Office/Branches)
- Training courses abroad
- Conferences in Poland
- Post-graduate courses, MBA, legal counsel training
- First bachelor's and master's degree programmes

- First engineering degree programmes
- Doctoral degree programmes (including implementation PhD thesis projects)
- Adult education
- Internships
- Guided self-study (e-learning, etc.)
- Other employee learning programmes that are employee training in nature.

7.1.4. Management and succession programmes

The PGNiG Group implements management skills training programmes within its business units. One of these initiatives is the Managers Academy run at PGNiG, which is a programme of regular leadership skills training for management personnel. A third edition of the programme, launched in 2018, called 'From Manager to Leader', was completed in 2019. The target recipients were middle-level managers, who were given the opportunity to enhance their skills and competencies in communication, cooperation, joint responsibility/engagement, decision making, people management, task management, and openness to change. The aim of this edition of the programme was to improve existing competencies and to change the perception of managers and see them as leaders who support their teams. Also, a 'Leader with Positive Energy' training series was held under the Managers Academy programme at PGNiG OD. The purpose of the project was to improve the knowledge of best management practices and to develop leadership skills. It aimed to encourage commitment to building the Company's organisational culture by strengthening and fostering close and successful relations between employees, leaders and teams, all with a view to delivering the stated business objectives.

A management training programme under the name 'Four Generations on the Labour Market – Management and Communication with Generations Z,Y,X and Baby Boomers' was run in 2019. The programme was designed to improve communication and eliminate generational conflicts in teams. PGNiG also promoted development of competencies relating to key aspects of management by holding a training programme called 'Leadership and Change Management', which aimed to provide knowledge on how to manage the organisation after a change in its structures and how to integrate employees and identify areas requiring change. In 2019, management personnel also attended the 'Mission, Vision, Strategy' workshop to work out shared values and strategic directions for the Group. In addition to the traditional forms of training and workshops, online training in management and personal development is also provided to managers. Access to various training courses at any convenient time allows managers to flexibly plan when and how they want to learn. Online training was delivered throughout 2019. A total of over 2,000 people participated in the management skills development programmes in 2019.

Given generational changes and fear of loss of expertise held by experienced Group employees, PGNiG launched a pilot Mentoring Programme in 2019. Its overriding objective is to share knowledge, expertise and long-standing experience by employees who are experts in their fields with their less knowledgeable colleagues. As such, the programme is also directed to employees who are retiring soon to enable them to become mentors and share their knowledge with new employees.

7.1.5. Employee performance assessment

The purpose of the Performance Assessment System is to direct employees to perform tasks supporting the implementation of the Group's strategic objectives and to provide them with clear expectations and performance feedback. Performance assessments also help to improve employee efficiency and competencies. There are two types of performance assessment at the PGNiG Group. One is performed annually (an annual performance review) and the other is performed twice a year (a semi-annual performance review). The annual performance reviews evaluate the performance of blue-collar workers and white-collar field staff. The semi-annual assessment is required for all the other employees except for the senior management staff covered by the MBO system and legal counsels. Performance is assessed based on the following elements:

- assessment of performance quality and competencies (annual assessment)
- assessment of work and task performance quality, competence assessment (semi-annual assessment; competence assessment is performed once a year in December).

Annual 360° performance appraisals are performed with respect to the senior management staff covered by the MBO system, and involve subordinates, co-workers, line managers, and the managers themselves through self-assessment. The 360° performance appraisals ensure full anonymity and involve numerous respondents representing various areas of competence and various organisational levels.

Competencies are evaluated on a four-point descriptive scale (very good, good, area for improvement, area for significant improvement). Following the assessment, the appraiser and the appraisee summarise its results and identify areas of outstanding performance and areas for improvement. To conclude the performance assessment the employee and the line manager jointly select the employee's strengths and areas for further development. This forms the basis for the line manager to formulate development measures that may be integrated into the performance assessment as development tasks for the following assessment period and that may be evaluated in the same way as other tasks.

Employee performance assessment is a very special component of the HR policy as it represents a starting point for various initiatives in the area of human resources, and it constitutes a tool of the incentive policy enabling evaluation of employees'

development potential. The Performance Assessment System is a source of information used to identify HR requirements, recognise employee achievements, develop a remuneration system, implement staff transfers, including promotions and redundancies, and to create concepts for employee improvement through training programmes. Every year the system is gaining in effectiveness as a management tool, particularly in the area of sales. The performance assessment system serves to plan and coordinate the staff management process to ensure that employees are productive in performing what their line manager expects of them, but also that they achieve their own objectives and expectations towards the organisation.

7.1.6. Working comfort and conditions

Apart from stimulating employees' personal development through training courses, workshops and various projects, the PGNiG Group makes tangible contribution to its employees' comfort and effectiveness by implementing solutions making their work easier. In 2019, the following initiatives and investments were implemented in this respect:

- Introduction of the TetaME system – discontinuation of the written holiday/leave request procedure. Currently, employees use an electronic system which allows them to submit leave requests and obtain related information.
- Launch of an Electronic System of Invoice Management at Geofizyka Toruń – transparent flow of documents and improved work organisation.
- Launch of a new system of access control and work time recording – the system increases safety of people and property and facilitates access to the premises by eligible persons. The system also supports verification of employees' working hours.
- Modernisation of a Fire Alarm System – improvement of safety of persons and property on the Group's premises.
- Fit-out standardisation and modernisation at PGNiG OD's Customer Service Offices throughout Poland – significantly improved working conditions of the customer service staff. New interior design of Customer Service Offices enabling faster and more efficient service of customers, including the disabled and customers coming with small children.
- Launch of the LEX HR system at the PGNiG's HR Department to provide reliable information and reduce the risk of differences in interpreting legislation.
- Launch of an electronic remote work request system – streamlining the request submission process.
- Launch of an electronic questionnaire for surveying employees' satisfaction with conferences they attend – survey of employee satisfaction with the activities of conference organisers, offering an opportunity to advise participants of future conferences.
- IT equipment replacement – improvement of work safety and comfort.
- Upgrade of the production floor at PGNiG Technologie to improve productivity and production quality.

7.1.7. Internships and work placements

Within its structures, the PGNiG Group undertakes initiatives to enable will-be employees to develop competencies and gain initial experience. As one of the largest corporate groups in Poland, guided by a sense of responsibility for future generations, the PGNiG Group enables all interested to draw on the knowledge and experience of its employees by participating in training placement and internships programmes. As part of such programmes, young people are offered an opportunity to familiarise themselves with the organisation, understand the work of the gas and oil industry and, most importantly, they can make practical use of the knowledge acquired at the school or university. In 2019, PGNiG organised or participated in the following internship and education programmes:

- **GeoTalent** – PGNiG's proprietary internship and education programme for students of the AGH University of Science and Technology in Kraków, the Faculty of Geographical and Geological Sciences of the Adam Mickiewicz University of Poznań and the Faculty of Geology of the Warsaw University. It seeks to identify and attract the best students and graduates who want to pursue their professional careers in the oil and gas industry. GeoTalent comprises workshops, competitions for students, the Mentoring Programme, the Ambassadorial Programme, the Summer Internship Programme, and other similar initiatives. A total of 41 interns completed paid placements with PGNiG in 2019.
- **Energy for the Future** is an internship programme run by PGNiG jointly with two other groups (the PGE Group and the ORLEN Group) under the auspices of the Ministry of Energy; in October 2019, the fourth energy company, PSE S.A., joined the programme. It aims to find the most talented students and graduates of faculties relevant to the Polish energy sector. Each participating student has a chance to gain hands-on experience and skills in his/her areas of interest. The number of interns enrolled in the fourth edition of the programme was 29. September 2019 saw the end of the third edition, with 23 participants.
- **Deposits of Career** – a programme offering students and graduates of all faculties (except oil and gas engineering, covered by GeoTalent) an opportunity to gain professional experience at a large, stable company. Its participants can complete an internship and take part in educational events to support career building. In 2019, the Company hosted ten interns under the programme.

Internships are also offered by PGNiG outside the programmes discussed above. In 2019, a total of 187 persons were covered by the internship and work placement opportunities.

Number of internship and work placement participants in the PGNiG Group in 2018–2019:

| Organisational unit | Number of internship and work placement participants in 2019 | | Number of internship and work placement participants in 2018 | |
|---------------------|--|---------------------|--|---------------------|
| | Secondary school students | University students | Secondary school students | University students |
| PGNiG | 10 | 177 | 36 | 217 |

7.2. Due diligence policies and procedures

At the PGNiG Group, HR matters are subject to internal policies and regulations which support Group companies' management boards and managers in managing this area. The most important policies include the PGNiG Group's Policy on Workplace Kits granted to employees. The regulations adopted under the Policy:

1. Introduce Group-wide rules on defining a Workplace Kit to which an employee is entitled depending on their position;
2. Rationalise and optimise expenditure on equipment and services employees need to perform their duties.

Remuneration-related matters are also governed by the Collective Bargaining Agreement executed with the trade unions pursuant to Art. 241 of the Polish Labour Code on July 15th 2009. The agreement specifies the key principles governing the provision of work under an employment contract, including working time and shifts, holiday leave, social benefits and the protection of working conditions. The rules adopted in the Collective Bargaining Agreement:

1. Define the employment relationship between the employer and the employee, the contract execution rules, as well as the mandatory and optional components of a contract; Indicate the components which form an integral part of the contract, such as the job qualification sheet, job description, scope of duties or job instruction;
2. Specify the conditions for terminating the contract and applicable notice periods, as well as the form of termination;
3. Define the working time and which hours it covers, as well as the conditions prohibiting overtime work. At the same time, the document specifies the scope of application of an equivalent working time system and the breaks to which an employee is entitled within their working time. Furthermore, the agreement defines the circumstances in which overtime work is allowed;
4. Streamlines the terms of using holiday leave and defines the number of holiday leave days for employees with both below and over 10 years of service. The document further defines the deadline by which the leave must be used. The agreement also defines the conditions under which the employer grants employees prevention and therapeutic holidays in a sanatorium.
5. Further specify the terms of remuneration by laying down the rules for job classification into specific qualification levels.
6. Define the terms and conditions for granting cash benefits in the form of length-of-service awards, severance payments upon the termination of employment, and other cash awards, such as the 'St Barbara Day award'.
7. Streamline the rules of establishing the Company Social Benefits Fund and organising group holidays for employees' children, as well as of equipping workplaces taking into account the occupational health and safety regulations.

Acquiring new staff is also a vital element of the human resources policy. This area is governed by the Standard of Employee Selection and Recruitment at the PGNiG Group. The Standard aims to ensure hiring appropriately qualified staff, strengthen the internal labour market and consolidate the PGNiG Group's image as a responsible and sought-after employer. The Standard sets out:

1. Conditions for starting a recruitment process to find employees for existing or newly created job positions;
2. Candidate selection rules envisaging internal and external sources of acquiring candidates;
3. The tools to be used when selecting candidates, subject to the condition that the same terms must be used during a single recruitment process to maintain uniform verification;
4. Rules for protection, processing and archiving of personal data.

It should be noted that the Organisational Units manage their key HR issues for pursuant to their internal regulations. The key regulations at a unit level include:

1. Work Rules
2. Employment monitoring procedure
3. Remote work procedure
4. Recruitment procedure
5. Rules of promotion and change of employment terms and conditions
6. Rules of the Company Social Benefits Fund
7. Rules of the Performance Assessment System
8. Rules of organisation of internships and work placements.

7.3. Occupational Health and Safety

7.3.1. Description of the area, the policies and procedures applied

The PGNiG Group companies manage the areas of quality, environmental protection as well as occupational health and safety on the basis of the Group-wide QHSE (Quality, Health, Safety, Environment) Policy. The QHSE Policy defines the goals and directions of the Group companies' activities in those areas and embodies their commitment to ensuring that products and services satisfy relevant quality requirements, building positive relations with customers, operating in compliance with applicable laws, and continuously enhancing the effectiveness of the quality, environmental protection, and OHS management systems. It is also the Company's commitment to take pro-active measures to prevent injuries and occupational diseases as well as environmental damage.

The PGNiG Group performs its tasks on a systemic basis, in accordance with the best standards defined in the international ISO 9001:2015, 14001:2015 and OHSAS 18001:2007 standards, taking account of good industry practice. The tasks performed result from the commitments made by the Company's Management Board in the QHSE Policy and from the need to implement and maintain the Company's Quality, Environment, and OHS Management System.

All employees have access to OHS training and extensive medical care. Each employee has been instructed about the occupational risk level at their workplace. The training courses are conducted regularly, their frequency depending on the job and related risks. Increasing the level of safety is also the subject of annual meetings organised by the Company's Head Office, devoted to OHS conditions and experience sharing, and attended by representatives of external bodies, such as the National Labour Inspectorate.

PGNiG builds a safe work culture among employees, which translates into their correct behaviour, attitudes and actions. We undertake measures aimed at continuous improvement of safety of all persons staying on our premises, including visitors.

The PGNiG Group QHSE Policy regarding health and safety was implemented through the following measures:

- Identifying hazards and conducting job and workplace risk assessments;
- Identifying and ensuring compliance with applicable laws and other requirements;
- Setting improvement goals;
- Implementing corrective measures;
- Applying state-of-the-art safeguards and process solutions designed to prevent accidents, mechanical failures and occupational diseases;
- Building relationships with contractors;
- Identifying and reporting near misses;
- Promoting and implementing safety improvement and safe behaviour awareness programmes.

7.3.2. Best practice and initiatives

Key initiatives and best practice in 2019 include:

- Awarding PGNiG the **Silver Card of the Forum of Safe Work Leaders**, a prestigious organisation coordinated by the Central Institute for Labour Protection – State Research Institute, currently associating 146 companies which may serve as role models in safe work culture. The Forum aims to build partnership between its members as well as between employees and employers who use science and technology achievements (in particular the solutions developed by the Central Institute for Labour Protection – State Research Institute) in shaping working conditions. Depending on the results of their efforts for occupational safety and employee healthcare, as well as on the extent and results of cooperation with the Institute, Leaders are awarded Green, Silver or Gold Card of a Safe Work Leader. The Card holder is entitled to take advantage of privileges offered by the Card when cooperating with the Institute.
- The **'Safe in the Workplace' competition** at PGNiG – With a view to promoting OHS and fire safety rules, promoting best practices in OHS, as well as motivating employees who, through their behaviour and adherence to applicable laws, contribute to better OHS conditions, each year PGNiG organises the 'Safe in the Workplace' competition. The competition comprises written tests covering OHS, fire safety and first aid principles and rules, as well as practical skills. Similar competitions for employees are organised by other Group companies. In 2019, PSG held the 6th edition of the OHS, fire safety and environmental protection competition, and Geofizyka Toruń organised the 'Work Safety' OHS competition to celebrate the World Day for Safety and Health at Work.
- For PGNiG's Head Office, six automated external defibrillators (AED) were purchased and located in the office buildings at ul. Kasprzaka 25. 125 PGNiG Head Office employees were trained in first aid and use of AEDs. First aid training is also provided by other PGNiG Group companies: PGNiG OD and Exalo trained 195 and 123 employees, respectively.
- OHS services from the PGNiG Group meet regularly to share knowledge and experience and to establish OHS-related cooperation across the Group.
- Pilot training sessions were carried out using the VR technology. Innovative training using the state-of-the-art VR technology (glasses with controllers) allows the trainee to be transferred into a virtual reality to train in fire safety and first aid (101 employees trained).
- OHS staff publish, on a regular basis, educational articles in company periodicals to promote safety at work.
- PSG has offered free vaccination against Lyme disease (Lyme borreliosis) for employees working outdoors and running the risk of a tick bite.
- Geofizyka Toruń Mission Zero Programme – designed to raise OHS awareness among employees and encourage them to identify hazards and assess risks prior to performing a task.

7.4. Selected HR indicators

7.4.1. Information on employees and other workers (GRI 102-8)

As at December 31st 2019, PGNiG employed 4,812 staff, 32 (or 1%) more than in the previous year. The increase was mainly driven by the need to adjust the staffing levels to current business requirements.

Employment at the PGNiG Group by segment

| | 2019 | 2018 | Change | |
|----------------------------|---------------|---------------|-------------------|--------------|
| | PGNiG Group | PGNiG Group | Number of persons | Percentage |
| Exploration and Production | 6,747 | 6,958 | -211 | -3.0% |
| Trade and Storage | 3,061 | 3,051 | 10 | 0.3% |
| Distribution | 11,482 | 11,542 | -60 | -0.5% |
| Generation | 1,833 | 1,813 | 20 | 1.1% |
| Other Activities | 1,663 | 1,510 | 153 | 10.1% |
| TOTAL | 24,786 | 24,874 | -88 | -0.4% |

As at December 31st 2019, the PGNiG Group employed 24,786 staff, 88 fewer than the year before. Workforce at the PGNiG Group (by segment) was as follows:

- In the **Exploration and Production** segment, workforce was down by 211 (or 3%), chiefly on the back of:
 - 89 workforce reduction at Geofizyka Toruń (10% of its total workforce) following completion of certain operations, including field work, which required contingent staffing, a standard practice at the company due to the nature of its business;
 - 99 workforce reduction at Exalo Drilling (5% of its total workforce), primarily as a result of lower labour demand on foreign markets;
 - as part of centralising HR and payroll services at PGNiG, 37 members of HR and payroll field personnel from the production branches were transferred to the Company's Head Office in Warsaw.
- The employment number for the **Trade and Storage** segment went up by 10 staff (or 0.3%) year on year. The key changes included workforce increase at GSP, by 8 employees (or 6%), driven, among other things, by the launch of a new organisational unit responsible for the mobile service of the salt cavern gas storage facilities in Mogilno and Kosakowo.
- Workforce at the **Distribution** segment decreased by 60 employees (or 0.5%), mainly as a result of old-age retirement and postponement of recruitment processes to fill the related vacancies for subsequent periods.
- In the **Generation** segment, the workforce increased by 20 (or 1.1%), which is attributable to PGNiG Termika's policy geared towards securing the adequate number of employees and competencies given the expected old age retirements. The Company launches recruitment processes well in advance, which triggers temporary increases in employment numbers, but also provides new hires with sufficient time to adapt to their new jobs.
- The number of employees in the **Other Activities** segment rose by 153 (or 10%) due to a number of changes in individual companies of the segment. The key events are presented below:
 - 50 new hires at PGNiG Serwis (18% of its total workforce) to keep up with the development of its services, in particular property protection services;
 - Transfer of 37 members of HR and payroll field personnel from the production branches to PGNiG's Head Office as part of centralising HR and payroll services at the Company;
 - The employment number for Gazoprojekt increased by 21 (or 14%) in keeping with the pace of the company's business growth;
 - Continued expansion of Polski Gaz TUW's operations brought about an increase in its staffing levels by 14 employees (or 42%).

Number of employees under employment contracts, by gender and employment type (as at December 31st 2019)

| Organisational unit | PGNiG | | PGNiG Group | |
|---------------------|------------|------------|-------------|------------|
| | open-ended | fixed-term | open-ended | fixed-term |
| Contract type: | | | | |
| Women | 95% | 5% | 87% | 13% |
| Men | 96% | 4% | 90% | 10% |
| Total | 96% | 4% | 89% | 11% |

Number of employees under employment contracts, by region and employment type (as at December 31st 2019)

| Organisational unit | PGNiG | | PGNiG Group | |
|---------------------|------------|------------|-------------|------------|
| | open-ended | fixed-term | open-ended | fixed-term |
| Contract type: | | | | |
| Poland | 96% | 4% | 90% | 10% |
| Europe | 100% | 0% | 83% | 17% |
| Other | 83% | 17% | 38% | 62% |

Number of employees by employment type and gender (as at December 31st 2019)

| Organisational unit | PGNiG | | | PGNiG Group | | |
|---------------------|-------|-------|-------|-------------|-------|-------|
| | Women | Men | Total | Women | Men | Total |
| Employment contract | 97.1% | 98.0% | 97.8% | 95.4% | 95.2% | 95.3% |

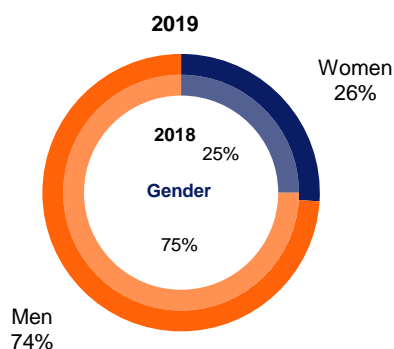
| | | | | | | |
|---------------------|------|------|------|------|------|------|
| Piece-work contract | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Mandate contract | 2.7% | 1.8% | 2.0% | 4.4% | 4.0% | 4.1% |
| Agency agreement | 0.0% | 0.0% | 0.0% | 0.0% | 0.5% | 0.3% |
| Managerial contract | 0.1% | 0.2% | 0.1% | 0.2% | 0.3% | 0.3% |

Number of persons who work for the organisation, but who are not employed under employment contracts (as at December 31st 2019)

At PGNiG, the number of such employees is negligible (five). Such persons are only hired when the Company is in need of high-class experts. Very few PGNiG Group companies, and only rarely, enter into this form of cooperation. They either employ a few or no such experts at all. This form of work is used on a larger scale by the following three companies:

- Geofizyka Toruń – in 2019, 127 employees who were not its employees performed work for that company, accounting for about 16% of its total workforce. Such persons usually perform simple tasks at field units (seasonal jobs).
- Geovita – in 2019, the company hired 199 such persons due to employment seasonality (holiday seasons or winter holidays).
- Exalo Drilling – due to its operations in the Republic of Chad, the company uses services of third party providers. In 2019, the number of staff hired through those providers was 2,276, working mainly under drilling mud contracts and contracts for the provision of management services. This form of employment is used given the nature of the work and local labour law in the Republic of Chad.

✓ Fig. 8 Workforce structure at the PGNiG Group as at the end of 2019, by gender



Management Boards of PGNiG Group companies by gender and age (%) as at the end of 2019 (GRI 405-1)

| Organisational unit | Women | | Men | |
|---------------------|-------------|----------------------|-------------|----------------------|
| | 31-50 years | over 50 years of age | 31-50 years | over 50 years of age |
| PGNiG | 17% | 0% | 67% | 17% |
| PGNiG Group | 10% | 0% | 40% | 50% |

7.4.2. Employees covered by the Collective Bargaining Agreement (GRI 102-41)

Employees covered by the Collective Bargaining Agreement (GRI 102-41)

| Organisational unit | 2019 | 2018 |
|---------------------|------|------|
| PGNiG | 97% | 98% |
| PGNiG Group | 95% | 96% |

PGNiG's collective bargaining agreement covers only the employees working under employment contracts in Poland (100%). The Company Collective Bargaining Agreement does not cover foreign workers employed under the local law.

There were no collective redundancies or disputes at PGNiG in 2019.

Cooperation with trade unions

There are a number of trade unions active at the PGNiG Group. PGNiG strongly believes in social dialogue based on independence of the parties, legal compliance, as well as trust, willingness to compromise and observance of the rules.

7.4.3. Employee turnover (GRI 401-1)

Employee turnover at the PGNiG Group – new hires/departures (by age, gender and region, as at the end of 2019)

| Region: Poland | | | Number of new hires | | | Number of departures | | | |
|----------------------|------------|--------------|---------------------|------------|------------|----------------------|-------|-----|-------|
| Age (years) | Women | Men | Total | Women | Men | Total | Women | Men | Total |
| up to 24 years | 62 | 119 | 181 | 16 | 37 | 53 | | | |
| 25-34 | 265 | 371 | 636 | 113 | 169 | 282 | | | |
| 35-44 | 198 | 340 | 538 | 109 | 161 | 270 | | | |
| 45-55 | 115 | 243 | 358 | 68 | 184 | 252 | | | |
| over 55 years of age | 35 | 137 | 172 | 181 | 440 | 621 | | | |
| TOTAL | 675 | 1,210 | 1,885 | 487 | 991 | 1,478 | | | |

| Region: Europe | | | Number of new hires | | | Number of departures | | | |
|----------------------|-----------|-----------|---------------------|----------|-----------|----------------------|-------|-----|-------|
| Age (years) | Women | Men | Total | Women | Men | Total | Women | Men | Total |
| up to 24 years | 1 | 4 | 5 | 2 | 4 | 6 | | | |
| 25-34 | 12 | 23 | 35 | - | 18 | 18 | | | |
| 35-44 | 8 | 27 | 35 | 1 | 25 | 26 | | | |
| 45-55 | 1 | 28 | 29 | 1 | 29 | 30 | | | |
| over 55 years of age | - | 6 | 6 | - | 9 | 9 | | | |
| TOTAL | 22 | 88 | 110 | 4 | 85 | 89 | | | |

| Region: Other | | | Number of new hires | | | Number of departures | | | |
|----------------------|-----------|-----------|---------------------|-----------|------------|----------------------|-------|-----|-------|
| Age (years) | Women | Men | Total | Women | Men | Total | Women | Men | Total |
| up to 24 years | - | 6 | 6 | - | 2 | 2 | | | |
| 25-34 | 1 | 13 | 14 | 4 | 40 | 44 | | | |
| 35-44 | 7 | 20 | 27 | 3 | 39 | 42 | | | |
| 45-55 | 2 | 20 | 22 | 4 | 19 | 23 | | | |
| over 55 years of age | 1 | 9 | 10 | 3 | 7 | 10 | | | |
| TOTAL | 11 | 68 | 79 | 14 | 107 | 121 | | | |

Employee turnover at the PGNiG Group in 2018–2019

| Organisational unit | New hires in 2019 as percentage of total workforce | New hires in 2018 as percentage of total workforce | Departures in 2019 as percentage of total workforce | Departures in 2018 as percentage of total workforce |
|---------------------|--|--|---|---|
| PGNiG | 3.99% | 3.90% | 3.51% | 4.41% |
| PGNiG Group | 8.34% | 8.05% | 6.79% | 7.29% |

7.4.4. Parental leave (GRI 401-3)

| Organisational unit | Number of employees entitled to parenting-related leave (maternal and parental leave) | | | | Number of employees on parenting-related leave (maternal and parental leave) | | | |
|---------------------|---|-------|-------|-------|--|-----|-------|-----|
| | 2019 | | 2018 | | 2019 | | 2018 | |
| | Women | Men | Women | Men | Women | Men | Women | Men |
| PGNiG | 1,013 | 3,681 | 1,004 | 3,666 | 65 | 3 | 73 | 3 |
| PGNiG Group | 1,504 | 4,271 | 1,324 | 4,127 | 426 | 122 | 257 | 71 |

| Organisational unit | Number of employees who continued work after return from parenting-related leave (maternal and parental leave) | | | | Number of employees who continued work after return from parenting-related leave (maternal and parental leave) and were still employed 12 months later | | | |
|---------------------|--|-----|-------|-----|--|-----|-------|-----|
| | 2019 | | 2018 | | 2019 | | 2018 | |
| | Women | Men | Women | Men | Women | Men | Women | Men |
| PGNiG | 40 | 3 | 30 | 2 | 27 | 2 | 40 | 1 |
| PGNiG Group | 207 | 118 | 121 | 66 | 185 | 121 | 126 | 54 |

Rate of return to work of the PGNiG Group employees in 2018–2019:

| Organisational unit | Rate of return to work after parenting-related leave (%) | | | | | |
|---------------------|--|------|-------|-------|-----|-------|
| | 2019 | | | 2018 | | |
| | Women | Men | Total | Women | Men | Total |
| PGNiG | 62% | 100% | 63% | 41% | 67% | 42% |
| PGNiG Group | 49% | 97% | 59% | 47% | 93% | 57% |

PGNiG employees who were still employed 12 months later after returning from parenting-related leave in 2019:

| Organisational unit | Employees who were still employed 12 months later after returning from parenting-related leave (%) | | |
|---------------------|--|-----|-------|
| | Women | Men | Total |
| | PGNiG | 90% | 100% |

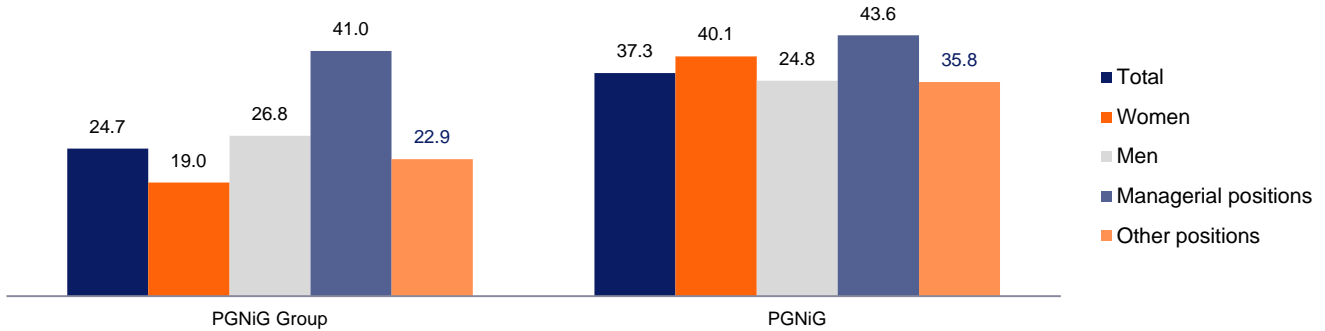
Parenting-related leave is any leave to which an employee may be entitled after child birth/adoption, including maternal, additional maternal, paternal, parental and childcare leave.

7.4.5. Number of training hours (GRI 404-1)

Average number of training hours per employee GRI 404-1

| Organisational unit | 2019 | 2018 |
|---------------------|------|------|
| PGNiG | 37 h | 27 h |
| PGNiG Group | 25 h | 25 h |

Fig. 9 Average number of training hours per employee in 2019 by category::



7.4.6. Performance assessment (GRI 404-3)

Once or twice a year, PGNiG employees are evaluated based on the Performance Assessment System and MBO system in place. In the process, particular emphasis is placed on targets assigned to individual employees, which are linked to strategic objectives of the Company. It allows employees to discuss the needs and challenges associated with their positions, and is a source of feedback on both their achievements and potential issues in their professional development.

Percentage of employees subject to the performance assessment process at the PGNiG Group:

| Organisational unit | Employees covered by performance assessment (%) | |
|---------------------|---|------|
| | 2019 | 2018 |
| PGNiG | 98% | 98% |
| PGNiG Group | 82% | 82% |

Foreign employees of PGNiG who are employed under local law are not covered by performance assessment.

| Organisational unit | Percentage of employees covered by performance assessment by gender and employment category in 2019 | | | | |
|---------------------|---|-----|-------|----------------------|-----------------|
| | Women | Men | Total | Managerial positions | Other positions |
| PGNiG | 100% | 96% | 98% | 100% | 98% |
| PGNiG Group | 84% | 80% | 82% | 100% | 82% |

7.4.7. Number of accidents at work at the PGNiG Group (GRI 403-2)

Work safety metrics

Safety-related activities are monitored continuously by way of:

- proactive monitoring, which consists in monitoring the effective implementation of procedures and measures designed to eliminate or minimise risks, defined at the planning phase. Its purpose is to assess the effectiveness of preventive measures;
- reactive monitoring, which provides information on loss events (accidents, failures and occupational diseases) and facilitates drawing appropriate conclusions and improving OHS management. It is a post-event preventive measure, designed to eliminate similar loss events in the future.

All accidents, events and conditions which are related to the Group's operations and which result in a loss or could potentially result in a loss are required to be reported. This applies to the operations of both the PGNiG branches and the PGNiG Group companies, as well as contractors and suppliers carrying out work for the PGNiG Group.

Number of accidents at work at the PGNiG Group

In the PGNiG Group, the number of accidents at work fell by 18.8% year on year. The number of persons who were injured in accidents at work decreased by 22.5%. The following tables present detailed information on the accidents that occurred at the PGNiG Group and other OHS issues.

Number of accidents and casualties in 2019:

| Organisational unit | Total accidents | Casualties | | Total casualties | including persons injured: | | Number of group accidents in total number of accidents | |
|---------------------|-----------------|------------|-----|------------------|----------------------------|---|--|-------------------|
| | | W | M | | in accidents at work | in accidents treated as accidents at work | number of accidents | number of persons |
| PGNiG | 20 | 4 | 16 | 20 | 14 | 4 | - | - |
| PGNiG Group | 160 | 18 | 144 | 162 | 154 | 6 | 2 | 4 |

Types of injury in accidents at work in 2019:

| Organisational unit | Type of injury | | | | | | | | |
|---------------------|----------------|---|-------|----------------------|---|-------|---------------------|-----|-------|
| | death | | | severe bodily injury | | | minor bodily injury | | |
| | W | M | Total | W | M | Total | W | M | Total |
| PGNiG | - | - | - | - | - | - | 4 | 15 | 19 |
| PGNiG Group | - | 2 | 2 | - | - | - | 18 | 141 | 159 |

Post-accident absenteeism in 2019

| Organisational unit | Days lost | | | Indicators | | | |
|---------------------|-----------|-------|-------|------------------------------------|------|--|-------|
| | W | M | Total | incidence rate per 1,000 employees | | severity rate (days of absence per accident) | |
| | | | | W | M | W | M |
| PGNiG | 81 | 796 | 877 | 3.94 | 4.33 | 20.25 | 49.75 |
| PGNiG Group | 468 | 7,432 | 7,900 | 2.97 | 8.19 | 26.00 | 52.34 |

F, SR, LDR, IR in 2019:

| Organisational unit | Accident frequency (F) | | | Severity rate (SR) | | | Lost day rate (LDR) | | |
|---------------------|------------------------|------|-------|--------------------|-------|-------|---------------------|-------|-------|
| | W | M | Total | W | M | Total | W | M | Total |
| PGNiG | 3.94 | 4.33 | 4.25 | 20.25 | 49.75 | 43.85 | 10.42 | 25.53 | 22.52 |
| PGNiG Group | 2.97 | 8.19 | 6.84 | 26.00 | 52.34 | 49.38 | 9.53 | 50.84 | 40.45 |

7.4.8. Diagnosed occupational diseases

Diagnosed occupational diseases at the PGNiG Group in 2019:

| Organisational unit | Total number of diseases | Occupational disease certificates issued by the National Sanitary Inspectorate | | | |
|---------------------|--------------------------|--|--------------------|----------------|-------|
| | | Occupational loss of hearing | Vibration syndrome | Pneumoconiosis | Other |
| PGNiG | 3 | 0 | - | - | 3 |
| PGNiG Group | 6 | 2 | - | - | 4 |

7.4.9. OHS-related initiatives

OHS-related initiatives (e.g. number of employees who received OHS training) in 2019

| Organisational unit | OHS training | | | | | Total | Number of OHS meetings with technical and operational staff |
|---------------------|--------------------------------------|----------|--------------------|-------|--------|-------|---|
| | Induction training for new employees | Periodic | First aid training | Other | | | |
| PGNiG | 230 | 2,806 | 637 | 62 | 3,735 | 89 | |
| PGNiG Group | 1,831 | 13,163 | 2,352 | 1,255 | 18,601 | 305 | |

7.5. Significant employee risks and their management

The PGNiG Group is aware of employee risks related to HR management and enhancing employee competence. The Group is also aware of succession-related risks and risks relating to transferring knowledge in key areas in the case of old age retirements. Ensuring that the employees are guaranteed safe and healthy working conditions is vital, too. Methods of managing key non-financial risks related to employee matters are listed below.

Employee issues – material risks

| No. | Identified non-financial risk | Method to prevent risk materialisation |
|-----|--|--|
| 1 | Risk of employees failing to meet working time limits, undermining their motivation. | <ul style="list-style-type: none"> • Employees are rarely required to work overtime. Frequent overtime work may undermine employees' motivation or their willingness to work, which may lead to employee departures. • Thus, the strict rules for regular and overtime hours laid down in the Labour Code, Work Rules and the Collective Bargaining Agreement are applied. • Monitoring of overtime work by designated Employees. |
| 2 | Risk of failure to provide appropriate occupational health and safety conditions in a workplace. | <ul style="list-style-type: none"> • Implementation of the QHSE, IMS and HSE systems • Regular OHS training for employees • Identification of near misses • Ongoing supervision during the performance of high-risk work • Selection of specific safeguards against hazards • Active and proactive measures to improve working conditions |
| 3 | Risk of inadequate working conditions. | <ul style="list-style-type: none"> • Implementing and updating procedures and regulations to ensure that adequate working conditions are maintained. |
| 4 | Risk of tampering with reported data in order to avoid disciplinary action or to obtain a bonus. | <ul style="list-style-type: none"> • Compliance with the rules laid down in the PGNiG S.A. Code of Ethics • Organisational rules of individual PGNiG Group companies |
| 5 | Risk of difficulties in recruiting qualified workforce, especially highly specialised personnel. | <ul style="list-style-type: none"> • This risk is mitigated through: <ul style="list-style-type: none"> ◦ the Company's recognition on the local market ◦ a broad range of non-pay benefits ◦ the Company's participation in job fairs ◦ recruiting candidates using alternative channels, including: Career Office, OLX website, pracuj.pl and ◦ the internally implemented employee recruitment procedure defining the rules and stages of recruitment process. |
| 6 | Risk of frequent legislative changes and lack of up-to-date knowledge of the applicable regulations and operational procedures. | <ul style="list-style-type: none"> • Employee training • Employees' participation in conferences allowing them to learn about legislative changes. |
| 7 | Risk of employees with valuable skills leaving the Company or losing a sense of commitment. | <ul style="list-style-type: none"> • To enhance employee competence and commitment, the Company promotes their professional development (by financing studies, training, conferences and foreign language and other courses). In addition, the PGNiG Group offers a broad range of employee benefits and places emphasis on communicating issues that are of key importance to the Company, helping employees identify with their employer. At the same time, a training project for managers is under way to promote tools for increasing employee commitment. |
| 8 | Risk of a limited transfer of knowledge and competencies due to a high retirement rate. | <ul style="list-style-type: none"> • Planning employee recruitment, using incentives to encourage employees to announce planned retirement in advance. |
| 9 | Risk of high employee churn driven by labour market conditions, namely higher pay offered outside the PGNiG Group. | <ul style="list-style-type: none"> • Monitoring pay rates offered on the market. Motivating employees, including by improving their skills |
| 10 | Risk of different interpretations of labour, tax and social security regulations (e.g. court rulings, audit follow-up decisions, recommendations, opinions/interpretations). | <ul style="list-style-type: none"> • Requesting competent authorities and institutions to issue opinions and interpretations • Obtaining legal opinions from the Legal and Compliance Departments • Following uniform rules of conduct across the Organisation and communicating them during training sessions for employees and managers, to trade unions, at periodic meetings, and making appropriate changes in internal regulations. |
| 11 | Risk of incorrect estimation of personnel-related needs, both in terms of quality and quantity. | <ul style="list-style-type: none"> • Applying solutions that improve the effectiveness of recruitment processes. |
| 12 | Risk of accidents at work occurring due to non-compliance with occupational health and safety regulations and procedures. | <ul style="list-style-type: none"> • Workplace inspection • OHS training for employees • Conducting position training before prior an employee starts work in a given position |
| 13 | Risk of conflicts with trade unions. | <ul style="list-style-type: none"> • Regular meetings with social partners. • Providing periodic information on the condition and plans of a given company. |



8. Ethical issues (counteracting corruption and bribery and respect for human rights)

8.1. Area description – ethics

The PGNiG Group conducts its business activities with due regard to human rights and in compliance with ethical standards and applicable laws. The Organisation acts in a transparent manner, in accordance with applicable laws, free from any forms of bribery or corruption. Taking care to protect its image and reputation, the PGNiG Group pursues its objectives in this area through internal regulations. The Organisation has adopted the rules of conduct based on the principles set forth in the Charter of the United Nations relating to human rights, labour standards, environmental protection, anti-corruption and compliance with law. The principles are universally accepted and derive from:

1. the Universal Declaration of Human Rights;
2. the International Labour Organization's Declaration on Fundamental Principles and Rights at Work;
3. the Rio Declaration on Environment and Development;
4. the United Nations Convention against Corruption.

It should be noted that ethical issues are broadly defined at the PGNiG Group. Such issues are governed by the following key documents:

1. Ethics and compliance management system at the PGNiG Group;
2. PGNiG Group's Code of Ethics;
3. Transparency Policy for Managers;
4. Anti-mobbing and anti-discrimination procedure;
5. PGNiG Group's Anti-Corruption and Gift Policy.

The Organisation has in place the PGNiG Group ethics and compliance management system, based on fundamental principles of ethics. The system provides for a uniform framework and standards of employee conduct that is acceptable and expected across the Group. The Group's priority is to maintain a situation where no human rights violations occur. With the goal in mind, the PGNiG Group Code of Ethics has been adopted to provide clear guidance on the rules of conduct. The Code set forth the rules of adherence to ethical standards in everyday work and requires the Group employees to respect human rights. The ethical standards defined in the Code are reflected in the documents supporting their implementation. The documents include the Transparency Policy for Managers, which is geared towards enhancing the corporate culture to ensure transparency at the PGNiG Group companies. The anti-mobbing procedure requires employees to refrain from mobbing and discrimination at the workplace, and specifies what steps need to be taken if a misconduct has been reported. The Organisation's objective is to create an environment where human rights violations are non-existent. The Legal, Compliance and HR Departments are responsible for implementing and monitoring observance of human rights.

A key issue influencing the PGNiG Group's image and perception is compliance with anti-corruption policies and procedures. The regulations and standards of conduct in place at the Group prohibit any action that involves corruption or bribery. The PGNiG Group does not tolerate accepting, giving, promising or soliciting by its employees and associates of any undue financial or personal gains. Additionally, employees are obliged to avoid any situations which may lead to conflicts of interest with business partners and entities engaged by the Company. In order to maintain partnership-based relations with stakeholders, employees are required to enter in the register of benefits all gifts received or presented whose value exceeds PLN 50. The absence of any instances of corruption is the PGNiG Group's continuing objective in this respect. Responsibility for achieving this objective and implementing the policy at the Organisation rests with the PGNiG Corporate and Legal Support Department's Compliance function.

8.2. Due diligence policies and procedures

Conducting business in compliance with applicable laws is among PGNiG's top priorities. To that end, in order to establish transparent procedures, the Company introduces internal regulations which provide clear guidance for PGNiG Group companies as well as its employees and business partners. The Group's priorities are delivered through adherence to the Ethics and Compliance Management System in place at the PGNiG Group, which addresses and regulates key issues in the area, applying in particular to:

1. Remits of the respective bodies responsible for managing ethics and compliance at the PGNiG Group;
2. The manner of coordination and exchange of information on any breaches of applicable laws, customary market norms, industry standards, good market practice, or standards of ethical conduct at the PGNiG Group;
3. Responsibilities of the PGNiG Group companies in the management of ethics and compliance risks.

Compliance with human rights at the PGNiG Group is underpinned by the Code of Ethics, which has been implemented in order to harmonise and consolidate the ethical standards applied across the PGNiG Group. The core values, which are among the key rules of conduct set forth in the Code, are as follows:

- reliability,
- responsibility,
- partnership.

These core values underpin the PGNiG Group's actions and are evident in relations with the local communities, which are considered as a manifestation of a sense of responsibility for the Group's operations and the overriding mission delivered for the benefit of Polish society. The fundamental golden rules, which can be expressed with clear and simple messages such as 'do good, avoid evil' or 'treat others the way you want to be treated', are the foundation for building other important standards of conduct. The Code sets out the following declared values:

- responsibility – the foundation for all employees in their day-to-day work, regardless of the position held, and at the same time a challenge which motivates us to work for the common good and take care of the natural environment.
- credibility – building high-quality and dialogue-based culture of communication, inspiring the atmosphere of trust among all our stakeholders, in a lasting and consistent manner.
- partnership – building lasting and mutually beneficial relations based on trust, both within the PGNiG Group with its employees and trade unions, as well as outside the Group with its customers, local communities and other market participants.
- quality – ensuring top quality of our products and services, driven by the principle of continuous improvement through implementation of state-of-the-art technologies, streamlining of management processes, and building an ethical workplace across the PGNiG Group, as desired by our customers, employees and all business partners.

The provisions of the Code of Ethics are supported by the Transparency Policy for Managers, which introduces a higher standard of organisational culture, in particular in terms of preventing conflicts of interest among members of governing bodies and top management in Group companies, thereby protecting the legitimate interest of the PGNiG Group. The Transparency Policy for Managers:

1. Defines a conflict of interest and methods of preventing situations which could lead to potential or actual conflicts of interest;
2. Sets forth the disclosure requirements towards the company and the rules of conduct towards family members and other close persons;
3. Determines sanctions for breaches of the Policy.

The principle of respect for employee diversity and employee rights is also manifested through the implementation of the PGNiG Group anti-mobbing and anti-discrimination policy. The Group takes measures conducive to building positive relations among employees and creating a workplace where every employee feels duly respected. The Group opposes any form of discrimination, mobbing, persecution or harassment, including any harassment of sexual nature. The implemented provisions of the Policy:

1. Define any unwanted behaviours which may take place both at the workplace and during business trips, employee travel and in any other locations where employees perform their work-related duties.
2. Specify the measures to be taken to prevent mobbing, discrimination and sexual harassment, with due consideration given to the respective obligations, and describe the consequences of breaching the applicable regulations or creating conditions conducive to such breaches.
3. Provide information on the actions taken to promote desired attitudes, to disseminate knowledge on mobbing, discrimination and harassment, and to monitor the practical application of anti-mobbing procedures.
4. Indicate employee duties which are meant to ensure compliance with adopted standards, to avoid unwanted behaviour, and to react and intervene in situations where observed behaviour violates accepted social standards.
5. Specify the procedures for reporting any suspected mobbing, discrimination or harassment, as well as the rules of proceedings conducted by the Commission.

The PGNiG Group operates in compliance with applicable anti-corruption laws. It should be noted that in this respect the Group is also guided by supranational regulations such as the OECD Convention on Combating Bribery of Foreign Public Officials In International Business Transactions of 1999 and the US Foreign Corrupt Practices Act (FCPA).

Every employee, irrespective of the position held, is required to comply with the applicable local, national and international laws, taking due account of the anti-corruption regulations adopted by the PGNiG Group in its Anti-Corruption and Gift Policy and Code of Ethics.

The regulations adopted under the PGNiG Group's Anti-Corruption and Gift Policy:

1. Define the obligations of PGNiG S.A. and other Group companies, as well as of their respective employees and contractors, with regard to preventing corrupt practices, and provide the employees and contractors with information and guidelines on how to identify corrupt practices and what to do in the event that such practices are identified.
2. Provide guidance on accepting and offering gifts, presents or invitations to entertainment events, as a supplement to the relevant provisions of the Code of Ethics. Furthermore, the Policy also provides specific guidance regarding participation in entertainment events and on accepting and offering gifts in the course of procurement proceedings.

3. Define corruptive practices and specify prohibited action which can entail the risk of criminal liability. Furthermore, pursuant to the Criminal Code, the Policy sets forth the minimum and maximum sanctions imposed on employees for accepting, soliciting, providing or promising anything of value (including any financial and personal gain).
4. Set forth the rules applying to procurement procedures, which should allow to track the sources of information concerning the subject matter of the procurement contract, identify the persons responsible for defining the terms and conditions for participation in the procurement procedure, including the evaluation criteria and form of contract, and to define the duties of members of the contract award committee and their personal responsibility. At the same time, the Policy presents recommendations on how to communicate with bidders in keeping with the principle of equal access to information for all parties.
5. Provide a number of recommendations on how to monitor compliance with the Policy and take preventive measures to mitigate the risk of occurrence of corruptive practices or conflicts of interest.

8.3. Selected ethics indicators

As a responsible business partner, PGNiG Group evaluated all its business units in terms of the potential occurrence of corruptive practices. The identified risk was considered to be very low, as no such corruptive practices have been observed over the past five years. This conclusion was also underpinned by the internal regulations in place at the Group, which clearly define the rules of business conduct, effectively preventing any corruptive practices, as well as the system of employee training which raises awareness among employees in this area and keeps their knowledge thereof up to date. The assessment revealed that all Group business units are subject to the risk of corruption to the same extent. Therefore, the preventive measures applied across the Group are uniform in terms of their nature and scope.

8.3.1. Risk of corruption (GRI 205-1)

| No. | PGNiG Group 2019 | |
|-----|--|------|
| 1 | Total number of business units assessed for corruption risks | 25 |
| 2 | Percentage of business units assessed for corruption risks | 100% |

8.3.2. Anti-corruption training (GRI 205-2)

Training is an essential element of PGNiG Group's anti-corruption framework. In the previous reporting period, the PGNiG Group held training aimed at disseminating knowledge of and good practices in building a corruption-free organisational culture. In 2019, measures were taken to inform all employees of the adopted anti-corruption policy and procedures. The Group also organised a more in-depth training on the subject for a selected group of employees.

| Description | PGNiG 2019 | |
|--|---|--|
| | Number of Management Board members (all Poland-based) | Percentage of Management Board members |
| Total number and percentage of members of governing bodies to whom the adopted anti-corruption policies and procedures have been communicated: | 6 | 100% |

At the PGNiG Group, all members of the Management Boards of Group companies were informed about anti-corruption policies and procedures, and in 2019 33% of them participated in anti-corruption and anti-bribery training organised for members of governing bodies.

Total number employees to whom the adopted anti-corruption policies and procedures have been communicated

| Company | Position | Number of employees informed | Percentage of employees informed |
|-------------|------------|---|----------------------------------|
| PGNiG | management | all (newsletter) | 100% |
| | other | all (newsletter) | 100% |
| PGNiG Group | management | at most Group companies all managers were informed via internal communication channels | 99% |
| | other | at most Group companies all employees were informed via internal communication channels | 98% |

In 2020, the PGNiG Group plans to hold an e-learning training cycle on ethics and counteracting corruption. In addition, the planned training will cover material topics related to mobbing as well as the procedures applying to whistleblowers. The Group will also hold separate training for management staff in this area.

Total number of business partners to whom the adopted anti-corruption policies and procedures have been communicated:

PGNiG Group companies inform their business partners of the anti-corruption rules applicable at the PGNiG Group, and the anti-corruption policy is available at the Group's corporate websites.

8.3.3. Corruption-related reporting (GRI 205-3)

Total number of confirmed incidents of corruption

| Company | Number of confirmed corruption incidents |
|-------------|--|
| PGNiG | 0 |
| PGNiG Group | 0 |

8.3.4. Total number of incidents of discrimination (GRI 406-1)

No incidents of discrimination were identified at PGNiG.

One discrimination case was reported at the PGNiG Group (at GSP). In accordance with the Code of Ethics in force at the Company, the case was analysed in detail after having interviewed the persons involved, and was examined as soon as possible by the authorised Ethics Coordinator. Based on the Coordinator's recommendation and after hearing the person indicated in the report, the Employer took disciplinary steps against the employee accused of discriminatory practices. Educational activities for management staff were carried out to further increase the awareness of ethics and anti-harassment issues at the workplace. In another step, the Employer planned staff training as well as a review of internal policies and their further elaboration in the areas under analysis. The aim of the planned measures is to increase sensitivity and knowledge regarding these matters.

8.4. Significant ethical risks and methods of their management

The PGNiG Group identifies potential non-financial risks related to ethics and analyses risks which may materialise in the future. At the same time, in the table below the PGNiG Group specifies the methods of risk prevention.

Ethical issues – human rights

| No. | Identified non-financial risk | Method to prevent risk materialisation |
|-----|---|--|
| 1 | Risk of violation of human rights by employees | <ul style="list-style-type: none"> Ongoing monitoring of the situation and acting in accordance with the PGNiG Group's Code of Ethics and the anti-mobbing and anti-discriminatory procedure. |
| 2 | Risk of violation of human rights by managers and directors | The Rules of Remuneration strictly defining the principles of remuneration as well as job grading and respective payroll level. |
| 3 | Risk of violation of human rights by external stakeholders | <ul style="list-style-type: none"> Internal and external training provided to managers and directors as well as ongoing awareness and refreshment initiatives in the area of ethics. Acting in accordance with the adopted anti-mobbing and anti-discriminatory procedure. |
| 4 | Reputational risk due to alleged violations of human rights | <ul style="list-style-type: none"> All employees are obliged to act in accordance with applicable labour laws and the Work Rules. Ethical conduct of Management Board members – tone from the top. Use of legal advice in employee-related matters. |
| 5 | Risk of discriminatory behaviour and actions in the workplace. | Guidance and principles adopted under the PGNiG Group's Code of Ethics and Work Rules. |
| 6 | Risk of mobbing. | <ul style="list-style-type: none"> Actions taken by the Ethics and Compliance Coordinator to mitigate the risk of mobbing. Acting in accordance with PGNiG Group's Code of Ethics and the Ethics and Compliance Management System implemented across the PGNiG Group. |
| 7 | Risk of unequal treatment in job promotion. | Acting in accordance with the anti-mobbing and anti-discrimination procedure, the rules for updating job descriptions and job grading, and the procedure for changing the terms and conditions of employment. |
| 8 | Risk of violating employee personal rights, e.g. confidentiality of their personal data. | Implementing, updating and applying personal data protection procedures and policies, IT security measures, and training. |
| 9 | Risk of infringement on the principle of fair competition in contacts with business partners. | Implementing and applying the anti-trust policy and the procurement procedure including the relevant procurement guidelines. |
| 10 | Risk of infringement on the right to freedom of association. | Refraining from any actions which would infringe on the freedom of association in the form of trade unions; an agreement in place regarding the use of employer's assets by company trade unions. |

Ethical issues – counteracting corruption and bribery

| No. | Identified non-financial risk | Method to prevent risk materialisation |
|-----|--|--|
| 1 | Risk of employees taking advantage of their position or connections for undue financial or non-financial gain. | Adherence to the adopted anti-corruption procedure, mandatory employee training – especially for sales and procurement staff. |
| 2 | Risk of irregularities in the course of public procurement processes and non-compliance with the principles of ethics and anti-corruption regulations. | <ul style="list-style-type: none"> Employee training. Monitoring compliance with the anti-corruption policy. Standardisation and transparency of procurement procedures. |
| 3 | Risk of employee actions leading to a breach of law by the Company. | Ongoing monitoring of employee activities as part of the Company's process and procedures; due diligence check regarding subcontractors and business partners providing the Company with services as well as their respective contracts. |
| 4 | Risk of offering or accepting a gift without | <ul style="list-style-type: none"> Increasing employee awareness by communicating the applicable anti-corruption regulations |

| | | |
|----|--|--|
| | reporting it in the register of benefits. | <p>adopted under the PGNiG Group's Anti-Corruption and Gift Policy.</p> <ul style="list-style-type: none"> Regular reminders communicated to employees, for instance by electronic mail, of the need to comply with anti-corruption regulations. Employees are required, among other things, to report any gifts accepted or offered. |
| 5 | Risk of offering or accepting any financial or personal gains; | Compliance with the PGNiG Group's Anti-Corruption and Gift Policy, in particular by reporting identified incidents of corruption and filing declarations to the effect that no incidents of corruption have been identified. |
| 6 | Risk of bid rigging. | Compliance with the PGNiG Group's Anti-Corruption and Gift Policy and conducting contract award procedures through the eB2B Procurement Platform. |
| 7 | Risk of conflicts of interest | Compliance with the principles set out in the Manager Transparency Policy and informing managers of the situations which may lead to a potential conflict of interest. |
| 8 | Risk of unlawful disclosure of any information constituting business secrets, commercially sensitive information, personal data or classified information in the course of procurement processes | Compliance with the PGNiG Group's Anti-Corruption and Gift Policy in terms of communications with bidders in the course of procurement procedures. |
| 9 | Risk of corruption allegations | Conducting regular internal audits. |
| 10 | Reputational risks in the event of actual or alleged corruption or bribery | Limited powers of attorney to incur financial liabilities in order to minimise the risk of unwanted practices. |
| 11 | Risk of a corrupt employee using the Company's assets to the Company's detriment | Implementation of and adherence to the PGNiG Group's Anti-Corruption and Gift Policy. |

9. Additional information

9.1. Table of GRI Standards and other non-financial performance indicators

| Indicator | GRI Guidelines | Position in the Report | Comments / Description |
|-------------------------------------|---|---------------------------|--|
| General Standard Disclosures | | | |
| Organizational Profile | | | |
| GRI 102-1 | Name of the organization | p. 5 | Basic information |
| GRI 102-2 | Description of the organization's activities, brands, products, and services | p. 5 | Basic information |
| GRI 102-3 | Location of the organization's headquarters | p. 5 | Basic information |
| GRI 102-4 | Location of operations | p. 5 | Basic information |
| GRI 102-5 | Nature of ownership and legal form | p. 5 | Basic information |
| GRI 102-6 | Markets served | p. 5 | Basic information |
| GRI 102-7 | Scale of the organization | p. 7, 50 | Companies of the PGNiG Group, Information on employees and other workers |
| GRI 102-8 | Information on employees and other workers | p. 50 | Information on employees and other workers |
| GRI 102-9 | The organization's supply chain | p. 10 | Supply chain |
| GRI 102-10 | Significant changes to the organization's size, structure, ownership, or supply chain in the reporting period | p. 4 | Legal basis and scope |
| GRI 102-11 | Whether and how the organization applies the Precautionary Principle or approach | p. 12, 13, 25, 42, 48, 56 | System supporting management processes; Risk management; Due diligence policies and procedures |
| GRI 102-12 | External initiatives endorsed by the organization | p. 6, 18 | Initiatives and membership; The United Nations' Sustainable Development Goals |
| GRI 102-13 | Membership of associations | p. 6 | Initiatives and membership |
| Strategy | | | |
| GRI 102-15 | A description of key impacts and risks | p. 13 | Risk management |
| Ethics | | | |
| GRI 102-16 | Values, principles, code of ethics, standards, and norms of behaviour | p. 56 | Area description – ethics; Due diligence policies and procedures |
| GRI 102-17* | Ethical standards and norms | p. 56 | Area description – ethics; Due diligence policies and procedures |
| Governance | | | |
| GRI 102-18 | Governance structure | p. 12 | Structure of the PGNiG S.A. Management and Supervisory Boards |
| GRI 102-22 | Composition of the highest governance body and its committees (number and gender of members) | p. 12 | Structure of the PGNiG S.A. Management and Supervisory Boards |

Stakeholders engagement

| | | | |
|------------|--|-------|--|
| GRI 102-40 | A list of stakeholder groups engaged by the organization | p. 20 | Stakeholder engagement |
| GRI 102-41 | Percentage of employees covered by collective bargaining agreements | p. 51 | Employees covered by the Collective Bargaining Agreement |
| GRI 102-42 | Basis for identifying and selecting stakeholders | p. 20 | Stakeholder engagement |
| GRI 102-43 | Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group | p. 20 | Stakeholder engagement |
| GRI 102-44 | Key topics and concerns raised by stakeholders | p. 20 | Stakeholder engagement |

Reporting practice

| | | | |
|------------|---|-------|---|
| GRI 102-45 | Entities included in the report | p. 4 | Legal basis and scope |
| GRI 102-46 | Defining report content | p. 4 | Reporting rules and methods |
| GRI 102-47 | Material topics identified in defining report content | p. 4 | Relevant reporting aspects |
| GRI 102-48 | Restatements of information given in previous report | p. 4 | Legal basis and scope |
| GRI 102-49 | Significant changes from previous reporting periods in the list of material topics and topic boundaries | p. 4 | Legal basis and scope |
| GRI 102-50 | Reporting period | p. 4 | Legal basis and scope |
| GRI 102-51 | Date of most recent report | p. 4 | Legal basis and scope |
| GRI 102-52 | Reporting cycle | p. 4 | Legal basis and scope |
| GRI 102-53 | Contact point for questions regarding the report | p. 64 | Contact |
| GRI 102-54 | Claims of reporting in accordance with the GRI Standards | p. 4 | Reporting rules and methods |
| GRI 102-55 | GRI content index | p. 61 | Table of GRI Standards and other non-financial performance indicators |
| GRI 102-56 | External assurance | p. 4 | Reporting rules and methods |

Management approach

| | | | |
|-----------|---|-------------------------------|---|
| GRI 103-1 | Scope and materiality of defined topics | p. 23, 35, 44, 56 | Area description – the environment Area description – social issues Area description – employees Area description – ethics |
| GRI 103-2 | Management approach | p. 11, 12, 13, 23, 35, 44, 56 | Mission and vision, System supporting management processes, Risk management, Area description – the environment Area description – social issues Area description – employees Area description – ethics |
| GRI 103-3 | Evaluation of the management approach | p. 23, 35, 44, 56 | Area description – the environment Area description – social issues Area description – employees Area description – ethics |

Economic

Anti-corruption

| | | | |
|-----------|---|---------|------------------------------|
| GRI 205-1 | Total number and percentage of operations assessed for risks related to corruption and significant risks identified | p. 58 | Risk of corruption |
| GRI 205-2 | Communication and training about anti-corruption policies and procedures | p. 58 | Anti-corruption training |
| GRI 205-3 | Confirmed incidents of corruption and actions taken | str. 59 | Corruption-related reporting |

Environmental

Environmental issues

| | | | |
|-----------|--|-------|--|
| GRI 301-1 | Raw materials and consumables used | p. 26 | Raw materials and consumables used |
| GRI 302-1 | Energy consumption within the organisation | p. 26 | Energy consumption at the PGNiG Group in 2018–2019 |
| GRI 302-2 | Energy consumption outside of the organisation | p. 26 | Energy consumption at the PGNiG Group in 2018–2019 |
| GRI 303-1 | Water consumption | p. 26 | Water consumption at the PGNiG Group in 2018–2019, by source |
| GRI 304-2 | Impacts on biodiversity | p. 27 | Impacts on biodiversity |
| GRI 305-1 | Direct (scope 1) GHG emissions | p. 30 | Direct CO2 emissions in 2018–2019 |
| GRI 305-7 | NOx, SOx, and other significant air emissions | p. 30 | Reduction of greenhouse gas (GHG) emissions |
| GRI 306-1 | Water discharge | p. 31 | Total water discharge by quality and destination in 2018–2019 |
| GRI 306-2 | Waste by type and disposal method | p. 31 | Waste management |
| GRI 306-3 | Significant spills | p. 33 | Environmental events |
| GRI 307-1 | Non-compliance with environmental laws and regulations | p. 33 | Penalties for non-compliance with environmental laws and regulations |

Employee topics

Employee issues

| | | | |
|-----------|---|-------|--|
| GRI 401-1 | Total number and rate of new employee hires and employee turnover by age group, gender and region | p. 52 | Employee turnover |
| GRI 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation | p. 44 | Remuneration and benefits policy |
| GRI 401-3 | Return to work and retention rates of employees that took parental leave, by gender | p. 52 | Parental leave |
| GRI 403-2 | Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | p. 53 | Number of accidents at work at the PGNiG Group |
| GRI 404-1 | Average hours of training per year per employee by gender and by employee category | p. 53 | Number of training hours |

| | | | |
|----------------------|---|-------|---|
| GRI 404-2 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings | p. 45 | Programs for upgrading employee skills and transition assistance programs |
| GRI 404-3 | Percentage of employees receiving regular performance and career development reviews, by gender and by employee category | p. 53 | Performance assessment |
| Human rights | | | |
| GRI 405-1 | Diversity of governance bodies and employees | p. 51 | Information on employees and other workers |
| GRI 406-1 | Total number of incidents of discrimination and corrective actions taken | p. 59 | Total number of incidents of discrimination |
| Social issues | | | |
| Company indicator | Number of beneficiaries of social programmes | p. 42 | Selected social performance indicators |

9.2. Contact

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9.3. Definitions and converters

9.3.1. Definitions

Whenever any of the following acronyms and terms appear in this 2019 Non-Financial Statement of PGNiG and the PGNiG Group and nothing to the contrary is stated herein, these acronyms and terms should be interpreted as follows:

| Acronym | Explanation |
|--|---|
| Proper names of companies and branches | |
| PGNiG, Company or Issuer | PGNiG S.A. as the parent of the group |
| PGNiG Group, Group | the PGNiG Group, which includes PGNiG S.A. as the parent and the subsidiaries |
| CLPB | Oddział Centralne Laboratorium Pomiarowo-Badawcze PGNiG S.A. |
| ECSW | Elektrociepłownia Stalowa Wola S.A. |
| EXALO | EXALO Drilling S.A. |
| Gazoprojekt | PGNiG Gazoprojekt S.A. |
| Geofizyka Kraków | GEOFIZYKA Kraków Sp. z o.o. w likwidacji |
| Geofizyka Toruń | GEOFIZYKA Toruń Sp. z o.o. |
| GEOVITA | GEOVITA S.A. |
| GSP | Gas Storage Poland Sp. z o.o. |
| PGG | Polska Grupa Górnicza Sp. z o.o. |
| PGNiG OD | PGNiG Obrót Detaliczny Sp. z o.o. |
| PGNiG Technologie | PGNiG Technologie Sp. z o.o. |
| PGNiG Termika | PGNiG TERMIKA S.A. |
| PGNiG Termika EP | PGNiG TERMIKA Energetyka Przemysłowa S.A. |
| PGNiG UN | PGNiG Upstream Norway AS |
| PGNiG UNA | PGNiG UPSTREAM NORTH AFRICA B.V. |
| Polski Gaz TUW | Polski Gaz Towarzystwo Ubezpieczeń wzajemnych (mutual insurance company) |
| PSG | Polska Spółka Gazownictwa Sp. z o.o. |
| PST | PGNiG Supply & Trading GmbH |
| PST ES | PST Europe Sales GmbH |
| Names of institutions, capital market entities and energy markets | |
| EEX | European Energy Exchange (an energy exchange in Germany) |
| GASPOOL | GASPOOL Balancing Services GmbH (a hub in Germany) |
| GAZ-SYSTEM | Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A. |
| WSE | Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) |
| KRS | Krajowy Rejestr Sądowy - National Court Register |

| | |
|--|--|
| NCG | NetConnect Germany GmbH & Co. KG (a hub in Germany) |
| NBP | National Balancing Point (a hub in the UK) |
| LNG Terminal | the President Lech Kaczyński LNG Terminal in Świnoujście |
| PPX | Towarowa Giełda Energii S.A. (Polish Power Exchange) |
| TTF | Title Transfer Facility |
| URE | Urząd Regulacji Energetyki (Energy Regulatory Office) |
| With respect to units | |
| bbl | one barrel of crude oil |
| boe | barrel of oil equivalent |
| LNG | liquefied natural gas |
| Mg | 1 megagram equal to 1 tonne, the unit used to measure the amount of waste |
| MWt | 1 megawatt thermal |
| MWe | 1 megawatt electrical |
| NGL | gas composed of molecules heavier than methane: ethane, propane, butane, isobutane, etc. (natural gas liquids) |
| PJ | 1 petajoule |
| TWh | 1 terawatt hour |
| With respect to economic and financial ratios | |
| EBIT | earnings before interest and taxes |
| EBITDA | earnings before interest, taxes, depreciation and amortisation |
| EV | enterprise value |
| P/BV | price/book value |
| P/E | price to earnings |
| ROA | return on assets |
| ROE | return on equity |
| Other abbreviations | |
| HP | heat plant |
| CHPP | combined heat and power plant |
| SFG | Storage Facilities Group |
| SF | storage facilities |
| CGSF | cavern gas storage facility |
| EGM | Extraordinary General Meeting (of a joint-stock company) |
| EGM | Extraordinary General Meeting (of a limited liability company) |
| UGSF | underground gas storage facilities |
| GM | General Meeting (of a joint-stock company) |
| GM | General Meeting |
| Currency | |
| zł, PLN | amounts expressed in the zloty |
| euro, EUR | amounts expressed in the euro |
| dolar, USD | amounts expressed in the US dollars |
| NOK | amounts expressed in the Norwegian crown |
| SEK | amounts expressed in the Swedish crown |
| UAH | amounts expressed in the Ukrainian hryvnia |

9.3.2. Converters

| Converters | 1 bcm of natural gas | 1m tonnes of crude oil | 1m tonnes of LNG | 1 PJ | 1m boe | 1 TWh |
|------------------------|----------------------|------------------------|------------------|------|------------|--------|
| 1 bcm of natural gas | 1 | 0.90 | 0.73 | 38 | 6.45 | 10.972 |
| 1m tonnes of crude oil | 1.113 | 1 | 0.81 | 42.7 | 7.5 - 7.8* | 11.65 |
| 1m tonnes of LNG | 1.38 | 1.23 | 1 | 55 | 8.68 | 14.34 |
| 1 PJ | 0.026 | 0.23 | 0.019 | 1 | 0.17 | 0.28 |
| 1m boe | 0.16 | 0.128 - 0.133* | 0.12 | 6.04 | 1 | 1.70 |
| 1 TWh | 0.091 | 0.086 | 0.07 | 3.6 | 0.59 | 1 |

* The converter is different for crude oil produced in Poland and Norway.

10. Representation of the PGNiG Management Board and authorisation of the report

The Management Board of PGNiG represents that, to the best of its knowledge, this Non-financial Statement gives a fair view of the Company's and the Group's situation.

PGNiG Management Board:

| | | |
|--|----------------------|--|
| President of the Management Board | Jerzy Kwieciński | <i>Signed qualified electronic signature</i> |
| Vice President of the Management Board | Robert Perkowski | <i>Signed qualified electronic signature</i> |
| Vice President of the Management Board | Arkadiusz Sekściński | <i>Signed qualified electronic signature</i> |
| Vice President of the Management Board | Przemysław Waclawski | <i>Signed qualified electronic signature</i> |
| Vice President of the Management Board | Jarosław Wróbel | <i>Signed qualified electronic signature</i> |
| Vice President of the Management Board | Magdalena Zegarska | <i>Signed qualified electronic signature</i> |

Warsaw, March 10th 2020

Translation

This document is an English version of the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.