

2021 ESG REPORT



PKP ENERGETYKA
CAPITAL GROUP

January

Execution of the "Preventing digital exclusion of children of the PKP Energetyka CG's employees" project (funding 500 computers) and receiving the title awarded to the best employers – TOP Employer

February

Signing a letter of intent with DB Cargo within the scope of the Green Railway Program

March

EMMA project – education of employees in terms of appropriate behaviours, habits and attitudes during office work

April

Launch of the biggest traction energy storage in Europe

May

First passenger carrier in the Green Railway program – signing a letter of intent with ŁKA

June

Introduction of the SOS app and the Powerful Team Academy

2021



July

Launch of the biggest traction energy storage in Europe

August

Presentation of the zero emission plan for PKP Energetyka

September

Appointment of PKP Energetyka's new Ethics Officer

October

PKP Energetyka's 20th anniversary celebrations

November

Joining the Responsible Business Forum

December

Winning the ESG Leader Award

2021

Interview with the CEO Wojciech Orzech



2021 at PKP Energetyka was...

It was mainly marked by perturbations related to the pandemic, however, they were not as severe as in 2020. Thanks to the procedures and standards developed at the beginning of the pandemic, in 2021 we were much better prepared to operate in such challenging conditions. Above all, we concentrated on analysing the potential consequences of the new COVID-19 variants and preparing our response to them.

Actually, the entire rail industry rose to the challenge, ensuring continuity of service. The employees of PKP Energetyka displayed great understanding and responsibility in their approach to the enforced procedures, the goal of which was to prevent the virus from spreading. We continued to work steadily, and thus all our services were provided uninterruptedly. Only some of the supply chains remained inconsistent.

On the other hand, 2021 was a special year for another reason. Our green transition plan reached its first stepping stones. We signed a renewable power purchase agreement with the first passenger carrier, and the Polish tracks finally saw the very first trains powered by green energy. It is a breakthrough that we owe to our strategy and its consistent implementation over the last few years.

Are carriers ready for such revolution?

When it comes to the railway, what is good about the green energy transition is the fact that, basically, carriers do not have to prepare for it in terms of technical aspects. From a carrier's perspective, electricity is electricity. Therefore, switching to RES does not require any investment from the carriers, only from us. In order to achieve the goal that we set out for ourselves as the industry, within the framework of the Centre for Railway Energy Efficiency, i.e. 85% of “green” energy by 2030, we must drive innovation and become pioneers. It requires integration of renewable energy sources in our network. Due to the characteristics of railway traffic, the energy consumption is not stable and steady. On top of that, energy generation from renewable sources is volatile, thus it is a challenge to achieve balance between supply and demand. Therefore, the architecture for green energy supply for the railway has to be extremely well thought-out. The quality and safety of supplies, which we intend to ensure for our customers, are directly related to the power source management and energy storage.

The means to deliver such quality include energy storages – in 2021, we launched the first facility of that type for the catenary purposes, the biggest one in Europe. The storages will constitute an element of one of the 300 micronetworks built by us. With the use of an energy storage, such a micronetwork will assimilate renewable energy and direct it to the catenary without any interruptions to the system. That way, we will create 300 areas that can be managed independently, if needed, and at the same time make up one network for the entire Polish railway system. Most importantly, this solution works – last year, our energy storage was used more than 7,000 times.

Are green railway and energy storages included in your 2030 strategy?

Yes, these are the elements of the 3rd and 4th pillar of our strategy, oriented at ecology and sustainability. Furthermore, these activities have been addressed in both our business strategy and sustainable development strategy introduced in 2020.

It is worth mentioning that our strategy goals are in line with the UN Sustainable Development Goals. We have been a participant of the United Nations Global Compact for years, and as a member of this elite group, we are obligated to keep raising our standards in terms of the environment, human rights, labour and anti-corruption.

Did 2021 bring any changes to these documents?

I am against frequent adaptation of strategies to current, often short-term changes – instead, I care more about shaping the reality according to our strategy. However, I cannot exclude the possibility of introducing some changes. We are closely monitoring the execution of our strategy and the development of the market situation. Our mission, values, DNA and the above-mentioned strategy are a result of a long dialogue with our stakeholders, and they remain relevant. Our 2030 business strategy sets the direction of our future efforts, while the sustainable development strategy obligates us to always remember to manage our economic, social and environmental impact responsibly.

Does PKP Energetyka expect the same from its suppliers?

Absolutely. We are a large company operating at the junction of the energy and railway sectors, and many of our tenders and requests for quotation involve multimillion contracts that are very attractive for subcontractors. That way, we can contribute to implementing important changes at these companies. Our code of conduct for suppliers clearly indicates that we will only work with companies that comply with all environmental norms, but also go the extra mile to implement energy-efficient technologies or ensure employee safety, among other things.

What other sustainability areas are of particular importance for you?

Our Employees are our top priority, therefore it is especially important for us to create a safe, friendly and diverse workplace. We are a company with great traditions, and many of our employees have worked for us for 30 or even 40 years. Some of them will soon retire. At the same time, we hire many young talents, who bring in a fresh perspective and “digital” competencies. Even though we might seem like a “male-dominated” business, considering the number of women studying at technical universities, we notice that we can hire significantly more female employees. Combining these two generational worlds and increasing the share of women in our company poses a challenge, but on the other hand it is a great opportunity based on mutual inspiration as well as experience and knowledge exchange.

In terms of safety, we keep pursuing our goal of building an accident-free workplace. The most important indicator is the one measuring the number of severe accidents – which has been declining over the last few years. Our employees are also required to report even the smallest incidents, such as cuts, bruises or scrapes, because we want to be sure that we can eliminate even seemingly trivial factors influencing the risk of health loss or death. Yet what is of key importance for us is the stop principle. We want all our staff to know that they should say stop and cease their work in every life or health threatening situation. That is how we are building a safety culture.



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Responsible
PKP Energetyka

1

Responsible PKP Energetyka

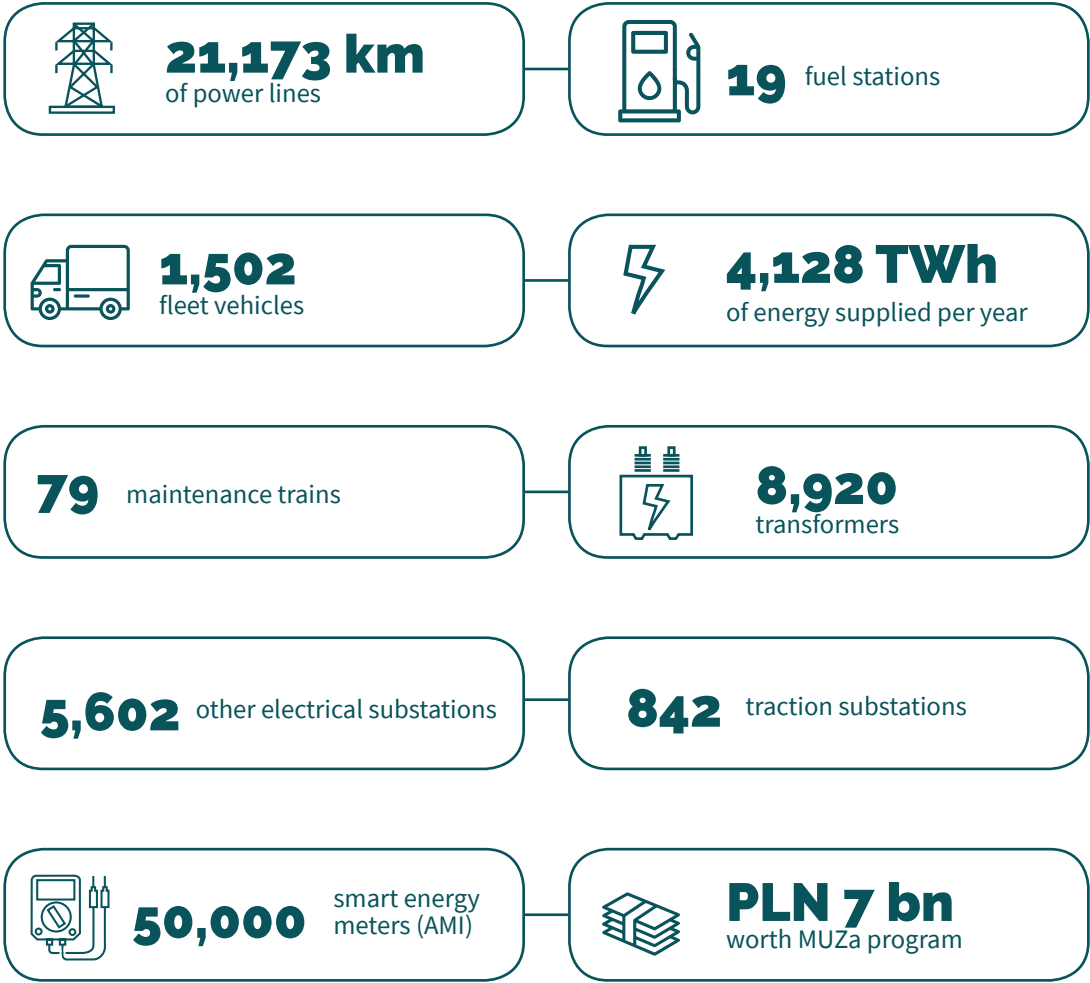
600,000 facilities, 21,000 kilometres of power lines, over 4,200 employees, and 4TWh of energy supplied annually – all that we do at PKP Energetyka is aimed to maintain railway traffic in Poland. Every person in our company knows that the quality of their work directly translates into the safety of people, business success of thousands of companies, and punctuality of millions of daily errands run by train passengers.

We have been operating since 2001, and in 2015 we became a part of one the world's biggest investment funds – CVC Capital Partners, which operates across dozens of countries in Europe, North America and Asia. We run our business in a highly regulated area – controlled by the Energy Regulatory Office and the Office of Railway Transport.

Polish nation-wide distribution network owned by PKP Energetyka



[GRI 102-7]



Our organizational culture is defined by the same values that have guided us for years:

- 1 Quality**
We strive to make our customers see us as a company with the highest quality standards.
- 2 Safety**
Our goal is to ensure accident-free operation in a safe workplace.
- 3 Engagement**
We are proud of the results of our work and continue to give our best.
- 4 Efficiency**
We operate economically to achieve our goals.

These four values are embedded in the DNA of our company:

” We are a nationwide infrastructure company. We operate on existing regulated markets at the junction of the energy and railway sectors. Our development is based on low-risk investments. Predictable, long-term, non-speculative margin based on long-term contracts is essential to us. Our strength lies in the engagement of our employees and transparency of our business operations.”



Our values, company DNA and Pillars of Strategy 2030 inspired us to define our mission: **“We Energize Polish Rail”**. We intent to drive the industry forward, by implementing cutting-edge technologies and integrating existing and future solutions.

Read more online

More information on our Strategy 2030 can be found in the 2020 Corporate **Responsibility Report of the PKP Energetyka Capital Group** – the document can be downloaded here <https://www.pkpenergetyka.pl/O-PKP-Energetyka/Spoleczna-odpowiedzialnosc/Raporty-spoleczne>



Strategy 2030

1st Pillar

MORE POWER – Distribution Infrastructure Development

Objective: / Completion of the MUZa program with 199 modernized or built substations.

Programs: / The customer at the centre of our activities
/ Continuous improvement in the quality of electricity distribution to support operational effectiveness
/ Implementation of the 25 kV power supply system as scheduled and in line with the railway needs
/ Execution of the MUZa program

Selected activities in 2021: / Building or modernizing 18 substations within the framework of our biggest investment program – MUZa
/ 62 substations under construction
/ Increasing the connection power by 110 MW

2nd Pillar

MORE QUALITY – Operational Excellence

Objective: / NPS indicator increase up to 20 in 2030
/ Increased predictability of executed process results

Programs: / Quality and efficiency in operation and maintenance
/ Quality and efficiency of support areas
/ Digitalization and automation
/ Continuous improvement culture
/ Delivering innovative, customer-oriented solutions

Selected activities in 2021: / Launching the Station Customer program
/ Starting work aimed at:
Implementation of one quality standard for the entire organization
Modernization of applications for customers and launch of a customer portal for all non-traction customers
Launch of a new website

3rd Pillar

GREENER – Polish Green Railway

Objective: / 85% of energy distributed by PKP Energetyka from RES
/ Climate neutral PKP Energetyka

Programs: / Zero-emission PKP Energetyka
/ Railway energy efficiency (CEEK)
/ Zero emissions from railway companies
/ Changing the railway energy mix using energy from RES
/ RES investment (strategic option)

Selected activities in 2021: / Transitioning from the planning phase to the execution phase – signing the first renewable energy supply agreement with a carrier
/ 69 signed renewable power purchase agreements
/ Completion of 30 tasks aimed at the reduction of PKP Energetyka's carbon footprint by 4,000 tons of CO₂
/ Launching the Carbon Disclosure Project admission process

4th Pillar

MORE EMPLOYEE SATISFACTION – Responsible Company

Objective: / Engagement rate at the level of the best average among employers
/ Accident-free workplace
/ Becoming a prominent industry employer

Programs: / Mission ZERO Leadership
/ Mission ZERO Risk Management
/ Mission ZERO Systems
/ Mission ZERO People
/ Mission ZERO Safe machinery, facilities and workplace
/ Sustainable Development Strategy
/ Building and developing the winning team

Selected activities in 2021: / Building a safety culture and working on reducing accident severity
/ Bridging the generational gap
/ Calculating the carbon footprint – Scope 1, 2, 3
/ Setting the decarbonization pathway
/ Creating a platform for monitoring ESG indicators

Key sustainability strategy areas and our ambitions

Ensure safe, friendly and diverse workplace



Priority	Our ambitions and goals 2030	Key indicators
Employee Health & Safety	0 life-threatening accidents.	LTIFR, number of injuries, number of near misses (for PKP E employees and contractors); accidents per type; % of removed threats.
Employee Engagement	Employee engagement rate (independent survey) - in the best employers zone.	Employee engagement rate, average score in the best employers category from 2025; percentage of competency matrix realised, percentage of internal recruitment, rotation rate, absence rate.
Diverse & Inclusive Workplace	Twice as many women holding top executive positions in the remaining categories – the percentage of employed women reflects the market situation with active engagement to promote technical jobs among.	Number of male and female employees per category, absolute number and proportions of women and men per age group and per age group.
Philanthropy	Percentage of initiatives in line with PKP E Sustainable Development Strategy areas and priorities; number of beneficiaries, assessment of the social impact of initiatives.	Number of beneficiaries per initiative, quantitative metrics for supported environmental programs, social impact analysis.

We power the energy transition



Priority	Our ambitions and goals 2030	Key indicators
Reduction of GHG Emissions	PKP Energetyka carbon neutral in Scope 1, 2 and 3 downstream by 2030.	Carbon footprint/EBIDTA; energy for own use - % of renewables; carbon footprint/MWh sold.
Reduction of GHG Emissions - Upstream	Energy efficiency improvement within the organization (goal specified in detail in 2021).	Share of RES in the energy mix sold to customers, saved energy from traditional sources, reduction of Scope 3 emissions.
Decarbonization of Polish Railways	85% of renewable energy in the railway system mix by 2030.	Percentage of RES per traction network, saved energy from traditional sources, reduction of emissions.

We are a reliable partner



Priority	Our ambitions and goals 2030	Key indicators
Infrastructure Resilience	Improvement by 2% y/y.	SAIDI, NPS, CSAT, CS Index.
Efficient Resource Management	100% of asbestos removed from the organization; detailed goals for water policy related to biodiversity and waste management will be defined in the upcoming years.	Business Water Index, Air Quality Indexes, LULUCF level, LCA of key resources, asbestos removal index, area of land affected by the organisation's impact on biodiversity.
Mission ZERO - Machinery & System	Zero accidents as a result of the lack of approval or malfunction of machinery and technical devices.	Number of reported failures, percentage of up-to-date documentation.
Stakeholder Engagement	At least 1 stakeholder panel per year.	Number of meetings/panels; conferences; reports issued; key meetings.

We create a sustainable supply chain



Priority	Our ambitions and goals 2030	Key indicators
Ethics & Anti-Corruption Training	100% suppliers accepted suppliers code of conduct (Groups A, B).	Number of suppliers trained in issues related to ethics and anti-corruption policy, Number of reports of irregularities, Percentage of accepted codes of conduct among suppliers.
Sustainable Supply Chain	100% of suppliers operate in-line with the sustainable purchase policy in the groups with the highest turnover.	Percentage of contracts containing provisions relating to social and environmental responsibility; level of implementation of the supplier screening program in terms of social responsibility; number of training courses for suppliers; number of audits performed at suppliers; number of purchasing practices implemented in line with environmental objectives.

We create a resilient company



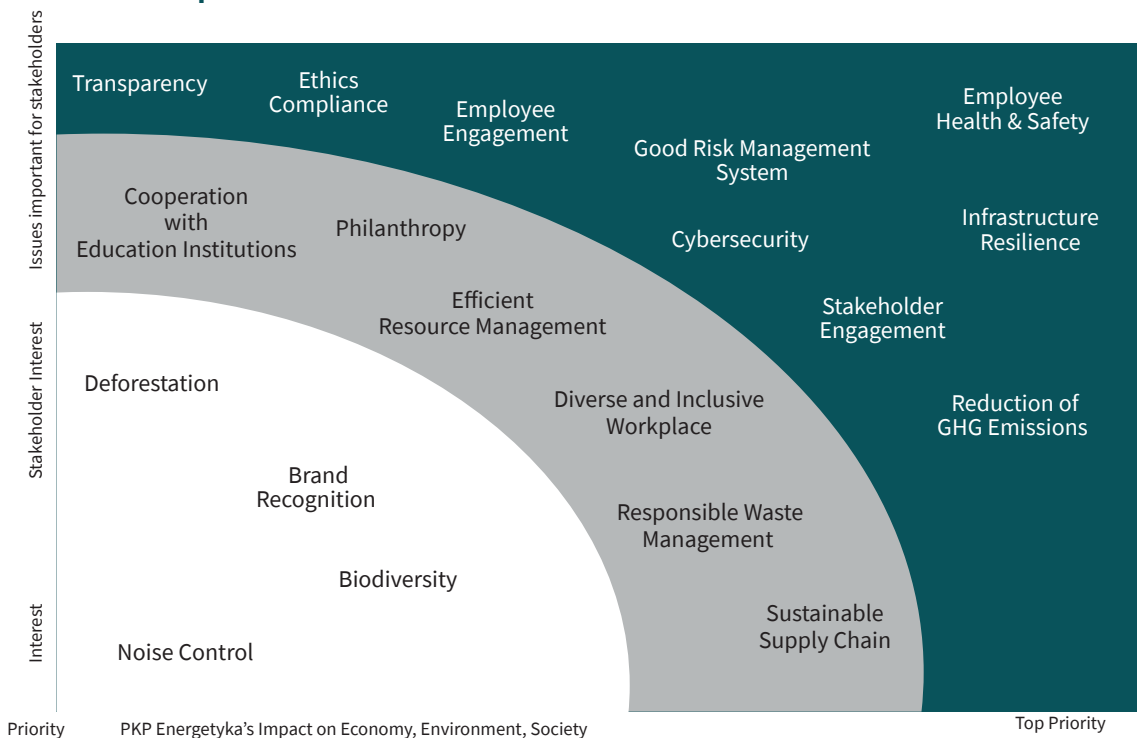
Priority	Our ambitions and goals 2030	Key indicators
Cybersecurity	Full digitization of key business areas, risk / FTE ratio <6%.	Defined per project and initiative.
Transparency	A-level company in benchmarks and ESG rankings.	Number of initiatives and quality of reporting.
ERM	Stable EBIDTA increase.	Defined per project and initiative.

Sustainable Development Strategy

Our Strategy 2030 is inseparably connected with the Sustainable Development Strategy, which addresses our economic, environmental and social impact. The document specifies how we intend to responsibly manage the 19 ESG issues most relevant to our stakeholders. We have identified them as a result of recurring discussion panels, workshops with employees, internal interviews, industry analysis and guidelines provided by the international GRI / SASB standards. **The priorities have been integrated into 16 groups of initiatives.** Their execution is the responsibility of the Sustainable Development Committee comprising of key area managers. The Committee monitors the progress and coordinates work between different departments. Current ESG activities are managed by the Communications and Sustainable Development Office.

The entire Management Board has been engaged in the development of the Sustainable Development Strategy, while the ESG area is supervised by the board member overseeing HR and social responsibility matters – Beata Górniak.

Issues important for stakeholders



Responsible Governance

PKP Energetyka is owned by one of the world's largest investment funds - CVC Capital Partners. The investment policy of the Fund is in line with the Principles for Responsible Investment, and besides financial performance, it pays special attention to environmental standards and sustainable social impact.

The statutory bodies of PKP Energetyka are the General Assembly, the Supervisory Board and the Management Board. The Supervisory Board consists of the representatives of CVC Capital Partners and trade union organizations. The Supervisory Board has not appointed any committees or other internal bodies. Additional control is ensured at the level of the parent company of PKP Energetyka – PKPE Holding, where the Supervisory Board is comprised of the representatives of CVC Capital Partners. Any major decisions and activities of the Management Board of PKP Energetyka require CVC's consent.

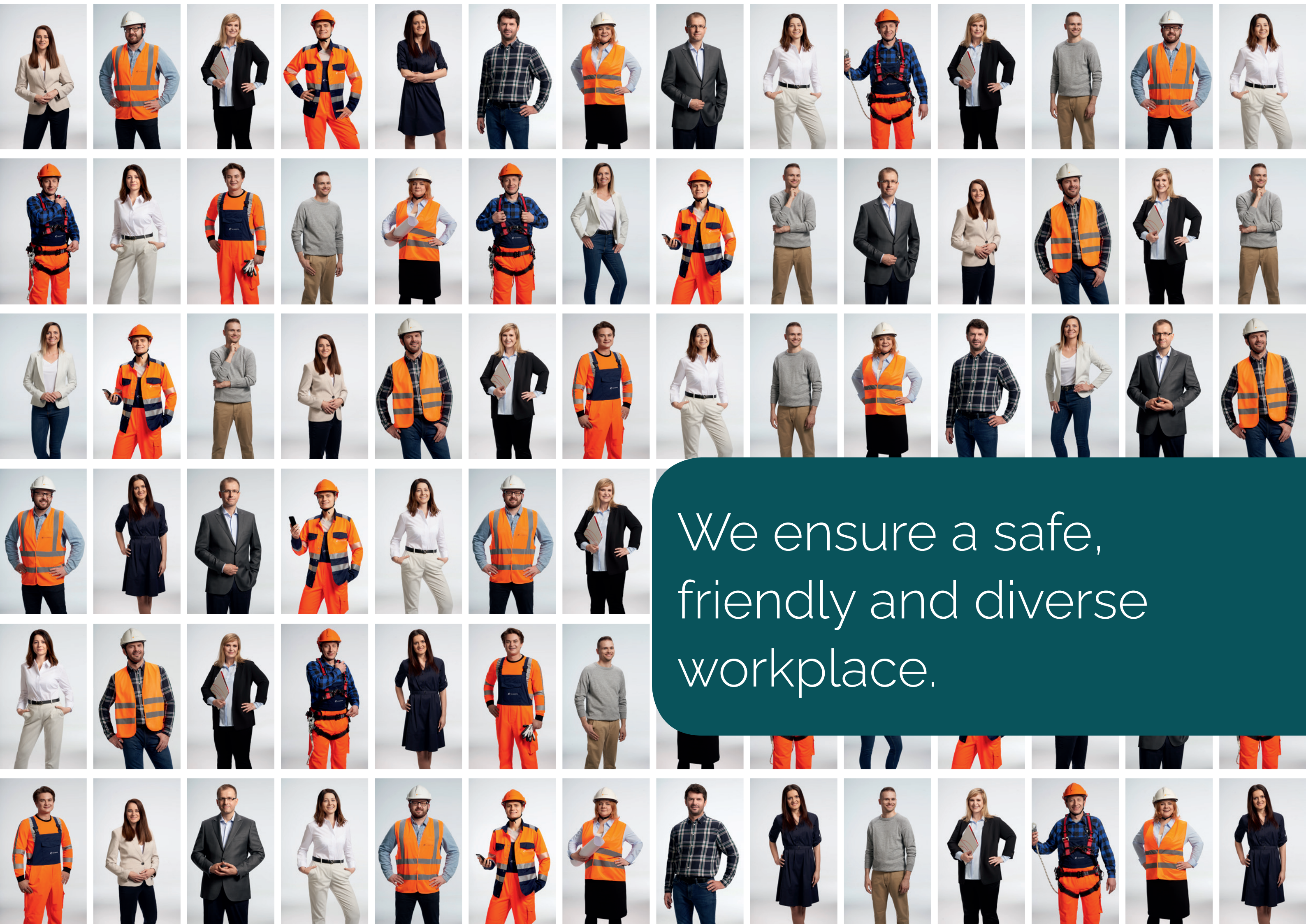
The chairman of the Supervisory Board is **Krzysztof Krawczyk**, representing CVC Capital Partners. The remaining members are **Maciej Krzysztof Godek**, **István Szőke**, **Marek Klas**, **Jakub Canda** and **Stanisław Woch**.

The Management Board of PKP Energetyka supervises all current company affairs, subject to all the constraints arising from the Commercial Companies Code and the Charter. The CEO is **Wojciech Orzech** and the remaining members are:

- 1 **Christopher Biedermann** supervising Finances
- 2 **Beata Górniak**, supervising HR and Social Responsibility matters
- 3 **Leszek Hołda**, responsible for Services and the Green Railway program
- 4 **Marek Kleszczewski**, supervising Distribution

The biographical notes of our Management Board members are available on the website at:
<https://www.pkpenergetyka.pl/O-PKP-Energetyka/O-nas/Wladze>





We ensure a safe,
friendly and diverse
workplace.

2

POWERful Team

At PKP Energetyka, we are a POWERful Team – a team of over 4,200 people who commit to their work every day because they know how important it is for millions of passengers and the national economy. We employ excellent specialists, but knowledge alone is not enough to work in our organisation – the credibility and trust of team members, everyday kindness and concern for our own and others' safety are also essential. At PKP Energetyka, there are no more or less important positions – only the roles in the company are different. Each employed person is part of the POWERful Team – together, we can meet even the most significant challenges posed by our clients, and finally – passengers of Polish railways.

We offer stable employment in a large company – full-time contracts for an indefinite period bind 99% of employees. To a minimal extent – about 1% – we use people's work based on a civil law contract.

Employment structure in 2019-2021

	2019	2020	2021
Total number of employees	4,843	4,304	4,225
Women	555	467	474
Men	4,288	3,837	3,751
Total number of employees -permanent contract	4,582	4,117	3,987
Women	509	433	416
Men	4,073	3,684	3,571
Total number of employees -temporary contract	261	187	238
Women	46	34	58
Men	215	153	180
Total number of employees (full-time)	4,805	4,275	4,193
Women	540	454	459
Men	4,265	3,821	3,734
Total number of employees (part-time)	38	29	32
Women	15	13	15
Men	23	16	17

[Gr 102-8]

Safe workplace

Work safety issues are not subject to compromises at PKP Energetyka. This is a priority that we take extremely seriously. Due to the special conditions of our work, compliance with health and safety rules is not only a matter of regulations but, above all, the protection of human health and life.

We manage security issues by the international standard ISO 45001: 2018. Each position in our organisation is subject to an occupational risk assessment procedure carried out by qualified OHS services. Wherever possible, we eliminate threats or minimise the risk to the highest degree. We also care for the safety of our employees when shopping for our company. We choose only devices and chemicals that pose the lowest possible risk to people and the environment. We are also open to employees' ideas – we invite them to co-create safety rules, and employee representation regularly participates in the work of the OHS Committee.

Best Practice
We constantly increase safety by using technologies or methods of work that eliminate risk. In 2021, i.a. :
> we designed and manufactured a contact wire lubrication device that reduces workers' exposure to chemicals.

We comply with all occupational medicine regulations. Our employees can use private medical care facilities throughout Poland in this regard. All new employees undergo initial health and safety training, and this knowledge is later updated during periodic training.

Safety rules PKP Energetyka:

- 1 We take care of our own and others' safety. We identify threats and counteract them.
- 2 We actively propose solutions to improve security.
- 3 We do not tolerate any non-compliance with the safety rules.
- 4 When exposed to a potentially dangerous situation, we stop working and react.
- 5 We do not repeat past mistakes - we learn from them them.

Our goal is to build an accident-free workplace. That is why we have been implementing the MISSION ZERO project for many years, which consistently raises the safety standards in PKP Energetyka. Since the first day of the program's announcement, its vision has not changed and is expressed in the following words: "no one should be injured or die in an accident at work". The program's pillars were developed during workshops attended by several hundred company employees. MISSION ZERO is based on the five pillars.

1st Pillar Leadership

Examples of activities carried out in 2021

/ The project of "identification of underlying causes of accidents" aims to determine the root causes of accidents at work systematically. We identify them thanks to the RCA (Root Cause Analysis) method. Analytical teams - incl. practitioners and organisers of work in a given position - analyse situations in which an error or deviation begins the "chain" of events leading to an accident. Thanks to this, we learn what can be done to eliminate similar events in the future.

2nd Pillar Risk Management

Examples of activities carried out in 2021

/ Creating tools for monitoring the health and safety at work and environmental protection, using the so-called data warehouse.
/ An application for the management of information resulting from the control of occupational safety conditions, environmental protection and fire protection.
/ Carrying out RCA analyses for the area of work safety and launching research in the area of railway traffic safety.

3rd Pillar Systems

Examples of activities carried out in 2021

/ Preparation of standards and instructions for safe work, incl. development of detailed requirements for **the Safety and Health Protection Plan** and the **Instructions for Safe Works Execution**. These are the primary stages of planning the organisation of the construction site, the construction process and individual works.

4th Pillar

Safe machinery

Examples of activities carried out in 2021

- / **The Safe Facilities and Site of the Plant Project:** the goal was to document minimum requirements for land development, including, among other things, the storage of materials and waste, the storage of technical gases, the protection of trees, the protection of natural habitats, and the storage of hazardous mixtures and substances. The project specifies what activities are necessary to achieve the state compliant with the requirements in each location.
- / **Developing a Fire Safety Management System** - the first stage of the project was to develop a uniform standard of requirements for equipment and extinguishing agents and the content of fire safety instructions.
- / **The Mobile Workstations project**, which solves significant problems related to, for example, the use and transport of ladders, installation of technical cars, equipment with measures necessary to secure leaks (ecological first aid kits), location of defibrillators (trains) and first aid materials.

5th Pillar

People

Examples of activities carried out in 2021

- / **The First Aid System** project includes purchasing equipment to assist people in life-threatening conditions, practical training in basic rescue operations, developing a competency and training matrix.

Best Practice

At the beginning of August, as part of Mission ZERO, we conducted an internal health and safety audit in 20 of our units. Its goal was to support the managers of our field units in organising safe work in line with the regulation enforced across PKP Energetyka. The scope of the audit also covered issues related to environmental protection and fire protection.

The 12 Life Saving Principles have been in force from 2019 in the at PKP Energetyka. We reminded our employees of our principles as part of the Safety Campaign that started in 2020 and ended in 2021. We want the set of 12 Life Saving Principles to become a permanent part of the everyday life of every employee - so that they are consistently applied.

12 Life-Saving Principles

 <p>I never work after drinking alcohol or using drugs.</p>	 <p>In a health or life emergency I do not work and keep others away.</p>	 <p>I use tools for their intended purpose.</p>
 <p>I make sure that I am always visible</p>	 <p>I don't take shortcuts, I always follow the rules and procedures.</p>	 <p>I have limited confidence, I always check if machine is: disabled, disconnected, no voltage and grounded.</p>
 <p>I stop the train before "stop" signal and when I am not sure about the signal.</p>	 <p>I do not go into the traffic machinery work zone and zone of cargo transportation.</p>	 <p>I take care of safety equipment and I am using it as intended.</p>
 <p>I always take measures of personal protection at work at height.</p>	 <p>I respect the ban on smoking and the use of open fire.</p>	 <p>I'm staying safe on the road: I fasten my seat belts, I am limiting my speed and I am concentrated.</p>

No set of rules, even the best described one, will be effectively implemented if we do not dare to say STOP at the right moment and stop work that is dangerous for us. At every step we remind employees that they have the right and duty to discontinue work when the conditions are unsafe.

All PKP Energetyka employees have the opportunity to report – orally, by phone or in writing – potentially dangerous situations. There is an anonymous emergency telephone and the Ethics Line (an electronic system for accepting reports on irregularities operated by an external company) with protection for Whistleblowers. The information's confidentiality and the reporting person's security are always respected.

Number of accidents at work

[GRI 403-9]

	2019	2020	2021
Injuries suffered by organisation's employees (including fatal ones)	42	27	34
Fatalities due to work-related injuries	1	1	1
Fatal injury rate from work-related injuries	0.126	0.132	0.142
Number of severe accidents at work (excluding fatalities)	0	1	1
Percentage of serious accidents at work (excluding fatalities)	0%	4%	3%
Number of recordable work-related injuries	52	35	38
Rate of recordable injuries at work (per 1m h)	6.54	4.61	5.39

Number of accidents broken down by accident type

[custom indicator]

	2019	2020	2021
Minor accidents	40	27	32
Severe accidents	0	1	1
Group accidents	1	0	1
Victims in group accidents	2	0	2
Fatal accidents	1	1	1
LIFTR	5.41	3.82	4.83
Number of near misses	4,572	1,589	444
Percentage of eliminated threats	76.75%	68%	67%
Accident severity rate	81.81	65.92	69.12

Best Practice

In 2021, we trained 302 employees in first aid. We strive to ensure that employees in every workplace in our organisation can obtain professional assistance during an accident.

Our employees also participated in the first inaugural **Safe Tech Forum 2021** conference devoted to the civil rescue and the National Championship of Company Rescue Teams. The formula of the championship was based

on the simulation of accidents that may take place both in workplaces and in everyday life. It verified the first aid skills in, safety assessment, haemorrhage control, defibrillation, treatment of injuries, cardiopulmonary resuscitation, anaphylactic shock, fire management and psychological care and other areas. The participants had to deal with various types of injuries. Our teams won in the category of anaphylactic shock and trauma examination.

Our new SOS rescue application has been operating since June 2021. It was automatically installed on the business phones of line and customer service employees. The tool enables more accessible and faster reporting of health and life-threatening situations and allows you to connect to the emergency telephone number 112 or our Dispatch Center. Regardless of the selected option, the program sends an SMS to the relevant PKP Energetyka services with information about the employee and the current location – this is especially important in the case of an event taking place on a railway route or far away from cities, buildings or other landmarks.

Best Practice

We have always known that people working at PKP Energetyka are truly exceptional. But sometimes others find out about it. In February 2021, one of our brigades witnessed a passenger car rollover. The employees

immediately took action to rescue the driver trapped in the car, who luckily did not suffer any significant injuries. Before the fire brigade arrived, the crew had already secured the area and directed the traffic.

Safety during the pandemic

[GRI 403-6] Throughout the pandemic period, our company combined ensuring the safety of employees with the need to maintain power for passenger and freight rail traffic. We provided our employees with the necessary personal protective equipment, monitored their well-being and organised work in such a way as to minimise direct contact between employees. The office workers were assigned to work remotely, and we managed the necessary assistance in purchasing and dealing with everyday matters for people in quarantine, as needed. We also informed employees about the development of the pandemic situation in Poland and the current recommendations via SMS and newsletters.

To strengthen prevention against COVID-19, in April 2021, we organised a webinar with a physician on the benefits of vaccination. From December 2021 all employees scheduled to get vaccinated were entitled to take a day off for that purpose.

Friendly workplace

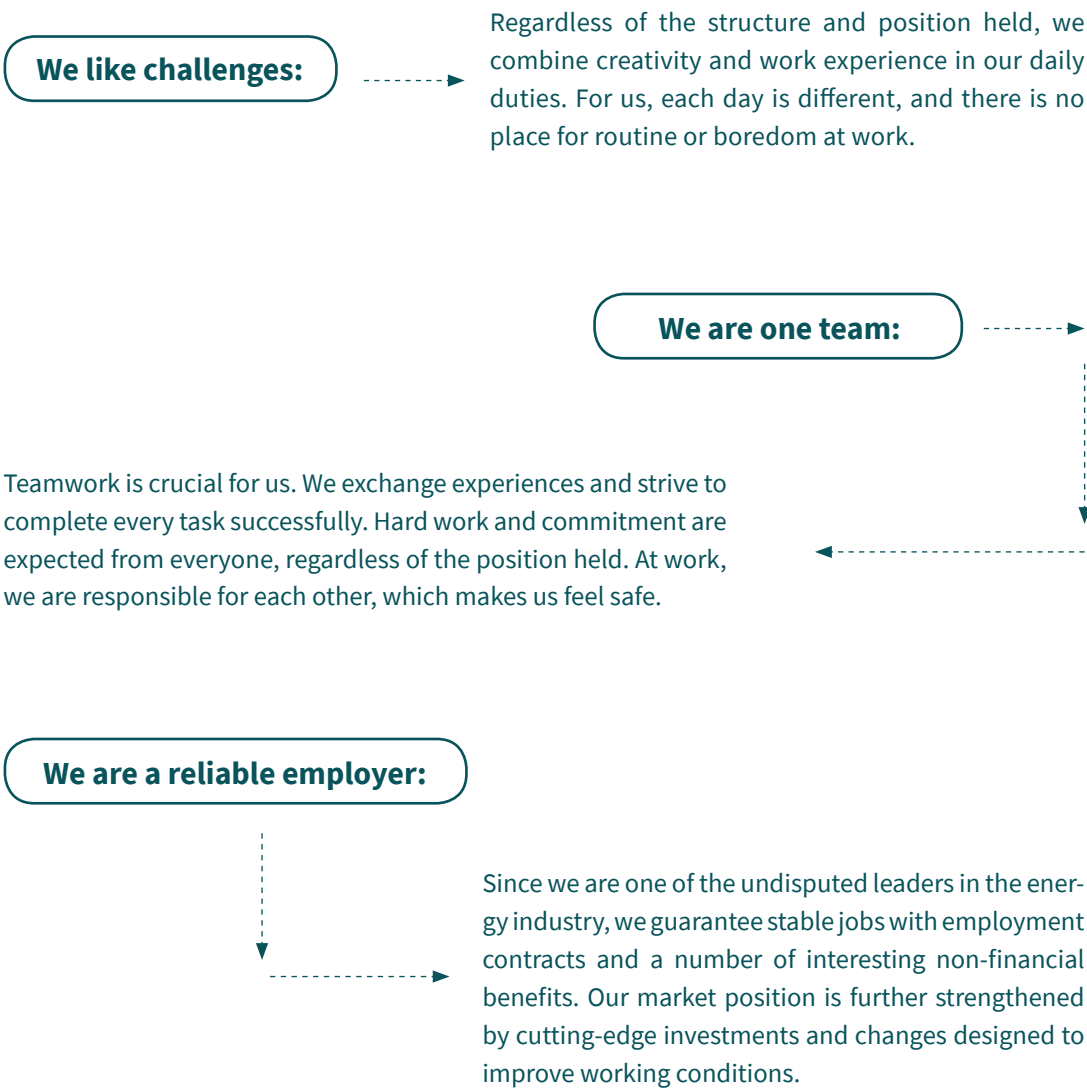
[GRI 401-2] [GRI 102-41] **We want PKP Energetyka to be a company where you work with pleasure.** We treat employees fairly, we care for their professional development, we value ambition and initiative, and we are open to all comments and suggestions. A collective labour agreement fully covers 90.45% of our employees. The other employees do not fully apply the collective arrangement. We provide our employees with an attractive package of benefits enjoyed by all employees working at PKP Energetyka. These include:

- 1 Discounts on PKP tickets in Poland and abroad. The travel allowance of Polish rail carriers across the country in the second class is as high as 99% for the employee and 80% for the child and spouse.
- 2 An additional day off - we celebrate Railwayman Day on November 25th.
- 3 Private medical care for all employees and their family members. The medical care program we co-finance provides access to specialists and medical facilities throughout the country.
- 4 Life insurance.

- 5 Co-financing for holidays and leisure, cultural, artistic and sports events.
- 6 Home and renovation loan.

The rules that guide us in our daily work are known to all employees. A significant part of those rules was created together with our crews. They are described in the internal documents that every person employed in PKP ENERGETYKA is obliged to observe. The relevant documents regulate issues of recruitment, employee development, diversity, ethics, counteracting mobbing and preventing corruption.

PKP Energetyka employer brand attributes:

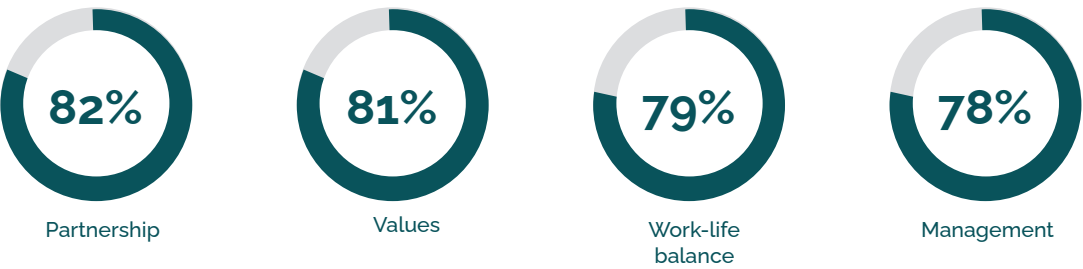


Every year we conduct an employee engagement survey. In 2021, for the first time, it was fully implemented using an electronic form, which made it easier for many employees to participate and, at the same time, became part of the digitisation process of our company and reduction in paper consumption.

The turnout in the survey was 91%, and the engagement rate was 71% - 23 percentage points more than the Polish average. **Thus, we were again among the 25% of employers with the best engagement results in Poland.** The highest-rated areas are Cooperation - 82% positive responses (3 percentage points more than in 2020), Values - 81% positive responses (3 percentage points more than in 2020), Work-life balance - 79% positive responses (3 percentage points more than in 2020) and "Management" - 78% (no change compared to 2020).

[custom indicator]

	2019	2020	2021
Employee engagement rate	65%	71%	71%
Survey participation rate	89%	89%	91%



Best Practice

Since December 2018, the Initiatives and Ideas Management platform has been operating at PKP Energetyka, where all employees can submit their initiatives. Among over 110 applications submitted by 750 employees, we directed over 100 ideas for implementation. Their authors were awarded points that can be exchanged, among others, for vouchers for popular stationary and online stores. The changes that we owe to the creativity of our employees and initiatives reported on the platform include the celebration of the Safety Day at PKP Energetyka, an automated process of issuing invoices, an interactive calendar of booking seasonal houses or a better system for verifying the correctness of filled PIT forms.

Recruitment and concern for future staff

When looking for people for a given position at PKP Energetyka, we first check whether we can offer it to a person working in our organisation. The principle of internal recruitment priority allows us to use employees’ potential, promote their experience and invest in their development. Only in the absence of internal applications or the lack of candidates who meet the competence requirements will we begin to look for people outside of PKP Energetyka. For many years, to make the recruitment process effective for our new employees and ourselves, every new person in our company has been undergoing the so-called Adaptation Program. Thanks to this, new team members can familiarise themselves with the details of our operations, the essential information helpful in the first months of work and all rules and policies enforced across PKP Energetyka.

New employees by age and gender in the PKP Energetyka Capital Group

[GRI 401-1]

	2019	2020	2021
Total	248	145	297
Women	46	40	64
Men	202	105	233
Under 30 yo	113	64	160
30-50 yo	129	76	123
Over 50 yo	6	5	14
Total	5.1%	3.4%	7.0%
Women	8.3%	8.6%	13.5%
Men	4.7%	2.7%	6.2%
Under 30 yo	35.4%	22.4%	48.0%
30-50 yo	6.5%	4.3%	7.3%
Over 50 yo	0.2%	0.2%	0.6%

¹As of December 31, 2021

New PKP Energetyka Capital Group employees by age and gender

[GRI 401-1]

Total	363	792	270
Women	52	138	48
Men	311	654	222
Under 30 yo	47	44	59
30-50 yo	182	225	107
Over 50 yo	134	523	104
Turnover rate	7.5%	18.4%	6.4%
Women	9.4%	29.6%	10.1%
Men	7.3%	17.0%	5.9%
Under 30 yo	14.7%	15.4%	17.7%
30-50 yo	9.2%	12.7%	6.4%
Over 50 yo	5.3%	23.3%	4.7%

We know how important it is for our company's future and the entire Polish railways to educate future staff. **In June 2021, we signed a cooperation agreement with another school – the Vocational School Complex in Rawicz.** As part of the agreement, we enable students of the Rawicz school to expand their knowledge and quality of practical vocational training in the profession of an electrician technician. Our company will organise school internships **and invite students to visit our plant to familiarise young people with the modern PKP Energetyka infrastructure.** We provide scholarships and employment with the possibility of financing further education for the most talented students. We are also planning to equip the school workshop for students.

Every year, we accept high school and university students for internships and traineeships. That way, young people can become familiar with the nature of working at our company and draw knowledge from high-class specialists. Many of them stay with us longer, discovering that PKP Energetyka is not only an expert organization, but also one with a culture of mutual respect and celebration of diversity.

Gabriela Romanowska ,
Business Development and Support Office Manager

In September 2021, the first class under the patronage of PKP ENERGETYKA in the Wielkopolska Insurgents 1918-1919 School Complex in Krzyż Wielkopolski also started. First-graders who decide to start their professional education path in the professions of an electrical technician or a mechanic technician in the patron class have the opportunity to participate in educational trips, training and lectures conducted by our employees. The practical method of education significantly influences the chances of these students in the professional market. We provide material prizes for outstanding young people and, after graduation, possible co-financing of further education in the profession.

Best Practice

We strengthen our image as an attractive employer and encourage participation in the Strong Start Internship Program launched in 2021. **In the first edition, we chose 27 interns out of 1,700 applications. 18 students of**

electrotechnics and energy were transferred to business areas closely related to traction and energy. Another nine people, during their studies in economics, finance and IT, went to the support areas in our organisation.

The complexity of our industry (combination of energy and rail) and the variety of business areas gave a chance the opportunity to develop and a vast opportunity to learn about the practical aspects of work. Many received a specific task program to implement, and we extended our cooperation to eight people.

We presented PKP Energetyka's job and internship offer at university events and job fairs - due to the pandemic, the events were held remotely.

- 1

We met with the first-year students of Rail Transport at the Silesian University of Technology,
- 2

We organised a meeting for students of Electrical Engineering at the Gdańsk University of Technology,
- 3

We became a sponsor of the SIGMA MARATON National Scientific Accounting Conference,
- 4

As part of the Engineering Job Fair of the Warsaw University of Technology, we conducted the Polish Green Railway webinar – changes towards 3D at PKP Energetyka,
- 5

Information on ecological changes on the railways was also presented at the Engineering Job and Entrepreneurship Fair of the Silesian University of Technology, the Academic Job Fair at the Lodz University of Technology and during meetings at the Gdańsk University of Technology and TRAKO.
- 2021 ESG Report – PKP Energetyka Capital Group
- 37

Best Practice

In 2021, we became a partner of the Responsible Business Forum. This prestigious association has been comprehensively dealing with corporate social responsibility in Poland for years and promoting best practices among domestic enterprises.

Training

We treat the development of our employees as an opportunity for the development of our entire company. That is why we offer an extensive training program for all positions in PKP ENERGETYKA. The assumptions, standards, scope and principles of financing our training system are described in the Employee Development Policy.

Our training is divided into two types – obligatory and voluntary. Compulsory training is necessary to perform a given job and ends with granting authorisation to perform specific tasks. We call them qualifications in the organisation. These include railway traffic safety qualifications or building qualifications at various levels.

We encourage each employee to participate in voluntary training. They are available on the online training platform, where interesting materials on work efficiency, team cooperation or communication can be found.

Number of people who started development activities other than compulsory training

	2019	2020	2021
Number of people who started development activities other than compulsory training	1,761	543	513

A very important issue is the implementation of the SCADA project. Centralisation of dispatches, automation of power network management and introduction of a new traffic management system require the improvement of dispatchers' competencies in the field of system operation and learning to manage traffic in a larger territorial area than before. The training is scheduled for two years and it covers all dispatchers starting June 1 this year, it is planned to implement a succession program for retiring employees. The project assumes adequately early recruitment, onboarding and training for new employees.

Best Practice

In Słotwiny near Łódź, PKP ENERGETYKA employees improve their competencies at an innovative training ground. We use multimedia, virtual reality devices, e-learning and a particular section of the traction network to recreate the working conditions in our company realistically. At the training ground, extreme situations are simulated, which in reality would not be possible to exercise. A dedicated knowledge base includes scenarios of events from over a dozen years of experience in the company. The training ground makes it possible, in safe conditions, to learn and practice all activities related to the maintenance of the railway catenary, including checking its condition, as well as maintenance and replacing of necessary elements. In 2021, we trained 456 employees in Słotwiny.

The modernisation of the network means that more and more modern energy devices appear in our switching stations. New solutions are inextricably linked with the need to update specialist knowledge. In 2021, we organised such training with, among others, SIEMENS and ABB from Bielsko Biała. Employees could broaden their knowledge on the construction of new switchgears, preparation of the workplace, activities that can be performed remotely, and familiarise themselves with information on the operation of controllers. Practical exercises supported the theoretical training.

Percentage of employees receiving regular quality and career development reviews (by gender, category)

Total number of employees	2020		2021	
Women	389	10%	415	10%
Men	3,535	90%	3,714	90%
Total	3,924	100%	4,129	100%
Management				
Managers	385	10%	367	9%
Administrative workers	1,000	25%	1,020	25%
Direct	2,539	65%	2,742	66%

We appreciate and develop the most talented and committed employees in our organisation. We run two Talent Development Programs – one for managers and the other for administration employees.

The Goals of Talent Programs in PKP ENERGETYKA

- 1 Promoting and supporting employees with the highest potential.
- 2 Providing an internal pool of successors for positions.
- 3 Retention of employees with the highest potential in the organisation.
- 4 Building the employer's brand.

For the 2021/2022 edition of the Talent Program, all administrative employees and managers whose annual assessment indicated an efficiency level and high potential that met or exceeded expectations were invited to the Talent Program. 22 people participate in the program for managers and 25 for administrative employees. As part of the training, participants meet a mentor and are involved in various corporate projects. In the following year, they will be prepared for the role of mentors.

Best Practice

1 Our Managers' ABC training develops our leadership and team management skills. The program covered existing managers and new people in our company's managerial positions. The training topics include communication, goals, team motivation, recruitment interviews and change management. In 2021, 211 people participated in the Managers' ABC training.

2 In 2021, with the support of the Kaizen Institute, we created a competency and technical skills matrix for direct employees. In the spirit of digitalization and optimization of processes, we also built an original matrix service tool – the Fachowiec app.

The matrix constitutes our response to the need to gather all data on the competencies and professional experience of our employees in one place. It is a fast and intuitive tool used to monitor, schedule and effectively execute the development plans in particular locations.

Today, next to our knowledge exchange platform – Powerful Team Academy, Fachowiec is

the key tool for comprehensive management of competencies and development. The app was first shared with the managers and assistants, who get a direct insight into the state of competencies and qualifications of their subordinate teams. It also supports the employees of the Shared Services Centre, who organize and conduct field training on a daily basis. It enables ongoing verification of all the information on the scope and validity of qualifications and skills necessary to execute entrusted tasks. Fachowiec speeds up and facilitates the decision-making within team management processes. It streamlines staff scheduling and has a direct impact on improving work safety. In our matrix, we collect information on the machinery and equipment as well as the state of qualifications in particular locations, i.e. key data necessary to analyse educational needs and competency gaps, and thus develop our training plan and budget. The matrix provides essential support in terms of eliminating threats resulting from the generational gap and orienting development at execution of our ambitious strategy.

Diversity in PKP ENERGETYKA

We employ over 4,200 employees whose experience, knowledge, way of working and individual points of view are the strength of PKP Energetyka and the foundation of our success. We focus on candidates' competencies and talents, regardless of age, gender, nationality, fitness level, social status, religion, sexual orientation or views. We believe differences strengthen creativity and openness to change and help make better decisions. We believe that a diverse PKP Energetyka team translates into the ability to understand various needs and the source of our competitive advantage.

Everyone can count on respect, tolerance and equal treatment in PKP Energetyka. From a formal point of view, diversity is guarded by the Diversity Policy in PKP Energetyka, which each of our employees is obliged to observe. In 2021, we did not record any case of discrimination in our organisation.

Best Practice

In 2021, we won the prestigious **TOP Employer** title for the fourth time, awarded to the best employers in Poland. The certification is carried out by the TOP Employers Institute, which in the evaluation process takes into account such areas as talent search, HR strategy, training and development or building of a diverse workplace.

In the 2021 study, we reached 80.88% and improved our 2020 result by almost four percentage points. The areas in which we have noted the most significant progress are the construction of a friendly workplace (22% increase), career development (17% increase) and leadership (11% increase).

January 2022 marked the end of the process launched in 2021, and we became a signatory of the Diversity Charter, joining 240 other companies and institutions in Poland. The Charter is an international initiative under the patronage of the European Commission, which constitutes a commitment to prohibit discrimination in the workplace and to act to create and promote diversity. It expresses the company's readiness to involve all employees and business and social partners in these activities. Organisations that decide to implement this tool contribute to social cohesion and equality.

Best Practice

As part of our cooperation with higher education institutions, we donated PLN 27,000 to the Gdańsk University of Technology to purchase a mobile robot used to learn programming in

the MatLab environment. The meeting was also an opportunity to discuss our further partnership, supervision of diploma thesis, and execution of joint research and development projects.

[GRI 405-1] Management bodies and staff are divided into gender, age, employee category, membership of minorities and other indicators of diversity.

The percentage of the composition of governing bodies broken down into categories by gender, age, membership in minorities, and other indicators of diversity*		2019	2020	2021
	Women	61	56	53
	Men	377	346	341
	Under 30 yo	9	13	10
	30-50 yo	275	260	258
	Over 50 yo	154	129	126
	Foreigners	1	1	0
	Americans	1	1	0
	Disabled	1	1	2
Percentage of the workforce broken down into categories by gender, age, type of the employee, belonging to minorities, and other indicators of diversity		2019	2020	2021
	Women	494	411	421
	Men	3,911	3,491	3,410
	Under 30 yo	310	273	323
	30-50 yo	1,710	1,510	1,418
	Over 50 yo	2,385	2,119	2,090
	Foreigners	0	0	0
	Nationalities	0	0	0
	Disabled	17	18	16

**As of December 31, 2021

Volunteering

Our flagship program that combines the company's social commitment and employee volunteering is Grantspółeczni. It is a program under which our employees can obtain funding to implement their ideas that support environmental and climate protection. In 2021, the fourth edition of the Grantspółeczni took place. Employees presented nine ideas for reducing CO₂ emissions and building pro-ecological attitudes among children and adolescents. Each submitted idea received funding up to PLN 3,000.

Selected Grantspółeczni programs in 2021:

- 1 Green Safety
Illumination of the concert shell with solar lamps and planting green spaces in Aleksandrów Kujawski.
- 2 Green Białotłęka Academy II
Creating a garden by the Polish Olympians’ Primary School No. 368 in Warsaw.
- 3 Shop Smart, Live Healthy!
Classes dedicated to proper segregation of waste along with the purchase of containers at the Mira Zimińska-Sygietyńska Primary School No. 3 in Pruszków.
- 4 Eco with Your Neighbourhood – students take care of the environment.
Purchasing segregation containers and installation of scooter stands at the Władysław Bro-niewski Primary School in Wojcieszów.
- 5 Birds, Insects, Hedgehogs – We’ll Protect You – I Believe That!
Installation of nest boxes for sparrows and swifts, an insect hotel and a hedgehog house, and planting a wildflower meadow by the Kindergarten No. 54 in Warsaw.

Best Practice

In 2021, we participated in the the Noble Gift event for the fifth time. We conducted a fundraiser for the family of Mrs Jagoda from Legionowo – in total, our employees collected over PLN 3,800 and gifts donated directly by our employees.

2021 also marked the first large-scale social campaign organized by our Foundation – Dobra Ener-gia (Good Energy). We donated over 500 new computer sets for remote work to children from the neediest families of the PKP Energetyka Capital Group employees and children with disabilities across Poland. The beneficiaries also received free access to the internet for 12 months and remote technical support. Such a package will allow them to fully participate in remote education as well as develop their passions and interests in the digital world.

In total, PLN 1.5 m was allocated to the campaign. The most significant contribution came from the CVC Capital Partners fund and the PKP Energetyka Employees, who decided to donate their own resources to execute this project.

Best Practice

In 2021, the Foundation supported 5 schools: in Lublin, Teresin, Rybnik, Krzyż Wielkopolski, and Bydgoszcz, by donating computer sets worth PLN 54,038.34 in total.

Moreover, the Foundation organized classes for school kids and teenagers. The list of pro-

posed subjects included: How to deal with stress?, Let’s talk about money, To save or to invest?, Mom, dad, I go to work! – first steps on the job market, Dealing with violence or exclusion, Effective communication, and Ef-fective learning.



We power
the energy
transition

3

The European Union has indicated railway as the means of transport that will allow us to achieve the ambitious climate goals set under the Green Deal. Europe clearly specifies where the future of safe, green transport lies, and it promotes these solutions – therefore, 2021 was announced the European Year of Rail.

Green Railway Program

We want to power trains in Poland with renewable energy. Regardless of whether it is Pendolino from Rzeszów to Szczecin, passenger train to Otwock, or long freight train – every railway depot in Poland should use environmentally friendly energy. The objectives of the Green Railway program have been developed by the entire railway industry associated under the Centre for Railway Energy Efficiency ([HYPERLINK "http://www.ceeek.pl"www.ceeek.pl](http://www.ceeek.pl)). Its consistent implementation starts to bring measurable results. The growing eco-awareness among passengers and companies using railway services goes hand in hand with the increasing interest in renewable energy among carriers. What makes it even more important is the issue of energy security and the need to become less reliant on the hydrocarbons from the east. We strongly believe that Polish railway can become the symbol of modern, fully sustainable passenger and freight transport and the backbone of electromobility in Poland.

The good news is that switching to renewable power supply does not require additional investments in the rolling stock. Colloquially speaking – the electricity flowing in a traction network is the same regardless of whether it comes from the sun, wind or coal. Moreover, the price of renewable energy will not be higher than the price of traditionally generated energy. Therefore, the purchase of green energy by carriers is a pro-environmental business decision, rather than an investment one.

Mirosław Balicki,
Traction Energy Sales Department Director

PKP Energetyka is a natural competence resource in terms of energy transition for the entire rail industry. From the very beginning, we have been sharing our experience within the Centre for Railway Energy Efficiency (CEEK). CEEK is a sector partnership initiative engaging 95% of all national carriers, PKP PLK and experts from the Railway Institute, Warsaw University of Technology, Jagiellonian Institute, and Jagiellonian Club, to name a few. The activity of the Centre is aimed at minimization of the railway's electricity consumption and switching to renewable energy. CEEK promotes the development of recuperation technologies, eco-driving, and building RES installations in railway areas and facilities. As of 2019, the Centre has been executing the Green Railway program, the goal of which is to make sure that by 2030, 2.5 TWh (85% of traction electricity) comes from RES, which will translate into carbon dioxide reduction of 8 million tonnes. In terms of energy efficiency, the objective is to cut down electricity consumption across the sector by 1.2 TWh and reduce CO₂ emissions by a million tonnes by 2030.

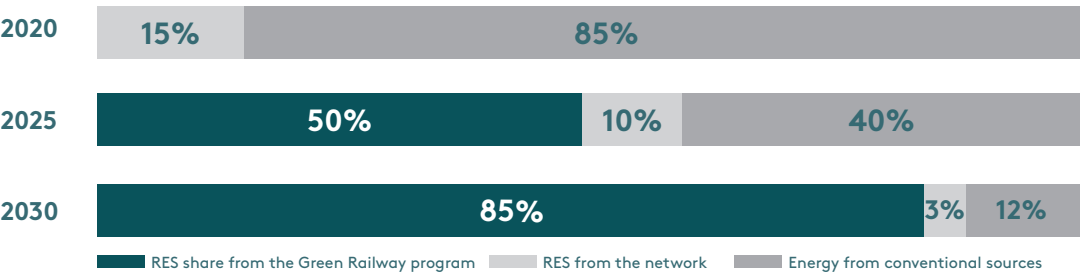
What is worth knowing about green energy for the rail industry:

- 1 About 60-70% of energy will come from several hundreds of photovoltaic farms.
- 2 About 30-40% of energy will come from several dozen wind farms.
- 3 The installations will be located across Poland, and energy will be generated as close to the collection point as possible, along the tracks, to shorten the transmission route.
- 4 The system will be based on so-called Local Balancing Areas that are energetically independent, where the amount of generated energy is equal to the demand.

Worth Knowing

Our strategy is in line with the national policies – **Energy Policy of Poland until 2040** and **National Energy and Climate Plan**. The first document forecasts that the share of RES in the final gross energy consumption will amount to at least 23% by 2030. The second policy assumes a share of RES in transport at the level of at least 14%.

Planned increase of the RES share in the rail sector due to the execution of the Green Railway program



Best Practice

Together with the industry representatives, we explored the subject of optimization of railway electricity consumption and adjustment of rail infrastructure to the carbon dioxide reduction requirements during the Green Deal for Polish Railways conference in 2021.

2021 was a breakthrough year for the Green Railway® program in Poland, as it entered the execution phase, gradually including more and more rail companies that take up the challenge of transforming railways into the first means of transportation almost fully powered by solar and wind energy. PKP Energetyka signed renewable power purchase agreements with both freight and passenger carriers.

- 1 **We signed a letter of intent with DB Cargo Polska.** Our mutual goal is to establish the framework for supplying DB Cargo Polska’s rail transport services exclusively with renewable energy within three years.
- 2 **During the TOGETAIR Climate Summit, we signed another letter of intent with CTL Logistics.** The carrier joins the Green Railway program with the goal of switching to renewable energy to power its trains. Additionally, together with CTL Logistics, we intend to install photovoltaic systems on the lands and buildings owned by the carrier to supply the facilities, spurs and remaining infrastructure.
- 3 **Letters of intent were also signed by:** Koleje Mazowieckie, Koleje Śląskie, Koleje Małopolskie, STK Rail, ECCO Rail, Raildox and Captrain.
- 4 **Łódzka Kolej Aglomeracyjna became Poland’s first passenger carrier to purchase renewable energy.** Subject to the concluded agreement, in 2022, at least 30% of the energy supply for the ŁKA trains will be eco-friendly. The percentage will consistently grow over the next years – by minimum 10% a year. Therefore, in 2024, it will be at least 50%, and in 2026 – 70%, while in 2028 ŁKA’s electric trains will only consume energy from renewable sources.

Best Practice

PKP Energetyka can present analysis indicating that the introduction of the Green Railway program itself should contribute to the increase of environmentally friendly traffic by even 12%. More and more companies express their climate neutrality ambitions when building the logistics chains and expect transport service providers to report the smallest carbon footprint possible.

Cutting-edge power supply for railway must be based on advanced technologies. At PKP Energetyka, we closely monitor innovations in the renewable energy sector and import best practices from around the world. We also conduct our own research and development projects, and the best example of that is Europe’s biggest traction energy storage launched in 2021. The facility was built in the town of Garbce near Żmigród in the region of Lower Silesia. We applied technologies that are unique for Europe, and the storage supplies thousands of regional and long-distance passenger trains and freight depots on a monthly basis. The installation improves the safety and quality of traction energy supplies and balances the power from the National Energy System. The storage charges slowly, using low-voltage power from the distribution network, and when there is a train on the tracks, it quickly transmits a big amount of previously collected energy, simultaneously ensuring its high quality within the traction network. Thanks to 4,200 technologically advanced lithium-ion battery cells, the facility can at once power a train moving at the speed of 160 km/h. Its functionality is monitored by an advanced IT system – SCADA (Supervisory Control and Data Acquisition). Moreover, the facility helps reduce transmission losses by over 60%.

Our rail “power bank” is the biggest facility of that type in Europe. It is powerful enough to supply 55,000 traditional 100-watt bulbs, 110,000 dishwashers, or 2,000 electric ovens. The investment is worth nearly PLN 20 million, and to design the storage we joined forces with experts from the

University of Zielona Góra. The storage in Garbce plays a significant role in increasing the use of renewable energy sources. There will be photovoltaic systems installed nearby to provide additional power to the storage. Ultimately, PKP Energetyka plans to build about 300 similar installations.

Best Practice

In 2021 we were working on implementing a new technology – planned for 2022 – that would allow our distributors to see on the screens not only the elements of the distribution network, but also precise information about the energy flow between them.

The innovativeness of our solution is continually recognized by independent experts. The energy storage has received:

- 1 Medal of the President of the Association of Polish Electrical Engineers.
- 2 Czesław Jaworski Award from the Association of Communication Engineers and Technicians of the Republic of Poland.
- 3 Diamond Award in the Innovations category at the ESG Leaders competition.
- 4 Award in the Safety Culture Competition organized by the Railway Transport Office.

See the video:



Best Practice

Wherever there is no railway traction yet – and Poland still has a lot of those places – we want to offer the carriers a possibility of powering trains with hydrogen instead of diesel fuel. We plan to build 50 hydrogen refuelling stations, which will allow our customers to replace their diesel locomotives. We have already started cooperation with national producers of hydrogen, and where necessary, we will conduct the hydrogen electrolysis process ourselves with the use of renewable energy.

We are glad that hydrogen technologies are being continually developed. In 2021, **during the TRAKO International Railway Fair, the very first Polish hydrogen locomotive was presented by PESA.** The SM42 6Dn is a 4-axis shunter with 4x180kW traction engines. Energy is generated by two hydrogen cells, while hydrogen is drawn from containers with total capacity of 175 kg. With one-time refuelling, the locomotive can do the shunting work for 24 hours.

Green PKP Energetyka

At PKP Energetyka, we promote ecology among others, but also across our own company. Every year, we implement more and more projects and solutions to reduce our impact on the environment, **with key activities aimed at minimizing our emissions and carbon footprint.** We have prepared a specific and measurable plan embedded in time, which will allow us to meet the **Net-Zero 2030 challenge and reduce our CO₂ emissions to a level guaranteeing climate neutrality in reference to the 2018-2020 average by 2030, and Net-Zero in the long-term perspective.**

In order to reduce the amount of consumed fuel and energy, we first have to define the exact structure of their use at PKP Energetyka. Therefore, we built a precise information tool – a data warehouse – which aggregates and monitors our system data. With precise data, we had specified the places and processes with the highest CO₂ emissions, which then allowed us to develop projects aimed at the reduction of our energy consumption. They include modernization and optimization of our car fleet use, changing the lighting system, and thermo-modernization of our non-energy and energy facilities.

Having developed these projects, we were able to begin working on estimation of costs related to their implementation and acquiring internal and external funds to do that, which took place in 2021.

Best Practice

- 1 **We have implemented an energy management system in line with the PN-EN-ISO 50001 Norm across the entire organization.** One of the norm requirements is to appoint an “energy team” supporting the organization in becoming as energy efficient as possible. The team was joined by over a dozen managers from the areas with the highest energy consumption, where we see the greatest potential for optimization of our consumption. Currently, the team meets once every quarter, and the status meeting of the operational leaders responsible for specific tasks within particular reduction priorities (areas) takes place once a month.
- 2 One of the factors we took into account while choosing the 500 computers bought in 2021 was their low energy consumption and carbon footprint generated while using them.

[GRI 302-4] [GRI 305-5]

Reduction of emission in 2021*:

36.17 MWh**

thanks to 12 pilot photovoltaic investments on traction substations, we reduced energy consumption.

Reduction of emissions – 27.41 tonnes of CO₂

1,621 MWh

Thanks to replacing 130 fleet vehicles with new ones generating less emissions, we reduced diesel consumption.

Reduction of emissions – 437 tonnes of CO₂

775 MWh

Thanks to eliminating three coal boiler rooms and replacing them with network heat, we reduced coal consumption.

Reduction of emissions – 264 tonnes of CO₂

13.75 MWh

Thanks to replacing 550 computer workstations with new energy-efficient devices, we reduced electricty consumption.

Reduction of emissions – 10.31 tonnes of CO₂

* The base applied to calculate the energy consumption reduction was the years 2018-2020. The calculations were carried out on the basis of measurement data from the PV systems, car fuel consumption, coal purchase and theoretical energy demand indicator for computerized workstations. The standards applied for the calculations include IPCC, GHG Protocol and KOBIZE energy emission indicators.
**Only CO₂ was taken into account in the calculations. The Zielony Dach PV systems are included in Scope 2 greenhouse gas emissions.

Best practice

In 2021, we organized a dialog session with our stakeholders to explore the issues related to the **Green Railway program** and PKP Energetyka as an organization which is taking care about the environment and ecology. The meeting was attended by 28 people representing our customers, suppliers, subcontractors,

local and public administration, as well as 6 dedicated people from PKP Energetyka to serve as hosts and observers. The goal of the event was to gather best practices and inspirations in terms of PKP Energetyka’s aim to achieve climate neutrality and decarbonization of Polish railways.

[GRI 302-1]

Energy consumption within the organisation **

	2019	2020	2021
Total energy consumption from non-renewable sources (MWh)	141.45	61,235.55	57,726.10
Coal (Mg)	158	141.429	111.75
Coal (MWh)	829.5	982.143	776.04
Natural gas (Mg)	232.54	203.985	208.94
Natural gas (MWh)	3,100.48	2,719.81	2,785.89
Motor gasoline (Mg)	229.18	222.127	252.25
Motor gasoline (MWh)	2,820.22	2,733.4	3,104.11
Diesel (Mg)	3,653.1	3,811.14	4,132.35
Diesel (MWh)	43,634.24	45,521.97	49,358.59
liquified gas (LPG propane and butane) (Mg)	7.72	3.96	0.09
liquified gas (LPG propane and butane) (MWh)	101.42	51.99	1.19
Light fuel oil (Mg)	156.25	70.7	142.35
Light fuel oil (MWh)	1,866.35	844.477	1,700.28
Total fuel consumption from renewable sources (MWh)	nd	162.19	278.07
Electricity consumption (MWh)	197,721.76	186,351.06	204,864.34
Heat energy consumption (MWh)	803.00	3,192	3,131.33
Total energy consumption (MWh)	252.990	188,370.06	265,999.84

**The energy consumption within the organization was calculated in accordance with the GHG Protocol standards, and the calorific value indicators applied are in line with the 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

Energy consumption outside the organization*

[GRI 302-2]

	2020	2021
	7,826,594.98	8,804,778.99
Energy consumption outside the organization, in joules or other unit multiples [MWh]	1,116,613.52	1,254,821.64
Fuel extraction (MWh)	11,254.20	10,562.07
Primary energy sold (MWh)	6,346,697.53	7,149,599.75
Energy for waste and sewage management (MWh)	4,559.15	3,214.87
Energy sold in the form of diesel fuel (MWh)	347,470.59	386,580.66

*Does not include energy consumption from providing the distribution service itself due to the lack of data and impact on energy source. Customer buys energy from an unknown seller. Energy consumption outside the organization was calculated according to the GHG PROTOCOL Technical Guidance for Calculating Scope 3 Emissions standard. Calculations were conducted based on the DEFRA indicators – UK Government GHG Conversion Factors for Company Reporting 2021.

[GRI 302-3]

PKP Energetyka’s energy efficiency is measured according to the energy utilities consumption factor in [MWh] per one unit of electricity [MWh] delivered to the end user, and it amounts to 6.4%. This measurement illustrates the delivery of the final product, i.e. one MWh, to the end user. Whereas, the energy efficiency measured per one full-time employee amounts to 62.17 MWh/FTE.

GHG emissions*

[GRI 305-1,2,3]

	2019	2020	2021	
Scope 1	16,922.35	16,190.99	15,582.27	TCO2eq
Scope 2	150,150.87	142,66.83	156,388.21	TCO2eq
Scope 3	nd	2,375,658.24	2,673,241.13	TCO2eq

* The greenhouse gases included in the calculations are Scope 1 CO3, CH4, N2O, HFC5, NF3 and SF6, Scope 2 only CO₂. There are no biogenic CO₂ emissions. The base year assumed for the calculations is the average from the years 2018-2020, as they best reflect the economic situation. In 2021, another emission source inventory was completed, and the methodology for obtaining carbon footprint data was improved. The standards were executed in line with the GHG Protocol and IPCC.

In Scope 3, data from 2019 have been recalculated due to the lack of information on the energy sources within the energy distribution agreements.

[GRI 305-3]

	2019	2020	2021
Upstream (own electricity consumption)	nd	380,478.88	427 564.99
Upstream (own electricity consumption)	nd	3,686.10	3,472.14
Upstream (emissions from electricity sold)	nd	1,904,009.26	2,144 879.93
Upstream (energy for waste and sewage management)	nd	43.03	41.04
Downstream (emission from diesel fuel sold)	nd	87,440.97	97,283.02

*Emissions have been calculated according to the GHG Protocol Technical Guidance for Calculating Scope 3 Emissions standard.

The intensity of GHG emissions *

[GRI 305-4]

2019	2020	2021
CO₂ 41.51 kg/MWh per amount of supplied energy	CO₂ 42.38 kg/MWh per amount of supplied energy	CO₂ 41.66 kg/MWh per amount of supplied energy

* To calculate the indicator, the sum of Scope 1 & 2 emissions and the volume of energy delivered to the end consumer were applied. Greenhouse gases taken into account in the calculations are Scope 1: CO₂, HFC5, SF6 and for Scope 2 CO₂.



We are
a reliable partner

4

We are a reliable partner

We know that our work – both in the field and the headquarters – has a crucial impact on human life and health, daily plans of millions of people, and business success of our customers. Therefore, at PKP Energetyka, we approach our duties with due diligence and attention to details, and we take full responsibility for our decisions and activities. We work 24/7, recruiting experienced staff, who remain at the disposal of our customers and train passengers in every situation.

Infrastructure resilience and railway development

We aim to build a safe, modern and resilient energy infrastructure across the country. We implement innovative solutions that improve power supply reliability and distribution efficiency. Thus, we respond to the market demand for increased throughput capacity. We set high standards for ourselves and expect the same from the manufacturers of the equipment we use. That is why we have developed – and now consistently update – technical standards for the infrastructure, which we strictly comply with during the procurement procedure. We want our operations and equipment to be as safe and environmentally friendly as possible. For that purpose, we have been executing a material standardization process that ensures the highest quality of the equipment used to build our distribution network and its compliance with applicable norms and legal acts.

[GRI 203-1]

Best Practice

1 In 2021, we launched a fully electrified, over 67-kilometre-long line section between Ocice and Rzeszów Główny. It is the biggest electrification project in our company's history. For its purpose, we have used 66 kilometres of collective bonding wire, erected 1,972 pile foundations, installed 490 supporting construction stay wires, 1,276 individual poles, and 73 catenary bridges.

2 We drive the development of the renewable energy industry, by issuing statements of conditions for connection for photovoltaic farms.

Ensuring high reliability of electricity supply for all Customer groups

We invest in both building new power grid and modernizing the existing lines. We increase our electricity quality parameters and reduce power cuts.

Our ambition is to create a failproof power network, in an infrastructure as complicated as this one, which requires cooperation between mechanical, electric and electronic devices, failures are bound to happen, for instance due to weather conditions. Our job is to make sure that their number consistently declines.

We can proudly say that the number of failures within the catenary maintained by PKP Energetyka's network drops every year. In 2017, the failure rate was 1,600, in 2019 – 788. In 2021, the rate amounted to 579, and it is the best result in our history. We completed all scheduled inspections, and the timeliness of repair works was at the level of 98.24% – another record-breaking result.

	2019	2020	2021
Failure rate*	788	621	579
Inspection completion vs. plan	100%	100%	100%
Timeliness of repair works by PKPE24	84.70%	97.84%	98,72%

*Number of catenary damages in group I per 1,000,000 track kilometres. Group 1, i.e. damages associated with catenary equipment

One of the key supply quality parameters is SAIDI (System Average Interruption Duration Index) expressed in minutes per consumer per year. In 2021, our SAIDI increased due to mass failures caused by adverse weather conditions and a higher number of scheduled power cuts than in the previous years related to planned maintenance and development works in the distribution network.

SAIDI

[custom indicator]	2019	2020	2021
	176,28	145,09	211,12

Best Practice

We reduce the amount of capacitive reactive energy returned to the network, which has an adverse impact on the power grid, as it reduces line and transformer efficiency. At our traction substations and transformer stations, we install

specialized reactive power compensation systems, i.e. compensatory shunt reactors or complex automatic reactive power regulation systems. **In 2021, capacitive reactive power was reduced by 11% versus 2020.**

We regularly measure opinions on PKP Energetyka with the use of the NPS survey, and we were happy to see the index go significantly up in 2021. We hope that after the 2020 turbulence caused by the new IT system implementation process, our organization is back on the right track.

NPS survey results

	2019	2020	2021	[custom indicator]
Traction customers	4.76	-1.62	45.7	
Non-traction customers	12.22	-9.73	1.59	

Best Practice

As of 2020, we have been implementing Microsoft Power BI. It's a tool that allows us to visualise and interactively work with data. The number of reports prepared with the use of Power BI is consistently growing, therefore **in 2021 we decided to launch our BI Report**

Library, in which all certified reports functioning across our company can be found via intranet. The list of publicly available reports includes the Mission Zero document which shows the level of task execution within the program framework.

Best Practice

The supply system managed and reconstructed by PKP Energetyka is subject to rail transport regulations. Traction substations and sectioning cabins constitute part of the energy subsystem, as defined in the railway regulations. According to the interpretations issued by the Office of Rail Transport Office in 2019, we are obligated to conduct the EC verification of

our supply facilities and obtain the right permits from ORT. **In 2021, we received the EC verification certificates for 40 supply facilities, and in total we have 53 locations that have obtained all the necessary permits from ORT.** Ultimately, we want to obtain certifications for all the facilities executed within the Power System Modernization Program – MUZ II and III, as well as further ones.

Stakeholder engagement

[GRI 102-42, GRI 102-43] Each day at PKP Energetyka, we are dealing with hundreds of companies, organizations and institutions. Our most important stakeholders are those with whom we have the most frequent and deepest relationships. This group includes our employees, customers, suppliers and subcontractors as well as industry organizations and public institutions. We are in constant touch not only with those who have an impact on our business, but also with organizations and institutions which will experience the influence of our operations.

Organizations we belong to or cooperate with:

- [GRI 102-12, 102-13]
- 1. Confederation Lewiatan
 - 2. Polish Chamber of Producers of Equipment and Services for Railways
 - 3. Union of Entrepreneurs and Employers
 - 4. UN Global Compact
 - 5. Chamber of Railways
 - 6. Railway Energy Efficiency Center - CEEK
 - 7. PKP Group Foundation
 - 8. Land Transport Chamber of Commerce
 - 9. Luxtorpeda Cluster
 - 10. Pro Kolej Foundation
 - 11. Polish Society of Transmission and Distribution of Electricity
 - 12. Employers of Poland
 - 13. Railway Business Forum
 - 14. Association of Railway Employers
 - 15. Association of Energy Trading
 - 16. Clean Air Foundation
 - 17. Responsible Business Forum

		Everyday meetings	Working groups	Intranet	Internal communication magazines	Employees engagement survey	Client's satisfaction survey	Stakeholders panels	Conferences	Website	Social Media	Advisory boards	Briefings	Reports	Ongoing communication	
Employees	Key stakeholders															[GRI 102-40]
Clients																
PKP Group																
Financial institutions																
CVC Capital Partners																
Workers Unions																
Local communities	Important stakeholders															
Environmental organizations																
Suppliers and subcontractors																
Public administration (URE, UTK)																
Governmental administration																
Sectoral organizations																
Local administration																
Competitors																
Media																
Public opinion																
Universities, technical schools																
Social organizations																
Expert organizations																

Environmental climate – eco-friendly PKP Energetyka

Caring about the natural environment is inscribed in the DNA of our organization – by developing the railway, we develop the most eco-friendly means of transportation. Additionally, we reduce our environmental impact by implementing the Green Railway concept, described in the chapter dedicated to the energy transition. We combine these activities with pro-environmental changes introduced within PKP Energetyka.

PKP Energetyka has received confirmation of compliance with the ISO norm requirements in terms of:

- 1 Quality management system ISO 9001:2015
- 2 Environmental management system ISO 14001:2015
- 3 Occupational health and safety management system ISO 45001:2018
- 4 Data security management system ISO 27001:2017
- 5 Energy management system ISO 50001:2018

Confirmation of compliance with the ISO norm requirements is important for the execution of Strategy 2030 within the following pillars: Green Railway (Zero-Emission PKP Energetyka), Operational Excellence (Continuous Improvement Culture) and Responsible Company (Mission ZERO).



Selected ecological activities in 2021 and their execution level:

Task	Execution level 2021
Developing a plan for the zero-emission and energy-efficient Capital Group for the years 2021-2030.	75%
Implementation of ISO 50001 “Energy Management”.	100 %
Building a “Net-Zero” culture – building knowledge, awareness and shaping attitudes. Program development.	75%
Consistent car fleet replacement and development of objectives for “a green car policy” – electric vehicle purchase plan development.	100%
Modification of the executed “My Locker Room” program in terms of replacing the existing lighting with LED lights and ensuring A+++ class appliances: 20 locker rooms.	100%
Shutting down 2 coal boiler rooms.	100 %
PV installations on traction substations: 500 pieces	10 % The installation technology applied by the Contractor turned out to be non-resistant to extreme weather conditions, and at the end of 2021, due to hurricane winds in Poland, 7 installations were damaged. The project was suspended until a repair program is developed and new technology is accepted. Its execution was postponed to 2022.
PV installations on non-energy facilities: 2 pieces.	25% executed as a result of conducted expert evaluation, it was necessary to seal the roofs, which was partially completed in 2021, while the remaining tasks will be executed in 2022.
Expansion of an effective data management system, including automation of reporting – it concerns environmental protection and work safety reporting (continuation of a task from 2020).	100 %
Creation and implementation of an effective management system for information on identified errors and ways to fix them, building a knowledge base that enables following trends, and analysing the efficiency of undertaken actions. (Applications for the flow of information from OHS and EP control).	100%
Implementation of a supplier/contractor assessment and qualification system including environmental protection elements.	100 % executed – in 2021, we selected Companies subjected to prequalification or assessment of suppliers.

We promote green energy among our customers and emphasize the necessity of introducing climate changes in terms of transport and its energy sources. To make our arguments credible, we ourselves, as an organization, must show that caring about the environment is important to us. Therefore, every year, we consistently execute smaller and bigger projects aimed at the reduction of our environmental footprint. PKP Energetyka's ecological transition is not a future plan – it takes place now and is based on a specific project with particular goals and timelines.

[custom indicator]

	2021
Number of environmental failures	2
Percentage of environmental program execution	78.40%

[GRI 307-1]

In 2021, we did not identify any inconsistencies between our action plan and environmental regulations, and there were no related sanctions imposed on our company. Events qualified as environmental failures in 2021 were two fires. At the substation in Skarżysko, a hydraulic press battery exploded. The burnt equipment was returned for repair under the warranty, while cleaning up and utilisation of waste was taken care of by a specialised external company. In Gliwice – most probably as a result of third-party arson – there was a fire in one of our buildings. No one was hurt, but the fire and the firefighting action caused damage to some of the rooms.

Best Practice

Asbestos – once considered to be an excellent roofing material and used in electromagnetic devices – is an environmental challenge our company has been facing for years. Every year, we consistently reduce its amount, and we plan to eliminate it completely by the end of 2030. In 2021, we managed to eliminate over 6% of asbestos, and in total since 2019 over 18%.

[custom indicator]

	2019	2020	2021
Percentage of removed asbestos compared to the total amount of asbestos in the company	7.71	4.33	6.15
Targets	8.33	9.09	10

PKP Energetyka owns lands located across Poland. Altogether it is 4,407 plots with the total surface area of 4.5 thousand hectares. Within a great majority of those grounds or in the immediate vicinity, different forms of environmental protection have been enforced, including landscape parks, nature reserves and monuments. We conduct our operations in a way that ensures marginally negative impact on the biodiversity on those lands, and only when absolutely necessary. One small plot – 0.32 ha – located within the Biebrza National Park is of particular significance. The area has been officially excluded from the protection, however it is directly adjacent to it from all sides. The power substation installed on the plot – necessary to maintain the infrastructure – basically has no adverse influence on the environment.

[GRI 304-2] [GRI 304-1]

Best Practice

We are a great and reliable business partner. We want to use our influence to promote ecological activities and safety rules. Therefore, all our suppliers are subjected to environmental assessment – in every case performed according to unified criteria in terms of OHS and environmental protection.

Waste

The waste generated by our company mostly consists of by-products of the construction and maintenance of the traction network and power facilities. During the modernization of our substations, typical construction waste is generated, including debris, ceramic waste and worn-out devices. At our company, we do not manage third-party waste.

[GRI 306-1] [GRI 306-2]

Best Practice

We initiated a dialog with the General Contractors to establish our cooperation standards in terms of production and further management of waste generated during the execution of our investment projects. The goal is to carry out works in a way that minimizes the amount of modernization and construction waste.

We have developed and started implementing unified waste management standards. The new system – enforced at the end of 2021 in half of our locations – allows us to consistently reduce the environmental burden of waste and constitutes the foundation for creating a fully circular economy.

Best Practice

In 2021, we started the implementation of an innovative solution for waste management monitoring in the EKOSTRATEG IT system, which works together with the ministerial BDO base, but improves the possibility of analysing and closely supervising waste management.

Total weight of waste categorized by type

[GRI 306-3]

	2019	2020	2021
Total:	3,011.285 Mg	2,694.405 Mg	1,872.44 Mg
Hazardous waste	457.898 Mg	527.979Mg	300.63 Mg
Worn out electric and electronic equipment [Mg]	nd	462,598	231,703
Waste oil, solvents [Mg]	nd	45,404	51,425
Permanent: packaging and sorbents [Mg]	nd	12,365	13,453
Modernization and construction waste [Mg]	nd	7,612	4,05
Waste other than hazardous	2,553.387 Mg	2,166.426 Mg	1,571.81 Mg
Plastics and rubber [Mg]	nd	14.088	16.82
Welding and grinding waste [Mg]	nd	0.122	0,00
Packaging [Mg]	nd	20.763	55.15
Electric and electronic scrap [Mg]	nd	57.876	18.40
Colour scrap [Mg]	nd	102.751	72.89
Steel scrap [Mg]	nd	649.098	690.48
Cable scrap [Mg]	nd	89.615	46.23
Modernization and construction waste in [Mg]	nd	1,224.255	660.44
Other [Mg]	nd	7,858	11.39

Waste intended for recycling

[GRI 306-4]

		2019	2020	2021
Total weight of waste to be recycled	Hazardous waste	nd	508.002	283.128
	Waste other than hazardous	nd	934,313	899,97
Hazardous waste to be prepared to be reused		nd	0	0
Hazardous waste to be recycled		nd	508.002	283.13
Hazardous waste recycled in another way		nd	0	0

		2019	2020	2021
Waste other than hazardous to be prepared to be reused		nd	0	0
Waste other than hazardous to be recycled		nd	934.313	899.97
Waste other than hazardous recycled in another way		nd	0	0
Including waste recycled within the organization	Hazardous waste	nd	0	0
	Waste other than hazardous	nd	0	0
Including waste recycled outside the organization	Hazardous waste	nd	508.002	283.128
	Waste other than hazardous	nd	934.313	899.97

Waste subjected for neutralization in tonnes, categorized by type*

	2019	2020	2021
Total weight of waste to be neutralized (hazardous waste)	nd	19.98	17.503
Total weight of waste to be neutralized (waste other than hazardous)	nd	1,232.11	681.83
Hazardous waste to be neutralized by incineration with energy recovery	nd	12.37	13.453
Hazardous waste to be neutralized by landfilling	nd	7.61	4.05
Waste other than hazardous to be neutralized by landfilling	nd	1,232.11	681.83
Including waste recycled within the organization	nd	0	0
Including waste recycled outside the organization (hazardous waste)	nd	19,98	17.503
Including waste recycled outside the organization (waste other than hazardous)	nd	1,232.11	681.83

[GRI 306-5]

*Amount of waste handed over to external entities in a particular year.

Water

[GRI 303-1] [GRI 303-2] We do not consume water in our production processes, except water used to clean the trains. Our company does not draw surface water, and nearly all the water we consume is intended for social and living purposes of our employees. Water for our own use is purchased mainly from the municipal network. If it is not possible, we use our own groundwater tapping – **at the end of 2021, we had 88 tapplings** – or water containers equipped with a purification system.

For all our water-related activities, we have obtained all necessary water-legal permits. In 2021, we received 30 such documents regarding deep ground water.

Consumed water is discharged to the sewer network or airtight holding tanks, from where it is collected by authorized entities. We have concluded relevant agreements for water supply and discharge of wastewater. Besides rainwater, snowmelt and domestic wastewater, we do not produce any types of sewage other than from the train wash. Our company is not engaged in any illegal domestic sewage disposal to the environment, and wherever it is possible to connect to the sewer network, we do that.

Best Practice

In 2021, we installed filters and UV lamps in selected substations, thus improving water quality.



A photograph of three construction workers in bright orange safety suits and hard hats. They are standing on a yellow piece of heavy machinery, possibly a crane or excavator, at a construction site. The workers are wearing safety harnesses and have headlamps on their helmets. The background shows green trees and a clear sky. A dark teal semi-transparent box is overlaid on the right side of the image, containing the text 'Sustainable supply chain' in white.

Sustainable
supply chain

5

Sustainable supply chain

Our supply chain consists of over 2,300 small, medium and large companies. Almost all of them – over 99% – are Polish enterprises. We are a large company that carries out huge investments, so we are naturally a source of attractive and profitable orders for subcontractors. We support jobs in the country and the Polish economy, but we understand our responsibility more broadly than just in the context of the economy. We want PKP Energetyka to influence its subcontractors also in terms of social, safety, and environmental issues. The key documents determining cooperation with our organisation are the Code of Ethics and the Code of Conduct for Suppliers and Contractors.

[GRI 102-9] [GRI 204-1]

The Code of Ethics is based on four values – **quality, safety, commitment**, and **efficiency**. Its provisions promote good, safe, and effective work in a friendly environment and are in line with the best global practices, including the United Nations Global Compact. Due to the specificity of PKP Energetyka, particular emphasis is placed on the quality and safety of the work undertaken. [We write more about our Code of Ethics later in this chapter].

The Code of Conduct for Suppliers and Contractors focuses on environmental issues. We require our business partners to comply with environmental standards, efficiently use the resources, reduce the impact on biodiversity, combat climate change and use energy-saving technologies.

Number of PKP Energetyka's suppliers broken down by segments according to the volume of deliveries

	2020	2021
Segment A (80%)	49	85
Segment B (15%)	189	221
Segment C (5%)	2297	2009

Since 2019, we have consistently implemented relevant clauses in subcontractors' contracts. At the end of 2021, social and environmental issues were addressed with 88% of the largest suppliers (segment A), 61% of medium-sized suppliers (segment B), and 20% of the most minor (segment C). At the same time, the order consolidation process has been underway in our organisation for several years, with particular emphasis on reducing the number of contractors with whom our annual turnover does not exceed PLN 1,000.

Number of PKP Energetyka's suppliers with sustainable development clauses

	2020	2021
Segment A (80%)	79%	88%
Segment B (15%)	69%	61%
Segment C (5%)	30%	20%

In 2021, we started implementing 11 measurable key sustainability indicators, according to which we will evaluate our suppliers from the end of 2022. Each indicator will support the goals of the United Nations Global Compact. In addition, in 2021, we conducted training for the entire Purchasing Department of PKP Energetyka on the most critical aspects of social responsibility.

Supported Sustainable Development Goals:						
Supplier evaluation criteria ¹ :	5	8	7	10	12	13
The origin of materials purchased by our suppliers – companies that purchase Polish materials will be rewarded	X				X	
Support for the Polish economy – suppliers who run the whole production in Poland will be rewarded	X				X	
ISO 14001 environmental management standard – suppliers with an implemented management system, will be rewarded						X
Moving away from paper documentation – vendors who have implemented digital document workflow within the organisation will be rewarded						X



Supplier evaluation criteria¹:



Use of RES
– suppliers who use renewable energy sources will be rewarded

Carbon footprint
– suppliers who take steps to reduce their carbon footprint will be rewarded

Reduction of plastic
– suppliers who take measures to reduce the amount of plastic waste will be rewarded

Reverse logistics
– suppliers who support the circular economy will be rewarded.

Care for OHS
– suppliers who comprehensively manage safety issues in their organisation will be rewarded

Assessment as an employer
– suppliers with a low turnover rate, low absenteeism rate, and an implemented employee code will be rewarded

Participation of women
– suppliers with a higher percentage of women in management and managerial positions will be rewarded

We also check the credibility of entities and financial reliability, including the tax statements, of our business partners. The assessment process in this regard was updated in 2021 and is coordinated by the Risk Management and Regulation Office.¹

Best Practice

During each procurement process at PKP Energetyka, from 2021, information about the possibility of reporting suspected unethical behavior is automatically added to subcontractors.

¹ The evaluation program will be implemented in 2022

Corruption and fraud prevention

[GRI 205-1] [GRI 205-2] [GRI 205-3] We create an organisation free from any corruption activities. We recognise corruption as an action not only illegal but also utterly contrary to the values and principles that guide us at PKP Energetyka. All our employees know and comply with the Anti-Corruption Policy that has been in force for years, which precisely describes our purchasing and public procurement procedures. Every person employed in our company knows that we do not accept behaviors that may create obligations to take specific actions. Business gifts, hospitality, and invitations received by employees - regardless of their value - must be categorically reported to the supervisor. The Register of Permitted Benefits has been kept in the company since 2019.

In our company, we have identified groups of employees who are particularly exposed to the risk of corruption. They all have completed comprehensive anti-corruption training. In 2021, we executed a refresher training course on corruption prevention for the managerial staff of the PKP Energetyka Capital Group (TOP-40) and the strategic buyers at PKPE Holding. In 2021, the Anti-Corruption Commission conducted investigation procedures, however we did not expose any cases of corruption at PKP Energetyka.

[GRI 205-1] We also prevent fraud. In 2021, we implemented an appropriate policy in this area throughout the organisation, along with a plan of initiatives that support its implementation. The list of anti-fraud initiatives is agreed upon and updated every year.

We act ethically

Our Code of Ethics applies to all company employees, regardless of the type of contract concluded, the dimension of cooperation, and the tasks performed. The Code guarantees good, safe, and efficient work in a friendly environment and helps to foster positive relationships.

The Code of Ethics is public and available on our website. Each employee of our organisation confirms in writing that they have read the document. A cyclical training system ensures the knowledge and understanding of the principles contained in the Code. The training is compulsory and repeated at least once every two years.

Selected areas of the Code of Ethics:

A friendly workplace

- / building and maintaining friendly and respectful relationships
- / compliance with regulations
- / non-acceptance of abuses
- / prohibition of mobbing, discrimination and harassment
- / confidentiality of private information
- / preventing defamation

Equal opportunities for promotion and professional development

- / reliable feedback
- / substantive evaluation of subordinates
- / concern for professional development
- / clear communication and constructive dialogue

A clear hiring policy

- / transparent rules and criteria for the evaluation of candidates
- / decisive influence on competences
- / no professional dependence in the case of hiring family members

Work safety

- / no consent to breach of health and safety rules
- / key role of management staff
- / hazard identification
- / risk assessment
- / preventive actions

Relationships with customers

- / respect for the customer
- / reliability in providing information about products and services
- / a ban on the use of ignorance and inexperience of customers
- / responsibility for products and services

Conflict of interest

/ non-competition clause

Relationships with business partners

- / selection of contractors based on clear and objective criteria
- / reliable assessment of the quality and effects of partners' work
- / the necessity to apply the Code of Conduct for Suppliers and Contractors
- / a ban on being guided by personal preferences

Environmental protection

- / rational use of natural resources
- / environmentally friendly technological solutions
- / support for ecological attitudes among employees
- / minimised impact on the environment

The Ethics Officer is responsible for implementing and promoting ethical principles and supervising compliance with the Code. All employees with information about breaking ethical principles are encouraged to report their suspicions through the channels for reporting irregularities operating in the PKP Energetyka Group, including the Ethics Line. An including the Ethic Line, which uses an external electronic notification system.

Channels available to whistleblowers:



We guarantee the protection of whistleblowers, i.e. people who in good faith report cases and suspected violations of ethical principles, including employees, associates, and business partners of our company.

Best Practice

In September, Radosław Lewandowski, director of the Risk Management and Regulation Office at PKP Energetyka, became the new Ethics Officer of the PKP Energetyka Capital Group. We used the information about the appointment of the Officer in internal communication within the company to remind employees of the channels for reporting irregularities. In 2021, regular

meetings of the Ethics Council of the PKP Energetyka Capital Group were continued. The Ethics Council supports and promotes ethical standards in the Capital Group to build a company based on sustainable development and social responsibility. The meetings of the Ethics Council are held under the patronage of the Member of the Management Board of PKP Energetyka.

In 2021, **16 reports were received via the Ethics Line** or placed directly to superiors. 15 of them were examined by the Ethics Officer, the Ethics Committee and the Anti-mobbing Committee - one anonymous report did not contain any content. One of the reports concerned problems in the field of discrimination/mobbing. After its examination, recovery plans were implemented.

In 2021, one notification was received under the Code of Conduct for Suppliers and Contractors, which was analysed as part of cooperation with the submitting entity.

In addition, in 2021, proceedings were conducted by the Anticorruption Commission, and signals about potential irregularities resulted from the observation of the Company.

Best Practice

1 PKP Energetyka was involved in preparing the "Business and Human Rights" report by the United Nations Global Compact Poland. by Domański Zakrzewski Palinka sp.k. with the support of the United Nations Global Compact Network Poland.

The Ethics Officer of the PKP Energetyka Capital Group, Radosław Lewandowski, in his article "At PKP Energetyka, we treat work safety as the highest human right", introduces the Group's approach to safety and ethical standards.

2 PKP Energetyka was involved in preparing the "Business and Human Rights" report by the United Nations Global Compact Poland.

3 The Ethics Officer of the PKP Energetyka Capital Group participates in onboarding meetings for new employees, talking about the ethical standards of the PKP Energetyka Capital Group.



We create
a resilient company

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Management

The safety of train passengers depends on the quality of our work - we cannot afford improvisation, makeshift or carelessness. That is why we have implemented many procedures and guidelines that precisely regulate our work in PKP Energetyka. Our Integrated Management System is based on proven standards for quality (PN-EN ISO 9001: 2015), environment (PN-EN ISO 14001: 2015), and health and safety (PN-N-18001: 2007). Its implementation in 2018 allowed our organisation, among others, to improve services, introduce modern organisational and technological solutions and create conditions for employees' self-education.

We combine the necessity to act within a specific framework and by procedures with flexibility and speed of decision making. We are an "agile" organisation that adapts to the market's needs, maintaining the established course for the highest quality.

What makes us stand out:

- 1 Set strategic directions.
- 2 The Green Railway Program.
- 3 Competence and commitment to creating and implementing the Process Architecture.
- 4 Clear rules related to the Management of Initiatives and Ideas.
- 5 The use of Kaizen techniques and implementations to improve the integrated management system.
- 6 Activities in operational areas in the improvement field through implementing tools supporting the executed processes.
- 7 Numerous pro-ecological activities and cooperation with the local community.
- 8 Advanced and well-supervised systems supporting comprehensive protection of threats and network security.

Risk management

[GRI 102-11, GRI 102-15, GRI 102-47] Our business requires an effective risk management system. We have included a consistent approach and standards of the risk management process in the Enterprise Risk Management (ERM) Policy. We monitor and identify possible threats, implement control measures, and take preventive and corrective actions. Our business model is adapted to changes taking place in all business segments.

The policy does not replace the existing regulations regarding risk analysis in a specific area, e.g. railway traffic safety and maintenance of railway vehicles, information security or risk assessment of personal data processing.

In 2021, we verified and updated our risk management system documents. The rules concerning the effective and consistent functioning of the risk management system, the requirements of the risk management process, and roles and scopes of responsibility have been updated. We have also updated the description of the criteria for assessing the impact of risk consequences. All these activities allowed us to optimise and increase the level of process maturity and more effective and systematic operation in corporate risk management.

We also revised the environmental and OHS criteria as important ESG factors. These aspects influence the risk assessment. That is why we take them into account when making business decisions. The holistic approach to environmental issues and work safety allowed for a thorough analysis of these areas.

We conduct corporate risk analyses regularly, verify the previously identified risks, define control measures, and evaluate the effects. Each risk is assessed based on probability and impact criteria. The evaluation of the impact of risk on PKP Energetyka is considered in several aspects that also relate to the issues of environmental, social and governance (ESG) impact:

- / Increase in costs or decrease in profit per year,
- / Employees and other people,
- / Environment,
- / Reputation,
- / Business continuity of key business processes,
- / Implementation of the strategy,
- / Compliance with laws, contracts and other regulations.

We defined the risk acceptance criteria in our ERM Policy. Each risk is minimised to meet the acceptance criteria and the ALARP rule (as low as possible). Most of the identified risks have residual level buffers that allow us to temporarily tolerate a higher residual risk without changing the risk management plan.

[GRI 102-15]

In the coming years, we will optimise our corporate risk management system through, among other things, monitoring the effectiveness of risk mitigating measures and audits of selected control mechanisms.

Best Practice

- 1 In December 2021, we received the ESG Leader award at the competition organized by the Warsaw Stock Exchange, NN Investment Partners and PwC. We were recognized in the Sustainable Development Strategy and ESG Innovation categories for the energy storage facility for catenary-related needs launched in Garbce near Wrocław.
- 2 To prevent any potential fraud – based on the Policy in this regard adopted in 2021 – in 2022, we plan to develop a fraud risk analysis methodology and conduct a pilot fraud risk analysis in a selected area.



Our business model is adapted to changes taking place in all business segments.

Cybersecurity

Safe transmission lines

Modern railway energy is based on technology. The solutions used in PKP Energetyka are fully computerised, and highly qualified IT services ensure the safety and reliability of our network and equipment. We use only proven, top-class security measures that are constantly updated and comply with the best practices of the IT industry. Details of our activities in this area are confidential and not made public.

The advanced SCADA (Supervisory Control And Data Acquisition) system watches over the safety and continuity of our transmission network. The solution, implemented in recent years, allows real-time electricity supply monitoring. The system enormously speeds up the resolution of possible problems - disruptions and failures, and one of its key features is replaceability. In the event of disruptions in the operation of one of the control rooms, thanks to SCADA, we can remotely conduct network traffic from any other location. From 2020, the company also has a SCADA Lite version that allows selected employees to access the SCADA system via a web browser.

Thanks to its scalability, SCADA can provide PKP Energetyka with a significant number of new control devices, which would have been impossible in the previous operating system.

Secure data

We also use modern IT solutions to protect corporate documents. In PKP Energetyka, the Procedure for the Protection of Business Secrets is in force, and in 2021 we installed additional software that ensures the classification of the processed data. The new system adjusts the activities of PKP Energetyka to the requirements of the Act on the National Cybersecurity System. It obliges each employee to correctly classify documents, information and e-mails depending on their importance to the organisation. It is impossible to send an e-mail or save a copy without specifying the security level in PKP Energetyka.

The new software complements the system operating from 2020 based on the DLP technology, which supports the protection of sensitive data in electronic form. DLP detects sensitive data in the network traffic (intelligent traffic scan), classifies and tags files on the local system based on sensitive data content, and then checks the process of sending these files via the network or saving them to external carriers. We have introduced solutions to prevent recording sensitive data on unauthorised carriers and control sending them by e-mail or cloud services. At the same time, DLP encrypts and decrypts sensitive documents in real-time so that they never leave our organisation in an unencrypted form.

Best Practice

New technologies have also helped us guarantee employees' safety during the pandemic. From March 2020, the company has a platform for organising the conference and video calls within the company's computer network. The system has enabled secure communication in geographically scattered working teams and is also used after lifting the pandemic restrictions.

Technology for employee safety

A precise understanding of the scope of necessary work and clear communication is crucial in our industry. In PKP Energetyka, we direct employees to specific tasks by issuing a document called a Job Order. Since 2021, we have been digitising this process, and the paper orders issued so far are replaced by their digital equivalents. This solution has many benefits. It ensures remote access to the current status of the order for each employee of a section or region, automatically verifies the status of authorisations and the identity of the persons issuing and executing the orders. The digitisation of this process also means that it is technically impossible to change the content of the command. The solution also increases safety – enabling the STOP principle through a dedicated button on each employee's phone is in line with our goal of "zero work performed based on incorrect work orders".

Best Practice

In 2021, we received a gold medal from EcoVadis, a company that evaluates organisations worldwide in terms of sustainability. **In the EcoVadis audit, we obtained 70 out of 100 possible points** – nine more than in the last survey. The obtained results placed us in the

96th percentile, which means that our activities were rated better than 96% of companies in our industry worldwide. The questions in the questionnaire concerned our environmental impact, approach to social affairs, ethics in the company and the supply chain.



A large spool of copper wire is mounted on a yellow industrial machine. The spool is made of wood and is filled with a thick coil of copper wire. The machine is yellow and has various mechanical parts visible. The background is a clear blue sky with some power lines. A teal-colored box with white text is overlaid on the right side of the image.

About the report

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About the report

The 2021 report is the fourth sustainable development report of the PKP Energetyka Capital Group. The document has been developed in accordance with the global GRI Standards: Core option. The report covers the period from 01/01/2021 to 31/12/2021, unless stated otherwise in the contents. The report also complies with the Directive 2014/95 / EU guidelines.

If there are elements with a significant difference in value compared to the previous years, it has been appropriately marked and explained.

An independent audit company verified the report. The report includes all identified topics relevant to PKP ENERGETYKA's sustainable development. The company's operations were thoroughly analysed, and its social, economic and environmental impact was considered. Four GRI content principles were followed when defining the topics for the report: Sustainable Context, Stakeholder Inclusiveness, Materiality and Completeness. The document was prepared in accordance with the following GRI Standards: 101, 102, 103, 203, 204, 205, 302, 304, 305, 307, 401, 404, 405, 406 from 2016 and 303, 403 from 2018 and 306 from 2020.

For the selected data, benchmarking analysis was carried out to compare the reported year with 2020 and the previous years.

The axis of PKP Energetyka's 2021 sustainability report consists of issues included in the Sustainable Development Strategy and the 2030 Strategy adopted in 2020, which set the directions of our activities for the coming years. The report has been divided into chapters corresponding to the strategic plans of PKP Energetyka – these are:

Responsible PKP Energetyka

- 1 Strategy 2030
- 2 Sustainable Development Strategy
- 3 Responsible Governance

We ensure a safe, friendly and diverse workplace

- 1 POWERful Team
- 2 Safe workplace
- 3 Safety during the pandemic
- 4 Friendly workplace

- 5 Recruitment and concern for future staff
- 6 Training
- 7 Diversity at PKP Energetyka
- 8 Volunteering

We power the energy transition

- 1 Green Railway Program
- 2 Green PKP Energetyka

We are a reliable partner

- 1 Infrastructure resilience and railway development
- 2 Environmental climate – eco-friendly PKP Energetyka
- 3 Waste
- 4 Water

We create a sustainable supply chain

- 1 Corruption and fraud prevention
- 2 We act ethically

We create a resilient company

- 1 Management
- 2 Risk management
- 3 Cybersecurity

This report is the result of the involvement of many people.
They are mainly:

Employees of all levels who participated in the preparatory work, filled in questionnaires, participated in workshops and prepared data for the report.

Stakeholders who took part in the survey, which contained several questions related to the report and activities of the PKP ENERGETYKA group in corporate responsibility.

External partners consulting and preparing the content and graphic design of the report from INSPIRED | Corporate Responsibility.

We sincerely thank those whose knowledge and effort contributed to preparing this report. We welcome suggestions and questions from all readers of the report.

Feel free to contact us and send your feedback to:

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List of GRI indexes included in the report

Index number	Index name	Level of reporting	Page number
GRI 102: (General disclosures 2016)			
GRI 102-1	Name of the organization	Full	13
GRI 102-2	Activities, brands, products, and services	Full	13
GRI 102-3	Location of headquarters	Full	13
GRI 102-4	Location of operations	Full	13
GRI 102-5	Ownership and legal form	Full	13
GRI 102-6	Markets served	Full	13
GRI 102-7	Scale of the organization	Partly, without financial disclosure	14
GRI 102-8	Information on employees and other workers	Full	25
GRI 102-9	Supply chain	Full	75
GRI 102-10	Significant changes to the organization and its supply chain	No significant changes	13
GRI 102-11	Precautionary Principle or approach	Full	77, 86
GRI 102-12	External initiatives	Full	62, 64
GRI 102-13	Membership of associations	Full	41, 62
GRI 102-14	Statement from senior decision-maker	Full	3
GRI 102-15	Key impacts, risk and opportunities	Full	86, 87
GRI 102-16	Values, principles, standards, and norms of behavior	Full	79
GRI 102-17	Mechanisms for advice and concerns about ethics	Full	79
GRI 102-18	Governance structure	Full	21
GRI 102-19	Delegating authority	Full	20
GRI 102-22	Composition of the highest governance body and its committees	Full	21
GRI 102-23	Chair of the highest governance body	Full	23
GRI 102-40	List of stakeholder groups	Full	63
GRI 102-41	Collective bargaining agreements	Full	32

GRI 102-42	Identifying and selecting stakeholders	Full	62
GRI 102-43	Approach to stakeholder engagement	Full	62
GRI 102-44	Key topics and concerns raised	Full	20
GRI 102-45	Entities included in the consolidated financial statements	Full	14
GRI 102-46	Defining report content and topic Boundaries	Full	20, 93
GRI 102-47	List of material topics	Full	19, 86, 93
GRI 102-48	Restatement of information	No significant changes	93
GRI 102-49	Changes in reporting	Full	93
GRI 102-50	Reporting period	Full	93
GRI 102-51	Date of most recent report	Full	93
GRI 102-52	Reporting cycle	Full	93
GRI 102-53	Contact point for questions regarding the report	Full	95
GRI 102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option.	93
GRI 102-55	GRI content index	Full	96
GRI 102-56	External assurance	The report has been verified by external auditor.	93

GRI 103: Management approach 2016

GRI 103-1	Explanation of the material topic and its boundaries	Full	20
GRI 103-2	The management approach and its components	Full	20
GRI 103-3	Valuation of the management approach	Full	20

GRI 203: Indirect economic impacts 2016

GRI 203-1	Investments in infrastructure and services	Full	59
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GRI 204: Procurement practices 2016

GRI 204-1	Proportion of spending on local suppliers of products and services	Full	75
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GRI 205: Anti-corruption 2016

GRI 205-1	erations assessed for risks related to corruption	Full	78
GRI 205-2	Communication and training about anti-corruption policies and procedures	Full	78
GRI 205-3	Confirmed incidents of corruption and actions taken	Full	78

GRI 302: Energy 2016

GRI 302-1	Energy consumption within the organization	Full	53
GRI 303-2	Energy consumption outside of the organization	Full	54
GRI 302-3	Energy intensity	Full	54
GRI 302-4	Reduction of energy consumption	Full	52

GRI 303: Water and effluents 2016

GRI 303-1	Interactions with water as a shared resource	Full	70
GRI 303-2	Management of water discharge-related impacts	Full	70

GRI 304: Biodiversity 2016

GRI 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected area	Full	67
GRI 304-2	Significant impacts of activities, products, and services on biodiversity	Partly	67

GRI 305: Emissions 2016

GRI 305-1	Direct (Scope 1) GHG emissions	Full	55
GRI 305-2	Energy indirect (Scope 2) GHG emissions	Full	55
GRI 305-3	Other indirect (Scope 3) GHG emissions	Partly	55
GRI 305-4	GHG emissions intensity	Full	55
GRI 305-5	Reduction of GHG emissions	Partly	52

GRI 306: Waste 2020

GRI 306-1	Waste generation and significant waste-related impacts	Full	67
GRI 306-2	Management of significant waste-related impacts	Full	67
GRI 306-3	Waste generated	Full	68
GRI 306-4	Total weight of waste diverted from disposal in metric tons, and a breakdown of this total by composition of the waste.	Full	68
GRI 306-5a	Total weight of waste directed to disposal in metric tons, and a breakdown of this total by composition of the waste	Partly	69

GRI 307: Environmental compliance 2016

GRI 307-1	Non-compliance with environmental laws and regulations	Full	66
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GRI 401: Employment 2016

GRI 401-1	New employee hires and employee turnover	Full	35
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Full	32

GRI 403: Occupational health and safety 2016

GRI 403-1	Occupational health and safety management system	Full	26
GRI 403-2	Hazard identification, risk assessment, and incident investigation	Full	26
GRI 403-3	Occupational health services	Full	26
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	Full	26
GRI 403-5	Worker training on occupational health and safety	Full	26
GRI 403-6	Promotion of worker health	Full	32
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Full	26
GRI 403-8	Workers covered by an occupational health and safety management system	Full	26
GRI 403-9	Work-related injuries	Full	30

GRI 404: Training and education 2016

GRI 404-2	Programs for upgrading employee skills and transition assistance programs	Full	39
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	Partly	39

GRI 405: Diversity and equal opportunity 2016

GRI 405-1	Diversity of governance bodies and employees	Full	42
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GRI 406: Non-discrimination 2016

GRI 406-1	Incidents of discrimination and corrective actions taken	Full	41
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Custom indicators:

Employee engagement rate	34
Number of people who undertook development activities other than compulsory training by gender and employment structure	38
Number of accidents broken down by type of accident	30

LTIFR (Lost Time Injury Frequency Rate)	30
Number of potential accidents (Accident severity rate)	30
SAIDI (System Average Interruption Duration Index)	61
Failure rate (number of failures of the traction network in the group per 1,000,000 track kilometres)	60
NPS (Net Promoter Score)	61
Inspection performance vs plan	60
SL (Service Level), (Percentage of calls answered on incoming helpline)	65
Inspection performance vs plan	60
Number of environmental accidents	66
Asbestos index (amount of asbestos removed in relation to all asbestos in the company)	66

Our company is a signatory of the United Nations Global Compact, the world's largest initiative uniting business oriented at Sustainable Development.



PKP E (statement)	GRI
Human Rights	
1. Businesses should support and respect the protection of internationally proclaimed human rights	<p>The foundation of PKP Energetyka's operations and development is the knowledge and experience of over 4,000 employees, with whom we have built relationships based on openness, integrity and mutual trust.</p> <p>Human Rights: GRI 103-1, 103-2, 103-3, 412-2</p>
2. Businesses should make sure that they are not complicit in human rights abuses	<p>The entire organisation is bound by our Code of Ethics. Each employee is obligated to get familiar with its provisions and comply with them in their everyday work. The Code includes a set of rules of conduct – related to respecting human rights, among other things – and allows employees to see what kind of behaviour we do expect in our organisation. The cyclical training system ensures the knowledge and proper understanding of the principles.</p> <p>Diversity and Equal Opportunity: GRI 103-1, 103-2, 405-1, 405-2</p> <p>Non-discrimination: GRI 103-1, 103-2, 103-3, 406-1</p> <p>Supplier Social Assessment: GRI 103-1, 103-2, 414-2</p>
	<p>Since 2018, we have been making sure that both our employees and business partners are able to anonymously report any violations of the Code of Ethics. We protect all employees who report irregularities against any form of retaliation.</p> <p>Moreover, the company has its own Ethics Commission and Anti-Mobbing Commission, the goal of which is to analyse the cases and signals reported by employees and to take action to eliminate any disturbing events. We do not tolerate any form of harassment or abuse, both physical and mental.</p>
Labour	
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	<p>At, PKP Energetyka, we do not accept discrimination against co-workers, customers and contractors due to age, gender, disability, race, religion, sexual orientation, nationality, origin, or political or trade union activity. In the diversity of our workplace, we see strength and opportunities for our company. We ensure respect and tolerance for each person and their uniqueness. We treat all employees equally, and we believe that the development of their competencies and knowledge is only possible under such conditions. Diversity in PKP Energetyka promotes mutual learning and building a culture of openness. In 2018, we enforced the Diversity Policy across the organization.</p> <p>Non-discrimination: GRI 103-1, 103-2, 406-1</p>
4. Businesses should support the elimination of all forms of forced and compulsory labour	<p>Non-discrimination: GRI 103-1, 103-2, 406-1</p> <p>Training and Education GRI 103-1, 103-2, 103-3, 404-2, 404-3</p>
5. Businesses should contribute to the effective abolition of child labour	<p>At PKP Energetyka, we care about equal and understandable conditions for recruiting new employees. Our recruitment policy precisely defines the terms and conditions for the recruitment and selection process as well as hiring new employees or changing positions.</p>
6. Businesses should support the elimination of discrimination in respect of employment and occupation	<p>We give our employees full freedom of association. Our company has two inter-company representative trade unions.</p>

Environment

7. Businesses should support a precautionary approach to environmental challenges	<p>At PKP Energetyka, we always work in line with all environmental regulations, often implementing solutions that go beyond the mandatory standards. The company created its own Environmental Program, and the organization's priorities are:</p> <ul style="list-style-type: none">• Reduction of harmful emissions to the atmosphere• Improvement of environmental awareness among employees• Protection of soil and water against pollution• Reduction of electricity and heat consumption• Removal of asbestos-containing products	<p>Materials: GRI 103-1, 103-2, 103-3, 301-1, 301-2</p> <p>Energy: GRI 103-1, 103-2, 103-3, 302-1, 302-2</p> <p>Water: GRI 103-1, 103-2, 103-3, 303-1</p> <p>Emissions: GRI 103-1, 103-2, 103-3, 305-1, 305-2, 305-3, 305-4, 305-5</p> <p>Waste: GRI 103-1, 103-2, 103-3, 306-2</p> <p>Supplier Environmental Assessment: GRI 103-1, 103-2, 308-1</p>
8. Businesses should undertake initiatives to promote greater environmental responsibility	<p>Additionally, in 2020, we introduced the ISO 50100 system, implementing energy efficiency requirements for suppliers.</p>	
9. Businesses should encourage the development and diffusion of environmentally friendly technologies	<p>We regularly conduct environmental reviews, monitor the compliance of our activities with current standards, and ensure responsible waste management. We promote the idea of sustainable development across our supply chain, and thus we included environmental issues in the Code of Conduct for Suppliers and Contractors of the PKP Energetyka Capital Group.</p> <p>We support the development of environmentally friendly technologies. Our vision is the Polish Green Railway, i.e. zero-emission rail transport powered by clean energy. Our goal is to make sure that 85% of energy used to power Polish railway comes from RES by 2030. In 2021, we launched Europe's biggest energy storage facility for catenary-related needs, which significantly contributes to the execution of the Green Railway vision.</p>	

Anti-Corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery	<p>At PKP Energetyka, the decisive criterion for decision making in terms of purchase or new cooperation is quality. We do not tolerate any form of corruption. The prohibited and allowed behaviours are clearly defined in the Anti-Corruption Policy adopted alongside the Code of Ethics. This document precisely outlines the rules for accepting and giving gifts, invitations to conferences and training trips, as well as procedures related to public procurement and purchasing goods and services.</p> <p>The overarching rule described in the Anti-Corruption Policy is the prohibition of behaviours that informally result in an obligation to reciprocate or take/refrain from taking specific actions. In 2019, PKP Energetyka also implemented the Register of Benefits. The company has its own Ethics Commission and Anti-Corruption Commission, the goal of which is to analyse the cases and signals reported by employees and to take action to eliminate any disturbing events. Additionally, the compliance with all applicable laws and regulations is monitored by the Compliance function established in 2016 as part of the Risk Management and Regulation Office.</p>	<p>General Disclosures: GRI 102-16</p> <p>Anti-corruption: GRI 103-1, 103-2, 103-3, 205-1, 205-2</p> <p>Public Policy: GRI 103-1, 103-2, 103-3, 415-1</p>
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Limited assurance on specified parts of the Sustainability Report

We have been engaged by the Board of Directors of PKP Energetyka S.A. based in Warsaw, Hoża 63/67 Street (“Company”) to provide limited assurance in respect of the Assured Sustainability Parameters (“Parameters”) as identified below for the year ended 31 December 2021. The Assured Sustainability Parameters are included in the 2021 ESG Report for the year ended 31 December 2021 (the “Sustainability Report”) prepared in accordance with GRI Standards issued by Global Reporting Initiative (GRI).

The Limited Assurance Sustainability Parameters covered by our limited assurance engagement are:

302-1; 302-2; 302-4; 305-1; 305-2; 305-3; 305-4; 305-5; 403-9; 405-1; SAIDI.

Management's responsibility

Management is responsible for the preparation and presentation of the Limited Assurance Sustainability Parameters in accordance with the GRI Standards. These responsibilities include establishing such internal controls as management determines are necessary to enable the preparation of the Limited Assurance Sustainability Parameters that are free from material misstatement whether due to fraud or error.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the preparation and presentation of the Limited Assurance Sustainability Parameters included in the Sustainability Report,

We conducted our engagement in accordance with International Standard on Assurance Engagements ISAE 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board.

That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Limited Assurance Sustainability Parameters are free from material misstatement.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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Our limited assurance engagement on the Limited Assurance Sustainability Parameters consisted of making enquiries, primarily of persons responsible for the preparation of the Limited Assurance Sustainability Parameters, and applying analytical and other procedures, as appropriate.

These procedures included:

- Enquiries of management to gain an understanding of internal control system to enable preparation of the Sustainability Report;
- Interviews with management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- Enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Parameters;
- Comparing the Limited Assurance Sustainability Parameters to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Sustainability Report;
- Verification of calculation correctness of selected Parameters.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained has a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Parameters.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the limited assurance procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the Limited Assurance Sustainability Parameters, as defined above, for the year ended 31 December 2021, have not in all material respects, been prepared and presented in accordance with the GRI Standards.

KPMG ADVISORY Spółka z ograniczoną odpowiedzialnością sp.k.

Warsaw, 20th September 2022

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PKP ENERGETYKA
CAPITAL GROUP