

We Energize Polish Rail

Corporate responsibility report
PKP Energetyka Capital Group

2020



PKP ENERGETYKA
CAPITAL GROUP



PKP ENERGETYKA
CAPITAL GROUP

The power of change:

2020 at PKP Energetyka

01

January

On January 30, PKP Energetyka received the TOP EMPLOYER certificate for the second time in a row.

02

February

The start of operationalization of Strategy 2030 in cooperation with our employees.

03

March

The appointment of the **Work Safety Crisis Team**. Reorganization of the company and preparation to fight the COVID-19 pandemic.

04

April

The launch of the **central maintenance train failure report system**, which positively influences the responsiveness of service teams.

As part of the **#AlwaysAtWork** campaign, PKP Energetyka's field employees, who ensure supply continuity and accident-free rail traffic, filmed short videos about their work during the pandemic. Joined by many other companies, the campaign showed how important and difficult the work of power engineers and railwaymen is in these challenging times.

06

June

We began our Safety Campaign – an initiative promoting the **12 Life-Saving Principles** enforced at our company. According to the Rzeczpospolita daily, the energy and fuel sectors are the most important ones in Poland. **We were named one of the 12 key energy companies.**

05

May

The commencement of the third edition of the **Grantspoteczni** program, which provides financial support to projects aimed at the improvement of the environment and reduction of CO₂ emissions.

12

December

PKP Energetyka established its own Foundation – **“Dobra Energia”** (Good Energy), the mission of which is to prevent digital exclusion of children and young people, support implementation of innovative ideas, and co-finance initiatives in the field of ecology and environmental protection. The first donors included the CVC Fund, its representatives, and PKP Energetyka's employees. The collected resources were donated to the program aimed at delivering new computers for distance learning to the children of PKP Energetyka's employees.

10

October

PKP Cargo and PKP Energetyka signed a letter of intent, confirming the commencement of their cooperation in terms of creating the most efficient and innovative solutions that will allow PKP Cargo to use renewable electricity.

09

September

We continue to run our Power System Modernization Program - MUZA, which encompasses execution of connections and **modernization of over 200 facilities by 2030**. The project cost amounts to PLN 3 bn.

For the first time, **the meeting of the TOP400 managers** took place in a digital format. This time, besides managers, the meeting was attended by the employees who support internal communication of PKP Energetyka's strategy. During the meeting, Strategy 2030 was presented.

07

July

We joined the Global Compact Network Poland **“Equal Opportunities in Business”** program. The main goal of the initiative is to ensure workplace equality between men and women.

08

August

The Polish team attending the 20th **UN Global Compact Leaders Summit** was joined by our CEO, Wojciech Orzech, who talked about the effective measures taken during the pandemic, and the need for partnership and reaching zero emissions in the railway sector, as the Polish and global economy is on the road to recovery. **We donated 150 complete computer sets** to the PKP Group Foundation.

11

November

We established the **Green Railway Department – a new Pillar of Strategy 2030** - the objective of which is, above all, to execute the Green Railway program, as well as to invest in renewable energy sources and increase the supply of renewable energy.

A sustainability audit of the Capital Group was successfully conducted by EcoVadis, an agency assessing organizations across the world. **Our company received a silver medal.**



Wojciech Orzech
CEO of PKP Energetyka

2020 was a tough year for everyone. How did the pandemic influence PKP Energetyka?

When faced with the outbreak of the pandemic, PKP Energetyka focused mainly on two areas, and that basically did not change throughout 2020. The first area was safety – we knew that we had to do everything in our power to ensure maximally safe working conditions for our employees in the light of an epidemiological threat. People who were able to perform their responsibilities remotely were sent to work at home, while our IT services ensured full compliance with necessary cybersecurity measures. However, remote work was not an option for most of our staff, who worked in the field – it is not possible to fix a broken traction line or modernize another system substation remotely. At PKP Energetyka, we know a lot about electricity but – at least 12 months ago – we did not know much about protection against diseases. Therefore, from day one, we had been listening to experts – doctors and virologists. Not only did we follow all governmental recommendations, but also implemented our own solutions developed in cooperation with specialists.

Safety was, and still is, our priority, but we also knew – and that is the second element I mentioned at the beginning – that despite the pandemic, trains had to continue running across Poland to enable transportation of people and goods. We introduced truly unique solutions, including providing housing conditions at the workplace for our dispatchers, to make sure that COVID-19 would not bring rail traffic in Poland to a halt. Today, I can proudly say that we succeeded at that.

I would like to use this opportunity to express my deepest appreciation and gratitude to every single person working at PKP Energetyka. I am convinced that I can say thank you not only on my own behalf, but also on behalf of every passenger who reached their destination in 2020 safely and on time, using Polish railway.

And what was going on in the company besides the pandemic? Was there space for any other activities?

I am extremely proud of the fact that we did not stop halfway and lose this year due to COVID-19. Throughout 2020, we continued working on our plans for the future. We developed our Business Strategy 2030 and the complementing Sustainable Development Strategy. Strategy 2030 is a document specifying our strategic activities for the next decade. Its development involved over 200 key managers and employees at all levels of the company. The pillars of the new strategy are More Power, More Quality, Greener and More Employee Engagement.

In 2020, we also continued our biggest investment project, the Power System Modernization Program – MUZA. What we need to keep in mind is the specific nature of our business activity. When modernizing the power system of the rail catenary, simply meeting the needs of our customers is not enough – we have to predict them thinking a few decades ahead. When it comes to the railway energy industry, we cannot supply electricity “just for a while”, and then quickly add more power, when needed.

Today, I can say that our decisions – in terms of both the coronavirus and other areas – were met with approval of the team. We reached a record-breaking employee engagement rate of 71%, thus earning a spot among the top 25% of companies in Poland.

You have mentioned the Sustainable Development Strategy. What does it encompass?

The new ESG Strategy includes our commitments towards the employees, railway industry, local communities and environment. We have defined ambitious goals within every one of those areas as well as initiatives designed to support their execution. They are combined with indicators that enable monitoring progress, introducing necessary changes and reporting. I strongly believe that by implementing the Strategy, which is in line with the highest international market standards, we will be able to build a modern, safe, socially responsible and environmentally friendly company. The Strategy prepares our company for regulatory and systemic changes to be introduced over the next decade.

This document is coherent with our Business Strategy 2030, and its implementation requires coordination and cooperation between different departments within the company. I have no doubts that PKP Energetyka is organizationally prepared for this task. Even more so, since the work on the document involved so many people – from operational employees to board members.

And what has changed compared to the previous strategy, which was described in the company’s 2019 report?

There was no revolution, especially since I rate our previous strategy highly. However, it was necessary to adjust the directions of our activities to the company’s 2030 vision and – above all – to the increasing awareness of climate change and the resulting expectations of our stakeholders. We are standing on the verge of a green revolution in Europe, and we want to bring it to the railway power industry as well, hence our new strategy puts more emphasis on environmental issues. We thoroughly explored different ecological concerns, strengthened our team dedicated to that area of our operations, and re-evaluated our company’s impact on the environment. As a result, we have set ambitious goals regarding decarbonization, reduction of natural resource consumption and biodiversity protection, which we will consistently pursue over the next 10 years.

Our 2020 report clearly shows how much work and effort we put into improving our organization, as there are new indicators, new reporting areas and better methodologies

in place. We want to measure our environmental footprint even more precisely – we aim to look into the future, instead of just rigidly describing 2020.

I believe that it is worth mentioning here that our commitments constitute a response to the goals of the United Nations Global Compact. We have been a part of the world’s largest initiative uniting business oriented at sustainable development in the field of human rights, labour standards, environmental protection and anti-corruption for four years.



I am proud of the fact that we did not stop halfway and lose this year due to COVID-19. Throughout 2020, we continued working on our plans for the future. We developed our Business Strategy 2030 and the complementing Sustainable Development Strategy.

– summary of 2020 at PKP Energetyka with Wojciech Orzech, CEO.

[GRI 102-14]

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01

Our corporate
responsibility

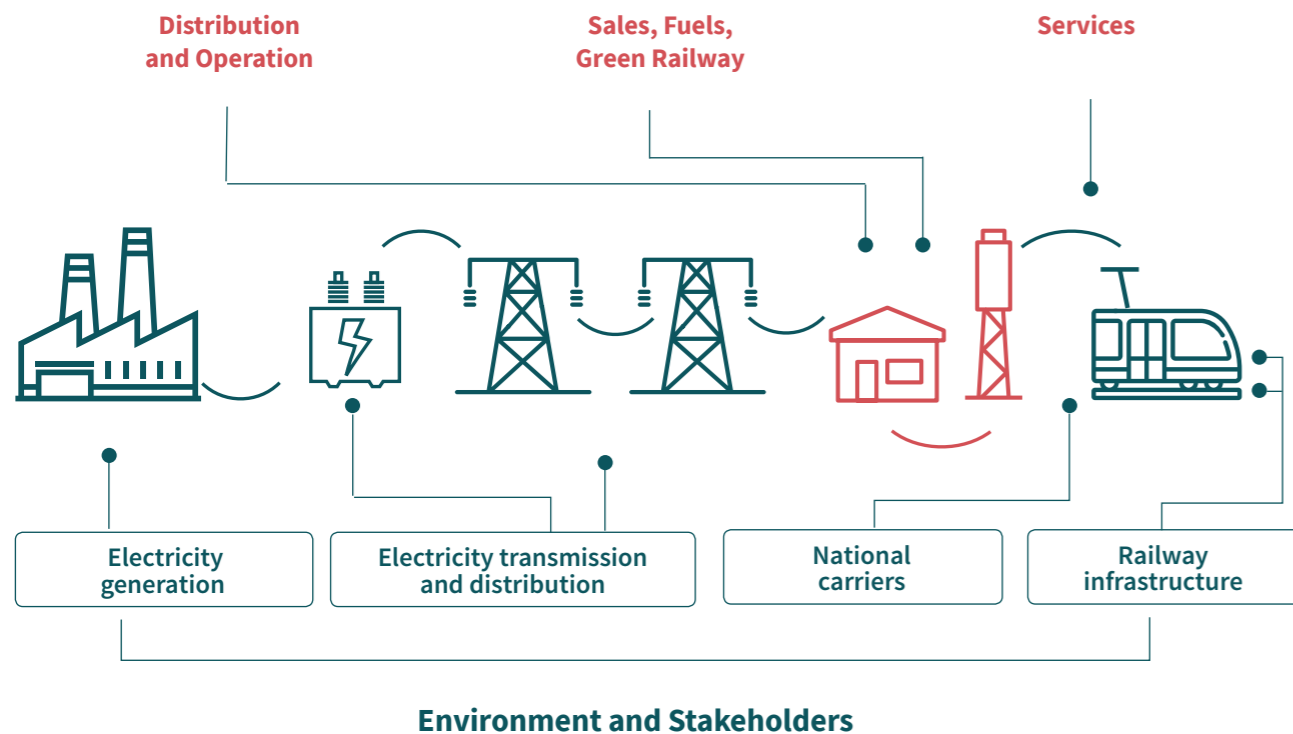
Our corporate responsibility

[GRI 102-1, 102-2, 102-3, 102-4, 102-5, 102-6] PKP Energetyka is an infrastructure company operating at the junction of the railway and energy markets. **We have 21,500 km of power lines spreading across Poland.** It is our job to ensure reliability and quality of energy supply to the nation-wide rail transport system – it is largely our responsibility that the daily travels of millions of passengers and hundreds of thousands of tonnes of goods are safe and punctual. We deliver energy through over 600,000 different facilities and system elements scattered along the railways. The entire infrastructure is supervised by 4,300 employees of PKP Energetyka working at over 100 locations across the country. Our headquarters are based in Warsaw.

We have been operating in the current form since 2001, and in 2015 we became a part of one of 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.

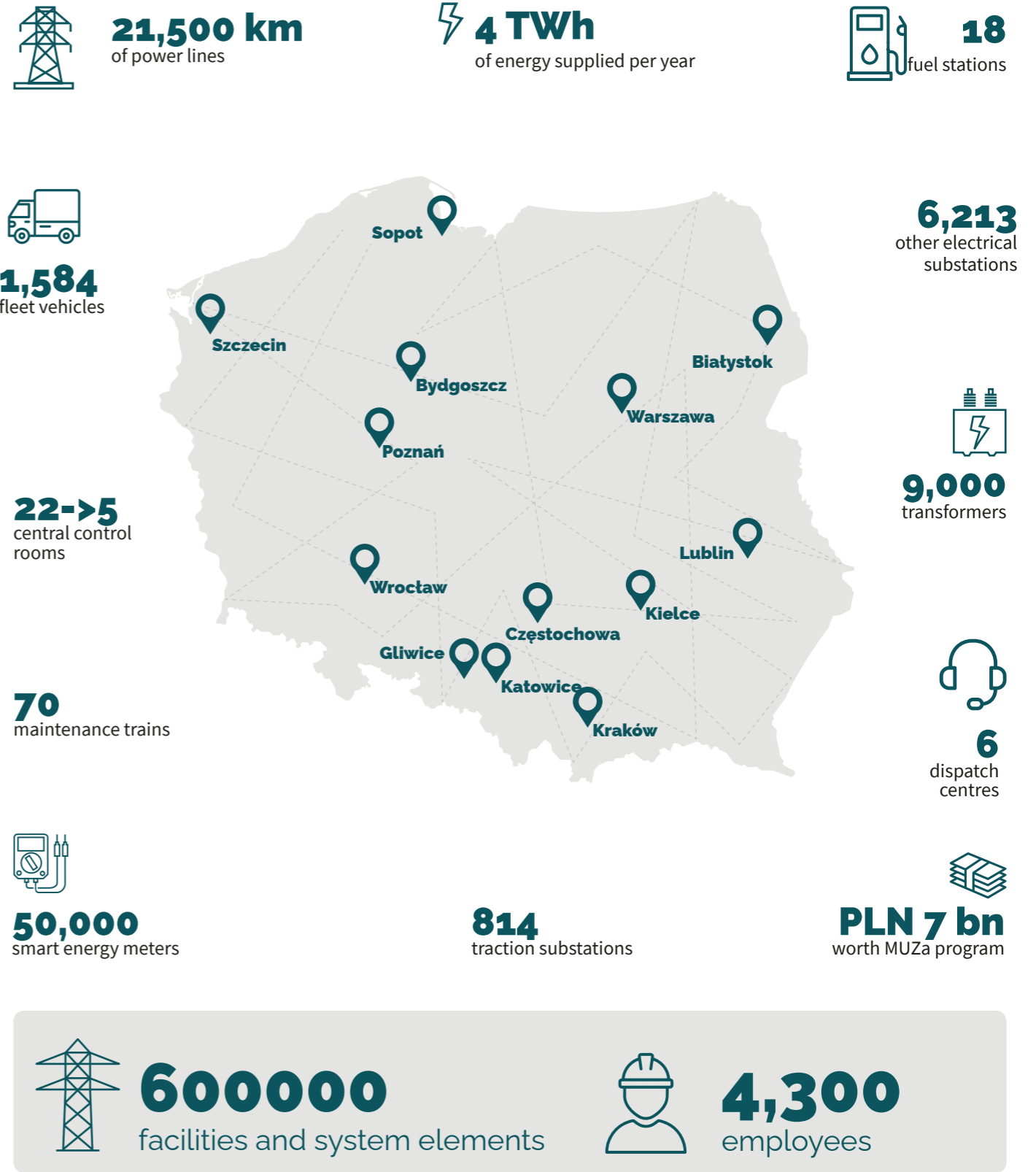
[GRI 102-45]

Business areas of PKP Energetyka Capital Group



Polish nation-wide distribution network owned by PKP Energetyka

[GRI 102-7]



Strategy 2030

2020 marked the introduction of Strategy 2030 – a document that outlines the directions of our development for the next 10 years. We will strive to strengthen PKP Energetyka’s market position, while continuously increasing the competitiveness of the entire railway sector.



The new strategy did not affect the values which have been defining our culture for years. They remain as follows:

[GRI 102-16]



These 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 and DNA helped us define the Pillars of Strategy 2030, which encompass specific objectives, plans and tools.



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, while taking care of the environment, implementing cutting-edge technologies, and integrating existing and future solutions. We strive to uphold the sector’s reputation, by promoting best energy conservation practices, among other things.

Our Strategy 2030 constitutes a precise action plan developed with the support of international experts, based on so-called Scorecards. We specified exactly where we want to be in a year, 5 and 10 years within the scope of every pillar. Our progress in terms of every strategic initiative will be regularly evaluated.

We have developed the document together with our employees. The process has taken almost 12 months and involved nearly 200 employees and managers. Together we have completed 78 workshops and webinars.

The adopted standard for operationalizing Strategy 2030 includes:

- 1** Preparation of Balanced Scorecards.
- 2** Drawing up short-term plans of actions to be implemented.
- 3** Supporting employees in maintaining the implemented standard.
- 4** Regular operational meetings.

1st Pillar – Distribution Infrastructure Development



Our commitments:



The demand for rail transportation of both goods and, above all, passengers will undoubtedly continue to increase. Even though Poles begin to increasingly appreciate the comfort and reliability of train connections, at the same time they expect the trains to run not only faster and more frequently, but also more environmentally friendly. Meeting those needs is a challenge particularly for our organization as well as the entire railway industry.

At PKP Energetyka, we understand the need of change, and we are ready for it. We want the 2020-2030 decade to go down in Poland's recent history as the period of major investments in the rail infrastructure. According to Strategy

2030, we will invest in the distribution assets and continue execution of the biggest investment program in the company's history – MUZa, the goal of which is to strengthen the power supply and thus expand the network of high-speed rail connections across the country.

The key value for the 1st Pillar of our strategy is quality understood as operational diligence ensuring the sustainability of assets and customer satisfaction. One of the objectives of Strategy 2030 is to introduce a Total Cost of Ownership (TCO) culture, by installing better and more reliable equipment. In the long run, it will allow us to reduce the total cost of its repair and upgrades.

Distribution Infrastructure Development - programs

Program	Objective	Tools
1 The customer at the centre of our activities	Customer service focused on their needs.	<ul style="list-style-type: none"> > Developing appropriate customer service standards. > Building a customer-oriented team that cares for the communication with the customer at every stage of cooperation. > Introduction of customer satisfaction metrics.
2 Continuous improvement in the quality of electricity distribution to support operational effectiveness	Continuation of the quality improvement works started 5 years ago.	<ul style="list-style-type: none"> > Leveraging information gained thanks to the metering systems and tools implemented during the previous strategy period, which are designed for precise, appropriate planning-based investments in reliable infrastructure.
3 Implementation of the 25 kV power supply system as scheduled and in line with the railway needs	PKP Energetyka as the most suitable partner in the implementation of power supply projects in the 25 kV system and, above all, as the common and only distribution network operator for all electrified railway lines.	<ul style="list-style-type: none"> > Building appropriate competencies: preparing dispatchers for controlling such infrastructure and the maintenance team for servicing the new catenary. > Developing standards and ensuring that design solutions come with the necessary certificates, approvals and attestations.
4 Execution of the MUZa program	Completion of the connections envisaged for the MUZa II and MUZa III projects within the assumed time limit and budget.	<ul style="list-style-type: none"> > Introducing standardization and unification in the asset expansion process. > Use of proven technology solutions ensuring reduction of the total project costs.



2nd Pillar – Operational Excellence



Where we want to be:



Efficiency is the key word in case of the second pillar of our Strategy 2030. We want to make quite a substantial investment in the Polish railway, making sure that our capital expenditures can best serve our customers, partners and employees. We assume strict cost discipline: we will eliminate redundant operations and reduce costs that are not necessary. We will invest in technologies that will automate part of our work and accelerate execution of tasks. The time saved can be devoted to our customers.

Since part of our business has already been largely modernized, Strategy 2030 will include reviewing the efficiency of the implemented systems. We want to be sure that we are using them to their full potential.



Operational Excellence - programs

Program	Objective	Tools
1 Quality and efficiency in operation and maintenance	Optimization of operating costs.	<ul style="list-style-type: none"> > Introduction of technical equipment and technology standards. > Optimizing the use of tools and machinery as well as business processes, including the sale of unnecessary materials, e.g. cable and wire offcuts left after construction contracts. > More efficient use of the company's core resources, e.g. through energy and water conservation and better packaging management.
2 Quality and efficiency of support areas	Improving the effectiveness of support processes.	<ul style="list-style-type: none"> > Implementing a Service Level Agreement for selected activities. > Standardization of logistics for construction projects. > Improving our approach to customers – increasing service quality, including speeding up selected processes and increasing administration back-office automation.
3 Digitalization and automation	Fully digitalized customer service (elimination of paper documentation). Simplifying internal procedures.	<ul style="list-style-type: none"> > Convincing our key customers to communicate and exchange documentation using new technologies (e.g. electronic data interchange). > Digitalization and automation of purchasing processes. > Reducing the number of paper documents in circulation, including printouts.
4 Continuous improvement culture	Improving work culture.	<ul style="list-style-type: none"> > Covering the entire organization with the Kaizen program. > Making an awareness change – each of us creates the culture of PKP Energetyka (from taking care of one's own workstation and the area around our traction substations and sectioning points to the representation of the company e.g. before external stakeholders).
5 Delivering innovative, customer-oriented solutions	Focusing activities on solving customer problems instead of spending time on unnecessary documentation.	<ul style="list-style-type: none"> > Developing the Research & Development Office. > Increasing the exchange of information with the customer through modern communication channels (rather than on paper): implementation of electronic certificates, e-invoices, and development of two-way communication tools, such as the PKPE24 applications.
6 Operational excellence during the performance of maintenance contract	Reducing the number of failures. Continuing cost optimization.	<ul style="list-style-type: none"> > Implementing new technologies as an opportunity to both deliver new quality and optimize costs. > 25,000 km of catenary track kilometres – a system in which we want to develop new values and solutions benefiting the entire railway sector (value-added services are complementary to our core business).

3rd Pillar: Polish Green Railway



Where We Want to Be:



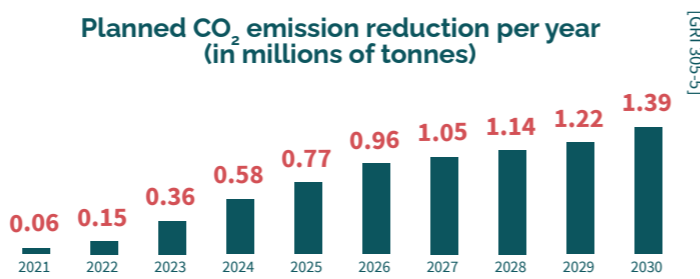
The 3rd Pillar of Strategy 2030 reflects our belief that we should be done talking about ecology – it is high time we started acting and introducing major changes. To make sure that 85% of Polish trains are powered by clean green energy, changes must be implemented not only at PKP Energetyka, but also across the entire rail industry. The Polish Green Railway represents our ambition to put rail transport at the forefront of using Renewable Energy Sources. We have no doubts that in the light of progressing climate change, trains will become the preferred means of transportation.

Change starts with ourselves. PKP Energetyka will strive to reduce CO₂ emissions coming from the company's operations down to zero (so-called "net zero").

For starters, we will equip all of our traction substations with solar panels, creating a zero-emission and self-sufficient infrastructure. In this way, we want to demonstrate the benefits of green solutions and ways to implement them effectively.

Best practice

The average annual reduction of emissions by approx. 800,000 tonnes of CO₂ achieved thanks to the program is an equivalent of almost 34,000 hectares of forests absorbing carbon dioxide, i.e. an area 3 times the size of the Białowieża National Park.



Polish Green Railway - programs

Program	Objective	Tools
1 Zero-emission PKP Energetyka	Reducing the carbon footprint of PKP Energetyka.	<ul style="list-style-type: none"> > Developing a plan for a zero-emission and energy-efficient company. > Measuring the effectiveness of our actions (e.g. carbon footprint per employee or carbon footprint calculated as the sum of emissions from e.g. electricity consumption for internal needs and emission from fuel consumption for heating purposes).
2 Railway energy efficiency (CEEK)	Being active as part of the CEEK initiative, which provides a platform for sharing knowledge and achieving energy saving goals in the railway sector.	<ul style="list-style-type: none"> > Acting as a competence base for CEEK, actively sharing our resources. > Inspiring others to adopt energy-efficient solutions (e.g. eco-driving, energy recuperation). > Drawing on the experience of others to enhance the ultimate effect of increasing railway energy efficiency.
3 Zero emission of railway companies	Reducing the railway's carbon footprint.	<ul style="list-style-type: none"> > PKP Energetyka as an ambassador of good practices in the area of building the Polish Green Railway. > Offering recommendations for the railway sector, including educating and inspiring other companies which operate in the sector (the expected outcome is the green railway added also to the strategies of other companies). > Measuring the effects (carbon footprint reduction) across the sector using international standards.
4 Changing the railway energy mix using energy from RES	Changing the profile of the energy flowing into the distribution network of PKP Energetyka: by 2030, the energy obtained from RES will amount to 85%.	<ul style="list-style-type: none"> > Acting as an integrator and supplier of green energy. > Creating the Polish Green Railway investment program for investors building RES. > Creating an image and communications policy for the whole railway, including the use of our advantage over other modes of transport (the railway is already electrified and low-carbon in over 60%, unlike e.g. the automotive industry).
5 RES investment (strategic option)	Defining the role and strategy of PKP Energetyka in generating green energy, e.g. by investing in solar systems and wind farms.	<ul style="list-style-type: none"> > Preparation of a business case for the project (primarily in terms of the risks of this type of projects and the DNA of our company).

4th Pillar: Responsible Company



Where we want to be:



PKP Energetyka's success depends on the competence of its employees. We want our people to gain experience at PKP Energetyka and link their professional plans with the company for years or even decades to come. We will launch programs aimed at building a friendly workplace and projects ensuring knowledge exchange between different teams within the organization.

We continue to adopt a no-compromise approach to safety. We want to execute our Mission ZERO, the goal of which is to create an accident-free work environment. We will further expand all activities leading us in that direction, including 5 programs addressing the improvement of safety and additionally 2 programs related to the engagement of our employees and building a socially responsible company.



Responsible Company – programs

Program	Objective	Tools
1 Mission ZERO – Leadership	Building a credible team of leaders who care for open communication and occupational safety of their teams. Embedding the idea that every leader is responsible for the safety of his or her employees and inspires them to change incorrect attitudes and habits.	> Incentive and training programs.
2 Mission ZERO – Risk management	Reducing serious accidents to zero by 2025. Changing the habits of employees - ees at all levels.	> Showing employees that accidents do not have to be an inherent part of working in our industry (the "12 Life-Saving Principles" campaign). > Establishing a system for managing safety data and feedback from employees. It is sup-posed to encourage them to report unsafe situations (the "Reporting HSE observations" initiative).
3 Mission ZERO – Systems	Reducing the number of hazardous situations.	> Changing our work routine in terms of working standards based on good practices. > Introducing easy-to-implement and easy-to-read standards of work performance covering repetitive activities and tasks.
4 Mission ZERO – People	Directly guaranteeing safety to our employees. Reducing the number of incidents in railway traffic.	> Changing our work routine in terms of working standards based on good practices. > Creation and implementation of an educational system in the field of occupational safety and environmental protection (e.g. "PKPE Academy"). > Emphasizing the role of each employee in developing safety in the entire organization (programs such as: "Health Care Prevention," "Promoting Safety Leaders", or the "Breaking out of a Routine" campaign).
5 Mission ZERO – Safe machinery, facilities and workplaces	Risk mitigation in our workplaces. Ensuring security of supplies, goods and people.	> Emphasizing seemingly insignificant activities that affect our day-to-day safety. > Paying attention to safety issues in the context of the company's infrastructure.
6 Sustainable development strategy	Building a socially responsible company.	> Creating a reputation as a reliable and trustworthy business by taking care of relations with external partners. > Increasing the attractiveness of PKP Energetyka as a target employer (including cooperation with schools and universities, remuneration based on market data analysis). > Minimizing or, where possible, reducing PKP Energetyka's negative impact on the environment (e.g. analysing the carbon footprint, water footprint, waste sorting level, reduction of waste on a per type basis).
7 Building and developing the Winning Team	Growing competences inside the organization. Preventing a generation gap. Increasing employee engagement.	> Talent search ("Winning Team Talent Development Program"). > Providing tools necessary to acquire hard and soft skills ("Foreman Development") and improving the quality of daily work ("Interactive Communication with Employees"). > Motivating our experienced employees to share their knowledge with younger colleagues.

Sustainable development

Strategy 2030 indicates where PKP Energetyka wants to go over the next 10 years. Complementing our development goals, our coherent Sustainable Development Strategy specifies how we are going to get there.

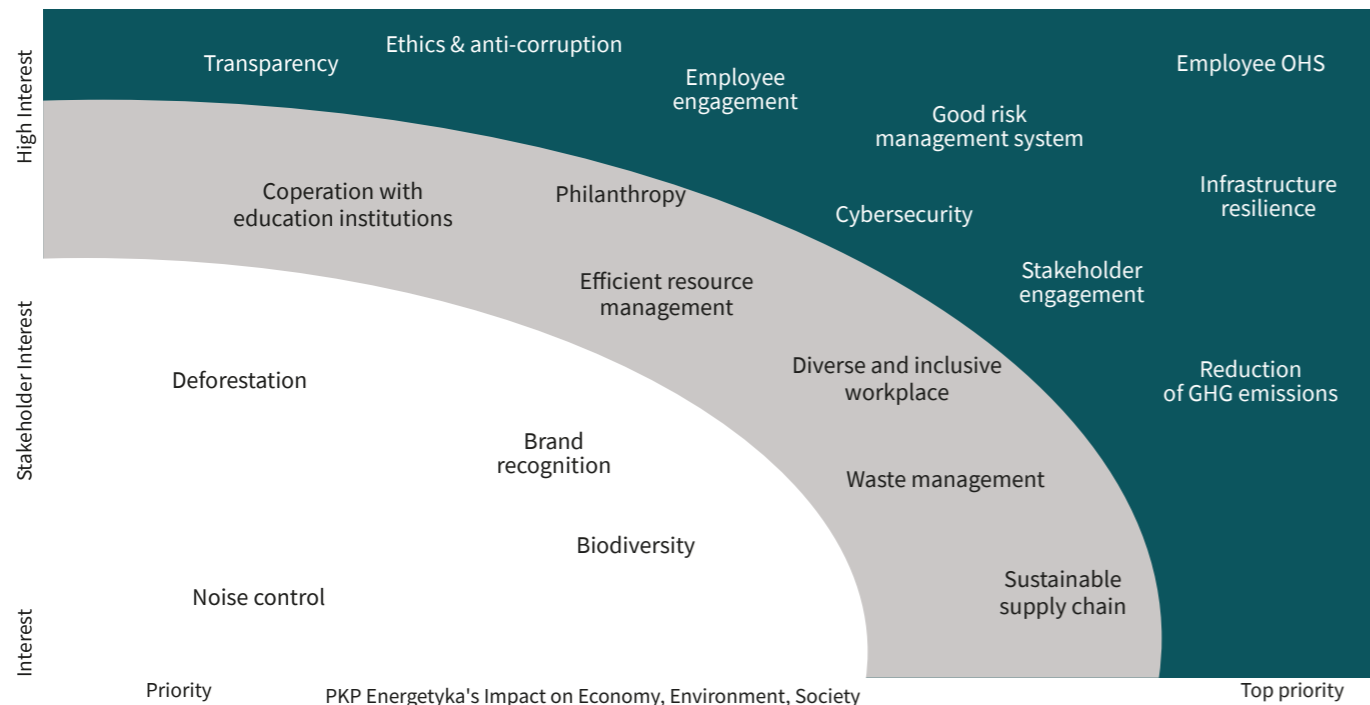
The Sustainable Development Strategy addresses 19 most important issues relevant to our stakeholders and considers our economic, environmental and social impact. These issues have been identified based on the analysis of results from stakeholder panels conducted between 2018 and 2019, interviews within our organization, an industry analysis and guidelines provided by the international GRI / SASB standards.

These 19 ESG priorities were integrated into 16 groups of initiatives. They will be executed by the Sustainable Development Committee composed of people responsible for particular areas and their teams.

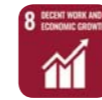
PKP Energetyka is a signatory of the **United Nations Global Compact** – we are proud to be part of the world’s largest initiative uniting business oriented at sustainable development in the field of human rights, labour standards, environmental protection and anti-corruption. We believe that the Global Compact is the best place to jointly confront modern world problems in the key areas.

Our ESG strategy is in line with the execution of the UN Sustainable Development Goals.

Issues important for stakeholders.



We support the UN Sustainable Development Goals



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

- 8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.
- 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
- 8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead.
- 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.



Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

- 9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.
- 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.



Ensure sustainable consumption and production patterns

- 12.2 By 2030, achieve the sustainable management and efficient use of natural resources.
- 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
- 12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.
- 12.7 Promote public procurement practices that are sustainable, in accordance with national policies and priorities.



Take urgent action to combat climate change and its impacts

- 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.
- 13.2 Integrate climate change measures into national policies, strategies and planning.
- 13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.



Strengthen the means of implementation and revitalize the global partnership for sustainable development

- 17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries.
- 17.17 Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships Data, monitoring and accountability.

Key sustainability strategy areas and our ambitions

Ensure safe, friendly and inclusive workplace



Priority	Our ambitions and goals 2030	Key indicators
Employee Health & Safety	0 life-threatening accidents.	LITF, number of injuries, number of near misses (for PKP E employees and contractors); accidents per type; % of removed thr.
Employee Engagement	Employee engagement rate (independent survey) - in the best employers zone.	Employee engagement rate, average score in best employers category - 2025; % of competency matrix realised, % internal recruitment, rotation, absence, % of succession on managerial positions.
Diverse & Inclusive Workplace	Twice as many women in top executive positions; in the rest of the categories - double the number of female employees as a reflection of market availability; percentage increase y/y.	Number and proportion of male and female employees per category and per age group.
Philanthropy	Percentage of initiatives in line with PKP E Sustainability Strategy Areas and Priorities; number of beneficiaries.	Number of beneficiaries per initiative; quantitative metrics for environment-related goals (reduction of CO ₂)

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 y/y improvement and percentage of energy from traditional sources saved per year.	Percentage of renewables in the energy mix sold to Clients, saved energy from traditional sources, CO ₂ e; carbon footprint/MWh sold
Decarbonization of Polish Railways	85% of renewable energy in the railway system mix by 2030.	Percentage of renewables per traction network, saved energy from traditional sources, CO ₂ e.

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, EBIDTA/Tariff; tariff effectiveness.
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 2021.	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.	Failure reporting; percentage of up-to-date documentation annually.
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% suppliers in-line with sustainable purchases policies in group A and 80% of suppliers in group B.	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.
Transparency	A-level company in benchmarks and ESG rankings.	Number of initiatives and quality of reporting.
ERM	Stable EBIDTA increase.	Defined on project-basis.

Our structure and supervision over sustainability matters

[GRI 102-18] Our company is owned by the CVC Capital Partners investment fund. It is one of the largest international investment funds which invests in accordance with the UN Principles for Responsible Investment. Therefore, it pays attention to financial results as well as environmental and social standards.

The Supervisory Board oversees the Management Board of PKP Energetyka. It consists of the representatives of CVC Capital Partners and other social partners. The Supervisory Board has refrained from appointing any committees or other internal bodies. Additional control is provided at the level of the parent company of PKP Energetyka – PKPE Hol-

ding, 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 prior consent.

The chairman of PKP Energetyka's Supervisory Board is Krzysztof Krawczyk, representing CVC Capital Partners. The chairman of PKPE Holding's Supervisory Board is Tuomo Hatakka, representing CVC Capital Partners.

The entire Management Board has been engaged in the development and approval of the Sustainable Development Strategy, however the area is supervised by Beata Górnica. PKP Energetyka has also appointed a coordinator, who manages the work of the Sustainability Committee, which is comprised of directors and managers of key areas and gathers at least once every quarter. It enables ongoing monitoring of progress and coordination of work between different departments.



The statutory bodies of PKP Energetyka are:

1. General Meeting
2. Supervisory Board
3. Management Board

Supervisory Board:

1. Krzysztof Krawczyk - chairman
2. Maciej Godek
3. István Szőke
4. Jakub Canda
5. Marek Klas
6. Stanisław Woch



Marek Kleszczewski
Distribution

Previously, he was the vice-president of Tauron Dystrybucja and a member of the Vattenfall board of directors. He joined PKP Energetyka in 2018 as director of the Distribution Department and was responsible for the area maintenance of the traction network. The effect of his team work is a four-year maintenance contract signed 2019 with PKP PLK. He is a graduate of automation at the Silesian University of Technology, he also obtained an MBA from the University of Business Lancashire.



Christopher Biedermann
Finance

A manager with over 20 years of international experience, which he gained in Poland, Russia and other countries of Central and Eastern Europe. He is a specialist in the field of restructuring, cost management, internal control and activities carried out on capital markets. In the years 2012-2017, Vice President of the Management Board and Financial Director at Emitel. Previously, he was associated with UPC Polska as a Member of the Management Board and Financial Director, and with CEDC, where he was also responsible for financial matters as Vice President. He also gained professional experience in managerial positions in Coca-Cola and Ernst & Young. He is an alumnus of the University of Texas with an MBA in Finance. Previously, he graduated in Accounting from Lehigh University.

Management Board:



Wojciech Orzech
CEO

Experienced manager with many years of experience in management positions. In 2008-2014, he managed companies from the Energa Group. He also held managerial positions in companies from the insurance, pharmaceutical and logistics industries. An expert in transforming the organization and implementing long-term strategies. He is a graduate of the Faculty of Economics at the University of Gdańsk, has a Certificate of Management Excellence from Harvard Business School in Boston and he is alumni of the Advanced Management Program of IESE Business School (University of Navarra).



Leszek Hołda
Services and Polish Green Railway

Since 2002, he has been associated with the B2B market. Before joining PKP Energetyka, he held two positions at the same time - director of sales to key and corporate clients at Orange Polska and president of Integrated Solutions. In 2009-2012, Leszek Hołda was also the director of the Orange UEFA Euro 2012 project, where he managed a team of over 1,000 people responsible for technological services in Poland and for activating marketing rights in 11 European countries. Leszek Hołda is a graduate of MBA studies at the Business School of the Warsaw University of Technology. Earlier, he graduated from the AGH University of Science and Technology and the University of Economics in Krakow.



Beata Górnica
HR and ESG

An expert in the processes of change management and building employee relations. Before joining PKP Energetyka, she managed HR departments in companies such as Tauron, Vattenfall, Saint Gobain and Tesco. She has been working at PKP Energetyka since 2017. She has successfully transformed HR processes in a company that currently employs nearly 4,300 employees. As a result of the activities of her team, the company was awarded the prestigious international Top Employer certificate in 2019, 2020 and 2021. She is a graduate of the Faculty of Law and Administration at the University of Silesia; she also completed the Advanced Management Program at the ICAN Institute.



02

We ensure a safe,
friendly and
inclusive workplace

We ensure a safe, friendly and inclusive workplace



The equity of PKP Energetyka is not only reliable infrastructure and equipment, but above all people. **Our POWERful Team consists of over 4,000 committed employees**, who work day and night to make sure that passengers and goods reach their destination. Every employee is an important team member and, regardless of their seniority or the position held, they are the focus of our attention. The competence and engagement of particular individuals as well as entire teams allow our organization to maintain business continuity and ensure its further development, and simply make us proud. We are all aware of the fact that together we create a well-functioning organism, which can successfully meet the needs of our customers and the entire society. We sure make a POWERful Team.

As conducted research indicates – and what makes us really happy – our employees value teamwork and a sense of mission. Every employee, including electricians, specialists, and managers, has a sense of purpose in their role at work. They know that their activity is relevant for the power industry and railway. Our POWERful Team understand how much depends on them in terms of helping passengers and goods arrive at their destination on time, which is reflected by the voluntary turnover.

At our company, the voluntary turnover rate stands at 3,5%, while the market average is 6%.*

*Market data source: Sedlak&Sedlak



Employment structure in the years 2017-2020

	2018	2019	2020
Total number of employees	4,982	4,843	4,304
Women	568	555	467
Men	4,414	4,288	3,837
Total number of employees – permanent contract	4,751	4,582	4,117
Women	496	509	433
Men	4,255	4,073	3,684
Total number of employees – temporary contract	231	261	187
Women	72	46	34
Men	159	215	153
Total number of employees broken down by regions			
Europe/ Poland / Lower Silesian Voivodeship	364	355	335
Europe/ Poland / Kuyavian-Pomeranian Voivodeship	223	192	159
Europe/ Poland / Lublin Voivodeship	167	159	136
Europe/ Poland / Lubusz Voivodeship	103	94	83
Europe/ Poland / Łódź Voivodeship	668	658	546
Europe/ Poland / Lesser Poland Voivodeship	269	272	272
Europe/ Poland / Masovian Voivodeship	900	892	853
Europe/ Poland / Opole Voivodeship	159	152	130
Europe/ Poland / Subcarpathian Voivodeship	110	115	97
Europe/ Poland / Podlaskie Voivodeship	66	61	54
Europe/ Poland / Pomeranian Voivodeship	250	247	242
Europe/ Poland / Silesian Voivodeship	594	572	501
Europe/ Poland / Świętokrzyskie Voivodeship	226	221	172
Europe/ Poland / Warmian-Masurian Voivodeship	170	167	142
Europe/ Poland / Greater Poland Voivodeship	404	400	362
Europe/ Poland / West Pomeranian Voivodeship	309	286	220
Total number of employees broken down by employment type (full-time)	4,941	4,805	4,275
Women	555	540	454
Men	4,386	4,265	3,821
Total number of employees broken down by employment type (part-time)	41	38	29
Women	13	15	13
Men	28	23	16

As of December 31, 2020

PKP Energetyka Capital Group has a network based on B2B contracts, however it constitutes less than 1% of contractors.

Employee health and safety

[GRI 403-8] We work in particular conditions, with particular matter – in case of our work, lack of appropriate safety measures and procedures could result in a tragedy. For PKP Energetyka, prioritizing safety is not a cliché slogan, but rather everyday reality and, often enough, a matter of life and death.

Between 2016 and 2020, we managed to reduce the number of accidents by 34% compared to the years 2011-2015.



However, we know that there is still room for improvement. We want to build a safe work culture, where people can rely on each other and are aware that they are responsible for the health and safety of their colleagues.

[GRI 403-4] To make our company a safe place and make sure that our employees always return to their homes and families, we engage all of our people into building a strong safety culture. We regularly conduct consultations, discuss within the Occupational Health and Safety Committee, and engage in dialog with trade unions and OHS specialists. Together we have developed procedures for safe work, which are regularly updated.

Taking care of the safety of our employees is an important element of all the decisions made and steps taken within our organization. Therefore, every employee is committed to ensuring that their work is performed in a safe manner, regardless of the entrusted tasks or functions. We strongly believe that real safety can only be created in cooperation with employees and based on their knowledge, experience and practice. The result of our joint efforts are safety improvement initiatives, consistently updated occupational risk assessment, and advancement of work safety standards.

Safety constitutes one of our four values:

- > We take care of our own and others' safety. We try to anticipate threats and counteract them.
- > We actively propose solutions to improve security.
- > We do not tolerate cases of non-compliance with safety requirements.
- > When exposed to a potentially dangerous situation, we stop working and react.
- > We do not repeat past mistakes – we learn from them.

Every job position at PKP Energetyka is carefully assessed in terms of occupational risk. The assessment is carried out in accordance with the requirements of norms and best practices recommended by international organizations dedicated to work safety. Prior to starting any work, we identify potential risks and try to mitigate them to the greatest extent possible – for jobs considered particularly dangerous, a Risk Assessment Card is prepared, indicating the risks and preventive measures taken. Our OHS Services regularly review positions and work processes within the organization, ultimately delivering a report featuring post-inspection recommendations

[GRI 403-1, 403-2, 403-7]

In 2020, we launched the process of changing our occupational health and safety management system to adjust it to the ISO 45001 requirements. We continue to focus on identifying threats and assessing the related risks. Following globally accepted rules, **we first strive to eliminate the risk, and only when it turns out impossible, we implement preventive measures**, prioritizing means of collective protection over the individual ones.

Employee engagement is an important element of our system, therefore we continue to improve our communication tools, which includes gathering suggestions and ideas. We make sure that our employees have a real impact on shaping the safety culture within our organization. An excellent example of that is the tool for reporting irregularities and improvement suggestions in terms of safety. The app enables ongoing monitoring of submissions along with information on actions taken.



Best practice

Our key project aimed at ensuring safety is Mission ZERO. It is dedicated to building an accident-free workplace for every employee. **Mission ZERO is a vision – not just a numerical goal – focused on complete prevention of injuries and fatal accidents at work.** The program pillars were developed during workshops attended by several hundred employees of our company.

Together, we agreed that Mission ZERO will be based on:

- > leadership
- > risk management
- > systems
- > safe machinery
- > people

Mission ZERO is not a one-time activity or investment - it is a long-term program of smaller and more extensive changes implemented across many areas. In each pillar, we have specified dozens of activities and tasks to complete. We are ultimately aiming at total elimination of accidents in our company. The development of an action plan and its execution within every Mission ZERO pillar were entrusted to interdisciplinary teams.

In order to comply with all the safety requirements of the PN-N-18001:2004 norm, our experts have developed and implemented eight OHS procedures:

- > Examination of occupational injuries and diseases (reactive monitoring)
- > Identification of threats (active monitoring)
- > Occupational risk assessment (active monitoring)
- > Plans to improve work safety conditions
- > Measurement of harmful and disruptive factors (reactive monitoring)
- > Occupational health and safety monitoring
- > Identification of potential accidents
- > Safety Visits

Mission ZERO

[GRI 403-1, 403-2, 403-7]

1ST PILLAR Leadership

Throughout 2020, regular safety visits were conducted and potentially dangerous incidents were reported in all of our business units. In total, we have conducted 3,012 visits and registered 1,589 notifications.

2ND PILLAR Risk management

- > A Root Cause Analysis (RCA) was carried out to identify the cause of one major accident that took place at PKP Energetyka.
- > The first stage of the implementation of Risk Assessment for Work was completed and Risk Charts were prepared for 10 types of works (e.g. catenary inspection, periodic inspection of the high-speed circuit-breaker). The Charts were developed in cooperation with people performing certain tasks and handed over for pilot implementation.

3RD PILLAR Systems

- > The 3rd Pillar team has worked on expanding the “Subcontractor supervision” procedure and further work-at-height safety standards, i.e. selection of equipment, anchoring methods and evacuation from height.
- > An “Occupational health and safety monitoring” procedure was also developed.
- > A draft of a “Work Permit” for jobs considered particularly dangerous was prepared.
- > Work on a subcontractor management procedure has also begun.

4TH PILLAR Safe machinery

- > My Locker Room Program – renovation of the welfare facilities at six locations was completed.
- > 700 company cars were equipped with first aid kits compatible with the DIN 13164 norm.
- > Selected power tools at four company sections were tested.
- > A new power tool standard for the Service Department was developed.
- > Work on an app dedicated to fire safety management in our facilities has begun.
- > The process of developing standards specifying the requirements for hand fire fighting equipment for all facilities has commenced.

5TH PILLAR People

- > Preparation of topics for training organized by external companies has begun.
- > The 5S standard was being implemented across the Sections (9 locations) in train halls, network trains, and Service Areas (5 locations) in workshops, energy emergency vehicles and assembly bags.
- > The Team of Ambassadors carried out 24 support visits in terms of maintenance of the implemented 5S practices – workplace organization.
- > Materials for the second Mission Health campaign were prepared along with those related to road safety: Safe Car, Winter is Coming, Safe Conversation While Driving, Roadworthy Car.
- > A tutorial for the Safe Stairs campaign was filmed.

12 Life-Saving Principles



I never work after drinking alcohol or using drugs.



In a health or life threatening situation, I do not start work and prevent others from doing so.



I make sure that hardware and personal protective equipment is well-maintained and used properly.



I don't take shortcuts, I always follow rules and procedures.



I stop a train before the "stop" signal and when I am not sure about the signal.



I do not go into the traffic machinery work zone or the cargo transportation zone.



I pay attention to road safety: I fasten my seat belt, avoid speeding and stay focused.



I have limited confidence, I always check if everything is disabled, disconnected, grounded, and there is no voltage.



I only use operational tools for their intended purpose.



I make sure that I am always visible.



I always use personal protective equipment when working at height.



I respect the ban on smoking and open fires.

We have implemented **12 Life-Saving Principles** across the entire PKP Energetyka Capital Group.

The global pioneers in the implementation of the Life-Saving Principles system were the biggest organizations from the oil sector, but they have been successfully applied also by many prominent construction, energy and railway companies. Integrating best practices from the top companies with a strong safety culture, PKP Energetyka joined forces with its employees in developing its own 12 Principles. When applying them in our daily operations, we confirm that the life and health of every employee is important and that we work with people who ensure safety and can rely on each other. The Principles were meticulously selected – non-compliance with them results in the highest probability of severe injuries or death. "STOP: In a health or life threatening situation, I do not start work and prevent others from doing so" is the overriding principle. Whenever working conditions are not safe or any of the 12 Principles is not followed, employees have the right and duty to stop working. We dedicated 2020 to an educational campaign for our employees, to specify what each of the rules means to them, why they are important, and what to do when someone breaks them. We want the Principles to serve as a handbook for every PKP Energetyka CG employee.

Best practice

In 2020, we launched a campaign promoting the **12 Life-Saving Principles among our employees**. One rule is discussed every month for the consecutive 12 months. Communication includes posters in the field units offices, meetings with employees and distribution of relevant information through internal communication channels.



What else do we do for safety?

- > Prior to starting work at our company, all employees must complete a mandatory introductory OHS training. Everyone learns the basic OHS rules and regulations as well as the nature of the workplace. Additionally, we organise recurring training courses, during which employees update their knowledge and skills in the area of occupational health and safety.
- > We also invite employees to first aid courses – the program is adjusted to the dangers our employees might be exposed to. It includes injury and medical emergency procedures as well as education on basic psychological mechanisms during accidents.
- > Each one of our 3,000 operational employees completes an annual safety training.
- > At the end of 2019/beginning of 2020 about 50 meetings with employees dedicated to work safety took place in the field. They were led by business unit managers and attended by approx. 1,700 of our employees.
- > We allocate significant resources to purchase work equipment and tools, in order to improve safety: we have bought new power tools, workwear, car fleet: 250 new cars were delivered to the company between 2016 and 2018, we have replaced 160 vehicles in 2019 and further 150 at the end of 2020/beginning of 2021; we continue to work on reducing the fleet age, and thus improving safety.
- > All Occupational Medicine regulations are followed rigorously across the entire organization.

[GRI 403-3, 403-5]



Number of work-related injuries*

	2018	2019	2020
Injuries suffered by the employees of the organization	29	42	28
Number of fatalities resulting from work-related injuries	1	1	1
Rate of fatalities resulting from work-related injuries	0.116	0.126	0.132
	2018	2019	2020
Number of serious severe accidents at work (excluding fatalities)	0	0	1
Percentage of serious accidents at work (excluding fatalities)	0	0	4%
	2018	2019	2020
Number of recordable work-related injuries	36	52	35
Rate of recordable work-related injuries (per 1m h)	4.16	6.54	4.61
Main type of work-related injuries	Minor	Minor	Minor

*Number of hours worked in 2020 7,594,079, rates calculated per 1m hours worked.

[GRI 403-9]

At PKP Energetyka, we know that despite all efforts there is still a lot to be done in terms of safety. In 2020, a tragic accident took place in the company – in May, our employee working at the Czyżew substation was fatally electrocuted. Unfortunately, accidents in our organization are usually self-caused – they result from non-compliance with the fundamental safety rules specified in our instructions and procedures. For that reason, 2020 marked the appointment of the Work Safety Crisis Team, consisting of members of the management board, officers and employees of our company. Their job is to monitor work safety, with particular emphasis on order correctness, and to conduct increased OHS controls.

Violating safety procedures at PKP Energetyka is severely punished – regardless of whether it concerns managers or employees performing their daily duties in the field.

In 2021, we will continue activities aimed at increasing work safety. We intend to implement digital monitoring tools in the area of providing services, which will allow us to better manage tasks and identify potentially dangerous situations or analyse trends.

Number of accidents broken down by accident type

	2018	2019	2020
Minor accidents	25	40	27
Severe accidents	0	0	1
Group accidents	1	1	0
Victims in group accidents:	4	2	0
Fatal accidents	1	1	1
LITF	3.46	5.41	3.82
Number of near misses	4536	4572	1589
Percentage of eliminated threats	78%	76.75%	68%
Accident severity rate	78.7	81.81	65.92

[wskazniki własne]

Safety during the coronavirus pandemic

Railway is one of the key systems of the economy. It continues to operate steadily even during the coronavirus pandemic. Regardless of the weather outside, holidays or fluctuations of the infection statistics, in 2020 trains kept going, goods were delivered on time, and the catenary was supplied with electricity. All that thanks to the employees of PKP Energetyka, among others, who – without any exaggeration – were extremely committed throughout the pandemic year to maintain continuity of train connections and energy supplies over that difficult time. The issue of work safety gained a new “pandemic” dimension in 2020. PKP Energetyka was challenged to ensure employees’ safety, while simultaneously maintaining rail traffic across Poland. Due to the nature of our company, a major part of our operations cannot be handled remotely, and some activities require direct cooperation in both small and big teams.

To ensure employees' safety, we provided:

1. **9,000 litres** of disinfectants (for both hands and solid surfaces)
2. **50,000** protective gloves
3. **200 pieces** of protective suits
4. **3,200** pairs of safety goggles and glasses
5. **200,000** protective face masks
6. **380** non-contact thermometers

We took actions based on the available medical and sanitary knowledge. We complied with legal requirements and implemented our own initiatives.

- > We provide our units with disinfectants, face masks, and necessary protective equipment.
- > We adjust our work model to minimize direct contact between employees.
- > All office employees were informed about the remote work procedures.
- > We monitored the wellbeing of our employees by conducting periodical surveys.
- > We continue to regularly inform our employees about the current coronavirus situation and PKP Energetyka’s activities via SMSes and newsletters.
- > We helped quarantined employees with everyday errands (shopping, getting medication, etc.), if needed.
- > We increased our cleanliness requirements in office and technical spaces.

Safety procedures were included in the PKP Energetyka Capital Group Employee Safety Plan, which was made available to all employees during the pandemic. We created a precise guidebook with the rules of social distancing, using protective gloves and washing hands effectively, information on the maximum number of people in closed spaces, and principles regarding disposal of used masks and gloves. Every employee can also find a contact list for OHS services in the company intranet.

[GRI 403-1]

Best practice

PKP Energetyka implemented preventive rules regarding contacts, both internally and with external entities. All documents are sent electronically, and teleconferencing systems are in place. Field teams also comply with operational safety measures based on electronic communication. Additionally, field employees have the right to discontinue performing their duties, if it is not possible to maintain safe work rules.

This exceptional time required exceptional decisions. Out of all of our dispatchers, **we have appointed a group of 90 individuals, who worked at our dispatch centres during the pandemic of 2020 in total isolation from their colleagues and families, without the possibility of leaving their workplace.** We provided them with the right conditions, so they could work and rest without any physical contact with other people, and thus ensure continuity of our network operations. Just in case, we also prepared backup dispatch centres at selected locations.

Best practice

Every employee who felt such a need during the pandemic could get free telephone advice from a psychologist. Information on the availability and the right number were passed to all those employed by PKP Energetyka. The calls were fully anonymous and confidential. We also launched a medical helpline for all previous and current employees dedicated to all pandemic-related matters.

Upon the outbreak of the pandemic, PKP Energetyka appointed a crisis team, which gathered every day when the infections were peaking. The team consists of 40 managers from all the crucial areas of our company. We continue to update our knowledge on the current situation and its impact on the company. We analyse and plan short and long-term activities, while remaining flexible to be able to quickly react to emerging crises.

Best practice

At PKP Energetyka, we are truly proud of our employees. Throughout the pandemic, they displayed impressive engagement and a sense of mission. In order to appreciate these attitudes, we organized the **#ZawszeNaStużbie** (#AlwaysOnDuty) campaign, encouraging employees to talk about their work in the COVID-19 times. Their videos were uploaded to Intranet. The campaign was very well-received, and just in the first days the materials had a few thousand views. It was praised not only by internet users, but also by the institutions we work with, such as the Office of Rail Transport.

All the actions taken by PKP Energetyka ensured **operational continuity of our company.** We also consistently executed the most important investment programs – MUZa.



Best practice

In 2020, we took care of our employees and did not forget about supporting people and institutions from outside of PKP Energetyka. The Chief Sanitary Inspectorate received 75 computers from us to support their everyday operations. About six thousand senior retirees received from PKP Energetyka sets of protective masks and guidebooks on preventive measures against coronavirus infections. We shared our work procedures in pandemic conditions with our subcontractors and the entire rail industry. Additionally, we provided the subcontractors with personal protective equipment. Our foundation – Dobra Energja (Good Energy) – donated new computers for online learning to children in need. We also provided internet access and technical support for all those who needed it.

Diversity in the workplace

Our company prioritizes internal recruitment. When searching for people for a particular position, we first check whether we can offer the job to someone from our organization. We exploit the potential of our employees, promote their experience and invest in their development. Only when there are no internal applications or candidates who meet the competence requirements, we begin to look for people from outside of PKP Energetyka. **To ensure the efficiency of the recruitment processes and take care of our new employees, every new person in our company has to complete the so-called Adaptation Program.** Thanks to that, every new team member can familiarize themselves with the details of our operations, crucial information that might come in handy over the next months, and all rules and policies enforced across PKP Energetyka.



Best practice

In 2020, we carried out 329 recruitment processes, with 234 successfully completed by the end of the year. 197 out of the 329 were internal recruitment processes, which resulted in 56 employees switching their positions. We look for candidates for the remaining positions outside of the organization.

New PKP Energetyka Capital Group employees by age and gender

	2018	2019	2020
Total	222	248	145
Women	70	46	40
Men	152	202	105
Under 30 yo	99	113	64
30-50 yo	111	129	78
50+ yo	12	6	3
Total	4.5%	5.1%	3.4%
Women	12.3%	8.3%	8.6%
Men	3.4%	4.7%	2.7%
Under 30 yo	31.5%	35.4%	22.4%
30-50 yo	5.1%	6.5%	4.4%
50+ yo	0.5%	0.2%	0.1%

[GRI401-1]

As of December 31 of the reported year

Employee departures by age and gender at the PKP Energetyka Capital Group and turnover rate in particular groups.

	2018	2019	2020	Including departures within VDP (2020)*
Total	714	363	792	500
Women	118	52	138	99
Men	596	311	654	401
Under 30 yo	56	47	44	6
30-50 yo	236	182	225	87
50+ yo	422	134	523	407
Total	14.3%	7.5%	18.4%	11.6%
Women	20.8%	9.4%	29.6%	21.2%
Men	13.5%	7.3%	17.0%	10.5%
Under 30 yo	17.8%	14.7%	15.4%	2.1%
30-50 yo	10.9%	9.2%	12.7%	4.9%
50+ yo	16.8%	5.3%	23.3%	18.1%

As of December 31 of the reported year

Our activities aimed at building team engagement go beyond the current needs of our company. We are facing challenges resulting from the increasing number of retired and professionally inactive people. We consistently undertake numerous activities to promote the industry, cooperate with technical schools and eagerly accept interns in our units. Internship supervisors introduce young people to the nature of work at PKP Energetyka and share their unique know-how.

We have defined the rules that determine our daily operations together with our employees. They are described in internal documents and are known to every employee. Everyone – regardless of the position held – is obligated to comply with them.

Here are the most important regulations:

- > Recruitment Policy
- > Employee Development Policy
- > Diversity Policy
- > Code of Ethics
- > Anti-Mobbing Policy
- > Anti-Corruption Policy
- > Employee Referral Program

PKP Energetyka employer brand attributes:

01

We like challenges:



Regardless of the structure and position held, we combine creativity and work experience in our daily duties. For us, each day is different, and there is no place for routine or boredom at work.

02

We are one team:



Teamwork is crucial for us. We exchange experiences and strive to complete every task successfully. Hard work and commitment are expected from everyone, regardless of the position held. At work, we are responsible for each other, which makes us feel safe.

03

We are a reliable employer:



Since we are one of the undisputed leaders in the energy industry, we guarantee stable jobs with employment contracts and a number of interesting non-financial benefits. Our market position is further strengthened by cutting-edge investments and changes designed to improve working conditions.

[GRI406-1]

The diversity of our employees is not a problem – on the contrary, that is where the strength of our organization lies. At PKP Energetyka, every person is unique and deserves to be respected, included and treated equally. The only thing that matters is professional competence. From a formal point of view, diversity is safeguarded by PKP Energetyka's Diversity Policy. Every one of our employees is obliged to comply with it. In 2020, we did not report even one discrimination incident in our organization.

Our rules:

- > We build a diverse team
- > We recruit candidates with diverse profiles
- > We respect equal opportunities
- > We educate our employees
- > We create a diverse work environment and promote experience exchange

Management bodies and staff divided into categories by gender, age and other diversity indicators.*

	2018		2019		2020	
Women	51	12%	61	14%	56	13%
Men	387	88%	377	86%	346	86%
Under 30 yo	8	2%	9	2%	13	3%
30-50 yo	274	62%	275	63%	260	65%
Over 50 yo	156	36%	154	35%	129	32%
Foreigners	1		1		1	
Nationalities	1		1		1	
Disabled	1		1		1	

[GRI 405-1]

*As of December 31 of the reported year

Number and percentage of individuals within the organization's employees by gender, age and other indicators

	2018		2019		2020	
Women	517	11%	494	11%	411	11%
Men	4,027	89%	3,911	89%	3,491	89%
Under 30 yo	306	7%	310	7%	273	7%
30-50 yo	1,886	41%	1,710	39%	1,510	39%
Over 50 yo	2,352	52%	2,385	54%	2,119	54%
Foreigners	0		0		0	
Nationalities	0		0		0	
Disabled	10		17		18	

[GRI 405-1]

*As of December 31 of the reported year

Next step

Diversity can be multi-dimensional. To ensure it in an organization, many factors have to be managed properly. **For that reason, in 2021, we intend to train 100% of our managers from the TOP400 group** in terms of taking care of diversity in our daily operations and recruitment processes.

Employee engagement

At PKP Energetyka, we believe that a friendly workplace is a place that engages employees. We regularly conduct engagement surveys and can proudly say that we have been observing a consistent upward trend for years. Employee engagement is defined by the conditions we provide for our employees to make them:

- > feel motivated to go the extra mile and supported to perform their tasks safely and as well as possible,
- > talk positively about the company, colleagues, potential employees and customers,
- > want to link their professional future with the company and contribute to its success.

[GRI 404-3]

Percentage of employees subjected to regular quality assessments and career development reviews (by gender, category)

	2020
women	10%
men	90%
Together	100%
Managers	10%
Administrative	25%
Direct	65%

As of June 1, 2021 – due to the Covid-19 pandemic the process took place in late 2020 and early 2021.

[GRI 404-2]

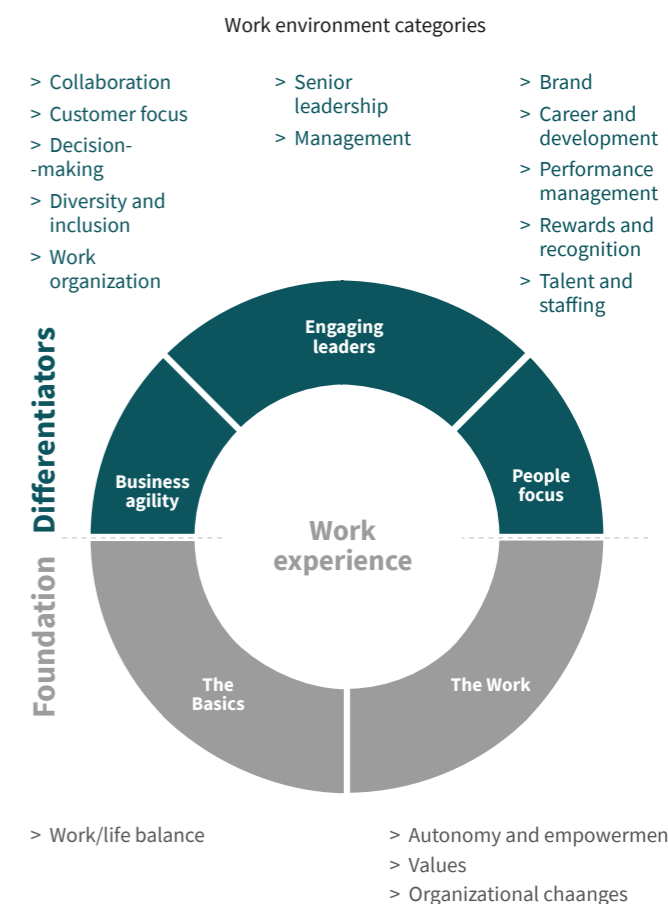
Another important element of building engagement is training. At PKP Energetyka, we have developed a comprehensive training program for people holding all types of positions. Its detailed assumptions are described in the Employee Development Policy. The document outlines the objectives, standards, and scope of training courses as well as rules of their financing.

Employee engagement rate and survey participation rate

	2017	2018	2019	2020
Employee engagement rate	46%	55%	65%	71%
Survey participation rate	79%	91%	89%	91%

[custom indicator]

Engaging workplace model acc. Kinecentric methodology



We offer two types of training – obligatory and voluntary. Compulsory training courses are necessary to perform a given job and result in receiving authorization to perform specific tasks. In our organization, we call it qualifications, e.g. railway traffic safety qualifications or all-level building qualifications.

Training programs 2020

[GRI 404-2]

Train the Trainer

In May and June 2020, online Train the Trainer sessions were conducted to prepare employees for the role of trainers and promote knowledge exchange within the organization. We are planning further development of competences within that scope.

Supervisors

In order to increase work safety at the PKP Energetyka Capital Group, training courses dedicated to all supervisors were developed – “**Preparation of written orders for work with energy devices at the PKP Energetyka CG**”. The first group to undergo such training in the third quarter of 2020 were Supervisors from the Services Division. The courses were conducted online by external trainers.

The prepared training course encompassed:

- > a theoretical part regarding the Occupational Health and Safety Manual – EBH,
- > a practical part that required writing a work order according to the trainer’s instructions,
- > an EBH test at the end of the course.

DISC

The employees of the **Human Resources Management Department** got certified, which will allow them to apply the DISC typology diagnosis method in order to:

- > learn different communication styles,
- > promote diversity,
- > increase openness in teams,
- > improve teamwork skills.

Internal training

Within the framework of the 4th Pillar strategy – Responsible company, an initiative dedicated to the development of internal trainers and knowledge exchange was launched. MS Excel, Process Mapping, and Root Cause Analysis (RCA) courses were conducted to increase the knowledge and skills of our employees, by exploiting the internal potential of experts from different fields.

Training for the Local Support Team – a new unit

A training program dedicated to people from the organization who took on a new role in the created field structure, the goal of which is to support maintenance of management processes for staff administration, warehouses and fuel stations in the field.

60 employees were prepared for their new roles in terms of:

HR

- > work time administration,
- > employee qualification management,
- > keeping staff documentation,

Logistics

- > warehouse system operation,
- > warehouse management knowledge,
- > handling electricity metres and returnable packaging.

Fuels

- > building and maintenance of fuel stations,
- > use of the delivery entering and accounting system.

Environmental protection

- > the basics of OHS and firefighting, waste management.

5-step Kaizen standardization

Poligon

2020 marked the opening of the Competence Centre, the goal of which is to improve the technical skills of our employees and standardize specialized activities carried out at PKP Energetyka. In January 2020, an electrician certification program was launched. Between January and March 2020, the following activities were executed:

- > in-house training courses encompassing theoretical classes dedicated to the Occupational Health and Safety Manual – EBH,
- > practical training courses in a maintenance train (work at height),
- > practical training courses in the training part of the catenary (switching operations),
- > exercises with the use of virtual reality (e.g. work zone preparation).

After the outbreak of the COVID-19 pandemic, in-house training was suspended and replaced with e-learning courses and video tutorials, which serve as teaching aids in the developed online training agenda. Currently, our training courses are continued in a remote format.

Every employee is encouraged to participate in the voluntary training. Moreover, **everyone can use the e-learning platform** to find a number of training materials on communication, teamwork, work efficiency and much more.

In 2020, due to the pandemic, we were forced to suspend employee training – however, in most cases, we were able to change the format and conduct courses online. Additionally, we optimized the organization of employee training by allowing superiors to personally sign employees up for obligatory training.

At our company, we also take care of the development of the management staff, therefore we have prepared comprehensive development programs for managers of all levels.

Number of people who undertook development activities other than the obligatory training courses by gender and employment structure

	2018	2019	2020
Women	339	344	135
Men	351	1,417	407
Total	690	1,761	542
Managers	218	413	179
Administrative	427	672	230
Direct	0	676	133
Total	690	1,761	542

Next step

Predictability and development opportunities are important employee engagement drivers. **Our goal for 2021 is to translate our Strategy 2030 and related KPIs into Strategy Cards and targets for individual employees.** We will also put a lot of effort into the employee development and succession plans for the TOP400 group and other key managers. We aim to prepare 100% of development plans for key managers in 2021 and a clear succession plan for 90% of all positions by 2023.

Best practice

In 2020, for the second time in history, PKP Energetyka received the prestigious **TOP Employer certification** and thus earned a spot among the best employers in Poland. The Top Employers Institute is the global authority on assessing the work environment. It was established over 29 years ago and has already certified more than 1,600 organizations in 119 countries/regions based on a thorough validation process. All companies with the Top Employer distinction have a positive impact on the lives of over 6 million employees across the world.



The company has successfully launched its **Initiative and Idea Management platform**, a fully digital tool that allows every employee of PKP Energetyka to submit innovative project initiatives and ideas regarding any aspect of their job. Everyone can also evaluate and comment on the submitted applications. All active users are rewarded with points, which can be then exchanged to prizes. **Since its launch in 2018, the platform has been used by 415 employees who have submitted 750 proposals and sent nearly 5,800 forms.**

We combine attractive work conditions with a unique package of employee benefits. Our offer includes:

- > 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 employees and 80% for their children and spouses.
- > An additional day off – on November 25 we celebrate Railwayman Day and on this occasion all our employees have a day off.
- > Private medical care is provided for all employees and their family members. The medical care program we co-finance provides access to many specialists and medical facilities across the country.
- > Life insurance.
- > Co-financing for holidays and leisure, cultural, artistic and sports events.
- > Housing and renovation loans.

[GRI 401-2]

Philantropy



Dobra Energia Foundation

In November 2020, on the initiative of PKP Energetyka, the Dobra Energia Foundation (Good Energy) was established. The main goal of the foundation is to prevent digital exclusion of children and young people, support implementation of innovative ideas, and co-finance initiatives in the field of ecology and environmental protection.

The President of the Foundation is Beata Górnica – member of PKP Energetyka’s Management Board. The employees of the Capital Group willing to dedicate their time to the projects executed by the Foundation will be invited to collaborate.

The first donors are the representatives of the CVC fund as well as the fund itself, who have donated 1.4m zloty to the program aimed at delivering new computers for distance learning to the children of PKP Energetyka’s employees. The COVID-19 pandemic emphasized the importance of equipment that enables remote learning and communication with the world. Therefore, the Foundation provided 500 new laptops for the children of employees with the lowest income. The campaign was also supported by the employees of PKP Energetyka – besides financial support, they plan to organize online lessons for children on subjects of their choice.

GrantSpołeczni

Since 2017, we have been executing the GrantSpołeczni program, the goal of which is to promote social engagement among employees and support authors of good ideas to change the neighbourhood they live or work in.

As part of the program, our employees can receive funding of up to PLN 3,000 to implement their philanthropic ideas.



Project: **We build a small ecosystem**

Team Leader: **Monika Wiśniewska**



Best practice

In the 2020 edition, financial support went to ideas aimed at the improvement of the environment – they will reduce CO₂ emissions, build pro-ecological attitudes and promote the use of renewable energy sources. The total sum allocated for implementation of these projects amounts to PLN 30,000.

Examples of winning projects:

- > Ecology education corner
- > Ecology in practice
- > Leave your car and get on a bike – reduction of exhaust emissions, improvement of safety and image in public utility venues in Wojcieszów
- > Installation of solar LED street lamps with a photovoltaic panels along the main ally of the “BARTEK” community garden
- > Gramy w Zielone! (The Green Game) (kindergarteners plant and nurture trees and learn to protect the environment)
- > Generating electricity through physical activity

Other initiatives:

- > For years, our employees have been involved in **the Szlachetna Paczka (Noble Gift)** campaign. In 2020, we organized a fundraiser for Mrs. Ewelina’s family. Due to the pandemic, the fundraised looked different than in the previous years. We collected money into a virtual pot. **We managed to raise PLN 4,000.**
- > In 2020, for the fourth time, our employees took part in “Kolejowa Kropla Krwi” (Railway Blood Drop), a blood donation campaign organized by the Office of Rail Transport.



03

We power
the energy
transition

We power the energy transition



At PKP Energetyka, we believe that trains will be powered in the future by electricity from renewable sources – specifically hydrogen. Our Polish Green Railway vision, included in our Strategy 2030, determines the activities related to the energy transition of the entire railway sector in Poland. Even though we know that for these changes to happen, the whole industry must join forces, we see our role as the initiator of the transformation, a company which is – pun intended – a locomotive of the energy transition of the Polish railway. **The ambition to supply Polish trains with 85% green energy in 10 years is not just wishful thinking – on the contrary, we consider it a real goal, entirely possible to achieve.** At the same time, we are convinced that in the light of Poles’ increasing environmental awareness, the future of the railway depends on its consistently built up image of the “greenest” means of transportation.

Railway is already the most energy-efficient means of transportation. **It covers 8% of the worldwide passenger transport and 7% of the global goods transport.**

At the same time, it constitutes **only 2% of the total global energy demand for transport purposes.**

75% of the world’s rail passenger transport takes place in electric trains, which have the lowest energy consumption calculated per so-called “passenger kilometre”, translating into one kilometre travelled by a passenger.

Source: Raport „The Future of Rail. Opportunities for energy and the environment” International Energy Agency Sustainable transport and public policy”, David Banister.

We ensure the development of our employees in terms of energy efficiency and zero emissions in rail transport.

Additionally, we analyse proven technological solutions and best practices from around the world. Facing the inevitable changes in the railway sector, we want to provide competence resources for all the companies from our industry in order to inspire, recommend and educate within the areas where our experience can come in handy.

Best practice

The recognized significance of the Polish Green Railway project pushed us to establish the **Green Railway** Department in November 2020, a separate area within our organization, the structure of which equals to four different departments responsible for basic operations at PKP Energetyka.

It is our pleasure to join forces with the entire rail industry in an attempt to save energy. **We work together with the Centre for Railway Energy Efficiency (CEEK) to develop and implement energy-efficient and environmentally friendly solutions that serve all participants of the railway market. CEEK provides space for knowledge and idea exchange as well as education in the field of energy efficiency and rational management of resources. The centre is a partner initiative of the National Energy Conservation Agency and PKP Energetyka. CEEK has been joined by 95% of all national carriers, PKP PLK infrastructure management, and experts from the Railway Institute, Warsaw University of Technology, Jagiellonian Institute, and Jagiellonian Club, among others.**

The goal of the Centre for Railway Energy Efficiency is to further develop and expand green and competitive rail transport industry. The centre creates a platform for dialogue between

rail carriers, industry experts and scientists exploring activities aimed at minimization of electricity consumption in the sector. CEEK also intends to support the exchange of best practices between rail companies and the discussion on the best legislative solutions in terms of energy efficiency. CEEK organizes thematic workshops on recuperation, eco-driving, and financing of efficiency-enhancing investments, to name a few. CEEK’s work is managed by the Program Council composed of representatives of rail carriers and experts from the rail and energy industry - Łódzka Kolej Aglomeracyjna, PKP PLK and PKP Energetyka.



We are convinced that cooperation with PKP Energetyka is crucial to execute the ambitious plans we have set for ourselves at the Centre for Railway Energy Efficiency (CEEK). The company is a responsible member of CEEK with unique competences, experience, and knowledge. All that allows it to play the incredibly important role of the integrator of the Green Railway program, which aims to change the source of traction electricity used by carriers. 85% of the energy will be coming from renewable sources by 2030, and ultimately it will be 100%.

CEEK works closely with PKP Energetyka also within other areas, such as promoting recuperation technologies in the railway sector, creating a coherent eco-driving system for rail carriers operating in Poland, or building photovoltaic installations in areas and on buildings owned by the entities from our industry.

We value our cooperation with PKP Energetyka very highly – it is a reliable and ambitious partner focused on consistent development and improvement of competences. Aiming at reduction of the carbon footprint of the railway sector in Poland, our joint efforts lead to the implementation of the EU climate policies as well as overall environmental protection. Together we contribute to the execution of the UN Sustainable Development Goals regarding access to clean energy, climate-oriented action, and integration of cooperation between representatives of different environments. I am glad that we can join forces in carrying out the ecological modernization of the railway, which will allow us to take up future challenges, fulfil the expectations of the dynamically changing rail transport market, and meet the needs of the modern, increasingly environmentally conscious society.

Janusz Malinowski
Chairman of CEEK

Best practice

In October 2020, we signed a letter of intent with PKP Cargo. **That way, both companies confirmed their cooperation in terms of creating the most efficient and innovative solutions that will allow PKP Cargo to use renewable electricity.** So far, we have been working with PKP Cargo under power distribution and purchase agreements as well as industry initiatives, such as Klaster Luxtorpeda or the Centre for Railway Energy Efficiency. This long-term cooperation has now been further expanded with the development of a consumption model for electricity generated by renewable installations that will power the carrier’s infrastructure.

Over 20 thousand kilometres of catenary in Poland is a lot, but it does not mean that it is everywhere. In the future, PKP Energetyka wants to power trains running where there are no traction lines not with diesel fuel, like we do presently, but with hydrogen.

We want to build a network of 50 hydrogen refuelling stations that will allow us to replace diesel locomotives with hydrogen ones.

Working together with industrial hydrogen producers (including LOTOS, PKN Orlen, PGNiG, JSW, Azoty) and relying on local electrolysis of hydrogen (where justified), we plan to distribute hydrogen to railway carriers transporting goods and passengers. Most importantly, the electrolysis process will utilise renewable energy, thus enabling production and use of green hydrogen.

Thanks to our network of hydrogen stations, railway carriers will be able to upgrade the currently exploited diesel locomotives to the hydrogen standard. What is important is the fact that these modernizations can be executed by Polish companies specializing in rolling stock production and modernization. Moreover, particularly at the initial stage of the project, we intend to build hydrogen refuelling stations at locations where they will be available not only for railway carriers, but also for buses.

In July 2020, together with 16 companies from the energy and transport industry, we signed a letter of intent with the Ministry of Climate regarding the establishment of a partnership to build the hydrogen economy and conclude a hydrogen agreement within the sector. The goals of the Polish Hydrogen Strategy developed at a governmental level include:

- > creating a value chain for low-emission hydrogen technologies;
- > strengthening the role of hydrogen in building Polish energy safety;
- > introducing hydrogen as a transport fuel;
- > developing new regulations for the hydrogen market.

Our engineering achievements in terms of hydrogen transport are discussed in more detail in our 2019 report.

We estimate that the fully developed network of PKP Energetyka's hydrogen stations will allow us to distribute **about 4,000 tonnes of hydrogen per year**, which will translate into reduction of nearly 40 million litres of diesel fuel and consequently **approx. 100,000 tonnes of CO₂ less annually**.

Best practice

As one of the world's key producers of hydrogen (approx. 1 m tonnes/year), Poland is also working on building a hydrogen locomotive. The projects in that area are being executed by State Treasury companies, including Orlen, Lotos and PKP Cargo. At the end of 2019/beginning of 2020, a letter of intent was signed in this regard by Orlen and PESA. Hydrogen locomotives are also considered by the Poznan-based Fabryka Pojazdów Szynowych, which signed a letter of intent in 2018, also with PKP Cargo. The carrier openly declares readiness to test a vehicle of that type and to ultimately include it in its rolling stock. The company needs such locomotives, as they will allow it to significantly reduce the fuel cost and simultaneously contribute to reduction of harmful gas and dust emissions generated by the railway industry and released to the atmosphere. There are other companies working on a hydrogen-powered shunter, including Lotos Lab and Lotos Kolej, and it is expected to be based on one of the previously exploited internal combustion locomotives.

We continue to change to become more eco-friendly. **Within the framework of the Green Substations project, we are installing about 500 solar panels** in our facilities to cover our own electricity needs. 2020 marked the pilot project run – we installed solar panels on the roofs of our stations in **12 locations across Poland**.

Moreover, 2020 brought significant changes in the methodology for calculation of our energy consumption. We modernized and standardized data collection procedures across the organization and did an inventory of energy sources. As a result, we have improved the quality and consistency of data for all energy carriers. Thanks to the introduced changes, we are able to not only report the current consumption level, but also to present much more precise data from the previous years.

Energy consumption within the organization

	2018	2019	2020
Coal [Mg]	128.89	158	141.429
Coal [MWh]	676.67	829.5	982.143
Lignite [Mg]	0	0	0
Lignite [MWh]	0	0	0
Natural gas [Mg]	203.82	232.54	203.985
Natural gas [MWh]	2,717.60	3,100.48	2,719.81
Light fuel oil [Mg]	79.17	156.25	70.7
Light fuel oil [MWh]	945.64	1,866.35	844.477
Motor gasoline [Mg]	237.2	229.18	222.127
Motor gasoline [MWh]	2,918.93	2,820.22	2,733.40
Diesel [Mg]	3,998.01	3,653.10	3,811.14
Diesel [MWh]	47,753.96	43,634.24	45,521.97
Energy consumption (MWh)	55,012.80	52,250.79	52,801.80
Electric energy consumption (MWh)	188,722.710	197,764.57	185,946.8
Heat energy consumption (MWh)	366.94	2,974.64	3,192

Direct and Indirect GHG Emissions - Scope 1, Scope 2, Scope 3

	2018	2019	2020	
Total direct GHG emissions - Scope 1	14,502.26	13,754.47	13,939.72	t _e CO ₂
Total indirect GHG emissions - Scope 2			142,289.45	t _e CO ₂
Other indirect GHG emissions - Scope 3			2,906,036.75	t _e CO ₂

*In 2020, the other indirect Scope 3 GHG emissions include only so-called downstream emissions of sold products. In case of PKP Energetyka these are: electricity and diesel fuel.

Intensity of greenhouse gas emissions per MWh of energy sold

	2020
Intensity of greenhouse gas emissions (per amount of energy sold)	CO₂ 41.68 {kg/MWh}
	CO₂ 36.54 {kg/MWh}

The intensity of greenhouse gas emissions was presented per electricity sold and per employee.



Next step

In 2021, detailed reduction plans will be developed, mainly for Scope 1 and Scope 2 emissions, in order to achieve climate neutrality by 2030.



04

We are
a reliable partner

We are a reliable partner



At PKP Energetyka, we believe in the value of reliable and well-performed work. We want every one of our customers to know that they can count on our organization, as human life and health often depend on our work. We are at work 24/7 365 days a year, so our business partners can be sure that they can rely on PKP Energetyka, regardless of the circumstances. For us, being a reliable partner is not only

about constant improvement of the quality of our work and provided services. It is also about efficient management of natural resources, environmental protection for future generations, and building lasting partnerships with our stakeholders – listening to their needs and considering the solutions they propose.

Infrastructure resilience

We aim to build a resilient infrastructure that allows us to supply electricity not only to the railway catenary, but also to companies, private buildings and warehouses. We want our investment projects to serve well for decades – we only invest in legitimate and reliable technological solutions. We continue to build kilometres of traction network and modernize older sections, improving their supply parameters and increasing throughput capacity. **Moreover, we drive the development of the renewable energy industry, by issuing statements of conditions for connection for photovoltaic farms** and installing solar panels on our own facilities (traction substations).



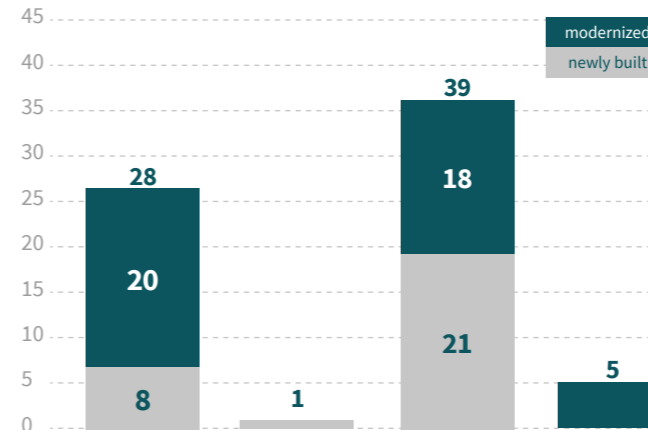
Connection power in the conditions for connection issued	In total	RES	Traction	Non-traction
2019	429,485.80	16,640.60	142,140.00	270,705.20
2020	341,921.72	12,707.02	34,552.00	294,662.70

Number of conditions for connection issued	In total	RES	Traction	Non-traction
2019	2,374	13	30	2,331
2020	2,177	15	10	2,152

Best practice

Our biggest investment projects in 2020, considering the scope of works and the expenditure incurred (in total, over 40 km of catenary), were the three newly built Traction Substations in Złotniki Kutnowskie, Kramsk and Karpiska. The first two have improved the supply for the traction network in the railway section between Warsaw and Poznań, while the substation in Karpiska has improved the supply for the railway line from Warsaw to Dorohusk.

Number of completed construction/modernization projects for catenary supply facilities



Best practice

In 2020, the modernized Węgliniec – Zgorzelec line was launched. **Over the course of 19 months, we had built over 63 km of catenary, erected 920 poles, modernized one power supply station and built two new ones.**

We are experts in terms of traction lines, but it does not mean that we only work for the railway industry. In 2020, we took part in a tram and bus loop modernization project executed in Szczecin. **Our job was to dismantle 750 metres of the existing catenary, erect 80 new traction poles, and instal fire and lightning protection devices.**

2020 marked record investments at PKP Energetyka – the expenditure for that purpose amounted to **nearly PLN 1 bn compared to 400-450 m annually** in the previous years.

In accordance with the guidelines of the Office of Rail Transport from 2019, our infrastructure – substations and sectioning cabins – is subject to certification and requires relevant permits granted by the Office of Rail Transport. By 2020, PKP Energetyka had completed the certification process and obtained permits for three executed investment projects – routes from Węgliniec to Zgorzelec, from Rembertów to Wołomin, and from Lublin to Stalowa Wola Rozwadów.

Our ultimate goal is to carry out certification for all facilities executed within the Power System Modernization Program – MUZa II and III.

The certification process – carried out by independent organizations – encompasses confirmation of the supply system parameters in terms of safety, technical compliance, and compatibility with the traction network, among other things. Our facilities are subject to extensive examination, including line testing, short circuit tests, and verification of protection systems.



By carrying out certification processes, PKP Energetyka actively contributes to building the safety and coherence of railway's electric power system. The certification processes allow us to define and verify performance parameters of the created supply system. In a broader perspective, specifying supply system performance parameters and capacity is relevant in terms of developing operational assumptions for particular railway lines, which globally impacts the executed national transport policy.

Edyta Gładysz
Distribution Expert in PKP Energetyka

Business areas of PKP Energetyka Capital Group

01

Materials

- Technical standards
- Technical assessment of offers and materials
- Trial operation
- Monitoring of new technologies and market offer

02

Services (projects and works)

- Standards and guidelines (including acceptance guidelines)
- Supervision of execution quality
- Assessment of contract applications

03

Investment projects

- Optimal investment strategy
- Supervision of execution quality
- IT Systems

04

Operation

- Optimal operational strategy
- Supervision of execution quality
- IT Systems

Ensuring high reliability of electricity supply for all Customer groups

Not only are power cuts annoying for the passengers, but also challenging in terms of traffic coordination, train delays and financial losses. PKP Energetyka has been consistently investing for years to avoid such situations, and if they do take place – to fix them as soon as possible. And even though some of the failures cannot be prevented, including those caused by extreme weather conditions, year by year, our infrastructure becomes more and more reliable and highly resistant even to the biggest climate challenges.

The impressive results of our work are proven by statistics. One of the key supply quality parameters is SAIDI (System Average Interruption Duration Index) expressed in minutes per consumer per year. **Our ambition is to maximally reduce our SAIDI, which simply translates into shorter power cuts, and ideally the lack of them.** To achieve that, we look for innovative technical solutions, ensure high quality of devices, and equip our facilities with remotely controlled devices and intelligent elements that streamline network operations and monitoring.

Since 2017, we have reduced our SAIDI rate by nearly

40%

Next step

In 2021, we will continue executing our investment projects, including the MUZa program, with the goal of adding 110 MW to the network. We will carry on works aimed at further reduction of SAIDI – our plan for next year is to reduce power cuts by further 9%.

SAIDI				
	2017	2018	2019	2020
	354.25	185.71	176.28	145.09

Failure rate				
	2017	2018	2019	2020
	1,600	1,354	788	621

[Custom indicators]

*Number of catenary damages in group I per 1,000,000 track kilometres, corrected 2019 data – standardization of the conversion unit.

Reliable and environmentally friendly solutions

At PKP Energetyka, we understand that cutting-edge devices not only improve the quality of work, but also have a low or, ideally, zero carbon footprint. **Our material standardization process ensures their compliance with applicable norms and legal acts, among other things.** We have developed and now consistently update technical standards defining technical infrastructure requirements.

PKP Energetyka owns lands of total surface area of about 4.5 thousand hectares across Poland. Within a great majority of those grounds or in the immediate vicinity, different forms of environmental protection have been enforced, including protected landscape areas, ecological corridors, landscape parks, Nature 2000 areas, nature reserves and monuments. One area – a plot in the village of Downary within the Mońki County – belongs to the Biebrza National Park, which is under the protection of the Ramsar Convention. Pursuant to relevant decisions, these plots have been excluded from the protection to allow us to build a power substation necessary to maintain the infrastructure. The substation's operations have a marginally negative impact on the biodiversity of the Park, however over the next few years we are planning to take a closer look at the possibilities of having a positive environmental impact within these areas.

The substation's operations have a marginal negative impact on the biodiversity of the Park. Nevertheless, in the coming years we plan to take a closer look at possibilities of exerting a positive influence on nature in these areas.

We put great attention to failures that could potentially be harmful for the environment. In every case, we check whether a particular incident could have negatively influenced nature and how we can prevent or fix any damage and restore the place to its initial state. Wherever necessary, we ask companies specializing in disaster recovery for help. **In 2020, we recorded five failures that could have had a negative impact on the environment – in all of the cases, the environmental losses had been eliminated.** Throughout 2020, there were no environmental sanctions imposed on our company.

Form of protection

	number of plots	surface area of plots [m ²]
Protected landscape areas	378	11,086,541
Ecological corridors	295	10,433,396.53
Landscape parks	263	5,716,449.776
Special protection areas - Nature 2000	105	3,104,358.752
Special areas of conservation - Nature 2000	69	2,869,173.514
National parks	19	73,361.79654
Reserves	5	510,759.6838
Ecological sites	5	736,422.2972
Landscape and nature protection complexes	4	89,324.67563
Nature monuments	3	36,480.50833
Ramsar sites	1	3,262.970184

Best practice

In 2020, PKP Energetyka implemented a supplier qualification system, which takes environmental protection and OHS elements into account.

[GRI 102-11]

[GRI 307-1] [wskaznik własny]

[GRI 306-1, 306-2]

Best practice

In 2020, we developed **unified standards for compliance with OHS and environmental protection requirements**, describing how to properly organize waste and dangerous substance warehouses, and how to store devices containing dangerous substances, such as oil-immersed transformers, on the company's premises.

The waste generated by our company mostly consists of typical construction waste, including debris, ceramic waste, steel scrap, colour metal scrap, worn out electric and electronic devices. These are all by-products of the construction and maintenance of the traction network as well as modernization of substations. We have also enforced our own waste management procedures across the company and, where necessary, we apply our customers' procedures.

Waste collecting companies are verified, and the process of handing over the waste is formalized and documented. In order to optimize our waste management system, which includes proper marking of the initial storage places, in 2020 we introduced a systematic division of hazardous and other waste into particular groups. We keep a waste inventory in the BDO IT system managed by the respective Ministry of Environmental Protection.

Total weight of waste depending on its type

	2018	2019	2020
Hazardous waste together in [Mg]:	239.944	457.898	527.979
Worn out electric and electronic equipment in [Mg]	ND	ND	462.598
Waste oil, solvents in [Mg]	ND	ND	45.404
Permanen packaging and sorbents in [Mg]	ND	ND	12.365
Modernization and construction waste in [Mg]	ND	ND	7.612
Waste other than hazardous together in [Mg]:	2,717.60	3,100.48	2,166.426
Plastics and rubber in[Mg]	ND	ND	14.088
Welding and grinding waste in[Mg]	ND	ND	0.122
Pakacking in [Mg]	ND	ND	20.763
Electric and electronic scrap in [Mg]	ND	ND	57.876
Colour scrap in [Mg]	ND	ND	102.751
Steel scrap in [Mg]	ND	ND	649.098
Cable scrap in [Mg]	ND	ND	89.615
Modernization and construction waste in [Mg]	ND	ND	1,224.255
Other remaining in [Mg]	ND	ND	7.858

[GRI 306-3]

Handling of waste intended for disposal

	2020
Total weight of waste that was not landfilled in [Mg] divided into	
Hazardous waste	527.979
Waste other than hazardous	2,092.758
Total weight of hazardous waste that was not landfilled in tonnes broken down by recycling process	508.002
Total weight of hazardous waste that was not landfilled in tonnes broken down by other ways of recovery	19.977
Total weight of non-hazardous waste that was not landfilled in tonnes broken down by recycling process	2,078.6695
Total weight of non-hazardous waste that was not landfilled in tonnes broken down by other ways of recovery	14.088

[GRI 306-4]

Total weight of waste that was landfilled, in tonnes, broken down by waste type*

	2018	2019	2020
Hazardous waste	239.944	458.898	0.000
Waste other than hazardous	2,044.497	2,554.387	73.668
Total weight of waste other than hazardous that was landfilled in tonnes broken down by landfill	ND	ND	73.668
Waste other than hazardous	ND	ND	73.668

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

[GRI 306-5]

[Custom indicators]

One of the environmental challenges we have been facing for years is asbestos. The roofs of some of our older technical facilities are covered with asbestos-cement boards. Asbestos is also present in the electric power devices operated by us or their parts. **Our goal is to eliminate asbestos-containing products completely by December 31, 2030. Although thanks to the implementation of the MUZa projects, the amount of asbestos at PKP Energetyka is being consistently reduced. In 2020, we updated the inventory of asbestos-containing devices and products.**

Percentage of removed asbestos

	2018	2019	2020
Percentage of removed asbestos compared to the total amount of asbestos in the company	4.57	7.71	4.33
Assumptions	7.7	8.33	9.09

Best practice

In 2020, we began **creating a separate environmental protection management system** for our biggest investment project – MUZa. We developed environmental protection check lists and included them in the agreements.

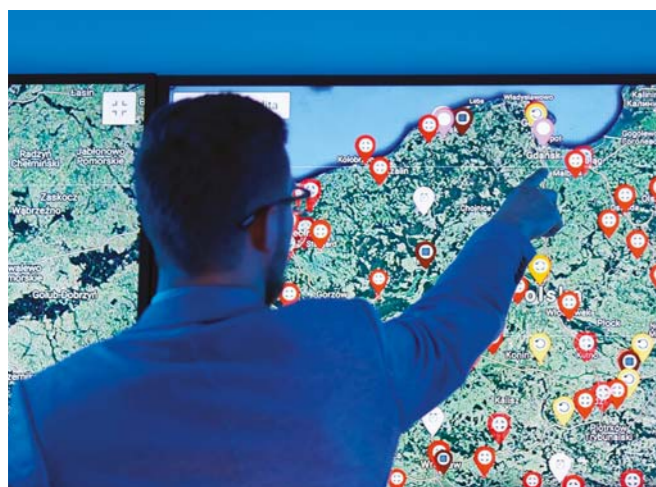
Our environmental responsibility also encompasses efficient resource management. A true revolution within that scope will be brought by the Polish Green Railway program, which we describe chapter 3 of this report. However, at PKP Energetyka, we understand that major changes are often composed of small steps. We do not want to miss any opportunity to minimize our company's carbon footprint, and we are glad that some of the eco-friendly changes can – as an added bonus – translate into reduction in the financial costs of our operations. An excellent example of that is our consumption of office paper. We have calculated that in 2020 the printing cost in our organization amounted to over PLN 400,000. Even though we are aware that some documents – due to formal reasons – must be printed out, we are convinced that we can significantly lower their number at PKP Energetyka.

We have implemented the Electronic Document Circulation system across the company, which has replaced many processes, acceptances, and arrangements that previously required paper. Now, the whole procedure can be completed electronically, and the process is archived, enabling quick access to documents without the need to print them out and store in folders. Another solution is electronic signature, which allows us to conclude agreements without having to print them out.

Moreover, we have launched an information campaign among our office employees. **We have developed 11 rules of saving paper, which encourage not only to ponder whether a particular document must be printed out,**

but also to go for duplex black-and-white printing, print only specific sections, and realistically assess the number of paper copies needed.

All the paper saving activities were executed in 2020. We are counting on great results, but detailed data will only be available in 2021.



Best practice

In 2020, we eliminated trash cans from our office rooms. Instead, we provided waste segregation containers for the five fractions in the corridors.

AT PKP Energetyka, we understand that environmental changes do not always require financial resources – sometimes a mere idea is enough. We found that out when we reduced the amount of plastic used in our company. **Just in 2019, we used over two million 1.5 litre plastic water bottles. The situation changed after we had installed water distributors at our locations. Additionally, in 2020, our employees received reusable water bottles. Plastic bottles are still available, e.g. for the line employees, however we encourage them to fill up their reusable bottles with water from our distributors.**

Best practice

Our company covers its water needs from the municipal distribution network. In some cases, we use our own groundwater tapping. We do not use surface water. Our company does not execute any production processes that would require water consumption – it is only used for social and living purposes. The consumed water goes to the sanitary sewage system or holding tanks, which are then emptied by authorized entities. We have concluded relevant agreements with operators for water supply and discharge of wastewater.

Besides domestic wastewater, our company does not produce any other types of sewage. To discharge rainwater and snowmelt, where required, we have obtained all necessary water-legal permits and comply with their requirements. Domestic wastewater is discharged to the sewer network, and wherever such an infrastructure is not available, it ends up in airtight holding tanks.

The water consumption from all areas in m³

	2018	2019	2020
groundwater in [m³]	680.2	843.15	189.4
purchased water in [m³]	42580.8	39981.52	42814.67
In total [m³]	43261	40824.67	43004.07

Next step

In terms of environmental protection, years 2020-2021 were marked by the revision of our approach, an in-depth analysis of the data we have collected so far, and a more precise definition of PKP Energetyka's impact on the environment. The relevant standards and knowledge are being constantly developed, and it is worth applying them, as they allow us to look at well-known issues from a new perspective. Following another necessary inventory in the second half of 2021, we will develop new goals and roadmaps for waste, water and biodiversity management. All that to minimize the negative and maximize the positive impact on the environment.

[GRI 303-1, 303-2]

[Custom Indicators]

Stakeholder engagement

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 sub-

contractors 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.

	Everyday meetings	Working groups	Intranet	Internal magazines and newsletters	Employee engagement surveys	Customer satisfaction surveys	Stakeholder panels	Conferences	Website	Social media	Advisory boards	Briefings	Reports	Ongoing communication
Employees	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Customers						█	█	█	█	█	█	█	█	█
PKP Group						█	█	█	█	█	█	█	█	█
Financial Institutions							█	█	█	█	█	█	█	█
CVC Capital Partners											█	█	█	█
Trade unions														█
Local communities										█	█	█	█	█
Environmental organizations										█	█	█	█	█
Suppliers and subcontractors							█	█	█	█	█	█	█	█
Public administration (URE,UTK)										█	█	█	█	█
Governmental administration										█	█	█	█	█
Industry organization										█	█	█	█	█
Local authorities										█	█	█	█	█
Competitors										█	█	█	█	█
Media										█	█	█	█	█
Public opinion										█	█	█	█	█
Universities and technical schools										█	█	█	█	█
Social organizations										█	█	█	█	█
Expert organizations										█	█	█	█	█

[GRI 102-42, GRI 102-43]

[GRI 102-40]



PKP Energetyka is undoubtedly a socially responsible company – they have proven that on numerous occasions by getting enthusiastically involved in the support campaigns organized by the PKP Group Foundation. So far, our cooperation has brought measurable benefits, including support for the education of children and teenagers, or counteracting the consequences of the pandemic. And since our goals within the scope of social utility and charitable activity are coherent, I am convinced that we will continue to join forces with PKP Energetyka in carrying out further initiatives.

Katarzyna Kucharek

President of the PKP Group Foundation

Organizations we belong to or cooperate with:

- 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



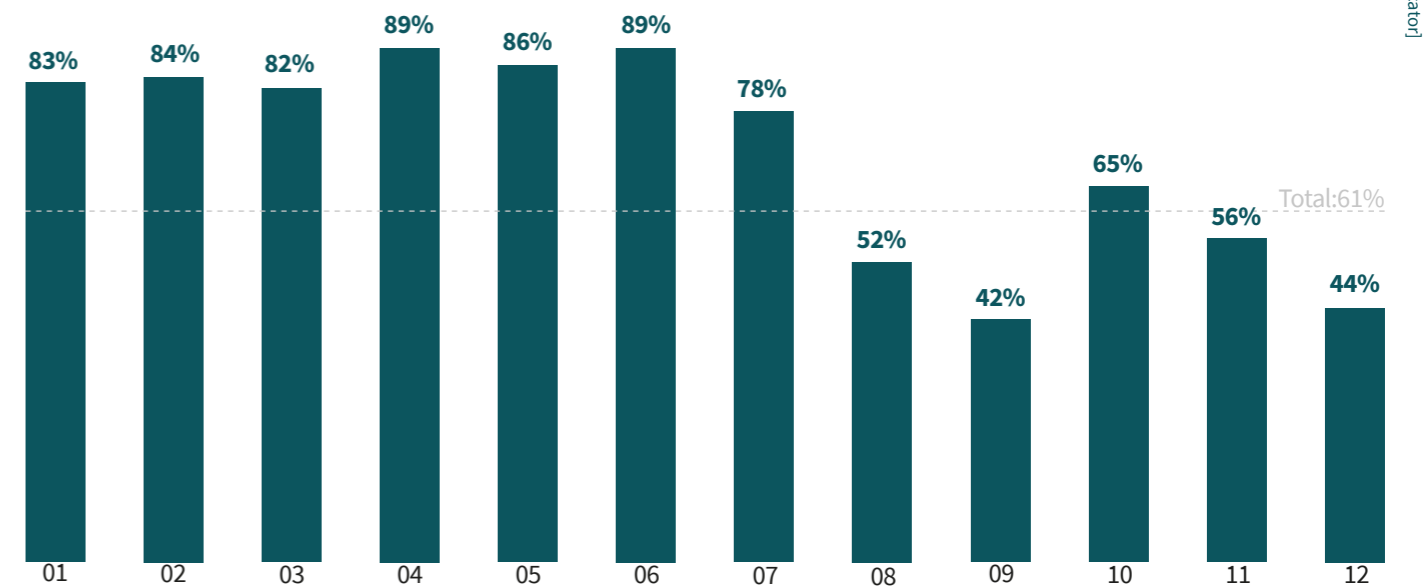
We are also aware of the relationship challenges our organization is facing. Sadly, in 2020, we recorded declines in the NPS index, which measures opinions about PKP Energetyka and customer loyalty. Net Promoter Score (NPS) is an indicator of customer satisfaction, based on their willingness to recommend a particular brand, product or service. Most companies, especially from the B2B sector, achieve a result oscillating around zero. For us, it is a crucial measure of customer satisfaction regarding our services, which we had managed to increase in the previous years to almost five, by consistently improving the quality of our services and responding to the needs of both individual and traction customers. 2020 was extremely challenging for the entire industry. **The COVID-19 pandemic caused significant declines in the railway traffic, even up to 50% in some months.** The whole sector was forced to make difficult business decisions and learn to operate in this new reality. We are convinced that we emerged from this period stronger and more united as a sector, and our customers appreciate the customer-oriented decisions we make, such as the possibility of correcting the transport work schedule. We believe that our consistent efforts to build mutual relationships in accordance with our mission – “We Energize Polish Rail”, will translate into an increase of the NPS index in the following year.

	NPS			
	2017	2018	2019	2020
NPS- traction customers	no research	no research	4.76	-1.62
NPS- non-traction customers	no research	no research	12.22	-9.73

The second important parameter regarding our relationships with customers, which we have been measuring for years, is SL – Service Level. It is the percentage of answered hotline calls within a specified period of time. Until March 2020, the indicator had been calculated in the Thulium system, and since March 2020 in the Pirois system, which allows us to monitor the situation on a monthly and yearly basis and introduce necessary corrections. What stands out

in 2020 is July – that is when we implemented the SAP system within the organization, and that change contributed to significantly worse response results. Due to numerous system errors, an invoice format change, and a long wait to sign an agreement, calls from customers were increased by up to 80% compared to the same period in the previous year. However, thanks to the measurement of this indicator, we can quickly identify and fix any flaws.

The Service Level indicator in particular months of 2020



The indicator value for the entire 2020 was 61

Next step

Our priority is to build up our Customers' satisfaction in terms of the NPS index.



05

We create
a sustainable
supply chain

We create a sustainable supply chain



Our 2020 sustainable development strategy review involves an in-depth analysis of all business areas. We have considered feedback from our stakeholders across the entire value chain as well as expert opinions and world-class standards. That way, we have identified the fourth area of our sustainable development strategy, oriented at our supply chain. We cooperate with a few thousand companies across Poland – for some of them, we are the leading customer. This scale allows us to generate value for the economy in the form of jobs and taxes, which goes beyond our direct operations. At the same time, it entails a commitment and a possibility of having a real impact on safety, environmental responsibility and quality of those thousands of companies. We would not be able to become a market leader without the support of our business partners, hence our long-term commitment to systematize, improve and develop practices in that area, which we have gathered into two extensive priorities: ethics and anti-corruption as well as purchasing policy.



We have been working with PKP Energetyka since 2017. It is a demanding customer, but at the same time a very good payer. We continue to monitor the ongoing cooperation, while the implemented procedures and activities are regularly analysed and optimized. All communication with the company in terms of tender procedures, order execution and other activities regarding ongoing projects is based on the diligence and commitment of its employees. The process of order execution is carried out without any major reservations and with the support of PKP Energetyka's personnel, while the cooperation with the people assigned to order processing for CE Ania deserves special mention. The developed and agreed order execution procedures facilitate and streamline the service, from the moment of order placement to delivery. An additional asset is the availability of the notification platform, which enables fast registration and control of deliveries, and in the case of offer execution and sourcing orders, access to the purchase platform.

Krzysztof Ptak

Purchasing and Logistics Director Centrum Elektryczne Ania.

Ethics and anti-corruption

We work ethically. At PKP Energetyka, we follow a simple principle – everyone willing to work or cooperate with our organization has to be aware of and comply with the Code of Ethics, which has been in force since 2018. The document is publicly available and based on our four fundamental values – quality, safety, commitment and efficiency. The Code ensures fair, safe and efficient work in a friendly environment. It is in line with world-class practices, including those of the United Nations Global Compact, the world's largest corporate sustainability initiative encouraging companies to align their operations with universal principles on human rights, labour, environment and anti-corruption. Due to the specific nature of PKP Energetyka, we place particular emphasis on the quality and safety of our operations.

In the first quarter of 2020,

252

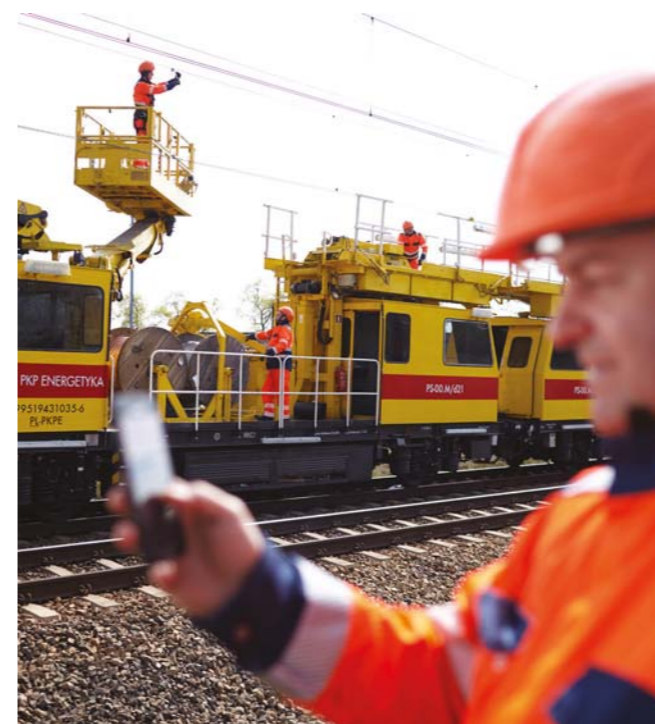
people

completed training on our ethical principles.

Selected areas of the Code of Ethics¹:

- ▶ Friendly workplace
- ▶ Equal opportunities for promotion and professional development
- ▶ Transparent hiring policy
- ▶ Workplace safety
- ▶ Conflict of interest
- ▶ Relationships with customers
- ▶ Relationships with business partners
- ▶ Environmental protection
- ▶ Competition protection

¹ we present the principles of the Code of Ethics in more detail in our 2019 Non-financial Report



Best practice

In 2019, PKP Energetyka implemented the Register of Permitted Benefits which lists all benefits worth more than PLN 200 received by the employees of PKP Energetyka.

Best practice

Every individual – not just our employee – who has questions regarding ethics at PKP Energetyka or information on potential violation of the provisions included in the Code of Ethics can contact our Ethics Officer via an independent electronic system – Linia Etyki, the form available on our website, an anonymous phone call or traditional mail. We guarantee confidentiality to those who report their concerns and protection against any forms of retaliation.

Next step

Our plans for 2021 in the area of ethics and anti-corruption include a periodic risk assessment within selected groups of our suppliers as well as systematization and improvement of whistleblowing procedures in case of individuals from outside of the organization. We also scheduled intense continuation of our anti-corruption training.

We do not tolerate corruption at PKP Energetyka. The company enforces its Anti-Corruption Policy, which regulates the rules of accepting and giving gifts, invitations to conferences and training trips, as well as procedures related to public procurement and purchasing. We prohibit our employees from engaging in behaviour that informally results in an obligation to reciprocate or take/refrain from taking specific actions. All financially appraisable benefits (including gifts, hospitality, invitations to conferences, cultural or sports events) accepted or given in connection with the services provided for PKP Energetyka, regardless of their value, must be reported to the supervisor. It is not permissible to accept financial benefits in any currency. Moreover, 2020 marked the beginning of work on the development of PKP Energetyka Capital Group's new anti-fraud policy, which required carrying out a fraud risk assessment.

Sustainable supply chain

[GRI 102-9, 204-1] At PKP Energetyka, we believe that what makes a company socially and environmentally sustainable is the cooperation with socially and environmentally sustainable suppliers. We promote the idea of sustainable development across our supply chain, and environmental issues were included in the Code of Conduct for Suppliers and Contractors of the PKP Energetyka Capital Group in 2018. We require our suppliers to not only comply with the law and environmental protection standards, but also to take actions aimed at minimizing the pollution, i.e. use the resources efficiently, reduce the impact on biodiversity, counteract climate change and implement energy-efficient technologies. **In 2020, the Code was updated with new provisions regarding employee rights, fair competition and tax fairness.**

In 2019, we commenced the process of implementing clauses concerning our environmental and social requirements into contracts. The process was consistently executed also in 2020. Currently, applicable provisions are included in the contracts with 72% of nearly 240 Key Suppliers and 30% of almost 2,300 companies that we have worked with on a smaller scale.



Number of suppliers between 2018 and 2020 in segments determined based on the turnover values

	2018*	2019*	2020
Segment A (80%)	46	47	49
Segment B (15%)	285	244	189
Segment C (5%)	5,181	3,024	2,297
Razem	5,512	3,315	2,535

*2018 and 2019 segment size update according to the definition applied in 2020; segments determined based on the turnover value

Best practice

Launched in 2020, our pilot supplier evaluation system accommodates the possibility of implementing environmental aspects. **We are also currently introducing a system for monitoring safety standards for general contractors of our biggest investment project – MUZ.** Moreover, in 2020, we organized a Conference for the General Contractors of the MUZ Program, which explored the OHS and Health Protection issues within the executed projects.

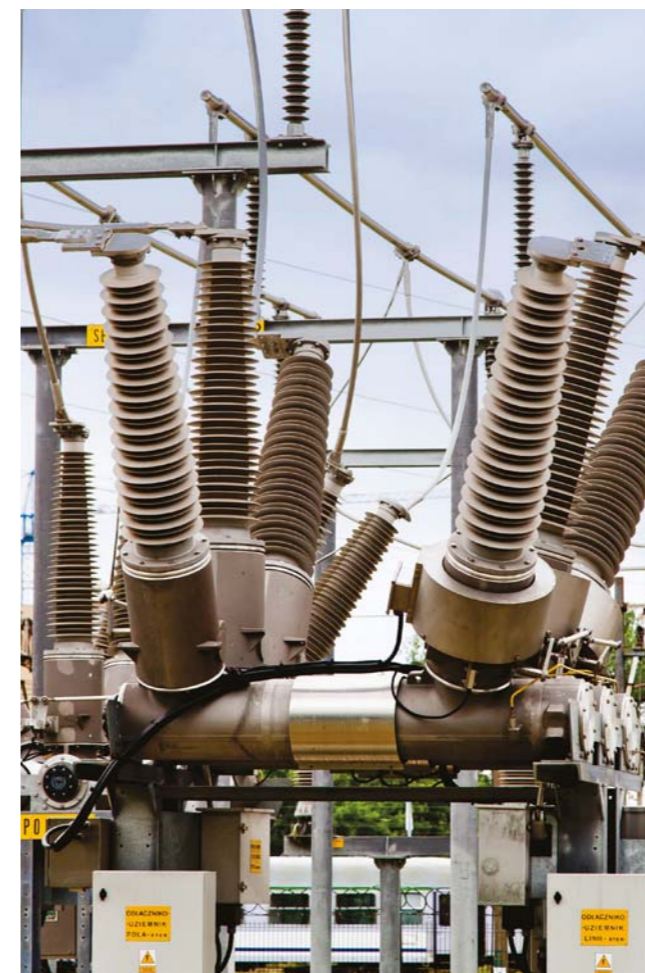
Investment programs and ongoing activities related to the railway power grid maintenance require cooperation with a few thousand suppliers every year. We want to make this complex process maximally efficient. For that reason, we continued to consolidate our supply chain in 2020. We have increased the order value (by 9%), simultaneously reducing the number of counterparties, particularly in segment C, which features suppliers with relatively low turnover values. We have also managed to reduce by more than half the number of interactions with companies with which our annual turnover was not significant. It allowed us to get even more involved in the processes, negotiations and building relationships with our key suppliers.

Concluded agreements with clauses regarding environmental and social requirements:

Segment A (80%)	79%
Segment B (15%)	69%
Segment C (5%)	30%

99%

of suppliers we worked with in 2020 were national suppliers.



We manage our supply chain through centralization, digitalization and implementation of unified standards. Where economically justified, we take advantage of the scale effect and make central purchases for different company units. We continually test solutions that allow us to automate our logistics and warehouse processes. In order to improve order efficiency and safety in 2020, we completed modernization of our warehouse infrastructure (Emergency and Maintenance Warehouses) encompassing 63 warehouses across Poland.

Another crucial step taken in 2020 was the launch of the IVALUA Purchase Platform, which successfully simplifies and automatizes purchases processed by PKP Energetyka. We are now able to comprehensively plan and execute all proceedings. The process is transparent, secure and effective – it enables electronic filing of documents, evaluation of suppliers, reduction in the duration of proceedings and precise measurement of key indicators, among other things.

Our suppliers also benefit from the platform. They can now easily find the proceedings we have conducted, deliver necessary documents, monitor the whole process, ask questions and read replies. Consequently, we managed to reduce the amount of paper used.

Next step

For 2021, we are planning to further adjust our sustainability clauses to international standards and expand the list of entities that work with us under such contracts. We will also be systematizing and implementing supplier screening mechanisms oriented at their social responsibility. Moreover, we want to continue the process of digitalization and automatization of our supply chain. And finally, we will strive to increase team competencies in the area of responsible purchasing policy through training and to systematize purchase categories, so it is easier for us to make socially and environmentally responsible decisions.



06

We create
a resilient company

We create a resilient company



At PKP Energetyka, we are able to combine flexibility and fast decision-making with following specific procedures and guidelines. As a resilient company, we have implemented the **Integrated Management System**, which allows us to improve our services, introduce advanced organizational and technological solutions, and enable self-development of employees, among other things. The system is based on the proven ISO 9001, 14001, 45001, 50001, ISO/IEC 27001 norms and complies with Directive (EU) 2016/798 and Commission Regulation (EU) 2019/779.

For us, resilience is not just about a successfully implemented and maintained management system. Due to the strategic role of our company in the economy, we are committed to managing the risks effectively and putting the utmost emphasis on cybersecurity. We are also focused on building relationships with local communities based on transparency, which includes open communication of our strategy, long-term goals and indicators that allow us to evaluate how efficiently we are implementing it.



In 2020, PKP Energetyka's Integrated Management **System** was positively evaluated by an independent audit company. The auditors pointed out a number of operational strengths of our organization, including:

- > Defined strategic directions, e.g. implementation of the Polish Green Railway program,
- > Competence and engagement in terms of creating and implementing the Process Architecture,
- > Clear rules regarding Initiative and Idea Management,
- > Using the Kaizen implementation tools and techniques to improve the integrated management system,
- > The procurement strategy and execution of activities oriented at optimization and standardization of that area,
- > Operational activities aimed at overall improvement through implementation of tools that support executed projects,
- > Numerous pro-environmental activities, cooperation with local communities,
- > Employee safety plan during the COVID-19 pandemic,
- > Advanced and well monitored systems supporting comprehensive protection against hazards and network safety.

Best practice

Since 2017, PKP Energetyka has been executing the **Step by Step program**. Based on the **practices of the Kaizen philosophy**, the initiative assumes consistent improvement of our business, management and support processes. Step by Step contributes to quality improvement, elimination of inefficiencies, proper workplace organization and overall process optimisation.

Risk management

Our business requires an efficient risk management system. We have defined our consistent approach to the risk management process and the relevant standards in our Corporate Risk Management Policy. We monitor and identify potential threats, and then implement control measures and take preventive and corrective actions. Our business model is adapted to the ongoing changes taking place across all the business segments.

Below, we present the most important types of risks and mitigating actions taken by us.

Market and product risks related to the prices and volumes of products and services offered

Risk name	Risk description	Actions were taken to mitigate the risk
Risk of changes in energy prices and volumes	It stems from the lack of certainty as to future levels and volatility of market prices, particularly in the field of electricity and related products.	We use tools designed to analyse and control changes in energy volumes and prices. Within the scope of managing the uncertainty of the market price level, the valuation methodologies, tools and process – for electricity offerings – are being continuously improved by the unit responsible for valuations.
Risk of changes in wholesale market prices	The influence of changing prices on contracting.	We based the electricity sales process on a safe bidding and contracting policy. According to the policy, once the customer accepts the offer, purchases are immediately made on the wholesale market, there is no speculative action.
Risk of changes in prices of materials and services	It results from the lack of certainty about the future level and volatility of the market prices of materials and services.	We are executing a long-term contracting policy for materials and services, taking into account the currency risk, to minimize the volatility of prices of materials and services for the companies of the Capital Group.

Environmental risks arising from non-compliance with the law and negative environmental impact

Risk name	Risk description	Actions were taken to mitigate the risk
Risk of unlawful activity	Related to possible violations resulting from the dynamics of changes in environmental requirements.	Environmental awareness is built among employees by providing training in the field of environmental protection for both line employees and managerial staff. Environmental publications appear regularly in the company's internal communications. There is also a regular process of assessing compliance with legal requirements. Environmental compliance inspectors ensure that the Group's operations are compliant with environmental laws.
Risk of contamination	Related to potential environmental pollution resulting from failures or acts of vandalism against infrastructure.	Activities for environmental protection are being improved through the implemented technological and organizational solutions, ensuring efficient and effective management of this area, as well as solutions allowing to minimise the effects of any leakages. Observing dangerous events results in the implementation of solutions. Our contracts now include provisions focusing on environmental protection. Employees also have the opportunity to report any situations that may potentially contribute to environmental pollution or ecological failure.
Risk of excessive negative environmental impact	Related to the impact of the Capital Group on the environment.	We conduct our business activity following applicable legal regulations and environmental protection standards. We respect the environment and thus do our best to minimise the negative impact of our operations on nature, while complying with all regulations and limitations in that respect. We keep an environmental registry and take actions to reduce our negative footprint.

[GRI 102-15, GRI 102-47]

Operational risks related to the implementation of current economic processes

Risk name	Risk description	Actions taken to mitigate the risk
Risk of failure	Premature wear or destruction resulting from the state of the equipment and its excessive use.	For several years, we have been implementing a large-scale power system modernization program (MUZ), which significantly improves the stability and quality of rail power supply. It results in a significant reduction in the duration of interruptions in energy supply, which is one of the leading goals of PKP Energetyka as a traction energy supplier.
Risk of untimely or inadequate quality deliveries of materials or services	Limited availability of suppliers of specialized equipment and services, unreliable quality and timeliness of supplied materials.	Risk minimisation in this area is based on advanced planning of individual tasks within the supply chain. Planning is coordinated and carried out according to a schedule for deliveries to warehouses and construction sites. Additional support is provided by the development of purchasing tools, reporting, computerization and standardization of these processes. In the Capital Group, we have implemented a program that enables precise planning and management of deliveries to the companies of the Capital Group by external contractors
Project risk	It concerns execution of projects or delays in their implementation.	We were one of the first companies in Poland to implement the Last Planner System - a standard that facilitates planning and monitoring of construction projects. Thanks to this standard, all construction projects will be managed operationally according to the same method. Currently, crucial construction projects are already covered by this system. It enables ongoing monitoring of two critical parameters for execution of construction projects: budget and schedule. To prevent the risk of hazards on construction sites and to continually improve the craftsmanship of our employees, we have built a training ground in Słotwiny.
Railway traffic safety risk	The risk associated with the use of carrier's license to perform core business activities.	As proven by the verification and supervision of the Office of Rail Transport, we meet the stringent requirements applicable to licensed railway carriers. As part of the supervision process, the identified risks and irregularities require implementation of appropriate risk control measures resulting from the Safety Management System in place across the Group. A well-organised workplace with its extensive competences and continuous development as well as employee engagement reduce the possibility of a hazard occurring, which contributes to the proper functioning of the railway system and has a positive impact on entities and employees operating within this system.
Risk of maintaining railway vehicles	The risk related to the use of the certificate of the entity responsible for maintenance of railway vehicles.	The verification and supervision carried out by the Office of Rail Transport confirm the compliance with the strict requirements applicable to certified entities responsible for maintenance of railway vehicles. Thanks to the certificate and the annual visits of the supervisory authority, we confirm that the rolling stock maintenance process carried out on our own is at a high level.
Risk associated with cybersecurity threats	Deliberate disturbance of proper functioning of the space for processing and exchanging information created by the IT systems in place across the Group and intentional interference in the IT infrastructure.	In addition to using technical and organizational safeguards, it is crucial to have knowledge that helps build a culture of responsible and safe employee behaviour. Therefore, a series of e-learning training courses in the field of cybersecurity is carried out within the framework of the Security Awareness Building Program. To increase the level of maturity, we execute the Business Continuity Management System project, which reduces the risk of discontinuity of ICT (Information and Communication Technologies) services.
Risk of losing key competencies	Related to the supply of employees with appropriate experience and competences, capable of performing specific tasks.	Employee development is a crucial investment. We have a mobile simulator for train drivers, and we improve the skills of our electricians during classes at the training ground for work on the traction network. We continue to implement a dynamic personnel strategy aimed at ensuring the right competences at the right place and time to carry out the Capital Group's operations.

Financial risks associated with the financial management

Risk name	Risk description	Actions taken to mitigate the risk
Liquidity risk	Related to the possibility of losing the ability to service ongoing liabilities and obtain sources of financing for business activities.	The liquidity management policy ensures maintaining a safe level of cash and credit lines, among other things. The level of liquidity is continuously monitored over the short, medium and long term.
Interest rate risk	It results from the potential negative impact of changes in market interest rates on the Group's financial performance.	The companies of the Capital Group finance their activities partly from loans bearing variable interest rates and invest free cash in financial assets, also bearing interest according to variable interest rates. We monitor the risk of interest rate volatility, and we respond to the increased risk by entering into derivative instruments hedging interest rate volatility.
Credit risk	This risk arises if a counterparty defaults in commercial transactions.	We have a consistent approach to credit risk, which includes agreeing with our counterparties on provisions securing both parties and an ongoing analysis of the cooperation and execution of the payment, to quickly identify any potential threats.
Risks of external and internal abuse	Related to ensuring strict compliance with ethical standards by employees and stakeholders.	We have developed a number of regulations, including cyclical identification of threats, a list of best practices, procedures for dealing with corruption and fraud, as well as recommendations for their implementation. We conduct information activities for employees and contractors regarding the whistleblowing system. Communication channels for informing about potential incidents are also being developed. To build awareness among the management staff, we regularly organize meetings for managers and training sessions during which ethical issues are discussed. The Group enforced control mechanisms to prevent abuse and monitors it on an ongoing basis. The Code of Ethics promotes ethical standards and is supported by the applied policies: anti-mobbing, anti-corruption and diversity.
Risk of VAT fraud and tax fraud	Related to prevention of the Group's involvement in VAT carousels or tax fraud.	We have enforced a supplier qualification policy to avoid cooperation with unreliable partners in terms of VAT and identification of negative financial, tax and reputational consequences. We ensure high-level transparency of all our transactions.

Environmental risks arising from non-compliance with the law and negative environmental impact

Risk name	Risk description	Actions taken to mitigate the risk
Risk of changes in the regulatory environment	Related to compliance with the requirements of the external legal environment and the necessity to adapt to changing requirements.	We adjust our internal regulations and activities to be in line with the industry regulations and applicable laws. We communicate any changes in law at all organizational levels (managers of all levels, employees). We have conducted compliance reviews across the Capital Group.
Risk of functioning at the junction of two legal regimes - energy law and railway law	Related to operating at the junction of two precisely regulated sectors, which requires meeting the requirements for both energy and railway companies.	The Group regularly monitors all legal requirements as well as any communications from the Regulators (the President of the Office of Rail Transport and the President of the Energy Regulatory Office). Changes resulting from the published communications are implemented in a proper and timely manner at all levels of the organization.

OHS risks related to potential undesirable events (threats) related to the work performed

Risk name	Risk description	Actions taken to mitigate the risk
Risk of potential OHS incidents	Concerning working in particularly dangerous conditions related to energy works in the field of maintenance, modernization and construction of the traction network, energy facilities and LNP lines.	To minimise OHS incidents, especially in the field of maintenance, modernisation and construction of the traction network, energy facilities and LNP lines, any potential threats and risks are continuously monitored and documented in the form of an occupational risk assessment (periodically updated). We continue to consistently execute our work safety improvement program – Mission ZERO, the goal of which is to eliminate accidents. The program encompasses numerous aspects necessary to ensure safety, including leadership, risk management, people, systems, safe machinery and equipment.
Risk of repeatability of OHS incidents	Understood as repeated OHS incidents that may result in losses and consequences for the health or life of employees.	This risk is managed by building an accident-free work environment within the Mission ZERO program and striving to improve employee safety through implementation of systemic measures related to prevention and increased safety communication, e.g. safety alerts. A mechanism for analysing OHS observations is being developed to conduct preventive actions and engage people in managerial positions to communicate with employees via so-called safety visits.
Risk of working in non-standard conditions related to failure recovery	Resulting from the increased extreme weather conditions affecting the ongoing work related to disaster recovery.	One of the factors influencing the quality and timeliness of works, as well as hindering the performance of tasks, are unfavourable climatic conditions. In the case of failure recovery in particularly difficult weather conditions, protecting employees against external destructive factors is a priority. The Group monitors climate threats on an ongoing basis and introduces risk control mechanisms, an important element of which is every employee's right to suspend work in the event of a threat to health or life.

Next step

In 2021, we will carry out a periodic analysis of threats, extended to include evaluation of their social, environmental and organizational impact.



Cybersecurity

Behind every watt of energy sent within our catenary there is cutting-edge technology. Computers and advanced IT systems are involved in every area of PKP Energetyka's operations – they support the work of our dispatchers, line employees and offices to a great extent.

Secure transmission lines

The security of our IT system is a fundamental strategic issue not only for our company, but also for entire Poland. At PKP Energetyka, we implement proven solutions aimed at protecting our network, while our IT services make sure that all the protection measures are up-to-date and in line with current knowledge and best market practices. The details of those measures – for obvious reasons – remain confidential.

SCADA



SCADA also supports our biggest investment project, the Power System Modernization Program – MUZa.

Our new facilities required advanced dispatching, while our previous system, created for other sizes and assumptions, could not accept additional controlling equipment.

One of the key solutions applied by our company is the **Supervisory Control and Data Acquisition system (SCADA)** for monitoring the network in real time. In 2020, we continued to implement it across the entire organization. SCADA successfully improves the security and flexibility of the railway power grid – it supervises the electricity supply process by means of monitoring and managing the distribution network. It translates into immediate handling of interruptions and failures – the system allowed us to not only reduce the number of dispatch centres (from 22 to 4), but also to replace different areas from anywhere in Poland. If one of the dispatch centres stops working, for any reason, thanks to SCADA, we are able to direct network traffic remotely from any other location.

Best practice

2020 marked the launch of the **SCADA Lite** system, which allows selected employees of PKP Energetyka to access the SCADA system via a web browser.

Secure data, documents and conversations

In 2020, we implemented the DLP technology across PKP Energetyka, which protects sensitive data against leaks. The new solutions include information the sensitivity of which results from both business (e.g. contracts, invoices, financial data) and legal reasons (e.g. personal, medical and technical data). DLP detects sensitive data in the network traffic (intelligent traffic scanning), classifies and tags local system files based on the content of sensitive data, and then monitors the process of sending these files via the network or saving them on external carriers. The implemented solutions prevent sensitive data from being saved on unauthorized carriers and monitor sending them via email or cloud services. At the same time, DLP can encrypt sensitive documents in real time, so they never leave our organization in an unencrypted form.

PKP Energetyka's IT security rules have recently gained even more significance due the pandemic and remote working. We have enforced a special procedure for office work performed outside of PKP Energetyka's location. Prior to logging in to the business systems of our organization, every employee has to first establish a secure connection with PKP Energetyka's network via a special app. We were repeatedly reminding our people about the new rules across our internal communication channels.



March 2020 also marked the launch of a new platform that allows employees to organize conference and video calls within our company computer network. This system significantly improved communication between the geographically scattered working teams. The new tool allows us to work more efficiently in the current situation caused by the coronavirus. Conference calls can be scheduled by all authorized employees and co-workers. Currently, the authorization has already been granted to the management and selected people whose responsibilities require regular communication with scattered teams.

Best practice

In 2020, we commenced the e-Kancelaria (e-Administration) project, the goal of which is to maximally eliminate paper correspondence across the company, including incoming, outgoing and internal correspondence. Once it is fully implemented, the project will streamline and standardize the correspondence-related processes at PKP Energetyka. **A central correspondence repository will also be created**, while data security will be ensured by an access control system for processed letters and notices.

Next step

Our priority is to raise employee awareness in terms of cybersecurity. In 2021, we will begin the **CyberSecure** campaign to educate our people on these matters. Our long-term goal is to reach the likelihood rating for undesired behaviour of less than 6% by 2024. We hope that the first educational activities carried out at the end of 2021 will result in lowering that rating below 24%.

Transparency

At the PKP Energetyka Capital Group, we believe that measured things are easier to manage. For that reason, we continue to improve the tools and indicators that allow us to evaluate whether we are going in the right direction in terms of both business and sustainability. **In 2020, we reviewed our ESG strategy to explore new areas and set new goals and indicators in accordance with the highest standards.** We redefined our priorities and became aware of our weaknesses, but 2021 will be the year that will reveal our starting point and determine our ambitions.

Best practice

In 2020, besides publishing our non-financial report for 2019, we also for the first time took part in the assessment conducted by the international EcoVadis agency, which provides ratings services to companies from around the world within the scope of business, sustainable development and supply chain transparency. As a result of the audit, we have received the **EcoVadis Silver Medal** for our sustainability activities. The sustainability rating conducted at PKP Energetyka put the company in the 89th percentile, which means that it scored higher than 89% of the other entities from around the world assessed by EcoVadis. In the certification process, each company is awarded from 0 to 100 points in four areas: environment, social, ethics and supply chain.



Next step

This is our third non-financial report developed based on the GRI methodology, but we will join other international initiatives over the next years.



07

About the report

About the report

This report is the third sustainability report of the PKP Energetyka Capital Group. The document has been developed in accordance with the global GRI Standards: Core option. It covers the period from 1.01.2020 to 31.12.2020, unless stated otherwise in the contents.

The report includes corrections/important changes regarding previous years, resulting from an upgrade of the methodology applied by PKP Energetyka to measure energy consumption [GRI 302-1], water [GRI 303-3], greenhouse gas emissions [GRI 305-1], waste [GRI 306-3], custom indicator NPS, SL, and failure rate. Each of the indicators the previous value of which has changed is marked to explain the reason for the differences.

The report was verified internally and subjected to an independent audit. It explores all the identified topics relevant in terms of PKP Energetyka's sustainable development. The company's operations have been extensively analysed, taking into account its impact on the society, economy and environment. When defining the issues to be discussed in the report, four GRI content principles were followed: Sustainability Context, Stakeholder Inclusiveness, Materiality and Completeness. The document was developed in accordance with the following GRI Standards: 101, 102, 103, 203, 204, 205, 302, 304, 305, 307, 401, 404, 405, 406 from 2016 303, 403 from 2018 and 306 from 2020.

For the selected data, benchmarking analysis was carried out to compare the reported year with 2018 and 2019.

The axis of PKP Energetyka's 2020 sustainability report are the issues included in the Strategy 2030 and Sustainable Development Strategy implemented in 2020, which outline the direction of our activity for the next few years. The report has been divided into chapters corresponding to the strategic plans of PKP Energetyka – which are as follows:

Our corporate responsibility

- > Strategy 2030
- > Sustainable development

Safety

- > We ensure a safe, friendly and inclusive workplace
- > Employee health and safety
- > Diversity in the workplace
- > Employee engagement
- > Philanthropy

We power the energy transition

We are a reliable partner

- > Infrastructure resilience
- > Reliable and environmentally friendly
- > Stakeholder engagement

Our supply chain

- > We create a sustainable supply chain
- > Ethics and anti-corruption training
- > Sustainable supply chain

We create a resilient company

- > We create a resilient company
- > Risk Management
- > Cybersecurity
- > Transparency

This report is a result of the commitment of many different people, including above all our:

- > employees of all levels, who took part in the preparatory work, filled out surveys, participated in workshops and prepared data for the report,
- > external partners consulting and preparing the contents from INSPIRED|Corporate Responsibility.

We would like to sincerely thank all those whose knowledge and effort contributed to the development of this report. We are looking forward to the questions and suggestions from the readers.

GRI index

Index number	Index name	Level of reporting	Page number
GRI 102: (General disclosures 2016)			
GRI 102-1	Name of the organization	Full	10
GRI 102-2	Activities, brands, products, and services	Full	10
GRI 102-3	Location of headquarters	Full	10
GRI 102-4	Location of operations	Full	10
GRI 102-5	Ownership and legal form	Full	10
GRI 102-6	Markets served	Full	10
GRI 102-7	Scale of the organization	Partly, without financial disclosure	11
GRI 102-8	Information on employees and other workers	Full	31
GRI 102-9	Supply chain	Full	70
GRI 102-10	Significant changes to the organization and its supply chain	No significant changes	10
GRI 102-11	Precautionary Principle or approach	Full	59, 75
GRI 102-12	External initiatives	Full	63, 64
GRI 102-13	Membership of associations	Full	64
GRI 102-14	Statement from senior decision-maker	Full	5
GRI 102-15	Key impacts, risk and opportunities	Full	75
GRI 102-16	Values, principles, standards, and norms of behavior	Full	12, 68
GRI 102-17	Mechanisms for advice and concerns about ethics	Full	68
GRI 102-18	Governance structure	Full	26
GRI 102-19	Delegating authority	Full	22
GRI 102-22	Composition of the highest governance body and its committees	Full	27
GRI 102-23	Chair of the highest governance body	Full	27
GRI 102-40	List of stakeholder groups	Full	63
GRI 102-41	Collective bargaining agreements	The are no such agreements	

GRI 102-42	Identifying and selecting stakeholders	Full	63
GRI 102-43	Approach to stakeholder engagement	Full	63
GRI 102-44	Key topics and concerns raised	Full	22
GRI 102-45	Entities included in the consolidated financial statements	Full	10
GRI 102-46	Defining report content and topic Boundaries	Full	22
GRI 102-47	List of material topics	Full	22
GRI 102-48	Restatement of information	No significant changes	84
GRI 102-49	Changes in reporting	Full	84
GRI 102-50	Reporting period	Full	84
GRI 102-51	Date of most recent report	Full	84
GRI 102-52	Reporting cycle	Full	84
GRI 102-53	Contact point for questions regarding the report	Full	89
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.	84
GRI 102-55	GRI content index	Full	84
GRI 102-56	External assurance	The report has been verified by external auditor.	84
GRI 103: Management approach 2016			
GRI 103-1	Explanation of the material topic and its boundaries	Full	22
GRI 103-2	The management approach and its components	Full	22
GRI 103-3	Valuation of the management approach	Full	22
GRI 203: Indirect economic impacts 2016			
GRI 203-1	Investments in infrastructure and services	Full	56
GRI 204: Procurement practices 2016			
GRI 204-1	Proportion of spending on local suppliers of products and services	Full	71
GRI 205: Anti-corruption 2016			
GRI 205-1	Operations assessed for risks related to corruption	Full	68

GRI 205-2	Communication and training about anti-corruption policies and procedures	Full	68
GRI 205-3	Confirmed incidents of corruption and actions taken	Full	68
GRI 302: Energy 2016			
GRI 302-1	Energy consumption within the organization	Full	52
GRI 302-3	Energy intensity	Full	52
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	62
GRI 303-2	Management of water discharge-related impacts	Full	62
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	59
GRI 304-2	Significant impacts of activities, products, and services on biodiversity	Partly	59
GRI 305: Emissions 2016			
GRI 305-1	Direct (Scope 1) GHG emissions	Full	53
GRI 305-2	Energy indirect (Scope 2) GHG emissions	Full	53
GRI 305-3	Other indirect (Scope 3) GHG emissions	Partly	53
GRI 305-4	GHG emissions intensity	Full	53
GRI 305-5	Reduction of GHG emissions	Partly	18
GRI 306: Effluents and waste 2020			
GRI 306-1	Waste generation and significant waste-related impacts	Full	60
GRI 306-2	Management of significant waste-related impacts	Full	60
GRI 306-3	Waste generated	Full	60
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	60
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	61
GRI 307: Environmental compliance 2016			
GRI 307-1	Non-compliance with environmental laws and regulations	Full	59

GRI 401: Employment 2016			
GRI 401-1	New employee hires and employee turnover	Full	40
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Full	45
GRI 403: Occupational health and safety 2016			
GRI 403-1	Occupational health and safety management system	Full	32
GRI 403-2	Hazard identification, risk assessment, and incident investigation	Full	32
GRI 403-3	Occupational health services	Full	36
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	Full	32
GRI 403-5	Worker training on occupational health and safety	Full	36
GRI 403-6	Promotion of worker health	Full	38
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Full	32
GRI 403-8	Workers covered by an occupational health and safety management system	Full	32
GRI 403-9	Work-related injuries	Full	37
GRI 404: Training and education 2016			
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	Full	43, 44
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	Partly	43
GRI 405: Diversity and equal opportunity 2016			
GRI 405-1	Diversity of governance bodies and employees	Full	42
GRI 406: Non-discrimination 2016			
GRI 406-1	Incidents of discrimination and corrective actions taken	Full	41
Custom indicators:			
	Employee engagement rate		43
	Number of people who undertook development activities other than compulsory training by gender and employment structure		45
	Number of accidents broken down by type of accident		37
	LTIRF (Lost Time Injury Frequency Rate)		37
	Number of potential accidents (Accident severity rate)		37

	SAIDI (System Average Interruption Duration Index)	58
	Failure rate (number of failures of the traction network in the group per 1,000,000 track kilometres)	58
	NPS (Net Promoter Score)	64
	SL (Service Level), (Percentage of calls answered on incoming helpline)	65
	Number of environmental accidents	59
	Asbestos index (amount of asbestos removed in relation to all asbestos in the company)	61
	Water consumption	62

Feel free to contact us and send your feedback to:

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Dear Sirs,

PKP Energetyka has been a member of the United Nations Global Compact for over 4 years. For our company, it has been four years of pride in belonging to the world's largest initiative focused on business that promotes sustainable development within the scope of human rights, labour standards, environmental protection, and anti-corruption. We believe that the Global Compact is the best possible place to jointly confront the modern world's critical problems.

However, 2020 was an exceptional time. A time when millions of companies worldwide were forced to test their values, principles and measures of social responsibility. Today, I can proudly say that PKP Energetyka has passed the test, which the COVID-19 outbreak undoubtedly was, with flying colours.

During the pandemic, our trains did not stop running, and millions of passengers and hundreds of millions of tons of goods arrived safely and on time. Employee engagement was crucial for ensuring the continuity of critical infrastructure operations. Thanks to the deep sense of responsibility of the employees of PKP Energetyka, the introduced procedures worked, and our company was providing its services continuously, at a very high level. Remote work, so much desired in the times of social isolation, was and still is impossible for a large part of our employees. Thanks to the entire team's effort, we managed to secure the continuity of energy supplies and, thus, maintain rail traffic in the country. The flexibility of PKP Energetyka's management in the pandemic era translated into quick decision making and significant changes in adjusting the company's structure to the new conditions.

We have prioritised the health, safety and well-being of our employees. Not only did we provide everyone with the necessary security measures, but also ensured two-way communication with the workforce. We increased the management availability and organised a series of webinars, online workshops and chats. Our goal, which we think we managed to achieve, was to make sure that no doubts among employees remained unanswered by the company.

The year of the pandemic did not hinder PKP Energetyka's investments. Quite the contrary, the expenses for this purpose were the highest in the company's history - 1 billion PLN compared to 400-500 million in the previous years. Our investment program encompasses constructing almost 200 electrical facilities across Poland, which will supply new and modernised railway routes.

Despite many challenges, 2020 was the year in which we created the 2030 integrated strategy with a new sustainable development scheme – a document outlining the company's strategic activities for the next decade. Over 200 employees and key managers from all levels and functions were involved in the process. The way we worked was unique, as 90% of our activities took place online, but it was very interactive. Thanks to this, people from all over the country participated in a several-month cycle of discussions about the company's development directions. The pillars of the new strategy are *More Power* (continuation of the investment program in infrastructure and security of supply), *More Quality* (quality improvement by striving for operational excellence), *Greener* (willingness to minimise the carbon footprint generated by railways in Poland through the program of supplying railways from renewable energy sources), and *More Employee Engagement* (actively involving them in the strategic projects and works on the development vision of the company).

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(włacony w całości)

Dear Sirs,

At PKP Energetyka, we are convinced of the need to promote ethical behaviour to build long-term and positive relationships inside and outside the organisation to ensure our company's position as a reliable business partner.

The presented report is another Annual Communication on Progress of PKP Energetyka. We present the company's foremost initiatives, which come under the priority areas of the United Nations Global Compact activities.

We wish you a pleasant reading,

Wojciech Orzech

President of the Management Board of PKP Energetyka

Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights;
2. Make sure that they are not complicit in human rights abuses.

The business success of PKP Energetyka is built on the knowledge and experience of nearly five thousand employees, with whom we have created relationships based on openness, honesty and mutual trust. We are convinced of the necessity to respect and support all recognised human rights, and our conviction is reflected in internal documents binding the entire workforce.

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 everyday work. The Code of Ethics is a set of rules of conduct - related to respect for human rights - 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. The training is compulsory and repeated at least once every two years. In 2020, 252 people participated in training sessions on ethical principles at PKP Energetyka.

We recommend every employee, who notices a violation of the Code of Ethics in their environment, to safely and anonymously report this fact through the Ethics Line, an intranet system for accepting reports of ethical violations, operated by an external company. Information can also be submitted via e-mail or by phone. We protect all employees who report irregularities from any form of retaliation.

Moreover, the company has its own Anti-Mobbing Commission; their purpose 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. We do not accept nepotism. Due to the specific nature of our company, work safety remains our top priority. Safety is also one of the pillars of our organisation, built with the involvement of all employees. We regularly update all procedures and make sure that they are transparent and understandable to every employee. Work safety is also part of PKP Energetyka's identity, and the issues related to the employees' safety rights are included in the Code of Ethics. At the same time, our company constantly provides training for our

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employees and tools required for safe work. Our goal is to achieve and sustain accident-free operations in a safe workplace.

Labour

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. The elimination of all forms of forced and compulsory labour;
5. The effective abolition of child labour; and
6. The elimination of discrimination in respect of employment and occupation.

At PKP Energetyka, only competences count. We do not accept discrimination against co-workers, clients 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. A diverse team also means a better understanding of a client's needs, which allows us to achieve a competitive advantage. Our approach to diversity is described in the Diversity Policy implemented in 2020.

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 job positions. Internal recruitment has priority in the company. We use our employees' potential, we promote their experience, and we invest in their development. During the recruitment process for an available position, we first check whether we can offer this placement to a person working in our organisation. Only when there are no internal applicants or candidates meeting the required competencies do we start looking for people from outside of PKP Energetyka and using the Employee Recommendation Program. This system allows our employees to identify who, in their opinion, matches our company's specifics.

In 2020, 197 processes were part of internal recruitment; the result was a change of job position or professional development for 45 employees, while 20 employees joined us from the Employee Recommendation Program.

We give our employees full freedom of association. Our company has two inter-company representative trade unions. Regular meetings with trade unionists allow us to develop solutions that are crucial not only for the company, but also for the staff. A good example are the meetings of health and safety committees, in which the representatives of trade unions and company social inspectors actively participate.



Best practice

In the times of the COVID-19 pandemic, our top priority is to protect our employees against infection and to create a work system that supports and motivates. All employees were provided with the necessary hygiene and personal protective measures. Soon after the outbreak of the pandemic, we started working with experts from the Medical Rescue Center who took part in operations in the first pandemic-affected region of Europe, Lombardy. This made it possible to quickly adapt the company's operations to the new conditions, by introducing not only remote work or regularly operating crisis management, but also two-way communication mechanisms. We launched a new platform - 'Let's Stay in Touch', where the employees regularly provided feedback on their sense of security or the support of their superiors.

In the face of the coronavirus, we decided to communicate transparently. From the very beginning, we provided employees with all company-related pandemic data; using charts to show trends, sending SMS messages, opening a special section in the intranet dedicated to the pandemic, creating a hotline and securing psychological help.

We proudly announce that our actions have been appreciated by our employees. The cyclical engagement survey showed an increase of 6 percentage points, from 65% to 71% - this is our highest result in the last 5 years. Compared to the companies from all sectors, we are in the top 25% of the best organisations.

The high level of employee engagement and participatory organisational culture of PKP Energetyka have been recognised by the Top Employers Institute. In 2020, our company was honoured with the prestigious Top Employer title for the third time in a row.



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Total number of newly hired employees

	2018	2019	2020
Women	70	46	40
Men	152	202	105
Total	222	248	145

	2018	2019	2020
under 30 years old	99	113	64
30-50	111	129	76
over 50	12	6	5

Total number of employees who have left the company

	2018	2019	2020
Women	118	52	138
Men	596	311	654
Total	714	363	792

	2018	2019	2020
under 30 years old	56	47	44
30-50	236	182	225
over 50	422	134	523

Number of employees

	2018	2019	2020
Women	568	555	467
Men	4414	4288	3837
Total	4982	4843	4304

Type of employment

Employment contract for an indefinite period

	2018	2019	2020
Women	496	509	433
Men	4255	4073	3684

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Sąd Rejonowy dla m. st. Warszawy
XII Wydział Gospodarczy
Krajowego Rejestru Sądowego
numer KRS 0000322634

NIP: 526-25-42-704
REGON: 017301607
kapitał zakładowy: 844 885 320,00 zł
(wplacony w całości)



Employment contract, probationary period

	2018	2019	2020
Women	72	46	34
Men	159	215	153

Type of employment

Full-time

	2018	2019	2020
Women	555	540	454
Men	4386	4265	3821

Part-time

	2018	2019	2020
Women	13	15	13
Men	28	23	16

Employees by categories: age, gender, national minorities, other indicators

Managers

	2018	2019	2020
Women	51	61	56
Men	387	377	346
Total	438	438	402

	2018	2019	2020
under 30 years old	8	9	13
30-50	274	275	260
over 50	156	154	129

	2018	2019	2020
Foreigners	1	1	1
Nationalities	American	American	American

	2018	2019	2020
Disabled	1	1	1

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Other employees

	2018	2019	2020
Women	517	494	411
Men	4027	3911	3491
Total	4544	4405	3902

	2018	2019	2020
under 30 years old	306	310	273
30-50	1886	1710	1510
over 50	2352	2385	2119

	2018	2019	2020
Foreigners	0	0	0
Nationalities			

	2018	2019	2020
Disabled	10	17	18

Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. Undertake initiatives to promote greater environmental responsibility; and
9. Encourage the development and diffusion of environmentally friendly technologies.

At PKP Energetyka, we always work in line with all environmental regulations. Additionally, we implement solutions beyond the mandatory standards. The company created an Environmental Program, and the organisation's priorities are:

- Reduction of harmful emissions to the atmosphere
- Improvement of environmental awareness through employees
- Protection of soil and water against pollution
- Reduction of electricity and heat consumption
- Removal of asbestos-containing products

We regularly provide environmental reviews, monitor the compliance of our activities with standards, and secure comprehensive waste management. In 2020, we reported six environmental failures, but their effects have been completely removed, and the infrastructure has been repaired and improved to minimise the risk of similar occurrences in the future.

We promote the idea of sustainable development in our supply chain, which is described as environmental issues in the Code of Conduct for Suppliers and Contractors of the PKP Energetyka. For carrying out orders, we implemented a procedure aimed at fulfilment of environmental protection

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requirements. We defined environmental clauses that should be included in signed contracts. All employees involved in procurement procedures are obligated to include appropriate environmental provisions in signed contracts. In 2020, PKP Energetyka had 9,600 suppliers in group A and B (responsible for 95% of expenses), including 325 key suppliers. In the vital group, the number of signed contracts containing environmental and safety clauses increased from 33% (2019) to 72% (2020). In the upcoming years, the process will cover more groups of our business partners.

To reduce our negative impact on the environment, we modernise our boilers and car fleet. We also encourage employees to directly report any situation that may contribute to environmental pollution and environmental failure. The company has a dedicated application for reporting health, safety and environmental protection incidents.

We support the development of environmentally friendly technologies. Our vision is the Polish Green Railway – zero-emission rail transport powered by clean energy. We believe that thanks to this, Polish trains can remain an attractive and competitive means of transportation in the changing world and even strengthen the position of the entire company.

In 2020, we also created a new sustainable development strategy for PKP Energetyka. As part of this process, we once again analysed our impact on the environment, the local community, the whole market and our employees. As a result, we defined five fundamental factors and 16 strategic initiatives within which we set out ambitious goals for PKP Energetyka for the upcoming years, including achieving climate neutrality by 2030.

Anti-Corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.

At PKP Energetyka, we understand that the safety of thousands of our employees and millions of Polish railway passengers depends on the quality of the products and services we purchase. 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.

Our golden 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 Beneficiary Register System. The compliance with all applicable laws and regulations is monitored by the Compliance function established in 2017 as part of the Risk Management and Regulation Office. In the last two years, 80% of our managers and 82% of administrative staff completed anti-corruption training.

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Limited assurance on specified parts of the Sustainability Report

We have been engaged by the 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 2020. The Assured Sustainability Parameters are included in the “Corporate responsibility report PKP Energetyka Capital Group” for the year ended 31 December 2020 (the “Sustainability Report”).

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

- Data regarding employees and other persons providing work for the organization;
- Energy consumption in the organization;
- Total water consumption;
- Water consumption;
- Total direct greenhouse gas emissions (scope 1);
- Total indirect greenhouse gas emissions (scope 2);
- Total mass of waste by type;
- Newly hired employees(according to age – up to 30, 30-50, 50+, sex, region) – number and rate;
- Number of accidents at work;
- Percentage of employees receiving regular quality and career development reviews;
- LTIFR (Lost Time Injury Frequency Rate);
- SAIDI (System Average Interruption Duration Index);
- Number of environmental failures;
- Asbestos rate (the amount of asbestos removed in relation to total asbestos in the Company).

Management's responsibility

Management are responsible for the preparation and presentation of the Limited Assurance Sustainability Parameters in accordance with the guidelines and methodology defined in the Sustainability Report. 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.



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Our responsibility

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. 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.

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 the Sustainable 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.



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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 below, 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 2020, have not in all material respects, been prepared and presented in accordance with the guidelines and methodology described in the Sustainability Report.

KPMG ADVISORY Spółka z ograniczoną odpowiedzialnością sp.k.

Warsaw, 30th June 2021



PKP ENERGETYKA
CAPITAL GROUP