



CSR Report of PGE Group 2013–2014



Polska Grupa
Energetyczna

Acknowledgements

The report you have in front of you has been created thanks to collaboration of many people – employees of PGE Group.

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Agnieszka Zawartko, Managing Director for Communications and Marketing of PGE SA

Andrzej Stangret, acting Director of the Corporate Communications Department of PGE SA

and the CSR Division of the Corporate Communications Department:

Dorota Borkowska, Barbara Kowalcuk, Magdalena Pachulska

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For more information see
our www.gkpge.pl website



See
the glossary



Additional information
on the indicated page of the Report



GRI Indicators
G4-17 to G4-27



Ladies and gentlemen,

we have the pleasure of presenting the first PGE Capital Group Corporate Social Responsibility Report. This publication, expected by our key stakeholders, covers the activities of our company over two years – 2013 and 2014.

One of the main objectives of our Report is to emphasise the importance of sustainable development in the business of the PGE Group. Since 2008, the PGE Capital Group has been, among others, a member of the UN Global Compact, the biggest worldwide initiative for corporate social responsibility and sustainable development. In 2011, the PGE Capital Group has joined the group of companies included in the Warsaw Stock Exchange Respect Index that groups only the companies running their business operations to highest management standards in areas of corporate governance, investor relations, as well as with consideration for environmental, social and ethical aspects.

We are strongly committed to our proactive environmental policy - through modernisation of our power plants and combined heat and power plants we are reducing their impact on environment, we are investing in renewable energy and reclaiming land after termination of our operations in particular locations.

The CSR Report you have in front of you explains how we integrate our corporate social responsibility objectives with our

business strategy. We believe that creation of transparent organisational culture, good relations with employees and customers, as well as initiatives preserving natural environment, boost the value of our organisation.

We are the biggest and most profitable energy group in Poland. The foundation of PGE Capital Group's strategy for 2014-2020 adopted in 2014 is the most effective management of the value chain in the process of lignite mining and generation, distribution and sales of electricity. In accordance with our strategy, beginning with 2015, we intend to spend at least 1.5% of our net profits each year on research and development activities. To this end, already back in 2014, we had implemented the innovation management programme, we had signed the letter of intent with the National Centre for Research and Development on cooperation in research and development projects and we have also expanded the group of universities we are cooperating with.

We have also initiated some investment projects improving the energy security of Poland, among others, construction of new, highly efficient generating units no. 5 and 6 at the Opole Power Plant, will meet the energy demand of more than 4 million households. In Turów we began construction of a highly efficient unit, which in future shall be generating electricity for around 1 million households. We have commissioned new

wind farms, and became the leader of wind energy sector in Poland.

We have also commenced many activities aimed at reduction of emissions by our generating assets, and in consequence their impact on the natural environment. At the Opole Power Plant we have commissioned yet another installation reducing nitrogen oxides emissions. At the Turów Power Plant we commenced construction of an installation reducing sulphur oxides emissions. We have also performed work on development of nuclear power in Poland as well as related educational programmes.

We also look after customer satisfaction. We have Ambassadors of Quality at our Customer Service Centres. We have implemented a single nationwide Contact Centre telephone number. We took part in the "Check your electricity supplier's credentials!" campaign, a joint industry wide initiative.

We are committed to expanding our corporate social responsibility activities and being in touch with our stakeholders all the time – this Report is one of such efforts.

I hope you will find our Report interesting.

Marek Woszczyk
President of the Management Board
PGE Polska Grupa Energetyczna SA

“



RESPONSIBILITY **ENERGY** SECURITY EFFECTIVENESS >

[We manage
our impact
on business
environment]

Key figures

2013

41 623



Number of employees

2014

40 344



Electricity production [TWh]

57.04



Energy distribution [TWh]

31.78



Sales of electricity to end users [TWh]

36.95



Sales revenues [in PLN million]

30 145



Consolidated net profit [in PLN million]

3 971

2014

54.84

32.54

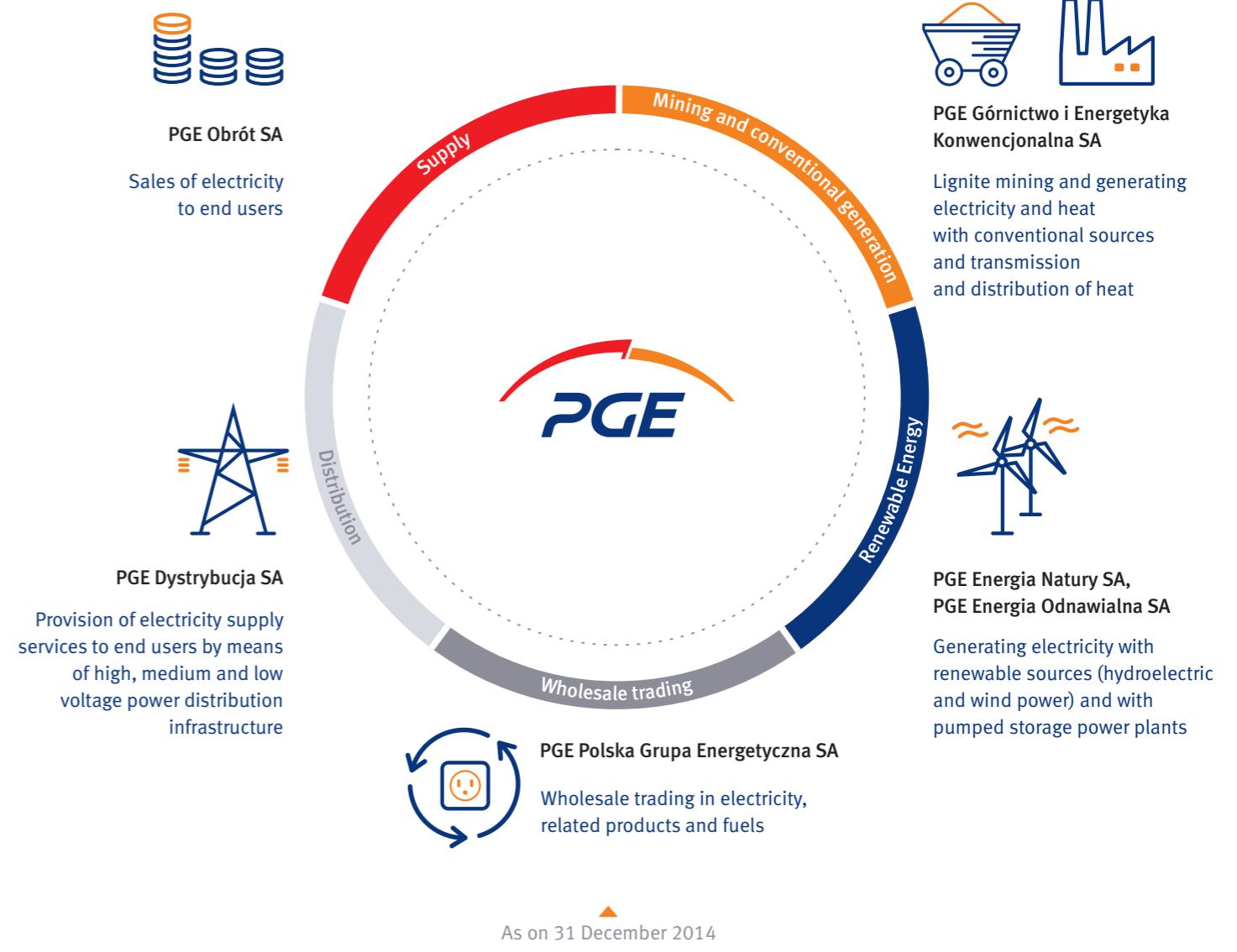
39.64

28 137

3 657

PGE is the biggest power sector group in Poland, the biggest producer and key supplier of electricity to households and businesses in our country. We are a vertically integrated enterprise providing comprehensive services, present in the entire value chain of the power industry: from mining through conventional and renewable energy generation, to distribution and sales.

Value chain of the PGE Group



PGE in brief

Our mission: we create value and build a safe future with energy

Our values: cooperation and openness, passion and determination, safety and responsibility

The PGE Capital Group's activities are organised around five main segments: Conventional Generation, Renewable Energy, Wholesale Trading, Distribution, and Supply.

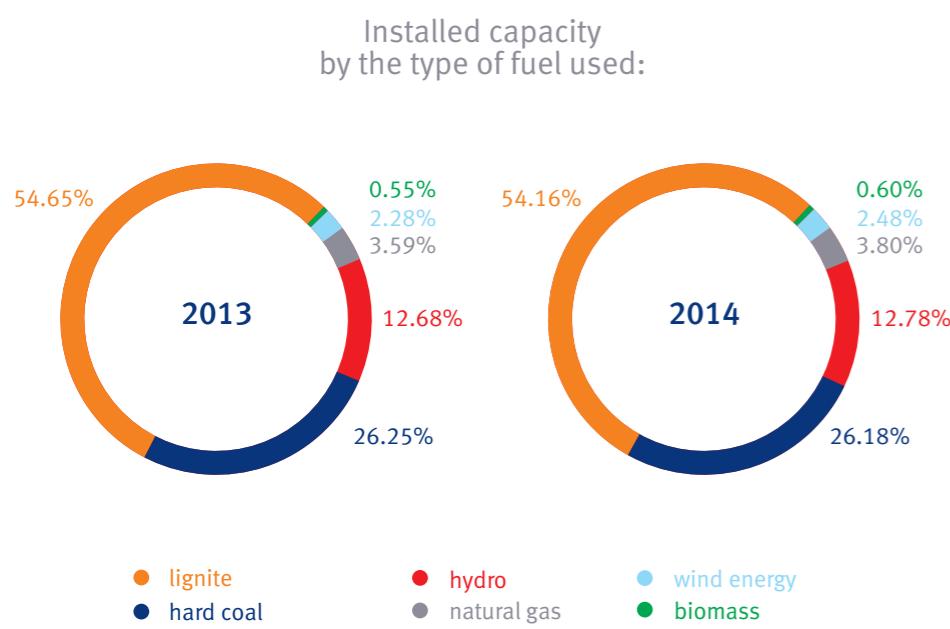
The Group's corporate centre is PGE Polska Grupa Energetyczna SA (PGE SA). Key companies of the PGE Group are PGE Górnictwo i Energetyka Konwencjonalna

(PGE GiEK), PGE Dystrybucja, PGE Obrót, PGE Energia Odnawialna (PGE EO) and PGE Energia Natury (PGE EN). The Group also includes the PGE EJ 1 company, which is responsible for the preparation and realisation of the construction project for Poland's first nuclear power plant. Another Group company is PGE Dom Maklerski SA, which in December 2014 obtained the licence to provide services relating to trading in exchange commodities: electricity, property rights and fuels as well as financial instruments for the account of entities present on the energy exchange, and on OTC energy market in Central and Eastern Europe and certain European Union states.

The PGE Capital Group also includes companies providing IT services (PGE Systemy SA), telecommunications services (Exatel SA), as well as ancillary services to Group's core companies. In 2015, the company providing accounting and HR services was founded (PGE Obsługa Księgowo-Kadrowa Sp. z o.o.).

Our principal place of business is Poland. Two of our companies, PGE Trading GmbH, with its registered seat in Berlin, and PGE Sweden AB, pursue their business activities abroad (they are not covered by this report).

More than 54% of our generating capacities produce electricity from lignite. Our value chain includes 2 lignite mines. We also invest in hard coal fired power plants - an example of such activity is the construction of generating units no. 5 and 6 at the Opole Power Plant. Moreover, we are developing the Renewable Energy Segment, which at the end of 2014 comprised nearly 16 % of the total **installed capacity** of PGE Group (including pumped storage power plants).

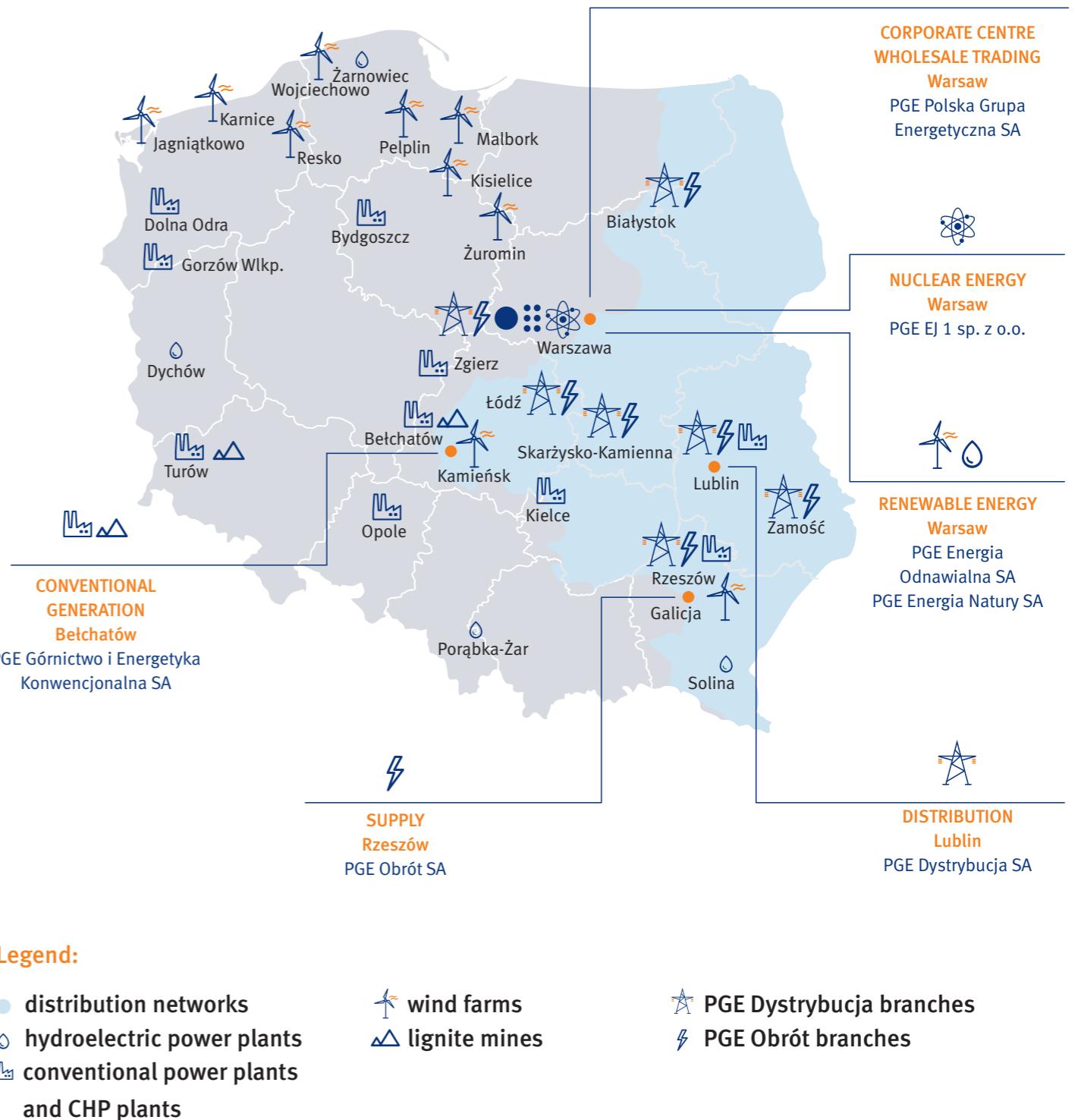


Direct economic value generated and distributed [in PLN thousand]*

	2013	2014
Revenue (all revenue and profits shown in the financial statements)	31 261 853	30 082 888
Costs	18 661 664	16 808 389
Remuneration and benefits	4 308 471	4 827 469
Payments to investors	1 609 941	2 060 931
Payments to government	4 143 432	3 463 840
Investments in communities	81 520	64 253
Retained value	2 456 824	2 858 006

* Data calculated in accordance with the methods of Global Reporting Initiative on basis of data reported within the framework of the Consolidated Financial Statements of PGE Capital Group for 2013 and 2014.

Location of our key sites



Stable company

Since 2009, PGE Polska Grupa Energetyczna Spółka Akcyjna has been listed on the Warsaw Stock Exchange (WSE) in its most important indices: WIG20 – comprising stocks of the largest companies, WIG – comprising all companies of the Main Market of the WSE, and WIG Energia, comprising companies from the power sector, as well as

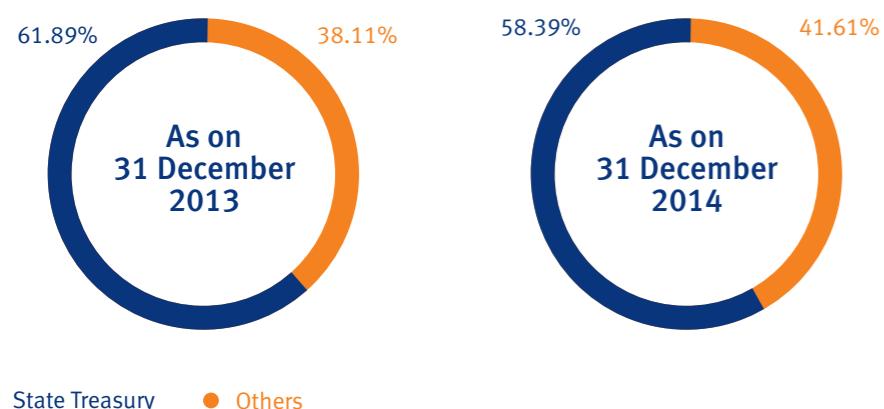
other popular international indices, including **MSCI** and **CETOP**. PGE was among 7 companies included in the WIG20 index, which in 2014 increased their capitalisation. PGE's stock gained 17%, and the result gave us 2nd place in the index.

Since 2011, PGE SA has been included in the RESPECT Index. It includes only the companies listed on the Warsaw Stock

Exchange and operating in accordance with the highest management standards in areas of corporate governance, information governance, and relations with investors, as well as with consideration for environmental, social, and ethical aspects. In 2014, PGE SA again has been in the group of 24 companies comprising the 8th edition of the RESPECT Index.

A-Z

Changes in the company's ownership structure in years 2013-2014



PGE has been granted credit ratings by two leading international rating agencies: Fitch and Moody's.

	Moody's	Fitch
Long-term rating of the company	Baa1	BBB+
Rating perspective	stable	stable
Date of the rating	2 september 2009	2 stember 2009
Date of last confirmation of the rating	-	23 may 2014
Date of last change of the rating	26 may 2014	-
Long-term rating of Poland	A2	A-



▲ PGE is included in the RESPECT Index for four years in a row.

Stable development

In June 2013, the company had issued domestic bonds for the total amount of PLN 1 billion. The demand from investors was three times bigger than the amount of securities offered.

Funds derived from the issue of bonds were used for the purchase of wind farms from DONG and Iberdrola.

In May 2014, PGE Sweden AB (a subsidiary of PGE SA) established the Eurobonds Issue Programme up to EUR 2 billion. The debt on account of the Eurobonds issue as at the end of 2014 amounted to EUR 638 million. The guarantor of the bonds issued by PGE Sweden AB is PGE SA.

PGE – a well managed company

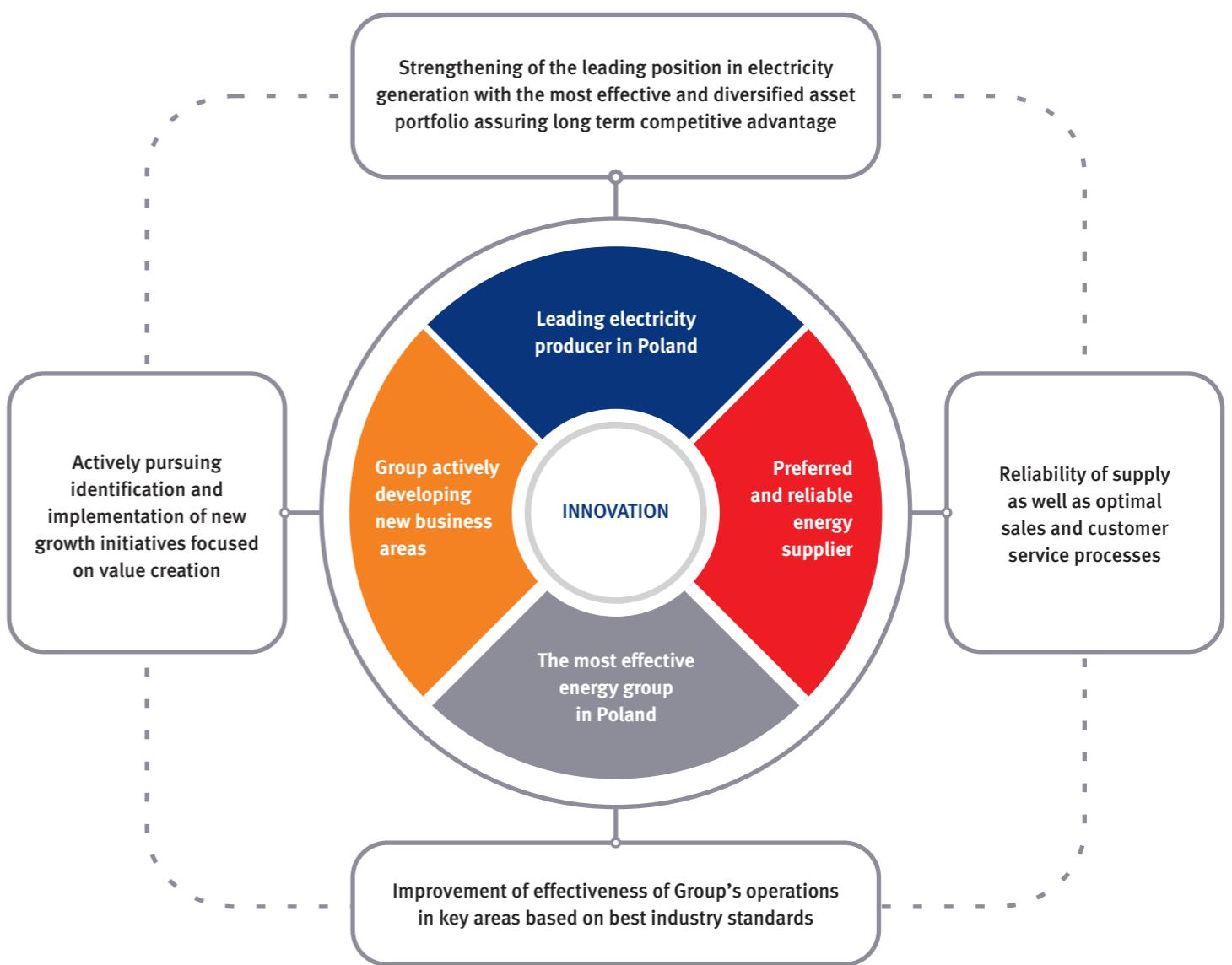
In response to new challenges on the energy market and to ensure the most effective management of our organisation, we have adopted the PGE Capital Group Strategy for 2014-2020. As the leader in electricity generation on the domestic market, we wish to base our growth on innovative solutions and effective performance. We are reducing electricity supply interruptions and extending the range of products offered.

In 2013, we have developed the "PGE Capital Group Operating Model". This document presents key principles of the process-oriented management at PGE Capital Group, in particular it sets out the division of tasks and responsibilities between the **Corporate Centre** (PGE Polska Grupa Energetyczna SA) and the **Business Lines** of the PGE Capital Group in management, operational, development, and supporting processes.

In 2014, the Operating Model was one of the key projects realised at the PGE Capital Group. Its continuation is planned for the next year.

Under the Operating Model, we have launched a portfolio of 51 projects with the expected result being the implementation of designed changes in the business processes at PGE. The key ultimate expectation of the Operating Model is to assure operation of all companies of PGE Capital Group as a single effective business organisation.

A-Z

PGE Capital Group Strategy for 2014-2020

The PGE Group Code

Within the framework of the process management system being developed at the PGE Capital Group, in 2014 the Management Board of PGE SA adopted the PGE Group Code – the fundamental document defining a new corporate governance model of the PGE Group. A “statutory mechanism” for managing the PGE Group companies was introduced, allowing their efficient and effective management, while minimising legal risks. A tangible benefit from implementation of the PGE Group Code is that it clearly defines the obligation of all PGE Group companies to act in Group’s interest, implement Group’s Strategy, and use the Management System Documents issued by the Corporate Centre. All Policies, Bylaws and General Procedures documents become binding for the Group’s companies upon their approval by the Management

Board of the PGE SA, and in case of the Distribution System Operator (DSO), after passing an additional review stage. One of the elements of development of the management support system at the PGE Capital Group was the commencement of implementation of a centralised and integrated SAP ERP (Enterprise Resource Planning) system in 2012. The implementation is performed in stages by PGE Systemy SA, and the entire project is managed by SAP Programme Bureau of the PGE SA. It is the biggest implementation of a SAP system in Poland.

In 2012/2013, thanks to PGE Systemy SA, an important stage of the programme of development of the Shared Services Centre (IT SSC) was completed. It fulfils the PGE Capital Group’s strategic objectives of cost and operations optimisation and improves the performance, security and reliability of

the ICT services.

Values and management standards

We make every effort to ensure equal treatment in employment, and to prevent discrimination and mobbing. An example of our commitment in this area is, among others, the Code of Ethics implemented at PGE EJ1 already back in 2011. It is a set of rules and universal values that govern the conduct of both the Management Board and the employees in their everyday and professional lives, i.e. law-abidance, transparency, reliability, professionalism, integrity, loyalty and tolerance.

PGE SA has implemented its Internal Anti-Mobbing Policy, communicated to all employees. Every employee can report any experienced or witnessed mobbing incidents.

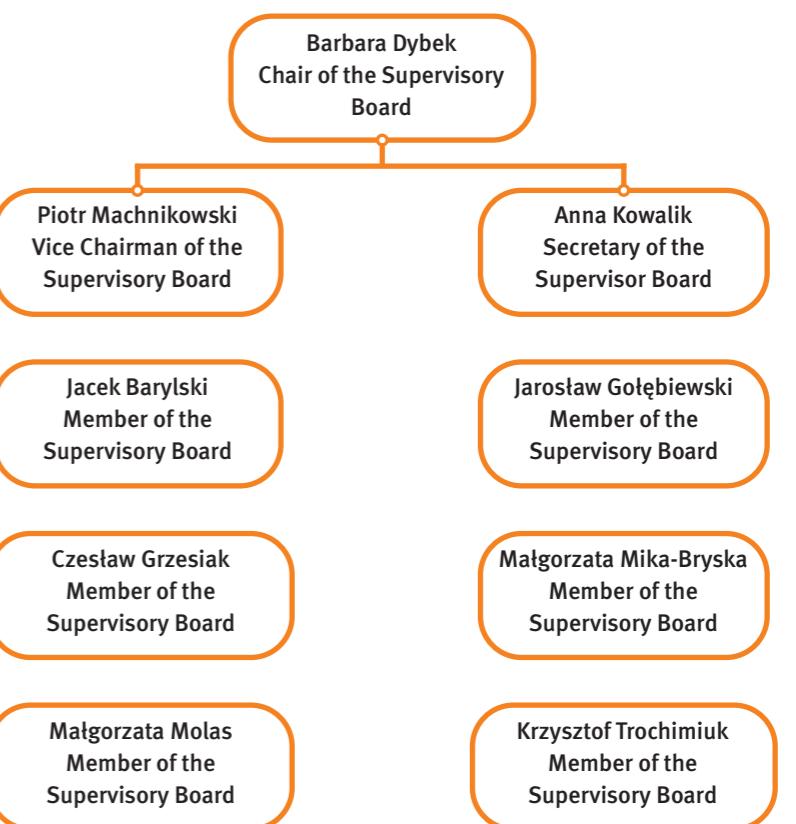
Governing bodies of PGE Group

The company governing bodies of the PGE Polska Grupa Energetyczna SA are: the Management Board, the Supervisory Board, and the General Meeting of the Company.

Members of the Management Board are appointed for joint, three-year terms. The Supervisory Board consists of five to nine members appointed and dismissed by the General Meeting. The Supervisory Board exercises ongoing supervision over all areas of business of the PGE Polska Grupa Energetyczna SA. Additionally, two members of the Supervisory Board meet the criteria of independence in accordance with the requirements prescribed in the Best Practices of Companies Listed on the Warsaw Stock Exchange.

There are four committees operating within the Supervisory Board: the Corporate Governance Committee, the Audit Committee, the Strategy and Development Committee and the Appointment and Remuneration Committee. Detailed information about the composition and tasks of the Committees may be found in the Management Board’s Reports on Activities of the Capital Group of PGE Polska Grupa Energetyczna S.A., available on <http://www.gkpge.pl/en> website in the Investor Relations tab.

Composition of the Supervisory Board as on 31 December 2014



Division of responsibilities at PGE Group compliant with the established operating model

Role of the Corporate Centre

- Development of the PGE Capital Group Strategy
- Management of the total margin in combination with optimal utilisation of generating units
- Supervision over and optimisation of the operations and investments of the PGE Capital Group
- Regulatory management, risk management
- Direct owner’s supervision over Group’s companies
- Providing support functions to the Group
- Development of innovation strategy and supervision over its implementation
- Building the image and brand of PGE
- Building the HR management strategy within the Group



Role of the Business Lines

- Focus on operations and investments
- Working on improvement of effectiveness of operating processes
- Supporting decision-making processes for which the Corporate Centre is responsible

Composition of the Management Board as on 31 December 2014



Risk management

Our comprehensive risk management process is based on the GRC (Governance - Risk - Compliance) Model concept, which makes it possible to adapt and integrate each of the Group's areas of activities at all levels of management. The management

covers non-financial – economic, social and environmental risks; as well as effective crisis containment (e.g. outages, accidents).

Continuous improvement of the management system guarantees minimisation of risks associated with the business of the PGE Group. The supervision over the process

is exercised by the PGE SA Risk Management Department.

Risks related to particular segments of business of the PGE Group are identified and kept within established limits through limiting negative effects of such threats and undertaking proactive or corrective measures, in accordance with the adopted cycle.

Risk management model



Fraud Prevention Policy

Our business is exposed to, among others, risk of fraud. In order to enforce a fraud prevention policy, we have implemented the Bylaws for Fraud Investigation, a set of principles forming a uniform and consistent system for detection and prevention of fraud.

Within the framework of the PGE Capital Group we have developed a system for reporting irregularities suggesting potential fraud. It enables any employee to report – also anonymously – any irregularity suggesting potential occurrence of this phenomenon. A similar validation procedure is also applied to any complaints coming from external sources that might indicate potential fraud.

Within the reported period, there were in total four cases of corruption confirmed in the Group. Three in 2013, and one in 2014. All these cases were disclosed at PGE Dystrybucja and concerned acceptance of material benefits in connection with illegal energy take-off or extortion of material

benefits under the threat of depriving a customer of electricity supply. In response to the incidents of corruption, the Company has undertaken appropriate measures and notified the relevant authorities. Cooperation with employees accountable for the conduct contrary to our principles has been terminated.

However, within the Group no incidents were detected where agreements with business partners were terminated or were not prolonged because of anti-corruption provisions infringement. There were also no monetary fines or non-monetary sanctions for lack of legal or regulatory compliance. For additional information see indicator EN29 on page 93 of this report.

Relations with suppliers

The procurement operations are governed by the Procurement Policy common for the PGE Capital Group, and by Procurement Bylaws in particular business lines.

PGE is centralising its procurement with the goal of streamlining and simplifying

processes, increasing transparency of procurement procedures, developing common standards for the entire Capital Group and achieving business benefits.

The procurement policy places emphasis on observance of high ethical, social and environmental standards by potential suppliers. In our procurement procedures we take into account the extent to which the contractors meet the above criteria. The companies of the PGE Capital Group are required to, among others, take into account the conflict of interests and data confidentiality principles when selecting suppliers.

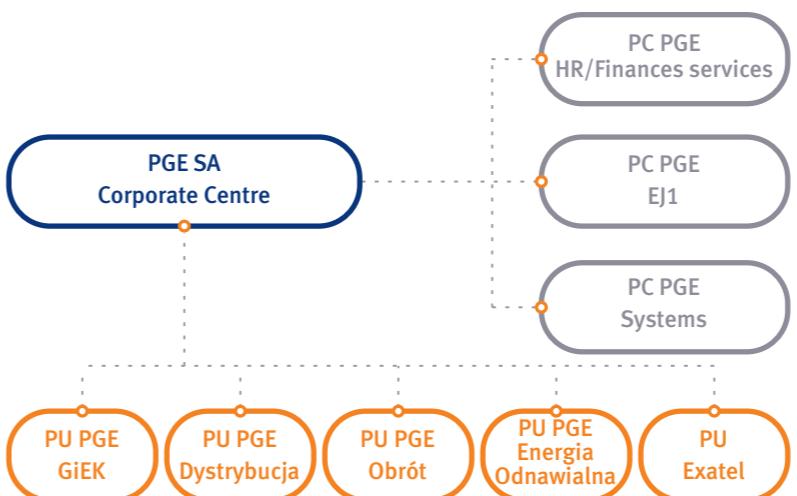
Our plans concerning the procurement policy include introduction of contractor assessments by the Group's companies. To this end the Group is implementing an IT tool that shall provide the functionality enabling such an analysis. In 2015, the plans provide for implementation of a new procurement system common to the entire Capital Group, which will ensure comprehensive and multi-level assessment of suppliers.

We are reducing the cyber risk

Since 2014, PGE Systemy SA, in accordance with the standards being implemented at the PGE Capital Group, has been running the Security Awareness Programme, under which the company is educating its employees, via the intranet among others, on proper behaviours on the web.

The purpose of the project by PGE Systemy SA is to introduce standards of conduct in cyberspace. All employees of the PGE Capital Group are required to observe the guidelines on safe Internet usage.

Structure of the procurement organisation at PGE Capital Group



- **Corporate Centre** – supervising the procurement area at the PGE Capital Group, executing the purchases
- **Procurement Unit (PU)** – carries out procurement procedures for the account of specific company
- **Procurement Coordinator (PC)** – only at companies that do not carry out procurement themselves

Our approach towards CSR management

We are aware of our impact on our business environment; this is why we manage every area of our business activities in a planned and structured way. In 2014, as a result of consultations with our internal stakeholders, we have developed the principles governing the management of the corporate social responsibility area at the PGE Capital Group.

Accomplishment of particular objectives is the responsibility of relevant business areas of the PGE SA as well as of dedicated departments of individual Business Line companies. The job of the CSR team is to streamline the activities related to corporate social responsibility throughout the entire PGE Capital Group and to develop and deliver programmes promoting the idea of CSR, and to take care of both the internal and the external communications.

Acting responsibly

The PGE Capital Group takes part in numerous initiatives related to corporate social responsibility. Since 2008 we have been participating in the UN Secretary-General's Global Compact Initiative. Every year PGE prepares a report on its progress in compliance with the rules of Global Compact. All the reports are available on the project's website.

In April 2014, PGE SA has signed the Code of Good Practice promoting fair competition on the energy market. The project is a response to growing numbers of customer complaints about unfair practices of commercial representatives of some energy supplier businesses. The initiative was organised by the Polish Association of Energy Trading. The Code of Good Practice has also been signed by all other major energy suppliers in Poland.

Responsibility of PGE Group in the business strategy

Security of supply



Sustainable development



Corporate Social Responsibility



Key directions of PGE Capital Group's corporate social responsibility activities



Our membership in associations

We take part in the proceedings of numerous international organisations and associations. As a member of the Polish Electricity Association (PKEE) we belong to EURELECTRIC. This association represents the interests of the European electric power industry and is an authority on the European energy sector. Participation in this initiative allows us to obtain the latest information and share our knowledge. It also provides opportunities for influencing the Eurelectric's position on issues related to European legislation. Being part of the Polish Member Committee of the World Energy Council (WEC) we play the leading role in shaping policies and indicating directions of activities of this organisation. The Governing Board of PKEE includes the President of the PGE SA's Management Board Marek Woszczyk and the Vice-

President of its Management Board for Development Dariusz Marzec. We belong to such Polish energy industry organisations as: the Polish Chamber of Power Industry and Environment Protection, the Polish Association of Energy Trading and the Association of Polish Electrical Engineers.

We participate in the proceedings of business organisations, including the Employers of Poland, which allows us to engage in decision-making processes related to energy and participate in trainings. Furthermore, as a member of the Polish Association of Employers of the Energy Industry, we can nominate representatives of employers to the Tripartite Commission for the Energy Industry and participate in all initiatives for creation and development of government programmes. We are also a member of the Polish Association of Listed Companies and the Polish National Chamber of Sport.

In turn, PGE Energia Odnawialna and PGE Energia Natury are members of the Polish Wind Energy Association – an organisation supporting and promoting development of wind energy, with the aim of creating favourable conditions for investing in wind energy in Poland and for ongoing growth of utilisation of wind as a clean source for generating electricity.

Our companies are active on local, nationwide, as well as on foreign markets. We engage in the proceedings of 25 various institutions, for example: EURACOAL, VGB PowerTech, Boruta Zgierz Industrial Park, Staropolski Chamber of Industry and Commerce, Entrepreneurship Development Centre Foundation, Foundation for Development of Wrocław University of Technology, the Lower Silesian Health Care Development Foundation, the Lubusz Association for Energy Industry Development.

Our selected awards and distinctions

- In 2014, PGE SA took the first place in the Top Brand ranking.
- PGE Obrót was awarded the "2014 Pillar of the Polish Economy" title, reserved for companies that support development of entrepreneurship in their business.
- In 2013, PGE GiEK SA received the "Leader in Air Protection – Leader in Emissions Reduction in Industry and Power Sector" awarded by the District Fund for Environmental Protection and Water Management in Łódź.
- PGE Polska Grupa Energetyczna received the title of the "Pearl of Polish Economy", taking the 1st place in "Great Pearls" category in the 12th edition of the ranking by the POLISH MARKET magazine.
- First place for PGE Obrót in the "Golden Hundred" ranking of the Biggest Companies of Subcarpathian Region (2013).
- PGE Dystrybucja was the biggest company of the Lublin District in 2013 and 2014.
- In 2014, PGE Polska Grupa Energetyczna took the 4th place in the "Leaders in Philanthropy" competition, among companies that donated most funds for charitable purposes in the preceding year.
- Top rank for PGE SA investor relations in 2013 according to Thomson Reuters Extel.
- PGE Obrót was granted the "Customer Friendly Company" emblem for "professionalism, integrity and reliability" twice – in 2013 and 2014
- The PGE GiEK Branches – Bełchatów Power Plant and Turow Lignite Mine were awarded the "2014 Pillar of Polish Economy" titles in the 9th edition of the ranking by the editors of "Puls Biznesu" daily and "ARC Rynek i Opinia" research company.
- Third place for PGE investor relations according to IR Magazine in 2013.
- "Platinum Megawatt" to PGE GiEK in 2014, third year in a row, an award granted by the management board of Polish Power Exchange for the most intense business on the Electricity Markets.



INVESTMENTS ENVIRONMENT SUSTAINABLE DEVELOPMENT>

[Investing
in a safe
future]



The PGE Group generates electricity using domestic fuel resources and supplies it to over 5 million individual and business customers in Poland. Under a development programme valued at about PLN 50 billion we are building, among others, new power generating units, which are replacing older and less efficient ones. We are investing in distribution networks, constantly increasing their performance and the security of supply. We are the leader in production of renewable energy in Poland. We make sure we preserve biodiversity by reclaiming land in the areas around our assets.

Stakeholders' expectations from the dialogue session:

- defining the economic, social and environmental impact of the PGE Capital Group on its environment, describing the mutual relations of the impacts on the natural and the social environments with regards to PGE Capital Group's investments, presenting impact indicators;
- informing the local communities about our investment plans more in advance;
- standard/strategy of social dialogue and communication of investments (also at the investment planning stages);
- compensatory measures applied as result of comprehensive assessment of environmental impact of the PGE Capital Group.

Key figures:

- about **38%** of energy produced in Poland is generated by PGE, making us the energy generation market leader.
- **2.32 TWh** – is the volume of energy we have produced from **renewable energy sources (RES)** in 2014



◀ We strive for our hydroelectric power plants to become local tourist attractions.

How we understand our responsibility

We implement investment projects that are of key importance to the security of energy supply in Poland, utilising the best solutions available on the market. Before commencing any investment we analyse the scope of its influence on its environment and strive to minimise its impact on the natural environment. At this stage we also plan specific future activities aimed at reclamation of the land after PGE ceases its business at a site. An important stage preceding commencement of any investment is the dialogue with local communities. We advise them on the future impact on the environment resulting from the nature of our operations, and at the same time present the positive aspects of the investment, such as e.g. development of their region or creation of new jobs.



Strategy for development

In 2014, the volume of energy we produced in power plants, combined heat and power plants, and from renewable energy sources, was nearly 55 TWh – that is about 38 % of the net production in Poland. Currently lignite, hard coal, natural gas and biomass are the primary fuels used for production of electricity and heat by the **generating companies** belonging to the PGE Group. We are the biggest producer of green energy in Poland, with a 12% share in the RES market.

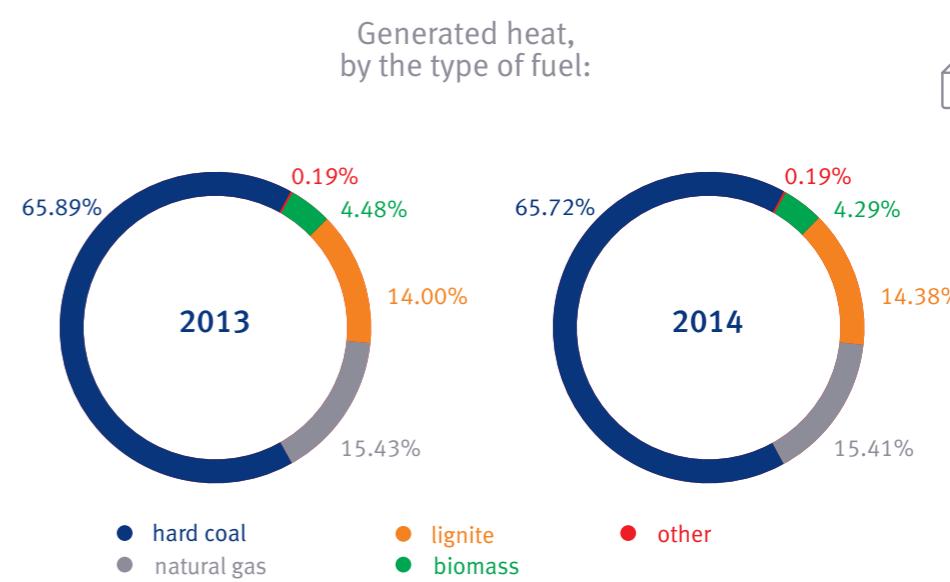
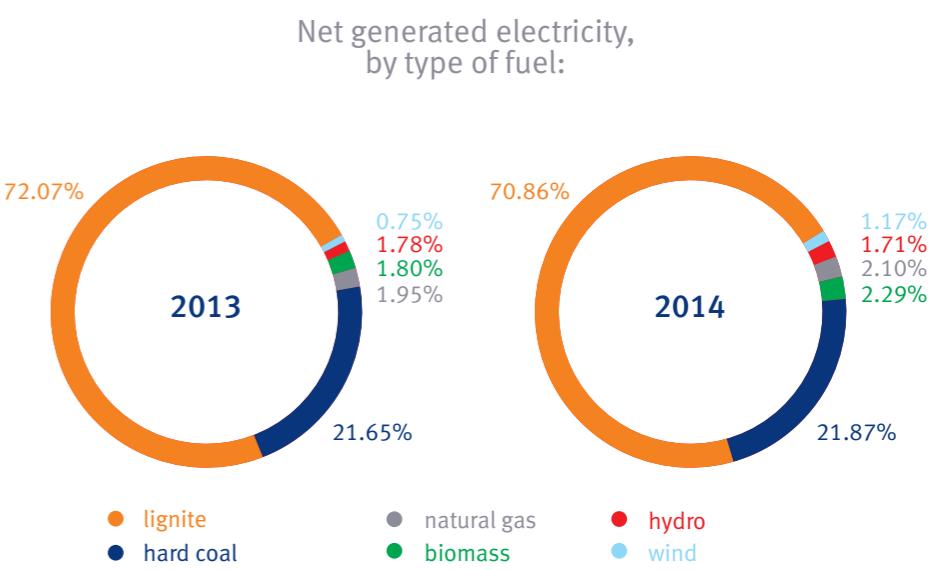


▲ Our generating units meet the requirements imposed by the environment protection regulations.

During 2014-2020 we plan to earmark about PLN 30 billion for modernisation of the existing and construction of new conventional and RES generating assets.

In 2014 we were conducting several overhaul and modernisation projects at the Turów Power Plant and at the Bełchatów Power Plant, causing a 5 % decrease of electricity production by lignite fired units in comparison to 2013. Due to reinstatement of support for high efficiency cogeneration, in 2014 we increased the production using natural gas at the Rzeszów CHP. The support was restored in May 2014, so the full effect is not observable yet. Increase of production of renewable energy by about 50 % in wind farms results from construction of new wind farms, among others. In 2014 we have commissioned the Wojciechowo Wind Farm thus increasing our installed capacity by 28 MW.

In accordance with our business strategy and the global trends, our operations in the generation area will be focused on increasing the RES generation volume and implementing the best available technologies in our investment projects.



Well-planned investments

In the planning process we take into account our impact on the environment and minimise the scale of our influence on the surroundings. We always consult our plans and new investments with the local communities, local authorities and non-governmental organisations.

New conventional generation industry

Meeting the European environmental requirements is a big challenge to Poland's power sector. Over 44% of all its generating capacities are in service since more than 30 years. Another 33% have a history of 20 years of energy generation. The average age of generating units owned by the PGE Capital Group is about 26 years, the youngest compared to other energy producers on the Polish market.

Studies by experts conclude that coal will for a long time remain the key resource used for energy production in Poland, in this way ensuring the security of supply. For this reason we are making numerous efforts aimed at modernisation of currently operating generating units, as well as construction of new generating capacities that shall meet the highest environmental standards.



▲ The total installed capacity of all PGE Capital Group's generating assets was 12.55 GW in 2014.

Impact of PGE's key investments in the areas of mining, generation and distribution

Segment	Mining	Generation	Distribution
Companies involved	• PGE Górnictwo i Energetyka Konwencjonalna	• PGE Górnictwo i Energetyka Konwencjonalna • PGE Energia Odnawialna • PGE Energia Natury	• PGE Dystrybucja
Investments	• construction of the overburden line at the Bełchatów Lignite Mine	• construction of new units at the Opole Power Plant • construction of a new unit at the Turów Power Plant • construction of a new unit at the Gorzów CHP • modernisation of units 7-12 at the Bełchatów Power Plant • construction and modernisation of desulphurisation and flue gas denitrification installations • investments in renewable energy sources	• replacement of power transformers • gradual implementation of smart meters • extension and modernisation of the electrical grid • construction and modernisation of HV/MV and MV/MV distribution substations
Impact	Positive: <ul style="list-style-type: none"> securing future demand of the Bełchatów Power Plant for lignite increasing revenues on lignite sales Negative*: <ul style="list-style-type: none"> increasing the pace of exploitation of non-renewable deposits 	Positive: <ul style="list-style-type: none"> increasing the production volume, while reducing the impact on natural environment, with particular focus on the emissions level minimising the operational risk through diversification of generating capacities portfolio creation of new jobs 	Positive: <ul style="list-style-type: none"> decreasing the electricity volume required for coverage of grid losses providing customers with modern tools for monitoring their individual energy consumption

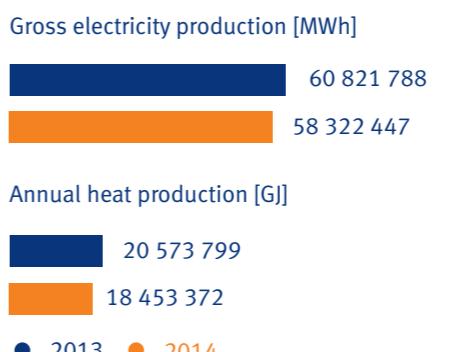
* Information about our efforts to minimise this impact is presented further down in this chapter

In February 2014, construction of two hard coal fired generating units was commenced at the Opole Power Plant. Thanks to construction of highly efficient conventional units generating electricity from domestic resources, Poland's energy supply security will be improved. The project will also have a positive impact on the development of the Opole-Silesia region. Apart from economic advantages, the investment will allow for reducing carbon dioxide emissions by about 25% in comparison with the emissions from existing hard coal units.

Future years will witness intensive construction and assembly works. Commissioning of the first unit is scheduled for Q2 2018, and of the second unit - for Q1 2019. The investment will allow satisfying the energy requirements of more than 4 million households.

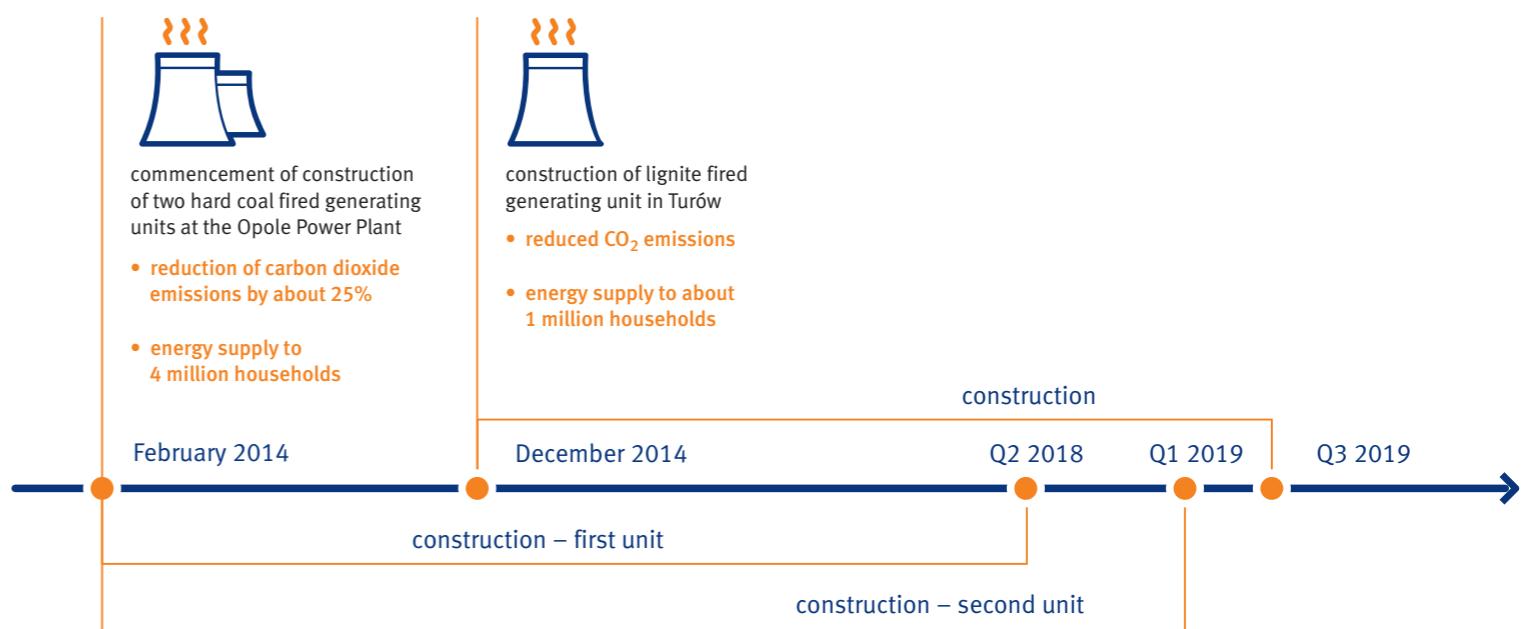
Another project is the construction of lignite fired generating unit in Turów, commenced in December 2014. The new unit shall replace the decommissioned units, whereas technical parameters of the new installation shall meet the current environment protection requirements imposed by domestic law and EU directives. The process of electricity and heat production will also be more environment-friendly – the generation technologies utilised shall allow for reduction of CO₂ emission levels, among others.

Electricity produced by the new unit will be sufficient to satisfy the needs of about 1 million households. The new unit will be commissioned in Q3 2019. During 2014-2020 we shall spend about PLN 16 billion on modernisation of existing generating units. These funds will be spent on increasing their installed capacities and efficiency, as well as on reduction of emissions of sulphur oxides, nitrogen oxides, and dust. The effects of our efforts are also visible in the short term perspective. Thanks to ongoing modernisation work, we were able to reduce energy consumption by the production processes, both for electricity and for heat.



▲ The excavated spoil from the Bełchatów Mine was used to form the 190 metres high Kamieńsk Mountain.

Construction progress of new units at Opole and Turów power plants



Stakeholder dialogue about investments

Dialogue is an integral part of our investment processes. For this purpose we use various forms of communication, which we match to particular groups of addressees. We engage in the dialogue through meetings and workshops, information campaigns and educational activities provided over the Internet.

In response to the needs of the local communities, we have created the <http://www.blok5i6.pl> website. Visitors can download, among others, the information brochure and study the details of the investment in Opole.

Educational activities undertaken by PGE EJ1 are another example of how we engage in the dialogue. They are aimed at spreading knowledge about nuclear power and dispelling the myths related to this type of energy. For more information on this topic see the chapter *Close to local communities* on page 68.



▲ The purpose-developed www.blok5i6.pl website features live progress of construction of the new units



▲ The cornerstone for the construction of units 5 and 6 in Opole was laid on 3 November 2014.



▲ Wind energy is produced in our 10 power plants located throughout Poland.

Electricity from nuclear power

In January 2009, pursuant to the resolution of the Council of Ministers, PGE Polska Grupa Energetyczna was designated as the leader in the preparation and realisation of the Polish Nuclear Power Programme. To this end, the special purpose vehicle PGE EJ 1 has been established, which implements the stages of preparations for the investment, prescribed in the Programme.

Our tasks as the investor include performing site and environmental surveys, selecting the location for the nuclear power plant, selecting the supplier of the reactor technology, developing the technical design and obtaining required permits and administrative decisions. Realisation of the Polish Nuclear Power Programme at its current stage means that we also have to develop, in collaboration with Polish scientific and research centres, the programme of development of staff and competences in nuclear power. Implementation of the

programme will involve not only construction of nuclear power plants, but will also provide a stimulus for economic and social development of the region. In January 2014, PGE EJ 1 has signed a collaboration agreement with the local governments of Pomeranian District and Pomeranian communes where the power plant might be built. At two locations, "Choczewo" and "Żarnowiec", the site and environmental surveys are currently being performed, which will lead to selection of the final location of the first Polish nuclear power plant. The surveys are performed by PGE EJ 1 with support of PGE Capital Group and in collaboration with, among others, Polish subcontractors.

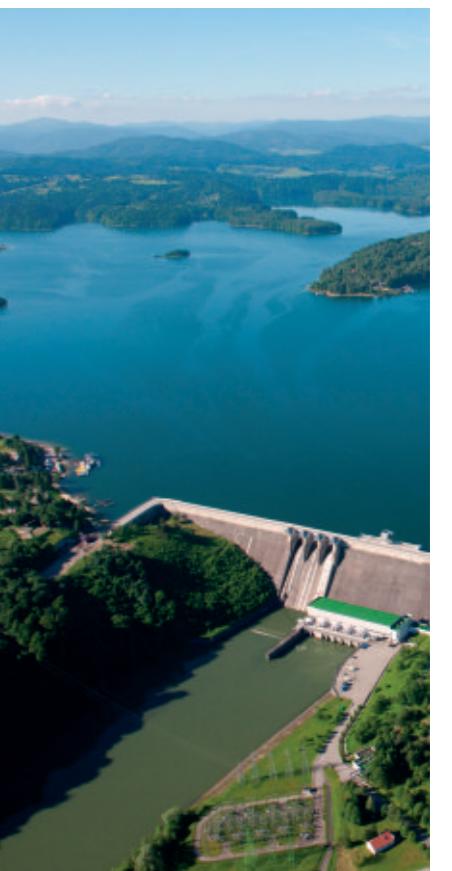
Energy the natural way

We generate 12% of energy from renewable sources in Poland and we wish to keep expanding this line of our business. We have commissioned two new wind farms – in 2013 the Resko I Wind Farm with 14 MW capacity, and in 2014 the Wojciechowo Wind Farm with capacity of 28 MW. In addition the wind farms acquired in H2 2013 from two companies – the Danish

DONG Energy: Karnice and Jagiątkowo wind farms and Spanish Iberdrola: Galicia, Malbork and Kisielice wind farms, have increased the capacity of our wind farms by 131 MW.

In September 2014, we commenced the construction of the 90 MW Lotnisko wind farm, which is the biggest RES investment project under the PGE Capital Group's Strategy. Apart from the Lotnisko wind farm, by the end of 2015 another three wind farms will be built by the PGE Capital Group:

- Resko II, with capacity of 76 MW
- Karwice, with capacity of 40 MW
- Kisielice II, with capacity of 12 MW.



▲ Our 33 hydroelectric power plants have a total capacity of 1 604 MW.

Security and comfort of our electricity customers

In line with the PGE Capital Group's business strategy for 2014-2020, PGE Dystrybucja is planning to earmark close to PLN 12 billion for investments in power infrastructure, 18% of which is to be spent on construction or modernisation of medium voltage networks, and 27% on connecting new customers.

 Besides growth oriented activities, our key objective is to reduce the **SAIDI**.

In 2013-2014, PGE Dystrybucja has spent over PLN 2.8 billion on extension and modernisation of power lines and substations as well as on implementation of state-of-the-art solutions.

These were the biggest investment expenditures in company's history. The realised investments are contributing to improvement of quality parameters of energy supply and reduction of the network operation costs.

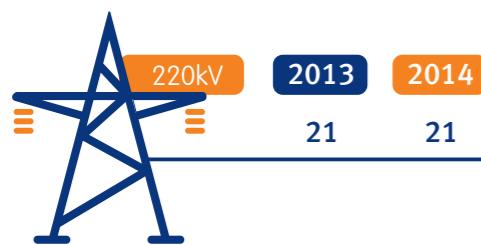


▲ We strive to assure reliability and continuity of supply to our customers.

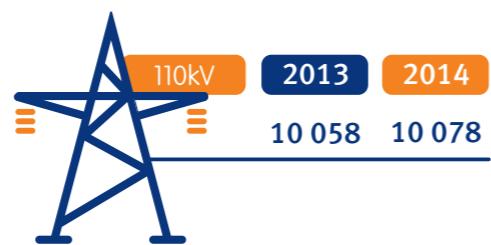
An example of project aimed at reduction of the SAIDI is the investment and modernisation programme by PGE Dystrybucja Warsaw Branch, commenced in 2013. Its implementation over 2013-2016 provides for numerous investments in the power

infrastructure valued at PLN 244 million. This programme is extremely important to us. This Branch serves an area of 18 299 km² (5.85% of the territory of Poland), supplying electricity to 48 cities and 148 communes in the Masovia District.

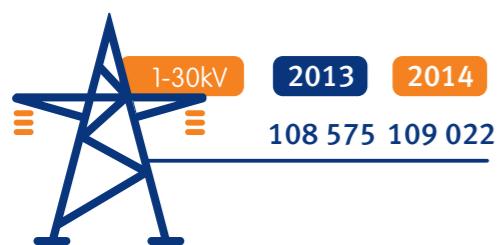
Length of the overhead and cable lines by voltage [in km]



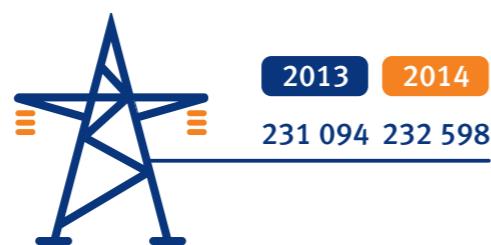
extra-high voltage lines (220kV)



high voltage lines (110kV)



medium voltage lines (1-30kV)



low voltage lines with service connections

Managing our environmental impact

In 2014 we have adopted the Environmental Protection Policy of the PGE Capital Group. We have also introduced the Integrated Management System Model at PGE GiEK that, among others, includes the Environmental Management System compliant with PN-EN ISO 14001 standard.

Environmental Management Systems were already in operation at:

- Bełchatów Lignite Mine,
- Bełchatów Power Plant,
- Turów Power Plant,
- Opole Power Plant,
- Dolna Odra Power Plant Complex,
- Bydgoszcz CHP Complex,
- Lublin Wrotków CHP,
- Gorzów CHP.

The unified Environmental Management System is designed to streamline the documentation and improve the effectiveness of environment protection management.

Among others, we are now centrally managing the environment related issues at all company branches. This documentation is regularly updated during annual reviews. In addition, in 2014 at the Dolna Odra Power Plant Complex the EMAS PI:2999 system was again positively validated.

The branches of PGE GiEK are also running laboratories accredited by the Polish Accreditation Centre for quality management system and, among others for methods of testing coal, slag and ash in conformance

Direct greenhouse gases emissions

Emissions [in tones of CO₂]

	61 292 160
	58 664 934

Allocations of emissions allowances [in tonnes of CO₂]

	32 673 070
	30 021 460

Coverage of emissions with free emissions allowances [in %]

	53%
	51%

● 2013 ● 2014

with the PN-EN ISO/IEC 17025:2005 standard. These laboratories perform testing for purposes of emissions trading, among others.

Reducing our impact

As a result of the measures taken under the PGE Capital Group Strategy for 2014-2020, we shall reduce the CO₂ emissions related to electricity generation by our Group with, among others, the planned investments in diversification of the fuel mix and commissioning new highly efficient generating units.

Weight of key atmospheric emissions [in tonnes]:

NOx

	73 097
	62 996

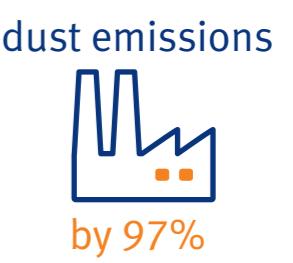
SOx

	102 646
	99 701

Suspended particulate matter

	3 453
	2 973

In recent years, the power plants of PGE Capital Group have already reduced:



▲ Lignite is our primary fuel for electricity generation.

Further investments in low-emission technologies, including renewable sources, after 2020 will be to a significant extent driven by the new EU climate policy framework requiring the Member States to meet an overall target of 40 % reduction of emissions by 2030 (compared to 1990).

In June 2014, a new nitrogen oxides emissions reduction installation was commissioned at the Opole Power Plant, allowing us to achieve NOx emissions levels below 200 mg/Nm³ (in line with the IED Directive).

Another investment aimed at reduction of

the sulphur dioxide emissions is the construction of wet flue gas desulphurisation system at the Turów Power Plant, commenced in July 2014. This technology allows reducing the SO₂ emissions below 200 mg/Nm³ of flue gases, as well as reducing dust emissions to the atmosphere. The system is to be commissioned in December 2015.

Monitoring our environmental impact

An integral part of our investments is the process of analysing the surroundings and natural environment, and its results will allow us to plan appropriate rehabilitation

of sites after completing investments. Since more than a dozen years, the Bełchatów Power Plant is monitoring the forests in the region on which it has an impact. A study performed as part of the generating units' modernisation project has shown that our operations have a marginal impact on biodiversity of the terrains surrounding the power plant, and the planned installations will even further reduce this impact on the existing flora and fauna.

The research team performing the study at Turów Power Plant came to similar conclusions.

Stages of rehabilitation of post-mining land:



Preparatory stage

- development of the design and cost estimates of rehabilitation



Basic rehabilitation stage

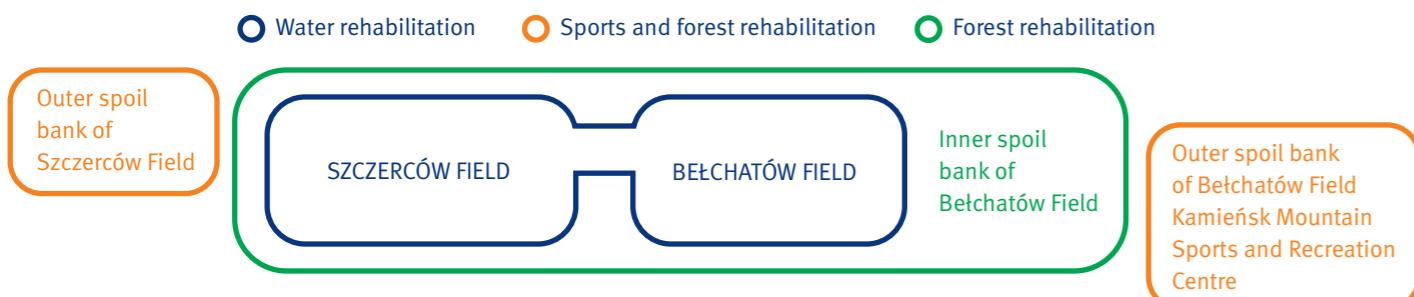
- shaping the spoil bank,
- construction of system of roads and ramps ensuring communication with the adjacent areas,
- construction of surface drainage systems;



Advanced rehabilitation stage

- introduction of herbaceous vegetation
- planting trees (10-14 thousand saplings per 1 hectare of land),
- plant care

Land reclamation plans in the vicinity of Bełchatów



In 2049 two lakes will be formed with the following capacities:

- about 1.5 billion m³ – Bełchatów
- about 1.25 billion m³ – Szczerów



▲ Every year our forest planting initiatives attract also pupils and scouts.

Preserving biodiversity

We also take measures to protect birds from electrocution. We build insulated overhead lines and special bird nest platforms on electric poles.

An example of our commitment to preserve biodiversity is the project by PGE Dystrybucja aimed at protection of white stork species. The company is installing special metal structures on its power lines that elevate the bird nests above the power conductors. So far over 21 thousand such structures were put in place. Our experience shows this to be effective – in more than 90% of cases the birds build nests on the platforms.

PGE Energia Odnawialna is monitoring birds and bats on its wind farms with the aim of determining the actual impact of wind turbine operation on these animals.

We also use special markings on the tips of wind turbine rotor blades, making the potential obstacle more noticeable.

We are gradually consistently rehabilitating all post-mining land of the Bełchatów Lignite Mine. So far we have planted 20 million trees and shrubs of more than 100 species. We have created a network of watercourses exceeding 200 km in length and 150 sedimentation and retention reservoirs. Another example is the Kamieńsk Mountain, which has been heaped up from 1.4 billion m³ of overburden from the opencast in Bełchatów Lignite Mine. After completion of rehabilitation work and afforestation, this man-made hill today is an attractive all-year-round active leisure site for the local community. The reservoirs on the Widawka River – Wawrzkowizna and Słok lakes – are water sources for the Lignite Mine in Bełchatów, and at the same time an ideal place for sailors and anglers. After the end of production at the Bełchatów Mine two new lakes will be formed.



▲ The Kamieńsk Mountain now is a full-fledged ski resort in central Poland.

Forest full of energy

The “Forest full of energy” project is an in-house idea by PGE Dystrybucja company, implemented in collaboration with the Regional State Forest Directorates.

The initiative was realised at 7 locations, near Łódź and Zamość, as an environmental compensation for cutting down trees in electric grid corridors. In total about 700 persons took place in the event and planted more than 40 thousand pine, spruce and oak saplings.



“Forest full of energy” is great fun to me personally. These are real, very tangible activities, which support development of the natural environment around us. They build a positive image of our company in local communities, especially among the younger generations.

What I enjoy most is when the teenagers taking part in the planting speak of the trees they have just planted as “their trees”.

It is a pleasure to see these young people trying to note the exact locations of the places they can come back to in some years time with their families, proudly showing them “their forest”.

Bożena Matuszczak-Królak
Communications Specialist
PGE Dystrybucja S.A., Łódź-Miasto Branch



RESEARCH CHALLENGES DEVELOPMENT

SCIENCE >

[Innovatively
about the
energy sector]



We are constantly looking for new development directions and business opportunities. We seek innovative ideas inside our organisation, but also in collaboration with external partners. We have concluded an agreement with the National Centre for Research and Development on collaboration in R&D projects.

Stakeholders' expectations from the dialogue session:

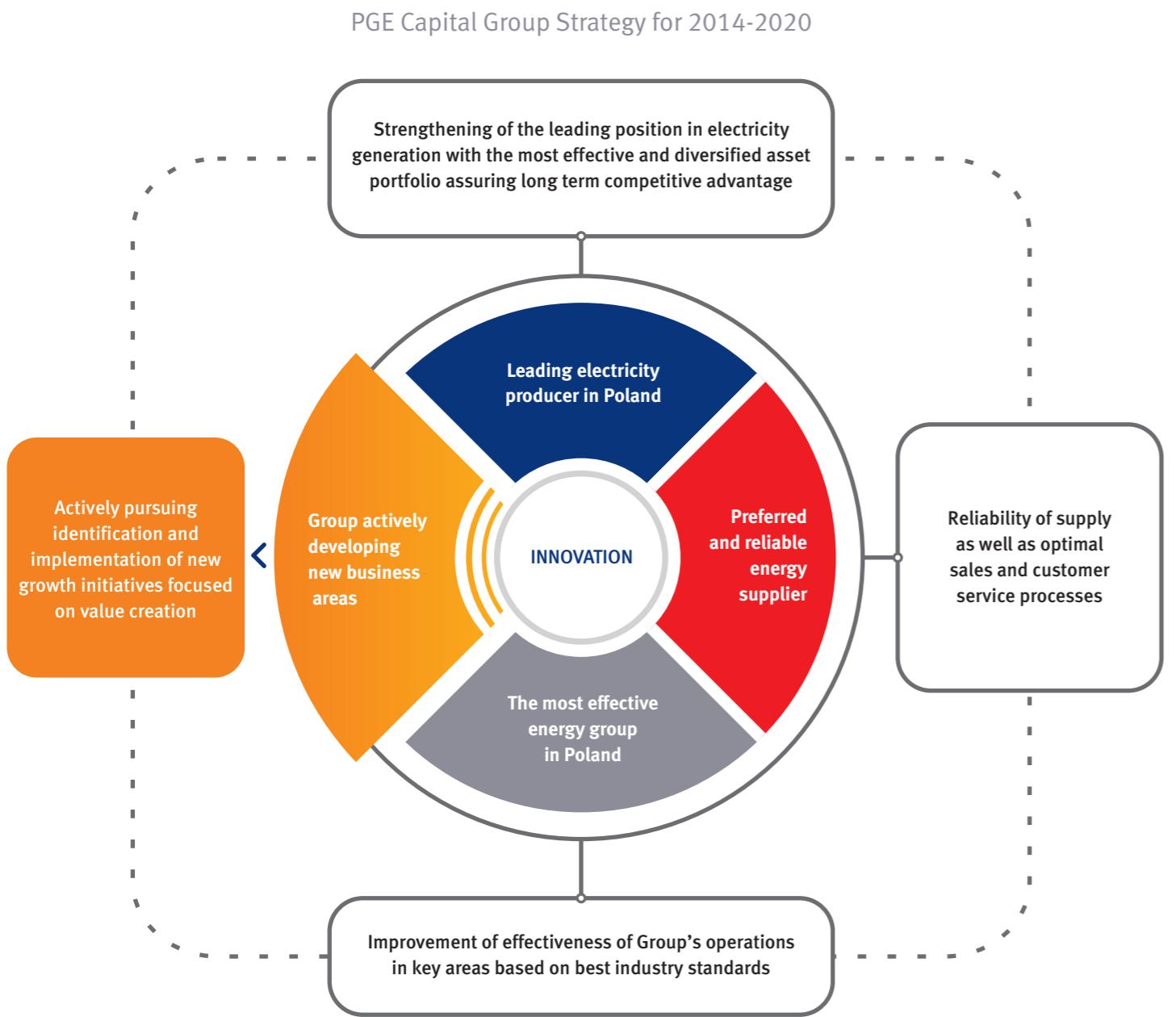
- taking into account and communicating innovative and intelligent solutions, including technology solutions, in all dimensions of PGE Capital Group's business and CSR activities.
- establishing "innovation development partnerships" – collaboration with higher education institutions and other external entities.
- conducting information campaigns on opportunities for collaboration with PGE Group in the R&D.
- influencing the directions and development of research and scientific communities in Poland through indicating the expected business needs and technology areas for which funding will be planned in future (e.g. CO₂ reduction research).

Key figures:

- **32 research and development projects** in total in 2014 in the area of mining and conventional generation.
- At least 1.5% of consolidated net annual profit is to be allocated yearly by PGE to research and development activities commencing with 2015, at the same time benefiting from the Polish and EU support funds.

How we understand our responsibility

We are aware that with business reality changing so fast, investments in innovations are a condition for maintaining competitive advantage. In our strategy we have set goals focused on innovativeness. In order to accomplish them, we engage in the process of creative approach towards the challenges we face not only our employees and renowned scientific institutions, but also other businesses.



Strategic approach to innovativeness

Innovativeness is the focal point of the PGE Capital Group Strategy for 2014-2020, which provides for accomplishment of specific tasks in four areas: generation, distribution of energy, improvement of effectiveness, and identification and accomplishment of new development initiatives.

We have undertaken numerous activities aimed at enhancing the innovativeness of the entire organisation and preparing it to successfully obtain money for research and

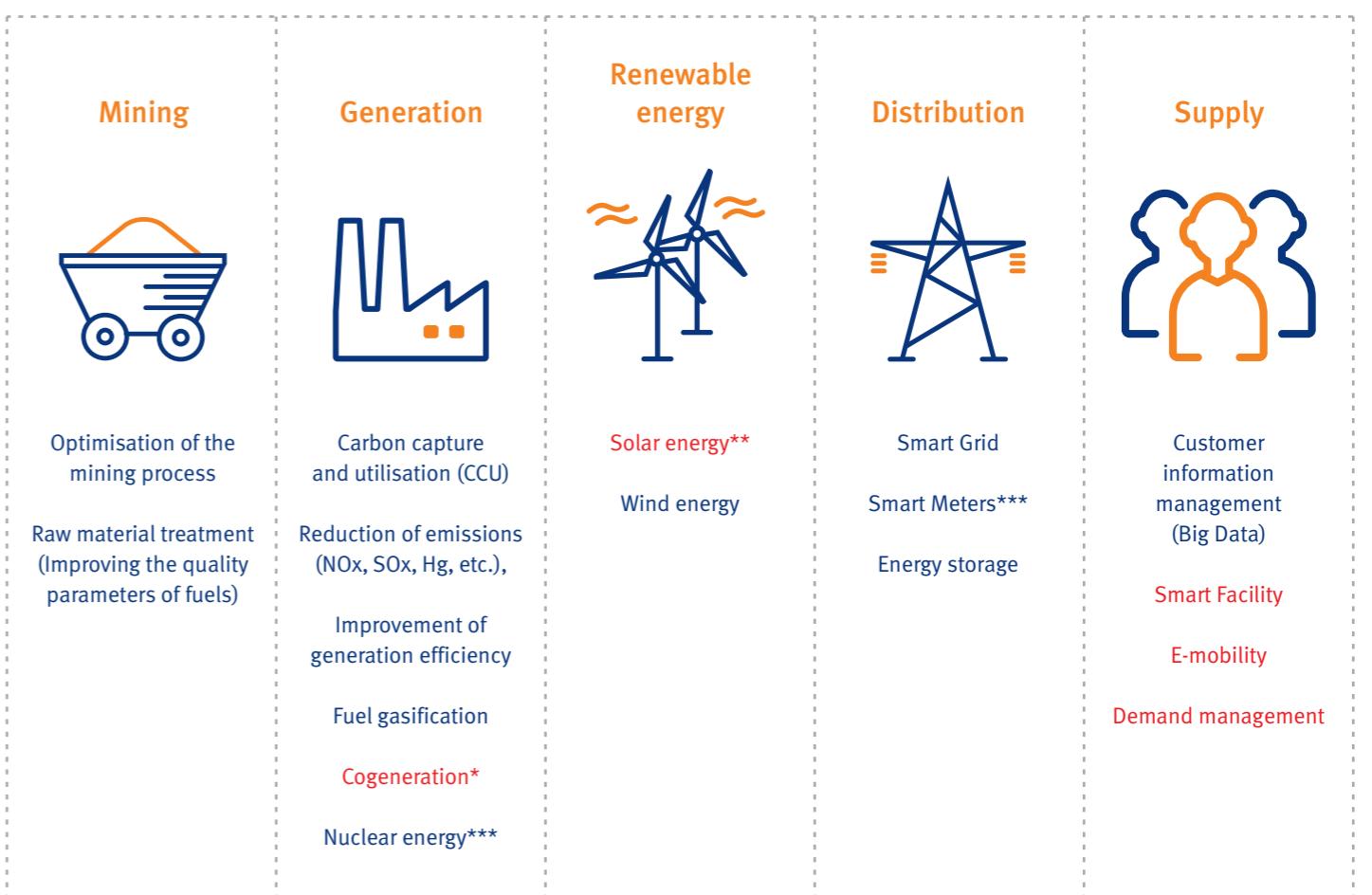
development activities from the support funds. The starting point was the implementation of the Bylaws on Development of Business and Innovations in PGE Capital Group, which constitute the basis for initiating and managing research and development projects in the entire Group. This document specifies the principles for PGE Group's uniform approach towards identification, selection and execution of R&D projects.

Also, the Committee for Development of Business and Innovation in PGE Capital Group was established, whose main task

is to support the decision-making process, in particular in the area of selection and allocation of funds for research and development initiatives.

We have also defined the Strategic Areas of Research and Development & New Business (SARD&NB). We intend to conduct research and development and innovative projects related to e.g.: providing new products or services. The SARD&NB result from the major challenges faced by the Group and have been identified for each element of our value chain indicated in the Strategy for the 2014–2020.

The SARD&NB set out the functional areas of the PGE Capital Group that are most significant due to strategic goals, wherein the R&D&I projects will be conducted



● SARD

● New Business

* Cogeneration within the New Business areas understood as "Micro-cogeneration"

** Solar energy within the New Business areas understood as "Prosumer photovoltaics"

*** Areas additionally highlighted as strategic from the point of view of the development of PGE Capital Group, in which the Group plans to carry out R&D activities

Together means better and more effectively

In order to increase the effectiveness of the research and development and innovative projects, we collaborate with external domestic and foreign partners, whose knowledge and experience complement the competences of the PGE Capital Group.

The potential lies in research programmes

The PGE Capital Group, within the framework of the consortium led by the Polish Electricity Association, has prepared and submitted to the National Centre for Research and Development a feasibility study for the Power Sector Research Programme (PSRP).

The assumptions of the Power Sector Research Programme are:

- conducting projects actually responding to the needs of the power sector in Poland;
- orienting the research communities on work on challenges identified by the industry;
- taking advantage of research potential and industrial and scientific collaboration with large and small companies;
- facilitating commercialisation of products that emerge from the PSRP.

The expected launch date for the Programme is H2 2015. It still requires agreement of its final thematic scope and budget with the National Centre for Research and Development.

Furthermore, in 2014 PGE concluded with the National Centre for Research and Development a letter of intent concerning collaboration in supporting commercialisation of scientific research or development work for the power industry. Our collaboration with the National Centre for Research and Development is aimed at developing and implementing innovative technologies, materials, products or services in the power industry, and ultimately increasing the competitiveness of the PGE Capital Group as a significant player on the Polish and the European markets.

Another example of our involvement in cross-sector collaboration for innovativeness is the participation of PGE GiEK in the



▲ Since several years we have been the Partner of Innovation Forum in Rzeszów. During the event we are presenting, among others, the PGE Interactive Energy Laboratory.

scientific and research consortium conducting the research project "Designing Oxygen Combustion Technology for Pulverised-Fuel Boilers and Fluidised Bed Boilers Integrated with a CO₂ Capture System" within the framework of the "Advanced Techniques of Energy Generation" programme financed by the National Centre for Research and Development. Project partners include power industry companies, universities and scientific and research institutes. The main goal of the programme is to indicate the directions of development of clean coal technologies.

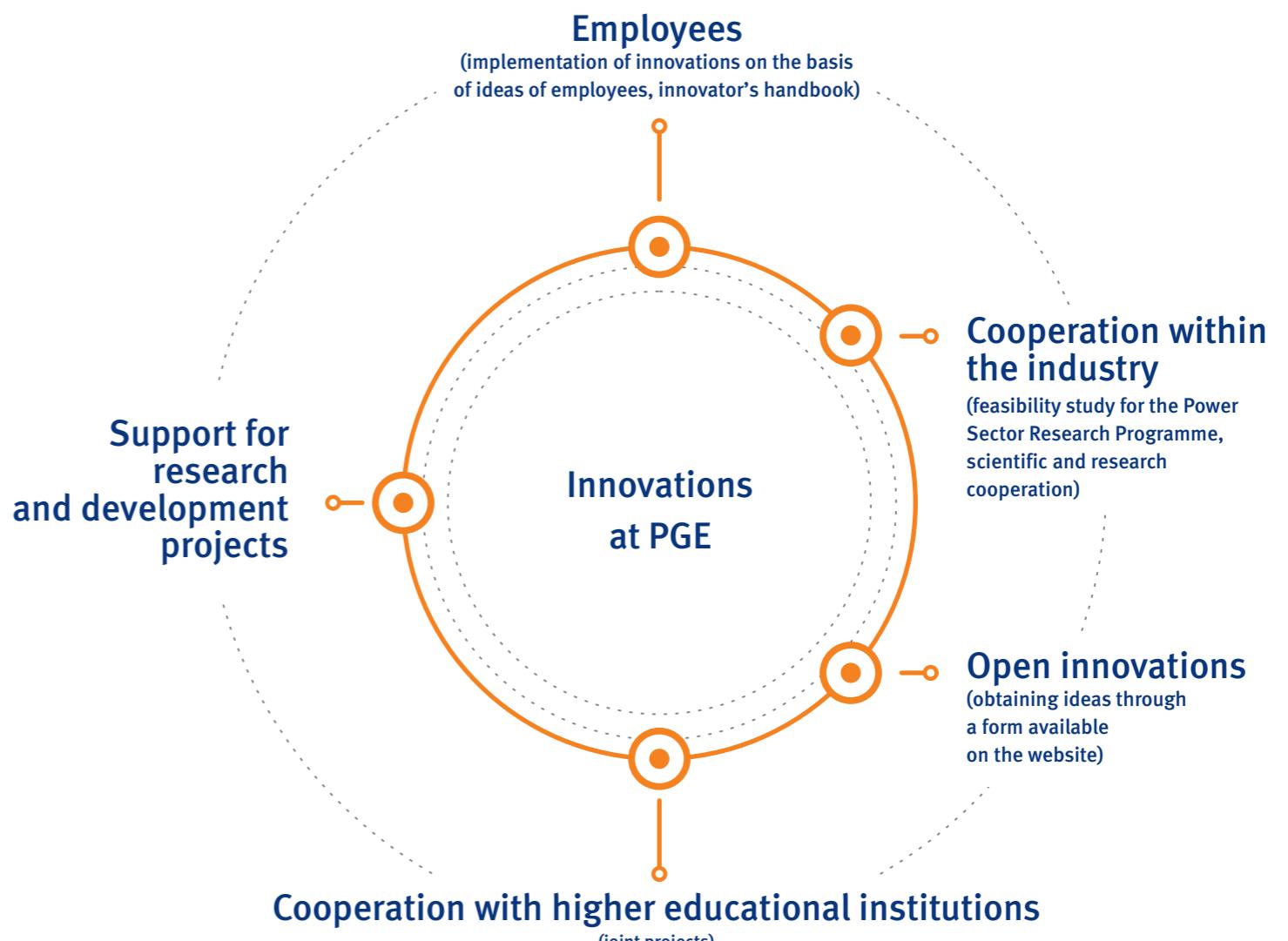
Synergy of two worlds – the business and the academic institutions

We know how huge the potential of academic staff and students is, which is why we establish pro-development partnerships with higher education institutions across the country. We collaborate with, among others, the technical universities in Łódź, Warsaw, Wrocław, Gdańsk and Opole, the AGH



▲ On 7 July 2014 we have signed another agreement with the Rzeszów University of Technology.

Innovations at PGE



Examples of already accomplished joint projects include, among others, the innovative system for monitoring and control of suspension systems of the power boiler elements at the Turów Power Plant – an effect of cooperation with Wrocław University of Technology in the INNOTECH programme.

This system implemented at the Turów Power Plant enables the engineer

supervising the operation to gain the necessary knowledge about the condition of the boiler. This makes it possible to take decisions about the scope of overhaul and maintenance works while the equipment is still in operation. Such a system has never been used in the Polish power industry on such a big scale.

PGE, using the synergy between the business and the academic world, has also

participated in the "University of Łódź for Employers" programme, gaining access to research conducted by the university's employees for businesses and participating in joint activities with scientific staff. The university appreciated these activities and awarded the company with the "Partner of Innovative Education of the University of Łódź" certificate.

Improvements and ideas by employees

At the PGE Capital Group we implement numerous internal projects that are designed to optimise and improve activities of the individual companies as well as of the Group as a whole. In 2012, in order to

establish coherent principles governing innovativeness, we developed at PGE GiEK the "Methodology for Innovativeness Management".

A pilot implementation of the new principles at the Rzeszów CHP, the Turów Power Plant and the Bełchatów Lignite Mine branches

was conducted from 1 July 2012 to 30 June 2013. On basis of experience gained, we developed and implemented "The Bylaws on processing innovative improvement ideas at PGE Górnictwo i Energetyka Konwencjonalna SA".

Some of the ideas of our employees:

Improvement at the Bełchatów Mine
Implementation of the project developed by Łukasz Gągała and Rafał Furczyński "Controlling the charging of the Main WM 6 kV Circuit Breaker in Bay No. 1 of Electrical Switchboard at the Sdn Drive Control Substation" resulted in, among others, reduction of emergency outages at the mine and simplified operation of the substation.



The best chemical engineers are in Turów "Development of new research method for determination of sulphur content in heavy fuel oil (Mazut)" is the title of the most highly ranked improvement in the third edition of the ranking at the Turów Power Plant. The authors of the improvement are: Jolanta Kilińska, Katarzyna Siwka and Iwona Maciejewska from the chemical laboratory. This project has contributed to reduction of costs related to the purchase of new measurement equipment and enables performance of useful and reliable tests for other companies of the Group.

The project we have implemented improved efficiency of our work and has contributed to improvement of the occupational health and safety conditions during operation of electrical substations.

Furthermore, participation in this project allowed us to implement the idea, which had been on our minds for a long time. It also improved our self-confidence and convinced us that we have done the right thing. Taking part in the 3rd edition of the Innovation Ranking was one of the opportunities to realise our ideas. All these activities help us and our colleagues in our everyday work.

While developing our solution we wished to demonstrate that such minor improvements may contribute to a reduction of operating costs and improvement of occupational health and safety conditions.

We were very proud that our project was distinguished and acknowledged with 1st place. But the biggest satisfaction comes when our solution helps everyone in their everyday work.

To keep developing, teams have to share ideas. Our project was a compilation of knowledge, experience and creativity. Taking the 1st place gave us satisfaction with a well-done job. It is also a form of recognition of the work of the entire team – all employees of the Laboratories Department. We work in the technical department where the source data are generated, which then are used and processed by other departments. Thanks to many years of experience and to technical expertise, as well as implementation of the laboratory management system, we can offer reliable, useful and thorough testing compliant with international standards.

All the time we must keep learning, developing and following the latest trends in both chemical analytics and in changing legal regulations. Every year we implement new research methods at the department, mainly based on Polish standards or solutions provided by scientific institutes.

Jolanta Kilińska
Senior Chemical Laboratory Master
Laboratories Department
PGE GiEK SA, Turów Power Plant Branch

Iwona Maciejewska
Specialist for Maintenance and Improvement
of the Laboratory Management System
Laboratories Department
PGE GiEK SA, Turów Power Plant Branch

Rafał Furczyński
Shift Foreman
Electrical Department of Bełchatów Field PGE GiEK SA,
Bełchatów Lignite Mine Branch

Katarzyna Siwka

Chemical Specialist
Laboratories Department PGE GiEK S.A.,
Turów Power Plant Branch



II Ranking Innowacji Usprawniających w PGE Górnictwo i Energetyka Konwencjonalna S.A. Oddział Elektrowni Bełchatów

Pan Tomasz Bednaruk

W imieniu Zarządu PGE Górnictwo i Energetyka Konwencjonalna Spółka Akcyjna oraz Dyrekcji Oddziału Elektrowni Bełchatów, składam podziękowania za wyraźniejące angażowanie się w rozwój innowacyjności w naszej firmie.

Zyczę, aby praca dla Pana zrodziła satysfakcję, a włożony trud i wysiłek zaowocowały dalszymi sukcesami.



Dyrektor Oddziału

PGE Górnictwo i Energetyka Konwencjonalna S.A.

Oddział Elektrowni Bełchatów

Anyone can be an innovator!

To allow all employees to quickly and easily grasp the basic key information about innovativeness, an Innovator's Handbook was developed.

It presents in a nutshell information on how to distinguish between improvement and optimisation innovations, how and where to submit an idea and how the creators of innovations are rewarded.



▲ The Innovator's Handbook is a compendium of subject matter knowledge and a guide on how to submit ideas

Every year, several dozens of innovative ideas are registered at the PGE Capital Group, and considerable number of them are implemented in various areas of company operations.

Apart from looking for innovative ideas inside our organisation, we are also open to the creativity and inventiveness of our external partners. We believe that such collaboration can be profitable for both parties.

To this end, in 2014 we created a dedicated website www.gkpge.pl/innowacje/obszary-innowacji, through which anyone can submit their innovative ideas.



▲ We encourage everyone to submit their innovative ideas through a dedicated tab on our website - www.gkpge.pl

How to become an innovator in three simple steps



The submitted ideas should be consistent with the PGE Capital Group's strategy, which means they should increase the effectiveness of activities undertaken by us within the entire value chain.



**QUALITY
COMMUNICATIONS
OPENNESS
SATISFACTION >**

[Customer
relations and
communications]



We are always committed to safety and standards of collaboration, proactively meeting the changing customer needs. PGE's diversified offer is tailored to fit the individual needs of end users.

Stakeholders' expectations from the dialogue session:

- using objective criteria in customer satisfaction surveys and customer service and communications ratings;
- establishing transparency standards for agreements and relations with customers, ensuring the clarity of messages and conveying understandable information;
- setting up a coalition of power industry companies of the Polish market for promotion of fair practices of the electricity market with respect to consumers;
- educating on the topic of: "How is electricity produced?"

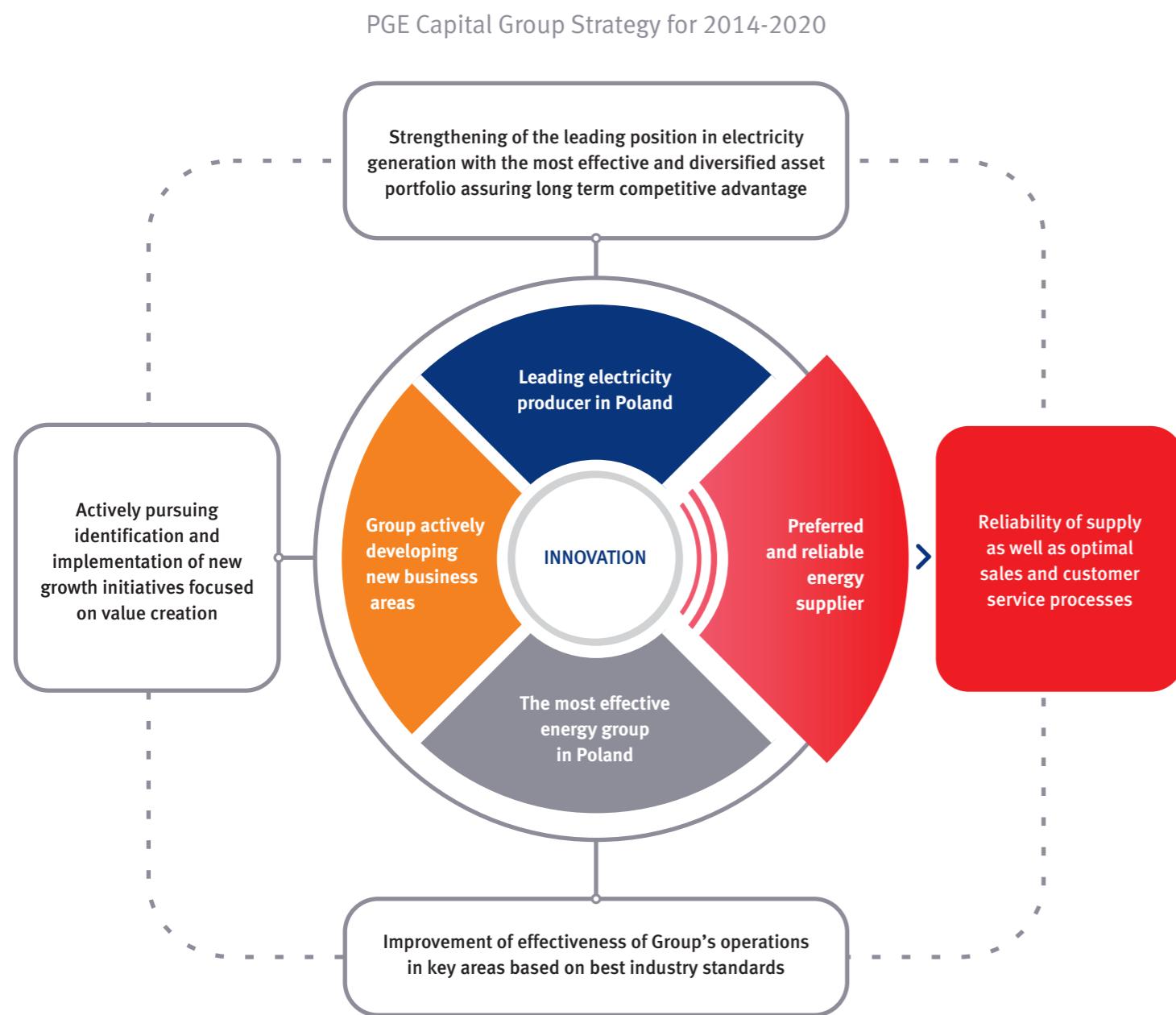
Key figures:

- **More than 5.1 million** – is the number of customers we were serving in 2014.
- **50%** – is the value by which we plan to reduce the SAIDI by 2020.
- **281 290 km** – is the length of distribution lines (excluding service connection lines) operated by PGE Dystrybucja; they span 39% of the territory of Poland.

◀ Our experienced employees are ready to assist with any and all customer enquiries.

How we understand our responsibility

PGE's main stakeholder groups include electricity customers, heat customers, and Exatel's customers. Increasing the quality of customer service is one of the pillars of our business strategy. To understand our customers' needs better, we conduct regular satisfaction surveys and use diversified communication channels. This helps us to continuously improve service standards and build up positive relations with customers.

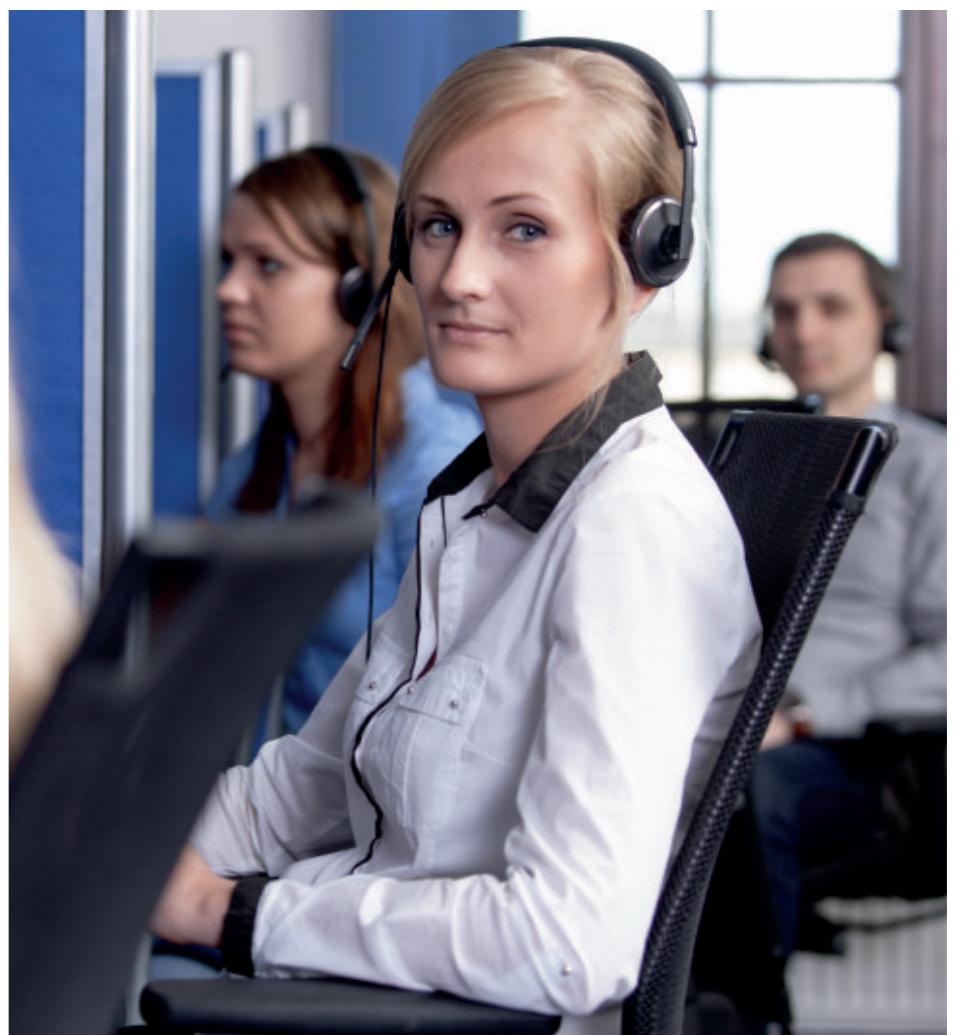


Responsible supplier

Distribution of electricity consists of transporting electricity by means of high, medium and low voltage electrical power networks and equipment to its end user customers. This is the domain of the Distribution System Operators (DSOs).

Our priority is the security and continuity of the services we provide. By 2020 we wish to considerably reduce the SAIDI, that is the average total duration of electricity supply interruptions expressed in minutes, which can be expected by a user on a yearly basis.

In accordance with the assumptions of the PGE business strategy, we expect to reduce it to 265 minutes, that is by 50% compared to the level achieved in 2013.

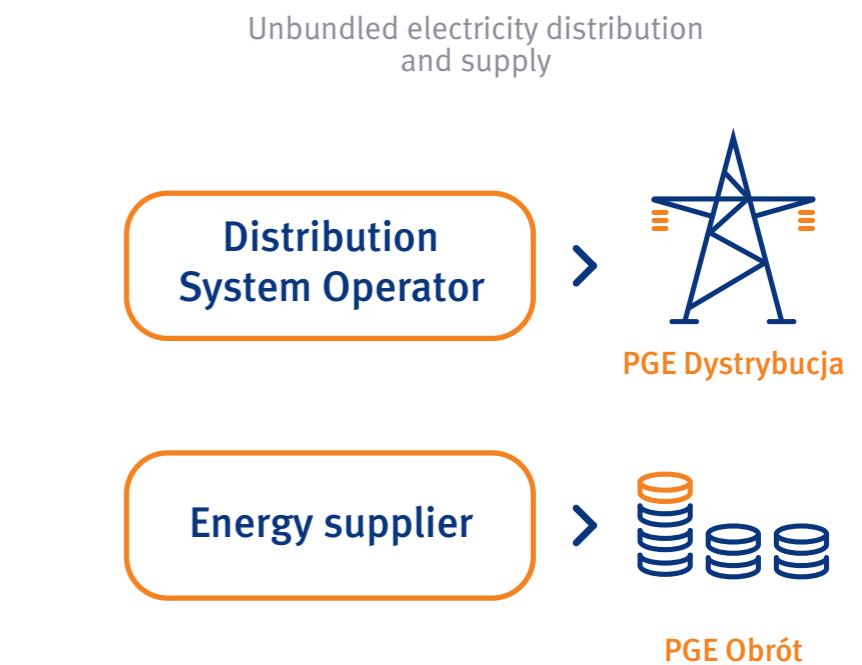


Energy distribution at the PGE Group lies within the competence of PGE Dystrybucja, which operates in an area of 122.8 thousand km²

We continuously extend our distribution network, in this way enhancing our leading position on the Polish energy market. Moreover, we enrich our product offering, also on new markets beyond the area of distribution activity.

Who are our customers?

PGE provides services to individual and institutional customers. The structure of electricity sales follows the unbundling principle, which assumes separation of the distribution activities from electricity supply activities.





▲ Continuity of energy supplies is assured by about 5000 employees of PGE Dystrybucja.

Distribution of electricity to end users lies within the competence of eight branches of PGE Dystrybucja located in Białystok, Lublin, Łódź (Łódź-Miasto Branch and Łódź-Teren Branch), Rzeszów, Skarżysko-Kamienna, Zamość and Warsaw.

Supply of electricity within the territory of the entire country is the object of activities of PGE Obrót. PGE Capital Group serves more than 5 million households, businesses and local government institutions.

The generating companies of PGE Górnictwo i Energetyka Konwencjonalna, apart from electricity also produce heat, which is bought by business customers – mainly utilities dealing in distribution of heat on local energy markets.

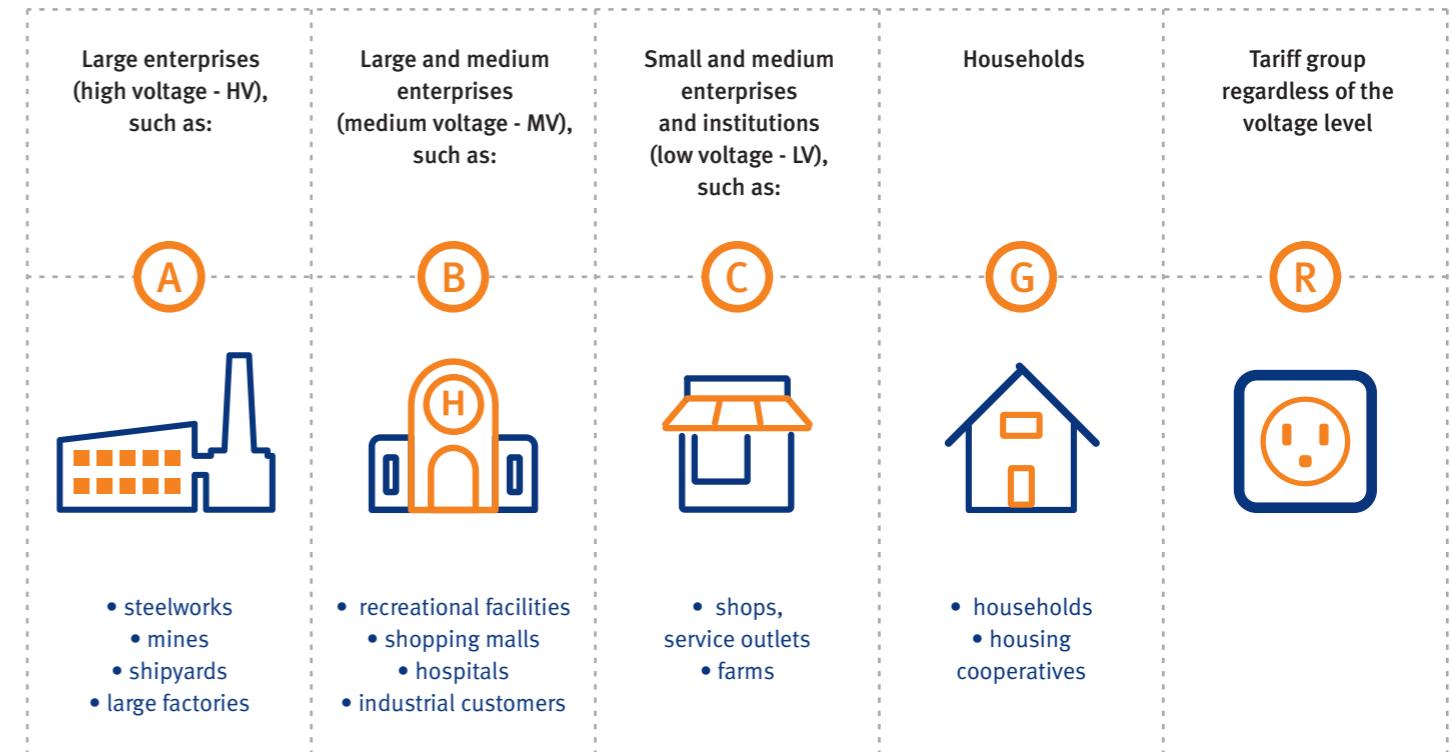
Distribution Segment Number of customers by take-off points

Tariffs	2013	2014
A tariff group	83	86
B tariff group	10 374	10 626
C+R tariff group	501 098	496 054
G tariff group	4 682 166	4 718 887
TOTAL	5 193 721	5 225 653

Supply Segment Number of customers by take-off points

Tariffs	2013	2014
A tariff group	109	104
B tariff group	10 807	11 648
C+R tariff group	493 503	479 655
G tariff group	4 656 615	4 652 236
TOTAL	5 161 034	5 143 643

Examples of customers of A, B, C and G tariffs



PGE customers in 2014



Distribution segment

5 225 653



Supply segment

5 143 643

PGE GiEK customers (heat users) in 2014*

	2014
Companies**	933
Private customers	169

* Due to lack of a system that would allow counting the customer accounts, PGE GiEK does not have the data for 2013

** Companies – housing cooperatives and associations, schools, offices, etc. (all entities except for individual customers).

How we communicate with our customers:



We also reach customers through wide-reaching marketing campaigns

Selected campaigns conducted during 2013-2014



“We make electricity from the beginning to the end”

“We make electricity, mountains, lakes and forests”

“We make electricity from the beginning to the Christmas tree”

“We provide for the electricity”

“We provide the electricity for winter”

“See how not to fall pray to fraudulent energy suppliers”

What we offer our customers

Our companies offer customers a broad range of products and services related to generation, distribution and supply of electricity. We also produce and supply system heat to our customers. In turn, Exatel offers solutions related to management of data transmission networks and security of IT infrastructures.

Eco Energy – an innovative approach to the use of RES

Out of concern for the needs of institutional customers, a limited PGE Eco Energy offering has been created. The PGE Obrót company addressed it to everyone who cares for the natural environment. Electricity provided under this offer comes in 100% from renewable energy sources and is generated in PGE's hydroelectric and wind power plants.

Customers who choose to buy the Eco Energy receive the guarantee of a fixed price until the end of 2016. Moreover, a customer choosing this service receives a special certificate confirming his care for the natural environment. The Eco Energy product has been honoured by the “Manager” magazine with the Manager Award.

Customer at the focus of attention

We strive to assure top-notch customer service. We make every effort to provide clear and comprehensive information about our offerings. To this end, the PGE companies have developed programmes for individual groups of customers.

“Klient Plus” project at PGE Distribution

Our company's priority is to assure highest standards of continuity and reliability of supply. As a part of its duties of a Distribution System Operator, PGE Dystrybucja operates a round-the-clock emergency number, offering comprehensive assistance concerning energy supply issues.

The “Klient plus” project has been developed on basis of feedback from customer surveys and a review of recorded telephone conversations between customers and the operators manning the 991 emergency number. A team composed of several dozens of experts from all branches of PGE Dystrybucja has reviewed such areas as: assisting newly-connecting and distribution customers, assisting customers during unplanned and planned outages, technical support to customers provided by meter readers and technicians, handling customer complaints, building relations with local authorities, customer communications through the media and the website. As a result of this work, solutions have been introduced to increase the effectiveness of customer communications and the level of customer satisfaction with PGE.

Employees of PGE Dystrybucja responsible for new connections, development of the network, and distribution services along with employees of the Central Power Dispatch, including employees manning the

991 emergency contact number, have been trained in customer service. Furthermore, we have developed guidelines for determination of the time limits for individual stages of the new connections process.

“ProKlient” project at PGE Obrót and PGE Dystrybucja

In 2014, PGE Obrót and PGE Dystrybucja conducted the “ProKlient” project, which had been designed to improve the customer service processes. Within the project both companies carried out analyses of their existing service processes and subsequently worked out suggestions on how to optimise them.

Thanks to collaboration between companies operating in two areas of activities, we were able to address the expectations of users of our services in a comprehensive way, among others through reduction of customer service duration at local centres and facilitation of contact with PGE by means of other communications channels. Another important result of this work was the unification of the service quality standards and simplification of forms filled in by customers at our centres. All these measures are intended to enhance the effectiveness of our customer service and increase the satisfaction of our customers.



▲ The “Ambassador of Quality” programme has been in operation for two years now. It is very appreciated by our customers.

Looking after customers at PGE Obrót

PGE Obrót is also working on acquiring new and retaining its existing customers. One of such initiatives was the “Autumn 2014 Offering to Businesses” addressed to small and medium sized enterprises.

On 1 July 2013 we have commenced implementing the Ambassador of Quality project at the Customer Service Centres. This service, innovative in the power industry, is our response to customer expectations and needs concerning standards of service, and in particular shortening the customer enquiry processing time.

The main job of the Ambassadors of Quality is to help in determining the type of customer's issue and in filling in the documents, as well assistance to the handicapped and senior citizens. The project was implemented at the twelve biggest customer service centres.

The results of these initiatives were positive, as proven, among others, by the “Customer Friendly Company” emblem that we were awarded once again as a result of high ranks we were given in an independent opinion poll conducted among our individual and corporate customers.



“

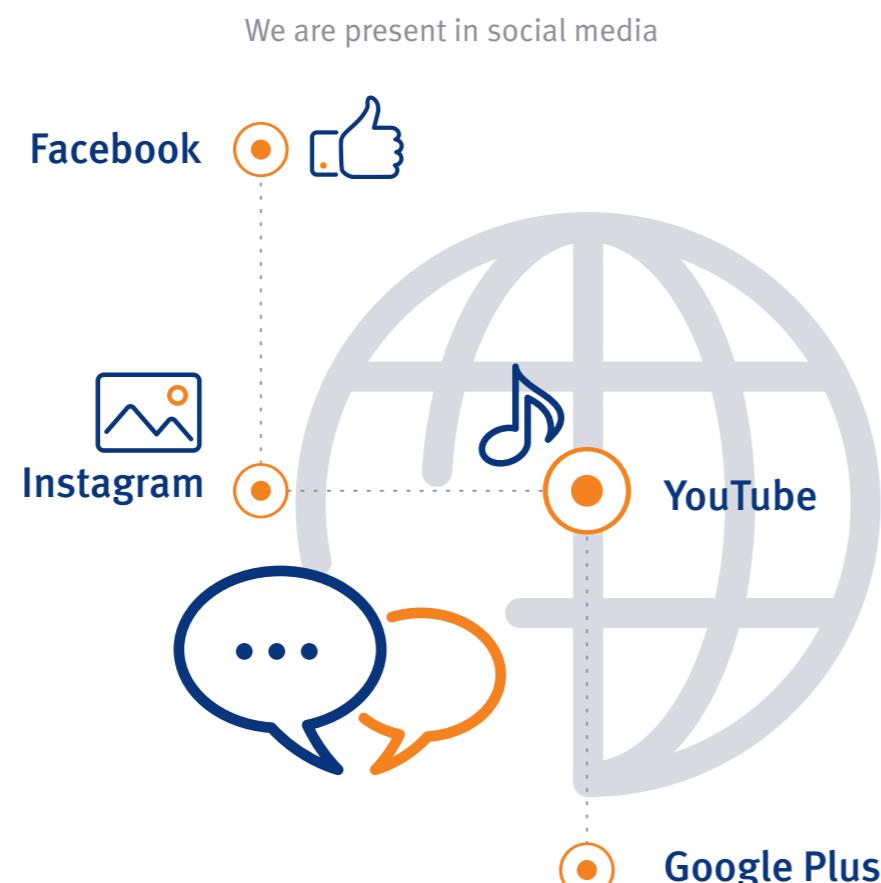
Ambassador of Quality – this work may only be performed by persons who enjoy direct contact with others. I am such a person. As an Ambassador of Quality I have noticed it is an occupation that gives enormous satisfaction. It is important to see that customers are pleasantly surprised when I welcome them at the centre's door with the words: "Welcome to PGE, how can I help you?" At once our relations get warmer and we treat one another as partners.

Customers coming to our branches are of different ages, so handling their enquiries requires both the professional knowledge, and the ability to provide care and support. We want every customer coming to our offices to feel that his or her issue is important to us.

For me it is crucial that a customer does not feel lost in my office and is attended to in the best possible manner. The Ambassador of Quality is at the same time the ambassador of the company and the lens through which the customer views the entire PGE Group.

Justyna Waltoś
The Ambassador of Quality in the PGE Obrót Customer Service Centre

We also take care of vulnerable customers. To those who are not able to pay their bills on time, we offer the payment to be split into instalments. Proceedings in such cases are governed by the Receivables Management Procedure. It is also possible to install a prepayment service meter, which operates similarly to prepaid mobile phones. Such a meter enables a customer to purchase certain amount of energy for an amount of credit of his choosing.



PGE Contact Centre

One of the crucial needs expressed by customers is to be able to quickly handle formalities by means of a mobile phone or mobile devices.

Our priority is to develop modern solutions facilitating communications between the customers and our company, that is why in 2014, as a part of standardisation and improvement of customer service quality, PGE Obrót launched a single telephone number to the call centre – the PGE Contact Centre.

By dialling 422 222 222, customers can handle any formalities, among others, they may enter into an agreement, modify their data, as well as learn more about their accounts with us or about payment

methods. Additionally, during the call customers can check their balance, buy energy or provide the meter reading.

Statistics gathered by us suggest that there is a growing tendency among PGE customers to handle their enquiries by phone (every day we answer about 7 to 10 thousand calls). The popularity of this contact channel is also indicated in customer surveys.

The satisfaction survey taken after contacting the Customer Service Centre or the Contact Centre proves that about 90% of our customers are satisfied with the quality of service and with the fact that their enquiries are resolved during a single call.

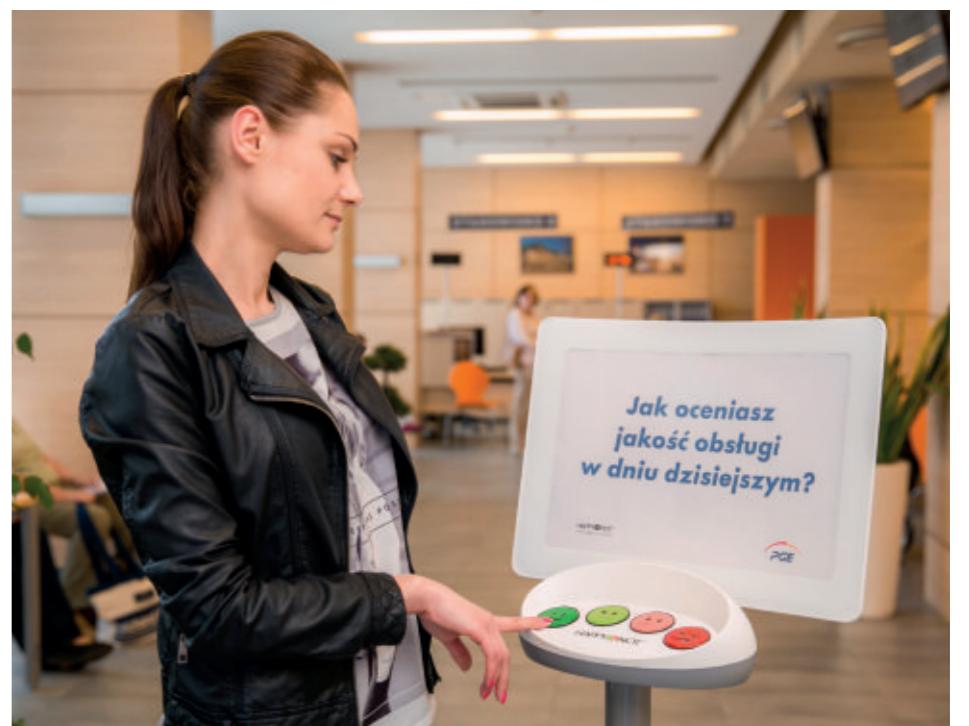
HappyOrNot at PGE Obrót Customer Service Centres

In order to monitor customer satisfaction with the service on an ongoing basis, PGE Obrót has furnished its Customer Service Centres with 12 mobile HappyOrNot terminals. These devices are designed to provide instant customer satisfaction feedback. The system is simple and effective. A customer rates the quality of service by pressing the relevant button. The data collected are thoroughly analyzed.

Top quality of services by Exatel

Exatel provides telecommunications services to corporate customers – both business customers and public administration institutions. The services offered are high quality, modern and secure. They are covered by Service Level Agreements (SLA). Network parameters are being measured on an ongoing basis, which enables determining the service availability and connection occupancy indicators. Every customer has two key account managers assigned – a commercial and a technical one, who make sure that the services are fine-tuned to his/her expectations and needs. Each service has its respective product manager – responsible for identification of customer's needs, through development of the concept, to implementation of best suitable solution and monitoring its operation.

The product offering is prepared on basis of information received from key account managers, obtained from market surveys, as well as in collaboration with other domestic and foreign operators. The results of service performance monitoring, as well as analyses of faults and complaints allow us to learn the exact expectations of our customers. Additionally, once in a year the company organises meetings with groups of stakeholders, among others, with foreign operators, the financial sector, public administration, energy sector and corporations, thanks to which it is able to establish best standards of cooperation.



▲ The opinion of our customers is of key importance to us, so we carry out regular surveys of their satisfaction.

Data security – Exatel's priority in the e-economy era

DDoS (Distributed Denial of Service) attacks on IT systems constitute one of key problems of modern economy. Every year the number of such attacks increases. More and more companies and institutions operating on the Polish market suffer enormous financial losses on that account. In response Exatel has created a programme protecting against DDoS attacks, which is designed to protect the connections and customer's network against the effects of severe denial of service attacks. This solution provides for transparency of network through combining packet capture with the NetFlow technology, allowing fast detection of threats.

Additionally, the company offers its institutional customers 20 types of IT security audits and penetration tests. These services are complementary to traditional hardware and software based security solutions in IT infrastructure.

Information Security Management System at Exatel is compliant with ISO 27001 standard

Since its implementation in 2010, the company operates the Information Security Management System (ISMS) compliant with ISO 27001:2005 standard. The standard specifies all the requirements related to planning, implementation, operation, monitoring, checking, maintenance and improvement of an ISMS.

ISO 27001 covers physical, personal, ICT and legal security. Every year the company carries out analyses of risk in this area and commissions security audits – both internal and external. They constitute the starting point for planning of appropriate preventive and audit measures intended to minimise risks to the organisation.

We ask about our customers' expectations

Every six months, via an independent research institute, we ask our customers about the level of their satisfaction with our services. The surveys conducted every year suggest that we can boast the highest level of customer satisfaction among key players on the Polish electrical power market.

Individual customers survey

In 2014, 86.6 % of our customers in the G tariff expressed their satisfaction with the services we provided*.

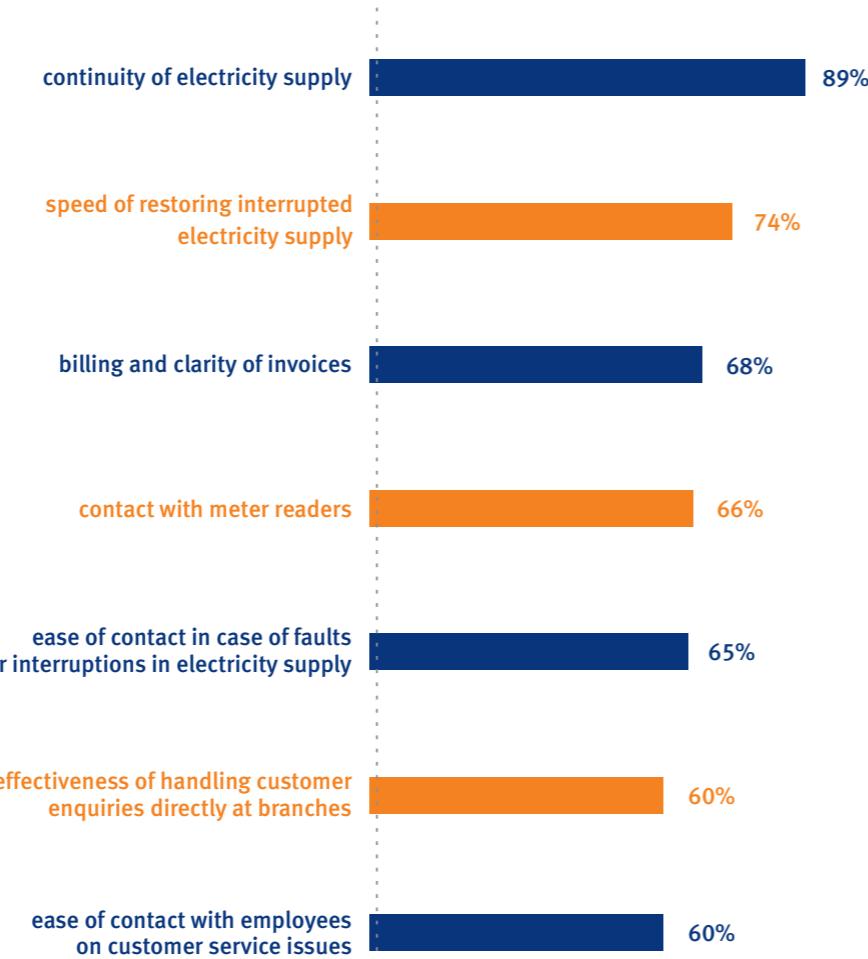
We can also boast the highest indicator of customer satisfaction (G tariff) with respect to continuity of electricity supplies (89%). 74% of respondents also appreciate the speed with which we restore interrupted electricity supplies. What is more, our customers positively evaluate clarity of our invoices and billing (68%).



Institutional customers survey

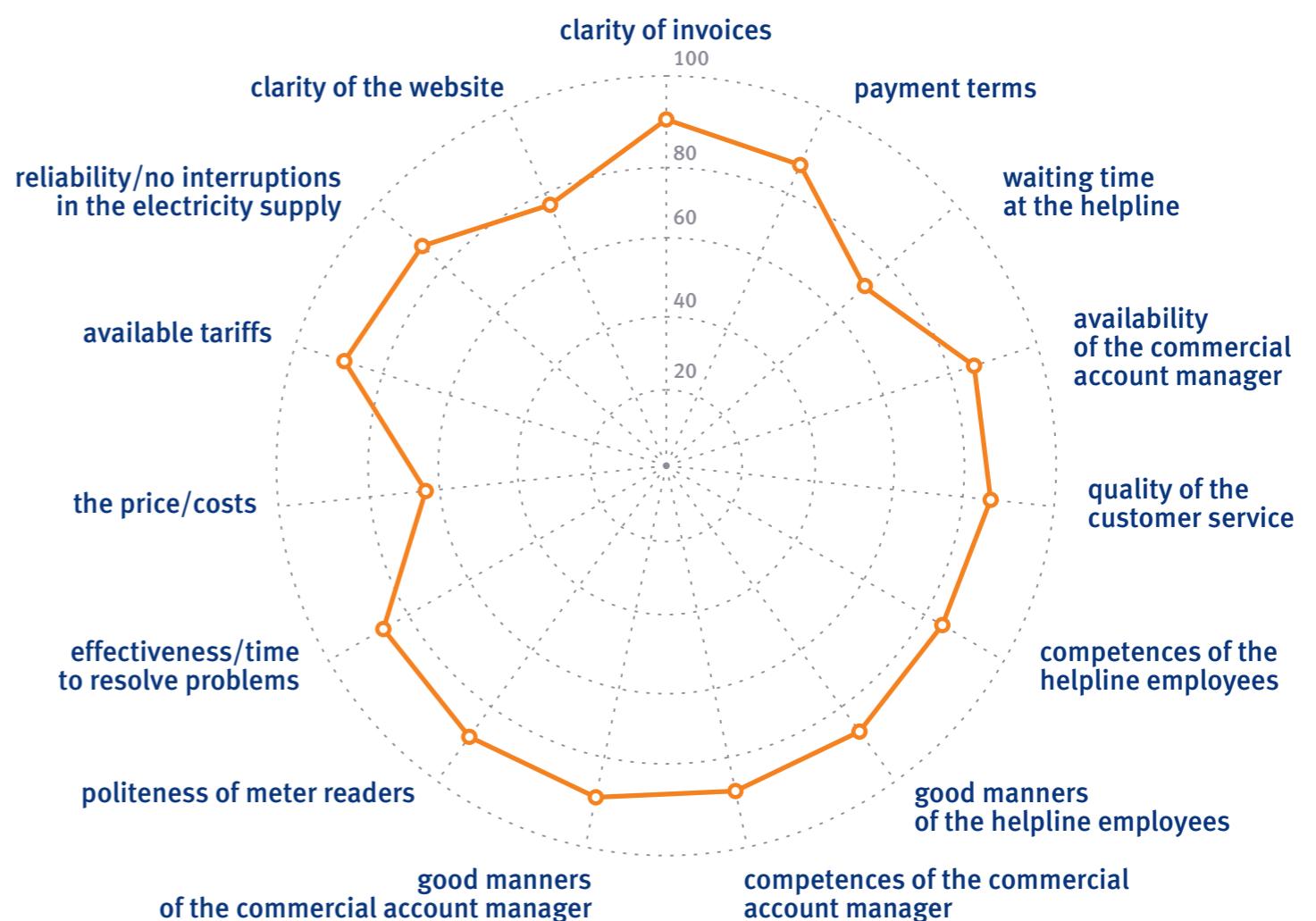
83.1% customers in the C tariff expressed their satisfaction with the services we provide. Also 96% of customers in B and C2 tariff groups (institutional customers) declare their satisfaction – as shown by the quantitative nationwide survey of opinions and preferences among 600 respondents, commissioned by PGE in June 2014.

Satisfaction with cooperation with PGE



Report on the U&A survey among electricity G tariff customers, October 2014, MillwardBrown.

Satisfaction with PGE services in selected areas of customer service – B and C2 (institutional customers) groups



Report on the nationwide survey of approaches and preferences in B and C2 groups, June 2014, Quality Watch Sp. z o.o.

Selected results of the survey among PGE GiEK customers – heat users



Analysis of the results of the "Customer Satisfaction Survey" carried out during 2013-2014 by the End User Service Department of PGE GiEK.

* Customer Satisfaction Index (CSI) survey, Report on the satisfaction survey of G tariff customers after contacting the Customer Service Centre and Contact Centre, December 2014, Grupa IQS sp. z o.o.

Effective and creative distribution

In order to increase the effectiveness of PGE Dystrybucja, and at the same time to reduce the index of interruptions of the electricity supplies, in 2013 we launched the MARS programme at our branch in Warsaw. The aim of the programme is to implement initiatives facilitating the management of unplanned and planned outages of energy supplies. In 2014 MARS was transformed into the Programme for the Increase of Operational Effectiveness and was extended to all other branches of PGE Dystrybucja.

We have also optimised the scope and time schedules of removal of trees and branches from around overhead lines. All these measures are expected to reduce the average time required for restoring supply, which translates into an increase of the quality of electricity supplies to end users, as well as an increase of operational and cost effectiveness from the point of view of PGE.

Integrated management of wiremen work at PGE Dystrybucja

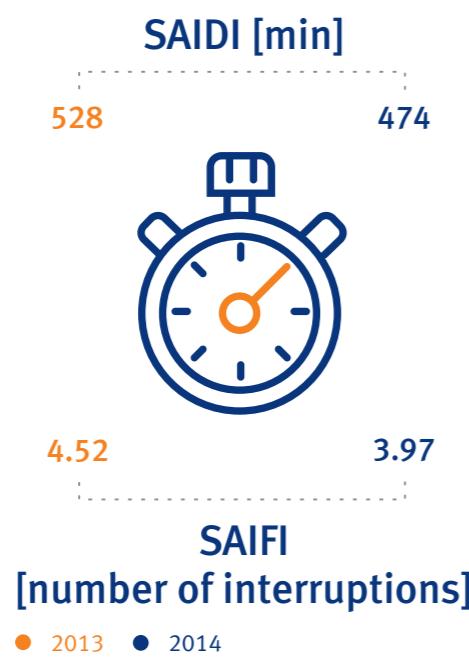
Measures limiting the electricity supply interruptions are complemented by the system of dynamic assignment of tasks to all wiremen working on one shift in a given Energy Region. This system allows for better utilisation of skills and potential of wiremen teams. In order to achieve this objective, a mobile application was used, which makes it possible to organise the work in a new way. A supervisor coordinating the wiremen work enters the work orders to be performed on a given day into the application, at the same time determining the hierarchy of individual assignments. Upon completing each work assignment, wiremen confirm information entered in the mobile application installed on a smartphone, which is then logged in the system.



▲ A workforce of highly specialised employees provides for reliability of our networks.

Work order completion is registered immediately as the work is performed, allowing us to track the progress of work online, coordinate tasks or dynamically change the task assignments within one shift.

Supply interruption indices



Our activities in this area are yielding tangible effects. Within one year we managed to reduce SAIDI (duration of interruptions of energy supply index) by 54 minutes, and SAIFI by 0.55 of the number of interruptions per customer.

Automation in the medium voltage (MV) networks

In 2014 we have commenced implementing an automatic fault location system in the MV networks. It will allow real-time fast switchovers in the MV distribution network without the need for field interventions by the Emergency Power service teams.

During 2014-2017 we will install 4817 switches.

The result will be decreased power interruption duration, decrease of numbers of customers affected by outages, increased safety at work of Emergency Power service staff and reduced times of fault location.

PGE invests in education

Educational programmes addressed to individual customers are mainly related to efficient and safe use of electricity in the home. We also attach importance to raising the awareness of business customers. To this end, in 2014 we conducted an information campaign on YouTube, in which we showed how to correctly read the information on the electricity invoice and what particular line items mean. The "PGE electricity bill for a business customer. Understanding your invoice" video is available on our corporate channel on YouTube.



▲ The web video clip has already been viewed more than 130 000 times (as in June 2015).

We also reach our customers through TV and the Internet. Together with Discovery HD we have produced the "How do we make the electricity?" series. Its first episode was originally aired in November 2013. The video presents the electricity production process

in lignite-fired and hydroelectric power plants. The programme has been very popular, the first episode of the series was watched by about 15 million TV viewers.

It has been viewed more than 50 000 times in the Internet. The episode dedicated to energy distribution presents a look behind the scenes of the PGE operations as the Distribution System Operator. Viewers could find out how labour-intensive it is to keep all elements of the electric power network in an operating condition. More information on education may be found in chapter "We are close to local communities" on page 68.

We support the campaign "Check your electricity supplier's credentials!"

Together with major electricity suppliers we support the "Check your electricity supplier's credentials!" campaign organised by the Polish Association of Energy Trading under the patronage of the President of the Polish Energy Regulatory Office. The main objective of the campaign is to spread knowledge about the market through increasing the awareness of presence of companies applying unfair market practices particularly with respect to senior citizens. The websites of the Association of Energy Trading and PGE Obrót feature a Guidebook of Conscious Customer. In 2014, five biggest electricity suppliers, including PGE, signed the Code of Good Practice.



▲ The campaign carried out by the Association of Energy Trading together with other companies of the sector educates and warns customers against dishonest suppliers.

PGE Obrót counteracts unfair competition

To warn energy customers against a hasty switch of supplier, PGE Obrót came up with "See how not to fall pray to fraudulent energy suppliers" information campaign. A series of articles and broadcasts on this subject appeared in the biggest Polish nationwide and local dailies and on radio stations. The campaign reached 1 040 000 radio users and 2 007 000 press readers in districts of: Lublin, Łódź, Masovia, Subcarpathia, Podlaskie and Świętokrzyskie. The publications present the tricks used by cheats and inform that PGE helps all cheated customers who contact the Customer Service Centre or call PGE Contact Centre concerning this problem.

PGE Obrót also added the information on unfair practices of representatives of certain energy suppliers to its electricity bills sent to the customers.

Workshops provided by Consumer Advocates

In 2014 we were a partner of the Consumer Advocates' Workshops, organised by the Association of Polish Consumers. At the meetings, the advocates from Łódź, Masovia and Świętokrzyskie districts together with representatives of the power sector and the Energy Regulatory Office, talked about practical and legal aspects of changes in the energy law and their influence on the relations with customers. Participants focused primarily on the supplier switching procedure and unfair market practices used by some companies on the market. The PGE, representing the power industry at these meetings, has put a lot of effort into explaining the consequences of illegal electricity usage and the measures undertaken in events of large-scale power outages.



**VALUES
TEAMWORK
PASSION**

MOTIVATION >

[Workplace
for people
with passion]



PGE's greatest asset are its employees. Thanks to their experience and commitment we can build up an organisation based on values, where corporate social responsibility is combined with business goals. The PGE Group is a place for people with passion and motivation to act. It is very important to us to ensure safe working conditions and stable employment for our employees, at the same time providing them with interesting professional challenges and opportunities to realise unique projects.

Stakeholders' expectations from the dialogue session:

- monitoring observance of the labour law and use of good practices at the businesses being part of the PGE Capital Group supply chain.

Key figures:

- 40 344 – is the number of employees of PGE Capital Group as at the end of 2014. We are one of the biggest employers in Poland.
- For 2 years in a row we have been among the most attractive employers according to Randstad Award Report.
- In 2013 and 2014 we took 5th place and 4th place, respectively, in the Most Desired Employers Ranking by Antal International in power, fuels, mining and chemical industries.

How we understand our responsibility

We are one of the biggest employers, providing stable employment to more than 40 000 people throughout Poland. We influence local economies as majority of our employees come from cities and towns around our facilities they work at. We make every effort to assure optimum conditions for their career development. The PGE Group invests in the development of its employees not only by means of a comprehensive package of trainings and courses, co-financing university studies, but above all by providing them with opportunities to realise interesting professional challenges.

Human Capital Management Strategy of the PGE Group

In order to support the realisation of strategic objectives defined in the Business Strategy, the company has developed the Human Capital Management Strategy for 2015-2020 (HCM). The HCM Strategy supports further integration of the PGE

Group and contributes to building the employee involvement culture. To this end, we have defined key initiatives, the realisation of which is to be supported by modern IT tools (SAP, Port@l HR). In the coming years we plan to undertake several strategic initiatives aimed at developing common HR standards for the entire PGE Group.

We pay very much attention to activities related to development of employees, effective remuneration and motivation. Important issues shall also include generational management, employee relations, stimulation of mobility inside the PGE Capital Group or boosting management level staff competences.

Key groups of initiatives within the Human Capital Management Strategy



The pillars of the business strategy for 2014-2020 versus the key HR challenges

The pillars of the PGE Capital Group's Strategy



Leading producer of electricity in Poland



Preferred and reliable energy supplier



The most effective energy group in Poland



A group actively developing new business areas

Key HR challenges

Reinforcement of effectiveness-oriented management culture based on integrated processes, tools and HR controlling.

End user-orientation based on the involvement culture and soft competences, while assuring security of supply.

Consistent optimisation of employment, while making the labour costs more flexible through achieving cascaded objectives.

Managing in-house competences, gaining new ones thanks to the position of an attractive employer and using them in new areas.

PGE employees in numbers

	2013			2014		
	Men	Women	Total number of employees	Men	Women	Total number of employees
PGE Dystrybucja >	9 397	1 685	11 082	9 134	1 609	10 743
PGE Energia Natury >	34	30	64	43	35	78
PGE Energia Odnawialna >	396	114	510	391	113	504
Exatel >	248	137	385	240	122	362
PGE GiEK >	16 011	2 866	18 877	14 869	2 617	17 486
PGE Obrót >	415	1 103	1 518	409	1 092	1 501
PGE SA >	201	226	427	228	243	471
PGE EJ 1 >	29	27	56	38	32	70
PGE Systemy >	312	79	391	362	85	447
PGE Dom Maklerski >	7	10	17	14	10	24

We invest in the development of our employees

In 2013 and 2014, our employees have been raising their qualifications by participating in specialised trainings, programmes for development of managerial skills, postgraduate studies and foreign language courses. In 2013, the average number of training days per employee at the PGE Capital Group was 1.4, while in 2014 it was already 2.25. In 2013, the majority of the training participants were employees of PGE Energia Odnawialna and PGE SA, while in 2014 most participants came from PGE GiEK and PGE SA. Detailed data for all companies are presented in Appendix on page 102. From August 2011 to June 2013 we have ran one of the most important

training projects - the PGE Academy. The project was co-financed by the European Social Fund under the Human Capital Operational Programme. The programme was attended by a total of 1 737 employees of the PGE Capital Group companies. The trainings included in the Academy were selected so as to develop key competences in particular business lines. The curriculum of the PGE Academy included: Academy of Negotiations and Customer Service, Academy of Management and Academy of Finances.

In May 2014 we were distinguished by the Polish Agency for Enterprise Development for our PGE Academy programme in the "Conscious Employer" competition.

Programme for Directors

In 2014, directors employed at PGE SA began to participate in the Development Programme for Directors. Within the framework of the programme workshops, expert sessions and inspiring meetings with figures of authority were organised.

Additionally, directors could take part in individual coaching sessions.

Objectives of the programme:

- reinforcing managerial competences;
- increasing involvement of teams through leader development;
- reinforcing collaboration between directors.

The PGE Academy in numbers:

3 685
training participants,
including 614 aged 45+

49
managers participating
in the age management
strategy workshops

23
finances
and controlling topics

14
management topics

14
topics related to negotiations
and customer service

In November 2014, five teams from the PGE Capital Group took part in the Global Management Challenge – the biggest online business game in the world. In the finals of the competition, held on 30 March 2015, the PGE SA team took the second place in Poland.

To support our employees in determining both their strengths and areas requiring development, in 2014 we started to implement a system of management by objectives for the entire Group.

The potential in our employees

We consistently accomplish the objectives set forth in the business strategy and the HCM. We introduce several initiatives, which allow us to optimise the operation of particular business lines. We search for new employees initially in-house, at the companies of PGE Capital Group. If we have difficulties with finding a person with the required skills, we launch an external recruitment process.

Taking into consideration the age structure of our employees as well as their many years of experience and expertise, we seek to ensure that younger members of staff have the opportunity to learn from older colleagues. That is why we actively collaborate with higher education institutions, among others, the technical universities in Łódź, Warsaw, Wrocław, Białystok, Rzeszów, Lublin, Gdańsk and Opole, the Maritime University of Szczecin, the AGH University of Science and Technology in Kraków and the University of Łódź. We organise vocational practices and internship for students, as well as seminars

Creativity trainings at Exatel

A series of workshops titled "Open Your Mind" was designed to inspire and motivate the employees to seek non-standard solutions and ideas for establishment and development of cooperation with customers.

In May 2013, the fourth edition of the workshops addressed to employees of sales departments in the power and finance industries took place.

"Financiers" and "power engineers" together with their colleagues from the Product Development Bureau have created a list of services that Exatel could offer to its customers.

and scientific conferences to exchange experiences with the academic community.

We see that our activities are effective and are appreciated by persons who are our potential employees. The PGE joined the group of 20 most attractive employers for prospective employees in the Randstad Award competitions in 2013 and 2014.

In 2013, PGE with a high – seventh – place in the ranking outdistanced other representatives of the power industry in Poland. One year later, the company took the tenth place. In turn, in the Antal International ranking of best employers, in power industry category, the PGE took the fifth place in 2013 and fourth in 2014.



“

Developing the Human Capital Management Strategy for the PGE Group was quite a challenge for us. In this project we have defined objectives for the whole area of human capital management at our company and prepared a list of initiatives that will help us accomplish them. The entire concept was built on top of the company's new business strategy.

A great advantage of the project is the combination of strengths and knowledge of the employees from the HR function from the entire Group. They are experienced specialists, who know their work well and perfectly understand its specifics.

Another huge challenge we face is the duration of the project. The schedule assumes that the strategy shall be implemented, and thus the objectives related to our functional area achieved, by 2020, according to plans.

The stage of creation is already behind us, now it is time to act.

Monika Żurawska,
Agnieszka Bobrowska-Balter
HCM Strategy Team

Competence model at Exatel

We make every effort to ensure our recruitment processes correspond to actual business needs and are clear to the applicants. In response to these needs, Exatel has implemented a competence model. Its development was preceded by workshops for the management team, during which sets of generic company competences, as well as managerial and specialist competences, most important with regard to the objectives and tasks of company employees, were selected.

Fluctuation of employees

In 2013, 775 persons began their employment with the companies of the PGE Capital Group, whereas in 2014 new employment count was 668. The total number of employees who left amounted to 1 555 in 2013 and 2 353 in 2014. The longest average employment tenure among persons who left in the reported period was achieved by employees of PGE Dystrybucja – 27 years and PGE GiEK – 23 years.

An important aspect influencing the business of the PGE Group is the knowledge and experience of our employees. In 2019 ca. 11% of those employed at the PGE Capital Group companies will be entitled to retire. In 2024 it will be as much as 20%. In response to this challenge, in the Human Capital Management Strategy we have designed several initiatives relating to the generation gap. The greatest percentage of our employees who will be entitled to retire in 5 and 10 years (as with respect to the end of 2014) are employed in the following companies: PGE Energia Odnawialna, PGE GiEK, PGE Obrót and PGE SA.

Numbers of employees who will become eligible for retirement broken down by job positions are shown on page 98.

We also conduct the "Voluntary Leave Programme" (VLP). VLP will be running at the PGE Capital Group until 2017. Full data pertaining to the employees employed and leaving the companies of PGE Capital Group are shown in Appendix in table on page 96.

Safety at work is our priority

As a responsible employer, we ensure our employees are guaranteed a safe workplace. Our permanent objective is also to promote the culture of safe work among our employees. The initiatives that we realise in this scope are to the greatest extent based on preventive measures and exchange of knowledge and experiences. Individual companies of the Group have their own occupational health and safety policies. This results mainly from the specifics of activities of particular business lines. Due to the nature of their work, employees of PGE GiEK and PGE Dystrybucja face the greatest risk. This is why our key safety initiatives are focused on them.

We are aware how beneficial may be the exchange of knowledge and experiences – particularly in such an important area as occupational safety. In February 2014 in Krynica a joint brainstorming meeting was organised for the employees of the occupational health and safety services of the headquarters, branches and subsidies of PGE GiEK. The meeting was an opportunity to conduct a training session and to exchange experiences, as well as to summarise the occupational health and safety situation.

We care for the safety of not only our own employees, but also of employees of contractors working on premises of our branches. In order to enable quick identification and elimination of risks on premises of the power plant, PGE GiEK has implemented joint internal inspections by the Turów Power Plant occupational health and safety services and other contractors on site. The inspections cover performance of overhaul work and construction of the flue gas desulphurisation system at Turów Power Plant.

New programmes for greater employee safety

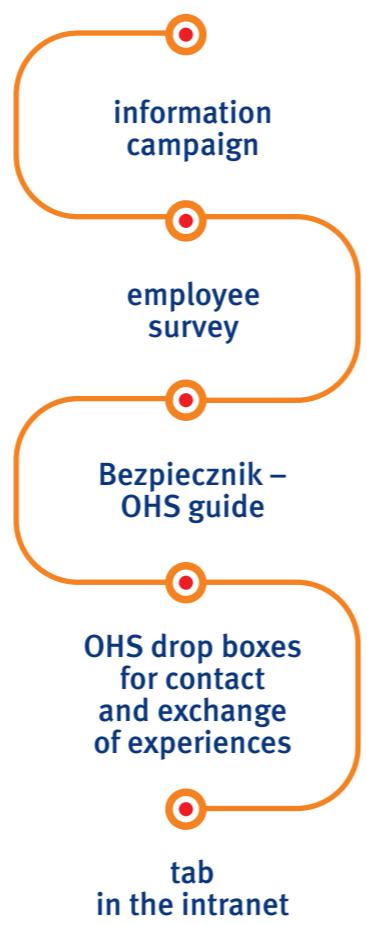
PGE Dystrybucja implemented in 2014 the project called "Improvement of Standards and Culture of Work Safety" realised with the assistance of the Corporate Centre and the National Labour Inspectorate. The major objective of the project is to improve work safety for the employees during work

connected with ensuring the supply of electricity in harsh conditions.

We have also emphasised the importance of not only our own safety, but also that of the others we work with. We have conducted an information campaign at all branches of PGE Dystrybucja. Moreover, in a survey, we have asked the employees to evaluate existing occupational health and safety measures.

Another element of the programme was the commencement of publication of a dedicated monthly occupational health and safety bulletin – *Bezpiecznik*. At all branches contact channels were also created for sharing experiences and ideas by employees – these are occupational health and safety drop boxes, e-mail addresses and dedicated tabs in the intranet. It is important that employees have gained an opportunity to realise their own ideas and improvements in the area of occupational health and safety at our company.

Elements of the occupational health and safety programme at PGE Dystrybucja



Our responsible approach to the issue of occupational health and safety translates to an improvement in work safety at the PGE Capital Group. In comparison to 2013, the number of accidents reported in 2014 dropped by as much as 28 %. The accident frequency and severity rates at particular companies are shown on page 100.

- PGE GiEK SA Gorzów CHP Branch was in 2013 distinguished with the certificate of "Employee-Friendly Employer" for its observance of the labour law and OHS regulations.
- Bełchatów Power Plant was distinguished in 2014 – as a "Safe Work Provider".



p. 100

▲ Our employees from all over Poland meet every year at the PGE Championships. About 30 teams take part, representing individual companies and branches.

Time for sport

At our internal sport events we provide our employees with opportunities to compete on a fair play basis, but we also contribute to their integration within PGE Group. Moreover, by means of sport we promote healthy lifestyle and joy derived from joint activities.

An important element in building relations between employees is the Sports Committee (founded at the PGE SA more than 5 years ago), which is organising several sports events on a regular basis and runs sports clubs (football, volleyball and running). Moreover, since several years we are organising the PGE Sports Championships in Bełchatów for the employees of the entire

PGE Capital Group.

Any employee can take part in the competitions in 6 disciplines: football, volleyball, tennis and table tennis, running and swimming. The Championships are very popular among the employees. On average about 600 PGE Capital Group employees participate. In 2014 they were organised for the sixth time.

The winter season also abounds with numerous sports events. Since three years now, alongside the product and sales workshops, the PGE Obrót Winter Olympic Games take place. In turn, the employees of the Warsaw based companies of the PGE Group compete every year in alpine skiing and snowboard competitions.



**SUPPORT
EDUCATION
ENGAGEMENT >**

[Close
to local
communities]

**EDUCATION
DIALOGUE**



PGE is a socially active company. Our activities are focused on the needs of local communities. We support projects relating to education, ecology, sport, and culture. We have also established the PGE Foundation "Energia z Serca" (Energy from the Heart), channelling our support and assistance to where they are most needed.

Stakeholders' expectations from the dialogue session:

- development of a model of approach to business growth in less economically developed and less urbanised regions.
- presentation of activities in the area of social involvement, oriented at local community needs, based on the Social Involvement Strategy of the PGE Foundation.
- involvement of employees in social involvement related activities.
- establishment of procedures and standards for external communications with local governments and local communities, forming the social dialogue strategy model.

Key figures:

- **4th place in the overall ranking of Leaders of Philanthropy in 2014.**
- **Over PLN 6 million in financial donations made by the PGE Group in 2014.**
- **168 institutions and NGOs received donations from the PGE Foundation in 2014, totalling nearly PLN 3 million.**
- **4 000 hours of time off work – that's the amount of hours that our volunteers devoted to others in the 1st edition of the PGE employee volunteering programme "Pomagamy" (We Help).**

► Our sports clubs have many fans.

How we understand our responsibility

We are an important partner for local communities – in particular for local governments of communes where we pursue our business activities. We build our relations on confidence, mutual respect, and collaboration on projects for development of local communities. Educational activities are a very important aspect – both concerning safe use of electricity and its generation, as well as environment protection.

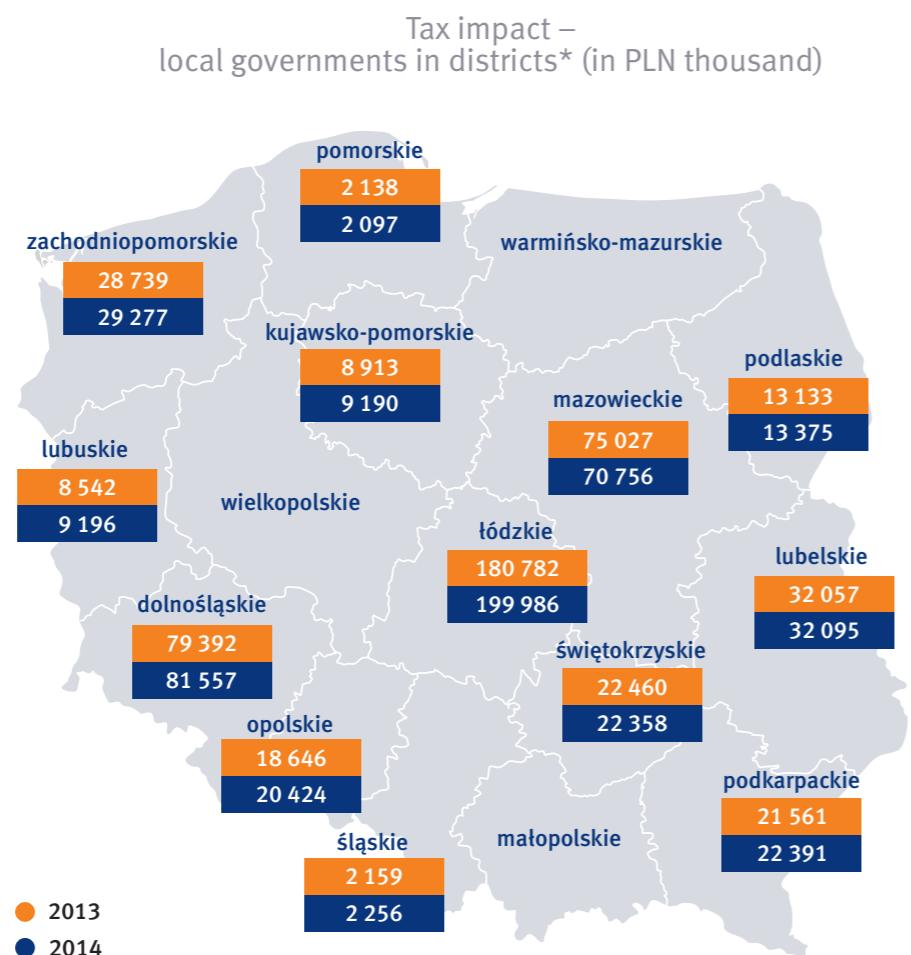
In 2014 we adopted a procedure for management of social involvement activities within the whole PGE Group, which is to ensure coherence, transparency, and effectiveness of activities of the Group's companies in this area.

Our growth supports the economy

We are an important partner for local communities and local governments. In many cases the taxes we pay to the communes where we do business make up significant parts of their budgets.

Our activities at the central and local level resulted in proceeds to the government totalling PLN 5.6 billion in 2014 (PLN 5.9 billion in 2013). This amount includes primarily the excise duty and VAT, corporate income tax, income taxes and contributions on remunerations of PGE employees, property tax, and other taxes and levies. As a result of our business, district governments received almost PLN 515 million in total in 2014 (almost PLN 494 million in 2013).

In the Bełchatów commune, as much as 57% of all expenditures borne by the local government in 2013 were financed with taxes paid by PGE Group. In 2013, the total amount received by different territorial agencies as a result of our business activities amounted to PLN 361 million.



* Estimates based on tax returns and records of other levies paid by the PGE for the benefit of local governments, resulting from laws in force

The percentage of communes' expenditures funded by PGE in 2013



Data for 2014 has not yet been published on the website of the Central Statistical Office of Poland when this report was compiled.

Estimated tax impact broken down by local governments of different hierarchy levels* [in PLN thousand]

	Data for 2013	Data for 2014
State Treasury	4 385 267	4 303 682
Social Security	1 064 338	762 528
Budgets of communes	360 525	354 312
Budgets of counties	48 560	46 909
Budgets of districts	84 464	113 736
Total	5 943 153	5 581 168

* Estimates based on tax returns and records of other levies paid for the benefit of local governments resulting from the laws in force. Breakdown into individual local government levels was made on basis of information concerning the amounts of taxes paid by individual companies of the PGE, employment at individual companies and communes, as well as information about division of income from Personal Income Tax and Corporate Income Tax between the local governments and the State Treasury in 2013 and 2014.

Relations with local authorities and businesses

Many activities benefiting local communities are undertaken as a result of initiatives of our companies. For example, PGE Dystrybucja has prepared a list of employees responsible for crisis communications with local government institutions that are to be notified during faults and planned outages. As a part of regular initiatives addressed to the representatives of local authorities, PGE Dystrybucja organises Energy Forums, during which we share our knowledge on topics related to the distribution of electricity and the investment processes.

PGE has organised Energy Forums since 2007

We also try to support the local businesses with our activities. PGE Energia Natura established its own technical maintenance service for the wind farms it operates. Currently, the market standard practice for majority of wind farms operated in Poland is a turbine service provided by the manufacturer. In 2012 for the first time we introduced a service model utilising our own human resources at the Lake Ostrovo farm. The lessons learnt contributed to the introduction of our own maintenance service at other farms, so by the end of 2014 such service was operating at 4 out of 5 farms belonging to the company, looking after 90% of the installed capacities. The social effect of own service cannot be overestimated. Such a service management model has a positive impact on the local market, as the company employs and trains people from local communities, and part of the work is subcontracted to local companies.

Together with the PGE Foundation

The PGE Foundation "Energia z Serca" (Energy from the Heart), established in 2011, provides support to non-governmental organisations and local government run institutions, including schools and hospitals. The principles followed by the Foundation are: transparency of activities and streamlining and enhancement of social involvement of the company in the area of donations.

In the years 2013-2015, the PGE Foundation, along with 44 other corporate foundations, participated in a project "Enhancement of quality of public services by corporate foundations in Poland", carried out by the Forum of Donors. The representatives of foundations took part in the process of developing standards, which from now on will be the guidelines for further activities by such organisations.

Our employees – community workers

Last year, together with the Foundation, we commenced the PGE employee volunteering

▼ PGE volunteers met to summarise the first edition of the programme. We used their ideas in the next year's edition.



Photo: Wiktor Zdrojewski



For 2/3 of PGE volunteers, participation in the programme was their first volunteering experience.



As many as 63% of those surveyed stated that participation in the programme allowed them to develop the skills they reuse in their professional work.



POMAGAMY
wolontariat pracowniczy PGE

programme "Pomagamy (We help)", aimed at providing support to local communities and stimulating and integrating the employees and co-workers of the PGE Capital Group around the common values.

Its first edition began in March 2014. 30 projects were implemented, evaluated as the best in terms of ideas, own volunteer work input, developing an action plan and a budget. Each team received up to PLN 5 000 to implement their idea.

109 employees of PGE capital group and about 100 volunteers from outside PGE, including families and friends of employees, were involved in the volunteering programme. During the first edition of the programme we managed, among others, to prepare places for rehabilitation of the disabled, provide assistance to single mothers, renovate playrooms and playgrounds, and conduct special educational activities as well as provide care to animals.

In a project evaluation survey all PGE volunteer employees declared that they would like to continue community work in the future.

PGE volunteering in numbers – 1st edition



30 projects



**PLN 150 000
for projects**



**almost 4 000 hours
of social work**



almost 200 volunteers



I have never been involved in community work before. PGE volunteering proved to be a great adventure. Replacing lights and wiring at a school was not a tough job for me as electrical work is my profession. I did not expect something that is a day-to-day job for me to turn out to be so important to others. I see that there is still a lot to be done around so I will gladly participate in the next round of PGE volunteering.

Marcin Gierczak

Volunteer of the 1st edition of the employee volunteering programme of PGE PGE Dystrybucja SA Branch in Skarżysko-Kamienna



Collaboration with PGE volunteers gave the residents of our commune new energy. The renovated community centre was a stimulus for further initiatives and today, a year after the renovation, we can already see an actual change in the local community. Local residents saw new possibilities and began realising their ideas. We managed to obtain furniture and a table for table tennis for the community centre. The ladies established a Farmers' Wives Association of 19 women, in which they do cuisine, flower bouquets, and handicrafts. As FWA they took part in two culinary contests with success. The residents meet up at the community centre and the youths train together. Today we know that this is only the beginning. The PGE volunteers showed us how much satisfaction may come from an activity, which is full of passion.

Rafał Ostrowski

cultural instructor,
Commune Centre of Sports Culture and Recreation in Goworowo

We invest with local communities in mind

We build our positive relations with local communities also through investing in infrastructure of the places where we do business. In 2013, PGE Energia Natury co-funded the construction of a playground in Niwy and renovation of village community centres in the Świerzno and Karnice communes, while in 2014 it provided funds for construction of a recreation and sports grounds in the Bielice commune.

To make life easier for local motorists and commuters we provided financial support for development of the design for reconstruction of a commune road in Kępica and for the design of reconstruction of a commune road and construction of bus stops in Sulikowo. Tangible contributions to local communities in form of infrastructure investments were also made by PGE Energia Odnawialna. In 2013, the company renovated a section of district road no. 213. In the following year a section of a county road as well as historic cobblestone street in Wojciechowo was renovated.

For the youngest residents of that commune we built a playground next to the community centre. The above examples are just a few of the activities undertaken by our companies in communities of their business operations.

Acting for people in need

Since many years we have been conducting charity activities. The employees of individual companies take part in national initiatives such as "The Great Orchestra of Christmas Charity", "Szlachetna Paczka" (Noble Box) and "Pomóż dzieciom przetrwać zimę" (Help Children Survive the Winter). We also provide support with Christmas and St. Nicholas Day campaigns both to children and institutions (hospices, hospitals, social welfare centres, foundations and schools) locally in a dozen or so cities in Poland. During Christmas season we support the organisation of municipal Christmas Eve dinners and in Łódź – the "Łódzka Fabryka Prezentów pod Choinkę" (Christmas Gift Factory) educational project, addressed to children from the whole district. Since nine years the young residents of Łódź – referring to the tradition of hand-made presents –



▲ PGE is also engaged in ecological education. Together with Nowa Era Publishing House in the school year 2013/2014 we conducted a national educational and nature-oriented project aimed at children of grades 1-3 of primary schools.

The Four Forces of Nature Club



45 000
participating children



77 000
supporting parents



155
contest submissions
for which 220 000 votes
were cast on the project website



3
winning schools

We promote education

Our educational projects concern safe and efficient use of electricity, the sources and the ways of generating electricity as well as environmentally friendly activities of our company such as our efforts on reclamation of post-mining areas. Promoting knowledge on nuclear power is also an important domain.

Safely and efficiently

The target group for our educational activities includes mainly children and teenagers. In 2014, PGE produced a series of educational videos regarding responsible use of electricity. The videos were addressed to two age groups: primary school pupils from grades 1-3 ("Pan Piorunek" (Mr Thunder) clip) and to teens from junior high schools ("Eksperymenty" (Experiments) clip). The videos are accompanied by class curricula for teachers and available on our corporate YouTube channel.

In August 2014, PGE Obrót together with the Podkarpacka Fundacja Rozwoju Kultury (Subcarpathian Foundation for the Development of Culture) in Sanok organised a series of educational games for children aged from 5 to 11 with virtual characters: the "Energy Dude," the "Eco Dude" and the "Experimenting Professor". Participants of "Energetic Vacations" were offered games, scientific experiments and movie shows. In addition, PGE Obrót in Rzeszów had created a Museum of Subcarpathian Energy Industry at its premises, where visitors may study the secrets of the energy industry.

Another example of an educational project was the programme "Prąd – mój bezpieczny przyjaciel" (Electricity – My Safe Friend) authored and developed by PGE Dystrybucja. Patronage over the project was extended by the Masovian Education Superintendent. Thanks to this programme hundreds of pupils from primary and junior high schools of Masovia district learnt how electricity is generated and how to safely use electric appliances.

In the Lublin district, PGE Dystrybucja delivered a scientific road show "Tajniki energetyki" (Secrets of Energy), while in Rzeszów the Eksperymentarium 3Z is open to public, combining the idea of a scientific



▲ In 2014 we shot four parts of an educational series titled "Pan Piorunek" (Mr Thunder).

We are talking about renewable energy sources

As part of increasing social awareness of renewable energy sources (RES), PGE Energia Odnawialna prepared the educational campaign "Energia z gigawatem" (Energy with Gigawatt) addressed to primary and secondary school pupils as and their parents. The campaign presented the benefits of saving electricity and water as well as practical tips on how to do it. In turn, PGE Energia Natury combined its educational activities with wind energy investment projects. Before commencing the investments, the company organised workshops and conferences promoting knowledge about the RES, as well as informational and promotional campaigns addressed to the local communities. An example of such activity is the campaign in Malechowo Commune about construction of the Wind Farm in Karwice. The company also organises educational visits for children and teenagers to wind farms already in operation.

150 000 – Total number of views of PGE educational movies on our You Tube channel

Data as of May 2015

Knowledge is key

Nuclear power and the construction of the first nuclear power plant in Poland are issues particularly important to us.

PGE EJ 1 – a special purpose vehicle responsible for direct preparation and realisation of the investment process of construction of the first Polish nuclear power plant – in the years 2013-2014 delivered numerous educational and information initiatives under the educational programme it commenced in 2011: "Świadomie o atomie. Energia jądrowa w Polsce" (Knowingly About the Atom. Nuclear Energy in Poland). Most activities were conducted in the Pomeranian district, around the communes where the nuclear power plant may be built: Choczewo (Choczewo Site) and Gniewino and Krokowa (Żarnowiec Site). In each of the communes a Local Information Point was established where company employees, being at the same time residents of these communes, may be contacted with questions, comments and proposals from local residents, and they also organise workshops and meetings with experts in nuclear power and in site and environment surveys.

Knowingly about the atom

The main tool used in the information campaign about nuclear power is the [swiadomieatomie.pl](#) website. Apart from up-to-date information on the status of the nuclear project, it provides knowledge about nuclear power as well as news from this sector around the world. The portal provides access to videos, animations, publications and other materials that may also be used as educational tools.

Additionally, in 2013, PGE EJ 1 company organised many activities aimed at readying the local community for the contractor performing the site and environmental survey turning up in their neighbourhood. These included "information mining" workshops for dedicated groups of people – local government representatives, public opinion leaders and teachers, during which participants could ask questions about the site and environmental survey issues.



▲ We strive to make our educational activities interactive and easy to understand for every age group.

The workshops were summarised in the "Site and environmental survey – questions and answers" brochure, which was delivered to all households in the communes concerned. Taking into account the huge scale of the project of construction of the first nuclear power plant in Poland, in December 2014, PGE EJ 1 organised a conference "Nuclear power – opportunity or threat to tourism in Pomerania?" in Gdańsk.

The event provided a forum for exchange of views regarding opportunities, benefits, but also concerns connected with the investment, including in particular its possible impact on tourism in the communes considered for the site.

participants could listen to presentations, and under the supervision of educators participate in experiments concerning e.g. particles, atoms, electric charges, elements, wind, carbon, solar and hydro power. Various publications were also prepared – for the youngest, the colouring books, and for older children, a "Journey to the centre of the atom" brochure.

About 5000 – the number of participants in the summer educational activities by PG RJ 1

In order to broaden the knowledge among the representatives of the communities of three potential site communes, PGE EJ 1 organised in December 2014 a study visit to the Spanish nuclear power plant in Cofrentes. Participants included representatives of local government authorities, voluntary fire brigades, representatives of the local tourist industry and educational institutions as well as local businessmen. The objective of the visit was to acquaint the local communities with the environment of a nuclear power plant, the benefits for the region and local business.

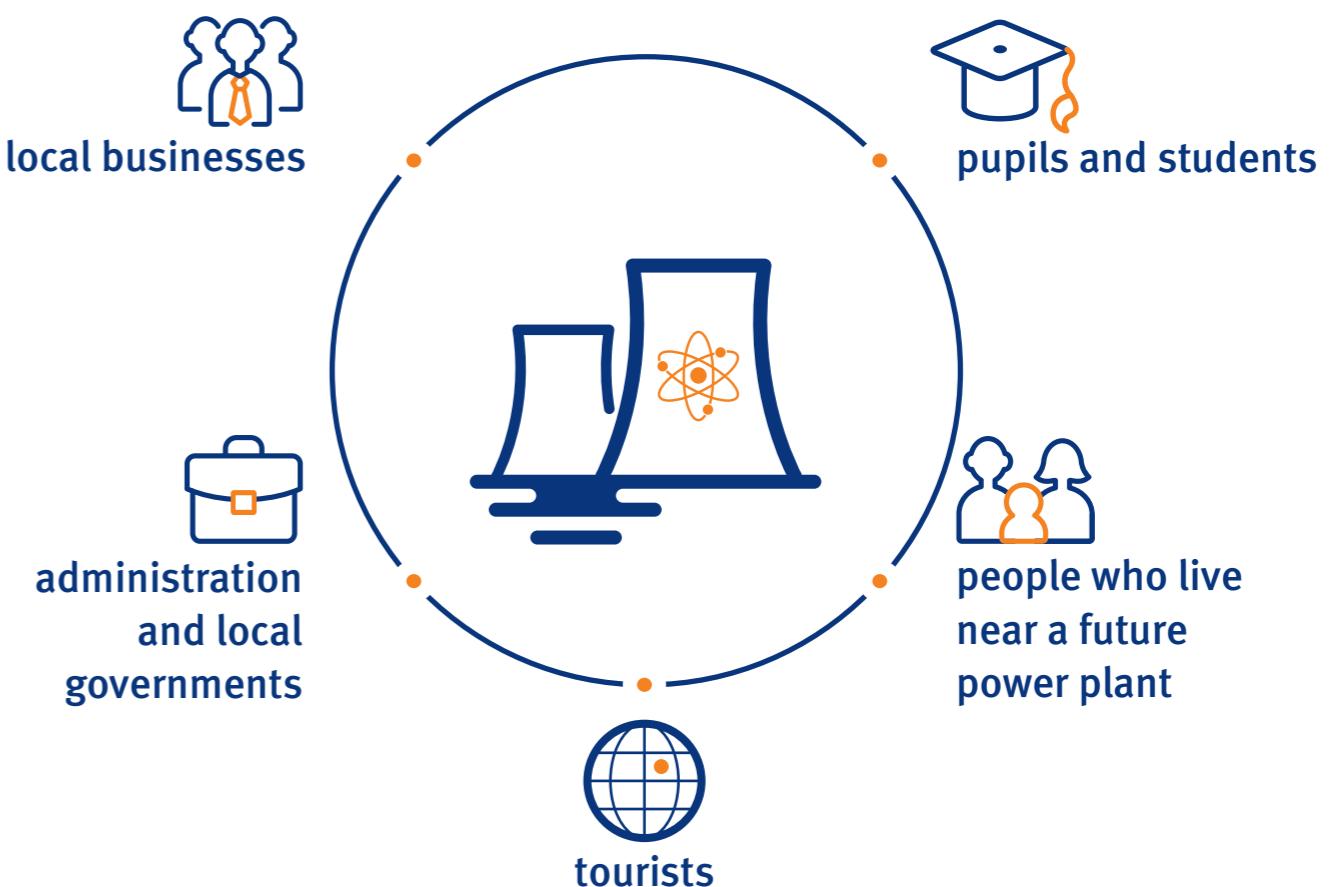
Journey to the Centre of the Atom

In August 2014, at the Village Houses in the Krokowa, Choczewo and Gniewino communes, interactive physics and chemistry workshops were organised especially for children, at which the young

PGE EJ 1 addresses its educational activities not only to the residents of the potential site communes, but also to tourists visiting the communes where the nuclear power plant may be built. In 2014 we were present during numerous events supporting, among others, the rollerblading marathon in Choczewo, Regatta at the Żarnowieckie Lake, the Białogóra Nordic Walking Baltic Cup 2014, the Days of the Choczewo, Krokowa and Gniewino Communes, and the commune harvest festival. Our educational efforts were supplemented with the "PGE activity zone", organised on weekends in August on the beaches in Lubiatowo, Białogóra and Nadole.

PGE EJ 1 also conducts educational activities in its own "Atom dla nauki" (Atom for Science) programme addressed to students of technical as well humanities universities.

Stakeholders in our educational and information activities about nuclear energy



Their purpose is to get the students from various faculties interested in nuclear power. The programme also includes the Universities of the Third Age, where during dedicated lectures senior students are familiarised with the topic of nuclear power and principles of nuclear power plant operation.

About energy in a different way

Proecological activities of the PGE Capital Group have been presented, among others, in the film series "Wakacje pod prądem" (Vacations against the Current). It was a continuation of the "Robimy prąd, góry, jeziora i lasy" (We Make Power, Mountains,

Lakes and Forests) campaign. The aim of the project was to encourage people to spend holidays in places that have not been discovered by tourists yet, especially in places that have become attractive for tourists thanks to PGE's involvement. In each episode, journalist, writer and traveller Leszek Talko together with his children visited the places located in areas of past PGE business activities. The programme presented the Wawrzkowizna complex near Bełchatów, the Kamieński Mountain, forests in the vicinity of Turów, and the Solina region.

One of the biggest attractions of the featured regions was the "PGE – Giganci Mocy" project.

(Giants of Power) – exhibition at the Municipal Cultural Centre in Bełchatów.

This multimedia educational and interactive exhibition presents the process of electric power generation from lignite mined and processed by the giants of Bełchatów, i.e. the Bełchatów Mine, the biggest opencast mine in Poland and one of the biggest in Europe, and Bełchatów Power Plant, the biggest lignite-fired power plant in Europe. The exhibition also presents the scientific and environmental aspects of such operations. Since 2012, PGE Górnictwo i Energetyka Konwencjonalna SA, one of the key companies of PGE Capital Group, is the naming rights sponsor of the Giganci Mocy project.

Sponsorship of culture and art

For many years PGE has invested in the development of culture and art by sponsoring important events and cultural initiatives. By bringing positive emotions and experience, we promote Polish culture and outstanding personalities. Significant and valuable cultural events – musical, theatrical or film – are held under the patronage of PGE. This way, PGE influences the development of local communities and contributes to improvement of attractiveness of places to residents, for tourists and as well as for investors.

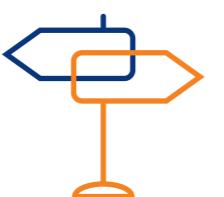
For several years, PGE Polska Grupa Energetyczna has been the main sponsor of "Dwa Brzegi" (Two Rivesides) Festival. PGE Group also supports the Different Sounds ART'n'Music Festival and the Łódź 4 Cultures Festival. For many years, PGE Group has been the sponsor of one of the oldest and most popular music festivals in Poland -the Music Festival in Łąćut, and since 2013 we support the PGE OFF Festival in Katowice. The PGE Capital Group is also the patron of local cultural events and has been recognised for it by, for example, the distinction and title of the Patron of Culture of the Lubelskie district.

In 2014, the PGE Polska Grupa Energetyczna became the sponsor of the film "Warsaw '44", an impressive production telling a story of youth, love, bravery and sacrifice during the 1944 Warsaw Uprising. The film directed by Jan Komasa, one of the most talented and most often awarded young generation filmmakers in Poland, features not only the well-known actors, but also newcomers from all over Poland. Special screening of the film was organised at the National Stadium in Warsaw as part of the 70th anniversary celebrations of the outbreak of the 1944 Warsaw Uprising.

We sponsor amateur and professional sport

We support professional and amateur sport. We sponsor teams in various disciplines of sport that attract the highest interest of fans: volleyball, football, basketball, speedway racing and handball. We support both the

PGE STACJA SPORT Campaign
“Be a Shining Example, Spread Energy”
(„Świeć przykładem, zarażaj energią”) comprises



10 cities



54 schools



128 days of field workshops

well-established clubs and those just beginning to build their positions.

In 2014, PGE was once again involved in the Special Olympics, a nationwide undertaking, enabling people with intellectual disabilities to develop physical fitness and participate socially through taking part in continuing trainings and sport competitions.

PGE Sport Station is a programme, intended to create opportunities for children to live a wonderful sport adventure and to find ways and a place to actively pass their free time. The programme aimed at helping children to get to know better the sport discipline in which they are interested, and to find a

sports club in the neighbourhood, where they could pursue this sport.

PGE actively supports the most talented Polish athletes, like bronze medallist of the 2012 Olympic Games – Zofia Klepacka and the kitesurfing Champion of Poland Victor Borsuk.

We also support numerous sports and recreation events. We took part in the initiative promoting outdoor sport by the volleyball players of PGE Atom Trefl team - "Aktywne lato z Atomówkami" and organised the PGE CUP beach volleyball tournament on July weekends, in collaboration with the City Sport and Leisure Centre in Sopot.



Teams sponsored by PGE:

ATOM TREFL SOPOT

PGE Atom Trefl Sopot
We are the naming rights sponsor of the Polish Champion in volleyball, PGE Atom Trefl Sopot, practically since the establishment of the team, i.e. since the 2010/2011 season.



PGE GKS Bełchatów
We are the strategic sponsor of this football team. We cooperated with the club since 2007.



PGE Skra Bełchatów
Since 2009 we have been the strategic sponsor of the most award-winning men's volleyball team in Poland.



PGE Stal Mielec
We have been the naming rights sponsor of the PGE Stal Mielec handball team since 2012.



PGE Stal Rzeszów
PGE has been a sponsor of speedway racing team PGE Stal Rzeszów since 2010.



PGE Turów Zgorzelec
We are the strategic sponsor of Turów Zgorzelec Basketball Sports Club – a leading Polish league team. In July 2013, an agreement on continuation of cooperation was signed for the next three seasons.

► In the 2013/2014 season PGE Skra Bełchatów was the Champion of Poland.



TRANSPARENCY RELIABILITY REPORTING >

[Appendix]

About the CSR Report

Publication of the Corporate Social Responsibility Report of the PGE Capital Group is yet another step of the business strategy we consistently follow. The Report presents our corporate social responsibility activities in 2013-2014 and their alignment with the objectives of PGE Group's business strategy. This demonstrates that the companies are perfectly capable of collaborating among themselves and assuring consistency of the PGE Group.

Data presented in the Report include the companies of the PGE Group that have the biggest and most material impact on business environment. This Report presents data on following companies: PGE Polska Grupa Energetyczna SA, PGE Górnictwo i Energetyka Konwencjonalna SA, PGE Dystrybucja SA, PGE Obrót SA, PGE Energia Odnowialna SA, PGE Energia Natury SA, PGE EJ 1 Sp. z o.o., PGE Systemy SA, PGE Dom Maklerski SA, Exatel SA.

The list of all companies comprising the PGE Capital Group has been presented in the Consolidated Financial Statements of the PGE Capital Group for 2014, pages 10-12, available on www.gkpge.pl website under Investor Relations tab.

Our Corporate Social Responsibility Report has been prepared in line with the Reporting Guidelines of the Global Reporting Initiative,

version G4 on the Core level. It also includes the indices of the supplement for the energy sector.

The data we present have been subject to assurance by an independent international Global Reporting Initiative organisation, for purpose of confirmation of correctness of including in the Report the Standard Information concerning the process of defining the Material Aspects and of the stakeholder engagement process (G4-17 - G4-27).

In accordance with the most stringent CSR reporting standards, the Report was submitted to an external audit. The partial assurance has been conducted by an independent auditor, KPMG, which has provided assurance of selected material indicators included in the Report.

We listen to the expectations

We wish our Report to present the PGE Group's corporate social responsibility activities in a comprehensive manner, but also to take into account and address the expectations of a broad range of our stakeholders. Therefore, we have engaged representatives of various groups from our business environment in the process of defining its content. We are glad that employees of PGE Capital Group have

actively contributed to preparation of this Report. In the coming years we intend to maintain the annual system for disclosure of non-financial information of the PGE Capital Group.

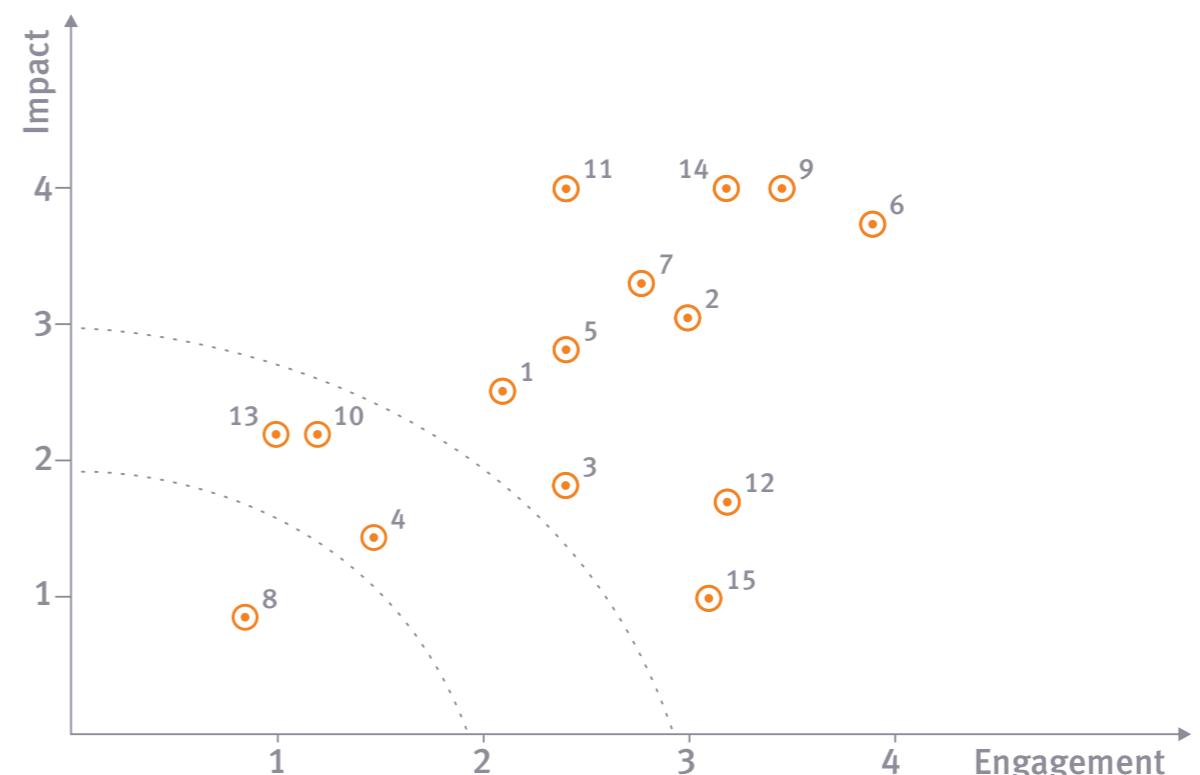
What is important for us?

Building long-term corporate value also includes, apart from business priorities, lasting relations with the business environment, based on trust, openness, and dialogue.

We have conducted the process of determining the Material Aspects to be included in our Report in stages provided for by the GRI G4 guidelines. Our first step was to invite our employees to collaboration. The survey on corporate social responsibility of the PGE Capital Group was answered by 2031 persons, that is 5% of all employees. The survey was conducted both by electronic channels as well as in paper form, so as to reach a large employee group.

We have also engaged the external stakeholders in the work on the Report. We have commenced the process of their identification by stakeholder mapping and defining the existing communication channels. On the basis of evaluation and analysis, we have divided the stakeholders into 3 groups depending on their engagement and impact on the company.

Our stakeholders – their engagement and impact on the company



- 1 - Government administration
- 2 - Media
- 3 - Power industry organisations
- 4 - Non-governmental organisations
- 5 - Business partners

- 6 - Employees
- 7 - Local authorities
- 8 - Scientific communities
- 9 - Shareholders
- 10 - Suppliers

- 11 - Customers
- 12 - Competitors
- 13 - Subcontractors
- 14 - The regulator
- 15 - Local communities

Report preparation process based on the stakeholders' engagement



Dialogue session with external stakeholders

In the course of a detailed analysis of the groups of PGE stakeholders identified beforehand, including institutions and organisations that we collaborate with, we have invited their 23 representatives to the dialogue process. The invitation was accepted by the Ministry of Economy, a non-governmental CSR focused organisation, a consumer organisation, a non-governmental social organisation, a business partner – service provider and a government agency

that defines the environmental protection policy in Poland.

The goal of the dialogue was to learn the stakeholders' actual needs and expectations with respect to the PGE Capital Group within the framework of our strategic areas.

The dialogue process has been conducted in accordance with the international AA1000 Stakeholder Engagement Standard developed by AccountAbility organisation. The issues raised during the meeting have

been presented at the beginning of each chapter.

The process of defining the final content of the Report has been completed by a validation workshop with the management team of the PGE Capital Group.

As a result, a list of important topics (aspects) with the scope of their impacts was created, which had been translated into material information and indicators included in this Report.

Ways of communicating with the environment

We make every effort to ensure that the information on our business activities reaches all parties concerned. We wish not only to inform, but first and foremost, to hold a continuing dialogue with our partners. For each identified group of stakeholders we have a dedicated way of conducting the communications and the dialogue.

In each of the companies we had appointed a spokesperson for contacts with the media, which has a bearing on the speed and reliability of the information provided. We offer our customers diversified forms of contact, including the customer service centre, and the telephone Contact Centre. Along with our every investment project we hold a dialogue with local governments and

local communities to provide benefits also to our environment and to minimise our adverse impact on the environment.

The most frequently used channels of communication with our employees are in-house magazines and the PGE Intranet, where we publish all the important information. We also conduct regular employee opinion surveys in form of questionnaires in intranet or phone interviews, which check e.g. the employee satisfaction levels.

Our employees actively participate in the proceedings of industry organisations, allowing us to share our knowledge and gain valuable experience.

Communications with our investors as well as establishing and maintaining good relations with them are assured by our investor relations team. To improve the communications efficiency we have introduced, among others, an innovative solution – mobile application for shareholders.

We are continuously adjusting our channels of contact with the environment to the individual needs of our interlocutors. We wish our Corporate Social Responsibility Report to be yet another tool supporting us in providing information about our plans, activities and challenges.

List of Material Aspects and scope of their impact

Material Aspects of PGE Capital Group	Impact within the organisation	Impact outside the organisation
Organisational Profile	PGE Capital Group	-
Economic Performance	PGE Capital Group	Investors
Indirect Economical Impacts	PGE Capital Group	Local communities, Local authorities
Procurement Practices	PGE Capital Group	Suppliers
Materials	PGE GiEK, PGE Dystrybucja	-
Energy	PGE Capital Group	-
Emissions	PGE GiEK	Local communities, Local authorities
Effluents and Waste	PGE GiEK	Local communities, Local authorities
Biodiversity	PGE GiEK, PGE Dystrybucja, PGE EO, PGE EN	Local communities, Local authorities
Compliance – Environmental	PGE GiEK, PGE Dystrybucja, PGE EO, PGE EN	-
Overall Issues – Environmental	PGE GiEK, PGE Dystrybucja, PGE EO, PGE EN	-
Compliance – Society	PGE Capital Group	-
Grievance Mechanisms for Impacts on Society	PGE Capital Group	Local communities
Emergency planning and response	PGE Capital Group	-
Product and Service Labelling	PGE Obrót, PGE Dystrybucja	PGE customers
Marketing Communications	PGE Obrót, Exatel	PGE customers
Customer Privacy	PGE GiEK, PGE Dystrybucja, PGE Obrót	PGE customers
Ensuring Security and Continuity of the Provided Services	PGE Dystrybucja	PGE customers
Employment	PGE Capital Group	Potential employees
Occupational Health and Safety	PGE Capital Group	Potential employees
Training and Education	PGE Capital Group	Potential employees
Diversity and Equal Opportunity	PGE Capital Group	Potential employees
Research and Development	PGE Capital Group	Research and scientific institutions, external funding institutions
Corruption	PGE Capital Group	Suppliers, Local communities, Local authorities
Overall Issues – Social Involvement	PGE Capital Group	Local communities, Local authorities

Selected tools for communication with stakeholders



Overview of GRI Indicators

Material Aspect: Energy

G4-EN3 – Energy consumption within the organization

	PGE GiEK		PGE Dystrybucja	
	2013	2014	2013	2014
Fuel consumption from non-renewable sources, including: [GJ]				
Hard coal	142 019 105	136 504 977		-
Lignite	421 128 277	398 593 155		-
Methane-rich natural gas	5 376 739	5 521 788	22 628	19 047
Nitrogen-rich natural gas	4 640 471	4 589 515		
Gasoline	13 748	12 644	31 803	35 056
Fuel oil	1 940 924	1 533 849	8 461	8 264
Diesel oil	508 968	455 132	141 172	170 094
Fuel consumption from renewable sources, including: [GJ]				
Biomass	11 593 871	13 613 546	-	-
Heat consumption	1 721 311	1 489 864	88 430	74 657

Annual energy production [MWh]	Annual heat production [GJ]
2013	2014
PGE Energia Natury	PGE GiEK
265 199	269 044
PGE Energia Odnawialna	PGE GiEK
1 016 532	935 152
PGE GiEK	PGE Energia Odnawialna
55 595 967	53 260 839

	PGE GiEK		PGE Dystrybucja			Exatel		PGE Obrót		PGE Energia Natury		PGE Energia Odnawialna	
	2013	2014	2013	2014		2013	2014	2013	2014	2013	2014	2013	2014
Total energy consumption	6 619 866	6 365 473	68 394	64 346		53 510	45 591	1 821	1 680	626*	862	875 360	916 523

* data for the 3 farms cover the period from August 2013 to December 2013

Total electricity sold by PGE Obrót amounted to 36 950 886 MWh in 2013 and 39 644 158 MWh in 2014.

PGE SA, PGE EJ1, PGE Systemy and Dom Maklerski do not have available data about energy consumption.

Material Aspect: Materials

G4-EN1 – Materials used by weight or volume

	PGE GiEK	
	2013	2014
Used non-renewable resources by weight or volume (used for production and non-production purposes), including:		
Gross lignite [t] - excavated	51 310 002	49 973 676
Net hard coal [t] - total amount used (for production and non-production purposes)	6 286 480	6 069 906
Net lignite [t] - total amount used (for production and non-production purposes)	50 637 339	49 409 493
Methane-rich natural gas [m3]	147 829 146	152 282 485
Nitrogen-rich natural gas [m3]	229 093 605	226 645 507
Fuel oil [t]	49 339	39 197
Diesel oil [m3] Gasoline [m3]	14 109	12 625
Limestone [t]	415	380
Used renewable resources	1 602 115	1 755 309
Biomass [t]	1 055 041	1 202 953

Material Aspect: Energy

G4-EN5 – Energy intensity

	PGE GiEK	
	2013	2014
Chemical energy of fuels used for electricity production [GJ]	561 763 821	538 447 307
Gross electricity production [MWh]	60 821 788	58 322 447
Energy intensity indicator for electricity production [GJ/MWh]	9.24	9.23
Chemical energy of fuels used for heat production [GJ]	25 026 810	21 885 043
Annual heat production [GJ]	20 573 799	18 453 372
Energy intensity indicator for heat production [GJ/GJ]	1.22	1.19

Material Aspect: Emissions

G4-EN21 – NOx, SOx, and other significant air emissions

	PGE GiEK	
	2013	2014
Weight of significant air emissions (in tonnes) for each of the following categories:		
NOx	73 097	62 996
SOx	102 646	99 701
Particulate matter	3 453	2 973
Emission per MWh for net generation for all production capacities for each of the following categories (kg/MWh):		
NOx	1.31	1.18
SOx	1.85	1.87
Particulate matter	0.06	0.06

Material Aspect: Effluents and Waste

G4-EN22 – Total water discharge by quality and destination [m³]

	PGE Energia Odnawialna		PGE GiEK	
	2013	2014	2013	2014
Actual total wastewater [m³] by:	7 629	7 088	20 537 404	18 236 614
Surface water, including:				
rivers	2 129	930	20 298 831	18 002 263
municipal water supplies	5 500	6 158	238 573	234 351
Main drainage waters / mine waters	-	-	267 952 821	258 222 689
Cooling waters from open cooling system which do not require purification. The only significant aspect from the environmental point of view is temperature of the discharged water.	-	-	1 234 522 960	1 146 205 883
Used methods of wastewater treatment	Biological and mechanical and biological treatment. Municipal wastewater is directed to wastewater treatment plant		Biological treatment, mechanical and biological treatment	

Material Aspect: Effluents and Waste

G4-EN23 – Total weight of waste by type and disposal method [t]

	PGE GiEK*		PGE Dystrybucja**		PGE Energia Natury***		PGE Energia Odnawialna****	
	2013	2014	2013	2014	2013	2014	2013	2014
Amount of hazardous waste produced in the given year	1 010	1 110	1 808	3 158	1	2	18 284	6 603
Amount of hazardous waste by the utilization method:	1 219	1 184	no data	no data	1	2	18 284	6 603
Recovery (including energy recovery)	415	545	no data	no data	no data	no data	no data	no data
Recycling	96	172	no data	no data	no data	no data	no data	no data
Neutralization	574	337	no data	no data	no data	no data	no data	no data
Storage in landfills	0	47	no data	no data	no data	no data	no data	no data
On-site storage and warehousing	134	83	no data	no data	1	2	no data	no data
Amount of waste other than hazardous produced in the given year	8 159 571	8 294 645	6 715	7 624	1	1	25 000	25 000
Amount of waste other than hazardous by the utilization method:	8 484 047	8 642 064	no data	no data	1	1	25 000	25 000
Recovery (including energy recovery)	3 760 775	3 453 655	no data	no data	no data	no data	no data	no data
Recycling	12 077	464	no data	no data	no data	no data	no data	no data
Neutralization	6 650	10 762	no data	no data	no data	no data	no data	no data
Storage in landfills			no data	no data	no data	no data	25 000	25 000
On-site storage and warehousing			no data	no data	1	1	no data	no data

* Waste collection agreements prescribe the management line compliant with the possessed licenses. Waste is provided to waste management utilities with appropriate licenses.

** All waste is passed on to authorised waste management utilities for the purpose of further management. The amount of waste produced, and consequently provided to authorized utilities at PGE Dystrybucja SA depends on the line failures, overhauls and investments carried out in a given year.

*** Waste derived from service work on wind turbines and for a short time stored in specially provided containers. Then it is collected by authorised utilities. For this reason, we have no knowledge on how the waste is further processed.

**** Waste is collected by an authorised organisation.

Material Aspect: Effluents and Waste

G4-EN24 – Total number and volume of significant spills

	PGE Dystrybucja		PGE GiEK	
	2013	2014	2013	2014
Number of recorded significant spills, including by the type of spill:	34	51	-	1
fuel spills (to the soil or water surface)	-	-	-	1
other (determined by the organization)	34	51	-	
Total volume of identified significant spills m3]	506,4	452,5		100
Effects of spills	The effects of spills were completely eliminated. The environmental emergency service removes the contaminated soil and replaces it with soil compliant with requirements prescribed by the law. The replacement of soil proceeds on the basis of conducted laboratory studies, which confirm that the contamination has been completely removed.		A pipeline connecting a mazut catcher with a mazut recovery pumping station lost its tightness; the volume of soil contaminated with mazut amounted to about 100 m3. The local spill did not spread outside the oil handling facilities. The contaminated soil was removed and neutralised. The mazut pipeline was repaired, and there are no significant consequences for health, life and the natural environment.	

No significant spills were identified for PGE Energia Natury and PGE Energia Odnawialna.
There were no incidents of petroleum, waste or chemicals spills in the reporting period.

Material Aspect: Compliance

G4-EN29 – Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations [PLN]

	PGE GiEK		PGE Energia Natury	
	2013	2014	2013	2014
Value of monetary fines imposed for non-compliance with environmental laws and regulations	7 719 340	45 414	0	500
Value of monetary fines paid/to be paid for non-compliance with environmental laws and regulations	25 723	0	0	500
Value of monetary fines reduced (waived) for non-compliance with environmental laws and regulations	-7 496 010	-243 021	0	0
Value of monetary fines not yet imposed, but estimated for non-compliance with environmental laws and regulations	0	53 990	0	0

In the reporting period PGE Energia Odnawialna, PGE Dystrybucja and Exatel were not subject to monetary fines or non-monetary sanctions on account of non-compliance with environmental laws and regulations.

Material Aspect: Overall issues in the area of environmental protection

G4-EN31 – Total environmental protection expenditures and investments by type [PLN]

	PGE Dystrybucja			PGE Energia Odnawialna			PGE Energia Natury		PGE GiEK	
	2013	2014		2013	2014		2013	2014	2013	2014
Total environmental protection expenditures, including:	53 086 599	64 336 147		71 914	97 185		-	860 000	336 503 960	337 649 919
costs of utilization of waste, emission treatment and remediation	759 289	748 607		68 014	86 895			500 000	-	-
costs of prevention and management of environmental protection	104 704	117 742		3 900	10 290		no data**		336 503 960	337 649 919
investment expenditures for environmental protection	52 222 606	63 469 797		-	-			360 000	no data*	no data*

* Currently data are aggregated in a way preventing their reliable presentation. We will make every effort to present this data in the next reporting period.

** Data for this year were not presented, as PGE EN took over the assets of Iberdrola and Dong Energy in July, so presenting data for this year could be unrepresentative.

Material Aspect: Employment

G4-10 – Total number of employees by employment contract and gender

	PGE Dystrybucja		PGE EN		PGE EO		Exatel				PGE GiEK		PGE Obrót		PGE SA		PGE EJ1		PGE Systemy		PGE Dom Maklerski		
	2013	2014	2013	2014	2013	2014	2013	2014		2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Total number of employees	11 082	10 743	64	78	510	504	385	362		18 877	17 486	1 518	1 501	427	471	56	70	391	447	17	24		
Women	1 685	1 609	30	35	114	113	137	122		2 866	2 617	1 103	1 092	226	243	27	32	79	85	10	10		
Men	9 397	9 134	34	43	396	391	248	240		16 011	14 869	415	409	201	228	29	38	312	362	7	14		
Employment contract, full time	11 023	10 689	64	78	500	493	379	357		18 853	17 467	1 504	1 488	410	456	49	67	388	444	14	21		
Women	1 657	1 580	30	35	110	109	132	118		2 860	2 609	1 099	1 087	213	236	23	30	78	83	8	10		
Men	9 366	9 109	34	43	390	384	247	239		15 993	14 858	405	401	197	220	26	37	310	361	6	11		
Employment contract, part time	59	54	0	0	10	11	6	5		24	19	14	13	17	15	7	3	3	3	3	3		
Women	28	29	0	0	4	4	5	4		6	8	4	5	13	7	4	2	1	2	2	0		
Men	31	25	0	0	6	7	1	1		18	11	10	8	4	8	3	1	2	1	1	3		
Employment contract for an indefinite time	11 042	10 695	50	71	500	498	370	340		18 780	17 415	1 473	1 443	392	425	50	52	313	381	13	24		
Women	1 677	1 599	22	32	110	110	128	111		2 834	2 521	1 074	1 057	210	224	24	26	57	68	9	10		
Men	9 365	9 096	28	39	390	388	242	229		15 946	14 894	399	386	182	201	26	26	256	313	4	14		
Employment contract for a definite time	40	48	14	7	10	6	15	22		97	71	43	58	35	46	6	18	78	66	4	0		
Women	8	10	8	3	4	3	9	11		32	35	27	35	16	19	3	6	22	17	1	0		
Men	32	38	6	4	6	3	6	11		65	36	16	23	19	27	3	12	56	49	3	0		
Mandate contract	90	93	1	3	80	58	3	2		105	99	43	36	0	0	14	14	19	32	0	3		
Women	46	48	0	0	11	6	2	2		23	22	28	23	0	0	11	11	14	14	0	2		
Men	44	45	1	3	69	52	1	0		82	77	15	13	0	0	3	3	5	18	0	1		
Contract of specific work	6	6	0	2	3	6	1	0		3	2	0	0	0	0	1	1	1	1	0	0		
Women	0	0	0	0	1	4	1	0		2	2	0	0	0	0	0	0	0	0	0	0		
Men	6	6	0	2	2	2	0	0		1	0	0	0	0	0	1	1	1	1	0	0		

In 2013 and 2014 PGE Capital Group did not cooperate with a significant number of self-employed persons

G4-11

Employees covered by collective bargaining agreements

	PGE Dystrybucja		PGE EO		PGE GiEK		PGE Obrót				PGE SA*	
	2013	2014	2013	2014	2013	2014	2013	2014		2013	2014	
Employees covered by collective bargaining agreements	10 988	10 644	510	504	18 877	17 486	1 383	1 378		427	471	
Percent of employees covered by collective bargaining agreements (in relation to all employees)	99%	99%	100%	100%	100%	100%	91%	92%		100%	100%	

In 2013 and 2014 at PGE Dystrybucja one person among the contract employees was covered by a collective bargaining agreement.

* The Company Collective Bargaining Agreements (Zakładowe układy zbiorowe pracy, ZUZP) are arrangements between the Employer and Trade Union Organisations and are applicable to all employees irrespective of union membership. They mainly govern mutual rights and obligations of the parties to the employment relationship, including working conditions and salaries, as well as other benefits closely related to work.

G4-10

Total number of employees of the companies*

	2013	2014
PGE Capital Group		
33 327	31 686	

* This report includes data for the ten companies covered by this Report. Page 61 presents the employment data for the entire PGE Capital Group (in numbers of people).

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Material Aspect: Employment

G4-LA1 – Total number and rates of new employee hires and employee turnover by age group, gender and Company

	PGE Dystrybucja		PGE EN		PGE EO		Exatel			PGE GiEK		PGE Obrót		PGE SA		PGE EJ1		PGE Systemy		PGE Dom Maklerski	
	2013	2014	2013	2014	2013	2014	2013	2014		2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Total number of new employee hires	14	44	36	23	30	33	79	39		150	255	77	58	76	100	16	22	285	77	12	17
Women	2	10	20	10	14	7	38	13		54	116	43	39	30	40	9	7	57	7	8	8
Men	12	34	16	13	16	26	41	26		96	139	34	19	46	60	7	15	228	70	4	9
Age under 30 years	6	23	13	5	5	9	10	9		33	22	35	27	25	28	1	5	40	9	3	4
Age of 30-50 years	6	18	22	17	23	19	65	21		78	148	38	31	45	61	13	16	195	54	9	12
Age over 50 years	2	3	1	1	2	5	4	9		39	85	4	0	6	11	2	1	50	14	0	1
Percentage of new employee hires	0%	0%	56%	29%	6%	7%	21%	11%		1%	1%	5%	4%	18%	21%	29%	31%	73%	17%	71%	71%
Women	0%	1%	67%	29%	12%	6%	28%	11%		2%	4%	4%	4%	13%	16%	33%	22%	72%	8%	80%	80%
Men	0%	0%	47%	30%	4%	7%	17%	11%		1%	1%	8%	5%	23%	26%	24%	39%	73%	19%	57%	64%
Age under 30 years	1%	8%	87%	33%	12%	24%	37%	41%		9%	9%	25%	25%	56%	43%	17%	50%	69%	17%	75%	133%
Age of 30-50 years	0%	0%	46%	28%	9%	8%	21%	8%		1%	2%	5%	4%	15%	19%	30%	30%	67%	17%	69%	60%
Age over 50 years	0%	0%	100%	33%	1%	2%	7%	15%		0%	1%	1%	0%	7%	12%	29%	14%	122%	19%	0%	100%
Total number of employees who left in the reporting period, including:	367	406	18	9	22	38	78	61		906	1 646	61	62	39	56	6	8	17	23	0	11
Women	86	91	9	4	13	9	38	29		172	368	32	42	14	24	3	2	2	5	0	9
Men	281	315	9	5	9	29	40	32		734	1 278	29	20	25	32	3	6	15	18	0	2
Age under 30 years	8	11	6	1	3	5	4	6		21	22	9	17	3	3	0	0	1	2	0	3
Age of 30-50 years	107	128	12	8	13	20	50	48		254	383	25	30	29	46	3	7	15	17	0	8
Age over 50 years	252	267	0	0	6	13	24	7		631	1 241	27	15	7	7	3	1	1	4	0	0
Percent of employees who left	4%	4%	28%	12%	4%	8%	20%	17%		5%	9%	4%	4%	9%	12%	11%	11%	4%	5%	0%	46%
Women	5%	6%	30%	11%	11%	8%	28%	24%		6%	14%	3%	4%	6%	10%	11%	6%	3%	6%	0%	90%
Men	3%	3%	26%	12%	2%	7%	16%	13%		5%	9%	7%	5%	12%	14%	10%	16%	5%	5%	0%	14%
Age under 30 years	2%	4%	40%	7%	7%	14%	15%	27%		6%	9%	6%	15%	7%	5%	0%	2%	4%	0%	100%	
Age of 30-50 years	2%	2%	25%	13%	5%	9%	16%	17%		3%	5%	3%	4%	10%	15%	7%	13%	5%	5%	0%	40%
Age over 50 years	6%	6%	0%	0%	3%	6%	44%	12%		6%	13%	5%	3%	9%	8%	43%	14%	2%	5%	0%	0%
Average seniority of employees who left [in years]	27.9	28.4	6.0	10.4	11.5	16.1	7.0	4.6		22.8	25.9	18.8	13.8	13.3	13.4	2.8	12.5	10.6	8.8	0.0	9.9
Women	34.8	31.9	3.6	11.5	10.8	5.9	6.7	5.4		18.3	23.3	22.4	15.1	14.6	11.1	2.0	9.0	8.5	11.2	0.0	7.8
Men	29.8	30.4	8.4	9.6	12.6	19.3	7.3	3.8		23.9	26.6	14.8	11.1	12.6	15.1	3.7	13.7	10.9	8.2	0.0	19.5
Age under 30 years	5.0	5.6	2.7	2.0	1.2	0.7	3.3	1.0		2.0	1.5	6.6	1.7	1.0	1.0	0.0	0.0	4.0	1.5	0.0	4.3
Age of 30-50 years	20.3	18.2	7.7	11.5	2.7	7.5	5.6	4.0		20.3	22.8	8.7	12.0	11.1	11.5	2.0	9.9	9.5	8.6	0.0	12.0
Age over 50 years	36.4	37.8	0.0	0.0	35.8	35.2	10.7	12.0		27.6	28.8	33.0	31.0	27.7	32.1	3.7	31.0	33.0	13.3	0.0	0.0

Material Aspect: Employment

G4-EU15 – Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category

	PGE Dystrybucja	PGE EO	Exatel		PGE GiEK	PGE Obrót	PGE SA	PGE EJ1	PGE Systemy
	2014	2014	2014		2014	2014	2014	2014	2014
Percentage of employees eligible to retire in the next 5 years, including:	4.07%	10.71%	0.82%		15.80%	9.80%	8.07%	0.00%	1.12%
Management Board, Directors	6.47%	4.17%	0.00%		24.14%	0.00%	7.41%	0.00%	0.00%
Managerial posts	5.20%	0.00%	0.00%		20.26%	0.29%	7.25%	0.00%	0.00%
Other employees	3.95%	1.13%	0.97%		15.62%	9.51%	8.33%	0.00%	1.28%
Percentage of employees eligible to retire in the next 10 years, including:	9.99%	35.71%	0.00%		28.86%	19.81%	13.59%	4.11%	0.67%
Management Board, Directors	10.79%	8.33%	0.00%		62.07%	0.00%	18.52%	0.00%	0.00%
Managerial posts	13.00%	7.50%	0.00%		34.29%	1.23%	8.70%	0.00%	0.00%
Other employees	9.75%	3.38%	0.00%		29.15%	18.65%	13.79%	5.77%	0.77%

Material Aspect: Occupational Health and Safety

G4-LA7 – Workers with high incidence or high risk of diseases related to their occupation

The greatest risk at PGE GiEK SA is connected with occupation-related diseases. Risks which may cause occupational diseases according to the classification in compliance with relevant regulations are as follows: exceeding noise standards at work places, mechanical vibrations, ionising radiation, chemical substances (fibrogenic dusts) and carcinogenic factors. The company undertook mitigating measures focused on regular medical checkups of employees, programmes reducing the impact of harmful factors on the occupational activity or excluding them, preventive vaccinations and analysis of work places.

Material Aspect: Occupational Health and Safety

G4-LA6 – Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by company and by gender

Due to the specificity of the activities of particular business lines, we report the accident rate for companies in which the risk of accident at work is significant.

	PGE Dystrybucja		PGE EN		PGE EO		Exatel		PGE GiEK		PGE Obrót	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Total number of accidents at work, including:	85	60	0	1	4	3	2	1	62	43	7	8
Women	3	4	0	1	0	0	2	0	4	3	2	5
Men	82	56	0	0	4	3	0	1	58	40	5	3
Number of fatalities, multiple and severe accidents	3*	6	0	0	0	0	0	0	2**	0	0	0
Women	0	0	0	0	0	0	-	-	0	0	0	0
Men	4	6	0	0	0	0	-	-	5	0	0	0
Accident frequency rate Accident frequency rate = (number of accidents / number of employees)* 1000	8	6	0	13	8	6	5	3	3	2	5	5
Women	2	2	0	29	0	0	15	0	1	1	2	5
Men	9	6	0	0	10	8	0	4	4	3	12	7
Total days of incapacity for work due to accidents at work	5 213	3 777	0	189	66	23	10	33	4 783	3 507	187	273
Women	282	398	0	189	0	0	10	0	434	255	30	254
Men	4 931	3 379	0	0	66	23	0	33	4 349	3 252	157	19
Total number of employees	11 082	10 743	64	78	510	504	385	362	18 877	17 486	1 516	1 501
Women	1 685	1 609	30	35	114	113	137	122	2 866	2 617	1 101	1 092
Men	9 397	9 134	34	43	396	391	248	240	16 011	14 869	415	409
Accident severity rate Lost days against the total number of accidents	61	63	0	189	17	8	5	33	77	82	27	34
Women	94	100	0	189	0	0	5	0	109	85	15	51
Men	60	60	0	0	17	8	0	33	75	81	31	6
Number of stated occupational diseases	0	0	0	0	0	0	0	0	0	0	0	0
Women	0	0	0	0	0	0	0	0	0	0	0	0
Men	0	0	0	0	0	0	0	0	0	0	0	0
Total number of subcontractors' accidents at work performed for the account of reporting organization	0	0	0	0	0	0	0	0	4	2	0	0
Women			0	0	0	0	0	0	0	0	0	0
Men	0	0	0	0	0	0	0	0	4	2	0	0

There were no fatalities, multiple or severe accidents of the subcontractors of PGE Capital Group during 2013-2014

* includes one multiple accident, in which two persons were injured

** includes two multiple accidents, in which five persons were injured

Material Aspect: Training and Education

G4-LA9 – Average days of training per year per employee by gender, and by employee category

	PGE Dystrybucja*		PGE EN		PGE EO		Exatel		PGE GIEK		PGE Obrót		PGE SA		PGE Systemy	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Average number of training days	1.80	1.77	0.20	0.13	2.77	1.61	0.72	0.71	1.38	3.03	1.77	1.49	3.82	2.08	0.43	0.89
Women	1.17	1.18	0.23	0.77	1.45	0.82	0.82	0.90	1.15	7.23					0.43	0.33
Men	1.91	1.87	0.41	0.65	3.22	1.88	0.67	0.62	1.43	2.29					0.43	1.02
Senior management	4.11	3.38	b/d	1.07	2.57	2.05	0.67	1.22	7.76	8.07	no data		no data		0.46	0.05
Managerial posts	3.15	2.18	b/d	0.80	5.09	4.53	2.69	1.91	3.78	5.91					0.79	0.37
Other employees	1.67	1.71	b/d	0.59	2.55	1.33	0.51	0.54	1.29	2.91					0.41	0.96

* Out of 9 branches, two - Branch in Warsaw and Branch in Białystok – reported lack of data on this aspect

In the reporting period there are no data available related to education and trainings of employees at Dom Maklerski and PGE EJ 1.

Material Aspect: Diversity and Equal Opportunity

G4-LA12 – Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity

	PGE Dystrybucja		PGE EN		PGE EO		Exatel		PGE GIEK		PGE Obrót		PGE SA		PGE EJ1		PGE Systemy		PGE Dom Maklerski	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Percent of persons in the organization's Management Board																				
women	20%	25%	33%	33%	0%	0%	67%	25%	0%	0%	0%	0%	0%	0%	50%	67%	0%	0%	0%	0%
men	80%	75%	67%	67%	100%	100%	33%	75%	100%	100%	100%	100%	100%	100%	50%	33%	100%	100%	100%	100%
Age under 30 years	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Age of 30-50 years	80%	25%	100%	100%	100%	75%	100%	50%	33%	33%	67%	67%	66%	75%	50%	100%	33%	75%	67%	100%
Age over 50 years	20%	75%	0%	0%	0%	25%	0%	50%	67%	67%	33%	33%	34%	25%	50%	0%	67%	25%	33%	0%
Percent of persons in the organization's Supervisory Board																				
women	50%	17%	25%	50%	33%	20%	0%	33%	25%	0%	50%	50%	43%	44%	20%	0%	50%	33%	33%	33%
men	50%	83%	75%	50%	67%	80%	100%	67%	75%	100%	50%	50%	57%	56%	80%	100%	50%	67%	67%	67%
Age under 30 years	0%	0%	0%	0%	0%	0%	33%	17%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Age of 30-50 years	67%	67%	75%	100%	100%	100%	33%	67%	75%	67%	67%	57%	56%	80%	100%	67%	100%	67%	100%	100%
Age over 50 years	33%	33%	25%	0%	0%	0%	33%	17%	25%	33%	33%	43%	44%	20%	0%	0%	33%	0%	0%	0%
Percent of employees																				
women	15%	15%	47%	45%	22%	22%	36%	34%	41%	44%	73%	73%	53%	52%	48%	46%	20%	19%	59%	42%
men	85%	85%	53%	55%	78%	78%	64%	66%	59%	56%	27%	27%	47%	49%	52%	54%	80%	81%	41%	58%
Age under 30 years	4%	2%	23%	18%	8%	7%	7%	6%	8%	7%	9%	7%	11%	14%	11%	14%	15%	12%	24%	13%
Age of 30-50 years	56%	56%	75%	65%	50%	47%	79%	77%	77%	70%	52%	52%	70%	67%	77%	76%	75%	72%	76%	83%
Age over 50 years	41%	42%	2%	17%	42%	46%	14%	17%	15%	23%	33%	35%	19%	19%	13%	10%	16%	0%	4%	0%

Data as of 31.12.2013 and 31.12.2014

G4-EU1 – Installed capacity, broken down by primary energy source

	GK PGE	
	2013	2014
Installed capacity in MW by the type of fuel used:		
Hard coal	3 264.2	3 286.2
Lignite	6 797.0	6 797.0
Natural gas	447.0	477.0
Biomass	68.5	75.5
Wind energy	283.2	311.0
Water energy	1 576.5	1 604.2

G4-EU2 – Net energy output and heat broken down by primary energy source

	GK PGE	
	2013	2014
Net generated heat in GWh, by the type of fuel used:		
Hard coal	12 347	11 992
Lignite	41 109	38 860
Natural gas	1 114	1 153
Biomass	1 026	1 256
Wind energy	427	643
Water energy	1 017	935
Generated heat in GJ by the type of fuel used:		
Hard coal	13 539 128	12 111 605
Lignite	2 877 484	2 651 004
Natural gas	3 170 033	2 840 248
Biomass	921 456	791 418
Other (mazut, ekoterm)	39 447	35 077

WG4-EU4 – Length of the overhead and cable lines

	GK PGE	
	2013	2014
Length of lines by the voltage in km		
extra-high voltage lines (220kV)	21	21
high voltage lines (110kV)	10 058	10 078
medium voltage lines (1-30kV)	108 575	109 022
low voltage lines with service lines	231 094	232 598
Length of overhead lines in km		
extra-high voltage lines	21	21
high voltage lines	10 043	10 057
medium voltage lines	91 494	91 435
low voltage lines with service lines	176 893	176 601
Length of cable lines in km		
high voltage lines	15	21
medium voltage lines	17 082	17 587
low voltage lines with service lines	54 201	55 997

Material Aspect: Indirect Economical Impacts Percent of commune expenditures financed by PGE in 2013

Territorial unit	Commune expenditures in 2013 in PLN thousand (communes together with cities / towns with poviatrights)*	Estimated taxes paid to commune budgets by PGE in PLN thousand**	Percent offinanced expenditure
Bełchatów	219 778	124 840	57%
Bogatynia	146 527	58 820	40%
Gryfino	108 533	21 292	20%
Dobrzenie Wielki	71 481	13 815	19%
Bobrowice	14 312	1 866	13%
Skarżysko-Kamienna	118 183	13 747	12%
Czernichów	26 898	1 643	6%
Gniewino	35 513	1 627	5%
Solina	25 502	941	4%
Rzeszów	973 506	14 678	2%
Lublin i Zamość	2 154 959	23 278	1%
Gorzów Wielkopolski	458 907	4 512	1%
Białystok	1 440 321	9 498	1%
Bydgoszcz	1 459 745	6 603	0,5%
The Capital City of Warsaw	12 147 976	52 038	0,4%
Kielce	1 062 832	2 586	0,2%
Łódź	3 807 250	8 740	0,2%

* Data for 2013 published on the website of the Central Statistical Office of Poland (data for 2014 are not available as of the date hereof):
http://stat.gov.pl/bdl/app/strona.html?p_name=indeks

** Estimate based on the tax returns and documentation of other levies incurred by PGE for the benefit of local authorities resulting from legal obligations

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Aug 2015
Service

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G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	✓	15
Material Aspect: Grievance Mechanisms for Impacts on Society			
G4-DMA	DMA Grievance Mechanisms for Impacts on Society		15
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms		40 grievances were filed with the PGE Capital Group companies*
Social indicators: Product Responsibility			
Material Aspect: Product and Service Labeling			
G4-DMA	DMA Product and Service Labeling		54-55
G4-PR5	Results of surveys measuring customer satisfaction	✓	54-55
Material Aspect: Marketing Communications			
G4-DMA	DMA Marketing Communications		46-55
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes		There were no such incidents in the reporting period
Material Aspect: Customer Privacy			
G4-DMA	DMA Customer privacy		46-55
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		There were no such incidents in the reporting period
Material Aspect: Availability of Products and Services			
G4-DMA	DMA Availability Product and Service		45-49
G4-EU28	Power outage frequency	✓	56
G4-EU29	Average power outage duration	✓	56

*39 among them referred to grievances relating to the area of activity of PGE Dystrybucja (35 in 2014) and were connected with the company's maintenance works. In response to the recorded incidents, the company implemented appropriate reparatory measures. In 2014 one letter from Greenpeace organization was filed with PGE EJ 1. The company addressed all issues described therein.

Glossary

AA1000 Accountability standards – One of the acknowledged CSR standard groups, AA1000 series has been created by an international think-tank AccountAbility through dialogue with stakeholders and in cooperation with experts. The standards refer to stakeholders and support organisation in the process of their management.

Business line – is an owner of the operating processes, part of development processes (implementation of investment projects) and support processes (asset management and environment protection). Business lines denote the key PGE Capital Group companies performing defined activities related to the core business.

CETOP Index (Central European Blue Chip Index) – an index of stock of 20 largest companies from Central Europe maintained by the stock exchange in Budapest. Companies included in this index have to be listed on the stock exchange in Budapest, Warsaw, Prague, Bratislava, Ljubljana or Zagreb.

Co-generation – simultaneous generation of heat and electricity or mechanical energy in the course of one and the same technological process.

Corporate Centre (CK) – meaning PGE Polska Grupa Energetyczna SA, is responsible for managing the PGE Capital Group, including definition and formulation of the strategy and supervision over its operations.

ERM – Enterprise Risk Management.

EU ETS – European Union Greenhouse Gas Emission Trading Scheme.

EUA – European Union Allowances, transferable CO₂ emission allowances; one EUA allows an operator to release one tonne of CO₂.

Generating unit – a technically and commercially defined set of equipment belonging to an energy utility company and used to generate electricity or heat and to evacuate power.

Installed capacity – the formal value of active power recorded in the design documentation of a generating system as the maximum achievable capacity of that system, confirmed by the acceptance protocols of that system (a historical value, it does not change over time).

kV – kilovolt, an SI unit of electric potential difference, voltage and electromotive force; 1kV= 10³ V.

Microgeneration – combined heat and power systems. Microgeneration systems are composed of gas-, oil- or biomass-fired boilers, which heat buildings and produce electricity.

MSCI Index (Morgan Stanley Capital International Index) – an international stock market index.

MW – a unit of power in the SI system, 1 MW = 10⁶ W.

NOx – nitrogen oxides.

Prosumer photovoltaics – photovoltaic system installed by a private person (prosumer), e.g. on a roof of a house, for the purpose of producing electricity obtained directly from solar radiation.

Renewable Energy Source (RES) – a source of generation using wind power, solar radiation, geothermal energy, waves, sea currents and tides, flow of rivers and energy obtained from biomass, landfill biogas as well as biogas generated in sewage collection or treatment processes or the decomposition of stored plant or animal remains.

SAIDI (System Average Interruption Duration Index) – lost minutes; unplanned outages (excluding catastrophic events).

SAIFI (System Average Interruption Frequency Index) – an index of system average frequency of long and very long interruptions, calculated as the number of users exposed to the consequences of all such interruptions within a year divided by the total number of the users served,

SOx – sulphur oxides.

Tariff – the list of prices and rates and terms of application of the same, devised by an energy utility and introduced as binding on the customers specified therein in prescribed manner.

Tariff group – a group of customers offtaking electricity or heat or using services related to electricity or heat supply to whom a single set of prices or charges and terms are applied.

TWh – terawatt hour, a multiple of unit of energy in the SI system. 1 TWh is equal to 10⁹ kWh.

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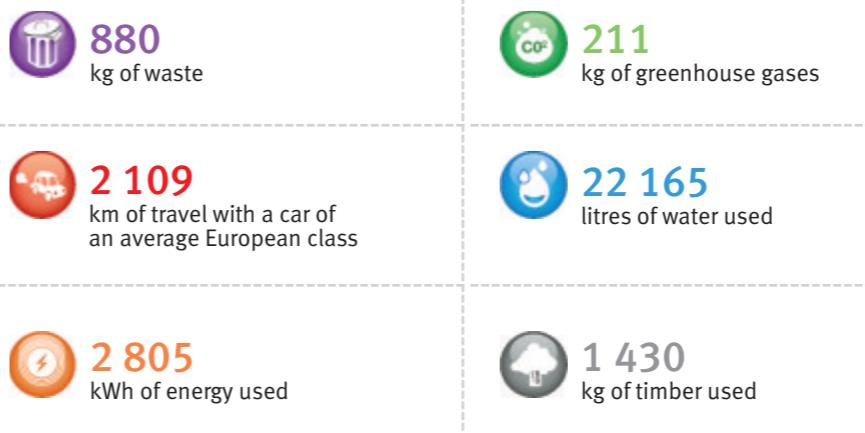
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