

COMMUNICATION ON PROGRESS 2017

1. STATEMENT OF CONTINUED SUPPORT

PKP Energetyka has been present on the Polish market since 2001. Its core business is the distribution and sale of electricity to traction and business customers, as well as the provision of specialised power engineering services.

In January 2016, PKP Energetyka became an official member of United Nations Global Compact, an initiative it had in fact participated in since 2014, as a company of the PKP Group.

Formal membership in UN Global Compact means that PKP Energetyka has committed to fully observe the ten fundamental principles in UNGC priority areas of human rights, labour, environment and anti-corruption. Additionally, as a member of the Programme Board of Global Compact Network Poland, the President of PKP Energetyka works with senior management staff of companies most actively involved in the promotion of these areas.

We are convinced of the need to foster ethical conduct for building long-term positive relations, both within the organisation and with external stakeholders, to support our position as a reliable partner in business.

This report is PKP Energetyka's first annual Communication on Progress. It presents key initiatives pursued by the Company in the UNGC priority areas.

In the coming months, we will undertake initiatives promoting behaviours and values consistent with the UN Global Compact guidelines.

2. DESCRIPTION OF ACTIONS

- **HUMAN RIGHTS**

PKP Energetyka follows the *Code of Ethics* adopted by the PKP Group, which sets out the organisation's values and desirable standards of conduct. The Code provides guidelines to be followed in relations with staff and third parties.

The values it promotes, i.e. reliability, good management, safety, innovation, responsibility and respect, encapsulate the principles observed by the Company in its day-to-day operations.

Because of its business profile and Strategic Vision, safety is at the centre of the Company's attention. Alongside quality, commitment and efficiency, safety is fundamental to the organisation.

Our business (distribution and sale of electricity, upgrade and maintenance of power networks, including traction systems, and sale of fuels for railway vehicles) requires that we take particular care to protect the health

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and lives of our staff. At PKP Energetyka, it is unacceptable to engage a lower-than-necessary number of people or violate OHS procedures to have a task performed quickly. Tasks must be performed, but with full safety of staff and customers' interests regarding quality always ensured. That is why we monitor safety conditions on an ongoing basis and take numerous measures to steadily improve them.

At PKP Energetyka, we believe it is not possible to run a business and generate profits without ensuring safety to employees. This approach sees OHS as an element of management. The Company's Management Board is involved in developing its strategy, including for work safety. Objectives are defined for a period until 2020. We have set up a safety improvement programme to be implemented over a time span of several years.

Many tasks comprising the programme are already being carried out, with positive effects. We have engaged additional OHS staff and we are monitoring areas for improvement. Work safety is not an aspect where we want to look for savings. Aware of the risks accompanying our day-to-day operations, we take an uncompromising approach to OHS. We protect the lives and health of our people, drawing on our expertise, established procedures and best practice.

Guarantee of safety is our staff's fundamental right.

- **LABOUR**

Relations within our organisation are based on openness, honesty and mutual trust. We can work as a team and respect diversity. We seek to create a friendly environment at the workplace, supportive of professional development and qualification raising. We treat one another with respect. We ensure equal and fair access to career opportunities. We do not employ children and minors.

We do not discriminate against anybody nor approve of any form of discrimination against colleagues, customers or business partners on the grounds of age, gender, disability, race, religion, sexual orientation, nationality, origin, or any political or trade unions activity. We have an Anti-Mobbing Committee to deal with cases and signals reported by our employees and to take steps to eliminate any alarming incidents. Employees can report their concerns anonymously on a designated form, by phone or by email. We do not tolerate any forms of harassment and abuse, whether physical or psychological. Nepotism is unacceptable.

There is also an Ethics Committee at the Company, to prevent abuse and recommend rules of ethical conduct, compliant with applicable laws. Such rules should be followed in everyday work, in relations with colleagues, individual and business customers, suppliers, competitors, social stakeholders and the natural environment. Special focus is placed on ensuring that all our employees, irrespective of their position and scope of duties, observe the rules.

Persons under the influence of alcohol or other intoxicating substances are not allowed to start work. We always comply with OHS and fire safety rules. In 2016, PKP Energetyka was awarded a Gold Card of Safe Work Leaders

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for 2017–2018. This mark of recognition is given by the Central Institute for Labour Protection – National Research Institute to businesses and institutions for active and effective promotion of work safety.

• ENVIRONMENT

We seek to combine professional approach to our business objectives with responsibility for the natural environment. We are on the lookout for new solutions and improve existing ones to reduce PKP Energetyka's environmental footprint.

We care for the environment while performing our daily tasks – we make double-sided prints, reuse paper for notes, have stickers on water taps and light switches to remind ourselves of the need to save water and electricity, and sort waste into designated containers.

When making a decision to implement an investment project, we take into account what effect it will have on the environment. We support innovations that contribute to reducing the environmental impact of our business.

We only buy certified equipment which meets environmental standards. We comply with environmental regulations and OHS rules applicable to our day-to-day operations. Within the Risk Management and Regulation Office, we have set up an Environmental Protection and Energy Management unit, which is responsible for:

- taking and coordinating steps to improve environmental protection and fire safety at the Company,
- monitoring legal regulations concerning environmental protection and fire safety,
- developing in-house rules and regulations on environmental protection and fire safety at the Company,
- environmental protection and fire safety training of new staff.

• ANTI-CORRUPTION

We operate in a free market, relying on the quality of our products and services as a source of competitive edge, and observing the rules of fair trade.

We build relations with suppliers based on mutual trust, professionalism, respect and responsibility.

We always keep in mind that the safety of our staff and customers depends on the quality of products and services we buy. Therefore, our procurement plans are implemented responsibly, on the basis of objective criteria. We avoid situations where personal preferences and benefits could influence our decisions. Our regulations concerning selection of suppliers and services guarantee full transparency of the process.

We take a zero-tolerance approach to corruption and unfair practices.

We do not accept any inducements which could alter or influence our decisions, nor do we offer such inducements to our suppliers, customers, business partners or public officials.

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Invoking the Company's Code of Ethics, we remind our personnel via internal communication channels that unfair practices and corruption are not tolerated.

A breach of ethics may lead to consequences defined e.g. in the Polish Labour Code.

3. MEASUREMENT OF OUTCOMES

I. Workforce structure

As at December 31st 2016, the Company had a total headcount of 5,894.

Workforce structure

- by gender:

Gender	Number of employees	Proportion
Women	732	12,42%
Men	5162	87,58%
Total	5894	100,00%

- by education:

Education	Management		Other employees	
	Number of employees	Proportion	Number of employees	Proportion
Vocational	1	0,25%	1847	33,62%
Secondary	116	28,93%	2541	46,26%
Higher	284	70,82%	1105	20,12%
Total	401	100,00%	5493	100,00%

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- by age:

Age group	Number of employees	Proportion
18-35	980	16,63%
36-45	1115	18,92%
46-55	2252	38,21%
56-65	1539	26,11%
66-70	8	0,14%
Total	5894	100,00%

employee group/age group	18-35	36-45	46-55	56-65	66-70	Total
other employees	918	1,013	2,152	1,403	7	5,493
management	62	102	100	136	1	401
Total	980	1,115	2,252	1,539	8	5,894

proportion	18-35	36-45	46-55	56-65	66-70	Total
other employees	94%	91%	96%	91%	88%	93%
management	6%	9%	9%	8%	13%	7%
Total	100%	100%	100%	100%	100%	100%

II. Workplace accidents

In 2016:

- the total number of accidents at work fell 45%, to 27
- there were no major accidents or fatalities
- LTIF* rate decreased 31% (LTIF – lost time injury frequency calculated for total no. of employees)
- LTIF was 2.76

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III. Waste recycling

In the course of its business, PKP Energetyka produces both hazardous and non-hazardous waste. The waste is collected by third parties – authorised waste management companies. The Company is not legally required to and does not monitor the amount of waste recycled by those companies. An analysis of waste produced by the Company indicates that the majority of it is recycled. PKP Energetyka assesses its environmental performance in waste management using an environmental indicator for the amount of hazardous waste produced, i.e. the ratio of hazardous waste transferred off-site to hazardous waste produced (in a year) – its satisfactory level is over 80%. In 2016, the indicator for the Company was 99%.



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