POLENERGIA

Corporate Social Responsibility Report

2018

Table of contents

Letter from the President

Dear Sirs and Madam,

On behalf of the Polenergia Group as one of Poland's largest energy groups whose lines of business encompass all links of the energy value chain, I have the pleasure to present to you our 4th annual corporate social responsibility (CSR) report.

This report, prepared in accordance with the international Global Reporting Initiative (GRI) standards, has been created with all our Stakeholders in mind. It contains an account of our achievements and activities in the CSR domain in 2018.

A major event for our Group was undoubtedly the establishment of a partnership (with the Equinor Group) for our anticipated projects in the Baltic Sea. At the end of last year, we signed a contract for the execution of another project with our strategic partner. We continue our development and construction activities focused on onshore and offshore wind farms and photovoltaic farms. Furthermore, another significant event involved the successful participation of members of our Group in capacity auctions for 2021-2023.

The declaration we signed two years ago to join the Global Compact Poland Ethics Program confirmed our ongoing efforts aimed at improving our commitment and building the best possible relations with our Stakeholders.

In 2018, we set off on a path to develop a new CSR Strategy of the Polenergia Group, which will establish the directions for our sustainable development until 2022. A responsible attitude and active involvement in CSR issues are embedded in our ongoing business and will continue to stay with us in the future. It is our intention to involve a broader spectrum of our Stakeholders in this domain, especially our Employees.

It was a successful year for us which was confirmed by the award for the best company from sWIG 80 index in 2018 which we received in the plebiscite "Bulls and Bears" organized by the „Parkiet" newspaper. We have been praised for the improving financial results and I am deeply convinced that was possible also thanks to our continuous involvement in CSR activities.

We care for our Stakeholders by paying particular attention to environmental protection and social issues while respecting the rights and interests of our Employees. These assumptions shape the attitudes we adopt in the conduct of our business while keeping in mind the social and environmental context and the promotion of a socially responsible approach.

I hope that all readers interested in our Group's vision of responsible business will find this report very satisfying.

Yours faithfully,

Michał Michalski
President of the Polenergia SA Management Board

2 Strategy of the Polenergia Group and project development

The Polenergia Group is an integrated utility group uniting companies involved in the production of energy from conventional and renewable sources and the distribution of and trade in electricity.

Currently, our project portfolio consists of investments with a total capacity of 199 MW in the final stage of development and ready to go into the construction phase. Furthermore, on 15 November 2018 the Polenergia Group successfully participated in an auction for photovoltaic plant projects with a total capacity of 8 MW where we obtained support for their development and construction. We are carrying on our efforts aimed at the execution of these projects and the development of the photovoltaic power generation sector.

The Group intends to build offshore wind farms in the Baltic Sea. In May 2018, SPVs signed a contract for the sale of a 50% stake in MFW Bałtyk II and MFW Bałtyk III to Equinor which became our partner in the execution of these projects.

In December 2018, we signed a preliminary agreement providing for the sale of a 50% stake in the Group's subsidiary Polenergia Bałtyk I, which is involved in the construction of an offshore wind farm with a capacity of 1 560 MW. The contract was also entered into with the Equinor Group. Accordingly, the total capacity of the offshore wind farms in the Baltic Sea to be constructed by JV may reach nearly 3000 MW.

In July 2016, our MFW Bałtyk III project obtained an environmental decision issued by the Regional Director for Environmental Protection in Gdańsk. The decision is final and legally binding. In turn, our MFW Bałtyk II project obtained an environmental decision in March 2017. Currently, work is underway on obtaining an environmental decision on offshore transmission infrastructure ECI (farm connection). Development work in 2018 also included the continuation of a two-year wind measurement program carried out using a LIDAR system and a preliminary geological study of the seabed.

We are involved in facility development and construction business concentrated on areas associated with energy generation:

- **from onshore wind farms developed by the Polenergia Group**
- **from offshore wind farms developed by the Polenergia Group and our business partner the Equinor Group**
- **through acquisitions of existing wind farms**
- **through the development and construction of large-scale photovoltaic farms**

About this report

This publication is the 4th comprehensive corporate social responsibility report of the Polenergia Group.

It has been prepared in accordance with core GRI Standards and has not been subjected to any additional verification. This report covers the whole Group as it is consolidated in the financial statements. It comprises information about the Group's parent company and a number of special purpose vehicles created for the purposes of execution of specific development and construction projects . In preparing it, we also followed the corporate social responsibility guidelines laid down in the ISO 26000 standard.

In order for the publication to fulfill the requirements of GRI Standards, before its preparation got underway, we defined areas of Polenergia's material impact on the environment and we identified stakeholders significantly affected by and/or affecting the Company.

Presented below is a list of identified key areas of responsibility which are related to the Polenergia Group's business and which will be discussed in detail in the subsequent chapters of this report.

Area of responsibility	Social or environmental aspect	Impact aspects and indicators according to GRI	Significance
Environment	Impact of the project on the local natural environment	• Biodiversity • Waste and sewage • Complaint mechanism	High
Environment	Impact of the business on the climate	• Materials • Energy • Emissions	High
Environment	Acquisition of biomass	• Materials	High
Society	Concerns of local communities related to the inconvenience to be caused by the anticipated projects	• Local community	High
Employees	Occupational safety and health (OSH)	• Occupational safety and health	Medium

4 Strategy and key corporate social responsibility areas

Polenergia endeavors to keep a balance between the expectations of its customers and the protection of the long-term interests of the natural and social environments. Our development driven by the latest available technologies utilizing renewable and conventional energy sources with proper care taken of the safety of people and the protection of the natural environment.

Since 2015, we have been operating in accordance with the Responsible Business Strategy adopted by the Company. The Strategy set certain measurable goals for 2015-2019 in all areas of the Polenergia Group's business. The Strategy serves as the foundation for the conduct of CSR activities for all Group companies and for our further development. Another guideline for undertaking activities within the framework of corporate responsibility is also the Environmental and Social Policy of the Polenergia Group, as updated in 2016, which sets sustainable development as the main goal being the foundation for sagacious business management.

In 2018, the Company began updating its CSR Strategy. The expected date of completion of this work and announcement of the Strategy is Q2 2019.

To date, the work has been performed in several stages. It began with an in-depth survey of employees in order to find out their assessment of CSR activities undertaken by the Polenergia Group. Through their participation in the survey, the employees had the opportunity to voice the most significant issues which in their opinion should be taken into consideration by the team preparing the document. In the opinion of the employees, the most significant programs of to be executed by the Polenergia Group in the domain of corporate social responsibility would be activities related to occupational safety and health, training and caring for the development of employees.

The next stage in the process was a meeting attended by persons managing each area of the Company's operations. 15 persons, including members of the Management Board, participated in the meeting, which was held in the form of a workshop devoted to an analysis of crucial areas of sustainable development for the Polenergia Group.

CSR Strategy

During the creation of the new strategy, opinions expressed by external stakeholders were also taken into consideration. For this purpose, an analysis and mapping of stakeholders was performed. An opinion poll was conducted among key stakeholders, including shareholders, banks, suppliers, investors, representatives of local communities, the Supervisory Board, local self-governments and industry associations.

The collected material, in combination with an analysis of other relevant documents (the CSR Strategy for 2015-2019, the Sustainable Development Goals, documents setting the development directions for the industry), enabled us to set corporate social responsibility priorities for the Polenergia Group:

1 Ethical running of the business

- Ensuring Poland's energy security by offering energy derived from renewable sources
- Responsibility in the supply chain
- Transparency of dealings and preventing corruption

2 Environmental protection

- Reducing greenhouse gas emissions
- Minimizing the environmental impact of the business
- Limiting the quantity of waste produced
- Opening to a dialog with local communities and environmental organizations

3 Safety and development of employees

- Strict safety procedures
- Development of employees' knowledge and competences
- Diversity and equal opportunities
- Preventing any cases of discrimination

4 Strengthening relationships with customers and communities

- Opening to a dialog with local communities
- Focusing charitable activities on challenges facing local communities
- Preventing breaches of customer privacy and loss of customer data.

Description of the Polenergia Group's business

Polenergia in its current shape and form was created in August 2014 when it acquired the utility assets of the Polenergia Holding S.á r.l. Group. The restructuring process opened up prospects for the Company's long-term sustainable growth.

Key operational assets and development projects of the Polenergia Group by operating segments and energy sources:

Source	Energy generation	Distribution	Sales/Retail
Renewable energy sources	Polenergia: special purpose vehicles (SPVs) operating existing onshore wind farms; new onshore and offshore wind farm projects; a biomass-fired power plant project; photovoltaic projects	Polenergia Dystrybucja Sp. z o.o. – a specialized distributor and seller of electricity to factories and commercial and residential buildings	Polenergia Obrót S.A.
Natural gas/coke-oven gas	Polenergia Nowa Sarzyna Cogeneration Plant, Polenergia Mercury Power Plant (coke-oven gas)	Polenergia Dystrybucja Sp. z o.o. /PPG Polska Sp. z o.o.	Polenergia Obrót S.A.

Renewable energy

Wind power generation

In 2005-2015, wind farms (or wind energy) were the most rapidly growing branch of the renewable energy generation sector in Poland. In 2005, the total installed capacity of wind farms was 83.28 MW. In 2017, it reached 5,848.67 MW (over 70 times more). This rapid growth has been halted in the last two years due to unfavorable national legislation. As at 30 June 2018 [according to the Energy Regulatory Office], the increase in the total installed capacity of wind farms was only 26 MW compared to 2017. However, due to new EU regulations ("winter package") providing for an increase in the share of renewable energy starting in 2030, the global trend towards abandoning fossil fuels and "greening the economy" is expected to bring about further development of wind power generation also in Poland.

Polenergia is active in this sector, using modern wind turbine technologies for clean energy generation. Our efforts aimed at the development of wind energy generation includes:

- development and sale of wind farms
- operation of wind farms

Polenergia is an operator and owner of wind farms. Our first wind farm with a capacity of 22 MW launched its operation in January 2007 in Gnieżdżewo near Puck in northern Poland. In January 2012, two more wind farms, the Łukaszów Wind Farm (34 MW) and the Modlikowice Wind Farm (24 MW) were put into operation near Zagrodno in south-western Poland, followed by the Gawłowice Wind Farm and the Rajgród Wind Farm in the subsequent years. In Q3 2015, a 43.7 MW wind farm located in the village of Skurpie in northern Poland was added to the existing five farms, and the Gawłowice Wind Farm was expanded. In February 2016, a 48 MW Mycielin Wind Farm was put into operation. At yearend 2018, following the acquisition of the Krzęcin Wind Farm project in Zachodniopomorskie Voivodeship, the total capacity of Polenergia's wind farm portfolio stood at 249.3 MW, ranking the company among the leaders of the Polish operational wind farm market. Total energy generated by Polenergia's wind farms in 2018 was in excess of 662 GWh.

It would be reasonable to recall at this point the analyses from previous years. In 2017, the outstanding wind conditions, the excellent locations and the use of state-of-the-art technologies in our onshore farms enabled us to achieve a record level of electricity generated from wind. The Puck, Łukaszów, Modlikowice, Gawłowice, Rajgród, Skurpie and Mycielin Wind Farms with a total installed capacity of over 243 MW achieved productivity at a level of 35%. This meant an increase by 18% compared to 2016. Furthermore, once again productivity was significantly better than the average in Poland. In the best months, the productivity of the Group's leading wind farms exceeded 55%.

Wind farms owned by the Polenergia Group in 2018:

No	Location	Capacity (MW)	Year commissioned
1	Puck	22	2006
2	Modlikowice	24	2011
3	Łukaszów	34	2011
4	Gawłowice	41.4	2014
5	Rajgród	25.3	2014
6	Skurpie	43.7	2015
7	Gawłowice II	6.9	2015
8	Mycielin	48	2015/16
9	Krzęcin	6	2010 (acquired in 2018)

Puck Wind Farm

The farm is located in Gnieżdżewo near Puck. It was put into operation in January 2007. The farm's total capacity is 22 MW, generated by wind turbines with a capacity of 2 MW each. The farm's operator is Dipol Sp. z o.o., a special purpose vehicle established for the project and wholly owned by Polenergia S.A. The Puck Wind Farm generates and supplies electricity to Energa Operator, a local electricity distributor. Dipol has also entered into a long-term contract for the sale of certificates of origin from RES (green certificates) with Polenergia Obrót S.A.

Modlikowice Wind Farm

The farm is located near Zagrodno in Złotoryja county in south-western Poland. Its total capacity is 24 MW, generated by 12 Vestas V90 2.0 MW wind turbines installed on 105-meter towers. The farm's operator is Talia Sp. z o.o., a special purpose vehicle established for the project and wholly owned by Polenergia S.A. The farm was put into operation at the beginning of 2012.

Łukaszów Wind Farm

The farm is located near Zagrodno in Złotoryja county in south-western Poland. Its total capacity is 34 MW, generated by 17 Vestas V90 2.0 MW wind turbines installed on 105-meter towers. The farm's operator is Amon Sp. z o.o., a special purpose vehicle established for the project and wholly owned by Polenergia S.A. The farm was put into operation at the beginning of 2012.

Gawłowice Wind Farm

The farm is located near Grudziądz in Kujawsko-Pomorskie Voivodeship. It comprises 18 Siemens SWT-2.3-108 turbines installed on 115-meter towers with a total capacity of 41.4 MW. The farm's operator is Grupa PEP Farma Wiatrowa 1 Sp. z o.o., a special purpose vehicle established for the project and wholly owned by Polenergia S.A. The farm was put into operation in Q4 2014. In 2015, the second stage of the project was completed: 3 turbines supplied by the same manufacturer were added. As a result, the farm's total capacity reached 48.3 MW.

Rajgród Wind Farm

The farm is located near Grajewo in Podlaskie Voivodeship. It comprises 11 Siemens SWT-2.3-108 turbines installed on 115-meter towers with a total capacity of 25.3 MW. The farm's operator is Grupa PEP Farma Wiatrowa 6 Sp. z o.o., a special purpose vehicle established for the project and wholly owned by Polenergia S.A. The farm was put into operation in Q4 2014.

Skurpie Wind Farm

The farm is located near Płośnica in Działdowo county in Warmińsko-Mazurskie Voivodeship. It comprises 19 Siemens SWT-2.3-108 turbines installed on 115-meter towers with a total capacity of 43.7 MW. The farm's operator is Grupa PEP Farma Wiatrowa 4 Sp. z o.o., a special purpose vehicle established for the project and wholly owned by Polenergia S.A. The farm was put into operation in Q4 2015.

Mycielin Wind Farm

The farm is located near Niegosławice and Szprotawa in Żagań county in Lubuskie Voivodeship. It comprises 24 Vestas V110 wind turbines with a capacity of 2 MW each. The farm's operator is Polenergia Farma Wiatrowa Mycielin Sp. z o.o., a special purpose vehicle established for the project and wholly owned by Polenergia S.A. The farm received an operational permit in Q1 2016.

Krzęcin Wind Farm

The farm is located near Krzęcin in Choszczno county in Zachodniopomorskie Voivodeship. It comprises 4 Nordex S77 wind turbines with a capacity of 1.5 MW each. The Krzęcin Wind Farm was built in 2010. In 2018, its owner and operator became Polenergia Farma Wiatrowa 23 Sp. z o.o., a wholly owned subsidiary of Polenergia S.A.

Subsequent projects executed by the Polenergia Group, including wind farms with a valid construction permit, will have a total capacity of 199 MW. The company is also developing a biomass-fired power plant project with a capacity of approx. 31 MWe, also holding a construction permit and an integrated permit issued in 2018.

We have also started the development of photovoltaic (PV) farm projects. On 15 November 2018, we participated in an auction organized for PV farm projects with a capacity of up to 1 MW and we secured the right to sell electricity for projects with a total capacity of 8 MW. Over the settlement period (15 years), these farms are expected to generate 117 GWh of electricity.

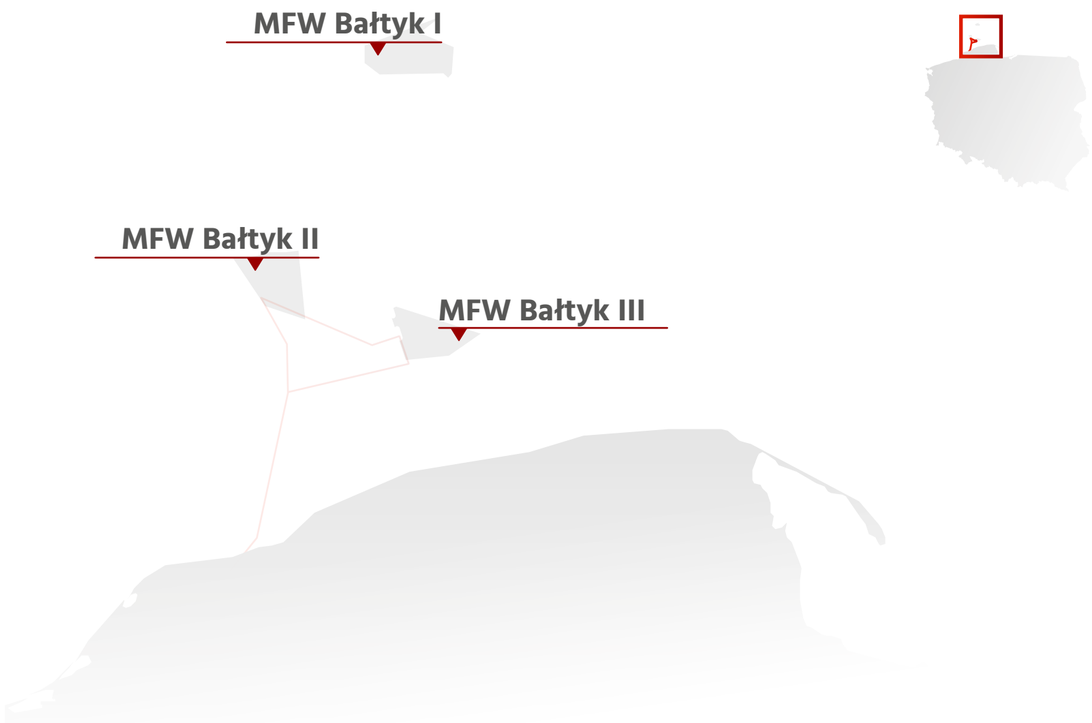
Offshore wind farms in the Baltic Sea. Development prospects.

A strategic project currently executed by the Polenergia Group is the construction of offshore wind farms in the Baltic Sea. Offshore wind farms are one of the most rapidly growing electricity production technologies not only in Europe but globally. Owing to its involvement in building and expanding such facilities, Poland will face both a challenge and an opportunity to create a supply chain for the whole offshore power generation sector, based on Polish ports and industry, engaging domestic manufacturers of cables, foundations and transformer stations as well as companies operating in the shipbuilding industry, the steel industry and others, in the execution of offshore projects. An analysis of the offshore market potential prepared by McKinsey and published in 2016 predicts that the development of offshore wind generation projects in Poland may create up to 77,000 new jobs related to the sector directly or indirectly and add PLN 60 billion to the country's GDP by 2030.

Polenergia holds permits for the Offshore Local Licence (for construction of artificial islands) and connection conditions which authorize connection of offshore wind farms to the National Power System in two stages, between 2021 and 2026. Location permits have also been obtained for the whole offshore route of the connection cable. On 7 July 2016, MFW Bałtyk III, a Polenergia Group subsidiary, became the first Polish company to obtain a decision on environmental conditions for its Bałtyk III offshore wind farm. Another such farm, also owned by the Polenergia Group, obtained a decision on environmental conditions on 27 March 2017. In May 2018, Polenergia signed a contract with Equinor providing for the joint construction of offshore wind farms (the MFW Bałtyk III and MFW Bałtyk II projects). At the end of 2018, Polenergia also signed a conditional agreement with Equinor for the sale of a 50% stake in its subsidiary Polenergia Bałtyk I involved in the construction of an offshore wind farm with a capacity of up to 1560 MW.

Development work in 2018 focused predominantly on the continuation of a two-year wind measurement program carried out using a LIDAR system and a preliminary geological study of the seabed.

The preliminary geotechnical campaign for the MFW Bałtyk II and MFW Bałtyk III projects was performed by Fugro Netherlands Marine B.V., carrying out its study with the use of the vessel Normand Flower. According to the adopted timetable, the campaign was completed in Q1 2019.



In its latest publication on the onshore and offshore wind power market, WindEurope leaves no doubt: its share in total electricity generation will keep growing. Currently, 173 GW of capacity installed in the EU corresponds to 12% of total demand for electricity. Ultimately, however, according to the "EU Decarbonisation Roadmap 2050" published by the European Commission, wind power generation is expected to satisfy more than 50% of total demand for energy in European countries, which will make it the dominant energy generation technology in the coming decades. In its publication for 2018, the International Energy Agency also highlighted the leading role that wind farms will assume, ahead of coal-fired, nuclear and gas-fired power plants, in the EU's energy mix as early as in 2027, with the prospect of a threefold increase in the following years until 2040[1]. The prominence of offshore wind energy generation has also been confirmed in Poland's draft energy policy until 2040 where this technology is treated as a key branch of the renewable energy generation sector.

[1] https://windeurope.org/newsroom/news/european-commission-wind-energy-on-course-to-be-the-cornerstone-of-europes-energy-mix/?ref=mainbanner

Biomass fuels

Biomass is a renewable energy source that is turned into energy in a process involving the direct burning of wood and its waste products, straw, waste obtained in crop production or energy crops. In 2008, the Polenergia Group embarked on the execution of projects aimed at supplying the utility sector with pellets made of agricultural biomass, predominantly straw (manufactured by granulation).

Since 2018, the Polenergia Group has been operating one facility in this line of business, specifically the pellet plant in Zamość. The plants in Sępólno Krajeńskie and Ząbkowice Śląskie have been sold.

The pellet plant in Zamość

It was put into operation in Q2 2012. It is operated by Biomasa Energetyczna Wschód Sp. z o.o., a Polenergia Group company. The decision to establish the plant in the Zamość business subzone was driven predominantly by the availability of raw material for production. Once produced, the biomass-derived fuel is transported from Zamość to the Połaniec Power Plant where the world's largest power generation unit fired exclusively with biomass has been built. The plant's production volume is approx. 4,500 tons of fuel per month.

Conventional power generation

Prospects for the development of the conventional, biomass power sector

Energy distribution

New Energy

Polenergia Obrót

Renewable energy

Conventional power generation, cogeneration and outsourcing of industrial power generation

Polenergia is engaged in the construction and operation of energy generation facilities based on the conventional technology (fuel combustion), including the production of electricity and thermal energy in cogeneration. Such facilities are created in the vicinity of large production plants with a view to satisfying their demand for power. Among the different forms of cooperation established with energy offtakers, the outsourcing formula is used.

Outsourcing of industrial power generation involves carving out in-company cogeneration power plants and heat plants from the enterprise structures and transferring the responsibility for their management to specialized firms. Once acquired by an external firm, such facilities undergo necessary upgrades or are fitted out with completely new machinery and equipment. Technological solutions and business models for the execution of outsourcing projects are tailored to the specific needs of production enterprises. Under such an arrangement, both parties benefit from lowering their respective costs owing to investment in new technologies.

In 2018, the Polenergia Group operated two industrial energy generation facilities:

- Nowa Sarzyna Cogeneration Plant
- Mercury Power Plant

Polenergia's share in the domestic market for energy generation from natural gas is approx. 15%. The Mercury Power Plant generates electricity from fuel which previously constituted an unused byproduct obtained as part of the operation of coking plants. The Nowa Sarzyna Cogeneration Plant uses natural gas the combustion of which generates relatively low levels of CO2, dust and NOx and SO2 emissions, and thus, in general, a weaker environmental impact.

Nowa Sarzyna Cogeneration Plant

This cogeneration plant is located in Nowa Sarzyna near Leżajsk in Podkarpackie Voivodeship. The facility is gas-fired and has a total capacity of 116 MWe (electrical) and 70 MWt (thermal). The electricity generated by the Polenergia Nowa Sarzyna Cogeneration Plant is supplied to the National Power System through three overhead 110 kV high voltage power lines. The heat generated in the facility is used for technological and heating purposes of nearby chemical plants and for heating purposes of the town of Nowa Sarzyna.

Mercury Power Plant

The Mercury Power Plant is located in Wałbrzych and is managed by Mercury Energia. The project is executed under a contract entered into by and between the Mercury Power Plant and Wałbrzyskie Zakłady Koksownicze Victoria S.A. The facility started generating electricity at the beginning of July 2006. The power unit consists of a gas boiler and a steam turbine with a capacity of approximately 8 MWe. Electricity is generated from coke-oven gas, which is a byproduct obtained as part of the operation of a coking plant. It is worth noting that before the project got underway, this gas was simply burned at the flare and was not put to any commercial use. This innovative project has not only contributed to improving the business efficiency of the plants but above all has allowed to obtain energy without an additional burden on the environment.

Prospects for the development of the conventional, biomass power sector

While expanding its operations, the Polenergia Group develops a number of alternative projects based on renewable energy sources, thereby adapting its operations to the current development directions of the power generation sector. Preparations are currently underway for the commissioning of the Wińsko Bioenergy Plant.

Wińsko Bioenergy Plant

The Wińsko Bioenergy Plant is scheduled to be built near Wińsko (Wołów county) in Dolnośląskie Voivodeship with a capacity of 31 MWe. The facility will be fired with biomass fuel derived from agricultural and forestry sources. Its anticipated lifetime will be in the range of 30-40 years. The Wińsko Bioenergy Plant has obtained a decision on environmental conditions and an agreement for connection to the 110 kV grid and a water rights permit for water intake and sewage disposal. The facility has also obtained a construction permit.

The installation will generate a very low level of emissions to the atmosphere owing to the use of a modern flue gas cleaning system accordant with "best available technology" (BAT) requirements and the European Union's latest environmental protection requirements. Due to the type of fuel to be consumed, the carbon dioxide emission balance is considered to be zero. The construction of the plant will contribute to the development of the region and will create jobs – both in the facility itself and in the supply chain of biomass derived from agricultural and forestry sources, for instance as part of the fuel preparation and transportation processes. The project will also generate a market for residue materials from agricultural and forestry production (straw, maize chaff and wood chips). In 2018, the installation obtained an integrated permit.

Energy distribution

Polenergia Dystrybucja is a Polenergia Group subsidiary acting as an independent distribution system operator (DSO) in accordance with the decision issued by the President of the Energy Regulatory Office. It is currently the largest non-public distributor of electricity in Poland covering all Poland and creating new distribution areas.

Polenergia Dystrybucja's distribution areas in 2018

Polenergia Dystrybucja builds or acquires the infrastructure necessary to distribute electricity and recovers capital expenditures through return on the regulatory asset base (RAB) and depreciation of the RAB, included in the distribution tariff. Moreover, the company distributes electricity to industrial, commercial and residential customers, including shopping malls and housing estates. Polenergia Dystrybucja has 44 operating projects and 42 projects under development and construction. The company currently has 13,500 customers consuming over 295 GWh of electricity annually, supplied through 127 km of power lines, 106 stations and 169 transformers.

PLN 21.2 million	PLN 50.7 million	PLN 18.3 million	26%	170% (more than 23,000)
Capital expenditures in the distribution area in 2017-2018	Planned capital expenditures in the distribution area in 2019-2022	Value of the infrastructural loan agreement with ING Bank Śląski S.A.	Growth of the regulatory asset base (RAB)	Increase in the number of customers until 2022

Polenergia Kogeneracja, another Polenergia Group subsidiary, is a natural gas distributor supplying gaseous fuels to industrial plants through its own distribution infrastructure. Currently, the company provides a gaseous fuel distribution service to an industrial customer in Tomaszów Mazowiecki, with the annual volume of distributed natural gas equivalent to approx. 400 GWh of energy.

New Energy

7 AFFORDABLE AND CLEAN ENERGY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
13 CLIMATE ACTION

In response to market demand, Polenergia is also developing the so-called New Energy area.

New Energy is a concept of distributed prosumer energy generation based on photovoltaic solutions combined with energy storage. The development of this sector will enable the sale of electricity and gas to end customers in combination with energy efficiency-related services. Polenergia offers services involving the construction and connection of micro-installations and generation sources to the power grid and the provision of support to customers in building photovoltaic installations and obtaining funding. In 2017, 8 such installations were built, including one for the company's own use. In 2018, Polenergia Dystrybucja prepared and put into operation another micro-installation with a capacity of 16.5 kWp and increased the capacity of its own micro-installation to 7 kWp at the Łysomice Substation. The installation at the Łysomice Substation is fitted with a 4.5 kW energy storage unit consisting of 3 solar battery modules. The company is also executing a pilot project aimed at the construction and operation of electric vehicle charging stations. The company offers comprehensive solutions tailored for each of its customers. Most of the charging stations built by company are located in Kraków and Warsaw.

Investments in new technologies and making customers less dependent on the consumption of fossil fuels, both in the case of electricity generation for buildings and the development of the network of electric vehicle charging stations, bring immense benefits, not only of an economic nature. Other benefits are of an environmental nature, such as for instance: reduction of carbon dioxide emissions, lowering smog levels caused previously by consumers using inefficient solid fuel-fired furnaces, customer satisfaction derived from the use of clean technologies. Above all, the development of RES-based technologies and electric vehicle charging stations will be a contribution towards saturating the market with new solutions, which will turn prosumers into a social and economic force driving changes in behaviors towards more environmentally conscious choices. Indirectly, such trends may contribute to regulatory changes governing the situation of prosumers on the energy market.

Polenergia Obrót

Trade in energy and emission allowances

Polenergia Obrót is a company specializing in wholesale trade in electricity, gas, property rights, CO2 emission allowances and guarantees of origin. It is one of Poland's most rapidly growing companies in the electricity trading sector. In 2018, its trading volume was over 29 TWh.

Since October 2013, the company has been an active direct member of the Polish Power Exchange. In parallel, it has been gradually increasing the number of trading partners on over-the-counter markets.

Since 1 July 2016, the company has been a market maker on the Polish Power Exchange. Its role is to maintain liquidity by continuously placing orders to buy and sell instruments quoted on the Commodity Exchange Market.

In 2013, Polenergia Obrót entered the wholesale electricity market in Germany, including inter-system exchange transactions.

Since December 2013, it has been a direct member of the EPEX SPOT SE exchange, and since July 2018 also of the EEX exchange.

Since March 2017, the company has been trading in electricity in the Czech Republic and Slovakia – on the OTE and OKTE exchanges.

On 18 November 2016, the company started trading in carbon dioxide emission rights on the ICE exchange in London (through the brokerage of Merex Spectron). The volume of trade in the said allowances in 2018 reached 1 million EUAs.

Trade in property rights from renewable energy sources and guarantees of origin

The company is also involved in the business of trading in property rights from certificates of origin, in both forward contracts and spot transactions. In 2018, the volume of trade in RES property rights was above 1.6 TWh.

Trade in gaseous fuels

In 2014, Polenergia Obrót obtained a license for trade in gaseous fuels domestically and with foreign counterparties. One of the company's priorities is the development of this line of business in the field of wholesale trade on the exchange market as well as OTC and inter-system exchange transactions.

In 2018, the total volume of trade in natural gas was 5.2 TWh.

At the end of 2017, the company started trading in natural gas on the ICE Endex.

A significant area of Polenergia Obrót's business is the provision of comprehensive services to the Polenergia Group related to managing its portfolio of electricity, property rights, CO2 emissions and guarantees of origin.

Cooperation with related parties encompasses the full energy value chain, from generation (wind farms, cogeneration plant, biogas plants) to sales and distribution of energy to end customers. The range of services provided by the company includes (without limitation):

- participation in the development of a trading strategy and hedging the portfolio
- risk management
- trade balancing service
- wind farm generation forecasting services
- services of a trading operator, a trading and technical operator and a market operator

These services are also provided to companies that are not members of the Group, in particular to wind farms, cogeneration plants and trading companies.

Polenergia Obrót is a member of industry organizations uniting energy market participants. The company is a supporting member of the Association of Energy Trading (TOE) and a permanent member of the European Federation of Energy Traders (EFET).

6 Values of the Polenergia Group and partnerships for the achievement of Sustainable Development Goals

All principles that the Polenergia Group is guided by are communicated in its publicly available Environmental and Social Policy. In 2018, the Group also began work on its new Corporate Social Responsibility Strategy.

The new CSR Strategy was shaped in an extensive dialog with all stakeholders. The consultations included a survey distributed among all employees, workshops with selected employees responsible for developing various areas of the Group's business and a survey to find out stakeholders' opinions. We believe that by applying this kind of approach we respond to the needs of the Polenergia Group's key stakeholders.

We comply with the most stringent ethical, environmental and labor protection standards. We expect the same from all our business partners. The Ethical Standards for Business Partners, Contractors and Subcontractors and the Code of Ethics adopted by the Polenergia Group are available at Company's website:

www.polenergia.pl.

Both the Polenergia Group's employees and business partners are required to shape the workplace culture in line with the values laid down in of the Universal Declaration of Human Rights, the United Nations Sustainable Development Goals and the principles of the United Nations Global Compact ethics program. Our Code of Ethics provides a whistleblowing mechanism and describes the procedure for contacting the Group's Ethics Committee.

17 PARTNERSHIPS FOR THE GOALS

FNEZ

In 2017, the Polenergia Group joined the Global Compact ethics program and the Partnership for the Achievement of the UNEP/GRID Sustainable Development Goals "Together for the Environment".

We are of the opinion that the only way to ensure a rapid development of our projects is by cooperating and exchanging experiences with our business partners and other firms in the industry.

We are involved in a number of initiatives promoting the development of offshore wind farms and garnering social and political support for the execution of this type of investment activity in Poland. One of such initiatives involved the Polenergia Group's cooperation with the Foundation for Sustainable Energy in updating the Program for the Development of Offshore Power Generation and Maritime Industry in Poland as part of the project "Energy from the Baltic Sea for Poland 2025". This document presents results of the latest studies on the potential of offshore wind power in Poland and the market development timeline.

We also participated as an industry partner in the 4th Baltic Energy Industry Forum 2018, an international conference devoted to creating solutions supporting the development of this new industry. During the event, Polenergia's representatives emphasized the significance of cooperation between investors and domestic suppliers of components and cables for offshore power plants.

An example of joint activities for the development of renewable energy generation and the creation of best practices in the field of onshore wind power was our participation in the project "WinWind. Increasing public acceptance for wind power in regions with a low level of its development", executed by an international consortium under the EU framework program Horizon 2020. One of the consortium partners is Krajowa Agencja Poszanowania Energii S.A. [National Energy Conservation Agency], which invited us to participate in the project work and consultation meetings.

The project adopts a comprehensive approach to the broad issue of social acceptance, analyzing the spatial planning context and socio-economic and environmental aspects. Among the project's initiatives was the creation of the National Platform for Discussion and Exchange of Information bringing together an extensive array of stakeholders associated with the wind energy sector, including investors, developers, associations and local governments. For them, the Platform serves as a forum for dialog and provides ongoing access to materials developed under the WinWind project, thus offering the opportunity to evaluate them. The Platform is also the organizer of thematic meetings (to date, two such meetings have been held: on 22 February 2018 in Warsaw and on 4 December 2018 in Orneta) devoted to the presentation and discussion of project results and current issues facing the renewable energy market, in particular the wind power sector. We are an active member of the Platform and a participant of other initiatives pursued under the project.

The most recent publication created within the framework of WinWind is "Portfolio of best practices in the execution of wind projects" prepared by the National Energy Conservation Agency in cooperation with project partners. The publication contains examples of initiatives aimed at raising the level of social acceptance for onshore wind energy projects. The report analyzes thirty best practices broken down into the following six categories:

- **modern models and mechanisms of social participation in the permit planning and issuing process**
- **activities promoting a fair distribution of benefits**
- **activities supporting financial participation of residents in wind projects**
- **activities minimizing the unfavorable impact of wind projects on the environment**
- **measures aimed at improving communication and supporting the creation of institutional structures and the execution of voluntary agreements and contracts**
- **activities covering more than one of the above categories**

Reports created within the framework of the WinWind project are available on the following websites:
www.winwind-project.eu oraz www.kape.gov.pl/page/winwind.

Piotr Nowakowski, Eng. – main executor of the WinWind project, Specialist, National Energy **Specialist**, National Energy Conservation Agency
e-mail: pnowakowski@kape.gov.pl

Ryszard Wnuk, Ph.D. Eng. – WinWind project manager
Advisor to the Management Board on matters related to RES, National Energy Conservation Agency,
e-mail: rwnuk@kape.gov.pl

Social acceptance of onshore wind energy projects as well as other technologies based on renewable energy sources should not be a barrier but an incentive for continuous and stable development that would emphasize the significance of civic energy generation, enabling local communities to participate in broadly construed RES investments

7 Environmental protection — summary of activities in 2018

Off-shore wind farms

Polenergia executes projects involving the construction of wind farms in the Baltic Sea. Such projects are the Group's strategic investments which will benefit not only the Company itself but also the whole national economy: Poland is a market with a high growth potential and is well prepared for the development of the offshore wind power sector. According to experts' calculations, the construction of wind farms in the Baltic Sea by 2030 with a total capacity of 6,000 MW may add an extra PLN 60 billion to Poland's GDP and create 77,000 new jobs.

In 2018, Polenergia established cooperation with Equinor for the purposes of a joint execution of the MFW Bałtyk II and MFW Bałtyk III projects. On 22 May 2018, a final agreement was entered into by and between the two companies transferring a 50% stake in both projects to Equinor. At the same time, Polenergia signed additional agreements with Equinor providing for the development and execution of projects to build offshore wind farms in the Baltic Sea.

In December 2018, Polenergia signed a preliminary agreement with the Equinor Group providing for the sale of a 50% stake in Polenergia Bałtyk I, which is involved in the construction of an offshore wind farm with a capacity of up to 1,560 MW.

Establishing cooperation with such an experienced partner and creating the possibility of a joint execution of projects with a total capacity of up to 3,000 MW confirms the potential of not only Polenergia but of the whole offshore wind farm industry. The execution of these projects will have a favorable impact on Poland's power system and on the development of the whole supply chain covering firms associated with this sector in Poland.

Through our special purpose vehicles of MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o., we execute projects to build two wind farms in the Baltic Sea. These companies have obtained Offshore Local Licence (for construction of artificial islands), connection conditions which authorize connection of offshore wind farms to the National Power System in two stages, between 2021 and 2026, location permits for the whole offshore route of the connection cable and environmental decisions.

In 2018, work was underway on obtaining a decision on environmental conditions for the offshore electricity transmission infrastructure which will connect the offshore wind farms with the National Power System. During the administrative procedure, the company responsible for the project set up 'consultation centers' in the towns and villages through which the onshore section of the cable will be laid. During the meetings held in these centers in December 2018, members of the local communities and other interested persons were provided with the opportunity to get acquainted with the proposed route of the cable, the cable laying technology, potential impacts and possible forms of cooperation with the communes (gminas) and villages during the construction stage and after the commissioning of the farms. On the investor's side, the meeting was attended by representatives of the firm which prepared the environmental report, a representative of Polenergia responsible for proposing and agreeing the cable route and a Polenergia employee dealing with environmental protection and corporate social responsibility matters.

Development work in 2018 also included the continuation of a two-year wind measurement program carried out using a LIDAR system and a preliminary geological study of the seabed.

The first stage of the geotechnical campaign for the MFW Bałtyk II and MFW Bałtyk III projects will be executed as a joint venture of Equinor and Polenergia. The task of conducting a geotechnical survey was commissioned to Fugro Netherlands Marine B.V. According to the adopted timetable, the campaign was completed in Q1 2019.

The survey was performed using state-of-the-art equipment installed on the vessels Despina and Normand Flower. The analysis included a seabed cone penetration test (CPT). For the CPT, Fugro used a SEACALF MK IV system.

For geotechnical drilling, both API drilling and piggyback diamond coring were applied using an R100 drilling rig and a WISON tool set. The data were processed on board the vessel in a dedicated geotechnical laboratory. The samples were then sent to a geotechnical research laboratory in Wallingford, England, for advanced analyses.

In the coming months, the processed data and the analyses performed on their basis will enable Fugro to create an integrated 3D model of the seabed. This will enable the selection of the most advantageous locations for the wind turbines and foundations and will help minimize risks at the subsequent stages of project development.

The following websites have been prepared for the projects:

www.bałtyk3.pl

www.bałtyk2.pl

presenting key project parameters, a comprehensive non-technical summary of the environmental reports and survey results, information on new activities, announcements (e.g. on public consultations), etc.

Polenergia

Nowa Sarzyna Cogeneration Plant (NSCP):

NSCP is located near Nowa Sarzyna in the north-eastern part of Podkarpackie Voivodeship. The facility operates in an industrial area, in the vicinity of a chemical plant of CIECH Sarzyna S.A. (CIECH Group).

Since its inception, the company has been putting particular emphasis on compliance with the applicable laws and all relevant environmental regulations and best practices. Annual reports on inspections carried out by authorized institutions have for a number of years expressed very good opinions about the policy adopted by NSCP in this area. The promotion of environmental issues among employees and the use of procedures requiring NSCP contractors to observe stringent environmental standards is a matter of particular appreciation. In 2018, no fines were imposed on the company for any breaches of environmental protection regulations.

In 2018, Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o. (NSCP) provided a service of recovery of the National Power System under a 4-year contract signed in 2016 with Polskie Sieci Elektroenergetyczne S.A. The service included the self-start-up of gas turbo-sets and their operation in a spun-off portion of the National Power System to the extent necessary for the proper restoration of the system after a complete or partial loss of voltage. The most crucial element of this process is to supply power from NSCP to start up the power block in the selected system power plant.

> **Polenergia Nowa Sarzyna is Poland's first thermal power plant which is capable of self-start-up and may be used in the process of recovery of the National Power System. Before NSCP, only hydro power plants had this technical capability.**

In 2018, NSCP extended by 10 years (until 31 December 2030) the validity periods of the following three licenses: for electricity generation, for heat generation and for trade in electricity.

In 2018, the company obtained a certificate of a Capacity Market participant and contracted a capacity obligation for 2021, 2022 and 2023.

Since 2014, NSCP has had in place an ISO 14001 Environmental Management System in the field of electricity and heat cogeneration. In May 2018, Lloyd's Register LRQA carried out a system audit. The audit confirmed compliance of the system with the ISO 14001:2015 standard.

In 2011, by decision of the Voivodeship Commandant of the State Fire Service, NSCP was entered in the list of facilities with a high or elevated risk of a major industrial failure located in Nowa Sarzyna commune. The list also includes the chemical plants of CIECH Sarzyna S.A. and Silikony Polskie Sp. z o.o.

The applied technologies and the quantities of fuels and commodities consumed as well as the levels of operational indicators (efficiency, availability, reliability) mean that an adverse impact of NSCP on the natural environment, including the climate, is minimal compared to facilities of a similar capacity, e.g. those fired with coal. NSCP does not generate any sludge waste, its greenhouse gas emissions are lower by almost 50%, its NOx emissions are approx. 7 times lower and it does not emit any SO2 or dust. The applied technology limits the quantity and aggressiveness of industrial wastewater, while the recycling of rainwater and condensate or the use of condensate from the heating systems translates into a lower consumption of raw water.

Awards/Rankings

In 2018, NSCP received:

In 2018, NSCP did not apply for any amendments to existing decisions on environmental conditions or for the issue of new ones. However, NSCP commenced work on preparing applications for a new water rights permit and a new integrated permit to be filed at the beginning of 2019 with the County Hall in Leżajsk.

In 2018, a GT11 major inspection was carried out, the boiler control system was replaced and the annual inspection and borescope inspection of the steam turbine were performed. A plan for repairs of auxiliary equipment was also prepared.

In 2018, the following institutions carried out their audits and inspections at NSCP:

- Voivodeship Inspectorate for Environmental Protection in respect of compliance with environmental protection regulations and administrative decisions
- Health and Sanitation Department (Sanepid) in respect of the sanitation, cleanliness and health conditions of the work environment
- State Fire Service in respect of compliance with firefighting regulations in connection with the connection of a fire monitoring system

None of the reports prepared after these audits and inspections contained any qualified opinions.

1 **nomination to the Golden Statuette in the 27th edition of the Polish Business Leader contest held by the Business Center Club**

2 **distinction awarded by the "Wprost" weekly: "Wprost" Eagle Diploma of Podkarpackie Voivodeship**

3 **Business Quality Certificate "Fair Play Enterprise 2018" and Platinum Statuette (for companies that have met the requirements of the contest for 10 consecutive years)**

More information about this award is provided on the Fair Play Enterprise Program website: **https://przedsiebiorstwo.fairplay.pl/laureaci-przedsiebiorstwo-fairplay2018.html.**

Power Plant
Mercury

Commissioned in 2006, located on the site of the former Victoria Cogeneration Plant. The Mercury Power Plant is fired with waste coke-oven gas obtained from Wałbrzyskie Zakłady Koksownicze "Victoria" S.A.

The facility operates within the framework of the third stage (2013-2020) of the EU Emissions Trading System (EU ETS). It has in place an approved and updated plan for monitoring carbon dioxide emissions and a valid permit for releasing gases and dust into the air. In 2018, it was not audited by the Inspectorate for Environmental Protection. Nor were there any fines imposed on the company for failure to comply with its reporting duties pertaining to environmental protection, including towards the National Center for the Balancing and Management of Emissions (KOBIZE).

In accordance with the requirements of the emission permit, measurements are carried out at the Mercury Power Plant (total dust, nitrogen dioxide, sulfur dioxide), reports are prepared on the use of the environment based on which environmental fees are paid, reports on CO2 emissions are prepared and verified by an external accredited auditor and relevant annual reports are added to the KOBIZE database. Waste records are kept and annual reports in this area are filed with the Marshal's Office of Dolnośląskie Voivodeship. Moreover, information is reported on products containing asbestos (in compliance with the Regulation of the Minister of the Economy of 13 December 2010 on the requirements for the use of products containing asbestos and the use and cleaning of installations or equipment in which asbestos-containing products have been used or are currently used).

In 2018, the facility obtained a grant for the removal and utilization of asbestos from one of its cooling unit cells. In total, 114.62 tons of cement and asbestos panels were removed. In the coming years, the company intends to apply for co-funding to replace other asbestos-containing elements.

Bioenergy Plant
Wińsko

SPV have commenced preparations for the construction of a biomass-fired power plant with a capacity of approx. 31 MWe. The facility will be located near Wińsko (Wołów county) in Dolnośląskie Voivodeship. We hold a final and legally binding decision on environmental conditions, a water rights permit for the intake of water and the removal of wastewater and a construction permit for the main site. In 2017, SPV also obtained a construction permit for connecting the facility to an operator power station (Wińsko Main Offtake Point).

The company executing "Wińsko Power Plant" project has implemented and effectively manages a mechanism for submitting complaints and requests enabling it to respond to all questions from stakeholders. In 2017, due to the initiation of an administrative procedure at the request of the investor aimed at the issue of an integrated permit for the power plant, the local community became markedly more interested in the project. As a result of this interest, a meeting was held with local residents, the Commune Council and local associations, during which representatives of both the investor and the authors of the application for an integrated permit presented the project and answered questions from the participants. In 2018, the County Hall in Wołów issued an integrated permit for the facility.

Wind farms
in operation

PUCK WIND FARM (Dipol Sp. z o.o.) near Gnieżdżewo:

The farm was commissioned in 2007. From the commencement of operation to 2012, ornithological and chiropterological studies were carried out and acoustic measurements were taken. Annual reports on the studies are posted on the Polenergia Group's website:

http://www.polenergia.pl/pol/pl/strona/puck

Inspections

In 2018, no fines were imposed on the company and no on-site inspection was carried out in Gnieżdżew.

New protected areas in the vicinity of the project

No new protected areas were created in close proximity to the wind farm that might be affected by its operation.

Best practices

In June 2018, just as one year earlier, training exercises of the "Gdynia" Work-At-Height Rescue Service were held.

In 2017, the exercises were focused on familiarizing firefighters with the rules of contact at a wind farm, the principles of occupational safety and health and the operation of turbines. Moreover, the techniques and equipment used by staff in emergency situations were presented. The scenario of practical exercises involved an evacuation of people from the gondola to the ground using various climbing techniques. The exercises were very useful and the participating rescuers were extremely glad to have had the opportunity to participate in practical training in this type of facility.

In 2018, exercises entitled "Practical verification of the degree of preparation of the facility for rescue and firefighting activities and development of firefighting tactics on electrical installations in a 2 MW wind farm" were aimed at verifying the procedures of employee conduct in the event of a fire, alarm and evacuation, the organization of the communication system and extinguishing stations, evacuation of injured persons from heights and on-site assistance.

Polenergia Group companies are always willing to assist the organizers of this type of training event. For the Polenergia Group, cooperation with the State Fire Service and other services is a very important element in the pursuit of our strategy to ensure safety in the workplace. Our goal is to increase employee awareness and make our staff realize that we all share the responsibility for a safe workplace. We are also willing to share our experience in this area with subcontractors and business partners.

Modlikowice Wind Farm and Łukaszów Wind Farm:

The execution of these projects is the responsibility of Amon Sp. z o.o. and Talia Sp. z o.o.

These two companies obtained co-funding from the Operational Programme Infrastructure and Environment, Measure 9.4, Generation of energy from renewable sources. The farms have been in operation since 2012.

UNIA EUROPEJSKA
FUNDUSZ SPÓJNOŚCI

INFRASTRUKTURA I ŚRODOWISKO
NARODOWA STRATEGIA SPÓJNOŚCI

15 LIFE ON LAND

Inspections

In 2018, no fines were imposed on Amon or Talia and no on-site inspections were carried out in their facilities.

New protected areas in the vicinity of the project

No new protected areas were created in close proximity to the wind farms that might be affected by their operation.

Best practices

Protection of the Montagu's harrier on wind farms
Since 2014, when ornithologists observing birds as part of post-construction monitoring found nests of the Montagu's harrier on our wind farms, we have covered this rare species with an active protection program. As part of the protection measures taken in 2018, the previous work system adopted for this area was maintained. Fences were put up around the nests to prevent agricultural vehicles from damaging or destroying them and the birds were provided with protection against predators by surrounding the area with a certified fragrance repellent (completely safe for humans, animals and the environment). Observations have proven that harriers from every brood (in 2014-2018) left the nest safely.

These practices are aimed at protecting Montagu's harriers at an early stage of life to increase the chances of growth of the bird's population. By taking these actions, Polenergia joined the efforts intended to ensure active protection of this species, supported by the patronage of the Ministry of the Environment and the General Directorate for Environmental Protection.

The measures taken by the Polenergia Group to protect the Montagu's harrier were submitted to the Responsible Business Forum in January 2017 and then described in the publication "Responsible business in Poland 2016. Best practices" an example of best practices in the field of biodiversity protection.

We intend to extend the protection of the Montagu's harrier to our other wind farms in operation, provided that ornithological monitoring discovers any nests of this species on our sites.

2014: 6 **offspring**

2015: 3 **offspring**

2016: 4 **offspring**

2017: 6 **offspring**

2018: 9 **offspring**

Total: 28 **offspring**

Rajgród Wind Farm:

The project is executed by Farma Wiatrowa 6 Sp. z o.o. The facility was put into operation in 2014. It is located in Rajgród commune of Grajewo county in Podlaskie Voivodeship.

The farm comprises 11 Siemens SWT-2.3-108 wind turbines with auxiliary infrastructure.

In January 2015, a post-construction ornithological and chiropterological study was commenced on the farm site. The study was continued into the following year. The observations did not reveal any negative impact of the facility on raptorial birds or white stork offspring leaving their nests. There was also no elevated mortality among birds or bats. In 2017, the Regional Directorate for Environmental Protection in Białystok (Department of Land Matters in Łomża), having examined the report for 2016, did not present any remarks on the monitoring plans for subsequent years. In 2018, the last stage of the study on the farm's impact on bats and birds was carried out. The study did not show an elevated level of mortality in these groups of animals. The final report containing a summary of the 3-year monitoring exercise will be presented to the environmental protection authorities in 2019.

A complaint filing procedure has been implemented as part of the facility management system. Information on the project is published on the Polenergia Group's website and is available from the Town Hall in Rajgród, where the results of acoustic tests and the results of post-construction monitoring of the farm's impact on birds and bats have also been delivered.

Inspections

No fines were imposed on the Rajgród Wind Farm in 2018. Nor were there any audits carried out by the Voivodeship Inspectorate for Environmental Protection.

New protected areas in the vicinity of the project

No new protected areas were created in close proximity to the facility that might be affected by its operation.

Gawłowice Wind Farm:

The project is executed by Farma Wiatrowa 1 Sp. z o.o. The first stage of the facility was put into operation in 2014. The second stage was put into operation a year later. The facility is located near Radzyń Chełmiński of Grudziądz county in Kujawsko-Pomorskie Voivodeship.

Ornithological and chiropterological studies were carried out in 2015 and 2016 after the construction of the turbines. The reports on each study were submitted to the competent authorities. The most significant conclusions from the 2-year monitoring effort are that the farm does not exert any unfavorable impact on birds or bats, the breeding avifauna in its area is medium-sized and the number of breeding bird species since the construction of the facility has remained at a similar level. Mortality with a body disappearance rate experiment is 1.28 organisms/MW/year. In April 2017, the Regional Directorate for Environmental Protection in Bydgoszcz accepted the results of the post-construction studies presented after the second year of their conduct. Another annual monitoring cycle took place in 2018. As was the case before, the studies showed no increase in the mortality rate. In 2019, the final reports on the studies will be submitted for examination and approval to the Regional Directorate for Environmental Protection.

A complaint filing procedure has been implemented by the company as part of the facility management system. Information on the project is published on the Polenergia Group's website and is available from the Town and Commune Hall in Radzyń Chełmiński.

Inspections

No fines were imposed on the special purpose vehicle operating the Gawłowice Wind Farm in 2018. Nor were there any inspections carried out in the facility in this period.

New protected areas in the vicinity of the project

No new protected areas were created in close proximity to the facility that might be affected by its operation.

Skurpie Wind Farm:

The project is executed by Farma Wiatrowa 4 Sp. z o.o. The facility was built near Płośnica of Działdowo county in Warmińsko-Mazurskie Voivodeship. The farm was put into operation in Q3 and Q4 2015 in two stages.

In 2016 and 2017, the impact of the Skurpie Wind Farm on birds and bats was monitored on an ongoing basis. According to the contents of the decision on environmental conditions, the results of the monitoring endeavor were submitted to the competent authorities (the Community Hall and the Regional Directorate for Environmental Protection) after each half-year of the study. The monitoring did not reveal any adverse impact on these groups of animals. The next cycle of the ornithological and chiropterological studies and the preparation of a summary report is scheduled for 2019.

A complaint filing procedure has been implemented by the company as part of the facility management system. Information on the project is published on the Polenergia Group's website and is available from the Commune Hall in Płośnica.

Inspections

No fines were imposed on the special purpose vehicle operating the Skurpie Wind Farm in 2018. Nor were there any inspections carried out in the facility in this period.

New protected areas in the vicinity of the project

No new protected areas were created in close proximity to the wind farm that might be affected by its operation.

Mycielin Wind Farm:

The project is executed by Polenergia Farma Wiatrowa Mycielin Sp. z o.o. The facility was built in 2015 and obtained an operational permit in February 2016.

The Mycielin Wind Farm is located near Mycielin, Gościelin, Gościeszowice, Długie, Dzikowice and Sucha Dolna, in Niegosławice and Szprotawa communes of Żagań county in Lubuskie Voivodeship.

In 2016, ornithological and chiropterological studies were commenced in accordance with the scope of post-construction monitoring project agreed on with the Regional Directorate for Environmental Protection in Gorzów Wielkopolski. The annual monitoring report was submitted to the Regional Directorate for Environmental Protection in 2017. The authority did not comment on the applied methodology and, while approving the results from the first year of the study, emphasized that the observed mortality levels for raptorial birds and all avifauna are relatively low, far from the threshold values determined on the basis of pre-construction monitoring. The next cycle of the study began in April 2018 and will last until the end of March 2019. The results of the study for the first three quarters of the current cycle also did not demonstrate any adverse impact of the facility on the local populations of birds and bats.

A complaint filing procedure has been implemented by the company as part of the facility management system. Information on the project is published on the Polenergia Group's website and is available from the respective Commune Halls.

Inspections

No fines were imposed on the Mycielin Wind Farm in 2018.

New protected areas in the vicinity of the project

No new protected areas were created in close proximity to the facility that might be affected by its operation.

Acquisition of biomass

After the review of the management system carried out in 2012, the Group implemented the procedures and the Policy for acquiring biomass in a sustainable manner (as published on www.polenergia.pl). The purpose of the procedures and the Policy is to ensure that the supply of biomass to the Group's facilities is not onerous for the environment or for the local communities and that biomass is acquired in accordance with best practices and the applicable provisions of law.

Inspections

The supply procedures contain inspection instruments applicable to the process and sources of biomass acquisition and to its transportation. They also lay down the methods for verifying the origin of forest biomass.

Best practices

By making efforts to minimize our environmental impact, we provide our customers with pellets created from biomass acquired in a sustainable manner.

8 Social engagement and local community development – Polenergia as a good neighbor

The Polenergia Group is engaged in social and environmental initiatives predominantly through its special purpose vehicles.

Initiatives pursued for the benefit and development of local communities are extremely important aspects of our operations. We base our cooperation with local communities on continuous dialog and mutual engagement. Such initiatives are pursued for the most part by SPV, for instance in the areas of development, construction and operation of wind farms. We focus our attention on communities that live in the vicinity of our facilities and, above all, on their needs. We are especially intent on establishing long-term partnership relations and providing assistance. Our ongoing cooperation and commitment are intended to maintain good neighborly relations and improve the quality of everyday life for local communities. Among the various initiatives supported by the Group are educational, cultural, artistic, recreational and sports endeavors. We are also engaged in initiatives aimed at counteracting various dimensions of social exclusion and we support the execution of infrastructural projects.

The following are only a few examples of the initiatives pursued by the Group:

- Activities undertaken by Dipol Sp. z o.o. (Puck Wind Farm), which for a number of years has been supporting the organization of the folklore festival "Gnieżdżewo Boors' Mischiefs". All wind farms in operation provide co-funding for the organization of harvest festivals, carnival celebrations and Christmas events for children from schools and day-care centers located in the vicinity of our facilities, and participate in the renovation of such schools and centers.
- The Nowa Sarzyna Cogeneration Plant supports a number of sports clubs, cultural centers and specific non-recurring initiatives that are important for its local community. This translates into excellent relations with local residents who also happen to be the Plant's customers and employees. The company provides funding for initiatives organized by the Municipal Cultural Center in Leżajsk (organ concerts, "Curious of the world – Travel Festival", Leżajsk Art Fair, OTWARCIE Theater Festival), the Municipal and Company Sports Club "Unia" Nowa Sarzyna, the Pedagogical and Psychological Clinic in Leżajsk, the Leżajsk Region Museum, the Special Educational Center in Leżajsk, the Social and Cultural Association "Leliwa", the Musical School in Leżajsk, the Association of Borderland Inhabitants, the Cycling Sports Club "Azalia" in Brzóza Królewska, schools and preschools in Leżajsk and Nowa Sarzyna communes a number of other ventures. NSCP has joined the "Green Commune" initiative of the Town and Commune Hall in Nowa Sarzyna and was a sponsor of the awards. Furthermore, NSCP funded the purchase of control and measurement equipment for the detection of hazardous substances for the County Headquarters of the State Fire Service in Leżajsk and the purchase of a transport and bathing platform for people with disabilities staying in the Nursing Home of the Sisters of the Holy Spirit in Leżajsk. NSCP also provided funding for renovation works carried out by the "Good Home" Association acting for the benefit of people with disabilities.

In 2018, NSCP continued to sponsor sports clubs and educational robotics classes for students of the Franciszek Leja Memorial Schools in Grodzisk Górny. In 2018, four school teams participated in the European Educational Robotics Conference (ECER) in Malta where they achieved the following successes:

GG Robot: 3 place

in the general classification of the Botball contest, 3rd place in the Seeding Round category, 2nd place in Double Elimination and the Man of Technology award for one of the team members

GG Aerial: 3 place

in the general classification and the Spirit of Aerial award as one of the nicest teams in the PRIA Aerial contest

GG OPEN1 : 6 place

in the general classification of the PRIA Open contest and 2nd place in the Alliance category after a merger with the randomly selected Austrian team NOTHING TO HERE

GG OPEN2: 3 place

in the general classification of the PRIA Open contest

Young athletes of the Center for Martial Arts and Sports in Leżajsk sponsored by NSCP have also achieved spectacular successes. In 2018, their achievements were as follows:

2 place

in junior kumite (fight) at the European Junior and Senior Karate Shinkyokushin Championships in Wrocław

3 place

in kata at the Polish Junior and Youth Kyokushin Karate Championships

2 place

the kumite category (Polish national team) at the Polish Karate Shinkyokushin Championships

2 place

in the kumite category (Polish national team) at the Polish Karate Shinkyokushin Championships

In 2018, two NSCP employees joined the Generous Parcel campaign and, as volunteers, prepared Christmas gifts for a family in need from the Leżajsk area.

In our efforts to help local communities, we do not act alone but have been cooperating with other companies for a number of years. Since 2013, the Polenergia Nowa Sarzyna Cogeneration Plant, in collaboration with the Municipal Management Company and CIECH Sarzyna, has been charging uniform heat prices to the less fortunate residents of the Emergency Assistance Housing Estate in Nowa Sarzyna, in accordance with the agreements entered into with these parties. Furthermore, NSCP has been granting, every year since 2014, a discount on heat prices to the subsidized residents.

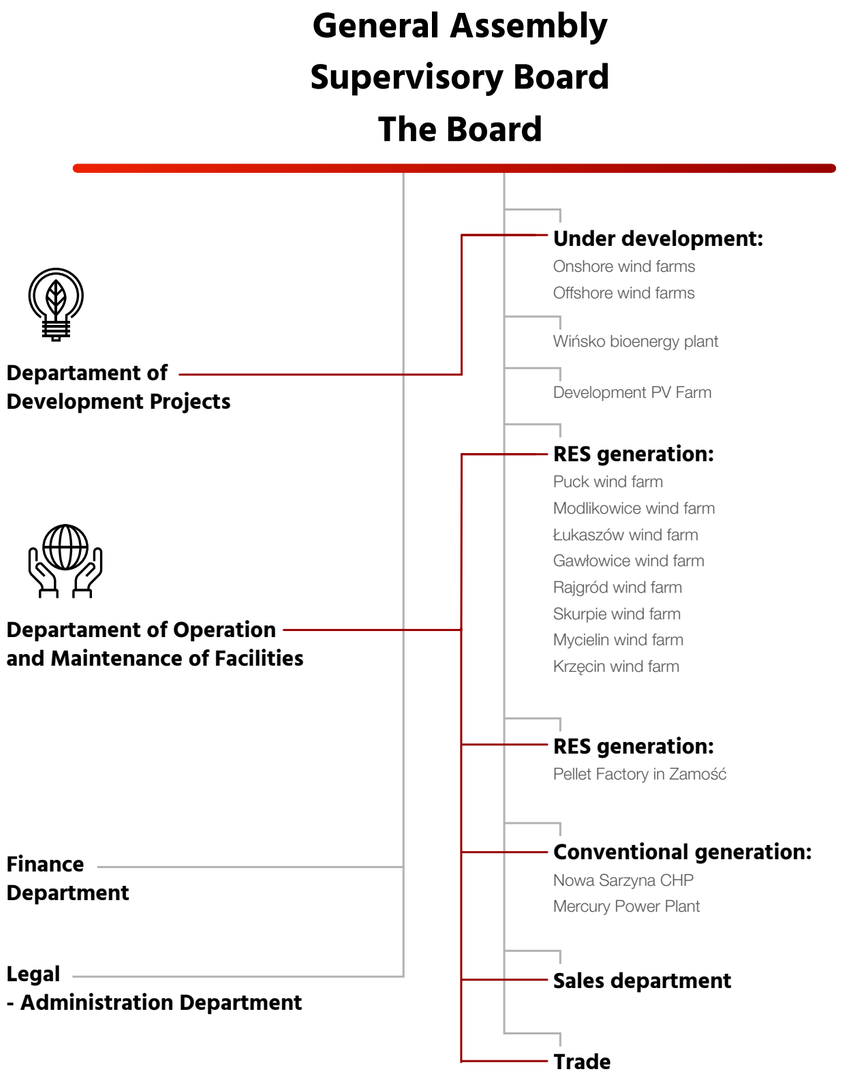
In 2018, companies from Nowa Sarzyna commune continued their cooperation for the benefit of the local community. In a joint effort with the Town and Commune Hall, four companies (including NSCP) funded the purchase of equipment for the playroom of the preschool affiliated with the Primary School in Sarzyna. In return, the children of employees of these companies will be permitted to use the playroom on one specific Sunday per month for a period of one year.

Corporate governance

Polenergia SA as a company listed on the Warsaw Stock Exchange satisfies all requirements in the areas of corporate governance, financial and non-financial reporting and dialog with stakeholders. The risk management policy and internal control system adopted by the Group enable management of various risks related to the achievement of Polenergia's business objectives. On a regular basis, risks related to the Group's business are reviewed. As a result of these efforts, a register of risks has been created that classifies the risks in terms of their significance and need for monitoring. The whole process is taken care of by the risk management team which has been established to monitor risks and update the list of key risks on an ongoing basis. The Supervisory Board's Audit Committee oversees the proper execution of these tasks.

The Group has adopted the Code of Ethics and has established the Ethics Committee whose tasks include examination of requests submitted by employees. We have also implemented a whistleblowing system.

The principles governing the operation of supervisory authorities, the Management Board and employees have been included in the applicable internal regulations and procedures.



The Polenergia Group gets involved in external initiatives through its participation in associations and organizations, such as:

- Polish Association of Listed Companies (SEG) – representing companies listed on the Warsaw Stock Exchange, serving the issuer community with its knowledge of and advice on stock market regulations.
- Polish Wind Energy Association (PWEA) – supporting and promoting the development of the wind power sector to create favorable conditions for investing in this industry in Poland.
- Chamber of Industrial Power and Recipients of Energy (IEPiOE) – a self-governing organization of the business community associating entities associated with the generation, transmission, trade in and consumption of electricity and heat.
- Association of Energy Trading (TOE) – undertaking activities to support the development of a competitive energy market in Poland, disseminating information on the benefits of such a market for its participants, engaging in the development of ethical standards in energy and fuel trade and representing socially or economically beneficial interests of the energy and fuel trade sector vis-à-vis government administration institutions and other associations. The Polenergia Group is represented in the Association of Energy Trading by Polenergia Obrót.
- Polish Chamber of Biomass – uniting enterprises and companies supporting the development of a biomass market for the distributed energy generation sector. The Chamber brings together producers of biomass used for energy generation purposes and producers of biomass fuels.
- Polish Power Exchange (Towarowa Giełda Energii S.A., TGE) – established in 1999, the only organization to date holding a license issued by the Polish Financial Supervision Authority (KNF) to run a commodity exchange. Its main areas of operation are trading in commodities and keeping the Register of Certificates of Origin.
- Polish Power Plants Business Association (TGPE) – founded in 1990, operates in the field of electricity generation. Since June 2016, the Polenergia Nowa Sarzyna Cogeneration Plant is a member of the Association.
- Employers' Union "Business Center Club" – founded in 1991 in Warsaw, represents the interests of employers in the Social Dialog Council. Since 2015, the Polenergia Nowa Sarzyna Cogeneration Plant is a member of the Union.
- European Federation of Energy Traders (EFET) – created to improve the quality of energy trade in Europe and to promote sustainable development and a common European energy market. Polenergia Obrót is an EFET member.
- EU Emissions Trading System (EU ETS), Greenhouse Gas Emission Trading Scheme (SHE) – an EU system for trading in carbon dioxide emission allowances and other greenhouse gas emission allowances. Polenergia Nowa Sarzyna Cogeneration Plant Sp. z o.o. and the Mercury Power Plant operate facilities covered by the SHE. These companies have their dedicated accounts in the EU Register.
- Polish-Chinese Business Council – uniting experts and businesses operating on the Polish and Chinese markets. Its objectives are to promote mutual trade and investment and to seek opportunities to improve the accessibility of the Chinese market to Polish companies.
- Polish Press Agency (PAP) – the largest news agency in Poland that collects, develops and disseminates objective and comprehensive information from inside and outside the country.
- UN Global Compact Network Poland – in 2017, the Polenergia Group adopted the Ethics Program Management Standard aimed at implementing the UN Guidelines on Business and Human Rights in the organization's day-to-day activities.
- UNEP GRID in partnership with UN Environment – in 2017, the Polenergia Group joined the UNEP GRID Partnership Program "Together for the Environment" pursuing the Sustainable Development Goals (SDGs) of Agenda 2030.

10 Dialog with stakeholders

Dialog, in and of itself, is an indispensable tool for maintaining good interpersonal and business relationships. It is a process that helps build trust in our Group and in each of our distinct projects.

The Polenergia Group is involved in an ongoing dialog with its stakeholders from whom we obtain information about their expectations that is necessary to run our organization.

The main group of our stakeholders are shareholders and investors with whom we are in constant contact through the publication of current reports, press releases and periodic stock market reports. Moreover, we have set up a separate e-mail address, PolenergiaIR@polenergia.pl, through which we respond to incoming questions on an ongoing basis.

Another group of stakeholders are public administration institutions, including the Ministry of the Economy, the Ministry of Transport, Construction and the Maritime Economy, the Ministry of the Environment, the Energy Regulatory Office, the Maritime Authority, the Regional Directorates for Environmental Protection, the National Labor Inspectorate, the Construction Supervision Inspectorate, the State Sanitation Inspectorate, Voivodeship Marshals, County Offices and Commune Halls, the Voivodeship Historic Site Protection Officers, road administrators, the police and the State Fire Service, the Regional Water Management Boards, the Regional State Forest Directorates and other State Treasury-owned companies. This group of stakeholders is involved directly, including at the stage of social consultations of our projects and at the stage of issuing relevant administrative permits.

At the level of operational activities, the main group of our stakeholders are suppliers and subcontractors of technical and assembly solutions as well as suppliers of commodities.

Electricity distributors – we are dealing with this group of stakeholders at the stage of arrangements related to investments, plans and the execution of our projects.

The largest group of stakeholders are business customers and retail customers (Polenergia Dystrybucja). Our contacts with business customers take place at the time of collection of a dozen or so products and services, whereas our contacts with retail customers are effected via a designated hotline and over the internet: through our website and dedicated e-mail address.

A large group of stakeholders are financial institutions (lenders and banks) with whom we communicate directly and whom we provide with the required financial statements on a regular basis.

Another category of stakeholders are local communities and their residents. In their case, we get involved in consultation processes and information campaigns through direct contacts with residents and local authorities.

A separate group of stakeholders are local, regional, national and international non-governmental and scientific organizations (ornithological and other environmental organizations and academic institutions) whom we engage in consultation processes.

Last but not least, a key stakeholder group are our employees. In this case, our method of contact and way of communicating with this category of stakeholders is definitely of a direct and ongoing nature. In addition to meetings, a tool that is helpful in disseminating news within the company is the intranet. Annual performance assessments and meetings devoted to career development paths are a regular component of the annual employee evaluation process and the basis for awarding bonuses.

11 Polenergia as an employer

The Polenergia Group employs a total of nearly 200 persons in all its companies.

Promoting good cooperation and good relations between employees and ensuring satisfying and safe working conditions constitute key elements of the socially responsible business run by the Polenergia Group. We are committed to improving communication between our employees and their departments with a view to promoting more efficient work and better integration.

Organization of office work:

We take care to ensure that the office is a friendly place for our employees but also for our business partners and counterparties who visit our premises. The office of our Group has been designed to encourage better cooperation and focus.

We provide our employees with full medical care and an option to have all their family members covered by it as well.

KULCZYK FOUNDATION

We also offer our employees fringe benefits in the form of sports packages covering a broad range of activities. It is a manifestation of our care for the fitness, recreation and health of our employees.

Through our cooperation with the Kulczyk Foundation, our employees have the opportunity to use tickets for selected events at the Grand Theater in Warsaw, which contributes to their integration while spending time together outside the office.

We attach great importance to increasing the awareness of ecology and environmental protection issues among our employees. For a number of years, we have been running a waste sorting program, with a separate space for used batteries and waste not suitable for regular sorting. We encourage economical use of paper, thus contributing to the protection of forests. In 2016, we rolled out an electronic document flow system which not only saves our employees' time but also reduces paper consumption to a considerable extent. On top of this, we encourage reusing sheets of paper that have been printed on one side only. We have designated a place for disposing of sheets of paper printed on one side that do not contain any confidential information, which we then deliver to preschools and primary schools for use in art classes. We also have separate containers for two-sided printouts which we dispose of as recyclable waste paper.

We make all efforts to always act as a socially sensitive company whose operations contribute to the public well-being. In order to support local communities, we have established cooperation with beekeepers who live in the towns and villages where our facilities are located. Since last year, we have been placing regular orders for honey, which our employees consume in the office, especially in winter. By doing this, we support local beekeepers and have the certainty that we obtain an original and natural product.

In 2018, Polenergia Group employees actively joined the environmentally friendly campaign "Mobile Give Box" launched by the Polish Zero Waste Association. A container has been placed in a designated place in the company's office to which employees put things they no longer need (like books, CDs, etc.) but somebody else will probably be willing to make use of.

The social engagement and environmental responsibility of our business partners are of major importance to us when planning our supply chain. Cooperation with companies that share our approach enables us to take care of the natural environment together and to promote and communicate attitudes that are consistent with the idea of sustainable development. That is why, when establishing cooperation with our major business partners, we remember to enter into Agreements on Ethical Standards.

GIVE BOX MOBILNY WEŹ, JEŚLI POTRZEBUJESZ

POLSKIE STOWARZYSZENIE ZERO WASTE

Code of Ethics of the Polenergia Group

Respect for the rights of our employees constitutes the foundation of our organizational culture. We are an equal opportunities employer, we do not tolerate any form of discrimination based on gender, skin color, religion, origin, sexual orientation or political views, we do not accept any kind of workplace harassment.

In 2018, our Ethics Committee did not receive any notification of an abuse or unethical behavior. Polenergia Group employees comply with the fair competition rules laid down in our Code of Ethics. No cases were discovered of personal gains resulting from the use of a position in the company or insider information.

Employee training

We believe that Polenergia's growth and competitive edge depend on how qualified our employees are. We attach great importance to our employees' education and training. We provide our employees with opportunities to improve their qualifications by letting them participate in training courses, conferences, postgraduate studies, MBA studies and other educational programs. We also provide them with training on a broad range of topics, so that each employee may choose the right kind of training for his or her position. Beneficial to both the employee and the company is the acquisition of 'hard competencies' (specialist knowledge, command of foreign languages, use of computer software, etc.) and 'soft competencies' (e.g. time management or teamwork skills). Trainings enables the acquisition of technical, language and interpersonal knowledge and skills. In 2018, Polenergia employees participated in a total of almost 7,000 hours of training.

Employee hiring and compensation system

Our employees are covered by transparent rules governing their compensation and fringe benefits, as described in the Work Regulations, the Employee Compensation Regulations and the Employee Annual Performance Assessment System. Every year, our employees are assessed by their superiors. As part of this assessment, the achievement of their personal objectives is verified and the results of such verification translate into the amount of a financial reward (annual bonus).

In the Group as a whole, the percentage of persons hired under civil law contracts is very low. Such cases are confined to situations where it is necessary to hire an individual to provide a specific service or execute a specific project. The company enables employees to balance their work and private life by permitting, at their request, remote work, flexible hours or reduced working time. We have an honest employee compensation and incentive policy in place that takes into account the individual contribution of each employee as well as the performance of his or her team.

Polenergia SA

The Management Board of the Polenergia Group strives to ensure that work in the Group is based on the principles of good coexistence, in consideration of the natural environment and local communities and with respect for ethical values and principles. Members of the Management Board care about employees, their well-being in the workplace and also about friendly relations between employees, because such relations translate into a good atmosphere at work on a daily basis. The Management Board endeavors to be close to employees: listen to their needs, requests and opinions. At times of significant developments in the Group, the Management Board holds special meetings with employees to disseminate key information and present development plans for the following years. Other opportunities to meet with employees are Christmas, New Year (to wrap up the Group's annual performance) and Easter.

Best practices – Polenergia as an employer

Polenergia Nowa Sarzyna Cogeneration Plant

In June 2018, an annual family picnic was held at the Cyziówka Training and Leisure Center. It was attended by NSCP employees and their family members (approx. 130 persons). The participants were offered the following attractions to choose from: a rope park zone, a Tyrolean slide-down, a children's zone (pneumatic recreation devices and games), a radar and shooting gate, a spatial structure creation zone, a Nordic walking class and a series of family games and competitions.

For a number of years, the Polenergia Nowa Sarzyna Cogeneration Plant provides free student internships and apprenticeships and demonstrations of the operation of a steam and gas unit, in particular for students of technical schools and universities. Summer internships help students find out what exactly a power generating facility is and what it takes to work in it. Through such initiatives, the plant helps to educate high quality specialists in the field of power engineering.

In 2018, 4 students (from the AGH University of Science and Technology in Kraków and the Rzeszów University of Technology) participated in student internships at NSCP along with 4 students of technical high schools. Moreover, 2 groups of students got acquainted with the operation of a gas-fired cogeneration plant during site visits to the facility organized by the AGH University of Science and Technology in Kraków and the Łódź University of Technology.

In the reporting period, there were no vacancies in the Technical Department. However, when a vacancy occurs, graduates who have completed their internships or apprenticeships at NSCP to the satisfaction of their coach will be considered first before any other job applicants.

Occupational safety and health

Safety standards for external companies and our visitors:

In all operating facilities, including wind farms, we have implemented safety standards and rules for the behavior of visitors. The standards implemented for companies apply also to all our subcontractors (e.g. naturalists and acoustics visiting our wind farms and performing work related to post-construction reporting duties).

All our facilities in operation must satisfy the requirements laid down in the Regulation of the Minister of the Economy on occupational safety and health in the vicinity of power engineering equipment. This means that employees must be properly trained in occupational safety and health standards and their competence in this area must be verified by an examination and confirmed by appropriate certificates resulting from the Energy Law. Moreover, activities performed on power engineering equipment are divided into operations and other activities (e.g. repairs, inspections, measurements, tests, assemblies). Operation is carried out by qualified personnel (confirmed by certificates) in compliance with operating instructions. All other activities are performed on the basis of an individual work order (issued separately for each work).

After a review carried out in 2016, the occupational safety and health procedures and instructions were revised. In 2018, an audit of the occupational safety and health management system was conducted.

Examples of best practices in the field of workplace safety

Polenergia Nowa Sarzyna Cogeneration Plant

A statement of compliance and fulfillment of requirements and regulations in the field of occupational safety and health, fire safety and compliance with the environmental law by NSCP is issued every year by an external firm. Also in 2018, the plant obtained such a document.

Before the statement of compliance is issued, NSCP is subjected to a verification of its procedures and instructions in the field of occupational safety and health, fire protection and environmental protection, in particular compliance with the Safe Work at NSCP Organizational Instructions, the General OSH Instructions, the Instructions for External Companies Performing Work at NSCP, the Fire Safety Instructions, the Company Operational Emergency Plan, the Failure Prevention Program, the Risk Assessment and Risk Management System and the Environmental Protection Management System.

In addition to this verification, the external firm Tarbonus also monitors changes to occupational safety and health regulations, fire protection regulations and environmental protection regulations that may affect NSCP's operation.

Every year, NSCP organizes first aid training for its employees. The company has two automated external defibrillators (AEDs).

Information on non-compliance with the provisions of labor law, occupational safety and health regulations, sanitation regulations or environmental regulations:

No cases of non-compliance with the provisions of labor law, occupational safety and health regulations, sanitation regulations or environmental regulations were found in any of the Group's plants.

12 Regulatory environment

Amendments to Polish or EU legislation/best practices in 2018 affecting the operations and development prospects of the Polenergia Group:

Capacity market:

- Capacity Market Act of 8 December 2017 (Journal of Laws 2018.9 of 1 March 2018), defining the organization of the capacity market and the rules governing the provision of a standby service for supplying electric power to the power system and supplying this power to the system in periods of emergency.

In compliance with the provisions of this Act, auctions for the years 2021, 2022 and 2023 were carried out in 2018.

- Regulation of the Minister of Energy of 22 August 2018 on the parameters for main auctions for the delivery periods falling in 2021-2023.

RES market:

- Act of 7 June 2018 Amending the Act on Renewable Energy Sources and Certain Other Acts.

Trade in emissions:

- Commission Implementing Regulation (EU) 2018/2066 of 19 December 2018 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council and amending Commission Regulation (EU) No 601/2012.

Emission standards:

- Regulation of the Minister of the Environment of 1 March 2018 on emission standards for certain types of installations, fuel combustion sources and waste firing or co-firing installations (Journal of Laws of 2018 Item 680).
- Regulation of the Minister of the Environment of 17 October 2018 amending the Regulation on emission standards for certain types of installations, fuel combustion sources and waste firing or co-firing installations (Journal of Laws of 2018 Item 2097).

Waste:

- Act of 20 July 2018 Amending the Act on Waste and Certain Other Acts (Journal of Laws No. 2018 Item 1592).
- Regulation of the Minister of the Environment of 13 September 2018 on the method of assigning a registration number to entities entered in the register kept as part of the Waste Database.

EU law:

» Directive (EU) 2018/851 of the European Parliament and of the Council of 30 May 2018 amending Directive 2008/98/EC on waste.

The directive is aimed at improving and transforming the management of waste as materials in order to protect, preserve and improve the quality of the environment, protect human health, ensure prudent, efficient and rational use of natural resources and promote the principles of a circular economy.

» Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council.
» Directive (EU) 2018/2002 of the European Parliament and of the Council of 11 December 2018 amending Directive 2012/27/EU on energy efficiency.
» Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources.

These directives implement the so-called Winter Package, as originally presented by the European Commission on 30 November 2016. The Package is a continuation of the European Union's climate and energy policy formulated in 2005 under the name of "3 x 20". The policy called for, by 2020, a reduction in CO2 emissions by 20%, an increase in the share of energy generation from renewable sources by 20% at the EU level and an improvement in energy efficiency by 20%. For Poland, the RES share target was set at a level lower by 5 percentage points. A new element are provisions aimed at creating an energy union that would guarantee all Europeans access to safe, sustainable and cheaper energy and proposals for new tools to enable the climate goals set for 2020 to be set at more ambitious levels for 2030.

Among the documents published in this area is the new directive on renewable energy sources, the so-called RED II. Its implementation is aimed at achieving a new objective, which is to increase by 2030 the share of renewable energy sources in the EU energy mix to at least 32%.

The executive regulation will be directly applicable in all Member States, whereas the new elements of the RES and energy efficiency directives will have to become part of national law no later than 18 months after their entry into force. The "Winter Package" came into force on 24 December 2018.

Electricity market:

» Act on Trading in Financial Instruments/MiFID II.

On 21 April 2018, the Act of 1 March 2018 Amending the Act on Trading in Financial Instruments and Certain Other Acts ("Amending Act") came into force, implementing MiFID II into the Polish legal system.

In the case of the emissions trading system, the main effect of the entry into force of MiFID II is the transformation of all CO2 emission allowances into financial instruments.

Traders must, among others, verify if they are allowed to take advantage of subjective exemptions in accordance with Article 2 of MiFID II, which in the case of ancillary activities means the requirement to ensure ongoing monitoring and annual calculation according to the RTS 20 criteria.

Entities that enter into forward transactions for commodities or CO2 emission allowances that are financial instruments must submit a notification by 30 April to the Polish Financial Supervision Authority (KNF) that they intend to take advantage of the exemption for ancillary activities.

» The Polish Power Exchange submitted an application to the Polish Financial Supervision Authority (KNF) for permission to run an organized trading facility (OTF).

The Polish Power Exchange is preparing to introduce a new institution in the form of an organized trading facility within the framework of which wholesale energy products that must be physically accounted for are not considered to be financial instruments, derivatives or commodity derivatives. This means that they should not be subject to the requirements of MiFID II.

Since the entry into force of the amended Act on Trading in Financial Instruments on 21 April 2018, the Polish Power Exchange has had 12 months to submit a pertinent application to the Polish Financial Supervision Authority and initiate the process of obtaining a license to operate an organized trading facility.

On 29 December 2017, the Polish Power Exchange introduced the first element of operation of an organized trading facility, namely the principle of discretion.

On 20 December 2018, the Exchange filed the documentation required by the applicable regulations with the Polish Financial Supervision Authority. During the license issue process, the trading rules on the currently operated Commodity Futures Market will not change. When the Exchange obtains the license from the Polish Financial Supervision Authority, the Market will be transformed into an organized trading facility.

» Amendment to the CIT Act – entered into force on 1 January 2018.

On 1 January 2018, new regulations entered into force, as introduced by the Act of 27 October 2017 Amending the Personal Income Tax Act, the Corporate Income Tax Act ("CIT Act") and the Act on Flat-Rate Income Tax from Certain Revenues Obtained by Natural Persons (Journal of Laws of 2017 Item 2175). The new regulations impose the obligation to split revenues obtained from capital gains and revenues obtained from other sources (i.e. other revenues obtained from the taxpayer's activities, e.g. from business activities).

The fundamental consequence of these regulatory amendments is the need to split the calculation/determination of the tax result (i.e. profit or loss) by the taxpayer from each of these sources and, importantly, the inability to deduct (offset) a loss generated on one source of revenue from a profit generated on the other source of revenue (Article 7 of the CIT Act).

Thus, an issue of key significance is now the correct classification of transactions into the distinct categories of revenue generated as part of the taxpayer's business.

Revenue derived from transactions on financial instruments that meet the definition of derivative financial instruments within the meaning of the CIT Act should be classified as revenue from capital gains. In turn, in the case of instruments that do not fulfill the above definition, revenue generated with their use should be classified as derived from other sources.

» Amendments to the Instructions for the PSE Operation and Maintenance of the Transmission Grid regarding the principles governing the operation of the balancing market.

The Capacity Market Act adopted in 2017 and the EU notification process has forced the Polish government to make the energy market more flexible. An element of this flexibility is the increase in the price limits on the balancing market.

By decision of 18 December 2018, the President of the Energy Regulatory Office approved the amendments to the PSE Instructions for the Operation and Maintenance of the Transmission Grid regarding system balancing and management of system limitations. The amendments entered into force on 1 January 2019.

The modifications affected, among others, the limits of electricity settlement prices on the balancing market, which since 1 January 2019 have been PLN -50,000 per MWh and PLN 50,000 per MWh and are applicable in place of the previous ones, which were PLN 70 per MWh and PLN 1,500 per MWh, respectively.

Low and negative electricity prices on the balancing market were introduced to help tackle the oversupply of energy on the market in periods characterized by high generation levels from wind farms and cogeneration plants and low demand from consumers. In such periods, energy prices will be negative on the Polish Power Exchange – the situation will be similar to that on the German market today.

Another consequence of the much larger difference between the minimum and maximum energy prices will also be higher balancing costs, which traders hedging the risk of imbalance will have to take into account.

» Amendment to the Energy Law of 12 December 2018.

The amendment provides for a modification of the obligation imposed on utility companies to sell electricity generated by them – by increasing it from 30% to 100%. The purpose of this exchange obligation is to improve market transparency and curtail any possible increases in electricity prices on the wholesale market which would be caused by factors other than fundamental ones and which would affect the cost of electricity generation or acquisition from neighboring systems. At the same time, it is forecasted that the risk of significant price fluctuations will be reduced as a result of the improved liquidity and transparency of the Polish Power Exchange and curtailment of the possibility of price manipulation by participants holding a strong market position. In the long term, this solution will improve the position of customers on the national electricity market.

Moreover, the amendment freezes electricity prices for end buyers, reduces excise tax on electricity from PLN 20 per MWh to PLN 5 per MWh and the transitional fee for all end buyers of electricity by 95%, establishes a level of prices and rates for transmission and distribution of energy not higher than that of 31 December 2018 and a level of fee rates for the sale of electricity not higher than that of 30 June 2018.

» Changes in fees for licenses (OEE, OPG, OGZ)

The changes in license fees result from the Regulation of the Council of Ministers of 9 November 2018 (Journal of Laws of 2018 Item 2277) – the maximum fee was changed from PLN 1 million to PLN 2.5 million, the minimum fee was increased from PLN 200 to PLN 1000, the coefficients for calculating the license fee were changed and the payment due date was extended from 31 March to 15 April.

Natural gas market:

» **The Polish Power Exchange expanded its offer to include nitrogen-rich natural gas.**

On 19 December 2018, the Polish Power Exchange launched quotations of type Lw nitrogen-rich natural gas on the Day-Ahead and Intraday Markets for natural gas. The launch of quotations of type Lw nitrogen-rich natural gas will result in the market becoming covered by a transparent mechanism for shaping the market price. The project was executed in cooperation with the Transmission System Operator GAZ-SYSTEM S.A. Moreover, the Polish Power Exchange introduced a change in the quotations on the Intraday Market for natural gas where high-methane natural gas is traded. Instruments with hourly delivery were replaced by one instrument with a daily validity.

Industry consultations:

» **Work on the local spatial development plan for the Polish Marine Areas.**

In 2018, through its special purpose vehicles executing offshore wind farm projects, the Polenergia Group participated in social and inter-ministerial consultations on the Development Plan for the Polish Maritime Areas (PZPOM) in the Baltic Sea. The shape of the future PZPOM is extremely important due to the crucial impact it will have on the economic use of the Polish Marine Areas, in particular in the context of development of the offshore wind generation sector.

13 Supplementary tables with data

Activity scale – basic economic indicators plus power generation capacity and employment data

Basic economic indicators	2018 Results [in thous. PLN]
Sales revenues	3,448,712
Net profit/loss	3,381

Installed power by generating sources:

Production sources	2018 Results [in MWe]
Wind farms	249.3
CHPs	116
Power Plant	8

Generated power by generating sources:

Production sources	2018 Results [in GWh]
Wind farms	621
CHPs	773
Power Plant	51

Number of clients

2018 Results		
Polenergia Dystrybucja		
	Clients	Energy points
Individual	9,242	10,252
Business	942	2,118
Industry	34	36
Polenergia Obrót		
Counterparties	174	

Energy industry - product responsibility – special indicators[1]

2018 Results	
The number of people in the area of enterprise distribution	12,406
The number of people not served in the area of enterprise distribution	0

[1] Polenergia Dystrybucja

Energy industry - product responsibility – special indicators[2]

	2018 Results
The number of disconnections caused by non-payment of bills by customers	447
The number of disconnections caused by system failure	0

Energy industry- product responsibility – special indicators; frequency of power outage[3]

	2018 Results
SAIFI — Indicator of the average systemic frequency of long and short outages constituting the number of recipients exposed to the effects of all these outages during the year divided by the total number of recipients served	0.533

Energy industry- product responsibility – special indicators; average power outage time[5]

	2018 Results
SAIDI — Indicator of the average systemic duration of a long and very long break, expressed in minutes per customer per year, constituting the sum of the products of its duration and the number of recipients exposed to the effects of this interruption during the year divided by the total number of recipients served.	28.063
MAIFI — Average rate of short outages, which is the number of recipients exposed to the effects of all short outages during the year divided by the total number of serviced recipients.	0

[2, 3] Polenergia Dystrybucja

Employment (in full-time positions)

Voivodeship:	2018 Results		
	Women	Men	Total
Lower Silesia	0	20.10	20.10
Kuyavia-Pomerania	0	2	2
Lubelskie	2	16.25	18.25
Lubusz	0	0,5	0,5
Lodzkie	0	0	0
Lesser Poland	0	0	0
Mazovian	38.33	42.795	81.13
Opolskie	0	0	0
Subcarpathia	6	41.25	47.25
Podlaskie	0	4	4
Pomerania	0	4	4
Silesia	0	0	0
Świętokrzyskie	0	0	0
Warmia-Masuria	0	1	1
Greater Poland	0	0	0
West Pomerania	1	1	2
Total	**47.33**	**130.9**	**178.23**
Civil law agreement	**0**	**4**	**4**

Employees

Employees	2018 Results
% of employees covered by a collective agreement	0

Basic raw materials, materials and fuels

Type	IU	2017 Results	2018 Results
Natural gas	m^3	164,977,791	166,841,930
Natural gas - chemical energy (according to calorific value, LHV)	GJ	6,268,295.13	6,109,017.11
Coke oven gas	m^3	45,460,100	45,401,300

Energy, production capacity

Facilities: Nowa Sarzyna CHP, Mercury Power Plant, CHPs and wind farms

Electricity and heat production	2018 Results
Electricity production (MWh)	1,447,106
Heat production (GJ)	449,957.39

Energy industry — organization profile

Allocation of carbon emission permits	2017 Results	2018 Results
Mercury Power Plant	0	0
Nowa Sarzyna CHP	27,278	25,642

CO_2 emissions

	IU	2017 Results	2018 Results
Nowa Sarzyna CHP	Mg	334,999	338,783
Mercury Power Plant	Mg	33,849	33,664

Avoided Emissions [Mg CO_2]

Emissions	2018 Results
Wind farms	616,558
Mercury Power Plant	60,260
Nowa Sarzyna CHP	234,220

Emissions avoided as a result of producing electricity / heat compared to producing the same amount of electricity / heat from hard coal (WO=21,49 MJ/kg data: KOBIZE)

Water

	2016 Results		2017 Results		2018 Results	
	Percent [%]	Volume [m^3]	Percent [%]	Volume [m^3]	Percent [%]	Volume [m^3]
Water processed and reused	1.75	15,168	2.92	25,746	2.98	27,746

Energy industry — economics

	2016 Results	2017 Results	2018 Results
Average efficiency of power generation in CHP	52.95%	53.06%	52.93%

Occupational Health and Safety

	2016 Results	2017 Results	2018 Results
Number of accidents	3	1	1
Number of accidents per 1,000 employees	0.1	0.01	0.01
Number of days of absenteeism at work per one accident	46.67	148	4
Number of fatal accident	0	0	0
Number of cases of occupational diseases	0	0	0
Number of employees exceeding the maximum permissible concentrations (dust level)	0	0	0

Biodiversity

Active protection of the Montagu's harrier

Year	The amount of ringed chicks that have left the nests
2014	6
2015	3
2016	4
2017	6
2018	9
Total:	**28**

Trainings

	2017 Results	2018 Results
By sex		
Number of hours of training in the year attended by women	1,489	1,503
Number of women	43	44
Number of hours of training in the year attended by men	4,501	5,407
Number of men	118	111
By position		
Number of training hours in the year participated by directors/ managers	3,178	4,141
Number of directors/ managers	50	54
Number of training hours in the year participated by specialists	815	934.5
Number of specialists	36	42
Number of training hours in the year participated by other employees	2,244	2,091.5
Number of other employees	53	59

14 GRI indicators

Indicator	GRI Standards	Area according to ISO 26000	Comment / Description	Page
102-14	Statement issued by the top management (e.g. executive director, board president or other equivalent person) on the importance of sustainable development for the organization and its strategy	6.2.	[Letter from the President]	4
102-15	Description of key influences, opportunities and risks	6.2.	[Letter from the President] In addition, business risks, including non-financial risks, can be found in the Report on the Operations of the Polenergia Capital Group for the year ended on December 31, 2018	4
102-1	Organization's Name	-	Polenergia S.A.	
102-2	Main brands, products and /or services	6.7	[Description of the Polenergia Group's business]	14
102-3	Location of the organization's headquarters	6.2 7.3.3	Polenergia S.A. ul. Krucza 24/26 00-526 Warsaw	
102-4	The number of countries in which the organization operates and providing the names of those countries where the main operations of the organization are located or which are particularly relevant in the context of the content of the report	6.2 7.3.2 7.3.3	The Polenergia Group conducts operations mainly in Poland	
102-5	Form of ownership and legal structure of the organization	6.2	Joint-stock company, publicly listed on the Warsaw Stock Exchange. The company was included in the sWIG80 index. Shareholders http://www.polenergia.pl/pol/pl/akcjonariat-0	
102-6	Supported markets with geographical coverage, sectors served, characteristics of customers / consumers and beneficiaries	6.2 7.2 7.3.3	[Description of the Polenergia Group's business]	14
102-7	Activity scale	6.2 7.3.2	[Description of the Polenergia Group's business] [Supplementary tables with data]	14, 96
102-8	Number of own and supervised employees by sex and type of contract	6.4. 6.4.3. 6.3.7	[Polenergia Group as an employer] [Supplementary tables with data]	80, 96
102-41	Percentage of employees covered by collective agreements	6.3.10	[Supplementary tables with data]	96
102-9	Description of value chain	6.6.6	[Letter from the President] [Corporate governance]	4, 74

Indicator	GRI Standards	Area according to ISO 26000	Comment / Description	Page
102-10	Significant changes in the reporting period regarding the size, structure, ownership form or value chain	6.2-	[Strategy and key corporate social responsibility areas]	10
102-11	Explanation of whether and how the organization applies the precautionary principle	6.2.	To limited extent this rule refers to the operations of the Polenergia Group. At the same time, companies always use the best available techniques. However, of course, in case of any doubts as to the possible impact of a given technology, companies will approach it with the precautionary principle.	
102-12	External, accepted or supported by the organization economic, environmental and social declarations, principles and other initiatives	6.2. 6.4.5	[Corporate governance]	74
102-13	Membership in associations (such as industry associations) and/or in national/international organizations	6.2.	[Corporate governance]	74
102-45	Business units recognized in the consolidated financial statement	7.3.3	[Description of the Polenergia Group's business] Consolidated Financial Statements for the year ended 31 December 2018 with the opinion of an independent certified auditor" https://www.polenergia.pl/pol/sites/default/files/reports/periodical/grupa_polenergia_s.a._sprawozdanie_skonsolidowane.pdf	14
102-46	The process of defining the content of the report		[Strategy and key corporate social responsibility areas]	10
102-47	Significant aspects of identified social and environmental impact	7.3	[Strategy and key corporate social responsibility areas]	10
102-48	Explanations regarding the effects of any adjustments to information contained in previous reports, giving reasons for their introduction and their impact (e.g. mergers, acquisitions, change in the year / base period, nature of operations, measurement methods)		No adjustments	
102-49	Significant changes compared to the previous report regarding the scope, extent or methods of measurement used in the report		No significant changes	

Indicator	GRI Standards	Area according to ISO 26000	Comment / Description	Page
102-40	List of stakeholder groups engaged by the organization	6.8.3	[Dialog with stakeholders]	78
102-42	Basis for identifying and selecting stakeholders engaged by the organization	6.8.3	[Dialog with stakeholders]	78
102-43	An approach to engaging stakeholders including the frequency of involvement by type and group of stakeholders	6.4.5	[Dialog with stakeholders]	78
102-44	Key issues and problems raised by stakeholders and the response from the organization, including reporting by them	6.4.5	Strategy and key corporate social responsibility areas] [Dialog with stakeholders]	10, 78
102-50	Reporting period (e.g., fiscal year / calendar year)	-	01.01.2018 — 31.12.2018	
102-51	Date of publication of the last report (if published)	-	March 2018	
102-52	Reporting cycle (annually, every two years, etc.)	-	Annually	
102-53	Contact person	7.4.3	Marta Porzuczek Manager of the Environment Protection Department/EHS Plenipotentiary of the Board for CSR Polenergia SA ul. Krucza 24/26 00-526 Warsaw e-mail: Marta.Porzuczek@polenergia.pl	
102-54	Compliance with GRI Standards	7.7.2	[Strategy and key corporate social responsibility areas]	10
102-55	GRI content index	7.7.2	[[GRI indicators]	104
102-56	Policy and current practice in the field of external verification of the report	7.5.3.	[Strategy and key corporate social responsibility areas]	10
102-18	The supervisory structure of the organization together with the committees subordinate to the highest supervisory body, responsible for particular tasks, such as creating a strategy or supervising the organization	6.2.	[Strategy and key corporate social responsibility areas] [Corporate governance] Management structures, including the approach to corporate governance issues, are described in the Report on the Operations of the Polenergia Group for the year ended on 31 December 2018 https://www.polenergia.pl/pol/sites/default/files/reports/periodical/grupa_polenergia_s.a._sprawozdanie_zarzadu.pdf	10, 74

Indicator	GRI Standards	Area according to ISO 26000	Comment / Description	Page
102-16	Organization values, principles, codes and standards of behavior and ethics	6.2. 6.3 6.6	[Corporate governance] [Polenergia Group as an employer]	74, 80
		Materials (GRI 301)		
103-1	The nature of an important area		[Description of the Polenergia Group's business]	14
103-2	Management approach (DMA)		[Values of the Polenergia Group and partnerships for the achievement of Sustainable Development Goals] [Environmental protection – summary of activities in 2018]	42, 46
103-2	Measurement and evaluation		[Environmental protection – summary of activities in 2018] [Supplementary tables with data]	46, 96
301-1	Used raw materials/materials by weight and volume	6.5. 6.5.4.	[Supplementary tables with data]	96
		Energy (GRI 302)		
103-1	The nature of an important area		[Environmental protection – summary of activities in 2018]	46
103-2	Management approach (DMA)		[Environmental protection – summary of activities in 2018] [Supplementary tables with data]	46
103-2	Measurement and evaluation		[Supplementary tables with data]	96
302-1	Direct and indirect energy consumption by primary energy sources	6.5.4	[Supplementary tables with data]	96
		Biodiversity (GRI 304)		
103-1	The nature of an important area		[Environmental protection – summary of activities in 2018]	46
103-2	Management approach (DMA)		[Environmental protection – summary of activities in 2018]	46
103-2	Measurement and evaluation		[Environmental protection – summary of activities in 2018]	46
304-1	Location and area of owned, leased or managed lands located in protected areas or areas of high biodiversity value outside protected areas or adjacent to such areas	6.5.6	[Environmental protection – summary of activities in 2018]	46

Indicator	GRI Standards	Area according to ISO 26000	Comment / Description	Page
304-2	Description of the significant impact of activities, products and services on the biodiversity of protected areas and areas of high biodiversity value outside protected areas	6.5.6	[Environmental protection – summary of activities in 2018]	46
304-3	Protected or revitalized habitats	6.5.6	[Environmental protection – summary of activities in 2018]	46
		Emissions (GRI 305)		
103-1	The nature of an important area		[Environmental protection – summary of activities in 2018] [Supplementary tables with data]	46, 96
103-2	Management approach (DMA)		[Environmental protection – summary of activities in 2018]	46
103-2	Measurement and evaluation		[Environmental protection – summary of activities in 2018] [Supplementary tables with data]	46, 96
305-1	Total direct greenhouse gas emissions by weight (Scope 1)	6.5. 6.5.5.	[Supplementary tables with data]	96
305-5	Reduction of greenhouse gas emissions	6.5.3	[Supplementary tables with data]	96
305-7	Emission of NOx, SOx, SF6, and other relevant compounds emitted into the air by type of compound and weight	6.5. 6.5.3.	[Supplementary tables with data]	96
		Sewage and waste (GRI 306)		
103-1	The nature of an important area		[Environmental protection – summary of activities in 2018]	46
103-2	Management approach (DMA)		[Environmental protection – summary of activities in 2018]	46
103-2	Measurement and evaluation		[Environmental protection – summary of activities in 2018]	46
306-2	Total weight of waste by type of waste and method of waste treatment	6.5.	[Supplementary tables with data]	96
		Occupational health and safety (GRI 403)		
103-1	The nature of an important area		[Environmental protection – summary of activities in 2018] [Polenergia Group as an employer]	46, 80

Indicator	GRI Standards	Area according to ISO 26000	Comment / Description	Page
103-2	Management approach (DMA)		[Polenergia Group as an employer]	80
103-2	Measurement and evaluation		[Polenergia Group as an employer] [Supplementary tables with data]	80, 96
403-2	Indicator of injuries, occupational diseases, lost days and absences from work, as well as the number of work-related fatal accidents by region	6.4. 6.4.6.	[Supplementary tables with data]	96
403-3	Employment in conditions of increased risk of occupational diseases	6.4. 6.4.6.	[Supplementary tables with data]	96
	Local community (GRI 413)			
103-1	The nature of an important area		[Dialog with stakeholders] [Social engagement and local community development – Polenergia as a good neighbor]	78, 68
103-2	Management approach (DMA)		[Dialog with stakeholders] [Social engagement and local community development – Polenergia as a good neighbor]	78, 68
103-2	Measurement and evaluation		[Dialog with stakeholders] [Social engagement and local community development – Polenergia as a good neighbor]	78, 68
413-1	The nature, scale and effectiveness of programs and practices in assessing and managing the impact of the organization's activities on the local community, including the impact of entering a given market, conducting and terminating operations	6.3.9 6.5.1 6.5.2 6.5.3 6.8	[Environmental protection – summary of activities in 2018]	46
413-2	Activities with significant potential or existing negative impact on the local community	6.3.9 6.5.3 6.8	[Environmental protection – summary of activities in 2018]	46
	PROFILE INDICATORS FOR THE ENERGY INDUSTRY			
	Organization profile			
EU1	Installed power generating capacity divided into generating sources		[Supplementary tables with data]	96
EU2	Net energy generated by generating sources		[Supplementary tables with data]	96
EU3	Number of individual and commercial clients		[Supplementary tables with data]	96

Indicator	GRI Standards	Area according to ISO 26000	Comment / Description	Page
EU5	Carbon dioxide allowances		[Supplementary tables with data]	96
	Economy			
EU11	Average efficiency of power generation in CHPs		[Supplementary tables with data]	96
	Environment			
EU13	Change in biodiversity of habitats before and after the implementation of investment	6.5.6	Measures to protect the environment (biodiversity) -description of good practices [Supplementary tables with data]	46, 96
	Employees			
	Society			
EU22	Number of people physically or economically displaced, and due compensation	6.6.6 6.6.7	There are no people who are physically displaced. Economic resettlements resulting from damages in field crops that occurred at the stage of construction or during failure with the necessity of getting access. Compensation is equal to the average yield per hectare for a given type of crop.	
	Product responsibility			
EU25	Number of accidents and fatalities	6.4.6	[Supplementary tables with data]	96
EU26	Percentage of people not served in the area of company distribution	6.7.4	[Supplementary tables with data]	96
EU27	The number of disconnections caused by non-payment of bills by customers or system failure	6.7.6	[Supplementary tables with data]	96
EU28	Frequency of power outage	6.7.8	[Supplementary tables with data]	96
EU29	Average time of power outage	6.7.8	[Supplementary tables with data]	96