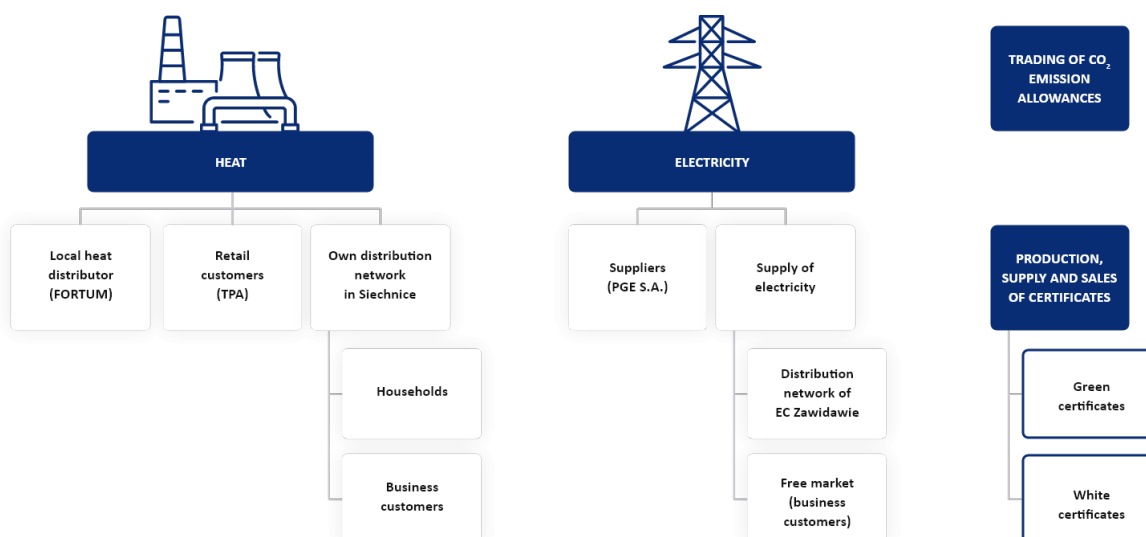


# Management area

## Business model

Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. consists of three production plants with a total electrical capacity of 366 MW and heating capacity of 1 080 MW. KOGENERACJA S.A. is a producer of network heat and electricity through cogeneration. As a producer of heat for Wrocław and its surroundings, the Company satisfies the demand for heating, domestic hot water and technological heat and generates electricity as part of the national power system. Heat and electricity are produced by way of cogeneration, which ensures highly efficient average yearly production due to the most effective utilization of chemical energy of primary fuels in the entire energy sector. Network heat and electricity are primarily produced using hard coal and biomass.

**Chart: Business model of KOGENERACJA S.A.**



EC Zielona Góra S.A. is a commercial enterprise producing heat and electricity in a combined system. The company produces electricity through cogeneration in the combined cycle gas and steam unit with an installed capacity of 198 MW. It owns a heating network and is a distributor of heat.

### ■ Production, sale and distribution of heat

Heat is the main product produced in the combined system at KOGENERACJA S.A. It is sold to local customers (Wrocław, Siechnice) in the form of hot water.

The price of heat is regulated (tariffs for heat are subject to approval by the President of the Energy Regulatory Authority (URE)). Heat is sold to Fortum Wrocław, a distributor company but also directly to retail customers. The company distributes heat through its own network in Siechnice.

EC Zielona Góra S.A. also produces heat in a combined system. It also owns a heat

network and is a heat distributor. It is the only supplier of heat to the district heating system and of hot domestic water in Zielona Góra (Elektrociepłownia Zielona Góra S.A. is the owner of this system). The share of Elektrociepłownia Zielona Góra S.A. in the heat market in Zielona Góra amounts to 46%. The heating networks are 128.04 km long (including 80.61 km of pre-insulated lines). The company operates seven local gas boiler plants that will steadily be connected to the heat network in the next few years.

## ■ Electricity generation and sales

KOGENERACJA S.A. produces electricity in combination with heat at three plants: EC Wrocław, EC Czechnica and EC Zawidawie, from where the generated heat and power are transmitted to distributors. Electricity is sold through PGE Energia Ciepła S.A and PGE S.A. trade companies.

Since August 2004, EC Zielona Góra S.A. has mainly produced electricity in the CC Gas Unit in a partial cogeneration process with the use of locally sourced gas fuel.

## ■ Generation and sale of property rights

KOGENERACJA S.A. obtains certificates of origin mainly from cogeneration with biomass combustion (green certificates).

Certificates are traded through PGE S.A. The companies are required to redeem certificates due to the sale of electricity to end users also through PGE S.A.

## ■ Trading in CO<sub>2</sub> emission allowances

The Group purchases and sells CO<sub>2</sub> emission allowances through the PGE S.A. trade company. The companies independently redeem CO<sub>2</sub> emission allowances in keeping with actual emission.

# Group structure

KOGENERACJA Group includes the Parent Company KOGENERACJA S.A. with its registered office in Wrocław and one subsidiary Elektrociepłownia Zielona Góra S.A. with its registered office in Zielona Góra. KOGENERACJA S.A. owns 98.4% of the share capital and voting power of Elektrociepłownia Zielona Góra S.A. All of the above are subject to annual audits carried out by independent certifying bodies.

# Certified management systems

Each Group company has Integrated Management Systems, which include:

- Quality Management System compliant with the PN-EN ISO 9001:2015 standard,
- Environmental Management System, compliant with the requirements of the PN-EN ISO 14001: 2015 standard,
- Health and Safety Management System compliant with PN-N-18001:2004 and OHSAS 18001:2007 standards.

## Risk management

The Group's individual Companies have a Corporate Risk Management Procedure. The procedure defines the organization of control activities ensuring proper risk management in the Group. In addition, the Credit Risk Management Policy, the Trading Market Risk Management Policy and the Internal Audit Regulations also apply to this sphere. The Management Board of each of the Companies conducts independent monitoring of the financial, legal and environmental, operational, market, public and media risks, and investment risks. Risk maps are presented at Supervisory Board meetings. By identifying the risks and analyzing the probability of their occurrence and their possible impact on the Company, key non-financial risks have been selected.

**Table. Key non-financial risks**

Risk level:

low

medium



high

Non-financial risks		Risk level	Activities
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**Operational risks**  
related to the  
implementation of current  
economic processes

**Human resources** – related to the provision of  
personnel with appropriate experience.  
Competence and ability to perform specific tasks.

**Social dialogue** – related to maintaining a  
constructive and effective dialogue with the social  
side.

**Compliance** – related to counteracting to the  
phenomena of fraud and corruption.

**Regulatory and legal  
risks** relating to the  
fulfilment of the  
requirements laid down  
when it comes to legislation

**Environmental protection** – related to  
protection environments

**Health and safety at work** – related with  
compliance with health and safety standards/rules

- The process of generational succession is properly shaped;
- Shaping friendly working and pay conditions and ensuring employees' professional development;
- Ensuring adequate levels and professional handling of dialogue with the social side;
- Creating various communication channels;
- The employer's initiative for change aimed at improving the situation of employees;
- Ensuring supervision over the implementation of information obligations;
- Maintaining information initiative in key areas;
- Adoption and implementation of Anti-abuse Policy;
- Foster an organisational culture based on a zero tolerance towards abuse;
- Ensure an adequate level of control;
- Analysing processes against fraud prevention.

- Conducting training in environmental protection;
- Systematic reviews of how obligations in environmental areas are met;
- Implementation and application of internal environmental protection standards;
- Ensuring that measurements are carried out systematically by authorized units;
- Permanent and systematic control of the working environment by supervisory services and direct superiors;
- Providing health and safety training for the Company's employees and Contractors;
- Implementation and application of internal regulations in the field of occupational health and safety;
- Ensuring that persons performing work for which such requirements have been formulated are properly authorized and qualified;
- Periodic assessment of the technical condition of equipment and installations in the field of health and safety at work;
- Conducting an occupational risk assessment;

## Key non-financial performance indicators reflecting the operations of the KOGENERACJA S.A. Group

In the process of managing operations and making decisions, the following non-financial indicators are particularly taken into account:

- Total number of accidents related to the employees' work,
- Total number of accidents related to contractors' work,
- Raw material consumption,
- Air emissions,
- Average number of training hours per year and training costs,
- Number of employees (male and female separately) by type of employment and employment contract.