

Strategy of KOGENERACJA S.A.

In 2020, KOGENERACJA S.A. continued to pursue its strategy adopted in 2015 which primary objective is to maintain high profitability as expected by its shareholders. To this end, the following strategic objectives set out in the Strategy of 2015 were implemented:

- Development of a safety culture.
- Securing the Company's long-term future.
- Enhancement of the assets competitiveness and reduction of the environmental impact of the generation process.
- Expansion of the market and growth of sales, also to end customers.
- Achievement of the planned profitability.
- Becoming a preferred partner for the city of Wrocław and the regional authorities.
- Development of the organization and its competencies in accordance with the corporate social responsibility principles.

While working on the future revisions of the Company's Strategy, the Management Board of KOGENERACJA S.A. will be guided by the provisions of **PGE Group's Strategy until 2030 with the prospects until 2050** announced in October 2020 by PGE Polska Grupa Energetyczna S.A., the Company's strategic investor. The strategy will be regularly updated in response to changes in the regulatory environment and new market opportunities identified. The Management Board of KOGENERACJA S.A. will set the revised strategic objectives bearing in mind that high-efficiency of the cogeneration-based heat production process significantly improves the effectiveness of fuel utilization, helps to protect the natural environment and is one of the key instruments in combating the growing problem of smog in many Polish cities.

Management by Objectives – MBO

KOGENERACJA S.A. implemented in 2013 Instructions for the Management by Objectives in order to enable the linking of MBO Contracts contributing to the implementation of the Strategy with the objectives set within the framework of the employee performance appraisal system implemented in the Company. The document also specifies the method of assessing the achievement of objectives and of calculating the weights assigned to individual tasks.

Early in 2020, detailed MBO Contracts were concluded between the Chief Executive Officer and each Operations Director. The objectives set in the MBO Contracts for 2020 resulted directly from the Strategy of KOGENERACJA S.A.

Health and safety at work

The priority for the Group is the complete elimination of accidents at work. Therefore, actions are taken to continuously improve the safety culture among employees and contractors working on its premises, i.a., through the implementation of the OHS Improvement Plan and the resulting organizational and technical activities.

In 2020, 5 work accidents were reported in the Parent Company: 1 work accident involving an employee and 4 work accidents involving subcontractor's employee (in 2019: 2 work accidents: 0 involving an employee and 2 involving subcontractor's employee).

In 2020, 2 work accidents in the subsidiary unit were reported: 1 work accident involving an employee and 1 work accident involving subcontractor's employee (in 2019: 0 work accidents involving an employee and 1 involving subcontractor's employee).

Employment Policy

In previous years support programs were introduced to restructure the employment, so-called Individual Departures Programs (PIO). In 2020, 12 people in KOGENERACJA S.A. benefited from the program (versus 20 people in 2019). In accordance with an agreement concluded with Trade Unions, the programs were in force until 31 December 2020.

In 2020, 32 people were employed in KOGENERACJA S.A. (33 people in 2019).

Employee health

The Company promotes an active and healthy lifestyle:

- Employees have a choice of organized activities offered by the Sports and Tourism Association in which they can participate.
- The Company offers private medical care, providing their employees with access to specialist physicians and other non-standard services (POLMED insurance package).
- In 2020, employees received refunds of the cost of corrective eyeglasses.