

Sustainable development and social responsibility

Sustainable development is a philosophy of growing a business in a way which combines achievement of a satisfactory economic profit with a deep concern for the society and the natural environment.

Nowa Elektrociepłownia Czechnica – new heat and power plant

On 17 December 2018, the Investment Committee of the PGE Group, the majority shareholder of KOGENERACJA S.A., issued a positive recommendation for the continuation of the project of building the New Czechnica CHP. The construction of a modern generation unit is consistent with the District Heat Strategy of the PGE Group which stresses the need for ensuring energy security and improving the quality of air in Polish cities.

On 26 July 2019 an advertisement was published for the following contract: “Turnkey construction of a combined cycle heat and power plant for Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. in Siechnice” – the tender procedure in a form of Competitive Dialogue. On 28 August 2020 the Competitive Dialogue ended and the participants were asked to submit their tenders. The deadline for submitting the tenders was 17 December 2020.

On 1 March 2021 the Management Board of KOGENERACJA S.A. decided to conditionally accept the tender offer of a consortium consisting of Polimex Mostostal S.A. submitted in the tender procedure named “Turnkey construction of a combined cycle heat and power plant for Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. in Siechnice” and to agree to conditional conclusion of a contract with this consortium under the condition that the Company will be granted a cogeneration individual bonus for the unit Nowa EC Czechnica based on the decision of the President of URE, pursuant to the Act of 14 December 2018 on promoting electricity from high-efficiency cogeneration and after receiving the necessary corporation agreements.

The offer of KOGENERACJA S.A. won the call for individual cogeneration bonus, which was announced on 15 March 2021.

On 1 April 2021 KOGENERACJA S.A. received acceptance from the Extraordinary General Meeting to implement the investment of a combined cycle heat and power plant in Siechnice based on contracts with consortium of companies consisting of: Polimex Mostostal – Consortium’s Leader and Polimex Energetyka – Consortium’s Partner. Therefore, the final condition was fulfilled concerning accepting by the Management Board of the Company the choice of consortium’s offer submitted in the tender

procedure for the construction of a new heat and power plant that will replace currently used power plant.

Modern unit powered by low-emission fuel, systemic gas will replace currently operating coal-powered unit that supplies heat to the southern part of Wrocław as well as recipients in Siechnice and Święta Katarzyna through a local network. Total capacity of the new combined cycle gas and steam unit together with a peak load – reserve boiler house will raise from the current 247 to 315 MWt and electrical capacity from 100 to 180 MWe. Draft time table for the construction of a new combined cycle unit plans its commissioning for the first quarter of 2024.

Influence of COVID-19 pandemic

The outburst of pandemic resulted in an unexpected economic downturn in 2020 in both global and domestic economy. It is visible in the amendments done in market projections for GDP, industrial production and investments.

KOGENERACJA S.A. and the subsidiary EC Zielona Góra S.A. identify on an ongoing basis risk factors that may impact the results of the Capital Group in connection to the COVID-19 pandemic. As at 31 December 2020 its impact on financial results remained limited. Nevertheless, the dynamics of the situation and lack of realistic projections concerning its duration make it impossible now to assess the financial influence of the pandemic on the KOGENERACJA S.A. Capital Group in future periods. The crucial factors are duration of the pandemic, its possible intensity and range as well as its influence on the economic growth in Poland. The actions introducing mechanisms that will mitigate the negative influence of the pandemic on Polish economy will also be important.

In 2020 the Group implemented a number of preventive actions aiming to limiting the possibility of spreading the virus, protecting the employees and ensuring business continuity such as:

- introducing procedures and instructions to minimize direct contact,
- introducing temperature checking for people staying on Company's premises,
- remote and rotational work,
- systems of alternative control of the units in EC Wrocław were prepared, providing backup control of the systems out of central control room,
- steps were taken to raise awareness concerning basic rules of prevention and protection from coronavirus,
- procedures were introduced to guarantee availability of the key personnel in Group's companies,
- recommendations were made to limit business trips and participation in business meetings, using instead means of communication such as phones, Internet communicators and videoconferences,
- employees were equipped with personal protective equipment (protective masks and gloves) and disinfectants and hygienic, sanitary and decontamination procedures were introduced,
- crisis team was established to continuously monitor the situation and respond

accordingly.

As a result of introducing preventive measures at an early stage of the pandemic and continuous adjusting of actions to the changing epidemiological conditions, KOGENERACJA S.A. and its subsidiary EC Zielona Góra S.A. continue to produce electricity and heat and conduct the supplies without interruptions.

Until 31 December 2020 the KOGENERACJA S.A. Capital Group bore the costs in the amount of PLN 945 thousand for purchasing personal protective equipment (masks, overalls, helmet masks), disinfectants and cleaning supplies as well as decontamination of production halls. Moreover, in the second half of 2020 the Management Board of the Parent Company, taking into consideration the necessity to guarantee continuous generation of heat and electricity as well as health and safety of its employees, decided to limit the number of employees present on the premises of EC Wrocław and EC Czechnica and to introduce remote work for single-shift employees and to change work system for shift employees. These actions influenced directly increase of labour costs by PLN 747 thousand.

In total, the KOGENERACJA S.A. Capital Group bore costs in connection to COVID-19 pandemic in the amount of PLN 1,692 thousand (including the Parent Unit: PLN 1,406 thousand, subsidiary EC Zielona Góra S.A.: PLN 286 thousand).

Activities for environmental education and promotion of district heating

KOGENERACJA S.A. executed the following projects in the area of environmental education:

- **Connecting Wrocław's historical buildings to the heating network under the KAWKA+ program** operated by the Municipality of Wrocław which seeks to eliminate low-stack emission sources and improve the quality of air in Wrocław. The program is financed from Municipality's own funds. KOGENERACJA S.A. supports the program of low-stack emissions elimination by co-funding the construction of internal district heating and hot water systems and financing the designing of the installations inside buildings owned by housing associations which have decided to connect their buildings to the heating network.
 - Contribution to the purchase of a station monitoring air quality in Siechnice municipality
 - Support during the organization of Neighborhood Picnic in Kępa Mieszczańska
 - Realization of media campaign "Get ready for winter with KOGENERACJA"
 - Realization of media campaign "Save the heat and care for environment"
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Cooperation with housing cooperatives after obtaining white certificates

KOGENERACJA S.A. continued its efforts to improve the energy efficiency of both its own assets and those of heat end users.

White certificates are the certificates of energy efficiency given for the achieved energy effect (saving the energy) as a result of implementing projects of modernization.

Certificates are granted based on applications submitted to the Energy Regulatory Office (URE). Each application undergoes individual verification and has to contain an audit of energy efficiency stating what was the energy effect of the implemented project.

COVID-19 pandemic caused some limitations in implementing renovation and modernization projects of the entities cooperating with the Company. In 2020, a collective certificate of energy efficiency realized in cooperation with several housing communities amounting to 41 toe (in 2019 amounting to 1,690 toe) was dematerialized, which means that it was registered in the register of KOGENERACJA S.A. at Towarowa Gielda Energii (Power Exchange).

The Company, in cooperation with another entity, submitted to URE a project which will save 35 toe of final power.

Social environment



PARTNERSHIP



DEVELOPMENT



RESPONSIBILITY

Social responsibility of the Company, embedded in the principles of Sustainable Growth, is expressed in the Values of PGE Group: Partnership, Development, Responsibility.

- Partnership
 - we study social moods (Employee Opinion Survey 2020)
 - we cooperate with five Trade Unions
 - we finance the Employee Retirement Plan
 - we co-finance the activities of the Senior Energy Senior Association, to which retired employees of KOGENERACJA S.A. belong.
 - we are implementing the project “Energetic Career in PGE Energia Ciepła” promoting the profession of an energy-specialist among the youth
 - we counter exclusion, through the following initiatives:
 - the program "We share heat" *
 - Energy patronage over the Youth Social Therapy Centre No 2 in Wrocław
 - support for the homeless and those coming out of homelessness in cooperation with the Knights of Malta Foundation and MisertArt
 - support for impoverished talented students under the activities of the PGE Foundation for the Development of Science named after Józef Pupka
 - cooperation with the KARAN Association as part of a program to help people who have problems with the abuse of psychoactive substance
 - support for homeless and injured animals under the care of the Ecopatrol
 - we activate employees to cooperate:
 - Club of Honorary Blood Donors "Kropelka" at KOGENERACJA S.A., which celebrated in 2020 its 48th anniversary: because of the pandemic only one action was done on the premises of the Company but the employees donated their blood individually – in total 50 l of donated blood
 - charity actions with the participation of employees for the benefit of the Your Centre of Social Therapy and proteges of KARAN association.
 - we support external entities during COVID-19 pandemic:
 - financial support for the Regional Specialist Hospital in Wrocław
 - financial support for the 4th Military Hospital with Outpatient Clinic Wrocław

- material support (masks, gloves, disinfectants) for Wrocław Care and Education Centre and the Youth Centre for Social Therapy No 2 and Ecopatrol

*The „We Share Heat” program is a nationwide project of PGE Energia Ciepła, which is addressed to the most needy customers using grid heat in cities where PGE Energia Ciepła CHP plants are located.

- Development

- we carry out an annual assessment of the quality of work, which is the basis for the Annual Training Plan,
- we support the activity of the Association of Polish Electrical Engineers
- we support the development of actions aiming to improve air quality – purchase of measuring devices checking air quality in the municipality of Siechnice
- wspieramy rozwój działań zmierzających do poprawy czystości powietrza – zakup urządzeń pomiarowych sprawdzających czystość powietrza dla Gminy Siechnice
- we take part in a national campaign of PGE “Polish – I buy it!”
- in cooperation with the National Forum of Music we provide online, educational support in the time of pandemic addressing the youngest inhabitants of the city, under the project of PGE Energia Ciepła “Listen to the energy of the City”

- Responsibility

- We plan for and ensure the security of electricity and heat supplies
- We take steps to improve the air quality in Wrocław – support of persons benefiting from KAWKA+ program (replacement of old furnaces with network heat)
- We maintain the highest Health & Safety Standards by means of:
 - Awareness-raising programs for employees, subcontractors and guests
 - On-site management visits (WMT)
 - Daily Safety News
 - Contest „Work smart”
- We implement actions aiming to minimize COVID-19 risks among employees and contractors:
 - Establishing Local Crisis Team
 - Introducing sanitary regime and principles of conducting internal OSH trainings for contractors
 - Continuous provisions of personal protective equipment for the employees
 - Information campaigns for the employees
 - Purchase of devices for touch-free hand disinfection and ozonators to decontaminate the rooms
- We promote healthy lifestyle among employees, including:
 - Package of additional medical services
 - Finance the activity of Sports and Travel Association operating at KOGENERACJA S.A.

The **Ethics Council** composed of representatives of the Company's employees has been in operation since 2004. It is a social body that operates outside the Company's formal structures. The task of the Ethics Council is to promote ethical attitudes and behavior among employees. In January 2018, the Management Board of KOGENERACJA S.A. adopted the PGE Capital Group's **Code of Ethics**. In February 2018, the **Anti-Corruption Policy** of the PGE Group was implemented and the terms of cooperation with third parties are set out in the **Code of Conduct for Business Partners**. In May 2018, the Company adopted a **General procedure of reporting** and dealing with non-conformances and of the protection of **whistle blowers**.

■ Other initiatives

As a **member of the UN Global Compact** since 2014, KOGENERACJA S.A. has undertaken to promote, adopt and apply in all areas of its activity, all applicable standards and principles in the area of human rights, labor rights, environment and anti-corruption.

■ Józef Pupka Foundation

The aim and mission of the Foundation established in 2005 named after Józef Pupka, the first President of KOGENERACJA S.A., is to help exceptionally talented university students, who are unable to develop their talents due to material situation and to educate the youth whose access to education is limited. In 2019 in the framework of realizing its statutory aim, the Board of Foundation examined 45 applications from students to grant scholarships. The scholarships were given to 38 students, who met formal criteria established by the Foundation.

■ Provided support

In 2020, the Company provided financial support to the following social and charity organizations:

1. Support Program for Socially Vulnerable Customers:
 - Wrocław Centre for Care and Education - Socially Sensitive Recipients
 - Siechnice Municipality - Institutional Socially Sensitive Recipients
 - Foundation of Polish Knights of Malta
2. Protection of health and support for medical institutions combating COVID-19
 - 4th Military Hospital with the Outpatient Clinic in Wrocław
 - Regional Specialist Hospital in Wrocław, 5 Koszarowa Street
3. Protection and promotion of health and healthy, active lifestyle:
 - Foundation for Assistance to Addicted People KARAN
 - Association of Seniors "Energetyk"
 - Sports and Tourism Association at KOGENERACJA S.A.
4. Supporting the education of young people in difficult financial situation:
 - The Józef Pupka Foundation
 - Youth Social Therapy Centre no. 2 in Wrocław
5. Activism-waking in the environment of people with disabilities:
 - Lower Silesian Foundation of Health Protection Development
 - Siepomaga Foundation
6. Others:
 - Siechnice municipality - purchase of measuring equipment that checks air quality
 - Animal Rights Association EKOSTRAŻ (ECOPATROL)
 - Association of Polish Electrical Engineers

Promoting access to energy and eco-efficiency

- The Company wants to attract new customers for its district heating network. Under our proposal addressed to both new and existing residential buildings, as well as small businesses and large enterprises, we offer supply of heat through the district heating system in Wrocław and the Municipality of Siechnice as an alternative to heat sources such as coal, oil or gas.
- Our priority is to connect to our district heating network buildings heated so far with high-emission coal-fired furnaces. Conversion to district heating contributes to reducing low-stack emissions in city centers by eliminating emissions of exhaust fumes and dust from local sources.
- In 2020 the Company continued the tasks increasing the energy efficiency of its own generation equipment by reducing energy consumption for production purposes
- The Company also takes measures to reduce losses on the transmission of heat, electricity and increase the reliability of supplies.