

Responsible Energy

Introduction to the
2011 CSR Report
PGNiG Group



Responsible Energy

Introduction to the
2011 CSR Report
PGNiG Group

Table of Contents

Mission and values	6
Letter from the President of the Management Board	8
PGNiG – Company Profile	10
PGNiG on the Stock Exchange	12
Corporate governance	16
Operations and the value chain	17
Exploration and Production	18
Wholesale/Trading	18
Storage	19
Distribution	19
Sales	20
New Business Areas	20
Sustainable development strategy	21
Key events	24

Customer satisfaction	Customer satisfaction	26
	Objective 1	
	To create an effective and user-friendly self-service platform	
	PGNiG SA customer satisfaction survey	27
	Attitudes towards market deregulation	28
	Surveys at the Group Companies	28
	E-BIZNES	29
	E-PASAŻ	29
	Eco-Invoice and E-Invoice	30
	LOGITO	30
	Introduction of barcodes	30
	Distribution System Maps	30
	Objective 2	
	To improve customer service at Customer Service Centres	
	Tariff	31
	Customer service training	31
	Training courses at Gas Distribution Companies	31
Customer service for disabled customers	32	
Training at the Carpathian Gas Trading Division	32	
Objective 3		
To educate customers and raise consumer awareness about gas and efficient use of energy		
'A warm and cosy home'	33	
'Warmer Together' Cluster	33	

Local communities	Local communities	34
	Objective 1	
	To develop positive interaction with local communities through dialogue and collaboration on joint local initiatives	
	Cooperation with local government	35
	Cultural projects	36
	Educational projects	36
	Community outreach projects	36
	Sports initiatives	36
	Objective 4	
	To share expertise and broaden cooperation with higher education institutions	37

Workplace

Workplace	38
Objective 1	
To improve HSE statistics by enhancing the system's effectiveness	
Information on accidents at work in the PGNiG Group	39
Additional employee training to increase safety at work	40
Implementation of new safety systems applied by trading partners all over the world	40
Objective 2	
To focus on the Development of Employee Competences / Learning Organisation	
Global Management Challenge	41
Performance Assessment System	41
Management and Growth	42
Educational support for the Group's future employees	42
Objective 3	
To create positive associations with the brand as a good employer	
Benefit package	42
Additional benefits	42
Melanoma screening	43
Friendly workplace	43
Leisure pursuits	43
We support our staff's involvement in social work	43
Objective 4	
To introduce uniform internal communication standards and develop a shared corporate culture	
Ethics Programme	44
Dialogue with staff members	45

Natural environment

Natural environment	46
Objective 1	
To implement, maintain and enhance environmental management systems	47
Objective 2	
To use elements of the EMS to meet HSE requirements	49
Objective 3	
To educate and raise environmental awareness	49
Objective 4	
To take into account environmental protection criteria when selecting new investment projects, solutions and technologies	50
Reduction in emission of greenhouse gas and other air pollutants	50
Water and wastewater management	52
Waste	53
Environment-friendly projects	54

Table of indicators

GRI indicators	56
----------------	----

Additional materials

Express your opinion	58
Acknowledgements	58
Glossary	59



Mission and values

Our mission is to provide reliable and safe supplies of clean and environmentally friendly energy, using competitive and innovative energy solutions.

We remain true and faithful to our tradition and to the trust of our customers, but at the same time we are open-minded and ready to face new challenges.

Acting in the best interest of our shareholders, customers and employees, we strive to be a reliable and trustworthy partner, and an organisation that delivers growth and ever-greater value in accordance with the principles of sustainable development.

Responsibility

...is the foundation of the day-to-day work of each PGNiG employee, irrespective of their job; it is also a challenge motivating us to work towards the common good.

Partnership

...is creating lasting, mutually beneficial relationships based on trust both inside the organisation – with employees and trade unions – and outside it, with customers, local communities and other market participants.

Reliability

...is a long-term, consistent effort to develop high standards of communication based on the principle of dialogue, which helps create a climate of trust among all our stakeholders.

Quality

...is striving for continuous improvement in the quality of our products and services by implementing advanced technologies, streamlining management systems, and promoting an ethical culture at PGNiG SA, with due regard for the aspirations of all our customers, employees and partners.

Letter from the President of the Management Board

Ladies and Gentlemen, Dear Shareholders,

I can say with great satisfaction that in 2011, despite the challenging macroeconomic climate, we successfully completed a number of projects that are key to our future prosperity. The Group's operating results fell on the back of negative gas trading margins reported by the Trade and Storage segment. But at the same time, we can report improved performance by the Exploration and Production segment and continued strong operating performance by the Distribution segment.

We turned PLN 1.6bn in net profit and PLN 1.7bn in operating profit. Further, sales revenue rose by 8% on the previous year, to PLN 23bn. Regrettably, due to crude prices soaring on global markets and the dollar having appreciated against the zloty, gas tariffs in Poland failed to keep up with the rising cost of gas imports, which adversely affected the performance of the Trade and Storage segment.

On the other hand, strong performance was reported by the Exploration and Production segment, with operating profit having risen by 92% year on year to PLN 1.1bn. This rate of growth in revenue is a source of pride for us, and confirmation that our strategy of investing in production and exploration is right. The major growth in the segment was driven by the rising prices of crude oil, oil production forecasts having been met, and enormous interest in the exploration for unconventional gas in Poland. The PGNiG Group successfully participates in projects run by various operators to satisfy the growing market requirements. Our strong financial performance is also a testament to the competence and professionalism of our personnel.

Although this year's results are something to be pleased about, we hope for further growth and improvement in our financial performance. PGNiG is actively involved in exploration for unconventional gas, holding 15 exploration and appraisal licences, a number that leaves several dozen of our peers in Poland far behind. We are satisfied with the positive results of the Lubocino-1 well fracturing on the Wejherowo licence. Tests carried out on the well encourage further work – horizontal drilling and more hydraulic fracturing operations. If successful, these efforts may result in the launch of commercial production of shale gas at the end of 2015. Our ambitious plans are capital-intensive: the Group intends to spend approximately PLN 1bn on gas exploration in 2012. We also aim to forge relationships with Polish and foreign partners with sights set on shale gas exploration, to help increase the budget of the strategic shale gas project. Apart from the Wejherowo licence, drilling will be performed on the Tomaszów Lubelski licence, while exploration work will cover several other licence areas.

Unfortunately, for apparent reasons, exploration work in Libya was suspended in 2011. Also, production from the Skarv field, where PGNiG Norway holds an interest, has been delayed. We hope that 2012 will be more generous as regards our presence on international markets.

As for growth-oriented projects implemented at home, I should mention the Gas Deregulation Programme (PUG). As an outcome of negotiations held with the Polish Energy Regulatory Office (URE) in autumn 2011, we prepared a draft PUG for public consultation in February 2012. It is a step towards liberalisation of the Polish gas market, with the target date set by the URE being January 1st 2013. Implementation of the PUG initiative is necessary to align national law with the EU legislation, but it also offers an opportunity to let gas prices be determined by market forces, thus increasing our ability to cover the cost of gas imports.

In 2011, we successfully continued projects designed to bring PGNiG closer to achieving its primary objective, which is to secure reliable and uninterrupted gas supplies for households and industrial customers. Attaining this objective requires both time and significant cash outlay to finance extension of the domestic gas system and increase underground gas storage capacities. Large volumes of gas injected into storage facilities after the 2010/2011 winter season, which was marked by high consumption, and the ongoing extension of underground storage capacities, allowed us to secure a record-high level of gas stocks (1.8bn m³) before the winter season, which is an enormous success. Also, an extension of the cross-border connector to the Czech Republic and the availability of the virtual reverse service on the Yamal line enable us to further diversify gas supply sources.

In this past year, PGNiG consolidated its position in the power segment – a recent addition to our business. Having purchased the assets of Vattenfall Heat Poland (VHP), we are set to become a multi-utility group offering its customers heat, gas and electricity. The acquisition process, initiated in August 2011 and completed in January 2012, will not only help PGNiG strengthen its position in the new segment, but will also diversify revenue streams in line with the adopted growth strategy which identifies power generation as one of the three major growth areas. The takeover of VHP, renamed PGNiG Termika in January 2012, will also enhance development prospects for gas-fired power generation and contribute to increased competition in the Polish power sector. The year 2011 also saw continuation of the 400MW CCGT project in Stalowa Wola. In July 2011 an agreement was signed to connect the unit at the Stalowa Wola CHP to the transmission network, and a Contract Engineer was selected. Work was also underway to secure financing and select the General Contractor for the project.

It is also worth noting that the PGNiG Group has gained a new company – PGNiG Technologie. The company was formed through successful consolidation of four entities providing construction and assembly services to the oil and gas sector.

For the projects planned for 2012–2013, significant capital resources need to be secured. To this end, PGNiG aims to extend the scope of its reliance on external financing by increasing its Polish note programme to PLN 7bn while maintaining reasonable funding costs, and launching a Eurobond programme for up to EUR 1.2bn whereunder EUR 500m-worth of notes was already placed with investors in February 2012.

Summarising this past year, we may say that amidst turbulent market conditions PGNiG stock was a safe haven for investors, yielding returns on investment in the range of 17.6% (including dividend). The Company achieved this result following the principles of corporate social responsibility. We continuously adhere to these principles, which fact was rewarded by inclusion of PGNiG in the WSE's RESPECT Index and by the title of Socially Responsible Company of the Year 2011 in the Fuels and Energy category of a poll by the Dziennik Gazeta Prawna daily. This is a guarantee that even our most complex business ventures are implemented in keeping with the principles of sustainable development and to the benefit of our shareholders, employees, local communities and the natural environment. The involvement in the Global Compact initiative confirms the PGNiG Group's commitment to the implementation of objectives and values recognised by the global business community and set by the respected UN agency.

September 30th 2012 will mark PGNiG's 30th anniversary, an occasion which offers an opportunity to look back. We believe that it was time well-spent and our operations have provided us with strong foundations for further growth.

We would like to express our gratitude to all of you who have contributed to the Company's success – our shareholders and customers, members of the Supervisory Board and all the employees of the PGNiG Group.

Thank you for your trust. Let me assure you that we will strive to further enhance our operations and maximise the Company's value for existing and future shareholders.

I hope you find the time to read our "Responsible Energy" CSR report, which this time is available only in an electronic version. Since 2011 was rich in important corporate events and developments, the report places a focus on the key activities we undertook in four areas of sustainable business. Next year, our CSR report will be enhanced to include an extensive section devoted to sustainable development activities in the area of unconventional natural gas exploration. You are already welcome to read it.

Yours faithfully,

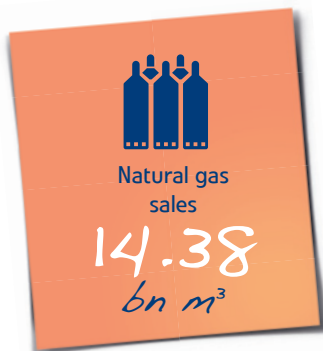
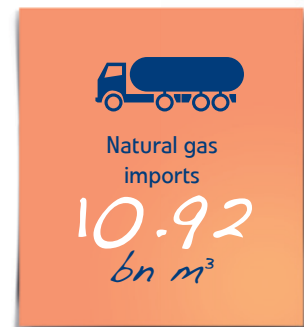
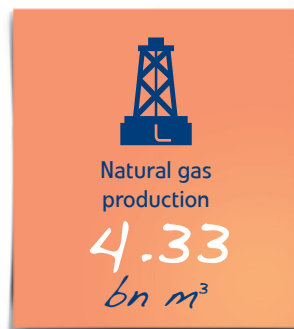
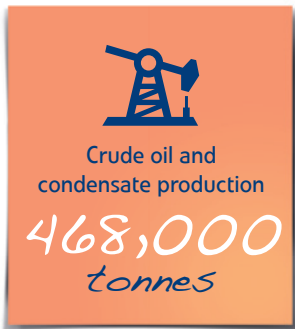


Grażyna Piotrowska-Oliwa, CEO
President of the Management Board
PGNiG SA





PGNiG – Company Profile



PGNiG's core business consists in the production and sale of natural gas and crude oil. Both domestically and abroad, we are engaged in geophysical and geological research, exploration for and production of hydrocarbons, as well as preparation of products for sale.

The Group sells natural gas produced in Poland and imported gas. To secure stable and continuous supplies of natural gas, the PGNiG Group stores gas in eight modern underground gas storage facilities. Gas is supplied to our customers through thousands of kilometres of pipelines, owned and operated by six regional Gas Distribution Companies.

PGNiG has been listed on the Warsaw Stock Exchange since September 2005. The PGNiG Group has enjoyed the growing trust and confidence of the capital market and has been assigned excellent credit ratings. Our strong position is confirmed by the fact that PGNiG shares are included in the WIG20, the blue-chip index of the Warsaw Stock Exchange. Since October 2009, the shares have also been included in the "RESPECT Index" of socially responsible companies. In April 2012, PGNiG ranked fifth on the "500 List" of the Rzeczpospolita daily, featuring the largest Polish companies in 2011.

Headcount as at the end of 2011, by segment (persons)

	2011	2010	2009
PGNiG Head Office	838	840	833
Exploration and Production	12,054	11,592	10,800
Trade and Storage	3,841	3,809	3,836
Distribution	13,865	13,881	13,851
Other Activities	2,185	2,296	2,073
Total	32,783	32,418	31,393

Structure of the PGNiG Group

As at the end of 2011, the PGNiG Group comprised PGNiG (the parent) and 36 production and service companies, including:

Exploration and Production		Trade and Storage		Distribution		Other Activities	
PNiG Jasło Sp. z o.o.	100%	INVESTGAS SA	100%	Dolnośląska Spółka Gazownictwa Sp. z o.o.	100%	Geovita Sp. z o.o.	100%
GK PNiG Kraków	100%	Operator Systemu Magazynowania Sp. z o.o.	100%	Górnośląska Spółka Gazownictwa Sp. z o.o.	100%	PGNiG Energia SA	100%
Oil Tech International – FZE	100%			Karpacka Spółka Gazownictwa Sp. z o.o.	100%	PGNiG SPV1 Sp. z o.o.	100%
Poltava Services LLC	99%			GK Mazowiecka Spółka Gazownictwa	100%	PGNiG Finance AB	100%
PNiG Nafta Sp. z o.o.	100%	PGNiG Sales&Trading GmbH	100%	Powisłe Park Sp. z o.o.	100%	PGNiG Technologie Sp. z o.o. ¹	100%
Geofizyka Kraków Sp. z o.o.	100%			Pomorska Spółka Gazownictwa Sp. z o.o.	100%	BSiPG Gazoprojekt SA	75%
Geofizyka Toruń Sp. z o.o.	100%			Wielkopolska Spółka Gazownictwa Sp. z o.o.	100%		
PN Diament Sp. z o.o.	100%						
ZRG Krosno Sp. z o.o.	100%						
PGNiG Norway AS	100%						
POGC Libya B.V.	100%						

¹ On December 22nd 2011, ZRUG Sp. z o.o. of Podgórska Wola, ZUN Naftomet Sp. z o.o., BN Naftomontaż Sp. z o.o. and BUG Gazobudowa Sp. z o.o. were merged with PGNiG Technologie Sp. z o.o.

Material changes in PGNiG Group structure in January 2012

In January 2012, PGNiG SPV 1 Sp. z o.o. executed a final share purchase agreement with Vattenfall AB, whereby PGNiG SPV 1 Sp. z o.o. acquired 24,591,544 shares in Vattenfall Heat Poland SA; the interest accounts for 99.8% of the company's share capital and confers the right to 99.8% of the total vote at the General Meeting of Vattenfall Heat Poland SA. Vattenfall Heat Poland SA was renamed PGNiG Termika SA.

PGNiG on the Stock Exchange

2011 was a year marked by difficult macroeconomic conditions. Many Polish and global stock-exchange indices suffered a decline. Therefore, we are all the more satisfied with the performance of the PGNiG share prices, which advanced by more than 14%.

Our Position on the Warsaw Stock Exchange

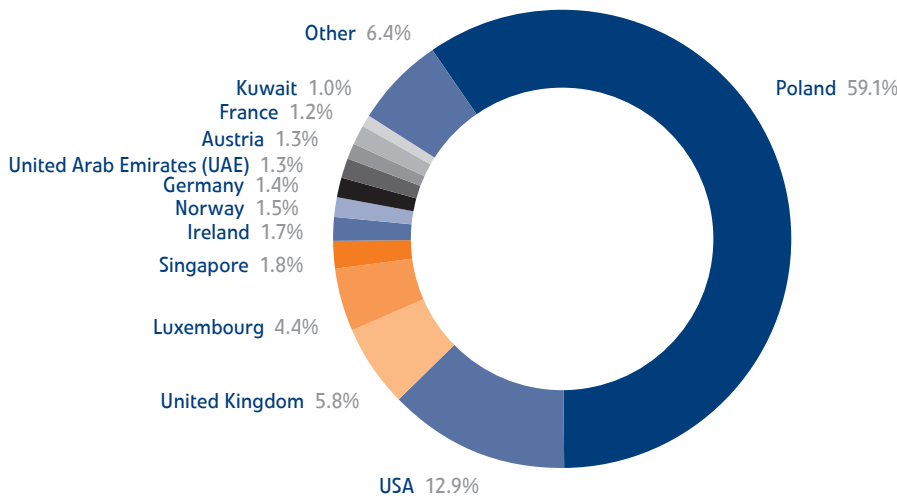
Since PGNiG shares were first listed on the Warsaw Stock Exchange on September 23rd 2005, they have been among the most recognisable and credible listed securities. PGNiG shares have been included in the WIG20 index since December 15th 2005, and our stock is also included in the MSCI Emerging Markets Index, a global index of emerging market companies created by Morgan Stanley Capital International.

PGNiG was, for the fourth consecutive time, listed in the elite group of companies included in the RESPECT Index of socially responsible and sustainable businesses, the first such index in Central and Eastern Europe. Our stock is also a part of the WIG-Paliwa index of fuel sector companies, and of the WIG-div index of listed companies paying dividends on a regular basis.

Shareholder Structure in 2010–2011

Shareholder	Number of shares/votes attached to the shares as at Dec 31 2011	Percentage of share capital/total vote at the GM as at Dec 31 2011	Number of shares/votes attached to the shares as at Dec 31 2010	Percentage of share capital/total vote at the GM as at Dec 31 2010
State Treasury	4,272,063,451	72.41%	4,273,650,532	72.43%
Other shareholders	1,627,936,549	27.59%	1,626,349,468	27.56%
Total	5,900,000,000	100.00%	5,900,000,000	100.00%

PGNiG shares held by institutional investors by country of origin, as at July 20th 2011 (17.6% of all shares)



Shareholder Structure

As at December 31st 2011, PGNiG's share capital amounted to PLN 5,900,000,000 and was divided into 5,900,000,000 shares with a par value of PLN 1 per share. The shares of all series, that is Series A, A1 and B, were ordinary bearer shares and each of them conferred the right to one vote at the General Meeting. The Company's Articles of Association do not provide for any restrictions on the exercise of voting rights attached to Company shares.

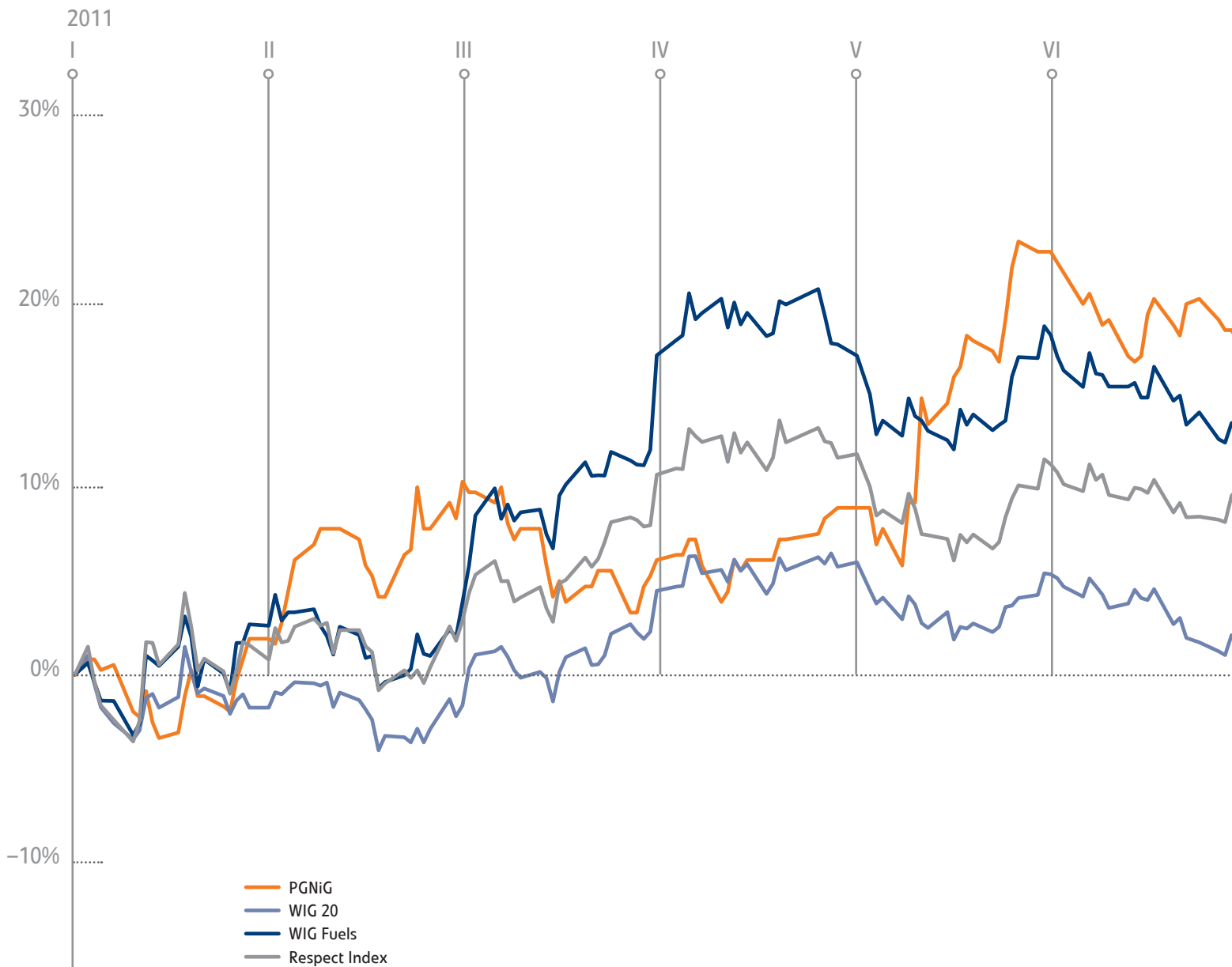
Investor Relations

As a company listed on the WSE, PGNiG is required to fairly and reliably report on its operations and important corporate events in the PGNiG Group by preparing and releasing regular reports which are made available on equal terms to each of the Company's existing and prospective shareholders. Besides interim reports published on a quarterly basis, these also include current reports covering all aspects of the Company's activities which could have a material bearing on the share price. The number of such reports increased nearly twofold, from 98 in 2010 to 185 in 2011. Since 2010, the Company has also been publishing corporate governance reports.

The Investor Relations function is, however, not limited to obligatory activities expressly required by law. It also encompasses various other activities being undertaken by the Company to meet the high expectations of all market participants, which as a consequence, builds the Company's reputation and the trust of investors, thereby reducing our funding costs over the long term. These include participation in road shows and investor conferences in Poland and abroad – in 2011, we participated in meetings held in the United Kingdom, Denmark and Austria, and took part in such conferences as 'Chemist's Day – BZWBK' and 'ING Annual EMEA Forum' in Warsaw. A new event was the road show promoting the new PGNiG Eurobond Programme, as part of which our representatives held meetings with investors in Paris, London, Amsterdam, Frankfurt, Munich and Vienna.

Investor Relations also involve frequent meetings with portfolio managers in Warsaw and on-going communication with equity analysts covering PGNiG shares. Time-constrained investors expect a clear and concise approximation of the complex factors having a bearing on PGNiG's valuation. In 2011, the most popular topics of discussion among investors included shale gas plans, acquisition of energy assets, and new hydrocarbon production projects, such as the Skarv fields or LMG.

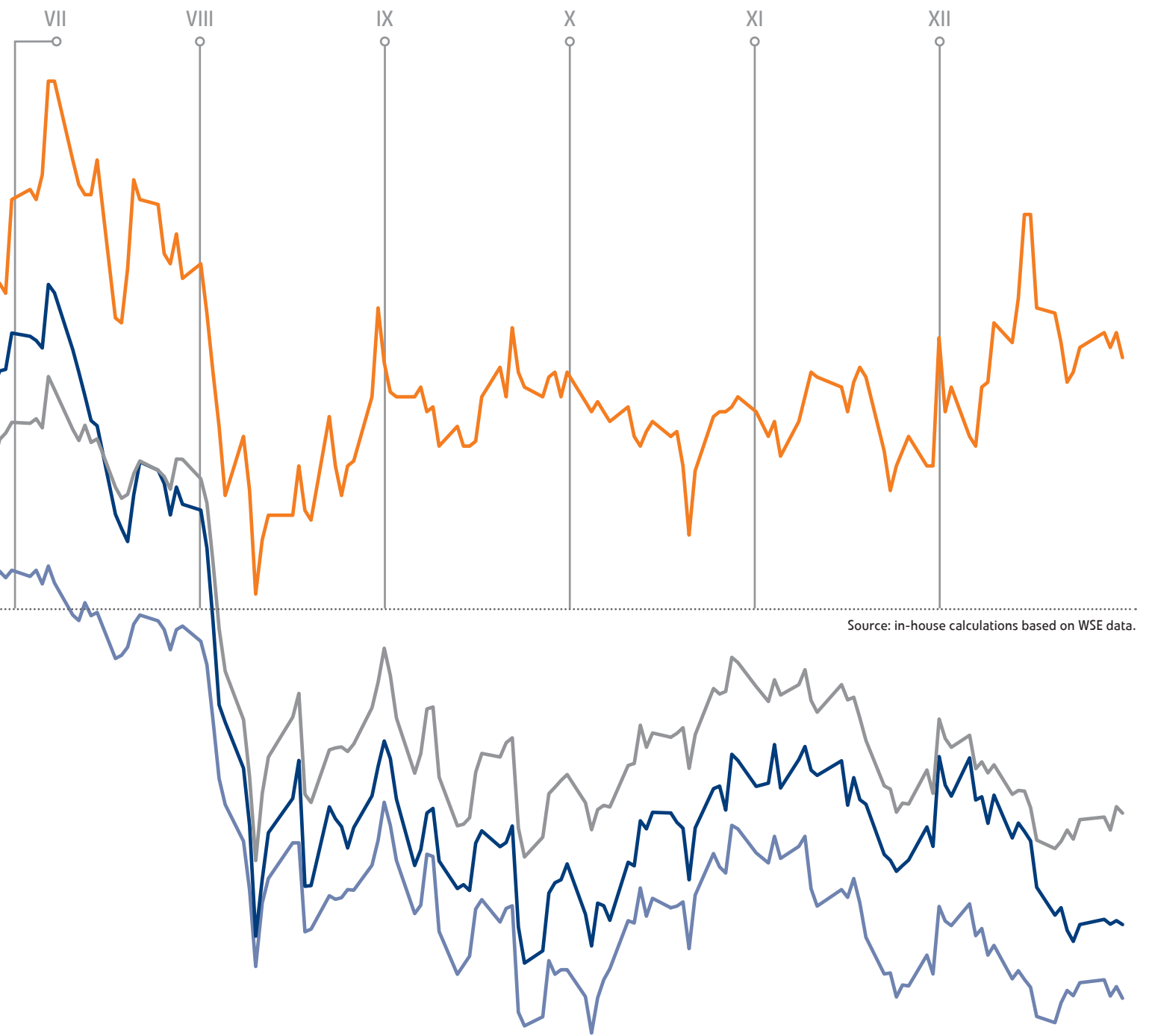
Our website features a dedicated Investor Relations section, where every capital market participant may find the most important updates on the Company, market forecasts of the Group's performance and the most recent stock recommendations, sourced from research reports by brokerage houses covering PGNiG.



Price Performance of PGNiG Stock

Throughout the year, PGNiG shares traded within the PLN 3.45 – 4.64 band. The strongest increases in share price were driven by the Q1 results, which outperformed the analysts' consensus estimations, and also followed the approval of the gaseous fuel tariff increase in June 2011. These were shortly followed by a sharp decline of the share price, caused by the macroeconomic environment and the downturn seen on the global markets in July and August.

Under such difficult conditions, further exacerbated by crude price increases and the weakening of the Polish zloty against the US dollar, the rate of return on PGNiG shares turned out to be one of the highest among WIG20 companies. In 2011, the rate of return on PGNiG shares was 14.3%, and including dividend income (PLN 0.12 per share) of 17.6%. The WIG index fell by nearly 21% in the same period. The rate of return on the investment in PGNiG shares for investors who bought the shares at the issue price in 2005 had reached 36.9% by the end of 2011.



Source: in-house calculations based on WSE data.



Corporate governance

General Meeting

The General Meeting is PGNiG's supreme governing body, through which the shareholders exercise their corporate rights, including examination and approval of the Directors' Report, and adoption of decisions concerning dividend amounts, as well as forms and dates of dividend payments. The General Meeting grants its vote of approval for the other governing bodies of PGNiG, appoints members of the Supervisory Board and makes decisions concerning the Group's assets.

Supervisory Board

The Supervisory Board exercises continuous supervision over the Company's activities in all areas of its operations, pursuant to the rules stipulated in the Rules of Procedure for the Supervisory Board. The Supervisory Board is appointed by the General Meeting for a joint three-year term and is composed of five to nine members, including one independent member. The State Treasury is entitled to appoint and remove one member of the Supervisory Board, as long as it remains a shareholder of PGNiG. On a Supervisory Board composed of up to six members, two of them – and where the Supervisory Board is composed of seven to nine members, three of them – are elected by PGNiG employees.

A great deal of attention is paid in the PGNiG Group to the observance of corporate governance principles. The Group is honest and fair with its shareholders, treats them all on equal terms and makes every effort to establish the best possible relations between investors and the Group's governing bodies.

Management Board

The Management Board is an executive body managing the affairs of PGNiG and representing it in all actions before court and out of court. The Management Board is composed of two to seven members, with the precise number defined by the Supervisory Board. The members of the Management Board are appointed for a joint three-year term. The powers of the Management Board include all matters related to the management of PGNiG's affairs, where such matters are not explicitly reserved for other governing bodies by the applicable laws or provisions of the Articles of Association. The Management Board operates in accordance with applicable laws and regulations, particularly those defined in the provisions of the Commercial Companies Code, as well as the provisions of the Company's Articles of Association and the Rules of Procedure for the Management Board.

In 2009, the PGNiG Group introduced Management by Objectives (MBO), a system whereby it is possible to compensate employees based on their performance, rather than their working time. MBO was initially implemented for management boards of subsidiaries, heads of branches and heads of departments at PGNiG Head Office. After one year, the managerial staff were obliged to report on the progress of their assigned objectives. If they had been attained, the managers were awarded a bonus. This system provides great support for the PGNiG Management Board in the pursuit of Group strategy, by linking the objectives set before individual organisational units with the broader framework of strategic objectives. These also include elements from the Sustainable Development and Responsible Business Strategy.

Audit Committee

The Audit Committee has acted within the Supervisory Board as its standing body since November 27th 2008. The Audit Committee is composed of at least three members of the Supervisory Board, including at least one member independent of PGNiG or any entity significantly related to PGNiG, and is appointed by the General Meeting pursuant to PGNiG's Articles of Association. Such a person must be competent in accounting and finance matters. The members of the Audit Committee are appointed by the Supervisory Board.

Good Practices

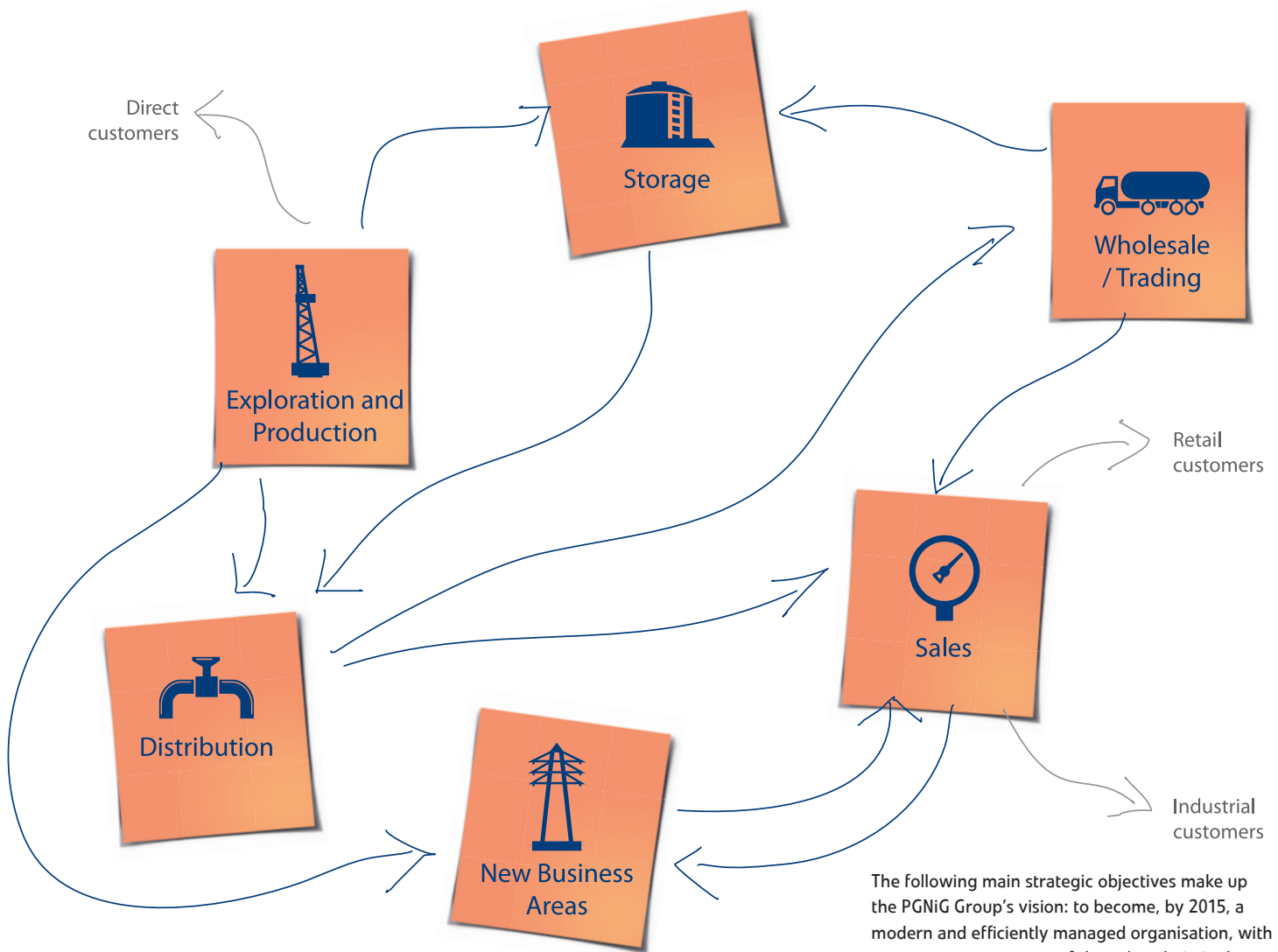
The PGNiG Management Board puts enormous emphasis on compliance with corporate governance principles. Since its stock-exchange debut in 2005, the Company has been following the recommendations of the Warsaw Stock Exchange as stipulated in the Best Practices for WSE Listed Companies. Reports on PGNiG's compliance with the requirements of corporate governance are published online at www.pgnig.pl in the Corporate Governance section.

Culture of Dialogue

PGNiG communicates well with the market. The Company fulfils its disclosure obligations towards shareholders and other stakeholders by publishing reports on its activities and financial statements, as well as by holding press conferences where its major undertakings and strategic objectives are communicated to the public. The rules of procedure for the General Meeting, the Supervisory Board, the Management Board and the Audit Committee are available online at www.pgnig.pl in the Corporate Governance section.

Operations and the value chain

The overarching strategic objective pursued by PGNiG is securing growth of shareholder value. In its pursuit of this strategy, in June 2011 the Company adopted 18 strategic objectives under the "Update of Strategy for the PGNiG Group until 2015", to be pursued within six areas. The strategy will be implemented in consideration of the need to ensure the long-term security of uninterrupted supplies of natural gas to the Polish market.



PGNiG is a company with a long-lasting tradition, enjoying its established position of leader on the Polish gas market. Over the years of its development, the Company has gathered valuable assets and now controls a number of segments of the energy market (natural gas production, storage, sale and distribution), which provide a robust foundation for PGNiG's further growth and steady value increase.

The overarching strategic objective pursued by PGNiG is securing growth of shareholder value. In its pursuit of this strategy, in June 2011 the Company adopted 18 strategic objectives under the "Update of Strategy for the PGNiG Group until 2015", to be pursued within six areas:

- Exploration and production,
- Wholesale/trading,
- Storage,
- Distribution,
- Sales,
- New business areas.

The following main strategic objectives make up the PGNiG Group's vision: to become, by 2015, a modern and efficiently managed organisation, with a presence across most of the value chain in the gas sector and holding assets in the fuel and power sectors. Attainment of these strategic objectives will particularly rely on activities in three areas, including:

- Hydrocarbon exploration and production domestically and abroad, to ensure access to new oil and gas reserves;
- The power sector, focusing on the development of gas-fired power generation in Poland;
- Management of the Company's natural gas portfolio and activities on the European gas trading market.



Exploration and Production

Access to own reserves is the key to success. For this reason, PGNiG is developing its exploration and production business in Poland and abroad. The updated strategy has set the following strategic objectives:

- To develop the ERP business in Poland;
- To develop the international ERP business, focusing on key regions;
- To enhance competences and optimise activities in the exploration and production business.

Actions taken to pursue these objectives include:

- Increasing the domestic annual production of natural gas and crude oil to approximately 4.5bn m³ and 1.0m tonnes respectively;
- Maintaining the leading position among licence holders for unconventional gas exploration in Poland;
- Maintaining a reserve-replacement ratio of at least 1.1.

Our achievements to-date

The majority of domestic ERP tasks performed in 2011 focused on the exploration for and development of new fields.

As part of the exploration work and surveys conducted in 2011, the PGNiG Group drilled almost 53 kilometres of wells, acquired 1,500 kilometres of 2D seismic data and over 800 km² of 3D seismic surveys in its licence areas in Poland and abroad.

The PGNiG Group seeks to become the leader in exploration for unconventional hydrocarbon resources in Poland, including shale gas and tight gas. Tests conducted in 2011 (in new exploration areas where there had so far been little appraisal) have confirmed the presence of gas in the Piaski-3 well (tight gas) in Western Pomerania, and Lubocino-1 (shale gas) in Eastern Pomerania. Furthermore, drillings of deep boreholes were carried out in the Carpathian Mountains and Carpathian Foothills: the Kramarzówka-1 borehole was completed, and drilling of the Dukla-1 borehole started.

Key oil and gas field development projects executed in 2011 included: the LMG project (Lubiatów-Międzychód-Grotów), in which the Company invested nearly PLN 436m in 2011, and the Grodzisk project completed in 2011, involving the development of fields and hook-up of wells, upgrade of the Paproć-Cicha Góra gas production facility and construction of a denitrating plant in Grodzisk Wielkopolski (total expenditure incurred on the project was PLN 458m).

The development of the Skarv field on the Norwegian Continental Shelf is currently the largest and most advanced project among the Company's international exploration and production ventures. Production from the Skarv field will be launched in 2012.



Wholesale/Trading

In order to accommodate domestic demand for natural gas, the PGNiG Group produces gas from its own reserves and purchases gas from abroad. The Group's own production covers around 30% of total demand, with the balance covered by imports, mainly from countries east of Poland (with OOO Gazprom Export being the largest supplier). The updated strategy sets the following strategic objectives:

- To maximise the use of existing infrastructure and to secure sufficient capacities;
- To increase the flexibility of natural gas supplies;
- To develop domestic/international multi-commodity trading and international sales.

Actions taken in an effort to ensure uninterrupted and secure supplies of natural gas include:

- Using spare capacities of the LNG terminal, reserving capacities at the Lasów and Cieszyn interconnectors and capacities available in the virtual reverse flow on the Yamal pipeline;
- Renegotiating long-term contracts, increasing their flexibility and changing the purchase portfolio structure by increasing the share of volume purchased under short-term contracts;
- In the future, launching international trading in gas and crude oil to support the processes of diversifying gas supply sources and risk management, while securing competitive selling prices. Our ability to participate in the European market will be particularly important if a gas surplus occurs in Poland.

Our achievements to-date

With a view to securing an appropriate structure of import contracts, in 2011 PGNiG executed several new gas supply contracts.

In May 2011, PGNiG and Vitol SA concluded an Individual Agreement for natural gas supplies to a cross-border terminal on the Polish-Czech border in the Cieszyn area. Under the agreement, approximately 550m m³ of gas per year will be delivered in the period from October 1st 2011 to October 1st 2014. The gas is to be supplied via a newly built interconnector between the gas systems of Poland and the Czech Republic.

In May 2011, PGNiG and VNG-Verbundnetz Gas AG executed an Individual Agreement for summer gas supplies to the Lasów cross-border terminal. Under the agreement, gas was supplied in the period from May 17th to July 3rd 2011.

In June 2011, PGNiG and VNG-Verbundnetz Gas AG executed an Individual Agreement for summer gas supplies to the Lasów cross-border terminal. Under the agreement, gas was supplied in the period from July 3rd to September 30th 2011.

Also in 2011, PGNiG reserved transmission capacity in the German transmission system in order to transport the gas purchased on the VTP Gaspool platform. The transmission capacities were reserved for the period October 1st 2011–September 30th 2016 (Lasów cross-border terminal), and for the period October 1st 2011–October 1st 2014 (Gubin cross-border terminal). In September 2011, PGNiG executed three short-term EFET standard contracts (European Federation of Energy Traders) on the VTP Gaspool platform for delivery of small amounts of natural gas.

In order to transport the volumes of gas purchased on the German market (at the VTP Gaspool platform), PGNiG and OGP GAZ-SYSTEM SA executed a short-term agreement for the provision of virtual reverse flow services on the Yamal gas pipeline in the period from November 1st 2011 to January 1st 2012. The gas was delivered on the basis of a series of separate transactions executed by PGNiG Sales & Trading GmbH.

PGNiG Sales & Trading GmbH of Munich was established to engage in international trading in natural gas and crude oil. Through this new company, PGNiG intends to launch gas trading on the European market starting in 2012, offering its own gas produced from the Skarv field in Norway.



Storage

The storage business plays a key role in stabilising the volatile demand for natural gas and ensuring secure gas supplies to our customers. Given the development of the market and the need to harmonise storage capacities with legal requirements, PGNiG is involved in projects designed to expand existing, and construct new underground gas storage facilities.

By 2015, the planned expansion projects are expected to increase our storage capacities to approximately 3bn m³.

The updated strategy sets the following strategic objectives relating to the storage capacity expansion:

- To ensure sufficient storage capacity;
- To spin off the Storage System Operator business into a new entity;
- To maintain possibly high margins on the storage business following the launch of new underground gas storage facilities.

Actions taken to pursue these objectives include:

- Increasing storage capacities by ca. 1.4bn m³, to a total of ca. 3.0bn m³ (projects partially financed with dedicated EU funds);
- Reestablishing an internal structure for the spin-off Storage System Operator and executing service agreements;
- Maintaining the pre-tax WACC at 8–10% and maximising sales of storage services.

Our achievements to-date

Since 2009, PGNiG has held the status of Storage System Operator. In March 2011, PGNiG applied to the President of the Energy Regulatory Office for designation of Operator Systemu Magazynowania Sp. z o.o. as the Storage System Operator for gaseous fuels, and the granting of a licence for storage of gaseous fuels in storage facilities. These steps were taken with a view to meeting the obligations under Regulation (EC) No. 715/2009 of the European Parliament and of the Council of July 13th 2009 on conditions for access to the natural gas transmission networks, and repealing Regulation (EC) No. 1775/2005.

In December 2011, the new gaseous fuel storage tariff, No. 1/2011, came into force. The tariff was determined on the basis of, among other things, Regulation (EC) No. 715/2009 of the European Parliament and of the Council of July 13th 2009 on conditions for access to the natural gas transmission networks ("Regulation 715/2009"), issued as part of the 3rd energy package. The new tariff specifies charge rates applicable to storage services: (1) in the form of packages, flexible packages or individual services; (2) provided on a continuous or intermittent basis, (3) provided as long-term, short-term or daily services.

In 2011, 730m³ of additional storage capacity were made available under long-term gaseous fuel storage services provided on an intermittent basis at the Strachocina, Swarzędów, Brzeźnica, Wierzchowice and Husów facilities, and 21.5m³ under short-term gaseous fuel storage services provided on an intermittent basis at the Mogilno cavern.

In 2011, ca. 75% of the total funds allocated to the construction and expansion of high-methane gas storage facilities was spent to extend the Wierzchowice facility, the largest natural gas storage facility in Poland. Also in 2011, PGNiG completed construction and assembly work on the extension of the Strachocina facility and commenced tests and analyses to determine its operating parameters and other characteristics. We also continued construction of a new high-methane gas storage facility in the Kosakowo cavern, and extension of the Mogilno cavern.



Distribution

Distribution plays an important role in the building of PGNiG Group value. The updated strategy provides for the following strategic objectives relating to the distribution business:

- To improve the profitability of the distribution business;
- To optimise costs and functions;
- To optimise development of the distribution network.

Actions taken to pursue these objectives include:

- Increasing the regulatory value of assets approved by the Energy Regulatory Office and closing the cost gap in the tariff;
- Implementing the strategic procurement functions in the distribution companies, establishing a shared services centre for the distribution companies and optimising/improving network efficiency;
- Establishing uniform rules for the distribution network's development (including ten-year investment plans), streamlining the legally permitted platform for communicating demand from customers and the sales business, and launching a pilot programme to assess the feasibility of implementing an intelligent meter reading system.

Our achievements to-date

In 2011, the Gas Distribution Companies worked on extending and upgrading the gas network, and connecting new customers to both existing and newly built sections of the network. The Gas Distribution Companies also replaced the most failure-prone sections of cast-iron piping and modernised the longest operating sections of the piping whose continued operation posed a safety hazard and caused substantial gas losses.



Sales

PGNiG's trading business is all about satisfying the domestic demand for gaseous fuel through the sale and purchase of natural gas. Natural gas is sold to both retail and industrial customers. Given the dynamic changes in the legal and business environments, we are taking a number of steps in the gas trading area to maintain its leading position on the liberalised Polish market.

The updated strategy provides for the following strategic objectives relating to the gas selling business:

- To maintain the leading position on the Polish market;
- To improve operating efficiency.

Actions taken to pursue these objectives include:

- Developing a new product mix, improving customer service, winning new customers both within and outside of the transmission network's geographical coverage, entering the electricity market by approaching small and medium-sized enterprises as well as business customers with a dual-fuel offer (the "gas plus electricity" package);
- Developing and implementing actions conducive to natural gas market deregulation, preparing PGNiG for the entry of new competitors onto the Polish market.

Our achievements to-date

In 2011, PGNiG sold 14.3bn m³ of natural gas, with 95% of that amount represented by sales from the transmission and distribution systems, and the balance by direct gas sales from the fields.

The PGNiG Group also took steps to extend its product range by increasing the output of LNG. This is particularly important on the Polish market, where trade, transmission and distribution of gas are all regulated businesses. In 2011, the Gas Trading Divisions executed projects supporting development of heat sales, modernisation of boiler rooms and buildings, and projects designed to satisfy the needs of 23 gas sales units.



New Business Areas

As new growth opportunities for PGNiG emerge, we take commensurate steps to expand the scope and scale of operations.

Accordingly, the updated strategy provides for the following strategic objectives for new business areas:

- To develop the power segment;
- To reorganise the PGNiG Group;
- To enhance the efficiency of a project-oriented organisation.

Actions taken to pursue these objectives include:

- Developing gas-fired projects in cooperation with Polish and foreign partners;
- Preparing and implementing a concept for reorganisation of certain PGNiG Group companies, including optimising propitious Group companies;
- Preparing an incentive scheme for members of project teams, improving the management of large investment and M&A projects and enhancing research competences.

Our achievements to-date

In November 2009, a new company, PGNiG Energia SA, was established to execute projects focusing on the transformation of the Group into a modern multi-utility. PGNiG Energia's projects will include construction of power-generation units, investment in natural gas-powered cogeneration plants and pilot bio-gas projects. The most important venture currently pursued by PGNiG Energia is the construction of a CCGT plant in Stalowa Wola. The project was initiated with a letter of intent between Tauron Polska Energia and PGNiG on November 20th 2008. A subsequent execution agreement was signed on May 7th 2010, while the agreement on the operation of Elektrociepłownia Stalowa Wola, agreement for the sale of electricity and agreement for supply of fuel gas were executed on March 11th 2011. In the fourth quarter of 2011, the last phase of the procedure for selecting the General Contractor for a combined cycle gas turbine at EC Stalowa Wola SA was commenced.

In August 2011, PGNiG (through a subsidiary) and Vattenfall AB signed a preliminary share purchase agreement for the purchase of 99.8% shares in Vattenfall Heat Poland SA (VHP). In January 2012, the transaction was finalised and the acquired company was renamed PGNiG Termika SA.

The acquisition of the VHP assets, with a total installed capacity of 980 MWe, and the project in Stalowa Wola (50% of 400 MWe), executed jointly with the Tauron Group, will allow PGNiG to almost entirely achieve its objectives. The access to the Warsaw heat and electricity market, obtained following the acquisition of VHP, offers an opportunity to implement new projects involving gradual replacement of old coal-fired generating units with gas-fired assets.

Our approach to sustainable development

The Group's stakeholders

Owing to its size and reach, the Group has a wide array of stakeholders. The nature of the business of our branches and subsidiaries, as well as their position within the value chain, determines the composition of their respective stakeholder groups. At different stages of the value chain, our impact on and relations with stakeholders varies, as do our specific commitments towards them. The PGNiG Group strives to conduct its business responsibly, with due regard for the role of social dialogue. Throughout the business decision-making process, the Group looks for solutions that would benefit all of its stakeholder groups, taking into account both the economic and social aspects. This approach is driven by the awareness that sustainable development is only possible if there is mutual understanding between the Group and its stakeholders, and if we recognise and try to understand one another's needs and expectations.

The stakeholder groups presented below were selected on the basis of the experience of the Group's companies and branches. As shown in the table below, some organisational units work with selected groups of stakeholders. Taking their needs into account and communicating with them is also part of the risk management process.

For example, stakeholder relations within the exploration area are based on a long chain of mutual relations, although the key stakeholder group in that area is the operators to which the Group companies offer their services. In the PGNiG Group, the operators are both the owner and its upstream companies (POGC Libya, PGNiG Norway AS).

The mutual relations consist in the provision of seismic, geophysical and drilling services to domestic and foreign operators. In order to meet the conditions for working with an operator, Group companies have to interact with the public bodies issuing permits for field work and monitoring investment projects for their compliance with environmental criteria and other requirements; they must offer equipment that will enable failure-free execution of work in compliance with the environmental regulations, and create a safe working environment in accordance with QHSE (Quality, Health, Safety, Environment) standards.

Stakeholders	Method of dialogue
Employees – current and retired	Public consultations, Employee Council, the system of communicators (employees responsible for the internal communication process), daily electronic newsletter, internal corporate portal, staff surveys, web chats with representatives of the Management Board, occasional events, trips for retired employees
Customers	
Operators as customers (E)	Satisfaction surveys, helpline, website, Customer Service Offices, dedicated business consultants
Transmission System Operator (S)	
Customers for distribution services (D)	Public consultations, activities of the PGNiG Foundation and donation fund, direct interaction with local authorities and organisations
Local communities	Dedicated business consultants, direct meetings, conferences, trade declarations, involvement in worldwide humanitarian relief efforts – in Poland, through the PGNiG Foundation and donation fund
Business partners	
NGOs	
Social organisations	Evaluation of partnership, support for local development
Suppliers	
Suppliers of services and equipment (P)	Support for vocational education at all levels, conferences, the PGNiG Foundation's scholarship scheme, technical support for investment projects
Research institutes, universities and other schools	
Consultancies and research institutes (P, S)	Consultations, joint initiatives such as conferences and workshops
State administration and market regulator	
European Commission (S)	Meetings with asset managers, participation in roadshows and foreign conferences for investors, dedicated newsletter, current and periodic reports
Shareholders and investors	
Media	Press articles, interviews, thematic inserts

Legend:

E – exploration, P – production, S – storage, D – distribution

Another example of stakeholder cooperation is the complex network of interconnections within the gas production segment. The PGNiG Sanok and Zielona Góra Branches produce crude oil and natural gas. These activities involve significant environmental impact, as well as involvement with local communities. Therefore, it is crucial to the immediate and broader environment of oil and gas production facilities that they operate in an environmentally friendly manner. Modern facilities are often located in the middle of forested areas, equipped with state-of-the-art process monitoring systems, and built with the use of cutting-edge technologies.

In this area, customers and suppliers of equipment also play an important role. Their expectations and requirements concerning product quality, flexibility, the timeliness of supplies, as well as maintenance of high working standards, are a key priority for the Branches. Involvement with local communities entails frequent public consultations, and also participation in various sports and cultural events taking place in a given region.

Sustainable Development and Responsible Business Strategy

The Group's Sustainable Development and Responsible Business Strategy was formally approved by the Management Board of PGNiG in July 2009. Contributors to the strategy included employees from all operational areas of the PGNiG Head Office, as well as from branches and subsidiaries of the PGNiG Group. The Group's Sustainable Development and Responsible Business Strategy is complementary to the Group's business strategy. The main objective we have embarked on by formulating our sustainable development mission is to be an active player on the Polish energy market, acting responsibly and takes into consideration the needs and expectations of its various stakeholder groups and the natural environment.

The Group's CSR strategy addresses a range of challenges posed by our environment, and the actions we plan result both from the needs of our stakeholders and from best practices in place at the Group, in particular in the area of environmental protection and social involvement.

Sustainable development and responsible business covers all links in the PGNiG Group's value chain and applies to all four areas of sustainable development, resting on six strategic pillars:

An integral part of the Strategy is the implementation plan, which defines the operational goals corresponding to each strategic objective. Apart from defining the operational goals and steps to achieve them, the plan also specifies success measures and implementation schedules, which enable the Group to consistently gauge implementation progress, as well as monitor the business owners of individual goals. An additional part of the plan is a list of the internal and external stakeholders relevant to the respective operational goals. The identification of stakeholder groups is meant to better accommodate their needs in the implementation process.



Enhancement of satisfaction of existing customers and acquisition of new customers through improved customer care;



Efficient and partnership-based cooperation and dialogue with social and business partners;



Conduct of business in a responsible way while caring for the natural environment;



Creation of safe and friendly workplaces;



Consistent, credible and efficient communication and marketing;



Seeking out new business expansion opportunities in line with the principle of sustainable development.

Strategy management

Soon after the formal adoption of the Strategy, a dedicated structure was established to coordinate the processes related to its implementation at the Group. Within its framework, Members of the Management Board, along with the President, act as Project Sponsors. Another tier is the Steering Committee, composed of the business owners of strategic objectives. The Management Board's Proxy for the Strategy is responsible for coordinating and monitoring the Sustainable Development and Responsible Business Strategy implementation at PGNiG subsidiaries and branches, and for internal and external communication of actions on the sustainable development and responsible business agenda. The same role at the level of the Group's branches and subsidiaries is performed by regional CSR Facilitators. These are a few dozen persons for whom sustainable development is one of their primary job responsibilities. The Proxy is also responsible for monitoring the progress of the implementation of the strategic and operational goals, and for reporting actions scheduled for a given period to the Management Board. The Proxy also collects data from across the Group and prepares a CSR Report together with the regional Facilitators.

It is worth noting that since 2010 the strategic objectives have been among the criteria used to evaluate senior management staff, following their inclusion in annual MBO targets. In this way the strategic objectives are reflected in the goals set for individual employees and teams. All the above testifies to the strategic involvement and determination of the Group as it implements its Strategy.

In 2010, Group companies started to conduct their businesses pursuing their own Sustainable Development and Responsible Business Strategies. They regularly send strategy implementation reports indicating the number of tasks completed in particular pillars, including those executed according to schedule, and those delayed.

Information about this Report

"Responsible Energy 2011" is the fourth CSR report prepared by the PGNiG Group. This Report follows Global Reporting Initiative guidelines and IPECA indicators. Furthermore, it is based on the guidelines and indicators described by the Global Compact and the ISO 26000 standard.

This Report presents our pursuit of the objectives defined in the Sustainable Development and Responsible Business Strategy in the period from January 2011 to December 2011, using figures and/or descriptions of the practices, rules or procedures in place.

Figures quoted in this Report relate to 2011.

Quantitative measures presented in this Report rely on the data of the parent undertaking, PGNiG SA, as well as 23 gas sales units, all domestic branches of PGNiG, and most of PGNiG's wholly-owned subsidiaries, as demonstrated by the diagram in the "PGNiG – Company profile/Structure of the PGNiG Group" section.

Each section dealing with the respective strategic pillars begins with a summary, presented in graphic form, of the number of actions initiated under a given strategic objective by all those Group companies who are implementing their own strategies. The graphs show the total number of tasks completed, executed according to schedule and delayed by all Group companies.

This Report has not been reviewed externally, although selected indicators and the financial data presented are consistent with the PGNiG Group's Annual Report and Financial Statements for 2011 and, as such, were verified by the auditors. Notwithstanding, independent audits were also conducted at PGNiG subsidiaries, including environmental protection system audits.

The changes that took place within the Group in the last year do not affect the comparability of data included in the reports for previous years. Information on the changes in the Group's structure has been presented in the "PGNiG – Company profile/Structure of the PGNiG Group" section. There is no need to adjust data included in the reports for previous years.

All data in this Report were accurately collected directly from the entities described in this document, and from persons managing the respective areas of the PGNiG Group's operations.

Key events

January

The Supervisory Board appointed the President and members of the PGNiG Management Board for a new joint three-year term of office. The following members of the Management Board were reappointed for the term: Michał Szubski (CEO and President), Radosław Dudziński, Sławomir Hinc, Marek Karabuła and Mirosław Szałuba.

PGNiG was again listed in the elite group of companies included in the RESPECT Index, a stock-exchange index of socially responsible companies. On January 25th 2011, the Warsaw Stock Exchange published the second issue of the list of companies included in this index.

February

Given the unstable political situation in Egypt and Libya, Polish employees of the PGNiG Cairo Branch and POGC Libya were evacuated and returned to Poland. The equipment was secured and only local employees remained at the two branches. In Egypt, the suspension of work was temporary and had no negative effect on the progress of exploration activities. The Company expects to return to Libya in 2012.

PGNiG SA was included in a group of companies that stand out for their CSR efforts and the clarity with which they present them on their corporate websites. The list is based on the

BI-NGO 2010 Index, which evaluates how the 500 largest companies listed by the Rzeczpospolita daily communicate their CSR efforts over the Internet.

Introduction of Logito – an electronic system for handling complaints and requests at PGNiG SA LOGITO, which will improve the document circulation process and facilitate reporting, as well as data processing and analysis.



March

During its meeting held on March 8th 2011, the Supervisory Board of PGNiG appointed Mr Mirosław Szałuba Vice-President of the Company's Management Board. Mr Szałuba was nominated by PGNiG employees.

PGNiG SA, PGNiG Energia SA, Tauron Polska Energia SA, Elektrownia Stalowa Wola SA and Elektrociepłownia Stalowa Wola SA executed an agreement on operation of the Elektrociepłownia Stalowa Wola SA special purpose vehicle, which is to manage an advanced 400 MWe and 240 MWt CCGT unit in Stalowa Wola.

On March 21st 2011, PGNiG and OOO Gazprom Export signed an annex to the contract for the sale of natural gas to Poland. Under the annex, the maximum daily contracted gas supplies were increased from 9.36m m³ to 13.95m m³ (according to Polish standards).

April

On April 15th 2011, PGNiG SA disposed of 4,000,001 shares in Zakłady Azotowe w Tarnowie-Mościcach SA with a par value of PLN 5 per share, at a price of PLN 37.00 per share.

The Annual General Meeting of PGNiG SA approved the financial statements and the Director's Reports on the operations of PGNiG SA, as well as the consolidated financial statements and the Director's Report on the operations of the PGNiG Group, and granted discharge to members of the Management and Supervisory Boards of PGNiG SA for the financial year 2010.

PGNiG won first place amongst Polish companies in the Fuels and Energy category of the 2011 Responsible Business Ranking organised by the Dziennik Gazeta Prawna daily.

May

PGNiG and Vitol SA of Geneva executed a contract for the annual supply of about 550m m³ of natural gas through the newly built interconnector, to the cross-border point in the Cieszyn area. The value of the contract was approximately EUR 550m. Supplies will commence on October 1st 2011 and last until October 1st 2014, which will enable the Company to use 100% of its throughput capacity, as well as the pipeline, contracted as part of the open season process held by OGP Gaz-System SA. The new interconnector helps enhance Poland's energy security, as it will handle gas supplies to Poland from the south.

PGNiG has introduced the Ethics Officer function, with the key responsibilities of ensuring adherence to the principles of ethical conduct, strengthening of corporate culture based on the highest ethical standards and promotion of ethical behaviour at the Company.



June

PGNiG updated the Group's strategy until 2015. The Company's overarching strategic objective is to increase shareholder value and to continue growth as a multi-utility. The strategy will be implemented taking into consideration the need to ensure long-term security of uninterrupted natural gas supplies to the Polish market.

Attainment of the strategy's objectives will rely in particular on activities concentrated in three areas, including:

- Hydrocarbon exploration and production domestically and abroad, to ensure access to new oil and gas reserves;
- The power segment, focusing on the development of gas-fired power generation in Poland;
- Management of the Company's natural gas portfolio and activities on the European gas trading market.

The President of the Energy Regulatory Office approved the tariff for gaseous fuels (Part A – supply of gaseous fuels – No. 4/2011). Average prices and charge rates for the supply of high-methane gas E, Lw nitrogen-rich gas and Ls nitrogen-rich gas were increased by 8.9%, 7.6% and 6.3%, respectively.

At the 'Marketing in the gas industry: Corporate social responsibility in the gas industry' conference, a PGNiG representative spoke about the evolution of CSR, using PGNiG as an example.

At the 3rd Responsible Energy Conference, the Declaration on Sustainable Development in the Energy Sector in Poland was signed by the CEOs of another eight companies: Energa, PKP Energetyka, Dolnośląska Spółka Gazownictwa, Górnośląska Spółka Gazownictwa, Karpacka Spółka Gazownictwa, Mazowiecka Spółka Gazownictwa, Pomorska Spółka Gazownictwa, and Wielkopolska Spółka Gazownictwa.

Pilot tests of PGNiG's e-Pasaż marketing web platform designed for expert advisory services and e-commerce, were conducted. Never before had PGNiG applied an IT tool this advanced in the provision of comprehensive services to retail customers.



August

The FPSO vessel was anchored on the Skarv field on the Norwegian Continental Shelf.

PGNiG SPV 1 Sp. z o.o. and Vattenfall AB executed a memorandum of understanding concerning the sale of 24,591,544 shares in Vattenfall Heat Poland SA, representing over 99.8% of the company's share capital. After the Stalowa Wola project, the purchase of the Warsaw CHPs marked another milestone in PGNiG's development into a multi-utility.

Moody's reduced PGNiG's rating outlook from "stable" to "negative", and maintained the rating at Baa1. The lower outlook reflects the threats inherent in PGNiG's development plans for the upstream segment, the segment's financing requirements and the business risk being higher than the risk of the PGNiG Group's core business in terms of performance volatility.

September

In PGNiG's Lubocino license area near Wejherowo, the first shale gas flow was recorded.

PGNiG completed the expansion of the Strachocina underground gas storage facility.

October

PGNiG Norway AS executed an agreement on the sale of crude oil with the Shell International Trading and Shipping Company Ltd. The price of crude oil will be linked to Brent Dated prices and payments for the delivered crude will be settled in US dollars. The agreement was executed for an indefinite term and will become effective in the month of production launch.

November

PGNiG started to import gas on a virtual reverse basis. This enables the Company to increase the annual volume of natural gas imported to Poland along the Yamal pipeline to around 2.3bn m³.

PGNiG formally called OAO Gazprom and OOO Gazprom Export to participate in arbitration proceedings before the Arbitration Tribunal of Stockholm. The proceedings concerned the pricing terms for delivered gas.

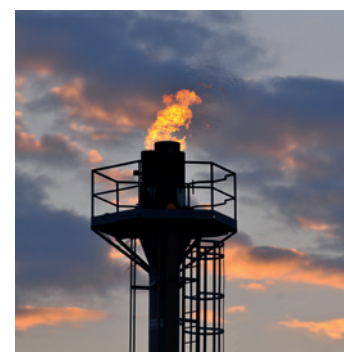
Standard & Poor's Financial Services increased PGNiG's ratings outlook from "negative" to "stable". The Company's rating of BBB+ was maintained.

The President of the Energy Regulatory Office approved a tariff for gaseous fuel storage services (No. 1/2011). Under the new tariff, prices went down by 3% on the previous tariff. The introduction of the new tariff was related to provision of access by PGNiG to additional storage capacities.

December

The Act on Reserves of Crude Oil, Petroleum Products and Natural Gas came into force. The Act allows mandatory reserves of natural gas to be maintained in storage facilities outside Poland (in the EU or EFTA countries). Such a solution is permitted provided that the delivery of those reserves to the Polish transmission or distribution system within 40 days is guaranteed. The Act also provides for the increasing, from 50m m³ to 100m m³, of the annual limit on gas imports, entitling the importer to apply for exemption from the obligation to maintain gas reserves. Further, the obligation to maintain gas reserves exclusively applies to companies which import gas for resale to customers in Poland.

Mr Michał Szubski resigned from the post of CEO and President of the PGNiG Management Board. From January 1st 2012 to the conclusion of recruitment proceedings, Mr Marek Karabuła, Vice-President for Oil Mining, supervised matters within the powers of the Board President, including the operation of the PGNiG Management Board.





Customer satisfaction



Increasing existing customers' satisfaction and winning new customers with improved customer service

Through its six Gas Trading Divisions, PGNiG sells natural gas to households and industrial customers. Moreover, it is engaged in developing its product range, streamlining sales processes, running marketing activities and strengthening its customer relations. In terms of sales volume, PGNiG's major customers are: the chemical, metallurgical and power industries. Retail customers are the most populous group (6.5m) from among PGNiG's customers, accounting for approximately 97% of the total, while industrial customers take the largest share (60%) of natural gas sales volume. In 2011, a total of 83,000 comprehensive agreements for gaseous fuel supplies were concluded, providing for supplies both from the transmission and distribution systems.

Tasks



Objective 1

To create an effective and user-friendly self-service platform

Awards

Customer Friendly Company Badge

In H1 2011 PGNiG SA took part in the Customer Friendly Company (CFC) certification programme, whose objective is to assess customer service management and to improve the quality of customer services. The Customer Friendly Company Badge is awarded to companies taking care of their relationships with customers and fulfilling their promises to them.

Under the programme, the Management Observatory Foundation carried out an expert audit at PGNiG focusing on the customer service management solutions in place at the Company. A customer opinion survey followed in the next stage to determine the level of customer loyalty and satisfaction, and to verify which of PGNiG SA's promises are noted by customers, and what their opinion on their fulfilment is. The survey addressed 600 retail customers and 420 institutional customers. The results showed that four out of five surveyed customers are satisfied with their relationship with PGNiG, and nearly one quarter of those surveyed awarded PGNiG the highest mark. PGNiG SA scored highly in the Customer Opinion Index. The Company received the highest praise in areas such as reliability, trust, and availability. As far as fulfilment of PGNiG's promises goes, the customers gave the highest marks for the safety and ease-of-use of natural gas, and for the safety and continuity of the supply. Following a detailed analysis of the audit and the customer survey results, the programme awarded PGNiG the Customer Friendly Certificate, and thus granted the Company the right to use the CFC badge.

PGNiG SA customer satisfaction survey

In 2011, a **comprehensive customer satisfaction** survey, addressing all customer segments of all the **Gas Trading Divisions and of PGNiG Head Office**, was carried out for the first time. The number of surveyed customers allowed for analyses of the results for each of the Gas Trading Divisions. The survey was conducted among 3,340 households, 702 SMEs, and 3,018 businesses. As much as 48% of the companies invited agreed to participate in the survey and provide answers. This is a very good result when dealing with very large companies (key and strategic customers).

A single, coherent methodology was applied in the survey, which will be re-used in successive years, as a series of such comprehensive customer satisfaction surveys are envisaged (once per year).

The synthetic index describing the satisfaction of cooperation with PGNiG and accounting for all customer groups combined was 76%. Of all customer segments, retail customers are the most satisfied with their gas supplier – the largest percentage, 82% of these customers, provided the “very satisfied” or “quite satisfied” answers. The Customer Satisfaction Index (synthetic customer satisfaction index) measures customers' satisfaction with their cooperation with PGNiG, using a scale from one to five. Answers four and five (the top2boxes) are the sum of the two highest answers on the satisfaction scale. In the institutional customers' segments the results were as follows:

- Corporate customers 75%
- Business customers 72%
- SMEs 72%

The NPS (Net Promotor Score) index, which measures customers' willingness to recommend a company to other customers, was negative for all customer segments.

The relatively high level of satisfaction across all customer segments does not translate into an NPS index-based recommendation. The caution applied to company recommendations is explained by Poles' unwillingness to award the highest marks – on which the NPS index depends. It should be noted that in the case of businesses, such caution is a sign of responsibility – the companies are satisfied but careful when it comes to recommendations.

Retail customers were most willing to recommend PGNiG as their preferred natural gas supplier.

To sum up the general results of the survey, PGNiG customers gave their highest praise to the following areas:

- Product – use of natural gas,
- Supplies – stability and reliability,
- Quality of services and products,
- Invoicing.

Also, very good marks were given to the employees responsible for customer contact, i.e. Business Advisers (corporate and business customers) and employees at Customer Service Centres (business customers, SMEs, retail customers). The quality of service was praised, and also in the context of Customer Service Centres. However, CSCs received better marks for on-site service, as opposed to their telephone service. As such, PGNiG is preparing to open a dedicated call centre in order to quickly improve telephone service and develop this channel of communication.

Much lower marks were awarded for the manner in which customer complaints are handled.

Still, the least favourable opinions were reserved for the prices of services and products, and for tariffs.

In the opinion of institutional customers, a customer-oriented approach, i.e. the ability to express care for the customer and create smooth cooperation, is the driving factor responsible for the growth of customer satisfaction. Supply factors (including, stability/continuity of supply, gas quality, flexibility with respect to supply-related customer needs, handling of quantity and capacity ordering) are also of importance.

In the case of retail customers, their satisfaction is mostly driven by product-related aspects (natural gas) and the benefits of its use. The invoicing process is equally important.

The customer satisfaction survey carried out in 2011 revealed a significant growth in interest in electronic communication channels (e-mail, e-CSC) in contrast to the 2010 results. Another visible change between the 2011 and 2010 results is manifest in the growing number of retail customers using online money transfers to pay their gas bills.

Attitudes towards market deregulation

A clear change in customer loyalty attitudes is visible among corporate customers (as compared to 2009). The true gas market deregulation that is approaching is reflected in the answers provided to questions about changing supplier.

81% of the corporate customers surveyed said that they would probably actively search for an alternative gas supplier after the market is deregulated (giving 'quite likely' and 'very likely' answers). In the 2009 survey, when the question was phrased slightly differently, i.e. "Is the company considering changing its natural gas supplier?", only 24% of companies indicated that such an option was being examined.

68% of participating companies declared their willingness to actively search for an alternative supplier – understood as one offering a better deal than PGNiG's current offer. However, the number of such declarations among SMEs and households was significantly lower, at 59% and 43% respectively.

A look at customers' attitudes towards PGNiG reveals that customer attachment is weak, at least in emotional terms, which besides the obvious economic factors, may also be an influence when a decision to change natural gas supplier is considered.

In addition to the obvious economic factors, the stability and continuity of supplies (especially in the corporate segment), as well as the quality of service (especially among business and corporate customers), are valid determinants in customers' contemplation of a change of supplier.

Surveys at the Group Companies

PGNiG Technologie Sp. z o.o. – Naftomontaż

Branch of Krosno has been surveying customer satisfaction for a number of years. Surveys of customer satisfaction with their cooperation with the Branch are supported by a quality management process, in compliance with the ISO 9001 standard.

PGNiG Technologie – Naftomontaż Branch of Krosno carries out two types of surveys:

- Supplier satisfaction surveys (for each type of supplies: designs, materials and products, subcontracting and services);
- Survey of customers' satisfaction with their relationship the Branch.

Surveys are carried out annually among the stakeholders cooperating with the company, that is, customers, subcontractors and suppliers. For the Branch, analysis of the collected data is a source of knowledge on their customers' perception of their relationship with the Branch, as well as of its employees and products. For its participants, it is an opportunity to assess the existing relationship and suggest new solutions.

PGNiG Technologie – GAZOBUDOWA Branch

strives to enhance the satisfaction of its existing customers and win new customers through improving the quality of its customer service, increasing its reliability (abiding by agreements, meeting deadlines and guaranteeing appropriate quality), building its brand as a reliable contractor and eliminating weak spots in its operations. The process would not be effective without project owners' feedback, and in order to obtain such feedback, the Branch runs its periodic satisfaction surveys.

The customer satisfaction survey is carried out with the use of a questionnaire sent to the project owner once the project is completed. The questionnaire covers all the investment tasks executed by PGNiG Technologie – GAZOBUDOWA Branch. The project owner then answers the questions concerning the timeliness, organisation and quality of work, whether its requirements and expectations have been met, and whether it would be willing to continue the cooperation. Twice a year, a report is prepared presenting a synthetic assessment. These reports serve the basis for identification of suitable corrective steps, which are taken under the quality management system implemented at PGNiG Technologie – GAZOBUDOWA Branch (quality book and 'Marketing research and market analysis' system procedure). In 2011, the average marks awarded by customers in the six areas covered by the questionnaire (including professionalism, timeliness and quality) exceeded 4 (Satisfactory), with most being at the highest level (5).

A material indicator of the Branch's reliability and strong market position is its customers' inclination to recommend the use of the Gazobudowa Branch's services to other entities. All respondents declared that they would recommend Gazobudowa and issue references.

PGNiG Technologie – GAZOBUDOWA Branch holds the Integrated Quality, Environment, and Safety Management System certificate, and the management quality certificate for welding.

The overriding objective of **PGNiG Technologie – ZRUG Branch's** policy is to maintain the highest possible quality of services provided. This approach is vital to its customer relations and the maintenance of its market position, established over many years. The company is recognised in the oil and gas industry as a reliable and professional contractor executing its tasks in a timely manner.

In line with the applicable internal procedures, customer satisfaction is surveyed on an annual basis. The final grade is based on a customer satisfaction questionnaire, the minutes of meetings with customers, and customer complaints. The adopted survey methods are adequate to the Branch's business profile and its survey results are a reliable source of information.

Questionnaires are addressed to entities for which PGNiG Technologie – ZRUG Branch has been performing construction and assembly work in a given year. The questionnaire includes 12 questions relating to various aspects of the services provided, as well as to an overall assessment of their cooperation. Each question is graded on a 0–10 scale, and respondents reply to individual items and grants an overall mark assessing their cooperation as a whole. The average mark granted by the respondents of the 2011 customer satisfaction survey in that category is 8.6.

The Branch conducts all construction and assembly work in compliance with stringent environmental standards, which fact is appreciated by the customers, as is the timeliness of the work performed. The price of the services performed is the worst assessed aspect of their cooperation. However, as contracts are awarded after a tender process, it is the market conditions that have a decisive effect on the price.

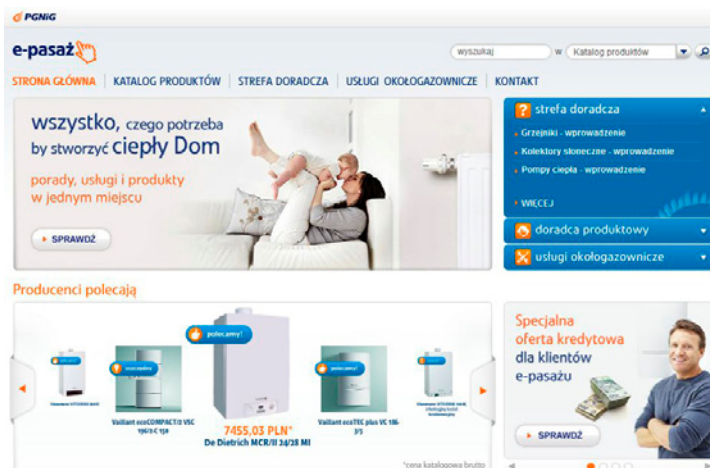
Apart from satisfaction surveys, information on customer satisfaction is also sourced from the minutes of meetings with customers and references, which also play an important role in tender procedures.

The high quality of their services and excellent cooperation with customers in 2011 was confirmed by the award granted to the Construction Team Management of Kielce by the Director of KSG Sp. z o.o. – Gas Distribution Division of Kielce. The value of the award is further enhanced by the fact that numerous thriving gas companies operate in the area of the Division's activity, and the project owner's supervision and requirements are highly restrictive.

The Carpathian Gas Trading Division's E-BIZNES application

E-Biznes, launched by the Carpathian Gas Trading Division, is a new communication platform for business customers, developed in response to their expectations. The platform supports customers in independent, remote electronic monitoring of settlement for natural gas consumption. It is accessible online at <https://ebiznes.koog.pgnig.pl>

The application was launched on March 25th 2011. A logged-in customer can inspect their own contact data and update it instantly in the MeGaz system. Further, customers are able to inspect meter reading procedures applicable to their metering points, including settlement history and gas consumption graphs for a given metering point. Customer can easily examine all debit documents, including invoices, debit notes and correction invoices. Documents are presented in a clear manner and support online payments. The system also supports downloading and printout of duplicate invoices in the pdf format. The generated documents can also be exported as MS Excel files. It is also possible to monitor information on invoice status, including payment dates and payment status for individual invoices etc. The system also serves as a platform for customer communications with Customer Advisers. The Carpathian Gas Trading Division's E-Biznes application is attracting growing interest from customers – at the end of April 2012, it had over 700 registered users.



E-PASAŻ

PGNiG SA's E-Pasaż is a marketing web platform intended for expert advisory services and e-commerce. It supports:

- Energy, technological and assembly advisory,
- Product offers by equipment manufacturers,
- Financing offers,
- A base for companies providing gas equipment support services.

In an effort to meet demand, and drawing on its employees' multi-year expertise, PGNiG SA has deployed a new expert advice and sales service in the form of a customised web platform supporting the Company in building customer loyalty and confidence.

PGNiG SA's E-Pasaż is a fast, user friendly, state-of-the-art means of providing services to end consumers of natural gas. It promotes the use of natural gas as fuel, and customers can obtain advice on solving problems concerning:

- Design of networks, gas service lines and internal gas systems;
- Manufacture and assembly of gas service lines and internal gas systems;
- Modernisation of internal gas systems, ventilation ducts and chimney flues;
- Inspection of internal gas systems and leakage tests;
- Chimney inspections;
- Warranty maintenance on gas-fired boilers;
- Assembly and repair of domestic appliances, such as gas ovens.

PGNiG SA's Partnership Programme is designed to promote participating Partners which have signed appropriate agreements. A Partner's benefits from using PGNiG SA's E-Pasaż include the opportunity to acquire new end consumers, which translates into order book build-up and thus into growth and financial benefits. Using E-Pasaż, a Partner is able to reach a wider base of customers for natural gas.

This is an exceptionally good practice, benefiting customers, partners and PGNiG SA.

The pilot launch of PGNiG SA's Partnership Programme took place in June 2011, when it was deployed at the Lublin and Zabrze Gas Sales Units. The pilot launch having been completed, the Lower Silesian Gas Trading Division in Wrocław was the first Gas Trading Division in Poland to implement PGNiG SA's Partnership Programme.

In August 2011, the Gas Sales Unit in Zgorzelec commenced development of the documentation necessary for cooperation with Partners under PGNiG SA's E-Pasaż Partnership Programme. The documentation is used when entering into agreements with potential Partners, that is natural persons or legal entities conducting business activities related to the gas industry. E-Pasaż is used extensively by the employees of the Company's Customer Service Centres, as it enables them to enhance customer service by providing expert advisory services.

The E-Pasaż Internet platform is also monitored. According to Google Analytics, in the period from June 1st to December 31st 2011, the platform had:

- 29,095 visits, and
- 43,696 page views.

The launch of E-Pasaż was supported with a marketing campaign, which included informational materials on PGNiG SA's Partnership Programme, such as:

- Leaflets and posters (distributed among the Customer Service Centres through the Marketing Departments of individual gas sales units);
- Press advertisements;
- A large-scale information campaign promoting the Partnership Programme in the local press within the area covered by the operations of the Lower Silesian Gas Trading Division.

Eco-Invoice and E-Invoice

In July 2011, PGNiG introduced eco-invoices on a trial basis. The service consists in providing PGNiG customers with digital invoices instead of traditional, paper bills delivered by mail. Each customer with Internet access will be able to register at www.eko-faktura.pgnig.pl, and after accepting the terms and conditions of the service, start receiving eco-invoices. Following registration, the customer will receive an e-mail to the address indicated, containing a link to his or her current correspondence with PGNiG. All previous documents will be stored in an archive, to which the customer will have permanent and free access. Additionally, the Szczecin Gas Sales Unit introduced e-invoices compliant with the Regulation of the Minister of Finance, which are authorised with a digital signature. In 2011, this service was used by 8,382 retail and 133 business customers. Development of electronic settlement methods will probably be intensified in the coming years. PGNiG also takes steps to offer its customers a wide choice of payment methods – at present, they can settle their gas bills by electronic bank transfer or payment order, or at cash windows at Customer Service Offices, post offices and banks, as well as through the Moje Rachunki, Unikasa and TransKasa payment systems.

LOGITO

LOGITO, an electronic document circulation system, is another way of improving customer service standards. The system was designed to process complaints and requests and to enhance the flow of documents in gas sales units. At the same time, it stores data about customers' requests and the way PGNiG responded to them. The implementation of LOGITO has:

- Enhanced the effectiveness of the complaint handling process;
- Enabled efficient reporting, data processing and data analysis, leading to shorter response times and easier monitoring of submitted requests;
- Helped the company save time and money, as better document circulation translates into quicker responses in an organisation with a complex structure;
- Contributed to environmental protection – lower paper consumption.

LOGITO will ultimately be integrated with the Contact Centre.

Introduction of barcodes to facilitate customer service at the Odolanów Branch

The project involved the implementation of a barcode-based system for labelling and recording single and bundled bottles filled with gaseous helium at the PGNiG Odolanów Branch.

Each year, over 40,000 bottles and bundles of bottles are filled with five different types of gaseous helium and delivered to nearly 300 customers. At times, customers have raised complaints concerning the quantity or quality of the helium, in which case the Branch has to review their requests.

However, it is often difficult to gather the crucial details about the subject of the complaint, such as the delivery date, type of helium and the condition of the tank used.

To this end, PGNiG decided to introduce thermal transfer printing in the form of barcodes. This technology allows it to label filled tanks (bottles and bundles) with individual IDs (barcodes) and update helium shipment databases with the details of each operation related to a given tank. System terminals are portable, which means that files and databases related to each tank can be created or updated with data on relevant transactions from any location. The database, which can be accessed by the operator, contains information on the cleanliness of the tank, its next scheduled attestation and any previous technical problems. This system enables control of the tank and its proper preparation for filling, while facilitating fast retrieval of comprehensive data concerning previous operations in which it was involved. In this way, complaints can be processed on the basis of data stored in the system and the customer does not have to be involved in the process of gathering and transferring information.

Distribution System Maps

Interactive **Distribution System Maps** (Area maps) were published on the corporate websites of several **distribution companies** (Dolnośląska Spółka Gazownictwa, Karpacka Spółka Gazownictwa, Górnośląska Spółka Gazownictwa, Mazowiecka Spółka Gazownictwa, Pomorska Spółka Gazownictwa and Wielkopolska Spółka Gazownictwa), showing their respective areas of operation, broken down into communes and municipalities with and without access to the gas grid. The service is a platform for communication and exchange of information between local authorities, prospective customers at the initial phase of the connection process and gas trading companies. At the level of each commune or municipality, the maps indicate which organisational units of the distribution companies (Branch of Gas Distribution Division and Gas Distribution Region) are assigned to specific locations, and provide relevant contact details.

Depending on criteria adopted by each company, Distribution System Maps (Area maps) may also contain information on the expected and planned development of the market and the supply network, as well as a list of gas sellers with whom PGNiG has entered into natural gas distribution agreements.

Objective 2

To improve customer service at Customer Service Centres

Tariff

Pursuant to Polish Energy Law, the Energy Regulatory Office must approve natural gas prices established by energy companies for end users. In consequence, maintaining a flexible pricing policy is not always possible.

In response to customer expectations, in July 2011 PGNiG introduced a tariff under which the customer can choose the frequency of their gas bills' settlement. The tariff is applicable to customers in tariff groups 1–3, which primarily comprise households where gas is used for preparing meals, heating water and heating. Prior to the change, each year these customers were assigned to one of the tariff groups on the basis of past consumption or submitted declarations, calculated with reference to the total capacities of installed units and customer's typical patterns of gas consumption. If any modifications were necessary, PGNiG implemented them and customers were billed in line with the terms of their respective tariffs.

Under the new tariff, customers can choose from three different billing scenarios prepared by the Company for each range of annual consumption. At present, customers can select the frequency of metre readings and, consequently, the frequency with which they receive bills. Another option was created for customers who prefer systematic monthly payments – they can now report gas metre readings by phone or via Internet at any time to their supplier, who will then bill them accordingly.

227,192 customers all over Poland decided to change their tariff, with the largest group registered in the Upper Silesian Gas Trading Division (90,653 customers). All in all, 50,440 customers from the first tariff group (households using gas for cooking) decided to switch. In the second and third tariff groups (households using gas

for heating water and households using gas for heating houses/apartments), the figure stood at 104,276 and 72,467 respectively.

The changes introduced have attracted considerable interest from customers, which proves that the Company made the right strategic decisions concerning its development path..

Customer service training

In 2011, staff at the Customer Service Centres took part in several training courses concerning customer service. These included e-learning programmes related to the new tariff introduced in January, Retail Customer Service procedures, an introduction to the LOGITO system for handling complaints, as well as stress management classes for employees working in debt collection and training in business etiquette. In addition, Customer Service Centre managers participated in 'Age as an asset' (Z wiekiem na plus) – an EU-sponsored training programme.

E-learning programmes:

- Gaseous fuel tariffs in 2011;
- Retail Customer Service – levels 1 to 9. (The courses were coordinated by the Customer Service Standards Office at Head Office.)

Training courses at Gas Trading Divisions:

- Security for comprehensive agreements (Pomeranian Gas Trading Division);
- Amendments to the Energy Law (Pomeranian Gas Trading Division);
- VAT invoices in the gas industry – legal and tax aspects (Pomeranian Gas Trading Division and Greater Poland Gas Trading Division);
- Forecast-based billing (Pomeranian Gas Trading Division);
- Comprehensive agreements for sale of gaseous fuel (Pomeranian Gas Trading Division and Greater Poland Gas Trading Division);
- Assertiveness in debt collection (Pomeranian Gas Trading Division, Upper Silesian Gas Trading Division, Carpathian Gas Trading Division, Lower Silesian Gas Trading Division and Greater Poland Gas Trading Division);

- Forecast-based settlement (Pomeranian Gas Trading Division);
- Professional customer service (Greater Poland Gas Trading Division and Upper Silesian Gas Trading Division);
- Efficient team management (Greater Poland Gas Trading Division and Upper Silesian Gas Trading Division);
- Psychology in customer service (Greater Poland Gas Trading Division);
- Stress management methods and controlling emotions in interpersonal relations (Greater Poland Gas Trading Division);
- Negotiations with key customers and sales techniques (Lower Silesian Gas Trading Division);
- PINCASSO (Lower Silesian Gas Trading Division);
- Legal aspects of civil law contracts in the Company (Lower Silesian Gas Trading Division);
- Coping with difficult customers (Lower Silesian Gas Trading Division and Greater Poland Gas Trading Division);
- Key customer assistant (Lower Silesian Gas Trading Division);
- Phone-based customer service (Greater Poland Gas Trading Division);
- Winning customers on a competitive market (Lower Silesian Gas Trading Division, Carpathian Gas Trading Division, Upper Silesian Gas Trading Division and Greater Poland Gas Trading Division);
- Business etiquette (Greater Poland Gas Trading Division);
- Gas units, equipment, key principles related to connection to the gas grid and technical aspects of gas supply (Carpathian Gas Trading Division);
- Energy Law (Carpathian Gas Trading Division).

Training courses at Gas Distribution Companies

Apart from Gas Trading Divisions, the Company's customers are also served by Gas Distribution Companies, which connect them to the supply network. For this reason, employees of these companies received the following training in 2011:

- Phone etiquette and techniques (Mazowiecka Spółka Gazownictwa and Wielkopolska Spółka Gazownictwa);
- Assertiveness in coping with difficult customers (Mazowiecka Spółka Gazownictwa);
- Complaints (Wielkopolska Spółka Gazownictwa);
- Customer service (Wielkopolska Spółka Gazownictwa).

The 'Unheard and unseen – finding a common language' workshops at the Pomeranian Gas Trading Division

Among PGNiG's customers there are people with disabilities, or visual or hearing impairments. Employees of Customer Service Centres pay particular attention to such people, relying on intuition and life experience. The Company's objective is to provide efficient and professional customer service to everyone.

The Gas Sales Unit in Olsztyn entered into an agreement with the Society for the Hearing and Visually Impaired, which runs a project intended to promote active living among the deafblind. This brought about the idea of organising workshops with the participation of people with hearing and visual impairments. The first edition, entitled 'Unheard and unseen – finding a common language' took place in December 2011 and was devoted to customer service. The training was carried out by members of the Society and addressed to employees of the Olsztyn Gas Sales Unit and the Olsztyn Gas Distribution Division of Pomorska Spółka Gazownictwa. The activities and role playing sessions were based on real life situations faced every day by PGNiG employees.

The participants' attitude changed after the very first session. At first reluctant and awkward in their attempts at communicating with hearing and visually impaired people, after the end of the workshops all the employees were able to approach a deafblind person openly and thoughtfully. A survey carried out at the end of the training revealed that each of the participants considered such practical skills to be very useful in their everyday work.

The acquired knowledge and skills allow the employees to better understand the hearing and visually impaired and thus serve them in a professional and effective manner. During the training, participants agreed to swap places with their instructors, which proved to be an unusual experience. They were given a brief glimpse of what it takes for a deafblind person to run simple errands. It allowed them to gain a better understanding of disabled people's vulnerable situation and to see the various limitations and obstacles they overcome every day. The workshops demonstrated that the Company's care for the disabled goes beyond installing ramps or lifts and involves ensuring that they are served by professional and well-trained personnel. Full of friendliness and understanding, the meetings helped the disabled to open up to others, which according to the participants further underscores the importance of this initiative.

Three more editions of the workshop are planned, to cover all the employees of the Customer Service Centres of the Olsztyn Gas Sales Unit, and to popularise the initiative across the entire PGNiG Group, as the Society for the Hearing and Visually Impaired has branches in all parts of Poland.

Employee training with a focus on customer advisers

Given the approaching opening and deregulation of the Polish gas market, which is expected to affect the business customer segment first, the Carpathian Gas Trading Division has developed measures to ensure that business customers are provided with the highest standard of customer service and that its Customer Advisers are offering highly-specialised technical and sales advisory services.

To that end, the Carpathian Gas Trading Division specified requirements for Customer Advisers and assessed their current professional qualifications and expertise, as well as suitability for the profession, including soft skills, such as the ability to easily establish and maintain business relations or conduct negotiations. The training programme was reviewed to see if there were any other courses which should be offered to Customer Advisers and to ensure that all of them have access to the same resources. The Company particularly needs employees with expertise in the following fields: infrastructure, heat engineering, cogeneration, business and financial research, legal aspects of customer service, modern technologies and individual industries (glass-making and food industry, refrigeration engineering etc.).

The new training package covers two areas:

- Industry-specific training focused on technology, equipment, PGNiG SA's offer, feasibility studies, and the costs and benefits of using natural gas etc.
- Competence training focused on the quality of service – these courses are intended to fine-tune soft skills, which in turn help to develop a customer-oriented approach and show empathy and willingness in the handling of all matters (irrespective of their importance) etc.

The recommended basic scope of the training courses offered to Customer Advisers includes:

- Energy Law, the TPA principle,
- The basics of Construction Law, including linear investment projects and infrastructure projects,
- Connection processes and procedures between the Distribution System Operator, the Transmission System Operator and PGNiG SA,
- Comprehensive agreements: legal and practical considerations for gas customers and PGNiG SA,
- Take or pay clauses, performance bonds (including payment risk), compensation,

- Basic economic analysis (company value based on balance-sheet data and reports), assessment of a customer's financial standing,
- Legal bases for the calculation of tariff rates, the rudiments of the tariff calculation process, tariffs for PGNiG SA, the Distribution System Operators and Transmission System Operators, the practicalities of capacity optimisation (in particular, for customers), settlements with customers,
- The efficiency of investment projects (including gas grid connections), investment efficiency studies, and efficiency assumptions according to the Energy Regulatory Office and PGNiG SA,
- Energy audits – specification of the volumes of gas required by typical equipment,
- Presentation of leading manufacturers of gas equipment, including gas-fired boilers,
- Regulation of restrictions in the gas supply, the Act on Mandatory Stocks, restrictions imposed on customers, relevant arrangements between customers, PGNiG SA and Operators,
- Balancing and nominations, timetables and obligations imposed on PGNiG SA, Operators and customers, and the penalties for failure to submit nominations,
- Customer relations, winning new customers in a competitive market environment, sales practices, the scope of duties assigned to a Customer Adviser,
- Commercial negotiations,
- Winning new customers, including:
 - Approaching customers (customer-oriented attitude),
 - Impact of non-verbal communication on projected image,
 - The first 30 seconds of a conversation – influence techniques,
 - The selling process – identification of customers' needs and presentation of products,
 - Making a case in a persuasive manner,
 - Dispelling reservations and creating demand,
- Time management at work:
 - Assessment of one's time management skills and creation of methods for their improvement,
 - Familiarisation with target-setting procedures,
 - Development of task prioritisation skills,
 - Work planning and organisation methods,
 - Handling of documents.

Additionally, line managers (Office/GC Department Heads and the Heads of the Gas Sales Units in charge of sales) are required, on a regular, ongoing basis, to assess the job performance of the Customer Advisers and their compliance with the requirements referred to above. It is recommended that these assessments should involve regular evaluation of the employee's familiarity with issues covered by the basic training package.

Objective 3

To educate customers and raise consumer awareness about gas and efficient use of energy

'A warm and cosy home' - Upper Silesian Gas Trading Division (Zabrze Gas Sales Unit)

Several Customer Service Offices from the Zabrze Gas Sales Unit were engaged in a promotional campaign entitled 'A warm and cosy home' (Przytulny, ciepły dom), targeted at customers who wanted to extend their gas sales agreements to include heating, as well as at households who had been connected to the gas grid prior to December 31st 1999 and who were not purchasing gas at the time, but wanted to start using it to heat their homes or apartments. After meeting the conditions of the offer, such as removing existing heaters and signing a declaration of their acceptance of the offer, participants received a cash prize of PLN 1,000. The amount was transferred to the customer upon submission of a signed natural gas sales agreement (new or extended), an invoice confirming the purchase of a gas boiler and their signed acceptance of the offer.

The promotion was very popular among current and prospective customers of the Zabrze Gas Sales Unit. At the same time, it was fully consistent with PGNiG's strategy on sustainable development and responsible business in the area of customer service.

'Warmer Together' Cluster - Pomeranian Gas Trading Division (Olsztyn Gas Sales Unit)

Partnership based on lasting and mutually beneficial relations with customers and trade partners is one of the key values at PGNiG. It is important that all partners apply optimum solutions in terms of economy and environmental protection, as promotion of innovative and environmentally friendly technologies is part of the Company's mission. One such technology is gas-fired CHP plants, which generate heat and electricity. CHP plants have two highly desirable characteristics – the use of low-impact fuels, and a highly efficient process involving lower consumption of feedstock.

The Olsztyn Gas Sales Unit of PGNiG SA joined the regional Heat Generation Cluster as part of a partnership arrangement. The 'Warmer Together' Warmia and Mazury Cluster has 12 members, including heating suppliers, local authorities, the government of the Olsztyn Province, the University of Warmia and Mazury and Warmińsko-Mazurska Agencja Rozwoju Regionalnego S.A. The idea behind the Cluster was to enter into cooperation heat energy companies which are currently diversifying their operations by introducing new products and services. In response to the need to promote cogeneration among this particular group of stakeholders, the Olsztyn Gas Sales unit became a partner within the Cluster. Regular conferences and meetings provide opportunities to learn about mutual expectations and exchange expertise on cogeneration and its changing legal framework.

Two heat generation companies have already declared their intent to change their power sources and build a CHP unit. Nevertheless, such a switch is a long-term process which requires substantial financial outlay, and will produce tangible benefits only after a year or two. At present, the company's success consists in raising the awareness of the management of heat generation companies, which are becoming more willing to use new solutions.

Given the changing regulatory framework, it may be expected that in the near future the penalties for excessive emissions of CO2 will be high enough to warrant a change of energy source. In consequence, many of these companies are currently considering the installation of gas-fuelled CHP units.

The main purpose of the 'Warmer Together' Cluster is to promote new technologies and to create a platform for exchanging knowledge and information between its partners and members. To meet these expectations, PGNiG experts share their knowledge and experience. The professional expertise and information they provide is a key benefit for the cluster's partners.

Another important aspect of the Cluster is the commitment of its members, who actively engage in exchange of their professional expertise and business experience.

As a partner of the Cluster, the Olsztyn Gas Distribution Unit will continue to develop this relationship with the intention of promoting cogeneration and educating other members about energy certificates. The Cluster is a place where the company can communicate with a specific group of stakeholders, allowing both sides to learn about mutual needs and expectations.



Local communities



Dialogue and cooperation with social and business partners is one of the cornerstones of the PGNiG Group's Sustainable Development and Responsible Business Strategy. In their operations, the entities comprising the PGNiG Group care for the needs of their surrounding communities by educating their members, promoting active lifestyles, and by collaborating with public administration and research centres. Their actions are targeted at children, youth and adults alike, with special focus on environmental protection, including CO2 emissions reduction. Some of the initiatives developed in this area are business projects responding to vital community challenges, which are often pursued hand in hand with local government.

Tasks



Objective 1

To develop positive interaction with local communities through dialogue and collaboration on joint local initiatives

Involvement in the life of their local communities and collaboration on various projects are permanent fixtures on the Group companies' agendas.

Cooperation with local government – joint business projects

The 'Developer package' project

The Mayor of the Town of Kalisz and the Head of the Greater Poland Gas Trading Division signed a letter of intent on April 18th 2011 expressing their commitment to cooperate under the 'Developer package' project. The initiative was established with a view to ensuring best-possible conditions for current and future developers who want to pursue their business objectives in Kalisz. In pursuit of the project, the Town of Kalisz established the Developer Support Unit, whose purpose is to provide planning information and data, as well as assist in obtaining the required permits and pre-development documentation. The Town of Kalisz also introduced financial support instruments, such as tax exemptions and concessions for creating new jobs.

Joint efforts by the Kalisz Town Council and the Kalisz Gas Sales Unit for air quality improvement

This initiative follows up on the project started in 2001 seeking to reduce air emissions in Kalisz caused by coal firing. The initiative represents a stimulus for the town's residents to use energy-friendly energy carriers. By migrating from a coal-based heating system to a gas-based one, Kalisz residents can receive a project grant from the Kalisz budget, as a share in the cost of environmentally-friendly projects developed by individuals. In 2011, the Town of Kalisz reimbursed up to 70% of the project costs, with a cap of PLN 1,000. One of the representatives of the Gas Sales Unit in Kalisz is also a member of the review committee taking decisions on approving or rejecting the grant applications.

The initiative was launched in 2001, and by 2011 nearly 500 residents of Kalisz had used the support to convert their coal-fired systems into gas-fired ones. In 2011, the grant was used by 45 people. Not only is this campaign an excellent way to promote natural gas as an environmentally friendly fuel, but it first and foremost offers tangible environmental benefits, such as improved quality of air in the town of Kalisz (the town council annually contracts studies to measure the environmental effects of the conversion)..

Cooperation with local governments – Carpathian Gas Trading Division

CGTD's work with local government has continued without interruption since 2009. Local governments are or may be direct gas consumers, but by their nature also have a significant impact, directly and indirectly, on decisions taken by their affiliated or supervised (e.g. in terms of common budget management) entities, such as educational or health care units. In addition, since local governments issue/review development process-related decisions and documents, they are also excellent sources of information about land use plans and development prospects (and projects). Close cooperation between CGTD and the local government is based on the bilateral memorandum of cooperation concerning the exchange of development and project information. In 2011, CGTD held over 300 meetings with local government representatives, which led to the signing of 25 cooperation agreements.

Cooperation with local governments – Mazovian Gas Trading Division

As the basic territorial government unit, the gmina (municipality or commune) is responsible, among other things, for developing and maintaining land use planning policy within its boundaries, and for ensuring heat, electricity and gaseous fuel supplies. Therefore, recognising the importance and impact of land use planning documents in the planning and delivery of energy carriers, gas distribution companies are involved in cooperation with local government concerning the development of land use and energy planning documents, such as heat supply, electricity and gaseous fuel assumptions and delivery plans. This level of involvement contributes to the development of formal and legal conditions for supplying municipalities and communes with energy carriers, and enables the selection of those energy carriers which will be most favourable in terms of economy, practicality or environmental impact for residents and other users (including industrial consumers).

The PGNiG Group distribution companies work closely with local governments on an ongoing basis by designating units which are responsible for cooperating with municipalities and communes locally, e.g. within the operating areas of the individual Gas Distribution Divisions. This day-to-day interaction is intended to keep our units updated on current local government actions as regards developing/updating interim/final land use plans, and ensures cooperation on new gas network projects.



Local communities

Cultural projects

Among projects delivered for local communities there are also cultural, educational and sports initiatives. By teaming up with experienced partners, we are able to achieve much more in social and environmental matters than by acting single-handedly. Therefore, we work with public administration, research and teaching centres, associations, NGOs and other partners interested in developing long-term relationships. Our activities in this area are focused on educating children and youth, and including the disabled. Another priority are environmental projects, which primarily seek to reduce carbon dioxide emissions. Our partners include Municipal Welfare Centres (Miejskie Ośrodki Pomocy Społecznej), Anna Dymna's Against the Odds Foundation (Fundacja Mimo Wszystko), Regional Blood Donation Centres, and the Ignacy Łukasiewicz Schools.

The Gas Sales Unit in Gdańsk of the Pomeranian Gas Trading Division joined the 'Single Work Gallery' project, initiated by the Wspólnota Gdańska Foundation. In an unconventional way, the project promotes the culture and art of young and local artists. The purpose of the project was to exhibit works of art at locations commonly frequented by the residents of Gdańsk, such as offices, institutions, banks, courts, retail outlets, and restaurants.

Educational projects

Most educational projects pursued by PGNiG Group entities are addressed to children and youth. In 2011, the **Mazovian Gas Trading Division, the Lower Silesian Gas Trading Division, the Pomeranian Gas Trading Division and the Zielona Góra and Sanol Branches** continued their 'In the world of blue energy' educational campaign, which at many branches was timed to coincide with the festivities of St. Barbara's Day (the patron saint of miners) on December 4th, which is an industry holiday. The main goals of the campaign were to highlight the environmental benefits of natural gas and to promote knowledge of its use throughout history, as well as to familiarise audiences with safe and sensible use of gas equipment.

Over the last year, PGNiG staff visited several hundred educational establishments and met over 27,000 children in primary and junior schools. Each participating child received a comic book and a replica of the miner's shako cap. Communication was tailored to the children with the use of a specially-developed comic book entitled 'Adventures in the world of blue energy', which tells stories of the history, present-day and future of natural gas. Trivia about natural gas's properties, its formation, how we explore for it and how it reaches our households and schools was communicated through interactive play or by simple experiments.

Prevention of illegal gas use

For a few years now, **the Lower Silesian Gas Distribution Division** has been educating the public on the hazards of illegal gas use. Articles about the problem have been featured in 'Dylematy Policyjne' (Police Dilemmas) and 'Echo DSG' (the LSGDD's own magazine). The purpose of these was to raise awareness of this criminal activity among the population of Lower Silesia, and also the services responsible for safe gas use. With this activity, the company primarily aims to improve home owners' safety and curb illegal gas use.

As part of an agreement signed between the **Pomeranian Gas Trading Division, Pomeranian Gas Distribution Company, Investgas and Gaz System**, the 'Natural Gas for Pomerania 2015' conference was held at the Gdańsk Province Office on May 31st 2011. The conference agenda included discussion of key gas and transmission infrastructure and expansion projects in the Gdańsk Province. The event was organised by the signatories to the agreement, and hosted by the Marshal of the Gdańsk Province and the Gdańsk Province Governor. Discussions focused on the construction of the underground gas storage facility in Kosakowo, as well as on the new transmission and distribution lines which are strategic projects being developed by gas distribution companies in Pomerania. The idea which resonated throughout the event was that these projects would markedly improve the energy security of the entire region, and enable growth in the number of gas consumers.

Community outreach projects

The **Kraków Gas Sales Unit** joined forces with Anna Dymna's Against the Odds Foundation (Fundacja Mimo Wszystko), supporting nationwide events such as the Albertina gala, Marek Grechuta Polish Enchanted Song Festival (Ogólnopolski Festiwal Zaczarowanej Piosenki im. Marka Grechuty), the National Integration Days (Ogólnopolskie Dni Integracji) and 'Everyone has a Kilimanjaro of their own' (Każdy ma swoje Kilimandżaro) initiative. Other projects have involved theatre workshops, a music festival, a sports and integration event and a trip to the mountains. The Company also supported the Special Olympics Poland Association in organising the 14th Kraków Province Athletics Meeting and the 4th BOCCE Tournament as part of the Special Olympic Games in Poland.

The long-standing cooperation between the **Gdańsk Gas Sales Unit** and the Municipal Social Welfare Centre consists in execution of joint educational initiatives targeted at people receiving welfare benefits. As part of these efforts, the Pomeranian Gas Trading Division proposed an educational campaign entitled 'The Land of Blue Energy' (Kraina Błękitnej Energii), which was carried out during events organised by the Centre. The primary objective behind the project was to help children and young people develop good habits related to personal finances and the environment, without giving them a list of do's and don't's. In 2011, the 'Land of Blue Energy' was featured in the 'Planet of Dreams' festival, which is a regular event for children from state and family-run children's homes, child support centres, youth clubs, community centres, surrogate families, as well as children who live with their parents in shelters for the homeless, and children with disabilities.

Sports initiatives

The collaboration between PGNiG SA and the Polish Handball Association began in 2009, when the Company became the Strategic Sponsor of the national women's, men's and junior handball teams, as well as the Title Sponsor of the men's and women's premiere handball leagues. In addition, individual Gas Sales Units began to promote handball and encourage active involvement in the sport, as well as the exchange of experience between teams.

Together with the 'Szczypiorno Kalisz' Handball Association, the **Kalisz Gas Sales Unit** launched the PGNiG GAZ CUP – an event aimed at promoting healthy lifestyles through sporting and physical activity, development of handball and its popularisation among the children, youth and adults of Kalisz. The '**PGNiG for Children Handball Festival**' (Festiwal Piłki Ręcznej PGNiG Dzieciom) was organised in Kielce and Ostrowiec Świętokrzyski by the Polish Handball Association, the Ministry of Sports and Tourism and the Kielce Gas Sales Unit. In recognition of its efforts in the field of sports, the Kalisz Gas Sales Unit received the 2011 Patron of Sports statuette from the Mayor of Kalisz.

Objective 4

To share expertise and broaden cooperation with higher education institutions

Companies from the PGNiG Group are committed to building lasting relations with students and research communities, supporting schools which educate young people and providing internship and work placement opportunities. As regards this group of stakeholders, PGNiG also feels it is important to enhance its professional image while maintaining a friendly attitude towards young people. In addition, the Company is taking steps to secure its status as a preferred employer and as a centre of professional expertise for university students.

To this end, **Geofizyka Kraków** is a regular participant and one of the main sponsors of the **Kraków Engineering Careers Fair (Inżynierskie Targi Pracy w Krakowie)**, taking an active interest in scientific conferences and professional workshops organised by students. These initiatives are mostly addressed to students of geophysics and similar disciplines, but can also involve students from other – for example economics-related – faculties. In 2011, Geofizyka Kraków experts took part in the Careers Fair, International Geosciences' Students Conference held under the auspices of the EAGE, and in 2011 the GEOSFERA Workshop for Geophysics Students. During the course of these events, Geofizyka Kraków's image-building activities focused on two fields. Firstly, the company presented its current job openings and introduced itself as a prospective employer, and more importantly, it also gave specialist presentations and workshops for participants. Experts from the company shared their knowledge and experience with the students, speaking not only about geophysics, but also other, supporting disciplines such as HR management and logistics.



Pomorska Spółka Gazownictwa Sp. z o.o. gave the green light to students by adopting uniform internship rules. The idea behind this was to provide young people with an opportunity to gain their first professional experience, while helping the company in its current work. In launching the internship programme, the company gained more than just necessary support for individual projects or temporary substitutes for employees who are ill or on leave, but also benefited from the new perspectives offered by newcomers. The involvement, creativity and natural talent of these young people contribute to a better atmosphere at work, encouraging new ideas and ambitious performance. The project was targeted at students and graduates who had acquired at least a secondary school education and were not yet 30 years old as at the first day of their internship. In 2011, 22 young people enrolled in the programme at the Pomorska Spółka Gazownictwa. The internship programme, described in detail at www.psgaz.pl, covered all areas of the company's operations – from working with gas systems and networks to HR and PR.

2011 also marked the end of the two-year 'Comprehensive programme for development of the professional skills of the students of the Sanitary Industry Vocational School No. 3 in Łódź, in co-operation with Mazowiecka Spółka Gazownictwa Sp. z o.o.', which was fully financed with EU funds. The project, organised by **Mazowiecka Spółka Gazownictwa Sp. z o.o.** with the help of students and teachers from the Vocational School No. 3 in Łódź, was aimed at extending the appeal of vocational training at the school by improving the teachers' professional skills, providing vocational training to students and supplying additional educational materials related to the gas industry. As part of the programme, the school received computers and a library with over 330 books on gas engineering, as well as trade magazines. Furthermore, special training courses for the students were organised.

Acting in the best interest of vocational training in the field of oil mining in western Poland, **PGNiG Zielona Góra Branch, Poszukiwania Naftowe Diamant Sp. z o.o.** and the Sulęczyno State School of Higher Vocational Education signed an agreement concerning establishment of a course of study in Power Engineering – Oil and Gas Mining at the faculty of Power Engineering. Under the agreement, the Branch undertook to find teachers of subjects such as geology, reservoir engineering and hydrocarbon production and to provide students with work placement opportunities at the Branch.



Workplace



Its employees are the Group's most valuable asset. Their knowledge, qualifications and involvement have a decisive effect on the Group's day-to-day operations, the achievement of its goals and performance of its tasks, and also on its unique nature and growth potential. The PGNiG Group is composed of 36 entities with an aggregate workforce of 32,783 (as at the end of 2011), working both domestically and abroad. Despite the large scale of its operations, the Group has maintained a uniform identity and potential for further growth and taking up of new challenges. Perfecting work assessment systems and employee incentive schemes, creating the best conditions for employee development and improving the efficiency of the Group's operations are among the PGNiG Management Board's priorities.

In 2011, an employment streamlining process was implemented in the Group's companies. Since December 2011, when the process commenced at PGNiG Head Office, 112 people have terminated their employment contracts with Group companies. Of that number, 83 received notice of termination, 13 terminated their employment contracts by mutual agreement and 16 took advantage of the Voluntary Redundancy Scheme. Following appeals, notice of termination was withdrawn with respect to 19 employees.

Tasks



Objective 1

To improve HSE statistics by enhancing the system's effectiveness

A safe workplace is among the top priorities in the oil and gas industry. Accordingly, the Group strives to eliminate potential threats and perfect safety processes on an ongoing basis.

PGNiG SA strives to meet all applicable standards relating to health and safety at work, and takes preventive steps, including employee education and implementation of best practices and policies providing for increased employee awareness of near misses.

Information on accidents at work in the PGNiG Group

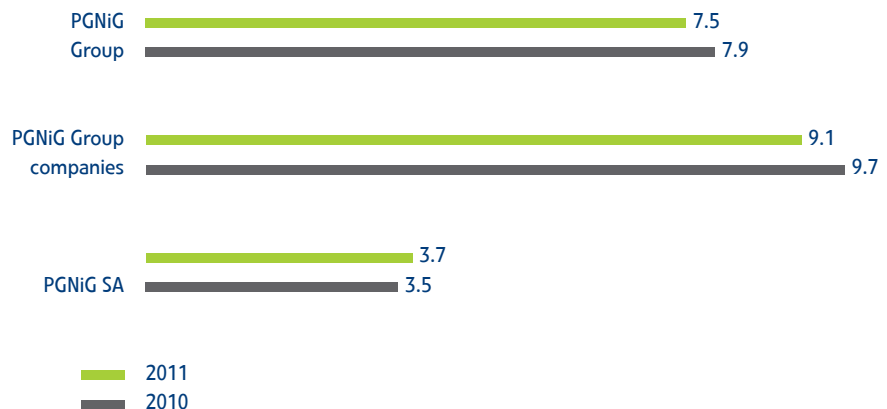
As a result of accidents at work which occurred in 2011, 230 people sustained slight bodily injuries, three received grave bodily injuries, and two died of the injuries they had sustained. The first fatal accident was a road accident at the Gas Distribution Division in Mińsk Mazowiecki (Mazowiecka Spółka Gazownictwa). The victim was the Head of the Garwolin Gas Distribution Region. On December 21st 2011, a company car driven by the employee skidded and hit a Scania truck head-on. The employee died on the spot.

The other fatal accident was also a road accident, at the Gas Distribution Division in Olsztyn (Pomorska Spółka Gazownictwa). On December 9th 2011, the victim – employed as a measurement engineer – had a head-on collision while driving a company car (Fiat Doblo) with a Renault Master on Road 16 near Kromerowo. The employee died on the spot.

Number of accidents at PGNiG Group branches and companies in 2007–2011

Year	Number of accidents in the PGNiG Group	Number of accidents at PGNiG SA	Number of accidents at PGNiG SA
2007	228	27	201
2008	213	21	192
2009	215	26	189
2010	232	30	202
2011	230	32	198

Accident frequency rate at PGNiG Group branches and companies in 2010–2011





Workplace

Additional employee training to increase safety at work

PGNiG SA Sanok Branch ran a system failure simulation involving a gas leak at three facilities (the Crude Oil and Natural Gas Production Facility Lublin, Natural Gas Production Facility Tarnów I and Natural Gas Production Facility Wierchosławice). 25 employees practiced proper behaviour during an out-of-control leak of hydrogen sulphide in mining facilities.

PGNiG SA Zielona Góra Branch conducted fire-protection training at the Dębno Crude Oil and Natural Gas Production Facility, consisting in a simulated LPG and crude oil tank fire. The training was organised in cooperation with the State Fire Service, mining rescue teams, medical emergency service, police and government agencies.

Poszukiwania Nafty i Gazu Kraków Sp. z o.o. provides well work services to customers in Europe, Asia and Africa and exploration services in the development of crude oil and natural gas fields. In certain countries where it operates the company has to face different cultures or a higher risk of terrorist attacks. Therefore, the company conducted training for employees delegated to dangerous regions. 68 employees participated in the training. They were familiarised with rules to be followed during the trip to and around high-risk countries, alarm systems and emergency evacuation procedures, as well as rules to be followed upon the occurrence of dangerous events or abduction.

In 2011, 60 employees of the **Wrocław Gas Sales Unit of the Lower Silesian Gas Trading Division** were trained in 'Safe Driving'. During the training, employees entitled to drive company cars mastered proper behaviour in the event of skidding and emergency braking. The training has won the recognition of the Responsible Business Forum and was listed in the Responsible Business Forum's Best Practices Catalogue 2011.

Implementation of new safety systems applied by trading partners all over the world

PGNiG NAFTA S.A. of Piła implemented the 'STOP' Safety Training Observation Program developed by the American company DuPont. The STOP programme supports the prevention of accidents and injuries, as well as monitoring of workplace safety. The company's management personnel and system leaders all participated in the training. The system leaders were responsible for propagating the system throughout the company's entire workforce, and in particular the drilling crews. The backbone of the system is the observation cycle: DECIDE – STOP – OBSERVE – ACT – REPORT. Following an observation, a STOP Observation Card is filled in to record dangerous incidents or behaviour, as well as positive actions increasing employee safety. The employee submitting the card deemed best is then awarded.

Poszukiwania Nafty i Gazu Jasło S.A. implemented the HSE (Health, Safety and Environment) Management System with a view to harmonising the system of work at drilling rigs with international standards. This required a thorough reconstruction of individual management areas in the company, with areas requiring changes identified, required steps determined, and benefits defined. Consequently, the organisational structure was changed, resulting in improved coordination and efficiency of safety-related activities. At each drilling rig, employees were appointed and trained as HSE Inspectors, whose responsibilities include the support and supervision of proper operation of all components of the HSE Management System at the rig. The rig's complete documentation was updated and consolidated, serving as a basis for the implementation of new standards by HSE Inspectors. Development commenced on a Risk Assessment and Safety Analysis system, with respect to drilling rig operations, and the Observation System and Lock Out/Tag Out System were also implemented. The steps taken bore fruit in the form of enhanced occupational safety awareness and awareness of environmental issues, as well as the implementation of new, safer technological solutions which led to an increased number of observations and remedial actions. The HSE Management System is also in place at the PGNiG Odolanów Branch, PGNiG Kraków and the PGNiG Zielona Góra Branch.

Analysis of accidents and near misses, as well as an increase in the number thereof at **Geofizyka Toruń**, especially during the execution of seismic projects, urged the company to launch the **MISSION ZERO – zero accidents, zero near misses, zero alcohol in the workplace** employee campaign. The implementation of Mission ZERO includes numerous actions focusing on occupational safety, first aid, employee motivation and safety leader training for management personnel. From among the employees qualified in HSE issues, a mentor was selected and made responsible for the training of seismic teams and assessment of HSE Inspectors. Line managers, seismic team leaders and HSE Inspectors received guidelines and for applying disciplinary measures supporting the creation of a safe workplace. They also received documentation on the Restricted Work Programme, under which the scope of an employee's responsibilities may be restricted to enable an employee who suffered a minor injury to continue their work for the company. Mission ZERO also includes the Medical Programme for Seismic Teams, tailored to the location of the team's workplace (Europe or Africa).

Objective 2

To focus on the Development of Employee Competences / Learning Organisation

One of the PGNiG Groups' priorities is the creation of a friendly, unique workplace for existing and future employees. Therefore, the Group cooperates with numerous schools and higher education institutions in the regions where its companies operate. We advise their youth on the trades and professions important to the Group's business, invite them to visit our facilities to watch our work, and offer them work, internships and trainee placements. With a view to educating a highly qualified workforce, we support selected vocational education classes and organise numerous training sessions for our employees. We also support employees' development with a work assessment system.

Initiatives/Best Practices

We run an employee assessment system in order to improve work efficiency and foster employee development

Global Management Challenge

PGNiG SA participated in the country-wide Global Management Challenge contest. The idea behind the contest is to give contestants an opportunity to acquire the skills necessary to manage a virtual company on the global market. The contestants have to operate in an environment of complex strategic simulation, where knowledge is combined with practical experience. PGNiG was represented by 24 teams composed of between three and five employees of various levels, including managers and engineers. Each team independently managed its own marketing, production and sales budgets. The effects were reflected in reports instantly generated by the contest system. Our employees learned how to effectively manage the strategic areas of a company's business. The Company also participated in the 2012 edition of the contest.

Performance Assessment System

In 2011, PGNiG SA launched a Performance Assessment System, which is also in place at certain strategic companies in the Group. When fully implemented, the System will be a tool for planning and support of employees' development. While PGNiG SA has only just started implementation of the System, 2011 may be deemed a milestone year following implementation of part of it – an electronic spreadsheet application – as well as the Rules of the Performance Assessment System. The System enables assessment of employees in individual workforce groups: blue-collar workers, executive personnel, mid-level management and experts. Assessments are performed twice a year and cover both the tasks performed (quality, work discipline, timeliness etc), and soft competencies (communication skills, willingness to learn, team-work skills etc).

Participation in employee assessment systems

		Employee assessment system in place at the entity (yes/no)	% of employees assessed in 2011	
PGNiG Branches	PGNiG Head Office	YES	96	
	PGNiG Odolanów Branch	YES	97	
	PGNiG System Operator Branch	YES	100	
	PGNiG Sanok Branch	YES	100	
	PGNiG Zielona Góra Branch	YES	74	
	PGNiG Egypt Branch	NO	0	
Gas Trading Divisions (GTD)	Pomeranian GTD	YES	100	
	Mazovian GTD	YES	96.2	
	Carpathian GTD	YES	99	
	Greater Poland GTD			
	Lower Silesian GTD	YES	96.3	
	Upper Silesian GTD	YES	99	
PGNiG Group's Strategic Companies (Gas Distribution Companies)	Dolnośląska Spółka Gazownictwa	NO	0	
	Górnośląska Spółka Gazownictwa	YES		
	Karpacka Spółka Gazownictwa	NO	0	
	Mazowiecka Spółka Gazownictwa	YES	97	
	Pomorska Spółka Gazownictwa			
	Wielkopolska Spółka Gazownictwa	NO	0	
Exploration and Production	Geofizyka Kraków	YES	93	
	Geofizyka Toruń	YES (partial)	5	
	PGNiG Norway	YES	100	
	PNiG Jasło	YES	10	
	PNiG Kraków	YES	87	
	PNiG Nafta Piła	YES	12.3	
	Poszukiwania Naftowe "Diament"	YES	100	
	Zakład Robót Górniczych Krosno	YES	10	
	Other Group Companies	Gazobudowa	NO	0
		BSiPG Gazoprojekt	YES	98
Investgas		YES	100	
Naftomontaż		YES		
ZRUG Pogórska Wola		NO	0	
	ZUN Naftomet			



Workplace

Management and Growth

PARP* training – Manager Academy at the Lower Silesian Gas Trading Division Under PGNiG's Group-wide **Manager Academy** project, the **Lower Silesian Gas Trading Division** conducted a series of training sessions for mid-level management personnel. The training was designed for participants to share comprehensive knowledge on management. The subjects covered included social competences, interpersonal skills and legal issues. 16 employees participated. (* PARP stands for Polska Agencja Rozwoju Przedsiębiorczości (Polish Agency for Enterprise Development).)

Leader Academy

This is a coaching project executed on the initiative of the **Pomeranian Gas Trading Division**. It was designed to support the development of management personnel's personality traits through competency training. The project started in 2010 with training focusing on soft competences, followed in 2011 by training in "**Stress and time management**". The project focused on development based on an analysis of the personality predispositions of individual employees. 100% of the management personnel of the Gdańsk Gas Sales Unit were trained under the project.

Educational support for the Group's future employees

PGNiG, supported by the **PGNiG SA Ignacy Łukasiewicz Foundation**, invests in the development not only of its existing, but also its future employees, who are now attending secondary schools or higher education institutions. In 2011, the third edition of the '**Student Scholarship**' was carried out. This is a scheme dedicated to university students studying subjects connected with the oil and gas industry. The ten best appointed students were granted scholarships intended for buying learning aids or covering the costs of participation in conferences. 2011 also saw the second edition of the '**Pupil Scholarship**' programme addressed to pupils attending vocational schools educating specialists working in the oil and gas industry. Under this programme, scholarships are granted to the best fifteen pupils. In both programmes, heads/rectors appoint the candidates, while the Foundation's Board selects the grantees upon the Foundation Council's recommendation.

The PGNiG Zielona Góra Branch, Poszukiwania Naftowe Diament Sp. z o.o. and State Higher Vocational School of Sulechów signed an agreement on supporting students who are studying Power Engineering, in a **Power Engineering for Oil and Gas Mining** specialisation. The Group entities involved delegate their employees to give lectures and tuition on such subjects as geology, introduction to reservoir engineering and production of hydrocarbons, as well as offer work placements.

In September 2007, a well mining technician class was opened under the auspices of the four-year secondary vocational day school of Zespół Szkół Elektronicznych i Samochodowych (Combined Electronics and Automotive School) of Zielona Góra, and the two-year post-secondary extramural school of the Centrum Kształcenia Ustawicznego i Praktycznego (Continuous and Practical Education Centre) of Zielona Góra. Given the Branch's development plans, ongoing exploratory work and the launch of new organisational units, the PGNiG Zielona Góra Branch also decided to begin cooperation with Zespół Szkół Ponadgimnazjalnych (Combined Post-Secondary School) of Grodzisk Wielkopolski. The first ever class of a four-year secondary vocational day school was opened in 2009.

Objective 3

To create positive associations with the brand as a good employer (employer of choice)

Initiatives/Best Practices

We establish friendly workplaces where the passions and interests of our employees can be pursued.

Benefit packages

All employees of the PGNiG Group are enrolled in medical care plans, with an option to extend the plans to include employees' family members. Comprehensive health care services under the plan include pre-employment check-ups, periodical and follow-up medical examinations, and access to primary and specialised health care and additional benefits, such as vaccinations, pregnancy watch or physical therapy.

Employees of the Group are also entitled to additional benefits, such as contributions towards sports and fitness, and recreation and cultural classes/training. Cash contributions towards holidays are also offered to employees and their families, as well as loans for home purchase/refurbishment on attractive terms. Employee self-loan funds have also been established at nearly all companies of the Group to provide finance to employees to cover their vital needs.

Additional benefits

Parent at work – Lower Silesian Gas Trading Division. The 'Parent at Work' project was launched as part of the 2010 agreement with the trade unions. By amending the Work Regulations in effect at the Lower Silesian Gas Trading Division, the company introduced flexible working hours at the individual employee's request. The project also uses funds from the Company Social Welfare Fund (CSWF) to partially cover nursery and pre-school fees. 22 staff members of the Wrocław Gas Sales Unit currently use the funding. The plan for 2012 is to cover a portion of the cost of the school-goer pack (books and stationery) for junior and senior primary school and secondary school children. **This practice has been noted by the Responsible Business Forum in their 2011 Best Practice Report.**

Melanoma screening

Karpacka Spółka Gazownictwa (the Carpathian Gas Distribution Company), in conjunction with PZU (the company's insurer), launched a malignant skin cancer screening project, covering eight branches of the Company. Screenings were made available to all employees, and 755 were screened from a total headcount of 3,300. The screening procedure included dermatoscope examinations and consultations with a dermatologist.

Friendly workplace

Our organisation actively promotes the idea of environmentally-friendly workplaces. We have launched a number of initiatives under our Green Office project to mitigate the impact of our offices on the environment. The PGNiG Group's best practices in this respect include economical use of paper, water and electricity, promotion of innovative solutions, waste sorting and recycling. We also run related education and awareness-raising campaigns for all our employees. The operating cost of PGNiG Group Companies is further reduced through the employment of innovative process solutions, such as electronic tools and applications. The Green Office project contributes to more reasonable resource management in our office operations, and testifies to the comprehensive involvement of the company and its staff in environmental protection.

The electronic recruitment tab on the company website (dsgaz.pl) describes working conditions for prospective employees of Dolnośląska Spółka Gazownictwa (Lower Silesian Gas Distribution Company) and its business partners, and allows us to interact with the labour market. Candidates can also find an 'essential company info' pack, and can apply online using an electronic application form.

Employee rights are also safeguarded by trade unions. February 2011 saw the fourth edition of the PGNiG Group Social Dialogue Conference, which is an additional tool for developing good relations between employees and employers. The event was attended by 200 representatives of key trade unions operating in the Group, members of the Employees Council, representatives of the Management Board and the Supervisory Board of PGNiG SA, as well as a representative from the Polish Labour and Social Policy Ministry.

Leisure pursuits

Employees of the PGNiG Group are also supported by the company in their leisure pursuits. Fans of amateur sports can join company football or volleyball teams, a tennis, badminton or angling club. Numerous other sports clubs are also available. The traditional Group-wide championships host teams from the different divisions and gas companies, which compete for titles and prizes, but also spend time together, getting to know each other better.

Each year, the showroom of the Zielona Góra Branch hosts the 'My pastimes' employee art exhibition, in which our employees display their own paintings, photographs, sculptures and other works of art – and once, even a canary-raising exhibition. The town's residents are also welcome to visit the exhibition.

Several rock music fans employed by Wielkopolska Spółka Gazownictwa (Greater Poland Gas Trading Company) formed their own band, called GazBand. The band plays at Saint Barbara's Day events and company meetings, and also played live at the GAZTERM 2011 industry event.

We support our staff's involvement in social work

PGNiG supports various staff initiatives relating to social work and the pursuit of their own interests and needs, in particular where it benefits other members of the community. This is rooted in our conviction that social work reinforces staff bonds, enhances feelings of community and offers personal satisfaction.

Of the many initiatives in the realm of social work, the blood donation drives deserve a special mention. The concept of voluntary blood donation is firmly rooted among employees of the Group. The Nafta voluntary blood donors' club of Zielona Góra brings together blood donors from the Zielona Góra Branch and the Poszukiwania Naftowe 'Diamant' company. In 2011, Nafta donated over 174 litres of blood in total, and organised 2 voluntary donation campaigns targeted not only at other employees, but also the general public. First aid training also often accompanies these events. Blood is also donated in an organised way by the employees of many other PGNiG Group companies, such as the Mazovian Gas Trading Division, the Lower Silesian Gas Trading Division, Mazowiecka Spółka Gazownictwa, Karpacka Spółka Gazownictwa, PGNiG Termika and PGNiG Head Office.

Between them, the employees of the Sanok and Zielona Góra Branches donated 198.55 litres of blood in 2011. Józef Barda from the Zielona Góra Branch has donated 52.43 litres of blood since 1983, and Stanisław Pietraszek of the Lower Silesian Gas Trading Division has donated 59 litres since 1968.

Each year, many PGNiG Group employees participate in the nationwide 'Noble Gift' (Szlachetna Paczka) campaign, which reaches out to those in need and members of their communities who are suffering from life's hardships.

Notable social projects organised by Karpacka Spółka Gazownictwa include 'Decorations for Ola', a Christmas decorations fair that used its PLN 7,792 sales money to fund a wheelchair for an employee's child, a special collection of gifts for Poles in Lithuania, and a collection of items and supplies for the first cancer hospice, run by Polish nuns, in Vilnius. The books, clothes, food, cleaning products and other items collected were also distributed to schools and families in Mejszagol, Turgiele, Rakańce and Postawki, and to an orphanage in Podbrodzie. The Group's charitable and social practices were noted by the Responsible Business Forum in its FOB 2011 Best Practice Report.

On the occasion of a recent Ramadan (the Muslim fast) the Egypt Branch's employees prepared care packages of traditional Ramadan food for their local collaborators. The packages were also handed out to poor families in the Branch's local community.

Objective 4

To introduce uniform internal communication standards and develop a shared corporate culture

We develop ethical standards and corporate culture

An important part of developing a shared corporate culture is the Ethics Officer.

Ethics Programme

The ethics programme is an expression of our belief in business conduct of the highest ethical standards, and is a vital component of our Sustainable Development and Responsible Business Strategy. In August 2011, following completion of an internal and external consultation process, the Management Board formally adopted the Code of Ethics and the PGNiG SA Ethics Programme Management System. Specific organisational measures and procedures were planned as part of the system, and the Management Board called on all PGNiG Group companies to implement similar solutions.

In order to ensure that our conduct in all our dealings with our stakeholders is in full compliance with these ethical standards, a number of organisational tools were implemented, primarily educational. For example, a detailed programme of training on business ethics entitled 'Ethical behaviour' was prepared for employees at all levels, to encourage them to reflect upon the concept of ethics, and to help them better understand the ethics programme in the context of their day-to-day behaviour. To raise awareness of ethical standards among employees, the Ethics Officer maintains an 'ethics blog' on the PGNiG Info intranet page. The blog's entries shed more light on the moral challenges of everyday work and provide examples of model behaviour, and is becoming increasingly popular among our employees.

The Ethics Officer's responsibilities also include consulting with the Internal Audit Office on the consistency of the PGNiG SA Ethics Programme Management System with the PGNiG SA fraud management programme.

In 2011, the 'ethics hotline' was opened, allowing any of PGNiG's employees to call the Ethics Officer with questions or queries regarding ethical rules and standards. The hotline's number and voicemail are available to all employees, 24/7. Initially, the ethics hotline was aimed at employees of those PGNiG Group companies which did not have their own comprehensive ethics programmes in place.

Although no ethical infringements have been formally reported as yet, a number of individual consultations have been held, not only by telephone and email, but also in face-to-face meetings. These consultations particularly covered the individual moral dilemmas of employees at various management levels. The employees' questions covered specific work behaviours, in particular in supervisor – worker relations, and therefore involved analysis of individual cases, together with the reporting person, in order to work out the best possible solutions.

In 2011, an awareness and training meeting on the Code of Ethics, the Ethics Programme Management System and behaviour in high-risk situations was organised for senior managers. The meeting was attended by the President of the Management Board, Heads of Departments as well as employment optimisation process consultants. In December 2011, the Ethics Officer was appointed Head of the Ad-Hoc Team to analyse and submit an opinion on employee appeals in the collective redundancy process at the Company's Head Office, the ultimate goal of which was to develop recommendations on the matter for the President of the Board. As part of the consultation process with the Shareholder Oversight Office, guidelines were agreed for harmonisation of the PGNiG SA Ethics Programme Management System with the guidelines and procedures provided in the Rules of Best Practice for PGNiG Group Managers, adopted by the Management Board in 2009. The rules detail specific conflicts of interest in management-level decision-making processes, and describe model conduct whenever a conflict of interest arises. Finally, such cases are analysed by the Ethics Officer.

The Ethics Officer held substantial consultations with those responsible for implementing the ethics programme in PGNiG Group companies, as well as collecting and reviewing reports from their respective ethics officers. Following consultation and development of related materials and presentations, the ethics programme was finally prepared for launch at 17 PGNiG Group companies in 2011.

The six strategic companies (WSG, GSG, KSG, DSG, MSG, PSG) have already filled their own ethics officer or ethics ombudsman positions. The organisational and formal solutions applied vary, but all are fully in line with the guidelines of the PGNiG SA Ethics Programme Management System. Some of the companies also plan to revise their codes of ethics or other ethics-related documents, and three have held special meetings between the PGNiG SA Ethics Officer and their management boards and managers, discussing the guidelines and specific solutions.

Seven other PGNiG Group companies also have ethics officers who take an active role, particularly in ethics education for managerial staff, and in the drafting of appropriate codes and procedures, including for the appointment of the ethics ombudsman.

The PGNiG SA Ethics Officer is also involved in the ethical standards communication process at various external conferences and meetings. These include a lecture on business ethics delivered at the 'Marketing and PR in the Power Industry' conference, organised by PTPIREE (Polish Association for Transmission and Distribution of Electricity) and held in Serock for representatives of the power industry; a lecture at the 'Flexible workers, socially responsible employers' conference, organised in Zakopane by the Nationwide Oil and Gas Trade Union (Ogólnopolski Związek Zawodowy Górnictwa Naftowego i Gazownictwa), and a lecture for prospective CSR staff as part of the Responsible Business League agenda.

Full implementation of the ethics programme in the PGNiG Group requires consistent effort and cooperation from all employees in the long-term ethical education process. Benefits from the programme will be maximised in line with the increase in awareness of the need to promote ethical conduct and standards and to monitor compliance, and to get staff involved in awareness-raising campaigns. Only then will the Code of Ethics truly begin to shape employees' conduct and behaviour within the organisation and society as a whole.

Dialogue with staff members

Social dialogue has a long tradition in the power industry, and this is no different in the PGNiG Group, where over seventy trade union organisations operate. Company employees elect one PGNiG Management Board member for a three-year term, and three employee representatives sit on the Supervisory Board. Each PGNiG Group company has a person assigned to handle employee matters and work with the trade unions.

Our companies consult each important decision with the employee organisations. This platform of cooperation is extremely important for us, but in many cases, including decisions on employee matters, may also cause the decision-making process to drag. This problem has been noted by many of the trade unions operating in the PGNiG Group.

They have, therefore, attempted to establish a method of cooperation applicable to all trade unions with the purpose of, for example, coordinating the operation of the trade unions vis-à-vis oil and gas mining industry employers. The initiative was not fully successful at that stage, but the process is still on-going. Duplication of roles very often mars the social dialogue process on numerous vital matters. Due to the effective legal requirements, partners of the Management Board of PGNiG are separate trade union organisations of PGNiG and of PGNiG Group companies.

Employee information and consultation on important decisions is also enabled through ongoing cooperation with trade unions and employee councils operating at PGNiG and many of its Group companies. In terms of duration of the consultation process, a 30-day period for responding to a written statement is effective for Agreements with the so-called Oil and Gas Mining Trade Union Centres (which also represent the Group companies' trade unions). These Centres ensure that, within their central and branch organisations, the document flow is 30 days for documents requiring approval and 14 days for documents requiring an opinion. In the case of agreements with the Trade Union Centres, these periods are 30 and 10 days, respectively. The employer should then submit to the Employees Council the information it requests within 14 days.

The Council's opinions are provided within 14 days of the date the information is submitted. The law also requires the employer to submit the information early enough and to an extent enabling the Council to examine the matter and prepare for the consultations.



Natural environment



The operations of PGNiG Group companies related to gas and oil exploration, production, storage, trade and distribution all affect the natural environment. Aware of the contemporary environmental challenges posed by climate change, depletion of natural resources and heavy pollution of various components of the natural environment, the PGNiG Group seeks to minimise the adverse impact of its business.

As part of its commitment to environmental responsibility, the PGNiG Group takes measures to effectively protect nature at every stage of its operations. The Group promotes natural gas as an eco-friendly fuel and educates its employees and stakeholders in the area of environmental protection. It also seeks to enhance its environmental management systems and improve the efficiency of monitoring efforts.

Tasks

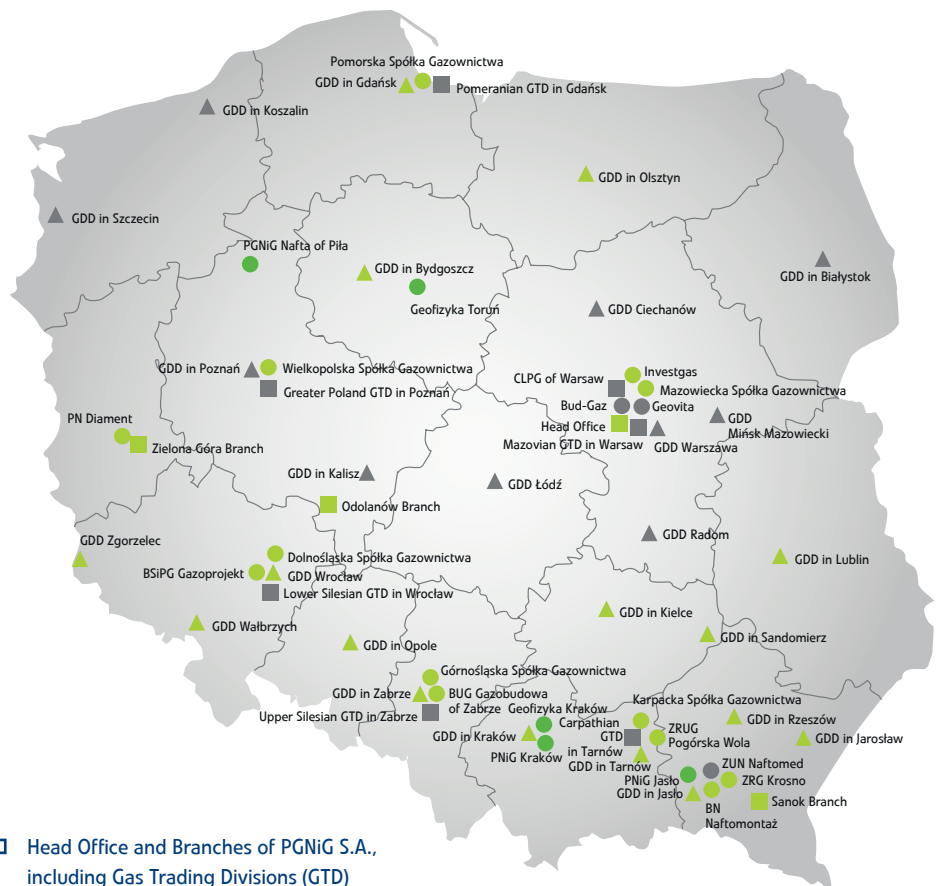


Objective 1

To implement, maintain and enhance environmental management systems

The PGNiG Group voluntarily mitigates its harmful environmental impact by means of Environment Management Systems (EMS) in place at the Group's entities, which guarantee the compliance of their operations with applicable laws. Harmful environmental emissions identified at an entity, such as flue gases, water consumption or noise, can stem from current, previous, or future products and services. Any material environmental impact (as assessed by the relevant criteria) translates into other elements of the system, such as environmental policies, objectives and tasks, process monitoring and management. The EMS serves to improve the Company's image and credibility in the eyes of both state authorities and customers, while also contributing to the environmental awareness of its staff. In addition to enhancing the Company's image and credibility, the EMS provide a number of other, purely economic benefits.

- ISO 14001 Environmental Management and HSE systems
- ISO 14001 Environmental Management system
- Other entities – no systems implemented



- Head Office and Branches of PGNiG S.A., including Gas Trading Divisions (GTD)
- Companies of the PGNiG Group, including Gas Distribution Companies (GDC)
- ▲ Gas Distribution Divisions (GDD) of the Gas Distribution Companies

Initiatives/Best Practices

The majority of PGNiG Group companies have implemented, certificated and maintained the Environmental Management System (EMS) based on the PN-EN ISO 14001 standard, frequently integrated with other systems, such as quality, HSE or information security management systems. In the entire 2011, Mazowiecka Spółka Gazownictwa devoted considerable efforts to prepare for the certification of the PN-EN ISO 14001-compliant Environmental Management System introduced in June 2011.

All four units of the PGNiG Group that were required to renew the EMS certification in 2011 (the Zielona Góra Branch, Dolnośląska Spółka Gazownictwa, Geofizyka Toruń and BN Naftomontaż), fulfilled the relevant requirements and obtained renewals. The only exception was Pomorska Spółka Gazownictwa, which – as in the years before – decided not to renew the certificate, despite having in place an operational EMS. In May 2011, Wielkopolska Spółka Gazownictwa completed

the EMS implementation process and obtained a certificate confirming the compliance of the system in place with the PN-EN ISO 14001 standard. As a result, in 2011 the number of PGNiG Group companies with a certified environmental management system increased to 20.

Environmental management systems in place at the PGNiG Group (as at 2011)

Organisational unit	Date of implementation/ certification	Certifying body	Date of certificate renewal
Branches of PGNiG SA			
Head Office	July 2009	Det Norske Veritas	N/A
Odolanów Branch	May 2003	LRQA	December 2009
Sanok Branch	November 2004	Det Norske Veritas	November 2010
Zielona Góra Branch	April 2002	TUV Nord	April 2011
Strategic companies			
Dolnośląska Spółka Gazownictwa	May 2005	Det Norske Veritas	June 2011
Górnośląska Spółka Gazownictwa	October 2004	Polskie Centrum Badań i Certyfikacji SA	October 2010
Pomorska Spółka Gazownictwa SA	December 2005	Polski Rejestr Statków S.A. w Gdańsku	June 2008
Karpacka Spółka Gazownictwa	September 2009	UDT-CERT	N/A
Mazowiecka Spółka Gazownictwa SA	June 2011	W trakcie certyfikacji	
Wielkopolska Spółka Gazownictwa SA	May 2011	TUV SUD	N/A
Core companies			
Geofizyka Kraków*	November 2001	Bureau Veritas BVQI	June 2012
Geofizyka Toruń*	January 2004	LRQA	March 2011
Poszukiwania Nafty i Gazu Kraków*	November 2009	Bureau Veritas BVQI	N/A
Poszukiwania Nafty i Gazu Jasło*	November 2001	TUV Monachium	December 2010
Poszukiwania Nafty i Gazu NAFTA-Piła*	June 2000	TUV Monachium	December 2010
Poszukiwania Naftowe "Diament"	August 2003	TUV Monachium, TÜV SÜD Polska	January 2010
ZRG Krosno	January 2006	TUV Rheinland	January 2009
Other			
BUG Gazobudowa Zabrze	September 2001	UDT-CERT Warszawa	October 2010
BN Naftomontaż	December 2004	TÜV SÜD Monachium	October 2011
ZUN Naftomet	N/A		
ZRUG w Pogórskiej Woli	May 2006	TUV Saarland e.V.	May 2010
GAZOPROJEKT	March 1998	Polskie Centrum Badań i Certyfikacji	January 2012
SPV			
INVESTGAS	December 2001	TUV Monachium	December 2010

* Units with the HSE (Health, Safety and Environment) management system in place.

In accordance with the PN-EN ISO 14001 standard, environmental management systems serve to show that a given company accepts certain environmental responsibilities. The EMS in place at the PGNiG Group companies demonstrates their efforts aimed at the maximum reduction of their adverse impact on the environment, compliance with all statutory and legal requirements and commitment to constant improvement of their environmental performance.

One of the key requirements under the PN-EN ISO 14001 standard in facilitation of the above obligations is the identification of all sources of environmental impact. A list of identified and assessed sources of negative environmental impact forms the basis for the environmental objectives within the EMS. Therefore, proper definition of this area is among the key factors supporting analyses at all the Group companies and identification of areas of special interest for oil and gas mining. Accordingly, the PGNiG Group's Sustainable Development and Responsible Business Strategy for 2009-2015 provides for the development of uniform criteria for identification and assessment of the Group's environmental impact, as part of the environmental tasks defined under 'Implementation, maintenance and enhancement of the EMS'. In 2011, the initiatives undertaken a year before to support the pursuit of this strategic objective continued to be effected.

Objective 2

To use elements of the EMS to meet HSE requirements

To maintain its strong position and reliability on international markets, the PGNiG Group has to meet the requirements of the HSE (Health, Safety and Environment) management system, which combines occupational health and safety with aspects of environmental protection and promotes innovative organisational and technological solutions. PGNiG Group companies operating abroad or working with foreign partners in Poland meet the most stringent international HSE requirements. These procedures guarantee the safety of their operations and the lives and health of those directly involved, as well as those of their local communities, and are as harmless as possible to the environment.

Initiatives/Best Practices

It should be noted that the number of PGNiG Group entities with HSE management systems in place has increased. In late 2011, PGNiG SA also joined the group of companies which implemented the international health, safety and environment management system. Under Instruction 43/2011, documents were adopted relating to the Operator HSE system for the exploration, production and tankless storage of hydrocarbons. In accordance with the approved manual, PGNiG SA's HSE system covers the Sanok Branch, the Zielona Góra Branch and other Branches and Companies of PGNiG SA acting as licensed operators. The Head Office of the Company, acting as the Management Board's executive arm for the HSE System, is responsible for substantive supervision of its operation and monitors all HSE-related activities of PGNiG Branches. To that end, the HSE Officer was appointed with the Head Office, along with advisory bodies such as the HSE Council and Committee, which support the HSE Officer as regards improvements to the HSE System. Similar systems are in place at Geofizyka Kraków, Geofizyka Toruń, PNiG Kraków, PNiG Jasło and Poszukiwania Nafty I Gazu Nafta Piła (HSE manual).

Objective 3

To educate and raise environmental awareness

It takes vast amounts of knowledge and experience to fulfil the requirements of environmental protection law, particularly because of its constant evolution, but also because of the growing importance – and awareness – of environmental issues. Fortunately, the PGNiG Group can boast excellent employees, who have the relevant education and many years of experience in the field. In addition, PGNiG seeks to ensure that all Group employees are properly educated in the field of environmental protection.

Initiatives/Best Practices

Individual PGNiG Group entities designed a training scheme for the EMS in accordance with the requirements of PN-EN ISO 14001. It covers three types of training. First, there is induction training for new employees to explain basic EMS concepts and requirements of PN-EN ISO 14001 and the environmental management system as used by the specific PGNiG Group entities. Second, there is refresher training to periodically refresh employees' knowledge and raise their awareness of how important it is to comply with the Environmental Policy and other procedures in place in connection

with the EMS implementation at the company. Refresher training is also used to present existing or potential significant impacts on the environment caused by employees. Finally, we organise improvement training in an attempt to upgrade the qualifications of key personnel and internal auditors supporting the environmental management systems at individual PGNiG Group entities. All PGNiG Group entities which have in place the environmental management systems organised a total of 1,102 induction, refresher and improvement training sessions in 2011.

Objective 4

To take into account environmental protection criteria when selecting new investment projects, solutions and technologies

In most cases, industrial activity does have an environmental impact. This is usually harmful to the environment; air pollution, water contamination, depletion of drinking water resources and reduced biodiversity are all examples of this impact. For centuries, especially in the industrial era, man exploited the environment to satisfy his needs. However, the emergence of the first material effects of this irrational management of natural resources has brought about a gradual change in attitudes.

The initiatives currently being undertaken on numerous levels share the single common purpose of eliminating or reducing the adverse effects of human activity. This is consistent with the sustainable growth principle, which provides for enough growth to meet the needs of today's generation without depriving future generations of the ability to satisfy theirs. This principle also drives the PGNiG Group's pro-environmental initiatives.

Initiatives/Best Practices

Reduction in emission of greenhouse gas and other air pollutants

The present legal framework for greenhouse gas emission reduction has necessitated the implementation of CO₂ emission monitoring and reporting process at PGNiG Group entities covered by the emissions trading system (EU ETS).

PGNiG Group entities reduce their emission of greenhouse gases and other gas and dust pollutants released into air through:

- use of gas as a low-emission fuel,
- fuel use monitoring,
- reduction in process energy consumption,
- upgrade and replacement of the existing sources of heat for process needs.

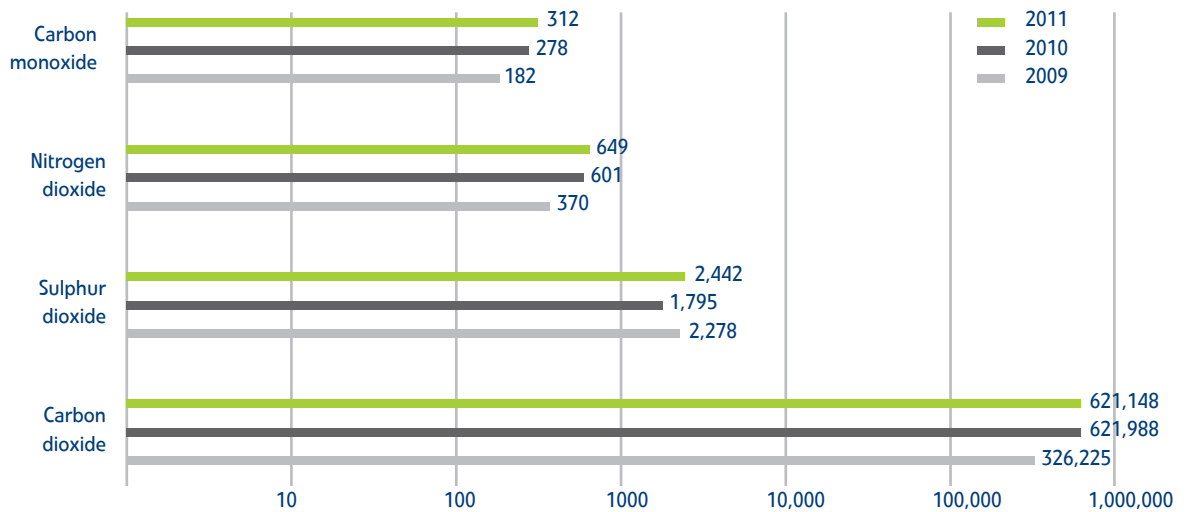
2011 CO₂ emissions (in Mg) generated by the PGNiG Group installations covered by the EU ETS

Installation	National Emission Allocation Plan Number	Emission volume allocated (in Mg)	2011 emission volume (in Mg)	Remaining (in Mg)
KPMG Mogilno	PL- 898-08	26,642	17,438	9,204
PGNiG S.A. Odolanów Branch	PL-562-05	11,181	12,528	-1,347
PGNiG S.A. Odolanów Branch	PL-950-08	30,495	30,761	-266
PGNiG S.A. Zielona Góra Branch Dębno Oil and Gas Production Facility	PL-563-05	31,664	30,371	1,293
Razem		99,982	91,098	8,884

The PGNiG Group's subsidiaries and branches have all implemented internal and external systems for gas quality control, as part of their efforts to reduce greenhouse gas emissions. To this end, they also use their own ISO 17025-compliant laboratories to conduct measurements and comparative analyses, control and validate the correct operation of process chromatographs, maintain internal spreadsheets recording CO₂ emission volume calculations, and upgrade their gas consumption metering systems. Uniform emission indicators have been developed for methane emissions from the mining sector, and work is underway in the gas sector on a single settlement methodology for gas emissions, to be employed by all gas companies.

By conducting crude oil and natural gas exploration and production operations, along with upgrade, repair and maintenance operations, PGNiG SA entities generate gas and dust emissions caused by internal combustion engines (vehicle and machines), heat sources or other process sources, as well as by industrial processes involved in the production and processing of crude oil and natural gas at mines, in the gas distribution network, and in auxiliary work (painting, welding, wood processing, galvanising, etc.) at all entities, in particular at maintenance branches of PGNiG Technologie.

Air emissions by substance in 2009 – 2011 (thousand tonnes, logarithmic scale)



Pollutants are released in an organised manner (through point sources and stationary sources) and as diffuse emissions, e.g. from the painting process.

Over one hundred and thirty different substances are emitted by the many industrial processes. The emissions primarily include gases (SO₂, NO_x, CO, CO₂, CH₄), dust (from fuel combustion, silicon, carbon, graphite and other), hydrocarbons, aldehydes, alcohols, acids, heavy metals, metallic and non-metallic elements. Air pollution resulting from fuel combustion in internal combustion engines does not count towards the total pollution impact because there are currently no indicators to calculate emissions from internal combustion engines.

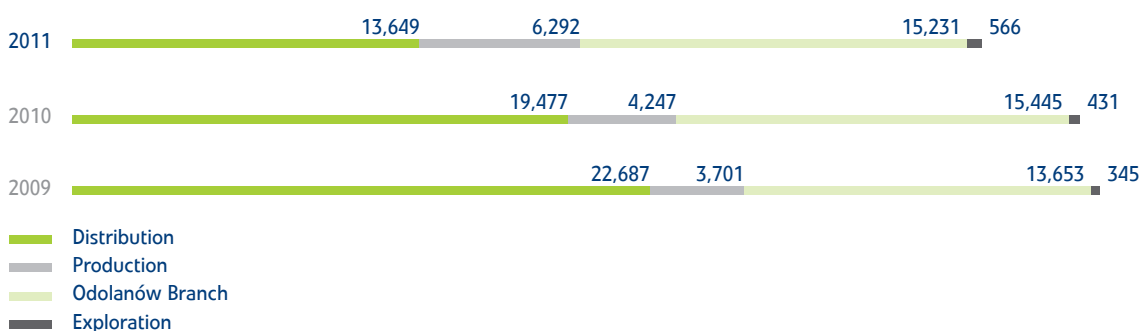
Carbon dioxide from fuel combustion by heat and process sources accounts for about 94% of all emissions, followed by methane (some 5.5%) and other substances, notably from industrial processes. Methane is released during process and emergency natural gas venting from the distribution system pipelines and plant, from mining plant at production facilities and from controlled blowout of wells by exploration companies.

Emissions of primary gaseous pollutants, such as methane and carbon dioxide, have stayed flat on the figures from previous years (chart – logarithmic scale). However, 2011 saw an increase, on 2010, in the emissions from fuel combustion at heat and process sources, sulphur dioxide (by 36%), carbon monoxide (12%) and nitrogen oxides (converted to NO₂) (by 8%) emissions, as well as a slight increase in particulate matter (dust) emissions (by 2%).

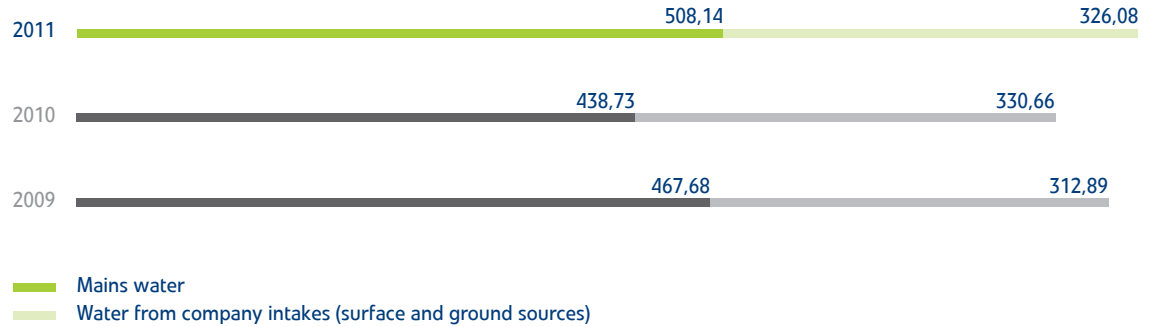
The increase results from gas production volume growth by production companies, which involves increased use of fuel by process sources.

The total 2011 methane emissions by PGNiG SA entities reached **35,738.435 Mg**, which represents a 10% drop in comparison with 2010 (chart). The drop in the emissions primarily results from a 30% decrease in methane emission from distribution networks. In turn, the volume of methane emitted during natural gas denitrification in the course of controlled blowout at production and exploration companies increased by 48% and 31%, dropping by 1% at the Odolanów Branch.

Methane emission volumes generated by the PGNiG Group's operations in 2009–2011 (in Mg)



Intake of water from surface and ground sources in 2009 – 2011, by source (in thousands of cubic metres)



Water and wastewater management

The supply deficit and deteriorating quality of water from domestic sources represent important problems for the PGNiG Group in terms of quality and economic aspects, as well as environmental protection, which is why steps aimed at protecting water resources are of vital importance.

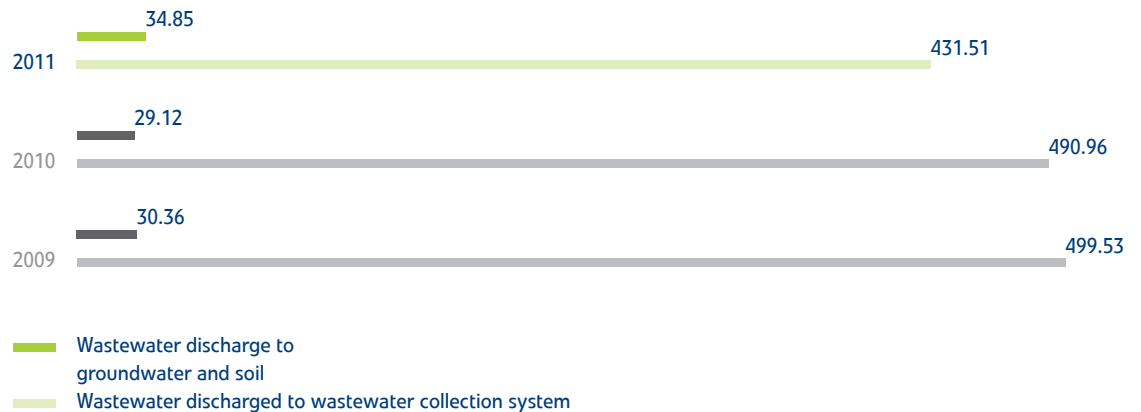
PGNiG Group companies draw water from their own groundwater intake points, or directly from the mains. This water is mainly used for social needs and, to a lesser extent, for industrial processes. Changes in water consumption that are observable from year to year are explainable primarily by the amount of process water used (i.e. the number of exploration and investment projects executed).

In 2011, mains water consumption increased from 438.73 thousand cubic metres to 508.138 thousand cubic metres, while water intake from the company wells has slightly decreased, see the chart below.

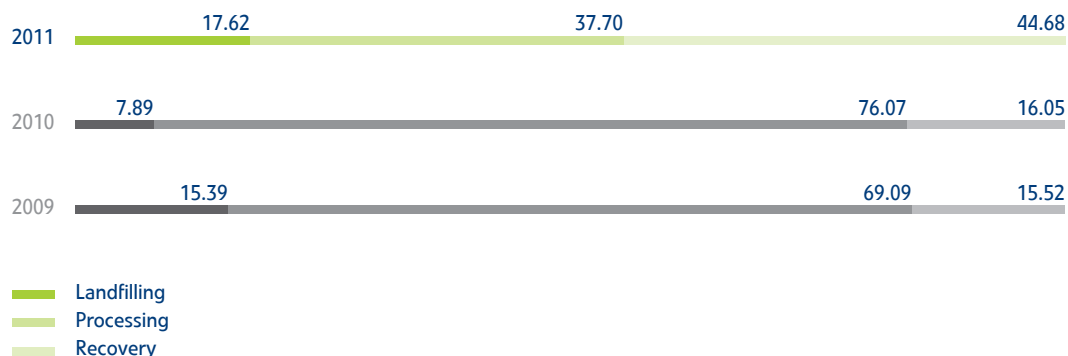
Wastewater generated by PGNiG Group entities is discharged to the wastewater system (under contracts with water supply and wastewater collection operators), to groundwater or into the soil (in compliance with existing water permits), following their pre-treatment or full treatment at the Group entity's own wastewater treatment plants. Household and industrial wastewater is discharged into the wastewater collection system. Rainwater collected on the premises and from access roads is either discharged into the wastewater system or to the groundwater.

In 2011, the volume of wastewater discharged into water and soil increased and the volume of wastewater discharged to the wastewater collection system decreased.

Volumes of wastewater generated by PGNiG Group entities in 2009 – 2011, by place of discharge (in thousands of cubic metres)



Waste management in 2009 – 2011 (in %)



Waste

The waste management objective for PGNiG Group entities is to reuse waste or reduce its volume to the minimum.

All Group entities operating with Environment Management Systems in place have implemented effective waste management procedures. Following these procedures, the Group has managed to:

- Identify environmental impact related to waste, for example by determining areas where waste is generated and contamination may occur,
- Determine a method for minimising the volume of waste, primarily including waste sent to landfill sites (which is to be limited to unsorted municipal waste only).

The procedures set out the different waste handling processes to be used. Preference is given to waste recovery (limited only by the availability of processing technologies or, sometimes, by financial constraints). This is followed by pre-sorting, which results in waste that is ready for recycling. Waste processing that requires specific precautions or measures is conducted by specialist contractors holding the necessary licences (administrative approvals), selection of which is handled by the Group entities themselves.

Waste producers are all PGNiG Branches and Companies which hold the required permits and licences and comply with waste management requirements.

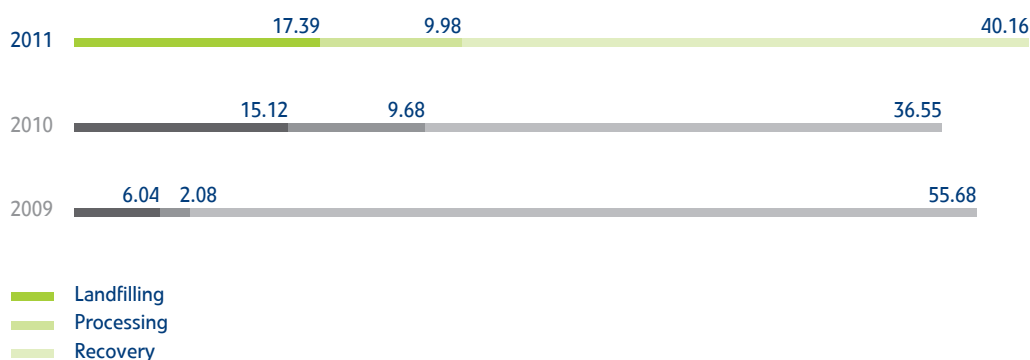
A total of 90.5 thousand Mg of waste was generated by the entire PGNiG Group in 2011, excluding municipal waste submitted for recovery, processing or landfilling.

The volume of waste generated in 2011 dropped by about 21% in comparison with the figure for 2010.

The chart presents methods of waste management across the Group in 2009–2011, except for drilling waste generated by Exploration Companies.

The total amount of waste generated annually by PGNiG Group entities depends primarily on the amount of drilling waste generated by the Exploration Companies. In 2011, drilling waste (the rock cuttings and drilling mud from oil and gas well drilling) accounted for approximately 71% of all waste generated by the PGNiG Group (including unsorted municipal waste) – 10% more than in 2010. Bits of rock are separated from drilling mud on vibrating screens or by other devices, such as desanders and desilters. Waste drilling mud is generated when circulation mud is exchanged for another kind (as required by the drilling technology), or when well drilling is completed and drilling fluid is no longer necessary. Drilling waste also includes process water mixed with drilling mud, cement slurry and other fluids from well treatments. The different drilling waste management methods used in 2009–2011 are shown in the table below.

Drilling waste management methods in 2009 – 2011 (thousand Mg)



Environment-friendly projects

The PGNiG Group carries out a number of projects benefitting the natural environment. This has been a consistently pursued development objective for us over the years, as evidenced by our project portfolio, including the development and launch of CNG filling stations and the promotion of gaseous fuels for the transport sector. Other projects we have pursued are perhaps less spectacular, but equally important for the environment, and include energy-saving process solutions at mines and underground gas storage facilities which enable heat recovery from industrial processes, or the use of expansion turbines for gas pressure reduction.

The development of natural gas-fuelled vehicle fleet, thermal performance improvement of buildings, also harnessing photovoltaic energy, are among other environmentally-friendly solutions we have implemented. Our care for the environment is also manifest in other activities, such as the purchase of equipment for vacuum feeding of natural gas into gas pipelines hot-tapping and plugging systems, the purchase of packaged sewage treatment plants for well pads, shakers, etc.

Our comprehensive investment portfolio includes such projects as:

- Purchase and assembly of double-wall fuel tanks, shakers, vacuum degasifiers, centrifuges, washers, oil containers, water tanks, mud tanks, rock cutting and wastewater tanks, formation water tanks, methanol tanks etc,
- Construction and upgrade of sanitary sewage systems, wastewater treatment plants and washing stations with oil separators, as well as maintenance of treatment plants,
- Purchase of sorbents, neutralising agents, and foil to be used under tank stations,
- Purchase of power generators and new, high-efficiency motors, for use at well pads,
- Redesign of installations used for desulphurisation of natural gas and crude oil and for waste injection at petroleum production sites,
- Upgrade of formation water installations, well installations and well workovers to enable injection of formation water into native rock,
- Construction and upgrading of gas-fired boiler houses and cogeneration systems with a view to limiting emissions from energy-generation sources,
- Replacement of cast-iron gas pipelines with PE piping.

Our renovation projects include primarily renovation of gas-fired boilers, measurement and odourisation systems, thermal performance improvement of buildings, upgrade of sewage systems, dewatering systems, control rooms, etc.

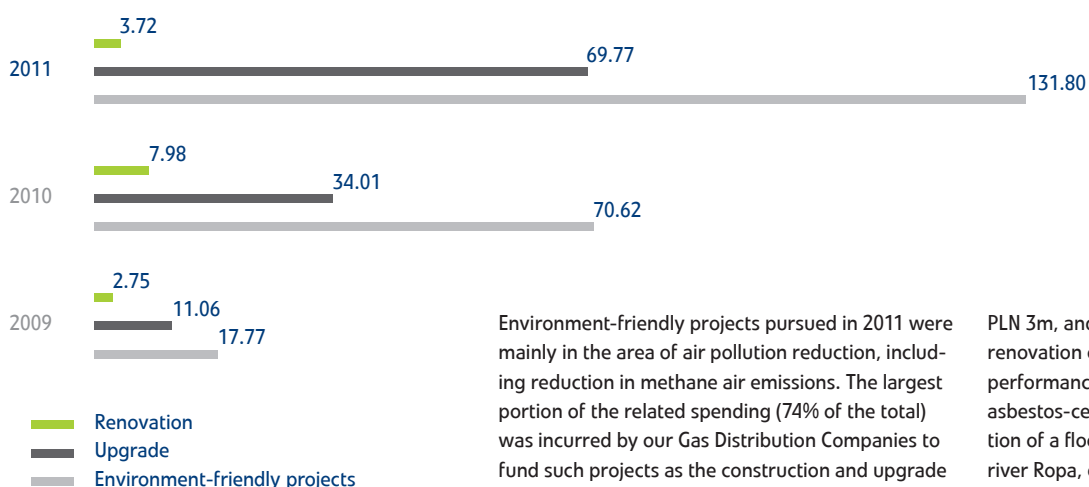
Production Branches posted the second largest capital expenditures (24% of the total) of all expenditure items allocated to air pollution prevention, sewage management, water protection and waste management. The funds were used for the construction of pumping stations and formation water tanks. Exploration companies spent 1% of all outlays on sewage management, water protection and waste management, purchasing hydrophobic polypropylene sorbents, mud treatment systems, double-wall fuel tanks, state-of-the-art washing units, septic tanks, and flooring for POL storage package.

The aggregate capital expenditure made by all the PGNiG Group entities in 2011 exceeded PLN 131m.

The 2011 upgrade projects were primarily intended to prevent air pollution, improve sewage management, water protection and waste management. Actions taken by the Gas Distribution Companies (whose expenditures accounted for 93% of all upgrade spending) included boiler house retrofit, district heating boiler replacement, upgrade of gas odourisation plant nozzles, sewage treatment plant construction, gas network and gas connections redesign. Operation Branches implemented projects (5% of all expenditures) such as petroleum tank leak detection system installation, upgrade of mining process plant, facilities and the sewerage system. The upgrade effort at other companies, including Geofizykas, focused on upgrades to buildings and their district heating systems, process facilities, such as paint shops, as well as storm and thaw water polishing equipment. The total upgrade cost for all PGNiG Group entities in 2011 totalled over PLN 69m.

The total cost of renovation incurred by all entities of the PGNiG Group in 2011 was in excess of

Capital expenditure and environment-related upgrade spending and renovation costs in 2009 – 2011 (PLN m)



Environment-friendly projects pursued in 2011 were mainly in the area of air pollution reduction, including reduction in methane air emissions. The largest portion of the related spending (74% of the total) was incurred by our Gas Distribution Companies to fund such projects as the construction and upgrade of old, cast-iron gas pipelines, and migration to PE pipes, as well as entry of the gas service pipelines into areas with no previous gas supply, or the purchase of CNG-fuelled vehicles. Other projects in the area deserving a mention include the construction of a storm-water sewage system for site stormwater and thaw-water run-off and pre-treatment, as well as upgrade of pressure reduction and metering stations.

PLN 3m, and the funds were primarily allocated to renovation of boiler houses, gas network, thermal performance improvement of buildings, removal of asbestos-cement panels from roofs, or reconstruction of a flood safety section on the right bank of river Ropa, etc.

There has been an overall increase in the spending on environment-friendly development and upgrade projects in 2009-2011. Substantial funds spent every year on environment-friendly projects enable us to permanently reduce the negative impact of the PGNiG Group entities' operations on the environment, see the chart below.



Table of indicators



The “2011 Responsible Energy” report by the PGNiG Group has been prepared on the basis of reporting indicators developed by the Global Reporting Initiative (GRI). The GRI is an independent network of stakeholders who set out to develop and disseminate common guidelines to be followed when reporting a company’s economic, environmental and social performance. The use of GRI indicators enables objective comparison of the CSR-related activities of different companies. In addition to principles and recommendations, the GRI guidelines include a system of indicators which companies may voluntarily select for use in their reports.

GRI indicators

This report discusses 17 indicators (level C). The indicators relating to estimates and calculations as used herein were prepared and compiled in accordance with the International Financial Reporting Standards endorsed by the EU.

In addition, the report contains indicators and guidelines under the Global Compact and ISO 26000.

Strategy and Profile	GRI Indicators														ISO		
Strategy and Analysis	1.1 p. 8–9	1.2 p. 8–9												6.2 p. 16			
Organisational Profile	2.1 p. 17–20	2.2 p. 10–11	2.3 p. 10–11	2.4 p. 58	2.5 p. 10–11	2.6 p. 10–11	2.7 p. 10–11	2.8 p. 10–11	2.9 p. 23	2.10 p. 27							
Report Parameters	3.1 p. 23	3.2 p. 23	3.3 p. 23	3.4 p. 58	3.5 p. 21–23	3.6 p. 23	3.7 p. 23	3.8 p. 23	3.9 p. 23 and 56	3.10 p. 23	3.11 p. 23	3.12 p. 56–57	3.13 p. 23 and 56	7.5.3 (3.13 of GRI) p. 23			
Governance, Commitment Engagement	4.1 p. 16	4.2 p. 16	4.3 p. 16	4.4 p. 16	4.5 p. 16	4.6 p. 16	4.7 p. 16	4.8 p. 16	4.9 p. 16	4.10 p. 16	4.11 p. 23	4.12 p. 8–9	4.14 p. 21	4.15 p. 21	4.16 p. 21	4.17 p. 21	6.2 p. 16

Economic Performance Indicators	Global Compact	GRI Indicators	IPIECA	ISO 2600	Page
Aspect: Economic Performance	P9, P10	EC1	SE13	6.8; 6.8.3	p. 10–11
Aspect: Indirect Economic Impacts		EC8		6.8; 6.8.4	p. 35–36

Social Performance Indicators	Global Compact	GRI Indicators	IPIECA	ISO 2600	Page
Aspect: Local Community	P5	SO1		6.8; 6.8.5; 6.8.7	p. 34–37

Environment Performance Indicators	Global Compact	GRI Indicators	IPIECA	ISO 2600	Page
Aspect: Water	P7, P8, P9	EN8	E6	6.5; 6.5.4	p. 52
Aspect: Emissions, Effluents, and Waste		EN16	E1	6.5; 6.5.5.	p. 50–51
		EN18		6.5; 6.5.5.	p. 50–51
		EN21	E9	6.5; 6.5.3.	p. 52
		EN22	E10	6.5; 6.5.3.	p. 53
Aspect: Overall		EN30		6.5	p. 54

Labour Practices & Decent Work Performance Indicators	Global Compact	GRI Indicators	IPIECA	ISO 2600	Page
Aspect: Employment	P1, P2, P3, P4, P5, P6	LA1		6.4; 6.4.3.	p. 11
		LA3		6.4.4.	p. 41–43
Aspect: Labour/Management Relations		LA5		6.4; 6.4.3.	p. 45
Aspect: Occupational Health and Safety		LA7	HS3	6.4; 6.4.6.	p. 39
		LA8	HS2	6.4; 6.4.6.	p. 40–43
Aspect: Training and Education		LA11	SE17	6.4; 6.4.7.	p. 40–42
		LA12	SE17	6.4; 6.4.7.	p. 41

Product Responsibility Performance Indicators	Global Compact	GRI Indicators	IPIECA	ISO 2600	Page
Aspect: Product and Service Labelling		PR5		6.7; 6.7.6	p. 27–28



Additional materials



Express your opinion

Dear Reader,

We would like to thank you for reading this fourth "Responsible energy" report. We hope that it has contributed to your knowledge and understanding of the PGNiG Group's activities.

This year, we decided to publish the report exclusively in electronic form, and after browsing it, we would be grateful if you would share your opinions and comments with us.

Dialogue with our stakeholders is one of our top priorities. We would like our activities to satisfy your needs and expectations to the widest possible extent, and for our future reports to better present the issues of interest to you. This is why we ask you to send your comments to the following address: Marketing and Communication Office, PGNiG SA, ul. M. Kasprzaka 25, 01-224 Warsaw, Poland, marking the envelope "CSR REPORT".

With many thanks,

Marzena Strzelczak
Management Board Proxy for Sustainable
Development and Corporate Social Responsibility
Strategy
Marketing and Communication Department,
PGNiG SA

Acknowledgements

We would like to thank all those who have contributed to the fourth CSR Report of the PGNiG Group.

Glossary of key CSR terms

Community action – Short-term social initiatives carried out on a one-off or regular basis to help a given group or a person. An example of a one-off community action is the Krewniacy initiative, which promotes donation of blood for patients in need of transfusions.

Employee opinion survey (or employee satisfaction survey) – A tool for investigating the level of job satisfaction among the employees of a given company. The results give an insight on the most satisfying aspects of their jobs, and reveal potential problems and areas of conflict that may negatively affect their attitude and commitment. This information can help the company to better adjust its employee policies to the needs and expectations of its workforce.

Declaration on Sustainable Development in the Energy Sector – A declaration initially signed on June 17th 2009 containing statements by its signatories that they understand and are willing to implement the principles of sustainable development in their policies. The declaration was signed by the largest companies in the Polish energy sector: EDF Polska, Enea, GAZ-SYSTEM, GDF SUEZ Energia Polska, Tauron, Vattenfall Poland and PGNiG, the initiator of the project. On June 17th 2010, the declaration was signed by three more companies – Fortum Power and Heat Polska, Grupa Lotos and Polskie Sieci Elektroenergetyczne Operator. Later, the initiative was also joined by Dalkia Polska and PKN Orlen. During a conference on June 14th 2011, the Declaration was then signed by Dolnośląska Spółka Gazownictwa, Górnośląska Spółka Gazownictwa, Karpacka Spółka Gazownictwa, Mazowiecka Spółka Gazownictwa, Pomorska Spółka Gazownictwa, Wielkopolska Spółka Gazownictwa, PKP Energetyka and Energia SA. Most recently, in 2012, Talisman Energy Polska, Aurelian Oil & Gas Poland, and Strzelecki Energia Sp. z o.o. joined the signatories.

Social dialogue – The exchange of information between parties, most frequently related to common problems and social affairs. The parties participating in social dialogue may include both public and private entities, entrepreneurs and non-governmental organisations. The success of such dialogue is chiefly determined by good cooperation and the reliability of the information.

Dialogue with stakeholders in accordance with AccountAbility's AA1000 standards – The international AccountAbility AA1000 standards are a useful tool in developing and managing stakeholder relations. The standards help companies build their relations with stakeholders on trust and open dialogue, thus contributing to the creation of social capital. They focus on stakeholder relations and provide support in the area of management of these relations. The series comprises the following standards:

- AccountAbility Principles Standard – AA1000APS;
- AccountAbility Assurance Standard – AA1000AS;
- AccountAbility Stakeholder Engagement Standard – AA1000SES.

Philanthropy – Charitable activities which demonstrate care for the common good, carried out by persons, organisations or companies to benefit people in need. Such activities mainly involve providing financial or material support, and in modern societies are chiefly carried out through foundations and associations.

Responsible Business Forum (the Forum Odpowiedzialnego Biznesu, or FOB) – A non-governmental organisation whose mission is to promote the principles of responsible business as a standard applicable in Poland, with the aim of increasing the competitiveness of companies, enhancing social satisfaction with them, and improving the condition of the natural environment. The FOB includes a number of Polish companies, including PGNiG.

Global Compact – An initiative of the former UN Secretary General Kofi Annan to introduce a new framework for businesses by supporting, among other things, respect for human rights, the application of labour standards, and business activities conducted in harmony with the environment. The Global Compact is supported by various NGOs and more than 1,000 companies from around the world, including Pomorska Spółka Gazownictwa and PGNiG.

The Grasz o staż initiative – The longest running internship competition in Poland. Launched in 1996 and organised by the Gazeta Wyborcza daily and PricewaterhouseCoopers. Each year, the winners are awarded paid internships and other prizes (such as post-graduate studies or training programmes, books and materials etc) funded by the participating companies and NGOs.

HSE (Health, Safety, Environment) – Rules of conduct for health and safety at work and environmental protection, as defined by international regulations.



Additional materials

Stakeholder – Any entity with an interest in a company's operations. These may include third parties, such as persons, communities, institutions, organisations or public authorities, and related entities, such as company employees or shareholders.

SRI (Socially Responsible Investing) – An approach to business operations which treats the company's benefit and society's well-being on equal terms. Socially responsible investors favour those companies which comply with or promote the principles of sustainable development, environmental protection, human rights protection and consumer protection.

Social campaigns – Activities aimed at changing or preventing a certain attitude or behaviour by a given group of people. Social campaigns are carried out through means of mass communication (traditional media, unconventional methods) and supported by numerous entities. These include companies, civil organisations and public authorities whose assistance for the initiators of the campaign may take different forms, be they financial, material or in the form of services. A company's involvement in a social campaign strengthens its image by presenting it as an entity with an active interest in its environment, and is an opportunity for it to build stronger relationships, both between its employees and between itself and particular groups.

Company Code of Values/Ethics – The code of values adopted by a company, defining its organisational culture. A common code of values promotes higher awareness of unwritten principles and company rules among employees, allowing them to build a closer relationship with their company and the other employees.

Value chain – Clearly defined activities performed by specific companies which form a common value system. A value chain clearly demonstrates mutual dependence between a number of companies, as well as the process of adding value to a product.

Cause-related marketing – An intermediate form of marketing between commercial and social marketing that involves supporting a social cause while strengthening the image of the company. The implementation of cause-related marketing very often involves three parties: the company, civil organisations and consumers.

Social programme – Planned activities aimed at providing a solution to, or preventing a specific social problem. May be implemented independently or as a joint effort by public institutions, businesses and civil organisations.

CSR report – A company's comprehensive report on its implementation of sustainable development and Corporate Social Responsibility strategy. It focuses on economic, social and environmental aspects of the company's operations.

CSR (Corporate Social Responsibility) – A business strategy based on the assumption that a company should voluntarily take the public interest into consideration in its pursuit of economic objectives. CSR promotes the observance of ethical principles, employee rights, human rights, as well as a respect for the social and natural environment in which a company operates and makes its decisions. It is generally accepted that a company's policy should provide not only for achievement of economic objectives, but also the implementation of corporate social responsibility principles.

Local community – The people living in a specific area and bound by social relationships, common traditions and culture. A local community can define a locality, commune, housing estate, town or city district.

Sponsorship – A mutual agreement between two parties: a sponsor and a sponsoree, in which the sponsor provides the sponsoree with financial or material resources or services in exchange for promotional activity. Sponsorship involves planned and intended activities designed to impute a positive image to the sponsoring company.

Organisational structure – The relationship system within a company, also applicable to its subordinate organisations and associations. The purpose of organisational structure is to clearly define the division of duties and hierarchy of powers. A strong organisational structure facilitates efficient management of the company.

Voluntary work – The involvement of company employees in voluntary work for the benefit of civil organisations. Employees volunteer their time and expertise to carry out various types of activities for people in need, often also improving their skills in other areas. Depending on the policy adopted, the company supports voluntary work by its employees by allowing them to do so during working hours, or by providing material, logistic or financial assistance.

Sustainable development – A development strategy wherein political, economic and social activity is conducted in such a way as to avoid or limit its impact on the natural environment. The aim of sustainable development is to ensure the utilisation of natural resources in a way which doesn't prevent future generations from also utilising them. The concept of sustainable development is included in the Environmental Protection Law – Dziennik Ustaw of 2001, No. 62, item 627, Art. 3.50.

Glossary of industry-specific terms

Biogas plant – A plant which ferments substrates such as biofuel feedstock, livestock waste, distillery waste, and methane from landfill sites, into biogas. The resulting fuel is consumed by small cogeneration units (0.5–2 MW).

CCS (Carbon Capture and Storage) – A process of capturing carbon dioxide from flue gases to reduce its emission into the atmosphere, thus mitigating its negative impact on the environment. Because of the limited use for captured carbon dioxide, one important issue related to the process is the compression of CO₂ and its storage in underground caverns used to hold hydrocarbon deposits.

CNG (Compressed Natural Gas) – Natural gas compressed at a pressure of 20–25 MPa and used as vehicle fuel for spark ignition and compression ignition engines.

Distribution – Transport of gaseous fuels to customers via distribution networks.

Exploration and Production, E&P – One of PGNiG's operating segments. The companies operating in this segment are engaged in exploration, geophysical and geological work, as well as production of natural gas and crude oil.

Shale gas – Unconventional gas contained in shale formations. The United States is the largest shale gas producer in the world. In Poland, there has been a surge in interest in shale gas, which – according to estimates – lies here at depths ranging from 500 metres to 4 kilometres, in a diagonal belt stretching from central Pomerania to the Lublin region, and within the foreland of the Sudety Mountains.

Natural gas – A natural mixture of paraffin hydrocarbons, primarily consisting of methane (up to 98% in high-methane gas). Natural gas is often found in the form of deposits in the Earth's crust.

Direct gas pipeline – A gas pipeline used for the transmission of gaseous fuel directly to customer installations, bypassing the main gas distribution network.

PGNiG Group – the Polskie Górnictwo Naftowe i Gazownictwo Group.

LNG (Liquefied Natural Gas) – Natural gas in a liquid state, with a temperature of -163°C. During the liquefaction process the gas is cooled to -163°C, which also reduces its volume 630 times.

LLDP – Local Land Development Plan.

OGP GAZ-SYSTEM – The abbreviated name of Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A. The company was established on April 16th 2004 under the name PGNiG Przesył Sp. z o.o. as a wholly-owned subsidiary of PGNiG. On April 28th 2005, 100% of its stock interests were acquired by the State Treasury. Currently, OG P-GAZ-SYSTEM operates as a gas transmission system operator under a licence issued by the Polish Energy Regulatory Office.

Transmission System Operator (TSO) – An energy company involved in the transmission of gaseous fuels, responsible for network traffic in the gas transmission system, the ongoing and long-term security of the system's operation, as well as the operation, maintenance, repair and necessary extension of the transmission network, including the interconnectors with other gas systems.

Underground Gas Storage Facility – the PGNiG Group is the exclusive owner of the underground gas storage facilities in Poland. These are six high-methane gas storage facilities, five of which are located in worked-out natural gas caverns, with the sixth located in the salt caverns under Mogilno.

Transmission – Transport of gaseous fuels through transmission networks to distribution networks or end customers connected to the transmission network.

Transmission network – A gas network of low, medium and high pressure, other than a mine pipeline or a direct pipeline. The responsibility for network traffic rests with the Transmission System Operator.

Distribution network – A gas network of low, medium and high pressure, other than a mine pipeline or a direct pipeline. The responsibility for network traffic rests with the gas distribution companies.

SGT – The abbreviated name of EuRoPol GAZ System Gazociągów Tranzytowych EuRoPol GAZ SA. The company is responsible for natural gas transmission along the Polish section of the Yamal transit pipeline, which connects the Russian Federation with Western Europe.

Gas distribution company – An energy company involved in the distribution of gaseous fuels, responsible for network traffic in the gas distribution system, the ongoing and long-term security of the system's operation, as well as the operation, maintenance, repair and necessary extension of the distribution network, including the interconnectors with other gas systems in the relevant geographical area.

Environmental Management Systems – The systems defined in the ISO 14001 standard, based on the principles of comprehensive quality management. The main assumption of environmental management is to reduce the negative impact of human activity on the natural environment. This can be achieved by application of uniform management principles governing access to environmental resources, elimination of the negative environmental impact of business activities and rational consumption of natural resources.

URE (Urząd Regulacji Energetyki) – the Polish Energy Regulatory Office. Under the relevant regulations, the President of URE is responsible for approving the tariffs submitted by licence-holders, which authorise them to conduct business involving trade and storage of gaseous fuels.

