

Responsible Energy

CSR Report 2012
PGNiG SA

SAFETY
DIALOGUE
LOCAL COMMUNITIES
SALE GAS
FORMATION
CUSTOMER
ENVIRONMENT

14.91 bn m³
11 bn m³
4.32 bn m³



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CSR Report 2012
PGNiG SA

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Mission and values

Our mission is to provide reliable and secure supplies of clean and environmentally friendly energy, using competitive and innovative solutions. We remain true and faithful to our tradition and to customers who trust us, 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 creates value in accordance with the principles of sustainable development.



Responsibility

Responsibility is the foundation of the daily activities of all PGNiG employees, regardless of their position, and is also what drives us to work for the common good.

Partnership

Partnership is about building lasting, trust-based and mutually beneficial relationships both within PGNiG – with employees and trade unions – and beyond, with customers, local communities and other market participants.

Credibility

Credibility is manifested in our long-term, consistent effort to develop high standards of communication based on open dialogue, fostering a climate of trust among all our stakeholders.

Quality

Quality comes from consistent work to enhance our products and service levels by deploying advanced technologies, streamlining management systems and fostering a culture of ethics, to meet the aspirations of our customers, employees and partners.

Letter from the President of the Management Board

Ladies and Gentlemen,
On behalf of the Management Board of Polskie Górnictwo Naftowe i Gazownictwo, I am pleased to welcome you to our 2012 Corporate Social Responsibility Report. While we aim to always deliver sound financial performance, we are equally committed to pursuing the objectives of our Sustainable Development and Responsible Business Strategy. I particularly encourage you to read the sections of this Report which look at our dialogue with local communities on the issue of shale gas. Recent months have shown with renewed clarity how important this is, and how much attention is being paid to it by all parties concerned, including the government, public authorities and licence holders. PGNiG has approached the task of engaging in dialogue with its local communities (from communication to education to cooperation) in a truly responsible and thorough way, setting up a dedicated team to handle the task with a wide array of tools, as described in detail further in the Report.

In 2012, we again reviewed and assessed the objectives set out in the Company's strategy for 2011–2015. We look at all the changes in our business environment, such as new economic trends, tendencies in the gas market, and changes in the regulatory regime. As a result, some of our original assumptions and plans had to be adjusted, and we incorporated the results of the review in the Short-Term Value Creation Strategy for 2012–2014. Its priorities are to intensify exploration and production, ensure the Group is well prepared for the impending gas market deregulation, optimise our portfolio of natural gas sources, restructure the Group's business model, and consistently grow the power generation segment.

Despite the downturn caused by the global crisis, the prospects for natural gas remain bright. We see the upstream and power generation segments as being complementary to each other and having a lot to offer in potential synergies, so we are continuing to develop both of them. Natural gas from indigenous sources should play an increasingly important role in the power generation sector, so developing our own hydrocarbon production also remains an important strategic objective.

We want to intensify the exploration for gas and oil from conventional sources across our 80 licences in Poland, and also plan to further optimise our exploration and production operations abroad. Our pursuit of hydrocarbons from unconventional sources, primarily in the Pomerania and Lublin regions, also continues.

The launch of production from the Skarv field on the Norwegian Continental Shelf and the LMG field in Wielkopolska (the Greater Poland region) in late 2012 has already considerably strengthened the Group's production potential.

Compared with the EU average, in Poland there is significant room for growth in demand for electricity and for greater use of natural gas as power generation fuel, particularly in high-efficiency co-generation. So with a view to diversifying our future revenue sources, in 2012 we were active in adding electricity to our product portfolio. Our move into the power generation segment and involvement in the construction of new CCGT projects in Poland will enable the Group to attain that goal, and meet the expected market demand. PGNiG's own generation capacity will also facilitate its entry into the electricity trading market with maximum efficiency.

Securing stable and uninterrupted supplies of electricity and natural gas to both homes and businesses remains our overriding concern. To this end, we are making strategic investments in constructing and expanding our underground storage facilities and distribution pipelines. And once increased, the underground storage capacity will enable us to respond flexibly to any disruptions in gas supply.

In concert with these efforts, we are consistently diversifying our gas import sources. This allows us to procure gas at lower prices, and also enhances Poland's energy security. The Moravia interconnector between Poland and the Czech Republic, the Lasów interconnector on the Polish-German border and the virtual reverse flow through the Yamal pipeline have all contributed to an increased share of gas imported from countries lying south and west of Poland to 18%, or 2 billion cubic metres.



We are very satisfied with the results of this past year. The Group's revenue came in at PLN 28.7bn, a PLN 5.7bn rise year on year. Net profit and operating profit were at amounted to PLN 2.23bn and over PLN 2.5bn, respectively. After difficult negotiations with Gazprom, we agreed a record reduction in gas prices under the Yamal Contract. We stepped up our exploration activities, including for shale gas. We were also busy remodelling our organisation, in preparation for the gas market's deregulation. And all our efforts have already been acknowledged by the market – in just one year, our stock price gained almost 30% and PGNiG SA was presented with a Byki i Niedźwiedzie (Bulls and Bears) award in the WIG-20 Company of the Year category by Gazeta Giełdy Parkiet.

PGNiG has been a constituent of the Warsaw Stock Exchange's RESPECT Index of socially responsible companies ever since the index was launched, and in April 2012 the Company was named the Most Socially Responsible Business, in the Fuels and Energy category of a ranking compiled by the Dziennik Gazeta Prawna daily. Although it was a great honour to receive these accolades, we still see many challenges ahead, and so we treat our awards as incentives to further great effort, such as in our commitment to the Global Compact initiative. It is a formidable challenge, but is also an expression of the PGNiG Group's determination to implement what the global business community regards as its key objectives and values, as defined in this prestigious UN agenda.

In 2012, we also embarked on the reorganisation of our Company structure, as part of which we centralised business customer service across branches and transformed retail customer service units into Regional Sales Offices. Simultaneously, we effected a series of changes in the upstream segment, leading to the establishment of the Geology and Hydrocarbon Production Branch, in charge of coordinating our exploration work and decision-making with respect to upstream investments in Poland and abroad. The geology and drilling functions, previously carried out by the Sanok and Zielona Góra branches, were consolidated with the Hydrocarbon Extraction Department and the Exploration Department, operating as part of the PGNiG Head Office. In spring 2012, the five drilling and well-servicing subsidiaries of the PGNiG Group (PNiG Kraków SA, PNiG Jasło SA, PNiG NAFTA SA, PN Diament Sp. z o.o. and ZRG Krosno Sp. z o.o.) were consolidated to form PGNiG Poszukiwania. Since the completion of its legal and organisational merger as of February 1st 2013, the combined entity has traded as Exalo Drilling.

Faced with the ever-changing environment of the energy and gas markets, impending market deregulation and the growing burden of new regulatory requirements (including the legal obligation to sell gas through the commodity exchange), there is still much for the Group to do to continue as a competitive player in the marketplace. These changes will affect management of both the wholesale gas portfolio and the retail sales structure. But we will strive to further expand our offering for the customers and to enhance our sales resources by leveraging the economies of scale inherent in our operations, the existing customer relationships, and the new opportunities offered by the power generation segment.

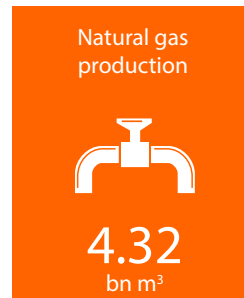
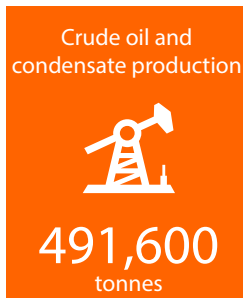
Finally, it is the people that populate our Company's organisational hierarchy who are responsible for its success, and it is the daily effort of each one of us that contributes to the creation of the Group's value. I would therefore like to warmly thank all our employees and Supervisory Board Members for their support in building the Company's current position.

Respectfully yours,

Jerzy Kurella
Vice-President and
acting President of the PGNiG Management Board

PGNiG – Company profile

Key results in 2012

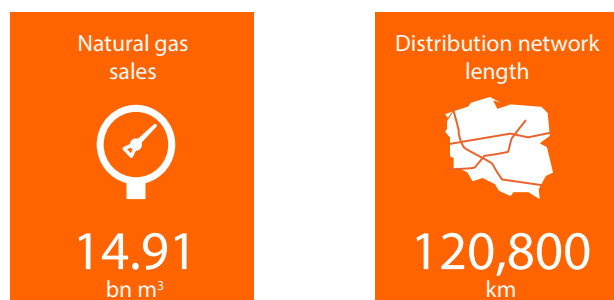


Our core business consists in the production and sale of natural gas and crude oil. Both domestically and abroad, we are engaged in geophysical and geological research, exploration for and production of hydrocarbons, as well as preparation of products for sale.

The Group sells natural gas produced in Poland as well as 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 pipeline, 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, and since September 23rd 2013 also in the WIG30, the blue-chip index of the Warsaw Stock Exchange.

The PGNiG Group is the leader of the Polish natural gas market. A broad business remit – from exploration and production operations to sale of end products to customers – requires substantial human resources. This is why the PGNiG Group companies employ approximately 32,000 staff. Outside Poland, where the PGNiG Group ranks among the largest employers, we are present in multiple countries, including Belgium, Denmark, Egypt, Norway, Pakistan, Russia, Kazakhstan, Uganda, Czech Republic, Austria, Germany, Belarus, Ukraine, and Hungary.



Since October 2009, our shares have also been included in the RESPECT Index of socially responsible companies. The RESPECT Index promotes responsible management of listed companies in the context of sustainable growth, corporate disclosure discipline, and communication with the financial markets. As part of the assessment process for qualification to the RESPECT Index, candidate companies are required to complete a survey, which each year covers additional new areas and requires the companies to implement new CSR solutions in their sustainable growth management policies.

PGNiG was ranked fifth in the 2011 'Lista 500' of the largest Polish businesses, compiled by the Rzeczpospolita daily newspaper and published in April 2012.

Headcount as at the end of 2012, by segment (persons)

	2011	2011	2010	2009
PGNiG Head Office	617	838	840	833
Exploration and Production	10,990	12,054	11,592	10,800
Trade and Storage	3,780	3,841	3,809	3,836
Distribution	13,255	13,865	13,881	13,851
Generation	1,069	-	-	-
Other activities	2,327	2,185	2,296	2,073
Total	32,038	32,783	32,418	31,393

Consolidated companies of the PGNiG Group

Exploration and Production	Trade and Storage	Distribution	Generation	Other Activities		
Exalo Drilling SA	100%	Operator Systemu Magazynowania Sp. z o.o.	100%	Dolnośląska Spółka Gazownictwa Sp. z o.o. 100%	PGNiG Termika SA 99.99%	Geovita SA 100%
PNiG Jasło SA	100%	Górnośląska Spółka Gazownictwa Sp. z o.o. 100%			"INVESTGAS" SA 100%	
GK PNiG Kraków	100%	GK PGNiG Sales&Trading 100%			PGNiG Technologie SA 100%	
PNiG Nafta SA	100%	XOOL GmbH 100%			PGNiG Serwis Sp. z o.o. 100%	
PN Diament Sp. z o.o.	100%	PGNiG Energia SA 100%			BSiPG "Gazoprojekt" SA 75%	
ZRG Krosno Sp. z o.o.	100%	PGNiG Finance AB 100%				
Geofizyka Kraków SA	100%					
Geofizyka Toruń SA	100%					
PGNiG Norway AS	100%					
POGC Libya B.V.	100%					

The PGNiG Kraków Group comprises PNiG Kraków S.A. and its subsidiaries – Oil Tech International F.Z.E. and Poltava Services LLC. As at December 31st 2012.

Changes in the Group's structure

- 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 S.A. The shares accounted for 99.8% of the company's share capital and conferred the right to 99.8% of total voting rights at the General Meeting of Vattenfall Heat Poland S.A. Also in January 2012, Vattenfall Heat Poland S.A. changed its name to PGNiG Termika S.A. In H1 2012, PGNiG SPV 1 Sp. z o.o. acquired a portion of PGNiG Termika shares from the company's minority shareholders and thus its ownership interest in the company increased to 99.9%. In December 2012, PGNiG SPV 1 Sp. z o.o. was merged with PGNiG Termika S.A. The merger was effected by way of transfer of all assets to the acquiring company, i.e. PGNiG Termika S.A.
- In February 2012, Mazowiecka Spółka Gazownictwa Sp. z o.o. increased its equity interest in GAZ Sp. z o.o. of Błonie to 80%.
- In June 2012, PGNiG Sales & Trading GmbH acquired 100% of the shares in XOOL GmbH with a view to expanding its trading business in Germany.
- In June 2012, PGNiG acquired 100% of the shares in MLV 26 Sp. z o.o., which was then renamed PGNiG Serwis Sp. z o.o. The company was acquired in order to provide HR and payroll, finance, accounting, as well as IT services to the PGNiG Group.
- In June 2012, PGNiG acquired 100% of the shares in MLV 27 Sp. z o.o., which was then renamed PGNiG SPV 4 Sp. z o.o.
- In July 2012, PGNiG Poszukiwania S.A. w organizacji (under incorporation) was formed in order to consolidate PGNiG SA's exploration and service operations. In December 2012, the Extraordinary General Meeting of PGNiG Poszukiwania S.A. resolved to merge the company with PNiG Kraków S.A., PNiG NAFTA S.A., PNiG Jasło S.A., PN Diament Sp. z o.o. and ZRG Krosno Sp. z o.o. As at the end of 2012, the merger had not been registered with the National Court Register.
- In August 2012, the General Meeting of PT Geofizyka Toruń Indonesia LLC resolved to open liquidation proceedings for the company.
- In December 2012, Mazowiecka Spółka Gazownictwa Sp. z o.o. sold its entire shareholding in Gaz Media Sp. z o.o. back to the company by way of retirement for consideration.
- In December 2012, Mazowiecka Spółka Gazownictwa Sp. z o.o. acquired 5,000 shares in Powiśle Park Sp. z o.o. from BSiPG Gazoprojekt S.A., thereby increasing its interest in GAZ MEDIA Sp. z o.o. to 100%.
- Also in 2012, registry courts registered transformation of the following entities into joint-stock companies:
 - in January 2012 – PNiG Jasło Sp. z o.o.
 - in June 2012 – PNiG Kraków Sp. z o.o., PGNiG Technologie Sp. z o.o. and PNiG NAFTA Sp. z o.o.
 - in July 2012 – Geofizyka Kraków Sp. z o.o., Geofizyka Toruń Sp. z o.o. and Geovita Sp. z o.o.

Material changes in the PGNiG Group's structure in Q1 2013

- In January 2013, the Extraordinary General Meeting of BUD-GAZ PPUH Sp. z o.o. resolved to wind up the company and commence its liquidation process.
- In January 2013, the Extraordinary General Meeting of PGNiG Poszukiwania S.A. resolved to amend the company's Articles of Association by changing the company name to Exalo Drilling S.A. The amendment was registered with the National Court Register in February 2013.
- In February 2013, the merger of PGNiG Poszukiwania S.A. with PNiG Kraków S.A., PNiG NAFTA S.A., PNiG Jasło S.A., PN Diament Sp. z o.o. and ZRG Krosno Sp. z o.o. was registered with the National Court Register.

PGNiG on the stock exchange

2012 was a period of intense volatility on the capital markets, both in Poland and globally, which was reflected in the strong volatility of the PGNiG stock price. Towards the end of 2012, PGNiG stock peaked at PLN 5.21 (up 28% on the year's beginning), which was a good sign for the year ahead.

Our position on the Warsaw Stock Exchange

From the day PGNiG shares were first listed on the Warsaw Stock Exchange (September 23rd 2005), they have been among the most recognizable and credible listed securities. They have been included in the WIG20 index since December 15th 2005 and since September 23rd 2013 also in the WIG30, a new index compiled by the Warsaw Stock Exchange. Our stock is also included in the MSCI Emerging Markets Index, compiled by Morgan Stanley Capital International.

PGNiG was, for the sixth consecutive time, listed in the elite 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 (WIG-Fuels) index of fuel sector companies, and of the WIG-div index of listed companies declaring dividend on a regular basis.

Shareholder structure

As at December 31st 2011, PGNiG share capital amounted to PLN 5,900,000,000. It comprised 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 share 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 the Company shares.

Shareholder structure in 2011–2012

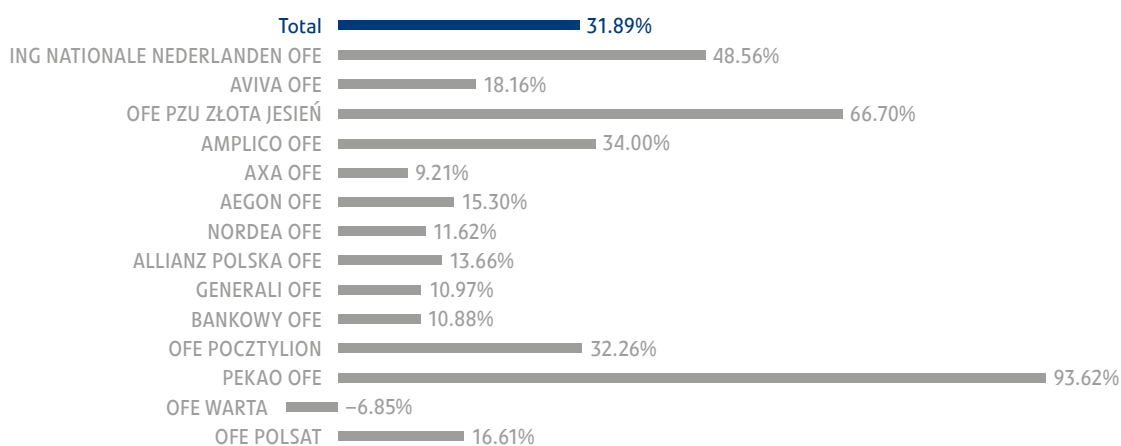
Shareholder	Number of shares/voting rights attached to the shares as at Dec 31 2011	Percentage of share capital/total voting rights at GM as at Dec 31 2011	Number of shares/voting rights attached to the shares as at Dec 31 2012	Percentage of share capital/total voting rights at GM as at Dec 31 2012
State Treasury	4,272,063,451	72.41%	4,271,810,954	72.40%
Other shareholders	1,627,936,549	27.59%	1,628,189,046	27.60%
Total	5,900,000,000	100.00%	5,900,000,000	100.00%

Investor relations

As a company listed on the WSE, PGNiG is required to fairly and reliably report on its operations and important corporate events at the PGNiG Group by preparing and releasing regular reports, which are made available on equal terms to all of the Company's existing and potential shareholders. Besides interim reports published quarterly, these also include current reports on all aspects of the Company's activities which could have a material bearing on the share price. The Company published 191 current reports. 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 undertaken by the Company to meet the high expectations of all market participants, which in consequence builds the Company's reputation and investors' trust, thereby reducing our funding cost over the long term. These include participation in road shows and investor conferences in Poland and abroad – in 2012, PGNiG's representatives participated in 14 such conferences and road shows. As part of its investor relations, the Company's representatives, including Management Board members and directors, also held some 130 meetings with institutional investors. Apart from regular industry events (such as the Chemist Day or the Energy Sector Conference) and regional conferences, 2012 saw a number of meetings devoted to the debt market, in connection with the record issue of PGNiG notes on the Catalyst market and the need to build relations with investors who bought PGNiG eurobonds in 2011.

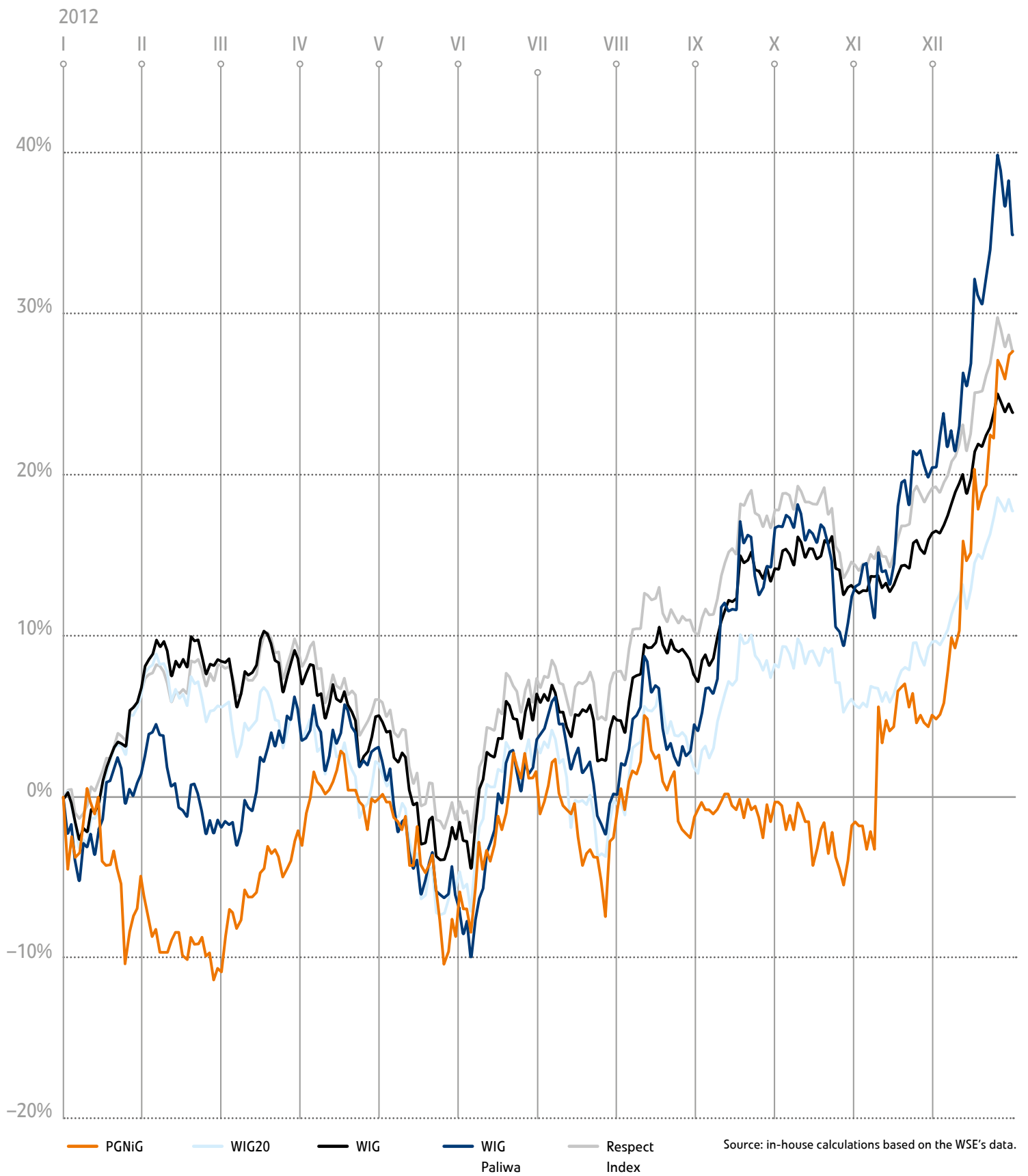
Change in the number of PGNiG shares held in the portfolios of open-end pension funds between 2011 and 2012



PGNiG shares in the portfolios of open-end pension funds

No.	Fund	Value/price as at Dec 31 2012	Number of shares as at Dec 31 2012	Equity interest	Change 2012/2011	Value/price as at Dec 31 2011	Number of shares as at Dec 31 2011	Equity interest
1	ING NATIONALE NEDERLANDEN OFE	671,009,587	128,792,627	2.18%	48.56%	353,709,223	86,693,437	1.47%
2	AVIVA OFE	593,151,534	113,848,663	1.93%	18.16%	393,106,490	96,349,630	1.63%
3	OFE PZU ZŁOTA JESIEŃ	530,368,190	101,798,117	1.73%	66.70%	249,151,287	61,066,492	1.04%
4	AMPLICO OFE	234,536,533	45,016,609	0.76%	34.00%	137,065,099	33,594,387	0.57%
5	AXA OFE	213,325,195	40,945,335	0.69%	9.21%	152,965,030	37,491,429	0.64%
6	AEGON OFE	100,016,193	19,196,966	0.33%	15.30%	67,928,389	16,649,115	0.28%
7	NORDEA OFE	102,827,332	19,736,532	0.33%	11.62%	72,138,982	17,681,123	0.30%
8	ALLIANZ POLSKA OFE	89,965,175	17,267,788	0.29%	13.66%	61,985,457	15,192,514	0.26%
9	GENERALI OFE	71,407,072	13,705,772	0.23%	10.97%	50,391,256	12,350,798	0.21%
10	BANKOWY OFE	77,013,465	14,781,855	0.25%	10.88%	54,392,908	13,331,595	0.23%
11	OFE POCZTYLION	41,785,242	8,020,200	0.14%	32.26%	24,741,536	6,064,102	0.10%
12	PEKAO OFE	38,752,027	7,438,009	0.13%	93.62%	15,673,145	3,841,457	0.07%
13	OFE WARTA	26,407,463	5,068,611	0.09%	-6.85%	22,199,574	5,441,072	0.09%
14	OFE POLSAT	18,356,711	3,523,361	0.06%	16.61%	12,328,112	3,021,596	0.05%
Total		2,808,921,718	539,140,445	9.14%	31.89%	1,667,776,488	408,768,747	6.93%

Source: Polish Press Agency (PAP)





Investor Relations also involve frequent meetings with portfolio managers in Warsaw and ongoing communication with equity analysts covering PGNiG shares. Time-constrained investors expect a condensed and clear approximation of the complex factors having a bearing on PGNiG's valuation.

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 the PGNiG stock

Over 2012, the PGNiG stock was trading within the PLN 3.62-PLN 5.21 range. For a major part of the year, it was fairly stable, oscillating between PLN 3.62 and PLN 4.29. However, up to December 2012 its growth had failed to keep pace with the WIG 20 index of blue-chip names. The PGNiG stock bottomed out in the last week of February, when demand for gas was high, but the then-effective tariff did not account for the cost of gas acquisition. A steep upward climb of its price started after amendments to the Yamal Contract were agreed in November 2012 – from then on it surged by 30%, reaching its high on the last trading day of the year.

The rate of return on PGNiG stock in 2012 was 28%. In 2012, no dividend was paid. The rate of return on investment in PGNiG shares for those investors who bought at the issue price had reached 75% by the end of 2012 (excluding dividend yield). The broad-market WIG index and the blue-chip WIG-20 index also ended the year in the green zone, having returned 24% and 18%, respectively. From among the indices which include PGNiG, the best performer was WIG-Paliwa, which gained nearly 35%.

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, as well as adoption of decisions on dividend amounts, forms and payment dates. 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 company's assets.

Supervisory Board

The Supervisory Board exercises continuous supervision over all areas of the Company's operations, in accordance with the Rules of Procedure for the Supervisory Board. The Supervisory Board is composed of five to nine members, including one independent member, appointed by the General Meeting of PGNiG for a joint three-year term. 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 are elected by PGNiG employees, and three on a Supervisory Board composed of seven to nine members.

The PGNiG Group closely observes the principles of corporate governance. The Group is honest and fair to its shareholders, treats them all on equal terms and makes every effort to establish the best possible relations between its investors and 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 between 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 connected with the management of PGNiG's affairs, where such matters are not explicitly reserved for other governing bodies by applicable laws or the Articles of Association. The Management Board operates in accordance with applicable laws and regulations, including in particular the Commercial Companies Code, as well as the Company's Articles of Association and the Rules of Procedure for the Management Board.

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 and any entities significantly affiliated with it, appointed by the General Meeting pursuant to PGNiG's Articles of Association. Such member has to be competent in accounting and finance matters. The Audit Committee's members are appointed by the Supervisory Board.

Best practices

The Management Board of PGNiG puts enormous emphasis on compliance with corporate governance principles. Since its stock-exchange debut in 2005, the Company has been following the guidelines set forth in the Code of Best Practice 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 is engaged in a wide-ranging dialogue with the market. The Company fulfils its disclosure obligations towards its shareholders and other stakeholders by publishing reports on its activities and financial statements, as well as by holding press conferences in which 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.



The business and the value chain

PGNiG is a company with a long tradition, enjoying an established position as 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 provides a robust foundation for PGNiG's further growth and steady value increase.

The ultimate strategic objective pursued by PGNiG SA is to deliver growth in shareholder value. With a view to meeting that objective, in December 2012 the Company adopted the 'Short-Term Value Creation Strategy for the PGNiG Group in 2012–2014'. The PGNiG Short-Term Value Creation Strategy is a comprehensive document providing for a set of activities geared towards delivery of the PGNiG Group's overriding objective of shareholder value creation. It further clarifies the tasks and objectives which had earlier been set for the Company in the PGNiG Group Strategy adopted in 2011, focusing on currently the most important aspects of the Group's operations, which include market development, production increase and reduction of operating expenses.

The activities planned as part of the Short-Term Value Creation Strategy for the PGNiG Group until 2014 focus on the delivery of 19 initiatives broken down into three business areas:

- Upstream
- Market
- Business Model

The Group's main strategic objectives form its vision to become, by 2015, a modern and efficiently managed organisation, present throughout almost the entire value chain in the gas sector, and holding assets in the fuel and power sectors. Attaining these strategic objectives will depend on activities in three areas:

- 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.

Upstream area

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

- to develop the ERP business in Poland;
- to develop the international ERP business in key regions;
- to enhance competences and optimise activities in the ERP business.

These objectives are being fulfilled through:

- Appraisal and development of unconventional hydrocarbon reserves under licences held;
- Cooperation with external partners in the area of hydrocarbon exploration and production;
- Intensified exploration for conventional hydrocarbons in Poland;
- Optimisation of upstream operations outside of Poland.

Our achievements to-date

The majority of ERP tasks performed in 2011 focused on the exploration for and development of new fields. The Company wants to concentrate on exploration for and production of hydrocarbons in Poland as it sees this as the most attractive and profitable development direction. Particularly important will be the new initiatives, consisting in exploration for gas from unconventional sources, especially shale gas, and gas from conventional sources in deep structures.

In 2012, the PGNiG Group was involved in exploration and appraisal work either on its own or in co-operation with partners. Eight wells were drilled in PGNiG's own licence areas. Three wells were tested in the Carpathian Foothills. The tests confirmed the presence of gas in two wells – one exploratory well (Kramarzówka-1) and one appraisal well (Lubliniec-12). No hydrocarbon flow at commercial rates was recorded from the third well (Łapanów-6K), and the well was subsequently abandoned.

Work was also conducted at the Felsted-1 well in Denmark, however, with no positive results, and the well was also abandoned. Negative results of its exploration work in Denmark prompted PGNiG to discontinue its involvement in the exploration business in that country. Licence 1/05 expired.

The PGNiG Group has also prospected for gas from unconventional sources. In 2012, the Lubocino 2-H horizontal well was drilled in the Wejherowo licence area, where in December 2012 a fracturing treatment had been performed in Ordovician formations. Fracturing operations have also been performed in Silurian rock formations in the Lubocino-1 vertical well, and the Opalino-2 well was drilled. In the Tomaszów Lubelski licence area, the Lubicza Królewska-1 borehole was drilled. It is the first exploration borehole designed to explore for shale gas in the PGNiG's licence areas in the southern part of the Lublin Province.

In addition to projects carried out on its own, on July 4th 2012 PGNiG signed a framework agreement on the exploration for and production of shale gas and oil within the Wejherowo licence area with four other Polish companies: Tauron Polska Energia SA, KGHM Polska Miedź SA, PGE Polska Grupa Energetyczna SA, and Enea SA. Pursuant to the agreement, the joint operations will focus mainly around the villages of Kochanowo, Cząstkowo and Tępcz, on a part of the Wejherowo licence area held by PGNiG. Currently, work is under way to amend the agreement setting out the detailed rules of cooperation between the parties.

The Group brought on stream three oil wells in the BMB (Barnówko – Mostno – Buszewo) field, as a result of which crude oil production rose to 478 thousand tonnes in 2012. In addition, the Lubiatów oil field and the Międzychód gas field were both brought on stream. Their development was a part of the LMG (Lubiatów – Międzychód – Grotów) project.

On December 31st 2012, the PGNiG Group launched production from the Skarv field on the Norwegian Continental Shelf. Furthermore, a new field, Snadd Outer, was discovered within the PL212E licence area. The field lies in the vicinity of the Snadd North gas field and borders the Skarv field.

The PGNiG Group continued its exploration and appraisal work in Egypt and Pakistan. The exploration work in Egypt focused on the Bahariya licence (Block 3), and in Pakistan – on the Rehman field. In 2012, the Pakistani licensing authority (Directorate General of Petroleum Concessions) classified the Rehman field as a deposit of tight gas.

Market

PGNiG's trading business is all about satisfying the domestic demand for gas fuel through purchase and sale of natural gas. Natural gas is sold to both retail and industrial customers. Given the dynamic changes in the legal and business environments, the PGNiG Group is undertaking numerous steps in gas trading to maintain its leading position on the Polish market once it becomes fully competitive.

The following objectives have been adopted in the updated PGNiG sales strategy:

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

Actions taken to pursue these objectives include:

- Enhancing the efficiency of sales and customer service;
- Implementation of an integrated product range;
- Implementation of a new marketing policy;
- Active participation in and support of the gas market deregulation programme;
- Development of the power segment;
- Change in pricing rules for gas import contracts;
- Change in the structure of imported gas sources;
- Centralisation of the wholesale trading function at the PGNiG Group.

Our achievements to-date

Imports

Following renegotiations of the pricing formula in import contracts, PGNiG has signed annexes to two material gas supply contracts.

In October 2012, PGNiG and VNG-Verbundnetz Gas AG executed Amendment No. 1 to the Lasów gas sales agreement of August 17th 2006, effective until October 1st 2016. The parties agreed on a new pricing formula based on the prices of petroleum products and current market prices of natural gas, as well as a new capacity charge rate. The amendment came into force on October 1st 2012.



In November 2012, PGNiG SA and OOO Gazprom Export executed an annex to the contract for sale of natural gas to the Republic of Poland, dated September 25th 1996, effective until December 31st 2022, whereby the pricing terms for the gas supplies to Poland were changed, also retroactively with respect to the gas volumes purchased in previous periods. The new pricing formula reflects the developments that have occurred on the European gas market in recent years, and takes into account the prices of petroleum products and the market prices of natural gas. Following negotiations with OAO Gazprom/OOO Gazprom Export concluded in November 2012, PGNiG obtained an over 10% price reduction on the Russian gas.

In order to reduce gas acquisition costs, PGNiG entered into an agreement with OGP Gaz-System SA for the provision of virtual reverse flow services on the Yamal gas pipeline in the period from January 1st 2012 to December 31st 2015.

In an attempt to diversify the supplies of imported gas, the PGNiG Group increased the volumes of gas it purchased under short-term contracts. The purchases were contracted chiefly by PGNiG Sales & Trading.

In 2012, PGNiG Sales & Trading began trading in natural gas in Germany through the European Energy Exchange (EEX) and OTC transactions. Moreover, in 2012 the company acquired 100% of the shares in XOOL GmbH, whereupon it launched sales of natural gas to end customers in Germany.

Sales

PGNiG is the largest supplier of natural gas in Poland. PGNiG's share in the gas market is approximately 96%, the remaining 4% is held by suppliers from outside the PGNiG Group, which usually purchase gas from PGNiG. In 2012, the PGNiG Group sold 14.9bn cubic metres of gas, of which 13.9bn cubic metres were sold from the domestic transmission and distribution systems, 0.7bn cubic metres were sold directly from the fields, and 0.3bn cubic metres were sold on the German market.

In September 2012, PGNiG launched sales of electricity to business customers (tariff groups A, B and C), and in the first quarter of 2013 it launched sales of electricity to households (tariff group G).

In December 2012, PGNiG commenced trading in natural gas on the Power Exchange. In accordance with a decision by the President of the Energy Regulatory Office, trading on the exchange is exempt from the tariff obligation.

The Company continued work on the LNG-derived gas fuel E distribution project in the towns of Elk and Olecko. The project involves construction of an LNG regasification station and two-step pressure reduction, metering and odorising stations in Elk and Olecko, and switching customers in those towns to high-methane gas. In 2012, an agreement was signed for EU co-financing of the project under the Infrastructure and Environment Operational Programme.

Distribution

Also in 2012, the Gas Distribution Companies worked on extending and upgrading the gas network, and connecting new customers to both existing and newly built sections. They also replaced the most failure-prone sections of cast-iron pipeline and modernised the longest operating sections of the network, whose continued use posed a safety hazard and caused substantial gas losses.

The Gas Distribution Companies also worked on projects for which they concluded agreements for EU co-financing under the Infrastructure and Environment Operational Programme.

Storage

Until May 31st 2012, PGNiG acted as the storage system operator. In May 2012, Operator Systemu Magazynowania Sp. z o.o., a subsidiary of PGNiG, became the storage system operator. The company was also granted a licence, valid from June 1st 2012 through May 31st 2022, authorising it to store gas fuels in storage facilities.

In 2012, PGNiG completed the expansion of the Strachocina Underground Gas Storage Facility and put in service one of the caverns of the Mogilno Underground Gas Storage Facility. As a result, the working capacities of those high-methane gas storage facilities increased to 1,821.9 million cubic metres at the end of 2012. The Company continued to work on expanding the Wierzchowice Underground Gas Storage Facility, the largest facility of this kind in Poland, and on constructing the Kosakowo Underground Gas Storage Facility. The expansion of the Strachocina and Wierzchowice Underground Gas Storage Facilities and the construction of the Kosakowo Underground Gas Storage Facility received EU co-financing under the Infrastructure and Environment Operational Programme.

As at December 31st 2012, the PGNiG Group had made available a total of 1,821.5m cubic metres of working storage capacities for third party access and for OGP Gaz-System SA. Of this volume, 1,796m cubic metres were made available under long-term agreements and 25.5m cubic metres under short-term agreements. Additionally, 0.39m cubic metres of the storage capacity of the Mogilno underground gas storage cavern is used to cover the facility's own needs.

Power Generation

The PGNiG Group continued work on the 'Construction of a CCGT Unit in Stalowa Wola' project. In 2012, the general contractor for the Stalowa Wola unit was selected, the project execution agreement was signed, and the credit facility agreements securing its financing were executed. In addition, preparations for the construction of a 450MW CCGT unit at the Żerań CHP plant were launched.

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

Business model

As new growth opportunities for the PGNiG Group emerge, we take steps to expand the scope and scale of our operations. The updated strategy set the following strategic objectives for new business areas:

- to develop the power sector;
- to reorganise the PGNiG Group;
- to enhance our efficiency as a project-oriented organisation.

Actions taken to pursue these objectives include:

- Optimisation of the HR management system at PGNiG;
- Implementation of a project/project portfolio management system;
- Establishment of a Shared Services Centre;
- Restructuring of the PGNiG Group's core businesses;
- Restructuring of the PGNiG Group's non-core businesses;
- Employment restructuring;
- Optimisation of the storage segment at the PGNiG Group.

Our achievements to-date

Exploration and Production

In 2012, PGNiG consolidated its exploration and well services companies within the Group's Exploration and Production segment. PGNiG Poszukiwania SA (since February 2013 – Exalo Drilling SA) was merged with PNiG Kraków, PNiG NAFTA, PNiG Jasło, PN Diament and ZRG Krosno.

In 2012, PGNiG's exploration and production operations were reorganised, and a Geology and Hydrocarbon Production Branch was established in Warsaw. Its role is the coordination and expert supervision of hydrocarbon exploration and production projects, both in Poland and abroad.

Power Generation

In line with the strategic vision to transform the PGNiG Group into a modern multi-utility, in January 2012 PGNiG acquired from Vattenfall AB (through its subsidiary PGNiG SPV 1) 99.8% of the shares in Vattenfall Heat Poland SA (whereupon the company was renamed PGNiG Termika SA). Following the acquisition of these assets, the PGNiG Group's business was expanded to include electricity and heat generation.

In 2012, PGNiG Termika became the Group's competence centre for heat and electricity generation and for implementation of heat and power projects.

Distribution

In the first quarter of 2013, the PGNiG Management Board approved the composition of a new company, PGNiG SPV4, whose role was to combine the six distribution companies to form a single entity with the head office in Warsaw and six regional branches responsible for field operations.

On May 24th 2013, all the companies involved in the process held Extraordinary General Meetings, which approved the merger between PGNiG SPV4 (the Acquirer) and the six distribution companies (the Acquirees) under Art. 492.1.1 of the Commercial Companies Code. The procedure to register the merger in the National Court Register began on May 27th 2013.

Storage

As part of the reorganisation of the PGNiG Group's storage business, on May 22nd 2013 the Annual General Meeting of PGNiG gave its approval for PGNiG to acquire shares in the increased share capital of Operator Systemu Magazynowania as part of the merger between Operator Systemu Magazynowania and Investgas SA.

Support

In 2012, implementation of a shared services centre was begun. The centre will provide finance, accounting, HR and payroll, as well as IT services. To that end, a new company under the name of PGNiG Serwis was established. The company will provide its services to certain PGNiG Group companies.



PGNiG's approach to sustainable growth

Stakeholders

Owing to the scale and reach of its operations, PGNiG has a wide array of Stakeholders. At different stages of the value chain, our impact on and relations with Stakeholders varies, as do our specific commitments towards them. PGNiG strives to conduct its business in a responsible manner, with due regard for the role of social dialogue. Throughout the business decision-making process, PGNiG 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 PGNiG and its Stakeholders, and if we recognise and try to understand one another's needs and expectations.

Factoring in the needs of the Stakeholders and the Stakeholder communication process is also an element of the risk management process.

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

1

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

2

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

One example of Stakeholder cooperation at PGNiG is the complex network of interconnections within the gas production segment. The PGNiG Sanok and Zielona Góra Branches are involved in the production of crude oil and natural gas. These operations 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 respect, suppliers of equipment as well as customers 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 the various sports and cultural events taking place in a given region. Stakeholder relations are managed in a similar manner in the segment of exploration for gas from unconventional sources (shale gas). For more details, see the "...." section in each chapter.

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 set when formulating our sustainable development mission is to be an active and responsible player on the Polish energy market, which takes into consideration the needs and expectations of its various Stakeholder groups as well as the natural environment.

The Group's CSR strategy addresses a range of challenges posed by our environment, and the actions we plan result from our Stakeholders' needs 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, applies to all four areas of sustainable development, and rests on six strategic pillars:

3

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

4

Creation of safe and friendly workplaces;

5

Consistent, credible and efficient communication and marketing;

6

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



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.

Since 2010, Group companies have conducted their businesses based on their own Sustainable Development and Responsible Business Strategies.

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 progress, as well as monitor the 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.

Strategy management

Soon after the formal adoption of the Strategy, a dedicated structure was established to coordinate the processes of 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 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's implementation at PGNiG Group subsidiaries and branches, as well as 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. Altogether, there are several dozen persons for whom sustainable development is one of their principal duties. 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.

Information about this Report

'Responsible Energy 2012' is the fifth CSR report prepared by PGNiG based on the Global Reporting Initiative guidelines and IPIECA indicators.

Furthermore, it is also based on the guidelines and indicators described by the Global Compact and the ISO 26000 standard. Practices presented in this Report apply to PGNiG SA, except when described as practices also applying to other PGNiG Group companies.

This Report presents our pursuit of the objectives defined in the Sustainable Development and Responsible Business Strategy in the period from January to December 2012. It also includes certain events/practices from 2013 and uses figures and/or descriptions of the practices, rules and procedures in place.

Figures quoted in this Report are for 2012, unless otherwise indicated.

Quantitative measures presented in this Report are based on PGNiG SA data.

This Report has not been reviewed externally, although selected indicators and the financial data presented are consistent with the PGNiG Annual Report and Financial Statements for 2012 and, as such, were verified by the auditors of the Annual Report. Independent audits of environmental protection systems were carried out at PGNiG companies.

The changes that took place within the Company's organisation in the last year do not affect the comparability of data included in the reports for previous years. Information on the changes in the Company's organisational structure has been presented in the 'PGNiG – Company profile' section. There is no need to adjust the information contained in the reports for previous years. All data in this Report has been properly sourced directly from the entities described herein, and from those persons managing the respective areas of the PGNiG Group's operations.

Calendar of corporate events



January

PGNiG SA, through its subsidiary PGNiG SPV 1, acquired 99.8% of shares in Vattenfall Heat Poland S.A. (currently PGNiG Termika) for approximately PLN 3bn. The acquisition was financed by PGNiG with proceeds from a notes programme. With this transaction, PGNiG has become a multi-utility group, supplying heat, electricity and gas to its customers.

For the fourth consecutive time, PGNiG was included in the prestigious Respect Index, the CEE region's first index of socially responsible businesses, maintained by the Warsaw Stock Exchange.

February

In licensing round APA2011, the Norwegian Ministry of Hydrocarbons and Energy awarded PGNiG Norway interests in three exploration and production licences in Norway: licence PL648S (PGNiG Norway (operator) 50%, OMV Norge AS 50%), licence PL646 (Wintershall Norge AS (operator) 40%, PGNiG Norway 20%, Lundin Norway AS 20%, Norwegian Energy Company ASA 20%), and licence PL350B, which is extended licence PL350 (EON (operator) 40%, PGNiG Norway 30%, Statoil 30%). Being awarded the operatorship of the PL648S licence is a significant step forward for the company. This is the first operatorship awarded to PGNiG Norway, which highlights the company's natural development.

PGNiG Finance issued the first, EUR 500m tranche of five-year eurobonds as part of its Eurobond Programme established in August 2011.

PGNiG drafted the Gas Deregulation Programme, which was put to public consultation. The draft was prepared based on documents including the President of the Energy Regulatory Office's recommendations for gas deregulation in Poland, dated November 15th 2011, as well as the Natural Gas Prices Deregulation Roadmap, dated December 22nd 2011. The purpose of the Programme is to create market conditions under which gas prices for institutional customers can be deregulated. PGNiG is aware that the Polish gas market may be subject to major changes post-deregulation.

On February 20th 2012, the Company filed a suit against OAO Gazprom and OOO Gazprom Export with the Arbitration Court in Stockholm, in accordance with the relevant procedure. The suit relates to changes of the price terms in the long-term gas supply contract of September 25th 1996 executed by PGNiG SA with OAO Gazprom and OOO Gazprom Export.

March

The Supervisory Board appointed Ms Grażyna Piotrowska-Oliwa to the position of President of the PGNiG Management Board for the joint term of office expiring on March 13th 2014.

The President of the Energy Regulatory Office approved a new gas fuel tariff (Part A - Gas Fuel Supply Tariff No. 5/2012). On average, the prices and charge rates for the supply of high-methane gas type E, and nitrogen-rich gas types Lw and Ls were increased by 12.5%, 12.6% and 11.3%, respectively. The tariff came into force as of March 31st 2012.

April

PGNiG completed the construction of a high-pressure pipeline between the Kłodawa Mixing Plant and the LMG oil and gas production facility. The pipeline will enable the transmission of natural gas from the Dębno region, through the Kłodawa mixing plant and LMG oil and gas production facility, to the Grodzisk mixing and nitrogen rejection unit, and will be used as a storage facility to cover temporary shortages of nitrogen-rich gas.

In accordance with a decision of the President of the Energy Regulatory Office, PGNiG implemented a new Gas Fuel Storage Tariff, effective until March 31st 2013. In the new Tariff, the average rate of charges for gas storage services was reduced by approximately 7.9%.

A notice was given by BP, the operator of the Skarv project, that the launch of oil and gas production on the Norwegian Continental Shelf would be postponed from Q2 2012 to Q4 2012. The postponement was caused by a delay in the installation of risers due to adverse weather conditions on the Norwegian Sea.

The Stalowa Wola CHP plant signed a contract with Abener of Spain, to be the general contractor for the CCGT unit in Stalowa Wola. The contract, valued at PLN 1.57bn (VAT exclusive), provides for construction of Poland's largest gas-fired CHP plant and for long-term maintenance of the gas turbine.

The PGNiG Management Board resolved to recommend to the General Meeting transfer of the entire 2011 balance-sheet profit of PLN 1.62bn to the Company's statutory reserve fund. The PGNiG Management Board also proposed allocation of retained earnings of PLN 72.5m to the Company's statutory reserve funds. In May 2012, the PGNiG Supervisory Board endorsed the Management Board's proposals.

May

Mr Marek Karabuła resigned from his position as member of the PGNiG Management Board and took the position of President of the Management Board of POGC Libya, a PGNiG subsidiary conducting exploration activities in Libya.

PGNiG published its financial results for Q1 2012. The PGNiG Group posted a PLN 297m net profit, down by 71% from PLN 1bn in Q1 2011. One of the main reasons behind the decline, despite a 27% growth in revenue (to nearly PLN 9bn), was a negative margin on sales of high-methane gas (-10%). This was, in turn, primarily attributable to a 41% increase in the unit purchase price of imported gas and the lack of approval for the new tariff, which PGNiG had already submitted in October 2011. The Group's revenue was up 27%, to almost PLN 9bn, mainly on the back of a sharp rise in gas sales volumes and inclusion of PGNiG Termika in the consolidated financial statements. Once again, the Exploration and Production segment recorded a two-digit increase in revenue from exploration services.

PGNiG executed documents on a five-year note programme for up to PLN 4.5bn with ING Bank Śląski S.A. and Bank Pekao S.A. Under the programme, PGNiG may issue, for private placement, fixed or floating rate notes with maturities of up to 10 years.

PGNiG Termika completed the construction of a wet flue gas desulphurisation unit at the Siekierki CHP plant. The unit supports eight of the 14 boilers installed at the CHP plant and desulphurises emissions from 70% of its generating capacity.

June

The Annual General Meeting of PGNiG approved the financial statements and the Directors' Reports on the operations of PGNiG SA, as well as the consolidated financial statements and the Directors' Report on the operations of the PGNiG Group, and granted discharge to members of the PGNiG Management and Supervisory Boards for the financial year 2011. The Annual General Meeting resolved to allocate the entire net profit and retained earnings for 2011, respectively of PLN 1.6bn and PLN 72.5m, to the Company's statutory reserve funds.

PGNiG issued the first tranche of long-term notes under the note programme launched in May 2012. The nominal value of the notes issued was PLN 2.5bn. At the time it was the largest note issue ever completed on the Warsaw Stock Exchange by a non-bank corporate issuer.

July

On July 4th 2012, PGNiG entered into a framework agreement on shale hydrocarbon exploration and production with KGHM Polska Miedź S.A., PGE Polska Grupa Energetyczna S.A., TAURON Polska Energia S.A., and ENEA S.A. The agreement provides for joint exploration for, appraisal and production of hydrocarbons from geological formations covered by PGNiG SA's licence for oil and gas exploration and appraisal in the Wejherowo area. The area on which the parties will operate spans approximately 160 square kilometres. Estimated expenditure on gas exploration, appraisal and production at the first three sites (the Kochanowo, Częstkowo and Tępcz pads) will amount to PLN 1.7bn.

PGNiG Norway discovered a new field, Snadd Outer, within the PL212E licence area. The field lies near the Snadd North gas field and borders the Skarv field.

On July 30th 2012, the notes issued by PGNiG in June 2012 were floated on the Catalist market, on the multilateral trading facility operated by BondSpot.

PGNiG Termika executed documents on a five-year note programme for up to PLN 1.5bn with four banks: PKO BP S.A., Nordea Bank Polska S.A., ING Bank Śląski S.A., and Bank Zachodni WBK S.A. As part of the programme, PGNiG TERMIKA may issue (in private placements) discount and interest-bearing notes with maturities of up to one year and interest rates based on WIBOR plus margin.

PGNiG Termika S.A. issued the first tranche of notes with a total nominal value of PLN 450m.

For the fifth time in succession, the Warsaw Stock Exchange announced the list of companies included in its Respect Index. PGNiG was again included in the prestigious group.

August

PGNiG published its financial results for H1 2012. In H1 2012, the PGNiG Group recorded a PLN 17m loss, relative to a PLN 1bn profit reported for the corresponding period of the previous year. This loss was incurred despite a 28% growth in revenue, to PLN 14.8bn, and was chiefly caused by factors outside the Company's control, such as the rising cost of gas imports and adverse fluctuations in the zloty exchange rates, which the tariff approved by the President of the URE failed to offset.

On August 28th 2012, the PGNiG Management Board adopted a resolution concerning the Voluntary Termination Programme. Its adoption was a consequence of the Agreement concerning the process of PGNiG's reorganisation, concluded on August 24th 2012 between the PGNiG Management Board and PGNiG's Union Coordination Commission.





September

Standard & Poor's Financial Services ("S&P") reduced the rating of PGNiG from BBB+ to BBB and placed the Company on a negative watchlist. It was S&P's opinion that PGNiG's 2012 performance would not stand up to the Agency's earlier expectations, because of the Company's reduced profitability brought about by the Polish system of gas fuel tariffs, which prevents the Company from full and prompt covering of the cost of imported gas, and that the Company ran the risk of incurring an operating loss in 2012. On the other hand, S&P assessed the Company's liquidity as adequate given PGNiG's investment programme, noting the available financing programmes of significant values.

PGNiG Norway and PST signed a contract on sale of gas produced from the Skarv field. The term of the contract, valued at approximately EUR 1.3bn, is ten years. The selling price will be determined with reference to gas prices quoted on the European Energy Exchange (EEX), and payments for supply of gas will be settled in euros.

On September 13th 2013, PGNiG received the decision of the President of the Energy Regulatory Office, rejecting the changes in the gas fuel tariff.

Grupa LOTOS S.A. and PGNiG signed an agreement on joint commercial initiatives and cooperation in exploration for and production of conventional and unconventional oil and gas.

As exploration work in the PL350 and PL350B licence areas on the Norwegian Continental Shelf failed to confirm the assumed geology, PGNiG Norway discontinued work on the licences.

October

PGNiG and VNG-Verbundnetz Gas AG executed amendment No. 1 to the Lasów Gas Sales Agreement. The parties agreed on a new pricing formula based on the prices of petroleum products and current market prices of natural gas, and set a new capacity charge rate.

PGNiG brought the Lubiatów oil field and the Międzychód gas field on stream. The fields were developed as part of the Lubiatów-Międzychód-Grotów project, whose purpose is to facilitate the transport, storage and sale of crude oil, natural gas, liquid sulphur and propane-butane mix from the LMG oil and gas production facility. The launch of production from the Lubiatów and Międzychód fields will contribute to increasing the overall crude output. After testing and commissioning is completed, the LMG project will be subject to final acceptance.

PGNiG completed its exploration programme in Denmark. As no commercial hydrocarbon flow was identified, the Felsted-1 well was abandoned and licence 1/05 left to expire.

November

PGNiG and OOO Gazprom Export signed an annex to the contract for sale of natural gas to Poland. In connection with the signing of the annex, the arbitration proceedings before the Stockholm Arbitration Tribunal were closed.

PGNiG completed the construction of a high-pressure gas pipeline and fibre-optic cable with related infrastructure from the Kościan gas production facility to KGHM Polkowice/Żukowice. The pipeline will be used to sell natural gas produced at Kościan directly to KGHM Polkowice/Żukowice.

PGNiG published its financial results for Q3 2012. The PGNiG Group reported PLN 48m in net profit, compared with PLN 1.3bn of net profit for the corresponding period of the previous year. In Q3 2012, the Group's net profit declined by 80% on Q3 2011, from PLN 319m to PLN 65m. Cumulative loss of PLN 1.8bn posted by the Trade and Storage segment for the first nine months of 2012 was the key driver of the Group's operating result. In Q3 alone the segment, which is responsible for handling gas trading, reported a PLN 320m slide in its operating result, which ultimately arrived in negative territory at PLN -350m. In Q1–Q3 2012, the Exploration and Production segment generated an operating profit of PLN 1.2bn, more than for the entirety of 2011, when the profit was PLN 1.1bn. Key contributors included higher revenue from crude oil sales, continued operating expense discipline (particularly in the area of services and employee benefits) and fewer dry wells. Strong performance was also reported by the Distribution segment.

Moody's Investors Service ("Moody's") downgraded PGNiG's credit rating from Baa1 to Baa2 with a negative outlook. According to Moody's, the downgrade chiefly reflects the deterioration in PGNiG's operating performance versus 2011 due to the negative margin in its gas trade operations, coupled with higher debt levels on the acquisition of PGNiG Termika. The rating agency pointed to the uncertain future set-up of the Polish gas market and its possible adverse impact on the Company's performance. Another factor taken into account is PGNiG's evolving business risk profile related to growing expenditure on hydro-carbon exploration and production, which are unregulated business lines. However, the agency also noted that the scale of future benefits from the execution of the annex with OOO Gazprom Export will depend on the price quoted to end users of gas.

Standard and Poor's downgraded PGNiG's credit rating from BBB to BBB- with a stable outlook. According to the rating agency, the Company sustained the largest gas trading loss on record as the national regulator failed to react quickly enough to higher prices of imported gas in the sales prices effective in Poland in 2012. The Agency pointed out that the Company's financial ratios had fallen since 2011 due to negative margins on gas sales and high investment expenditure. S&P believed that the execution of the annex to the Yamal contract for gas supplies with OAO Gazprom/OOO Gazprom Export would enable the Company to avoid further losses and stabilise its financial performance and credit metrics. The Agency perceived PGNiG's liquidity as adequate and did not anticipate any significant changes in its business risk profile over the next two years, which was reflected in the stable outlook.

December

The President of the Energy Regulatory Office approved a change to Gas Fuel Supply Tariff No. 5/2012 and extended its effective term until September 30th 2013. On average, the prices and charge rates for the supply of high-methane gas type E, and nitrogen-rich gas types Lw and Ls were reduced by 6.7%, 8.0% and 10.9%, respectively.

The President of the Energy Regulatory Office approved new Tariffs for Gas Fuel Distribution Services for the Gas Distribution Companies.

PGNiG adopted a short-term value creation strategy for the PGNiG Group until 2014. Its objective is to prepare the Company for operating on a deregulated gas market. The PGNiG Group is intent on maintaining its lead in the upstream segment and supplies of natural gas, while also offering heat and electricity. Thanks to its Short-Term Value Creation Strategy, the PGNiG Group will be able to pursue an ambitious investment programme, while servicing its debt.

PGNiG Norway launched production of oil and gas from the Skarv field.



Workplace



The PGNiG Group's employees are its most valuable asset. Their knowledge, qualifications and commitment are not only instrumental to the Company's day-to-day operations and achievement of its goals and tasks, but also contribute to its unique nature and growth prospects.

Awards and distinctions

3rd Congress of Active Mobility – September 6–7th 2012 – Active Mobility-Friendly Employer

Dragon Boats – Pomeranian Trading Division

The Pomeranian Trading Division needed a way to integrate its employees. The aim of sponsoring dragon boat teams was to encourage participation in sports, keeping in shape and supporting local sporting activities. Furthermore, the Management wanted to take care of the employees' after-hours development.

The tradition of dragon boat racing originated in the 5th century BC, but only came to Europe in the 1980s. The employees of the Pomeranian Trading Division, encouraged by the sport's growing popularity, contacted MRKS Wiking sports club and put together their own team – Top Gaz Desperados. In return for PGNiG's support, Wiking is providing its employees with an opportunity to train in the club's boats and offering the help of a professional steersman during races. The helping hand of the club's professionals was particularly useful during the team's earliest training, when few of the enthusiasts knew what to do while paddling in such an extraordinary boat. Their first racing successes soon followed, proving the exceptional commitment of the employees. The PGNiG team competes in the FAN Mikst category, which is an amateur mixed group (consisting of both men and



women). Every year, Top Gaz Desperados take top spots in their category in the Polish Amateur Championships. The team also participates in the opening of the racing season on the Motława river in Gdańsk, in the competition during Sea Days and Gdańsk Days (in 2012 the team took third place), as well as in St. Dominic's Fair (first place in the general standings in 2012). The team's training sessions take place once a week and their commitment brings a breath of fresh air to the local sporting activities, stimulating the development of this discipline in Pomerania.

Every year, the team participates in a number of races (from three to six a year) and takes high positions in the standings. Working relations benefit from the employee integration that occurs during training. At the same time, the Pomeranian Trading Division supports and promotes local sports.

Promoting active mobility, employee voluntary work during the Cycling Fridays Campaign and the Congress of Active Mobility – Pomeranian Trading Division

For many years, the Pomeranian Trading Division of Gdańsk has been working with the Pomeranian Association 'Common Europe' (PSWE) and participating on various initiatives, whose aim is to promote active mobility among employees, customers and the local community.



The activities that we undertake are particularly focused on promoting cycling as an alternative means of transportation. As PSWE's partner in business, we participate in the Cycling Fridays Campaign, which encourages the Gdańsk residents to cycle to work. Each year, employees of the Division volunteer in the campaign, surveying the cyclists and providing information.

In this campaign, we support environment-oriented and pro-social activities. The environmental aspect of the campaign and its reduction of carbon dioxide emissions play a major role. We recommend initiatives that reduce traffic and promote every-day active mobility.

The environment-oriented activities that we engage in, supporting environment-friendly forms of mobility, have been recognised and awarded in the 'Active Mobility-Friendly Employer of the Gdańsk Metropolitan Area' contest. The results of the contest were announced on September 6th 2012, during the 3rd Active Mobility Congress, whose aim was to highlight the benefits that stem from promoting various forms of active mobility among Polish people.

The 'Student's Smile' (Uśmiech Żaka) initiative – Zielona Góra Branch

Internship is a method of professional training which gives young people an opportunity to acquire new skills.



Given the large number of internships at the Branch, it was proposed that those employees dedicating their time to taking on the difficult task of supervising an intern be rewarded. This gave rise to the 'Student's Smile' (Uśmiech Żaka) initiative, which rewards all those who maintain a helpful attitude towards trainees/interns and are actively committed to their education. Such employees receive a special diploma, a small gift and a written recognition in the 'Szejk' magazine.

Best practices in the Mobile Sales Department – Mazovian Trading Division

The function of the Mobile Sales Department is to care for Business Customers and acquire new ones interested in purchasing electricity. While particular emphasis is placed on results, team building and the development of appropriate relations within the team are also considered very important.

The Mobile Sales Department employs 14 people, 13 of whom are in direct contact with the customers every day. The key factor in ensuring their strong commitment is the overlap between the employee's individual goals and the company's general business objectives.

The employees support each other in their work together. From the very beginning, those employed at the Department have enjoyed flexible working hours as well as the ability to work from home (employees are given company phones and laptop computers, complete with modems for accessing company network drives). To ensure maximum comfort and safety, roadside assistance coverage is provided for their company cars.

Recognition in the 5th edition of the 'Mother at Work' (Mama w pracy) contest – Lower Silesian Trading Division

PGNiG's Lower Silesian Trading Division has implemented a programme which stems from the company's pro-family policy. Some of the programme's many benefits are particularly appreciated by pregnant women and mothers and include the ability to work remotely, flexible working time arrangements for parents returning to work, co-financing on nursery and pre-school fees,



as well as supplements for holidays and textbooks for school-age children. An affordable family healthcare package is provided under the private healthcare scheme available to the employees. The Division's pro-family programme was recognised in the 'Mother at Work' (Mama w pracy) contest organised by Fundacja Świętego Mikołaja (the Santa Claus Foundation), the Rzeczpospolita daily and the Millward Brown SMG/KRC research institute. The contest's judging panel rewarded those companies which had created favourable conditions for both working and parenting. In order to determine which employer would receive the certificate, anonymous online surveys of the female employees of the companies entering the contest were conducted. The Division was recognised in the 'Large Company' category.

By caring for mothers and their children, we are not only able to improve our employees' performance, but also solidify their bond with the company, which in turn increases its value, making it a workplace of choice for future young mothers. We believe that any modern company needs to be open to women who wish to reconcile motherhood with professional development.

Rescue services and firefighters practice fire containment – Fire drill at the Husów Underground Gas Storage Facility – Sanok Branch

A drill, codenamed 'Husów 2012', was carried out at the Husów Underground Gas Storage Facility on September 25th 2012 to practice fire and rescue procedures in the event of a gas-well fire.

A fire and rescue drill was held at the Husów Underground Gas Storage Facility. The drill was mandatory under Art. 261.3 of the Environmental Protection Act of April 27th 2001, which classifies the Husów facility as a High Risk Establishment. This requires it to organise exercises in implementing its internal rescue operation plan, in particular the operation of its fire-fighting units and in preventing, combating and removing the effects of industrial disasters.



The central events of the drill were a discussion of the technological process of natural gas production and injection, hazards arising during the production, processing and storing of natural gas, organisation of rescue and firefighting operations in the event of gas-well fires, and containment of such fires with streams of water, foams and extinguishing powders, and the subsequent replacement of the wellhead's gate valve, which is a part of the facility's surface equipment.

The drill's main exercise consisted in containing a jet of flaming natural gas gushing out from a training wellhead at a rate of 60–100 nm³/min and a pressure of 4.5–6 MPa. Three different extinguishing methods were used:

- a high-pressure stream of water directed from two fire monitors,
- firefighting powder,
- firefighting foam.

Having contained the fire and cooled down the wellhead to about 40°C, the mining rescuers replaced the wellhead's damaged 2 1/16" gate valve, with the gas stream's pressure at 1 MPa.



Following a seminar on the 'Characteristics of oil and natural gas production in Poland and assessment of associated risks and hazards', the practical part of the drill began. Those gathered practised the organisation of a rescue and firefighting operation in the event of a gas-well fire with the use of the Rzeszów Province's National Firefighting and Rescue System forces and resources, and the On-Site Mining Rescue Team.

The following units participated in the exercise:

- National Fire Service Rescue and Firefighting Unit in Łańcut,
- National Fire Service Rescue and Firefighting Unit in Rzeszów,
- National Fire Service Rescue and Firefighting Unit in Nowa Sarzyna,
- National Fire Service Rescue and Firefighting Unit in Przemyśl,
- National Fire Service Rescue and Firefighting Unit in Mielec,
- Provincial Inspectorate for Environmental Protection in Rzeszów,
- On-Site Mining Rescue Team of the Sanok PGNiG Branch,
- Well Mining Rescue Station in Kraków,
- County Police Department in Łańcut,
- County Emergency Management Centre in Łańcut,
- Medical Centre in Łańcut,
- Volunteer Fire Department units in Markowa, Husów, Albigowa, Krzemienica, Kosina, Rakszawa, Białobrzegi, Budy łańcuckie Lewe,
- IMPEL Security Agency,
- Operations Manager at the PGNiG Sanok Branch,
- Employees of the Husów Underground Storage Facility.

The main purpose of the exercise was to determine the most effective method for extinguishing a stream of flaming natural gas. The exercise was also intended to assess the volume of water needed to contain the fire and give all units of the National Firefighting and Rescue System a change to practice joint rescue operations on natural gas wells, evaluate and coordinate their communication and, finally, to properly assign and coordinate the work of mining rescuers during fires and other hazardous situations at the Production Site.

Among those watching the drill were the representatives of the PGNiG Head Office, the Sanok Branch's directors and managers, as well as the representatives of the Underground Gas Storage Facility of the Sanok Branch, the Regional Mining Office in Krosno, the Provincial Headquarters of the National Fire Service in Rzeszów, the Provincial Inspectorate for Environmental Protection in Rzeszów, as well as provincial, local-government, county, and municipal authorities which may be involved in counteracting hazardous situations. A 10-person delegation from the Cyprus Fire Service, which has experience in containing oil fires, was also present.

'Safety at work' (Bezpiecznie w pracy) contest promoting OHS – Sanok Branch

As maintaining high safety standards in a workplace is a process of exceptional complexity, the PGNiG Sanok Branch takes special care to regularly test its employees' knowledge on the subject as well as to further educate them. Last year, it was proposed that a new initiative promoting OHS awareness – the 'Safety at Work' (Bezpiecznie w pracy) contest – be introduced into the Company's calendar of events.

On September 10th 2012, the Contest Offices (both Central and Local), created by the Head of the PGNiG Warsaw Branch, started working on the second edition of the OHS-promoting competition. The event attracted considerable interest. A total of 91 employees entered the competition, including:

- 16 from the Administrative Centre for Oil and Gas Production Facilities in Krosno,
- 26 from the Administrative Centre for Oil and Gas Production Facilities in Łańcut,
- 18 from the Administrative Centre for Oil and Gas Production Facilities in Tarnów,
- 13 from the Administrative Centre for Oil and Gas Production Facilities in Przemyśl,
- 14 from the Administrative Centre for Oil and Gas Production Facilities in Ustrzyki Dolne,
- and 4 from the Sanok region.

On October 26th 2012, following the first stage of the Contest, which started at 10am at all the Administrative Centres and in the Sanok Offices, six teams were selected to proceed to the second, and final, stage of the Contest. In line with the Contest's Rules, each team consisted of three employees.

The finalists who passed the qualifications met in the museum of the Bóbrka heritage site on November 15th 2012 to face the contest's final challenge. After a period of intense competition, the winners were announced:

- First place – Team representing the Administrative Centre for Oil and Gas Production Facilities in Ustrzyki Dolne
- Second place – Team representing the Administrative Centre for Oil and Gas Production Facilities in Łańcut
- Third place – Team representing the Administrative Centre for Oil and Gas Production Facilities in Przemyśl

Given the exceptional commitment of the participating employees as well as their extensive knowledge of OHS and fire safety, the organiser decided to reward all entrants. However, the finalists additionally received valuable prizes.

PGNiG employee satisfaction surveys

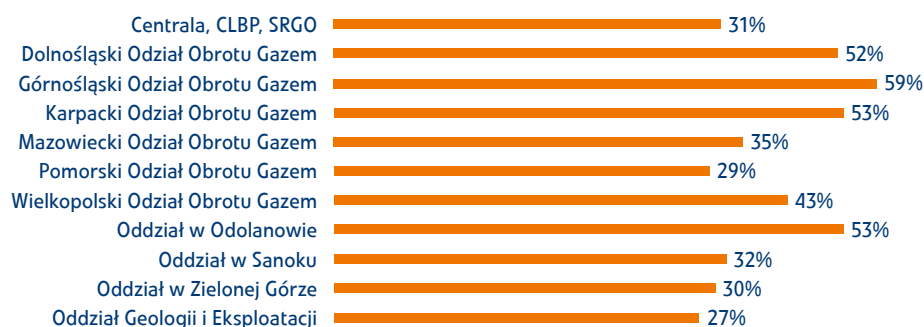
Periodic PGNiG employee satisfaction surveys are among activities planned under the adopted Sustainable Development and Responsible Business Strategy. The second survey of employee satisfaction at the PGNiG Head Office and Branches was begun at the end of November 2012.

HumanGraph, an independent research agency, assisted us in conducting the survey. The key objectives of the survey were:

- to determine the level of satisfaction and loyalty of PGNiG employees;
- to identify the drivers of their satisfaction and loyalty;
- to obtain the employees' views on PGNiG's strengths and weaknesses as an employer;
- to identify areas requiring improvement with a view to increasing satisfaction and loyalty.

Employees were given a choice between electronic and printed forms of the survey's questionnaire. 8,833 employees were invited to participate in the survey (all employees as at November 1st 2012). 6,501 electronic questionnaires were sent via e-mail and 2,332 printed copies were sent by mail. 3,317 filled-in questionnaires were submitted, meaning that 38% of the total workforce participated in the survey. In 2010, the ratio stood at 53%. 2,153 employees filled in the electronic questionnaires and 1,164 the printed copies.

The numbers of participants at the individual organisational units were as follows:



- DOOG – currently the Lower Silesian Trading Division
- GOOG – currently the Upper Silesian Trading Division
- KOOG – currently the Carpathian Trading Division
- MOOG – currently the Mazovian Trading Division
- POOG – currently the Pomeranian Trading Division
- WOOG – currently the Greater Poland Trading Division

In addition to direct tallying up of the answers to the questionnaire, in line with the standard procedures followed during such surveys, the results analysis was enhanced with the computation of certain ratios: NPS (Net Promoter Score), ESI (Employee Satisfaction Index) and loyalty index, as well as an interpretation model describing the effect of individual factors on the overall employee satisfaction level.

'Yellow Week' campaign at PGNiG

Preventive measures may provide protection against the serious consequences of viral hepatitis. Caring for its employees, PGNiG provides them with the best solutions available free of charge. Accordingly, in 2012 employees using the services of cooperating health care providers could get vaccinated, free of charge, against viral hepatitis.

Viral hepatitis A and B continue to pose a serious global threat to human health, as evidenced by their classification as being among the most common infectious diseases globally. The number of those newly infected with hepatitis A is estimated at 14 million annually, although only one case in ten is reported. The global hepatitis B death toll is estimated at approximately 1 million annually.

As the virus poses a threat to each non-vaccinated person, it is of utmost importance to be aware of the disease and know how to avoid it, as well as to be aware of the beneficial effects of vaccinations, which protect and immunise the organism. We should remember that only a full series of vaccinations guarantees long-term protection against hepatitis A and B viral infection. Hepatitis experts emphasise the need to promote vaccinations as a tool for fighting these diseases.

The fourth conference on Social Dialogue at the PGNiG Group

On February 10th 2012, the fourth conference on Social Dialogue was held, during which representatives of the current Management Board of PGNiG met with representatives of the key trade unions active in the PGNiG Group to exchange views, experience and information on the work of the Group.

The conference was attended by around 200 representatives of trade unions from all entities of the PGNiG Group and the PGNiG SA Employee Council, led by its Chairman, Tomasz Ziembicki. Special guests of the conference included Radosław Mleczo, Under-Secretary of State at the Ministry of Labour and Social Policy; Tadeusz Chwałka, Chairman of Forum Związków Zawodowych (Trade Unions Forum), and Jan Guz, Chairman of Ogólnopolskie Porozumienie Związków Zawodowych (All-Poland Alliance of Trade Unions).

It is important to remember that social dialogue is an important issue, and has a material bearing on the building of proper relations between employees and employers. The history of social dialogue in Poland goes back to the 1980s. The 1980 August Accords and 1989 Round Table Accords are examples of this kind of dialogue. The most important document developed after 1990 as a result of social dialogue was the Pact on State-Owned Enterprises in Transformation, which specified the rules governing the transformation and privatisation of state-owned enterprises.

Having discussed the most important aspects of PGNiG's and the Group's operations, the participating Management Board members answered questions asked by other participants of the conference. The discussion addressed the development of the exploration and production business, gas trading divisions and distribution. The participants expressed their concern for jobs, in particular in the context of economic considerations presented by the Management Board and related cost optimisation measures.



The 'Computer as a Window to the World' project – Pomeranian Trading Division

The 'Computer as a Window to the World' project was developed by employees of the Pomeranian Trading Division (POH) as part of the Volunteering Programme initiated by the PGNiG Head Office. The objective of the project was to provide a complete computer workstation with Internet access, for use by the charges of the Single Mothers with Children organisation, and the 'MONAR-MARKOT Gdańsk Centre of Assistance to Neighbours' retirement home in Gdańsk. Funds raised under the programme were used to finance the computer hardware, which was then delivered to the centre and where it will be used for a number of years by an increasing number of project beneficiaries (over 100 people currently seek assistance from the centre annually).

PGNiG Group volunteers assisted the centre's employees with the selection of appropriate computer hardware and other equipment for the workstation, and installed the necessary software. The volunteers also conducted a series of workshops and training sessions, including in document editing, using web browsers and how to register for Internet accounts.

In the modern world, it can be difficult to actively search for a job or fix official matters without a computer or Internet access. It is currently mainly on-line that job application letters are submitted, official forms are accessed or medical specialists are searched for and contacted. Ultimately, the project proved a success, enabling the MONAR MARKOT Centre's charges to use Internet-based services and thus materially reduce their social exclusion.

PGNiG Group employees' involvement in developing volunteering projects also contributes to the integration of the workforce, increases their satisfaction and improves the quality of workforce interpersonal communication.

The 'Little Bird Feeder – Great Cause' project – Pomeranian Trading Division

The 'Little Bird Feeder – Great Cause' project consisted of workshops organised in the late autumn of 2012, attended simultaneously by several groups of participants. The workshops were created for children and the elderly, who with the assistance of designers from the Pomorskie Stowarzyszenie Projektantów PoCoTo (the 'PoCoTo' Gdańsk designers Association), built original bird feeders to help local birds make it through the then-oncoming winter.

Their work on the feeders was preceded by a lecture from an ornithologist, who helped the audience understand the needs of city-dwelling birds. The joint work, supervised by the designers, helped to integrate the local communities involved, including the seemingly distant groups of young and old. This type of activity teaches youth tolerance, while the elderly have an opportunity to 'charge their batteries' with the energy shared with them by the children. The workshop's participants were people who had responded to the Association's announcements, posted in nursery schools and schools in the Gdańsk-Gdynia-Sopot Agglomeration, at the University of the Third Age, and on the local government information portal, as well as on Facebook. PGNiG Group volunteers, working with the Association, developed the concept of the workshops and assisted in organising and directly conducting the workshops (from assisting in purchases to constructing the feeders). The workshops served educational and integration purposes and the financial assistance received enabled streamlined implementation with use of the purchased materials and tools.

The project's organisers received numerous responses to the initial announcement, but due to the limited space available and limited financial assistance, were not able to admit everyone to the workshops. On the other hand, the great interest shown in the project attests to the demand for such initiatives.

PGNiG Ethics Programme

In 2009, we adopted the Rules of Best Practice for PGNiG Group Managers, setting out the rules for non-engagement in competitive ventures, prudent management of corporate affairs, and avoidance of any potential conflicts of interest.

Managers who fail to follow those rules are in breach of internal regulations, and may be held accountable. All members of the management team were placed under the obligation to read and duly observe the Rules of Best Practice for PGNiG Group Managers.

At the beginning of April 2011, the office of the Ethics Officer was established at PGNiG SA. On August 4th 2011, the PGNiG Management Board adopted Resolution No. 400/2011 on a management system for the PGNiG Ethics Programme and the content of the new Code of Ethics. The Management Board made it mandatory for all PGNiG Group companies to implement the prescribed measures. Some time after, the Ethics Committee was established. We then ran an information and training session for senior management on the Code of Ethics, Ethics Programme management system, and possible ways of handling high-risk situations. Earlier on, we had also held internal consultations with the management staff, as well as academics, NGOs and public administration authorities with respect to draft provisions of the Code of Ethics and the Ethics Programme management system. We also consulted with the Internal Audit and Control Office on aligning the PGNiG Ethics Programme management system with the planned PGNiG Misconduct Management Policy and the PGNiG Misconduct Management Programme. 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 Ethics Officer is responsible for liaising with those coordinating the implementation of the Ethics Programme across the Group, and for collecting and reviewing reports prepared by ethics officers at individual Group companies. With the consultations completed and relevant materials and presentations ready, we successfully began implementing the Ethics Programme in 17 Group companies. Although the individual formal and organisational mechanisms put in place vary, they are all fully compliant with the guidelines underlying the PGNiG Ethics Programme management system. For instance, the Warsaw Branch of Polska Spółka Gazownictwa (formerly Mazowiecka Spółka Gazownictwa, MSG) adopted the MSG Policy for Counteracting Mobbing and Sexual Harassment, and appointed an Ethics Steward. Also, the management boards and other management staff of several strategic subsidiaries met with the PGNiG Ethics Officer to discuss the guidelines and their specific applications.

The PGNiG Ethics Officer's duty is to investigate the validity of reported ethics violations and refer them to the Ethics Committee. Where circumstances justify it, the Ethics Committee submits a relevant request to the PGNiG Management Board, seeking action to be taken against persons found to have breached our code of ethics. The rule is that employees reporting possible misconduct to the Ethics Officer in good faith are protected from any form of retaliation.

The PGNiG Code of Ethics consists of the Statement of Values and the Ethical Standards Code. The former is a set of moral principles and ethics relevant to PGNiG's corporate culture, which provides a strong foundation for building lasting and transparent relationships with all stakeholders. It also formulates core values, which are expected to facilitate the process of developing an ethical environment and a culture of trust at PGNiG. The Ethical Standards Code contains specific rules of conduct for PGNiG employees, which are in line with the declared corporate values and best industry practices from around the world. Our standards draw on the generally accepted ethical and moral norms.

Below are some of the rules and policies articulated in our Code of Ethics:

- We avoid situations where our personal interest or the interest of people related to us could be at odds with our company's best interest;
- We inform our immediate supervisor of any legal or actual links we have with other business entities to the extent such links could give rise to a conflict of interest;
- We do not use our position in the organisation to obtain any personal or financial gain for ourselves or for people close to us;
- We inform our immediate supervisor or Ethics Officer of any conflicts of interest, in order to identify the best possible remedies;
- We act to prevent the principle of equal opportunity from being infringed upon by favouritism towards, or discrimination against, any employees.

An expression of our firm belief that a business needs to be run to the most exacting ethical standards, the adopted Ethics Programme is a vital building block of the PGNiG Sustainable Development and Responsible Business Strategy. As part of the Ethics Programme management system, an organisational framework and procedures were developed and a number of ethics infrastructure tools were deployed, including the ethics hotline, which is a channel of communication with the Ethics Officer, open to all PGNiG employees for reporting violations and asking questions or clarifying doubts as to the adopted ethics policies and standards. A dedicated hotline and e-mail address are available to all employees on a round-the-clock, seven-days-a-week basis. Initially, the ethics hotline was also available to employees of those Group companies which had no comprehensive ethics programme management systems in place.

An employee who has witnessed unethical behaviour or has a reasonable suspicion that an ethics policy has been violated by another PGNiG employee, or an outsider with business links to PGNiG, is required to report to his direct supervisor. Alternatively, the employee may contact the Ethics Officer by filling in a report form (PGNiG Code of Ethics Violation Report Form) and emailing or delivering it in person to the Ethics Officer. This is particularly suggested if the employee has reason to believe that reporting the violation to his direct supervisor could prompt retaliation or fail to trigger appropriate preventive or remedial measures. So far, most of the queries and consultation requests have concerned ethical dilemmas faced by employees at various levels of the management hierarchy, as well as specific workplace behaviours, notably those occurring in supervisor-subordinate relationships.

Full implementation of the Ethics Programme across the PGNiG Group requires long-term effort and engagement with all employees through continued ethics training and education. The programme will be more effective with the more attention that is paid daily to promoting ethical conduct, monitoring compliance with standards of conduct, and involving employees in awareness-raising initiatives. Only then will the Code of Ethics have the power to actually influence employees' attitudes and behaviour within the organisation and outside it.





Dialogue with employees

The PGNiG Group has a strong tradition of social dialogue. Of around 32,000 PGNiG employees, over 16,000 (approximately 50% of the total headcount) are members of the more than seventy company and inter-company trade unions that operate within the Group. In addition to that, PGNiG has three employee representatives on its Supervisory Board and one employee-elected member on its Management Board.

The Management Board's ongoing engagement with the trade unions and the Employee Council helps involve workers in consultations on, and keep them abreast of, important corporate decisions. Forty meetings with employee organisations were held in 2012 alone, including:

- Fifteen meetings with Representatives of Oil and Gas Mining Trade Union Centres,
- Sixteen meetings with the Company Trade Unions (signatories of the PGNiG Collective Bargaining Agreement), and
- Nine meetings with the PGNiG Employee Council.

Some of the issues discussed during the meetings with our social partners in 2012 were the Company's financial standing, pay changes, OHS performance, the Gas Deregulation Programme, implementation of key business projects by sales forces, gas market liberalisation (electricity sales strategy, changes in Business Customer Service and Retail Customer Service), organisational changes in the Company's branch structure (formation of the Geology and Hydrocarbon Production Branch), implementation of employee protection measures related to the restructuring of the Branches, shifts in the management structure, development of the Voluntary Termination Programme, amendments to the Collective Bargaining Agreement, evaluation of and planned changes to the Performance Assessment System, and arrangements concerning uniform Work Rules for Company Employees (signed on December 21st 2012).

Numerous internal regulations were adopted in 2012 as a result of the Company's and social partners' joint effort, some of which stemmed from the arrangements reached during the meetings mentioned above.

The share of employees represented by OHS committees (comprising representatives of employees and management), which provide advice on and monitor OHS programmes, was 50% (OHS Committees operate at every Branch).

Accidents at PGNiG

In 2012, a total of 26 accidents occurred at PGNiG, in which 25 employees suffered a minor injury and one person died.

The fatal accident took place during a business trip, in the town of Bochnia, at the intersection of ul. Brzeska and National Road E4. Our employee's vehicle was hit on the driver-side door, with the impact injuring the employee's brain and medulla and, ultimately, causing his death.

Compared with 2011, the number of at-work accidents fell from 32 to 26, although unfortunately the latter number includes one fatality.

A vital factor contributing to the organisation's strong OHS performance is the management's commitment to health and safety across the management hierarchy. Setting an example at the top and using diverse methods to influence employee behaviour help consistently improve our health and safety systems.

Workplace accidents by severity and frequency at PGNiG SA in 2012 and 2011

	Total accidents	Minor injuries	Major injuries	Fatalities	Frequency	Severity rate
2011	32	32	0	0	3.7	42
2012	26	25	0	1	2.9	38

Total headcount

Total headcount by type of employment, type of contract and region as at Dec 31 2012

Region	Number of employees			
	Fixed-term contract	Indefinite duration contract	Part time contract	Full time contract
Gdańsk	2	394	3	393
Kraków	-	32	1	31
Odolanów	21	132	-	153
Poznań	6	512	3	515
Sanok	42	1809	1	1850
Tarnów	12	775	9	778
Warszawa	64	1773	21	1816
Wrocław	5	401	-	406
Zabrze	6	642	1	647
Zielona Góra	180	1994	8	2166
Total				8802



Task Team on Communication and Dialogue with Local Communities

In its consultations on shale gas with local communities, PGNiG quotes the research results of independent research institutes and relies heavily on the knowledge of specialists working in the Company's different departments and areas. All communication activities are coordinated by the Task Team on Communication and Dialogue with Local Communities. Apart from permanent Team members (employees of the Communications and Marketing Department and the Geology and Hydrocarbon Production Branch), other professionals involved in the project on a daily basis include employees of the Zielona Góra Branch and the Pomeranian Gas Trading Division. These include specialists in communication, environmental protection, law, geology, occupational health and safety, HSE, etc. The Team holds weekly meetings to discuss current problems. This procedure allows the Team to not only schedule meetings and designate information centres, but also to discuss recent news, press releases and developments in Europe relating to shale gas. The Team's systematic work has produced a model of operations which has proved reliable in various, sometimes difficult situations.



To improve the Team's credibility and the effectiveness of its communications, the Company ran several days of training sessions. In total, seven two-day workshops were held, which covered such areas as communication rules and group negotiations.

The Company also held an educational campaign for all employees on shale gas consultations. The campaign was conducted through internal communication channels, such as the monthly in-house magazine and Intranet (online internal communications).

For our most recent shale gas developments see polishshalegas.pl

Total headcount and turnover by age, gender and region as at Dec 31 2012

Region	Number of employees	Turnover rate
Gdańsk	396	7%
Kraków	32	0%
Odolanów	153	4%
Poznań	518	4%
Sanok	1851	4%
Tarnów	787	5%
Warszawa	1837	13%
Wrocław	406	3%
Zabrze	648	2%
Zielona Góra	2174	4%
Total	8802	6%

Age group	Number of employees	Turnover rate
<30	771	6%
30-39	2436	4%
40-49	2541	3%
50-59	2662	4%
60-69	389	49%
70-79	3	440%
Total	8802	6%

Gender	Number of employees	Turnover rate
Female	3418	6%
Male	5384	6%
Total	8802	6%

Training hours

Average number of hours trained per employee, by employee category	Senior level managers	27
	Middle level managers	32
	Specialists	25.5
	Other	13
Managerial skills and adult education programmes supporting continuing employment	Internal training programmes	YES
	Co-funding external training and courses	YES
	Study leave (master's degree programmes)	YES
Percentage of employees subject to regular performance and career development reviews		93%

Headcount as at the end of 2012, by segment (persons)

	2012	2011	2010	2009
PGNiG Head Office	617	838	840	833
Exploration and Production	10,990	12,054	11,592	10,800
Trade and Storage	3,780	3,841	3,809	3,836
Distribution	13,255	13,865	13,881	13,851
Generation	1,069	-	-	-
Other activities	2,327	2,185	2,296	2,073
Total	32,038	32,783	32,418	31,393



Customers

In 2012, total sales of natural gas reached 14.9 billion cubic metres, of which 14.2 billion cubic metres was sold by the Trade and Storage segment. The gas was supplied to PGNiG's 6.7 million customers in Poland and 17,000 customers in Germany, including households and industrial users. Approximately 4,000 PGNiG employees worked on ensuring an uninterrupted and secure service.



Financial performance in 2013

The Trade and Storage segment reported a marked improvement in its operating efficiency, with operating profit coming in at PLN 325m, up by PLN 524m on the previous year.

The Trade and Storage segment sells natural gas imported from other countries and produced from domestic fields. Imported gas is sourced mainly from countries lying east of Poland (65% of demand), with gas volumes imported from countries to the west and south of Poland (approximately 11%) steadily increasing. Natural gas is sold through the distribution and transmission networks, and its sale is regulated by the Energy Regulatory Office.

For its own needs, the segment uses three underground gas storage facilities (in Mogilno, Wierzchovice, and Husów).

This improvement was driven by higher margins on sales of high-methane gas. An increase in the gas fuel tariff in March 2012 was not sufficient to benefit the margin. But what did help was the unit cost of imported gas, brought down in the annex to the Yamal contract. Signed in November, it revised the gas supply prices for Poland, also retrospectively. An adjustment to the segment's result, made in the fourth quarter, to account for the revised gas import terms offset the losses incurred in the first three quarters of the year.

Awards

- 30th GryfBud International Construction and Installation Trade Fair in Bydgoszcz – March 24th 2012 – for the most attractive stand design
- Invest Tor 2012 Investment Fair in the Province of Bydgoszcz – March 17th–18th 2012 – for e-Pasaż and eBOK electronic services



Activities promoting development of local communities – Pomeranian Gas Trading Division

In 2012, PGNiG's Pomeranian Gas Trading Division marketing specialists launched several initiatives under the 'Eliminating Blank Spaces' slogan, in an effort to boost further extension of the gas network to cover new areas with no gas infrastructure.

The key objective was to show local inhabitants that the environment can be protected by using green energy. From all commonly used primary fuels, such as coal, fuel oil and natural gas, the latter is the most environmentally friendly energy source. In Poland, after coal and crude oil, natural gas is the third most important primary fuel in terms of consumption. Low natural gas consumption by Polish households is a result of different factors, one of which is limited access to the gas system.

As part of the 'Eliminating Blank Spaces' initiative, we held many meetings with residents of communes with no gas infrastructure and conducted field work, which contributed to a positive decision on gas network rollout into those communes.

The Lower Silesian Trading Division's active efforts to improve communication with customers

We are aware that an attractive offer and efficient customer service at the stage of agreement execution are not the only elements that significantly contribute to the satisfaction of the modern customer. Thus, the Lower Silesian Trading Division launched eBOK, an efficient and user-friendly customer self-service platform, which allows customers registered under tariff groups W-1.1 through W-4 to access information on gaseous fuel sales.

The primary purpose of eBOK, the electronic Customer Service Point, is to provide professional and customised customer service accessible quickly and easily over the Internet. At eBOK.pgnig.pl, retail customers can perform operations on their account and check the status of consecutive payments. eBOK is also a modern solution supporting basic business processes, including invoicing, settlements, reporting gas meter readings, and managing customer feedback. Any feedback and enquiries are received directly by the eBOK support team. The eBOK online service also features a guide for customers of the Lower Silesian Trading Division in the form of a frequently asked questions (FAQ) section.

Another very useful eBOK feature are the SMS notifications which inform customers of upcoming payment dates, new invoices, etc.

The next step to improve the customer service system will be the implementation of an eco-invoice. Customers who log into the eBOK system

and consent to receiving electronic documents will then get email notifications on new invoices together with key payment details. Original documents will be uploaded to eBOK as pdf files. The key benefits of the eco-invoice include the ability to browse all original copies of invoices as pdf files, arranged by date, accessible from any place in the world on a 24/7/365 basis, with regular email notification of new eco-invoices and their uploading to eBOK, email notifications on upcoming payment dates, and access to information displayed on eBOK on the current balance of gas payments, including any past due payments.

All these features were tested and implemented at the Lower Silesian Trading Division and were then launched at the Upper Silesian Trading Division and Greater Poland Trading Division, following the integration of the application with the billing systems used by those Divisions.

In 2012, the eBOK platform developed by PGNiG's Lower Silesian Trading Division had approximately 77,000 users, which included customers of the three Divisions. At present (August 2013), the number of active eBOK accounts created by customers purchasing natural gas at the three Divisions is more than 130,000.

For more information on Internet communication with customers, see: "Internet communication with PGNiG customers".

New gas network rollouts: Chęciny and Sitkówka Nowiny communes – Carpathian Trading Division

As the largest gaseous fuel supplier in certain areas of the Kielce Province where new gas infrastructure is being constructed, PGNiG carries out communication and information activities for retail customers and businesses in a transparent manner, and in consultation with local self-government units.

These activities require the full commitment and use of all resources to conduct information and advertisement campaigns at the initial stage, and later, to acquire customers. As part of its work with the Chęciny and Sitkówka-Nowiny commune self-government units, our activities were focused on:

- Making contact with residents by holding meetings directly in villages – at schools, offices, after-school clubs, fire stations etc. (ten meetings),
- Holding meetings with the representatives of businesses located on the route of the planned gas pipeline,
- Organising information centres open each week at local self-government units (Chęciny and Sitkówka-Nowiny), to provide a comprehensive service to customers - providing general information on natural gas, issuing connection terms, signing connection agreements, and signing comprehensive agreements, etc,
- Disseminating knowledge on PGNiG SA by distributing fliers, posters and placing information on the websites of Commune Offices and in the local press.

Apart from operating the information centres, we also distributed information materials to apartments located in the direct vicinity of the planned gas distribution pipeline.

The area covered by the gas network rollout was a 'blank space' on the gas network map of the Carpathian Trading Division in Tarnów. Thanks to the campaign conducted in 2012 to promote natural gas we directly called at more than 1,200 apartments located directly along the planned routes of gas pipelines. At the meetings, we spoke directly with more than 700 commune inhabitants, all of whom received dedicated information materials. Moreover, relevant information was published in the 'Wiadomości Chęcińskie' and 'Głos Nowin' local newspapers, which are bought by most residents and businesses in the area of the new gas infrastructure. One noticeable effect of the information campaign was the fact that potential customers made contact with the Carpathian Trading Division units on their own initiative.

As a result of our information activities, potential customers submitted 152 requests for connection terms, 38 of which were submitted by local businesses. Although the entire local gas network has not yet been placed in service, the local interest in gas supply services is significant.

We intend to continue our activities in the two communes and use the experience gained in new areas: Małogoszcz and Włoszczowa.

Upgrading of the helium purification, liquefaction and storage unit at the Odolanów Branch

The only source of helium, a non-renewable resource, is natural gas. More specifically, only certain helium-rich deposits. In 1977, PGNiG SA was the first non-US company to begin recovering helium, at its Odolanów nitrogen rejection plant. Since 2009, the Company has also recovered helium at the Grodzisk Wielkopolski nitrogen rejection plant.

A modernisation project facilitating this was begun in March 2010 and ended in January 2012, and saw a new hydrogen removal unit, helium liquefier and liquid helium storage tank placed in operation. This upgrade has ensured reliable operation of the EU's single helium unit and has made it possible to process additional quantities of helium from the nitrogen rejection unit in Grodzisk Wielkopolski, and to refine it by removing excess hydrogen. Apart from enhanced efficiency, the modernised helium unit brings measurable energy savings, mainly resulting from a lower (by 40%) consumption of electricity by the helium liquefaction system, as well as reduced (by more than 80%) consumption of liquid nitrogen in the helium storage system.

Reliable and effective operation of the upgraded helium unit is particularly important to European customers in these times of disruption, experienced by other production plants around the globe.

Another project aimed at enhancing energy efficiency was the modernisation of the natural gas dehydration unit, completed in September 2012. The project involved replacement of process heaters and alteration of the control system for the absorber replacement sequence. The resulting annual energy savings amount to more than 21,000 GJ.

Internet communication with PGNiG customers

In 2012, the Customer Service System Development Section of the Gas Trading Department at the PGNiG Head Office completed work on the creation of an Internet-based communication system for household customers of Polskie Górnictwo Naftowe i Gazownictwo. In line with our corporate standard, we expanded the part of the www.pgnig.pl website devoted to households, DLA DOMU.



The project has been designed to provide retail customers with an easy and intuitive means of accessing products and services which have been introduced recently, such as the eBOK (electronic customer service office) or eco-invoices, or will be introduced in the future. Another objective was to facilitate Internet-based communication with the customers and, thanks to the contact form available on the website, provide a unified communications tool aligned with customer expectations, as well as to integrate this tool with the newly implemented PGNiG Contact Centre system to ensure appropriate customer communication and quality standards. Finally, the project was to serve as a tool through which Gas Trading Divisions could communicate with their customers via the corporate website and present their operations.

We attained these objectives by:

1. Launching the following services concerning retail customers and individual Gas Trading Divisions as part of the www.pgnig.pl website:

- 'Find the nearest Customer Service Centre';
- 'Sign in to eBOK';
- 'View your eco-invoice';
- 'News from your gas distribution company'.

The services are featured in the 'Dla Domu' (Households) area of the site, which acts as a hub rerouting customers so that they can access specific content or applications over the Internet. Their layout is based on our corporate website template and visual design, ensuring that the interface mechanism operates in a way that is familiar to users of our website.

2. Providing a simple, intuitive way of guiding the customers to areas which might interest them, such as the Customer Service Centre search engine, the eBOK login screen or the eco-invoice service.

3. Adding a new feature, whereby the customers can send a message to a specific Customer Service Centre using intuitive tools, such as interactive maps, which facilitates locating individual Customer Service Centres, thus allowing customers to send their correspondence directly to the indicated address.

4. Integrating messages sent by customers using contact forms with the Contact Centre system to enhance correspondence management and response time, ensure more standardised replies, consistently high quality of customer communication and timeliness, and create a history of individual customers' requests.

5. Allocating space on the corporate website to specific Gas Trading Divisions (currently Trading Divisions), allowing them to publish personalised content relevant to their customers, such as news, announcements, features on the history of the Division, and presentation of its management staff. The personalised content is managed directly by each Gas Trading Division. To ensure proper management of the site, we organised training courses for employees responsible for publishing the articles.

6. Creating and adapting Internet addresses so as to enable customers to find desired content more easily, for instance by launching www.ebok.pgnig.pl and www.eko-faktura.pgnig.pl

7. Ensuring the customers' safety by introducing security certificates for web pages containing sensitive data, e.g. eBOK or eco-invoices.

Central Agreement with Poczta Polska S.A. – several million złoty saved

Over the last few years, the correspondence sent by Polskie Górnictwo Naftowe i Gazownictwo to its customers has been handled by Poczta Polska. In 2012, the Customer Service Standard Office at the Trade Department of the PGNiG Head Office launched, for the second time, a tender procedure for services concerning receipt, transport and delivery of mail to PGNiG customers. Following the first tender procedure, an Agreement was signed with Poczta Polska S.A. in December 2008.

The tender negotiations, which continued until late 2008, concerned a number of terms related to outgoing mail collection points, proper preparation of outgoing mail, adjusting the envelopes to the requirements of Poczta Polska S.A., planned volume of post to be handled, etc. The main objective of the procedure was clear from the start – PGNiG wanted to leverage the economies of scale to reduce the unit cost of mail delivery, obtain the status of a key customer with Poczta Polska S.A. and ensure higher standards of service.

In January 2010, the PRZESYŁKA AGLOMERACJA (URBAN MAIL) service was introduced as part of a pilot scheme. The service, designed by Poczta Polska for its key customers, consists in receiving, transporting and delivering mail in urban areas (county capitals and towns with populations exceeding 20,000).

In response to the needs of its customers, in January 2012 Poczta Polska significantly expanded the area covered by the Urban Mail scheme. In consequence, more than 79% of the total volume of PGNiG's assorted post is delivered through the Urban Mail system, which is the cheapest service offered by Poczta Polska. To note, after using the Urban Mail for two years it is clear that the benefits of the discount policy, driven by mail volumes increasing year after year, fully offset our efforts and give us satisfaction at saving millions for the Company each year.

Customer satisfaction survey

The opinions of our customers are not only important, but also a valuable source of information, which is why in 2012 PGNiG once again carried out a wide-scale comprehensive customer satisfaction survey, covering both households and business customers – large global companies and micro-enterprises alike.

The survey used a single, consistent methodology.

As part of the project, we carried out interviews with as many as 4,729 companies and 2,446 households relying on our services.

In 2012, the synthetic index describing satisfaction with PGNiG and accounting for all customer groups combined was 80%, up from 76% in 2011.

Of all customer segments, retail customers are the most satisfied with their gas supplier – the largest percentage, an impressive 87%, admitted they were very satisfied or quite satisfied. Retail customers are also more likely to recommend PGNiG as a gas supplier to someone else.

Both households and corporate customers of PGNiG gave their highest praise to the following areas:

- product – use of natural gas,
- deliveries,
- customer service agents,
- quality of services and products,
- invoicing.

Very good marks were given to the employees responsible for customer contact, i.e. Assistants/Agents (business customers) and employees at the Customer Service Centres (for businesses and households).

However, the Customer Service Centres were praised not only for their employees, but also for overall operating efficiency. The respondents were the least satisfied with the price of services and tariffs.

In the opinion of our customers, the quality of our products and services and customer-oriented approach (customer care and smooth cooperation) are the two key drivers of customer satisfaction. PGNiG received good marks from customers in both of these areas. In their opinion, PGNiG is both easy to work with and trustworthy. Most of our respondents also believe that PGNiG is managed by efficient and competent staff.

Overall satisfaction with PGNiG (percentage of respondents who indicated they were 'very satisfied' or 'quite satisfied'):

- Retail customers – 87% (statistically significant improvement relative to 82% in 2011)
- Corporate customers – 76% (up from 75% in 2011)
- Business customers – 76% (statistically significant improvement relative to 72% in 2011)
- Micro-enterprises – 76% (up from 72% in 2011)

Business customers believe that PGNiG outperforms their electricity supplier in terms of reliability and honouring commitments, overall customer service quality, and clarity and transparency of procedures.

On the other hand, electricity suppliers are superior with respect to prices, the flexibility of their offers, and the possibility of negotiating those terms of the agreement which are not related to prices.

The best part of PGNiG's offer is the product itself – natural gas, which receives the highest praise from all customer groups.

In addition, the discount on registered mail PGNiG has been receiving since January 1st 2011 has allowed us to save over one million złoty throughout 2012. With the end of the agreement between PGNiG SA and Poczta Polska S.A. fast approaching, in mid-2011 the companies began working on preparation and execution of another agreement, with a view to maintaining continued receipt, transport and delivery of mail. After settling the detailed terms, the agreement, which positioned PGNiG among Poczta Polska's top key customers, was signed on October 31st 2011, with effect until the end of 2013.

The charges for postal services are given in the Common Mail Services Price List for Domestic Delivery. PGNiG SA signed the agreement with the proviso that each calendar year it would receive discounts defined in a separate annex. The size of the discount depends on a number of factors, including the declared volume of mail to be sent in a given calendar year, the type of outgoing mail, the volume of outgoing mail sent from one collection point, as well as the execution of preparatory activities prior to sending.

Shale Gas

Joint shale gas projects by PGNiG and GRUPA LOTOS

On September 17th 2012, PGNiG and LOTOS signed an agreement on joint exploration for conventional and unconventional oil and gas.



The objective of this agreement is to intensify exploration work under the seven licences held by PGNiG in the provinces of Szczecin, Gdańsk, Olsztyn and Lublin. Pursuant to the agreement, Grupa LOTOS will obtain interests in each of the licences, but PGNiG keeps the operator status for all of them.

The Management Boards of PGNiG and LOTOS were of a single mind about the fact that the agreement is of considerable importance for Poland's energy security and that it should translate directly into higher domestic production of both oil and gas.

Under the agreement, the two corporations plan to set up a working team whose task will be to define the detailed technical, economic and legal aspects of their work together.

In addition, PGNiG and LOTOS are interested in entering into cooperation as far as trading in the crude extracted by PGNiG is concerned. The first samples of the crude have already been delivered to the Gdańsk refinery, where they will be analysed. If the results of these analyses are positive, LOTOS will consider purchasing the crude from PGNiG.

Shale gas workshops for local self-government and the media

To meet the expectations of the local communities and the local self-government, in July 2012 PGNiG conducted a series of educational workshops.

The first series of workshops was carried out in the Gdańsk Province (Gdańsk, Olsztyn, Krokowa, and Starogard Gdański, on July 11th, 13th, 19th and 20th, respectively). The choice of the locations was not accidental. Work is the most advanced in PGNiG's Wejherowo licence area. The results so far give hope for commercial gas production. Besides local self-government representatives, the workshops were also attended by journalists. The initiative to organise the workshops was spurred by the untrue information on shale gas production which has from time to time appeared in the media.

During the workshops, representatives of local self-governments and journalists had an opportunity to become acquainted with the hydraulic fracturing technology and to find out what substances are contained in the fracturing fluid. The workshop participants also learned about the legal aspects of shale gas exploration and production, including the related rights of the local self-governments and the obligations that must be met by the exploration companies.

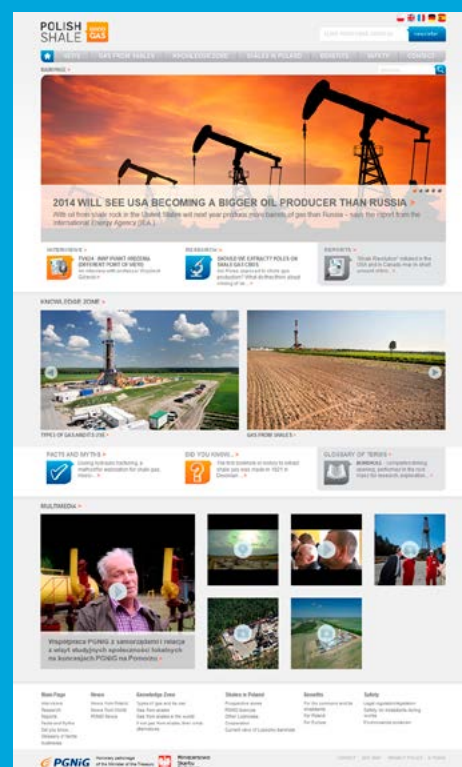
Both PGNiG representatives and independent experts took part in the workshops.

During the workshops, examples of long-standing relationships with local communities in natural gas production in Pomerania were presented, with a particular focus on the benefits to the local communities which may also arise from potential future production of shale gas. Altogether, the workshops were attended by nearly 150 people. The workshop participants pointed to the fact that education on shale gas, as well as unrestrained discussion of the issue, help build awareness and reduce distrust. Despite the numerous publications which appeared in 2012 and earlier, there is still considerable demand for unbiased knowledge about shales, particularly at the local community level. The existence of such demand was indicated not only by the results of surveys carried out among the workshop participants, but also by the experience of the PGNiG representatives working in the local information points which the Company opened as early as in June and July in selected communes of the Gdańsk Province (including in Krokowa, Gniewino, and Liniewo). PGNiG will be organising the next series of workshops and open meetings with residents of the areas where exploration work is being or will be conducted. The workshop participants also received information brochures.

Launch of a website devoted to shales

On September 26th 2012, a new website was launched by PGNiG, devoted to shale gas exploration and production. The new website is a part of the nationwide information campaign conducted by PGNiG SA, the key purpose of which is to disseminate knowledge of shale gas and provide reliable information on all related aspects.

The polishshalegas.pl website not only provides the most important news and all basic information on shale gas and its exploration and production technologies, but is a source of knowledge on all the environmental, legal and economic aspects of its extraction. Ultimately, the website will also include a collection of reports and publications on gas, as well as commentary by scientists and experts. As one of its key features, the website will include PGNiG's reports and other publications prepared on the basis of exploration work that has already been completed. These will encompass mainly the practical rather than the theoretical research and analyses of the environmental impact of exploration work. The plan for the website envisages the possibility of other parties contributing to its content.





PGNiG in 12 Blue Gas Programme projects

As the Leader of the Polish Technologies for Shale Gas Consortium, Polskie Górnictwo Naftowe i Gazownictwo SA submitted to the National Centre for Research and Development 12 applications as part of the Blue Gas Programme competition, for a total budget amount of approximately PLN 219m. Half of that amount will be covered by a subsidy from the National Centre for Research and Development, and the other half will be provided by industry partners in the Consortium.

By participating in the Programme, PGNiG will have influence on developing innovative technological solutions, especially pro-environmental ones, that can find practical application in future gas exploration and production.

Apart from PGNiG, the Consortium includes other Polish exploration and production operators, such as Lotos Petrobaltic (industry partners), the AGH University of Science and Technology, the Oil and Gas Institute, the Gdańsk University of Technology, and the Warsaw University of Technology (scientific partners).

Currently, only PGNiG is present in all the competition areas, while the other Consortium members are participating in selected projects. This is attributable to the different business needs of the industry partners, and reflects the competencies of the universities and institutes. In those projects where besides PGNiG other industrial partners are present, the Company's financial contribution is 1/2 or 1/3 of the budget. Depending on the level of the contribution, PGNiG will obtain access to the full results of the work (1/2 of the budget) or will have the possibility to apply the results in practice in future hydrocarbon production (1/3 of the budget). In the majority of cases, PGNiG makes its contributions in non-monetary form, which additionally enhances the attractiveness of the project. PGNiG's in-kind contributions might include, for instance, making available to the scientific parties the results of its core analyses, 2D and 3D seismic surveys, analyses of production materials, etc. The competition winners are to be announced within a month or two. If the decision of the competition's organisers is positive, the next stage will consist in the Consortium Leader (PGNiG) signing detailed agreements on project financing by the National Centre for Research and Development. This can be expected to take place in the first quarter of 2013. The next stage will involve implementation of projects which successfully obtain financing from the National Centre for Research and Development.



The Blue Gas – Polish Shale Gas Programme was announced in September 2012 by the National Centre for Research and Development and the Industrial Development Agency. The objective of the Programme is to provide support to large cross-disciplinary research and development projects, involving the development of solutions which will lead to the dissemination of innovative technologies for shale gas production. The main objective of the Blue Gas Programme is consistent with the strategic plans of PGNiG to intensify exploration for and production of hydrocarbons from unconventional deposits. The Programme covers three main thematic groups:

- Exploration for, appraisal, stocktaking and detailed description of potential shale gas reserves and their classification,
- Development and production of unconventional reserves and technological aspects of obtaining access to unconventional resources, and
- Environmental protection.

The above groups are additionally classified into 12 detailed thematic areas.

The entire Programme budget allocation to consortiums including large corporations is PLN 220m, with PLN 110m a subsidy from the National Centre for Research and Development, and PLN 110m a (monetary or non-monetary) contribution from the industrial parties. Optionally, this amount can be doubled by a commercial loan from the Industrial Development Agency. 12 content supervision teams were set up during the preparation of the competition applications. These teams included scientific representatives, responsible for the scientific and research content, as well as industrial representatives, whose task was to adjust the content to the industry's needs. Each application was prepared by a group of a dozen or so scientists led by prominent figures in the given area, working in close cooperation with the industry representatives. Over 100 academics, mostly professors, have been involved in our Consortium's entire project.

PGNiG SA obtains the Shale Gas Company of the Year award

On January 19th 2012, during the Shale Gas Awards gala, Polskie Górnictwo Naftowe i Gazownictwo SA won the Shale Gas Company of the Year award from Petroleum Club Magazine.

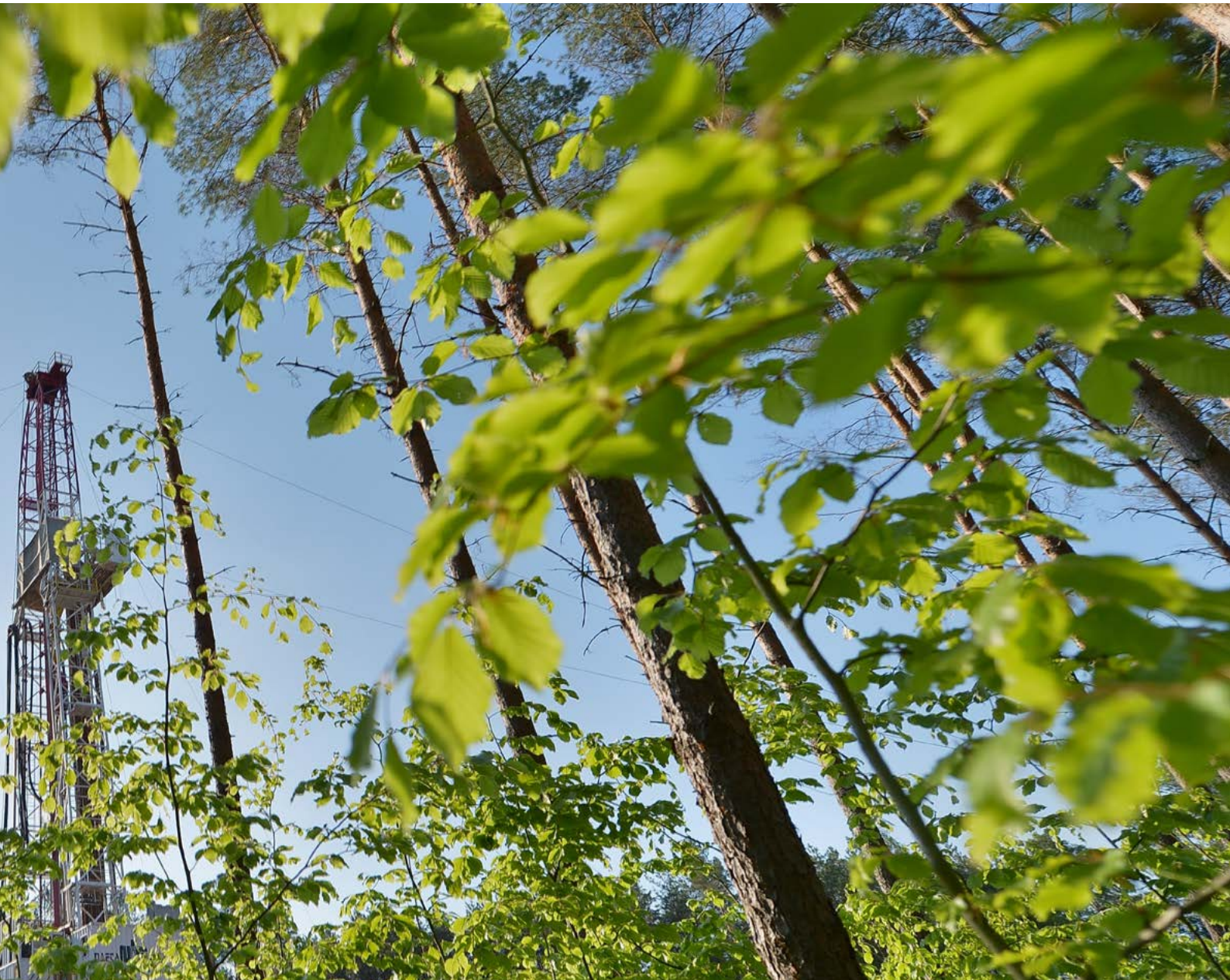
The award was granted to the Company in recognition of its overall organisational effort made as part of operation of its shale gas exploration projects. The distinction was particularly important given the ambitious shale gas exploration plan being implemented by PGNiG SA and the challenges involved in these exploration plans, faced not only by the Company.

As was pointed out during the award ceremony, Europe's energy security may depend on Polish shale gas resources. Poland has been at the forefront of shale gas exploration developments. In the medium and long term, shale gas may reduce the dependence of EU countries on imports of energy carriers.

For our most recent shale gas developments see polishshalegas.pl



Environment



For the PGNiG Group Companies, environmental protection is a matter of paramount importance, and their ecological efforts primarily consist in managing work processes in an effective, efficient and environmentally friendly manner. The great commitment of the management staff as well as proper preparation of our employees translates into our ability to demonstrate and improve the environmental performance of the PGNiG Group and its products and services, in line with the requirements of international standards.



Implementation, maintenance and improvement of EMS and HSE

A majority of the PGNiG entities have implemented, certificated and maintain the Environmental Management System (EMS) based on the PN-EN ISO 14001 standard, which is in many cases integrated with other systems, such as quality, HSE or information security management systems. The only entities where the EMS is yet to be implemented are the Gas Trading Divisions (currently Trading Divisions) and PGNiG Technologie, Naftomet Branch, in Krosno. It should be noted, however, that 2012 saw the beginning of preparations to implement a system-based management model at these entities.

In 2012, the first steps were also taken to implement the environmental management system in the Gas Trading Divisions. The Environmental Protection Division in Warsaw conducted preliminary environmental reviews, including an analysis of environmental documents, information on existing environmental impacts, as well as fulfilment of legal requirements set forth in applicable regulations, interviews with authorized employees, and field trips. At the moment, the individual Divisions fulfil most of the requirements of the ISO 14001 standard in full or in part.

The next step was to summarize the results of the reviews carried out at all of the Divisions. A summary report was created, which specified the tasks that will need to be performed to implement the environmental management system in the Divisions. In addition, proposals concerning the scope and structure of the Environmental Management System at the Trading Divisions were made.

Table 1 – Environmental Management Systems at the PGNiG Group (end of 2012)

PGNiG entity	Date implemented/certified	Certifying entity	Date recertified
PGNiG SA branches			
Head Office	July 2009	Det Norske Veritas	July 2012
Odolanów Branch	May 2003	LRQA	December 2012
Sanok Branch*	November 2004	Det Norske Veritas	November 2010
Zielona Góra Branch*	April 2002	TÜV Nord	April 2011
Lower Silesian Gas Trading Division	none		
Upper Silesian Gas Trading Division	none		
Carpathian Gas Trading Division	none		
Mazovian Gas Trading Division	none		
Pomeranian Gas Trading Division	none		
Greater Poland Gas Trading Division	none		
Strategic companies of the PGNiG Group			
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. of Gdańsk	June 2008
Karpacka Spółka Gazownictwa	September 2009	UDT-CERT	n/a
Mazowiecka Spółka Gazownictwa SA	June 2012	DEKRA Certification	
Wielkopolska Spółka Gazownictwa SA	May 2011	TÜV SÜD	n/a
PGNiG Termika	December 2007	Det Norske Veritas	December 2010
Core companies of the PGNiG Group			
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 Munich	December 2010
Poszukiwania Nafty i Gazu NAFTA of Piła*	June 2000	TUV Munich	December 2010
Poszukiwania Naftowe Diament	August 2003	TUV Munich TÜV SÜD Poland	January 2010
ZRG Krosno	January 2006	TUV Rheinland	October 2012
Non-core companies of the PGNiG Group			
Gazobudowa Zabrze	September 2001	UDT-CERT of Warsaw	October 2010
Naftomontaż	December 2004	TÜV SÜD Munich	October 2011
Naftomet	none		
ZRUG	May 2006	TUV Saarland e.V.	May 2012
GAZOPROJEKT	March 1998	Polskie Centrum Badań i Certyfikacji	January 2012
SPVs of the PGNiG Group			
INVESTGAS	December 2001	TUV Munich	November 2012

*Companies with an HSE (Health, Safety and Environment) system.

To optimise the environmental management system it was proposed to implement the environmental management system covering all Trading Divisions. To minimize the costs of implementing the EMS, it was also proposed to use system documents functioning within the EMS at the PGNiG Head Office to develop a common environmental policy and system documentation for all Trading Divisions of PGNiG SA. Coordination and supervision of the functioning of the system (audits, inspections) would be supported, among others, by employees of the Environmental Protection Division of the Geology and Operation Branch and the Trading Department of the PGNiG Head Office.

In 2013, following the preliminary reviews, as the next stage of preparation for the implementation of the EMS in the Trading Divisions, the strategy for the EMS implementation and a detailed work schedule were determined, and preparation of documents began.

In summary, 2012 saw the end of preparations for the implementation of the environmental management system at the Trading Divisions.

In 2012, Mazowiecka Spółka Gazownictwa (now Mazowiecki Oddział Polskiej Spółki Gazownictwa) completed the certification process for the Environmental Management System compliant with the PN-EN ISO 14001 standard, implemented in June 2011. All seven entities of the PGNiG Group where a recertification process was required in 2012, namely the PGNiG Head Office, the Odolanów Branch, Karpacka Spółka Gazownictwa (now Karpacki Oddział Polskiej Spółki Gazownictwa), Investgas, ZRG Krosno, Oddział ZRUG of Pogórska Wola, and Gazoprojekt, fulfilled the obligations for maintenance of the authorisations previously granted to them. The exception is Pomorska Spółka Gazownictwa (now Pomorski Oddział Polskiej Spółki Gazownictwa), which, as in previous years, decided not to conduct the recertification. However, it still has a functioning environmental management system.

It should be emphasized that in 2012, the PGNiG Group was joined by Termika PGNiG, which has had a certified environmental management system since 2007, and in 2010 it conducted a recertification audit, which again confirmed the conformity of the system with the PN-EN ISO 14001 standard.

In 2012, the number of companies with certified environmental management systems within the PGNiG Group rose to 22.

On the other hand, 2012 saw no change in the number of the PGNiG Group entities having in place an international health, safety and environmental protection system (HSE). Work on the development and implementation of an operator HSE System at PGNiG SA was under way. Representatives of the Sanok and Zielona Góra Branches and employees of the Environmental Protection Division at the PGNiG Head Office participated in working meetings on the development of HSE standards for environmental protection in the exploration, production and tankless storage of hydrocarbons at PGNiG SA.

In accordance with the main principles of the PN-EN ISO 14001 standard, environmental management systems are proof that a company has assumed certain environmental obligations. The EMS applied by the PGNiG Group companies shows that they seek to maximally reduce their negative environmental impact, comply with all environmental requirements stipulated in the legislation and regulations, and are committed to continuous improvement in environmental performance.

One of the basic requirements of the PN-EN ISO 14001 standard, which enables the implementation of these commitments, is to identify any environmental emissions referred to in the regulations as "environmental aspects". Identified, evaluated and presented in a list, environmental aspects are the foundation upon which environmental objectives within the functioning of environmental management systems are built. Streamlining this area is therefore one of the key issues required for carrying out analyses in all PGNiG Group companies and for selecting areas of particular interest to the oil and gas industry.

In accordance with the requirements of the PN-EN ISO 14001 standard, an EMS training system has been designed for the individual entities of the PGNiG Group. The system encompasses at least three different training types.

The first type is introductory training for new employees, designed to explain the basic issues related to the EMS, requirements of the PN-EN ISO 14001 standard, and the functioning of the environmental management system in a given PGNiG Group entity. Training of the second type is conducted periodically to remind employees, among other things, of the importance of acting in accordance with the Environmental Policy and other procedures designed in connection with the implementation of the EMS. As part of periodic training, employees are also informed about significant, actual or potential, environmental impacts resulting from employee activities. Advanced courses are organised as part of professional improvement of the key staff and internal auditors supporting the functioning of the environmental management system at the individual PGNiG Group entities.

At all PGNiG entities that had environmental management systems in 2012, as many as 2,790 initial periodic, and advanced training courses were held.

At the PGNiG Head Office, the periodic training was held on an e-learning basis. The training was devoted chiefly to matters related to the EMS compliant with the PN-EN ISO 14001:2005 standard. The training was completed by 531 employees, or nearly 70% of the Head Office staff (total workforce: 759 employees). All employees completed the training with positive results. As many as 263 people, or nearly 50% of the employees participating in the training, had 100% correct answers, and 147 completed the training with a 95% score. The Head Office gave initial training to a total of 73 people as part of their professional duties.

In 2012, the PGNiG Group held 43 advanced EMS training courses, making a total of 16 more than in the previous year. A total of 958 employees were trained, or nearly 25% fewer than in 2011. It should be noted that at a majority of the companies presented data refers to a specific group of people who repeatedly attend specialised training dedicated to environmental management systems.

All PGNiG Group entities which have implemented environmental management systems in accordance with the PN-EN ISO 14001 standard are required to develop a schedule and procedures for conducting internal audits. Internal audits, in addition to reviews carried out by senior management, act as the main control mechanism for companies as they make it possible to evaluate compliance with the PN-EN ISO 14001 standard and the effectiveness of the environmental management system, as well as related documentation.

Pursuant to the PN-EN ISO 14001 standard, internal audits may be performed by company employees or by specialised external companies. In 2012, 407 certified internal auditors participated in auditing the environmental management system at the PGNiG Group. This was 93 more than in 2011.

According to the data collected in 2012, a total of 517 internal audits were carried out at the PGNiG Group entities, which is 38 audits fewer than in 2011. Generally, the frequency of internal audits may depend of their nature and the extent of EMS implementation at a given PGNiG Group entity.



Reducing emissions of greenhouse gases and other air pollutants

Air pollution emissions for 2012 are presented for the PGNiG Group companies exclusive of PGNiG Termika, which joined the Group in 2012 but, given the different nature of its business, has not been taken into account when aggregating the companies' emissions.

PGNiG Termika is Poland's largest producer of heat and electricity in high-efficiency cogeneration. The company operates a number of plants in Warsaw: the Kawęczyn and Wola Heating Plants and the Siekierki and Żerań CHP Plants, as well as the Pruszków CHP Plant in Pruszków.

The companies of the PGNiG Group are cutting down their emissions of greenhouse gases and other pollutant gases and particulates into the atmosphere by:

- using gas as a low-emission fuel,
- monitoring the consumption of fuels,
- reducing the energy intensity of their technological processes,
- upgrading or replacing the sources of heat used for their own needs.

The PGNiG companies emit air pollutants in the form of gases and particulates in the course of their hydrocarbon exploration and production, and gas distribution operations, as well as investment, upgrade, overhaul and maintenance projects. The pollutants are a product of burning of fuels in internal combustion engines of vehicles and machines, in industrial processes and heat sources, in processes involved in the production and processing of crude oil and natural gas at the production facilities and in the distribution network and gas pipelines, as well as in auxiliary activities (painting, welding, wood processing, galvanic processing, etc) at all companies, including in particular the service divisions of PGNiG Technologie.

Emissions into the atmosphere may be controlled (through point and stationary emission sources) or uncontrolled (e.g. in the painting process).

The numerous processes operated by PGNiG companies produce more than one hundred and forty different substances released into the atmosphere. The pollutants released into the atmosphere include mainly gases (primarily SO₂, NO_x, CO, CO₂, and CH₄), particulates (from fuel combustion, silica particulates, carbon and graphite particulates and others), hydrocarbons, aldehydes, alcohols, acids, heavy metals, metallic and non-metallic elements. Air pollutants released as a result of fuel combustion in internal combustion engines of vehicles are not included in the total pollution load as there is no up-to-date data on emission factors (EF) for calculation of emissions of pollutants from engine fuels.

Carbon dioxide coming from fuel combustion in heat sources and industrial processes accounts for approximately 90% of all emissions, followed by methane (approximately 9.4%), and other substances produced mainly in industrial processes. Methane is released into the atmosphere during routine and emergency discharges of gas from pipelines and distribution network facilities, production facilities of the hydrocarbon production divisions, and during siphoning of oil or gas from wells by the exploration companies.

In aggregate, in 2012 the PGNiG companies released approximately 432,000 Mg of pollutants into the atmosphere. For information on their key types and emission volumes (in excess of 1 Mg), see Table 3.

The aggregate amount of pollutants released into the atmosphere went down 35% relative to 2011, which is attributable to lower carbon dioxide emissions (Figure 2 – logarithmic scale). 2012 also saw a year-on-year decline in emissions of the following substances, produced mainly by fuel combustion in heat sources and industrial processes: sulphur dioxide (down 4.7%), carbon oxide (down 22.8%) and nitrogen oxides (NO₂ equivalent) (down 11%), as well as particulates (down 18.5%). The lower emissions are due to reduced volumes of fuel burned by gas compressor stations and engine compressors.

Figure 2 – Aggregate volumes of main gas pollutants released into the atmosphere in 2010–2012 (thousand tonnes, logarithmic scale)

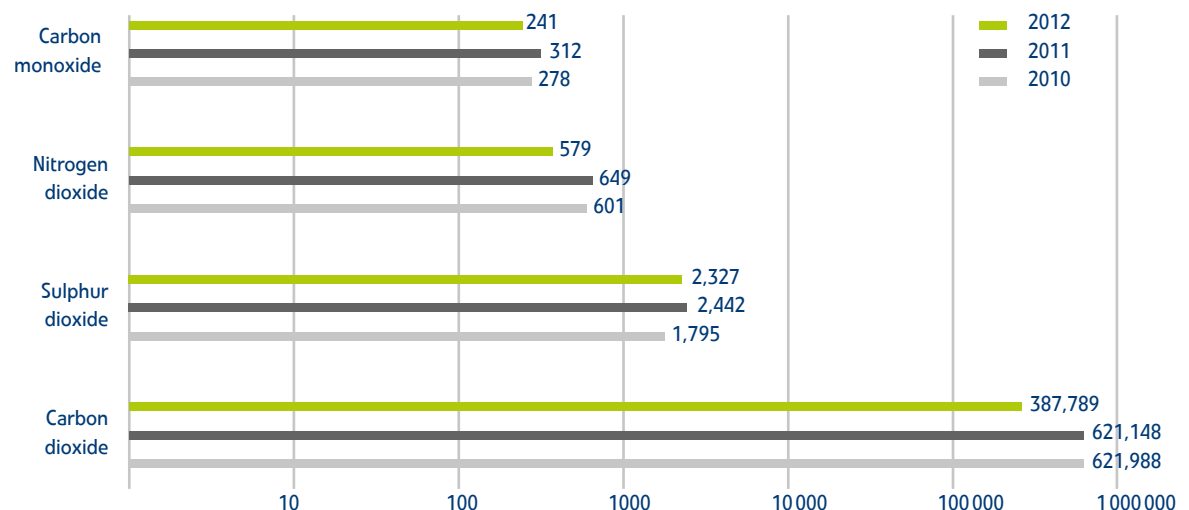


Figure 4 – Volume of methane emissions generated by the PGNiG Group companies in 2010–2012 (in Mg)

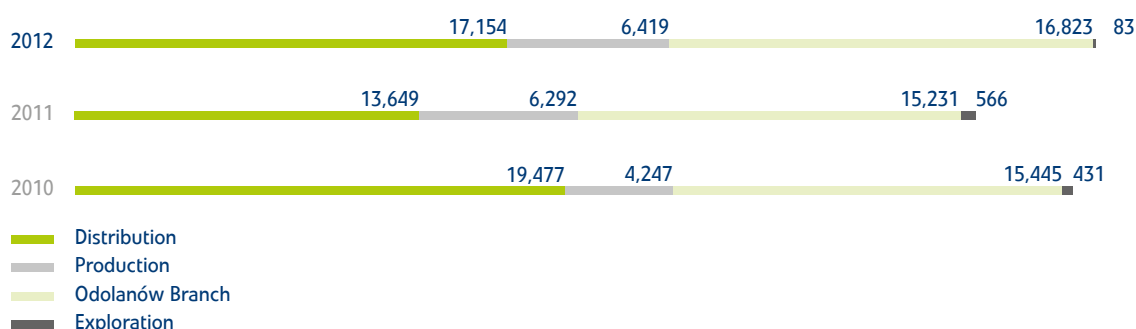


Table 3 – Main types of pollutants released into the atmosphere in 2012

Substance	Volume [Mg]
carbon dioxide	387,789.156548
methane	40,479.535241
sulphur dioxide	2,326.688025
nitrogen dioxide	578.796877
carbon oxide	241.00375
aliphatic hydrocarbons	124.085437
xylene	13.079246
ethane	12.870564
hydrogen sulfide	10.55662
total particulates	9.818129
aromatic hydrocarbons	8.761550
gasoline	7.284577
propane	4.323178
crude oil hydrocarbons	2.808625
methyl ethyl ketone	2.486581
ethyl alcohol	2.225661
toluene	2.209559
butyl acetate	2.090081
methyl alcohol	1.941200
aliphatic alcohols	1.781472
butane	1.723426
acetone	1.317924
butyl alcohol	1.104220
other	5.029656
Total	431,634.293495

Methane emissions generated by the PGNiG companies in 2012 totalled 40,479.535 Mg, up 12% relative to 2011 (Figure 4). This growth was largely driven by an 18% increase in methane emissions from the distribution networks and a 10% increase in emissions produced in the course of nitrogen removal at the Odolanów Branch (venting emissions). On the other hand, the volumes of methane emissions generated by the hydrocarbon production divisions as well as losses (venting emissions, e.g. from crude oil tanks) went up by a mere 3%, while at the exploration companies methane emissions measured during the siphoning of oil or gas from wells declined by more than 112%.

Based on the classification of installations included in the EU ETS, PGNiG's installations generating CO₂ emissions qualify as E.1.1 operations (combustion installations other than units for incineration of hazardous or municipal waste)*, and currently the following four PGNiG SA facilities are covered by the EU ETS as their rated thermal input exceeds 20MW:

- Mogilno Underground Gas Storage Cavern Facility (number under the Polish National Allocation Plan (KPRU): PL-898-08)
- Odolanów Branch – boiler house and process gas heaters (number under the Polish National Allocation Plan (KPRU): PL-562-05)
- Odolanów Branch – gas compressor station (number under the Polish National Allocation Plan (KPRU): PL-950-08)
- Zielona Góra Branch; Dębno Oil and Gas Production Facility (number under the Polish National Allocation Plan (KPRU): PL-563-05)

In 2012, CO₂ emissions from our facilities covered by the CO₂ emission trading scheme reached 85,470 Mg. In the above trading period, installations participating in the scheme were those of the Odolanów and Zielona Góra Branches, as well as the Mogilno Underground Gas Storage Cavern Facility.

Given the prospects of additional PGNiG installations being included in the EU ETS in 2013–2020, namely the LMG Oil and Gas Production Facility and the Wierzchowice Underground Gas Storage Facility, which to date have not been allocated free CO₂ emission allowances, work is underway to obtain the required permits to participate in the EU ETS and to review the facilities in terms of their entitlement to free allowance allocation.

Under the second trading period, from 2008 to 2012, total emissions from the installations reached 408,017 Mg of CO₂, against the free allowance allocation of 499,910 Mg. The allocation for 2013–2020 has not yet been approved by way of a regulation of the Minister of the Environment.

* Types of installations covered by the Emission Trading Scheme and threshold values referring to the production capacities of the installations are based on the Regulation of the Minister of the Environment of July 27th 2009 (Dz. U. No. 136, item 1120).

Table 5 – Carbon dioxide emissions from the installations covered by the EU ETS in 2012

Installation	number assigned under the National Allocation Plan	emission allowance allocation [Mg]	actual emissions in 2012 [Mg]	balance [Mg]
Mogilno Underground Gas Storage Cavern Facility	PL-898-08	26,642	10,311	16,331
PGNiG SA Odolanów Branch	PL-562-05	11,181	12,678	-1,497
PGNiG SA Odolanów Branch	PL-950-08	30,495	31,856	-1,361
PGNiG SA Zielona Góra Branch, Dębno Oil and Gas Production Facility	PL-563-05	31,664	30,625	1,039
		99,982	85,470	14,512

Water and wastewater management

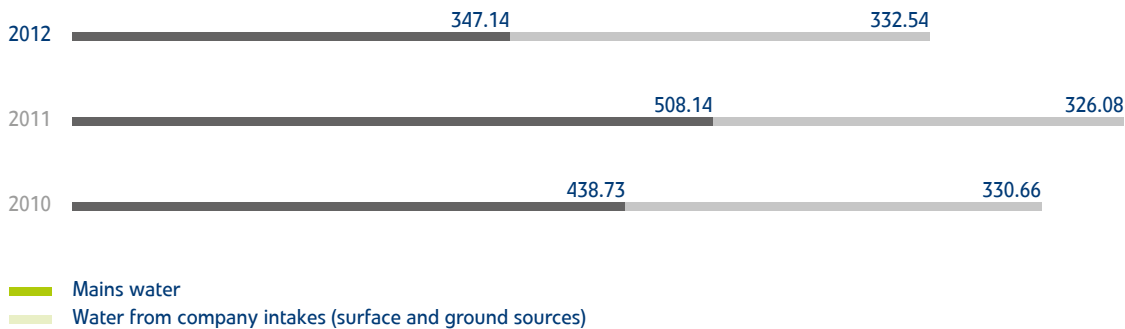
The supply shortage and deteriorating quality of water from domestic sources represent important problems for the PGNiG Group in terms of quality, economic, and environmental aspects, which is why steps aimed at protecting water resources are of vital importance. PGNiG Group companies draw water from their own groundwater intake points, or directly from the mains.

This water is used for social needs and 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 2012, mains water consumption decreased from 508.14 thousand cubic metres to 331.51 thousand cubic metres, while water intake from the company wells slightly increased (see Figure 6).



Figure 6 – Ground and underground water drawn in 2010–2012 by supply source (in thousands of cubic metres)



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 into the groundwater and soil.

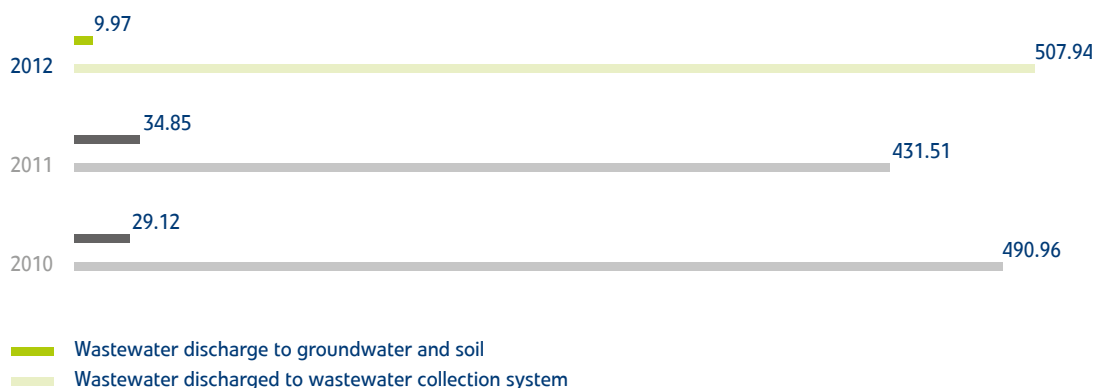
The total volumes of wastewater discharged into the wastewater collection system, transported from Group entities’ own septic tanks to wastewater treatment plants, as well as discharged into groundwater and soil is presented in Table 7.

Table 7 – Volumes of wastewater generated by PGNiG Group entities in 2012

Organisational unit	Wastewater discharged into the wastewater collection system [in cubic metres]	Wastewater discharged into water and soil [in cubic metres]
Head Office	7,797.00	0.00
Gas Trading Divisions	17,739.59	814.00
Production	23,244.00	8,305.00
Distribution	177,091.80	0.00
Geophysical Service Divisions	52,473.60	0.00
Exploration	44,900.80	0.00
Other companies	35,807.13	674.00
TOTAL	359,053.92	9,793.00

In 2012, the volume of wastewater discharged into the water and soil decreased, as did the volume of wastewater discharged to the wastewater collection system (see Figure 8).

Figure 8 – Volumes of wastewater generated by PGNiG Group entities in 2010–2012, by place of discharge (in thousands of cubic metres)



Waste management

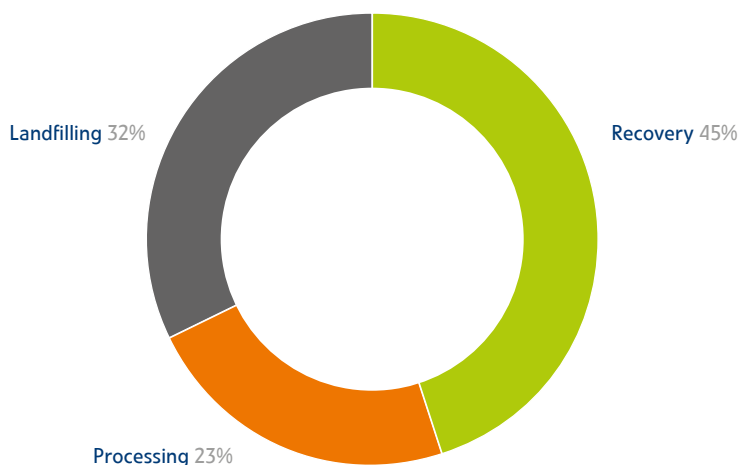
All PGNiG Branches and Companies generate waste; they operate in compliance with legal requirements pertaining to waste management, having obtained necessary permits and decisions.

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

All Group entities which have environment management systems in place have implemented effective waste management procedures. Following these procedures, the Group has managed to:

- Identify environmental aspects related to waste, by determining all 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),
- Determine preferred waste handling methods; 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.

Figure 9 – Aggregate volumes of generated waste (excluding unsorted municipal waste) in 2012

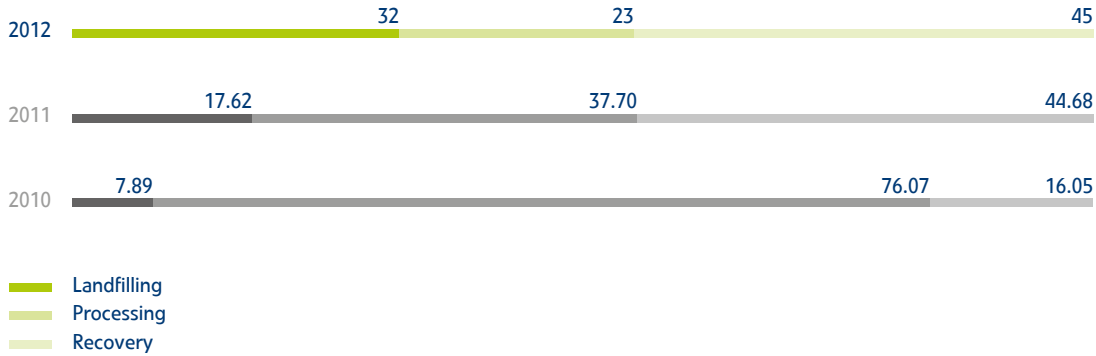


Waste processing that requires specific precautions or measures is conducted by specialist contractors holding the necessary licences (administrative approvals), selection of which is handled by the Group entities themselves.

The volume of waste generated in 2012 dropped by about 6% in comparison with the figure for 2011. Figure 10 presents methods of waste management across the Group in 2010–2012, except for drilling waste.

A total of 84.7 thousand Mg of waste was generated by the entire PGNiG Group in 2012, excluding municipal waste submitted for recovery, processing or landfilling (Figure 9).

Figure 10 – Drilling waste management methods in 2010–2012 (%)

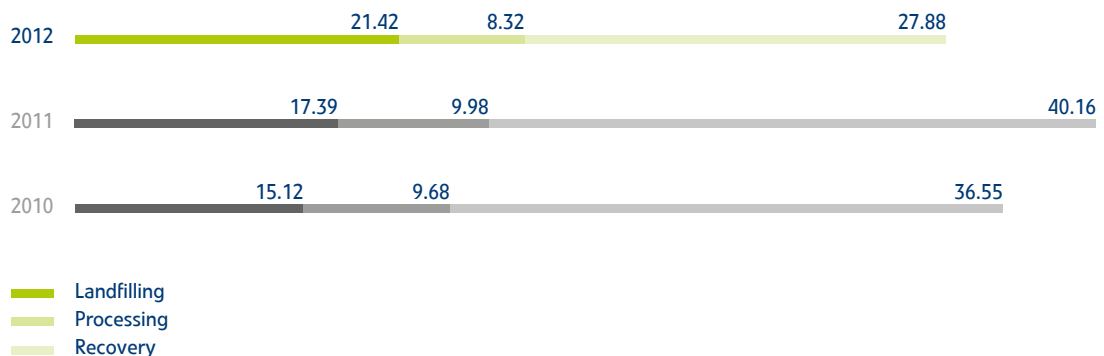


The total amount of waste generated annually by PGNiG Group entities depends on the amount of drilling waste generated by the Exploration Companies and Hydrocarbon Production Branches. In 2012, drilling waste (the rock cuttings and drilling mud from oil and gas well drilling) accounted for ca. 64% of all waste generated by the PGNiG Group (including unsorted municipal waste) – 14% less than in 2011. 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 2010–2012 are shown in Figure 11.

In 2012, over 21 thousand Mg of drilling waste was landfilled. For this purpose, we mainly used our own landfill site in Wronowo, which meets all legal requirements. The owner of the site is Spółka Poszukiwań Diament of Zielona Góra (currently owned by Exalo Drilling). The site accepts solid and liquid drilling waste, generated by both Diament and the other PGNiG Exploration Companies and Hydrocarbon Production Branches.

In drilling waste cleaned of environmentally harmful substances, materials containing heavy metals and hydrocarbons, the content of those contaminants is within the limits permitted for their content in soil. Accordingly, contaminant-free drilling waste is treated to give it the consistency of natural soil and then used for purposes of land reclamation (e.g. at landfill sites). Entities directly involved in waste recovery include PNiG Jasło (currently owned by Exalo Drilling), which reuses drilling waste at the excavation pit in Tarnogród. In 2012, 48% of total drilling waste generated was managed, 12 thousand Mg less than in 2011.

Figure 11 – Drilling waste management methods in 2010–2012 (in thousand Mg)



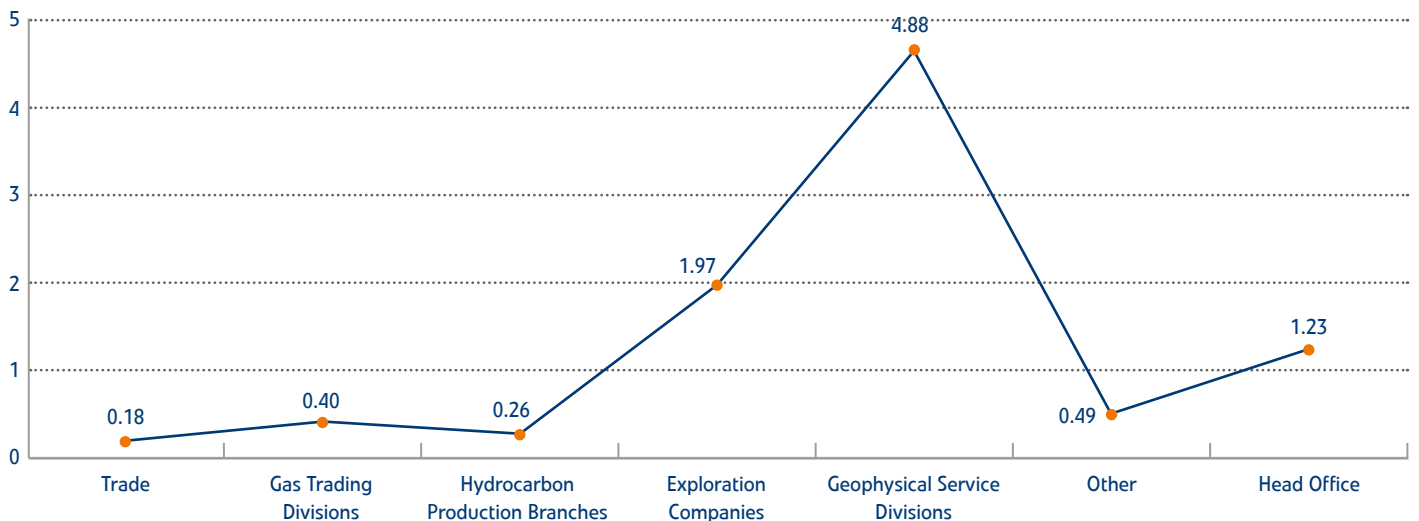
14.4% of total drilling waste generated in 2012 was processed (mainly incinerated). The percentage share of processed drilling waste in total drilling waste generated did not change when compared with the 2011 figure. However, the quantity of processed drilling waste decreased by 16% year on year.

A material proportion of waste generated by the PGNiG Group entities (excluding unsorted municipal waste) represents waste from crude oil refining, natural gas purification, containing sulfur and phenols (14.4%), as well as repair and construction waste generated during road repair and reconstruction, rubble, concrete and scrap metals generated during construction, repair and replacement of pipelines (12.8%). Another significant waste type is sorted municipal waste, representing 1.53% of total waste generated, and waste generated during the abandonment operations on waste pits (1%).

Figure 12 presents efficiency ratios for environmentally friendly waste management initiatives, relating to the waste managed (recovered = sold) and neutralised (including by landfilling) in 2012, excluding unsorted municipal waste, but including drilling waste. The figure directly indicates the directions of initiatives undertaken by the individual Branches and Companies of the PGNiG Group in the area of waste management. As seen in Figure 12, in 2012 it was only at the Geophysical Service Divisions, Exploration Companies and the Head Office that the quantity of waste recycled or sold was higher than that of waste neutralised. The Exploration Companies were able to achieve such a high ratio thanks to their economic use of drilling waste, while the Geophysical Service Divisions made economic use of scrap metal and paper. However, the quantity of managed waste does not always translate to profit, because a certain proportion of waste is delivered for recovery for free, or Group entities bear the costs of waste transport and acceptance for processing.

At PGNiG SA, unsorted municipal waste (code 200301) represents 5% of municipal waste generated at the Company. On the other hand, at the Head Office and Gas Trading Divisions, the quantity of unsorted municipal waste was five times higher than the quantity of the other waste generated. It is only at the Production Divisions that unsorted municipal waste represents 3% of municipal waste generated.

Figure 12 – Efficiency ratios for waste management initiatives at the PGNiG Group entities in 2012





Pro-environmental projects, capex

The PGNiG Group implements a number of projects designed to benefit the environment, many of which contribute to a reduction in atmospheric emissions, the safety of land, soil and underground water, as well as reductions in the amount of generated waste. These include projects to replace cast-iron pipelines, purchase advanced drilling equipment, feed gas into pipelines in an emission-free way, purchase mobile double-shell fuel storage tanks, etc.

As regards investment and repair work, the following projects are worthy of note:

- purchase and installation of double-shell storage tanks, vibrating screens, centrifuge units, washers, oil containers, tanks for waste, produced water and methanol, purchase of a municipal waste incinerator, purchase of a wastewater treatment container, etc.,
- construction of water injection facilities, conversion of wells into injection wells,
- construction and upgrade of a sanitary sewage system, and washing facilities with separators of oil derivatives,
- purchase of sorbents and neutralising agents,
- purchase of new, highly efficient engines and power generator sets for drilling sites
- construction and upgrade of gas-fired boiler houses and co-generation systems to reduce emissions from power-generation sources,
- replacement of cast-iron pipelines with PE pipelines, upgrades and repairs of pressure reduction stations,
- repairs of gas-fired boilers, metering and watering systems, thermal insulation of buildings, repairs of sewage and drainage systems.

In 2012, the focus of pro-environmental work was on counteracting air pollution, with the highest capex (87.7% of the total figure) incurred by the Gas Distribution Companies (currently branches of Polska Spółka Gazownictwa). The funds were spent on construction of new and replacement of existing cast-iron pipelines with PE pipelines, reduction of atmospheric emissions of methane, roll-out of the gas supply system in off-gas areas (which will contribute to reducing pollutant emissions), purchase of CNG-fuelled cars, construction of rainwater and meltwater drainage and pre-treatment systems, and reconstruction of pressure reduction stations.

The second largest capex (6.2% of the total) on air, soil and underground water protection, water injection facilities and storage tanks for produced water was incurred by the Hydrocarbon Production Branches.

The expenditure of Exploration Companies accounted for 4.3% of the total capex on wastewater management and water protection, waste management, as well as soil and underground water protection. The funds were spent to purchase hydrophobised polypropylene sorbents, drilling mud clean-up systems, double-shell fuel storage tanks, advanced washer units, a municipal waste incinerator and a rainwater storage reservoir at the production waste disposal facility, and to install flooring in oil and lubricant containers.

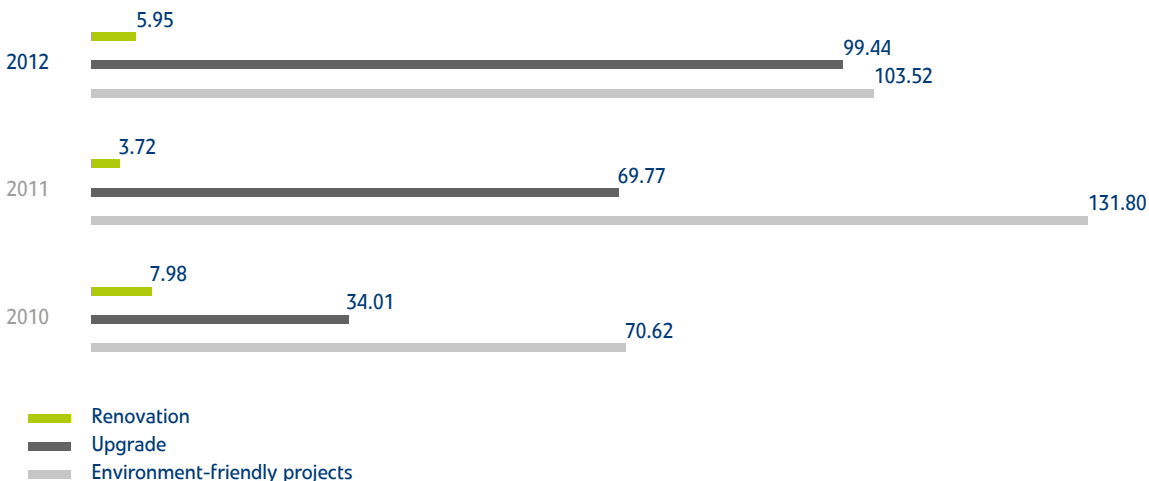
The total amount of capital expenditure incurred by all entities of the PGNiG Group in 2012 was in excess of PLN 103.5m.

Upgrade work in 2012 focused on air pollution mitigation, wastewater management and water protection, as well as waste management. Work undertaken by Gas Distribution Companies (whose expenditure represented 95.2% of the total upgrade capex) included boiler house reconstruction, replacement of CO boilers, upgrade of pressure reduction stations, cathodic protection of gas pipelines, and reconstruction of gas pipeline network and connections. Work undertaken by Hydrocarbon Production Branches (4.1% of total capex) included replacement of storage tanks for produced water, reconstruction of a produced water injection station and loading facilities, as well as upgrade of infrastructure and facilities at production sites. Exploration Companies, Trading Divisions and Geophysical Service Divisions undertook upgrades of buildings along with central heating installations, process facilities, including the vibrating screen repair shop, and air conditioning systems. Capital expenditure on upgrade work incurred by all entities of the PGNiG Group in 2012 totalled more than PLN 99m.

The total cost of repair work incurred by all entities of the PGNiG Group in 2012 amounted to more than PLN 5.9m. The amount was spent mainly on repairs of boiler houses, gas network, improvement in thermal insulation of buildings, removal of roof coverings, parking lot surfaces, production site pipelines, spillage bunds, including in tanks used for storing process water, etc.

Looking at the period 2010–2012, the amount of pro-environmental expenditure on new investment projects and upgrade work rose, with a slight decrease in capex on investment projects relative to 2012. However, the significant annual budget of pro-environmental capex allows us to permanently mitigate the PGNiG Group's adverse environmental impact (Figure 13).

Figure 13 – Pro-environmental capex on new investment projects and upgrades, and cost of repair work in 2010–2012 (PLN m)





Meeting with environmental NGOs

Environmental organisations are stakeholders of key importance in the dialogue on shale gas. PGNiG has held formal dialogue sessions with representatives of such NGOs as the WWF, the Climate Coalition, the 2004 Green Party and the Eco-Development Foundation, in accordance with the international AA1000 standard.

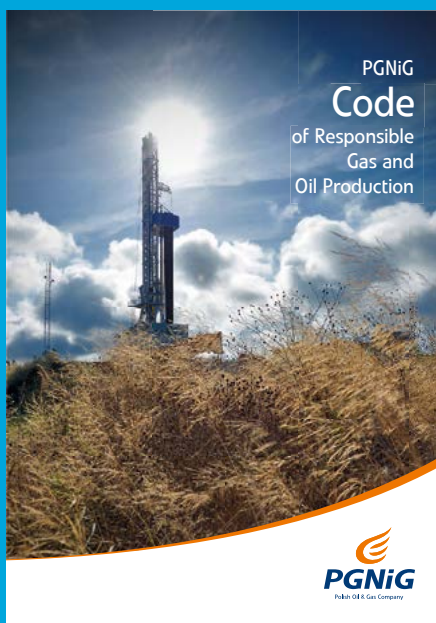
Among those invited to the session held in December 2012 were nationwide organisations that are vitally interested in the issue of exploration for and production of gas from unconventional sources. The purpose of the dialogue session was to gain a better insight into the NGOs' expectations towards PGNiG SA, particularly as regards environmental protection and safety, as well as communication of those issues. This was preceded by one-on-one meetings with individual NGO representatives intended to give us a better understanding of their expectations and help us prepare for the general session. A follow-up report was also drafted, including all questions and concerns raised by the invited organisations, which is available here.

Educational video and internet cameras

An educational video about shale gas production was also produced to help illustrate the shale gas exploration process. The computer animated film explains the process of exploration for and production of shale gas in Poland. PGNiG has installed internet cameras near each borehole to continuously monitor gas production operations at each site (the streams are available through a dedicated website at polishshalegas.pl).

PGNiG Code of Responsible Gas and Oil Production

PGNiG is committed to conducting its exploration works with particular care for both the HSE (Health, Safety and Environment) duties and communication aspects, reaching beyond the requirements of simple information provision in the most reliable and transparent manner.



The Company fully complies with the Golden Rules of the International Energy Agency. Based on these Rules, PGNiG has developed the Code of Responsible Gas and Oil Production that, apart from environmental matters, also focuses on such issues as building positive relations with communities living in the areas of planned exploration and production activities.

For our most recent shale gas developments see polishshalegas.pl

Non-mandatory environmental monitoring

PGNiG faces new challenges as a result of its on-going exploration for unconventional sources of natural gas, including shale gas. New technologies or different work conditions may require taking additional measures to minimise environmental impact. The authorities that issue environmental decisions and determine the conditions for obtaining hydrocarbon exploration licences specify the monitoring of individual elements of the environment as being one of the conditions to be met to carry out exploration work. However, PGNiG frequently extends the range of tests it performs beyond the mandatory tests prescribed in the decisions.



PGNiG performs pre-drilling, pre-fracking and post-fracking as well as post-drilling tests (including soil surveys, groundwater and surface water surveys and additional analyses of post-fracking fluid content). Within the work area as well as within the wider work impact area, inventories of flora and fauna are made and the possible effects of the work's environmental impact on the area designated for the drilling pad are assessed. Preparatory work, drilling, fracking as well as well abandonment is frequently carried out under environmental supervision. Additionally, noise levels are measured and seismic monitoring is conducted at selected sites.

Inspections by the Provincial Environmental Protection Inspector
PGNiG's wells are also inspected by the competent authorities, such as the Pomeranian Provincial Inspectorate for Environmental Protection in Gdańsk, as part of their oversight duties of the process of exploration and appraisal of shale gas reserves.

During the inspections performed by such authorities, no instances of pollution of the soil and water environment have been found. No instances of illegal sewage discharge, fuel or chemical leakages or improper storage of waste have been recorded. Work carried out, among others, by PGNiG on the Opalino-2 well on the Wejherowo licence and the Wysin-1 well on the Stara Kiszewa licence has been inspected by the competent authorities.



Local communities



PGNiG has for many years been involved in activities with its local communities. We are obligated by our tradition of supporting the areas of importance to our stakeholders to constantly strengthen and improve our efforts. While doing so, we also try to reach out to as many residents of the areas of our operations as we can. Also, the PGNiG SA Ignacy Łukasiewicz Foundation supports efforts for sustainable development. In its social activities, the Foundation tries to address the challenges related to educational projects, focusing mainly on safety issues and promotion of the sciences, as well as the development of local communities and promotion of health, culture and sports. For more details, see www.lupkipolskie.pl/lupki-w-polsce/dialog-spoleczny.



STARTER for inter-sector dialogue and cooperation in the Gdańsk region – Pomeranian Trading Division

On December 12th 2012, a meeting was held in Gdańsk, attended by representatives of the business community, local government and NGOs, who together make up the Forum Inicjowania Rozwoju STARTER (STARTER Development Promotion Forum), for which the Pomeranian Trading Division was among the key Partners. During the meeting, information was disseminated on its new project, the Development Promotion Forum.

The Forum is a long-term periodic initiative, designed to actively foster development by engaging in strong inter-sector cooperation in the region and focusing on the partnership between NGOs, businesses and local government. The concept ensures constant development and strengthening of the partnership, with the strength of the Forum lying in the exchange of experience between its Partners-participants and their joint implementation of best practices. The Forum is overlooked by the Programme Board (one member of which is Urszula Rożnowska, Director of the Pomeranian Trading Division) and the Honorary Committee, composed of representatives of the Gdańsk Special Economic Zone and Agencja Rozwoju Pomorza SA. The Forum's partners are key business entities of the region.

STARTER initiated the meeting on the Development Promotion Forum, disseminated information on this nascent initiative, and enabled the participants to discuss and agree on the detailed definition of project development directions and ways of winning the cooperation of further regional partners.

Our involvement and participation in the project primarily consists in contributing to the development of the Growth Strategy for the Gdańsk Province until 2020. The added value for us is the dialogue with the regional community, the building of partnership relations with representatives of the public administration, NGOs and entrepreneurs. The Forum's main challenge for the coming years is to create a climate promoting mutual development, based directly on the Growth Strategy for the Gdańsk Province until 2020, by creating a platform comprising workshops, information campaigns and financial assistance programmes.

Day for Safety – Pomeranian Trading Division

On July 29th 2012, the town of Dębki on the Baltic coast played host to 'The Safe Commune of Krokowa – Dębki 2012' festival. Polskie Górnictwo Naftowe i Gazownictwo was a sponsor and honorary patron of the event.

The festival was organised with a view to attracting visitors' attention to safety issues. Visitors could, in particular, familiarise themselves with equipment used by emergency services and participate in games. Employees of the Gdańsk Gas Plant and Żarnowiec Oil and Gas Production Facility had their own stand, at which they spoke to those interested about shale gas exploration.

Environmental protection is an urgent issue and its effect on the quality and safety of our lives is growing. Educating children at as early an age as possible is of the utmost importance in creating pro-environmental awareness. The Centre for Ecological Information and Education of Gdańsk, the organiser of the 'Let an Apple Hit Your Head' contest, has for years been involving the youngest children in creative activities with a view to instilling pro-environmental attitudes in them. As a partner of the initiative, the Pomeranian Trading Division has been actively supporting the initiative since 2007. The 'Let an Apple Hit Your Head' interdisciplinary contest is addressed to primary and junior schools of Gdańsk and Sopot. The contestants, acting in small groups, develop attractive presentations on selected subjects from environmental protection, biology or sustainable development. In 2012, the tasks included developing a recipe for blending natural cosmetics, experimenting with the action of natural antibiotics, and designing a green and environmentally sustainable city. Each group of contestants could also suggest their own subjects within the scope of the contest. Participating in 'Let an Apple Hit Your Head' teaches pupils how to think conceptually and approach subjects creatively, and gives them teamwork skills. Teachers are allowed to support contestants with their knowledge and suggest information sources, but ultimately it is the contestants themselves who independently run the experiments and draw conclusions.



'Let an Apple Hit Your Head' – Pomeranian Trading Division

School-age children are among the most important target groups of our educational projects. We see the need to promote knowledge of environmental protection, energy sources and their safe and rational use, because education of today's children in this field will, in the future, translate into the strengthening of good, environment-friendly habits in their everyday lives. Involvement in the 'Let an Apple Hit Your Head' (Bęc jabłkiem w głowę) pro-ecological contest is a good step along the path to fulfilment of this objective.

The growing interest of schools in the project attests to its success: schools participating in the contest once, re-enter it in subsequent years, and each year, new schools also participate. In 2012, the quantitative criterion for entry was the number of persons qualified to participate. 36 groups of primary school children (ca. 90 people) and 31 groups from junior high schools (ca. 80 people) entered the contest, assisted by chaperones/educators (ca. 40 people). The contest will continue to be run in the coming years. The competition round of each edition is preceded by methodology/didactics training for teachers and educators.

Pupils from Gdynia's schools will also be invited to participate in next year's contest.

Charity benefit for the children at Tarnów's Special Educational and Training Centre Supporting the 'Hanka' Children's Home in Dębica – Carpathian Trading Division

In 2012, a charity campaign was begun in support of the children at the Special Educational and Training Centre in Tarnów, who dreamt of going on a trip to Krakow.

Before Easter, a traditional Easter cake-baking competition was announced among the employees of the Carpathian Trading Division. The cakes and pastries prepared by our colleagues were then sold at a special fair, held as part of the Division's official Easter party, with the funds raised from their sale presented to the centre's children.

Another fund-raising event was organised to assist the children from the 'Hanka' Children's Home in Dębica. PLN 6,500 was allocated for clothes and toiletries for the children, as well as cleaning supplies for the centre.

Not Alone – Santa's Visit – Pomeranian Trading Division

Pomeranian Trading Division employees were among those taking part in the 'Not Alone – Santa's Visit' project to integrate young people in the care of the Youth Assistance Club. The project involved several stages,

the first of which was a trip to a bakery in a Gdańsk shopping centre, to bake some Christmas cookies. The bakery owners' kindness and the engagement of the trip's organisers resulted in a unique opportunity for the kids to see how a bakery works, and to prepare their own Christmas treats. Division employees accompanied the children on their visit to the bakery. The second stage of the event was held at the Miniatura Theatre in Gdańsk, where the Youth Assistance Club's members watched a performance of The Dog on an Ice Floe. They then had a party, during which a visiting Santa Claus handed out Christmas presents, bringing smiles to the faces of the clearly delighted children. Division volunteers also accompanied the children on their theatre visit and party.

It is of crucial importance for children with disabilities to build relations with others. The Club's disabled children's participation and involvement in additional forms of activity, mainly through play, was an opportunity to break down the psychological barriers preventing them from integrating with people outside their own circles. The effects of these efforts are hard to measure, but the joy and smiles of all thirty participants that day were a clear sign of the event's success.

'Help to Please the Children' concert – Carpathian Trading Division

The Carpathian Trading Division (formerly the Kraków Gas Plant), in the course of its implementation of the CSR strategy, conducts numerous relevant initiatives, such as assisting those institutions, associations and organisations that come to the aid of the most needy.

One of the projects in this area supported by the Carpathian Trading Division in 2012 was the 'Help to Please the Children' charity concert (Pomóż dzieciom sprawić radość) at the TS Wisła Sports Hall in Kraków, on March 8th 2012. The concert was organised by the Society of the Friends of Children (Towarzystwo Przyjaciół Dzieci). The Kraków Gas Plant (renamed as the Carpathian Trading Division) has been working with the Society for almost ten years now. It is important to note here that the funds delivered as part of the Divisions' sponsorship activity are used not only to finance the organisation of charitable events, but also – and primarily – to finance holiday trips for children from low-income families.

Theatrical performance for the youngest patients of the children's hospital – Carpathian Trading Division

On March 20th 2012, thanks to the involvement of the Carpathian Trading Division (formerly the Kraków Gas Plant), patients of the Saint Louis Provincial Children's Hospital of Kraków (Wojewódzki Szpital Dziecięcy im. Św. Ludwika) were given a didactic performance of EKO-KOTEK (ECO-KITTY) by the Studio Yapa troupe. Studio Yapa was established by a group of actors and actresses who decided to use their enormous stage experience and acting gifts to establish a professional theatre for children and youth.

The play was designed to make its young audiences aware of environmental protection issues. The play's characters promote care for nature among children. Playing with children, the performers taught them how to manifest this care in their everyday lives. Through the colourful stage scenery and funny dialogue, the performance evoked smiles on the faces of the audiences and allowed them, if temporarily, to be immersed in the world of theatre magic. After the performance, the spectators were given gift sets, which proved another source of much joy.

The 'Not Alone – Santa's Visit' project, run with the 'Not Alone' Youth Assistance Club, was a one-off project. However, the Division plans to continue working with the Club by joining other initiatives involving its members, all of which are designed to foster the children's playfulness and ability to integrate.

The School Bag Project – Pomeranian Trading Division

The School Bag Project, a response to disabled students' needs, is a continuation of the Pomeranian Trading Division's work with the physically disabled children of the 'Not Alone' Youth Assistance Club. The goal of the project was to encourage the Division's employees to provide active and direct assistance to the students, to stimulate their creativity and empathy. We wanted our employees to feel that their help was personal and of benefit to specific individuals, to help them perceive it as more 'real'.



The Division's employees came up with an idea of collecting stationery, backpacks and other school supplies for the children and for others in need. The project was begun in July 2012 and lasted through the summer holidays, with appeals for help with the collection sent to all Division employees via internal channels. The effects were immediate – special boxes set up at the Division's offices in Gdańsk were soon filled. Other regional offices, for example in Elbląg and Olsztyn, also sent school supplies for the young students. The staff's engagement in and commitment to the collection exceeded our expectations. For the duration of the event, an information board was put up, featuring pictures of some of the children for whom the items were being collected. The grand finale took place on August 30th at the Gdańsk Zoo. During a festive, jolly event, accompanied by several bands playing live music, one hundred school bags generously filled with school supplies were handed to the children.



Disabled Persons' Dignity Day – Pomeranian Trading Division

On May 15th 2012, on the square near the parish offices in Trąbki Wielkie the Disabled Persons' Dignity Day was organised by the Caritas branch of the Gdańsk Archdiocese, with priests Janusz Steć and Bolesław Antoniów in charge of the event. The festivities, attended by nearly 500 guests, featured presentations by pre-school children and students from the Trąbki Wielkie community.

Patients of disabled people's centres from the Gdańsk Country and students of nearby schools attended the event. Among those who gave performances were pre-school school children from Trąbki Wielkie, children from the Giemlice Rehabilitation and Training Centre, school bands from Czerniewo, Trąbki and Warcz, as well as representatives of the Nursing Home in Damaszk.

Polish MPs had declared 2013 the Year of the Disabled. Thanks to this, and other efforts, intellectual disability is becoming less of a taboo subject in Polish society. As a consequence, people's approach to disability is also changing, and in Trąbki Wielkie, people with intellectual disabilities are no longer considered an oddity. The Disabled Persons' Dignity Day was a special day, when the centres' patients met the town's population and proudly presented their achievements, feeling that this was their day. Their carers were also happy to have brought smiles to their charges' faces.

The new definition of disability states that it is not individual limitations, but external barriers which prevent active participation in life are what makes one disabled. The Convention that introduced this new definition of disability defines it as a social problem, not as the individual problem of the affected. The Disabled Persons' Dignity Day was an opportunity for the intellectually disabled to come out, to manifest their presence among us, and to show that they also play, study, work, laugh, love and are loved.



Artists for Children. The Sheltering Art – Pomeranian Trading Division

'Artists for Children. The Sheltering Art' is a project designated to promote the creative transfer of art to everyday life, where it can respond to people's needs, especially disabled people. The integration of children with both artists and with their disabled peers is a crucial part of the project, which ran from the 1st to the 3rd of June 2012.

As part of the project, three-day workshops were held, which included classes combining science and art, as well as those developing the children's creativity and intellect, and artistic workshops (including painting, sculpture, spatial design) for both able-bodied children and children with disabilities. Protective covers for wheelchairs were the highlight of the event. These are round guards mounted on the wheels that prevent the user's hands from becoming entangled in the spokes. They come in various styles and designs, and also have artistic and aesthetic value. The covers designed and decorated by the artists during the workshop were manufactured by Superoslony.pl and given to the children free of charge. Volunteers from the Trading Division took part in the event, working with the children in the artistic workshops. It also provided art materials and office supplies for use during the workshops. All in all, the event attracted more than one hundred participants.

Lower Silesian Trading Division to the rescue of children

In 2011, the Lower Silesian Trading Division (formerly the Wrocław Gas Plant) began supporting the 'To the Rescue – Saving Kids with Cancer' Foundation. This relationship is based on the principle that its financial support should be accompanied by the active involvement of PGNiG's employees in the Foundation's efforts. With 20 years of history, the Foundation is a public benefit institution which continues to help hundreds of children hospitalised in the Wrocław Medical University Clinic for Paediatric Bone Marrow Transplantation, Oncology and Haematology, headed by Professor and Habilitated Doctor Alicja Chybicka.

Thanks to the outstanding achievements of Professor Chybicka's team, the clinic is not only the largest and one of the best paediatric haematology and oncology centres in Poland, but also boasts European fame and recognition. However, the excellent medical staff and highly efficient treatments, with a success rate of more than 80%, are not enough. The conditions in which doctors and children struggle with cancer require our immediate attention, as the clinic's building no longer meets some of the current standards. Lacking a transplant ward, the pre-war building with its narrow halls and overall poor condition, hardly offers a safe environment for little patients whose natural immunity has been significantly impaired due to illness and treatment. For that reason, the Foundation has devoted the last two years to helping the Wrocław Medical University build a new oncology clinic, the 'Cape of Hope', which will provide comprehensive world-class diagnostics and treatment, substantially improving the children's chances of making a full and speedy recovery. All year round, the Division develops financial solutions for the Foundation and supports all initiatives aimed at helping the Foundation.



Concert of Hope – Lower Silesian Trading Division

The Concert of Hope – a fundraiser for the paediatric haematology clinic – was attended by over six hundred guests, including the employees of the Lower Silesian Trading Division. Interestingly, the performers who appeared on stage were not professional artists, but exceptional members of Lower Silesian society.

The billing therefore included Professor Marek Ziętek, Rector of the Wrocław Medical University, Agnieszka Aleksandrowicz, President of the 'To the Rescue – Saving Kids with Cancer' Foundation, Professor Alicja Chybicka, and Professor Jan Miodek. Also appearing that night were Martyna Wojciechowska, an ambassador for the clinic, and Paweł Rańda, an oarsman who won the silver medal during the Beijing Olympic Games. Proceeds from the tickets helped finance the construction of the Cape of Hope, the new paediatric haematology clinic which is to be located on ul. Borowska.

The Division also supports this noble cause by selling plastic bottle tops, container lids and deodorant tops donated by its employees.

Wrocław sport relief for little patients – Lower Silesian Trading Division

The Lower Silesian Trading Division has been supporting local sports events for several years now. Last year – and in the years before – the Division (formerly the Wrocław Gas Plant) was one of the key sponsors of the Wrocław Marathon.

The 2011 marathon proved to be exceptional, as it included a marathon relay race, which was the key event of the 'Run for Hope' charity drive. The money raised was donated in full to the construction of the Cape of Hope. Over the years, we have also repeatedly supported the Lower Silesian Games for Paediatric Cancer Patients organised by the Faculty of Physiotherapy of the Wrocław Academy of Physical Education, the Wrocław Medical University Clinic for Paediatric Bone Marrow Transplantation, Oncology and Haematology, and the 'To the Rescue – Saving Kids with Cancer' Foundation.

Every year, distributed materials encourage PGNiG employees and Customers to help the little patients by donating 1% of their tax to the Foundation.

'Pre-schooler's Safety Academy' project – Greater Poland Trading Division

The main purpose of the Pre-schooler's Safety Academy is to educate pre-school children about road safety and other related issues. Several years ago, PGNiG became a partner of the project, organised in cooperation with the Prevention Division of the Municipal Police Department in Poznań.

As part of the initiative, meetings and educational demonstrations are held in pre-schools to encourage safe behaviour on the way to/from school, to teach children how to play safely at school, outdoors or at home, and to familiarise them with the most common road signs. The guests invited are usually members of the police force, firefighters or representatives of programme partners, such as PGNiG.

The initiative was carried out between December 2011 and June 2013 at 30 pre-schools in Poznań and its vicinity, with children at each one divided into three age groups. To teach them about safety issues, instructors used play and toys, such as a sponge town and a carwalker, as well as awareness-building games, educational books and safety reflectors. The children also received educational materials describing specific dangerous situations, for instance, natural gas use.



Another part of the initiative saw information brochures for children and parents printed and distributed, outlining basic safety rules for kids and the correct way of handling gas and electric appliances. The programme attracted considerable interest among pre-schools, and is still ongoing.

Educational talks in pre-schools and primary schools – Carpathian Trading Division

To carry out this exciting initiative, the Marketing Section of the Carpathian Trading Division contacted representatives of institutions, schools and kindergartens located in the area of its operations, including librarians from the Municipal Public Library in Jarosław and the Provincial Pedagogic Library in Przemyśl, Jarosław Branch, who initiated the 'Happy Times with Books' programme. As part of the project, invited guests periodically visited four pre-schools in Jarosław to read literary works about their jobs and teach children about the merits of using natural gas. Altogether, 400 children took part in the meetings.

During the first part of each meeting, a PGNiG employee in dress uniform read aloud poetry pieces such as Janczarski's 'The Miner's Hat', or Kubiak's 'In the Mine'. The second part consisted of a casual conversation about the use of natural gas as an environmentally-friendly source of energy, also tackling issues of gas safety at home.

Outside Jarosław, the programme was carried out directly in schools and pre-schools – in total, some 2,500 children attended the meetings in 62 locations. Each child was presented with a paper version of the miner's shako, with colouring pictures, puzzles and riddles about natural gas printed on the inside, as well as green gadgets.

Focusing on safety education and promotion of environmentally friendly approaches, PGNiG's initiative was welcomed by our Customers – the parents and guardians of the children. Given the substantial interest in these kinds of initiatives expressed by educational institutions, we intend to expand the programme to include more schools.



'Oil and gas – time to make their acquaintance' – Pomeranian Trading Division

In July 2012, the Pomeranian Trading Division launched an educational programme for primary and middle school students from areas covered by shale gas exploration licences, entitled 'Oil and gas – time to make their acquaintance'.

By engaging in these activities, we want to encourage children to study natural sciences, especially disciplines related to production of natural gas and crude oil in the area. As part of the project, in November and December 2012 the Division's employees worked with the Zielona Góra Branch to organise special lessons for students in selected schools across Pomerania. During the meetings, children were acquainted with PGNiG, learnt about the history and customs of Miners' Day, were shown the miners' uniforms and told about the many applications and advantages of natural gas and crude oil. At the same time, older children (Years 5 and 6) and middle-schoolers studied various methods of producing natural gas from conventional and unconventional sources. Additionally, each meeting focused heavily on rational and safe use of energy carriers. In total, the programme consisted of 41 lessons with 1,586 participants.

Women's Safety Academy – Greater Poland Trading Division

PGNiG is a partner of the Women's Safety Academy programme, which was designed to educate women and teach them self-defence.

The initiative consists of a series of workshops and lectures during which women learn about ways of reducing the probability of falling victim to crime, the psychological aspects of criminal behaviour and methods of coping with everyday stress and risks.

Participants are taught not only the basics of self-defence, but also how to act in dangerous situations. In consequence, they become more aware of the psychological aspects of self-defence and feel more self-assured. As part of the programme, the Division's female personnel learned self-defence under Robert Moskwa, a European Karate Championships medallist.

Miners from the mountains to the sea – PGNiG Zielona Góra Branch

Educational meetings entitled 'Miners in pre-schools/schools' (Górnik w przedszkolu/szkole) run by the Zielona Góra Branch are one of the company's largest initiatives of this kind.

In November and December 2012, nearly eight thousand children had a unique opportunity to meet oil drillers and learn about how crude oil and natural gas are produced and how these resources can be used. The initiative, now several years old, is gaining momentum as more and more pre-schools and schools are interested in inviting miners, dressed in traditional uniforms, to conduct educational meetings.

Initiatives implemented with the Foundation of the Silesian Heart Disease Centre: the 'Say Yes to Transplantation' programme – Carpathian Trading Division

Working with the Foundation of the Silesian Heart Disease Centre (Fundacja Śląskiego Centrum Chorób Serca), we implemented a number of social initiatives encompassing various activities, to establish a connection with local communities by conducting presentations on the company and its products. This allowed us to reach more than 100,000 people of different ages, from children and youths to adults, in order to reinforce certain awareness-building initiatives aimed at improving the quality of life.

The low social awareness of organ and tissue transplantation, which has proved critical in saving lives and sustaining vital functions, makes it essential that we stress the importance of organ donations as the transplant waiting list is very long.

Just like last year, in keeping with its active involvement in the lives of local communities, PGNiG SA joined the country-wide 'Say Yes to Transplantation' (Tak dla Transplantacji) programme of the Foundation of the Silesian Heart Disease Centre of Zabrze. Its main objective is to promote the idea of life-saving transplantation, encourage healthy living habits, help people with disabilities, and help finance the construction of module C, which will house the Cystic Fibrosis Treatment and Lung Transplantation Centre.





Miners donate blood – PGNiG Zielona Góra Branch

Among the staff of the Zielona Góra Branch and Poszukiwania Naftowe Diament (currently Exalo Drilling) there are many honorary blood donors, who are also members of the Nafta Honorary Blood Donor Club, which in 2012 alone managed to collect nearly 140 litres of blood.

In 2013, the Club's members, alongside many residents of Zielona Góra, participated in four public blood donation drives. A special blood donation bus stopped at the Branch's offices on two occasions. A total of 59 litres of the vital fluid were collected. Apart from the scheduled events, four emergency actions took place when blood was needed urgently.

Arm in arm with the Polish Red Cross almost from the very start – Carpathian Trading Division

The collaboration between the Carpathian Trading Division (formerly the Kraków Gas Plant) and the Kraków Regional Division of the Polish Red Cross is a long-standing tradition. By taking part in various Polish Red Cross initiatives and projects, the Division has for many years had the opportunity to bring help to those in need.

Funds given to the Polish Red Cross are primarily used to aid large, low-income families, children who are victims of transport accidents as well as those affected by natural disasters. Each year, the Polish Red Cross reaches out to more than 2,000 families in the Province of Kraków.

In 2012, the Carpathian Trading Division once again partnered a charity event organised by the Kraków Regional Division of the Polish Red Cross. The event, a music concert named 'Help Others' (Pomóż innym), took place on February 2nd in the Auditorium Maximum lecture hall complex of the Jagiellonian University in Kraków. The proceeds were used to fund the statutory goals of the Polish Red Cross. A variety of artists performed at the concert, including Grzegorz Halama and Andrzej Sikorowski.

'Cops for Tots' – Greater Poland Trading Division

PGNiG has been supporting the Surgery and Transplantation Department of the 5th Autonomous Public Teaching Hospital in Poznań for several years.

'Cops for Tots' is an initiative of the Poznań Police Department. PGNiG provides financial support to the hospital and partners its charity events, sending its employees to prepare special fun zones for children and raise funds for the hospital. We also visit the hospital's paediatric wards throughout the year.

PGNiG GAS CUP – Greater Poland Trading Division

In 2008, the Kalisz Gas Plant joined ranks with the Szczypiorno Kalisz Handball Sports Club to promote handball, encourage an active approach to sports, and facilitate the exchange of experiences between sports teams.

Our combined efforts led to the creation of the PGNiG GAS CUP, which is designed to advocate physical activity as the key to a healthy lifestyle and promote handball among the children, youths and other residents of Kalisz.

January 2012 saw the next edition of the PGNiG GAS CUP Handball Tournament, in which eight teams, representing various primary schools in Kalisz and in the region of Kalisz, participated. The tournament, which was held under the honorary patronage of the Mayor of Kalisz and the Polish Handball Federation, lasted two days and attracted a lot of interest. Among the spectators enjoying the competition were the representatives of the Szczypiorno Kalisz Sports Club, the NIKE Student Sports Club, local government, the Kalisz Gas Plant, in addition to the teachers, parents, and friends of the competing players, as well as handball enthusiasts. The tournament attracted huge media attention, receiving extensive coverage in the press, radio, and local television, as well as on the Internet.

The project was enthusiastically received by both the participants themselves as well as sports fans and local authorities. In their effort to promote handball and advocate physical activity as a key to health, the organisers of the competition and the employees of the Kalisz Gas Plant were joined by businessmen, sports enthusiasts and teachers.



OSTRZESZOWSKI CROSS-COUNTRY RACE – Greater Poland Trading Division

Held regularly since 1965, the Ostrzeszowski Cross-Country Race is one of the most popular running events in Poland. The Race is renowned for its international character, great running distance variety and diverse age profile of the participants, as well as the grand opening in keeping with official Olympic etiquette.

The spectators can observe a 21,000-metre-long half marathon and the competition of women and men in the open category. In 2011, for the first time in the history of the race, pre-schoolers were allowed to join in the competition, on a 300 metre route, and also Nordic walking enthusiasts were given the opportunity to prove their skills.

The Division also partnered in the 2012 Ostrzeszowski Cross-Country Race. This time the Division's employees and their children joined the competition. Apart from Polskie Górnictwo Naftowe i Gazownictwo, the 47th Cross-Country Race was also partnered by the Polish Athletics Federation, the Polish Olympic Committee and the Polish Paralympic Committee.

The purpose of the initiative is to advocate physical activity as a key to health and promote family sports. Among those taking part in the race were children and adults, students and teachers, members of sports clubs as well as unassociated athletes, both Polish and foreign. The 48th Cross-Country Race was met with great interest of the city's as well as the county's residents and was well-received by local athletes and teachers, attracting some 3,000 people (participants, fans, parents, local government representatives).



Talent show in Kalisz – PGNiG GAS CUP 2012 Energy in Youth – Greater Poland Trading Division

In January 2012, Kalisz saw a variety of events organised by PGNiG, including not only the European Handball Championship, which proved a great source of excitement to the sport's enthusiasts, but most importantly the PGNiG GAS CUP 2012 Energy in Youth, a handball tournament for primary schools in Kalisz. The project was designed to advocate physical activity as a key to a healthy lifestyle and promote handball among the children, youths and other residents of Kalisz.

An announcement was published on Facebook a month before the event, which was the first step in a campaign aimed at promoting the competition in Kalisz. Quizzes were organised by the city's local radio station and fanpage, in which the contestants could test their knowledge of handball and win special supporter kits (each included a scarf with the PGNiG logo, face paint and a calendar of the Polish Handball Federation). At a press conference held a week before the tournament, the event's programme was discussed and the city's residents were officially invited to spend the day with PGNiG. What is more, second-division handball players of the Kalisz team, together with their coaches and members of the board of the Kalisz Sports Club, conducted handball lessons in schools that qualified for the competition. To the young handballers, the very opportunity to hone their skills under the instruction of experienced players was a great honour, motivating them to continue their hard work. This collaboration between two generations of athletes was also the main message of the PGNiG GAS CUP promotional clip.

The tournament began with an elimination stage held on January 27th 2012 in the sports hall of the 7th School Complex, where eight teams representing various primary schools in Kalisz and in the region of Kalisz played the first matches. The emotions were overwhelming. The PGNiG GAS CUP 2012 handball tournament, which was held under the honorary patronage of the Mayor of Kalisz and the Polish Handball Federation, lasted two days and attracted a lot of interest. Among the spectators viewing the competition were the representatives of the Szczypiorno Kalisz Sports Club, the NIKE Student Sports Club, the Kalisz Gas Plant, the 7th Primary School authorities, as well as the friends of the competing players.

The best four teams advanced to the final stage of the competition. Next day, the finalists faced each other in the Kalisz Arena to fight for the highest prize, cheered on by hundreds of supporters.

The tournament attracted considerable media attention, receiving extensive coverage in the press, radio, and local television, as well as on the Internet.

PGNiG 11th Provincial Indoor Football Tournament for Students of Special Schools – Carpathian Trading Division

On March 20th 2012, the Jasło Town Sports and Recreation Centre hosted the PGNiG 11th Provincial Indoor Football Tournament for students of special schools, organised by the Jasło Centre for Children with Special Educational Needs, with the cooperation of the 'Lider' Students' Sports Club.

PGNiG provided sponsorship for the tournament. In addition, the tournament obtained support from the Jasło County Council and the Jasło Municipal Office. Participation in this project gave us the opportunity to promote physical culture among children and youngsters attending special schools and to create conditions to break the barriers associated with the young people's handicaps through sporting rivalry and building relationships with the local communities. Such activities are fully compatible with the PGNiG Group's Sustainable Development and Responsible Business Strategy.

Six teams from the Rzeszów Region and two teams from Slovakia (Vranov, Svidnik) – in total over 100 young sports lovers – registered for the tournament. During the competition, a showpiece training was held by the Jasło Blacks 1910 Sports Club, who have been visiting the pupils of the Jasło Centre for Children with Special Educational Needs for many years to support the school administration and educators in their work and to encourage the children and youngsters to practice sports.

World Cup in Szklarska Poręba 'Bieg Gwarków' cross-country ski run – Lower Silesian Trading Division

The World Cup in cross-country skiing was held in Poland, in Szklarska Poręba, for the first time. The Polish queen of winter sports, Justyna Kowalczyk, was one of the participants.

The event had a great atmosphere. In the tournament, the team of Vranov nad Topľou proved to be unrivalled, having won all the elimination matches, the semi-finals against the hosting team of the Centre for Children with Special Educational Needs of Jasło and the finals against the Centre for Children with Special Educational Needs of Frysztak.

In 2012, the Lower Silesian Trading Division in Wrocław (formerly the Wałbrzych Gas Plant) was one of the main sponsors of the 23rd Bieg Gwarków race, which was held on January 29th in Andrzejówka near Wałbrzych. Over 600 competitors, both from Poland and abroad, participated in the race.

The Bieg Gwarków cross-country ski run

A thick layer of snow and slightly frosty but very sunny, beautiful weather, created exceptional scenery for this year's race.

The oldest participant was nearly 83, while the youngest racers were two or three years old. The spectators did not disappoint either: they appeared in great numbers to offer encouragement to many more than just their favourite racers. As the number of people wishing to participate has been steadily growing, plans have emerged to spread next year's run over two days. Having in mind the senior participants, and well as those who wish to prove themselves, a 5km run was organised for the first time, with a reward in the form of a completion certificate. Winners of the particular categories were handed medals by the Wałbrzych Town Mayor, Roman Szelemej.

The taste of Venice in Jarosław – Carpathian Trading Division

On January 8th 2012, a New Year concert was held at the Fryderyk Chopin National School of Music in Jarosław, as part of the 'Jarosław County Mayor Invites' cycle.

This year's first meeting with classical music had the atmosphere of the Venetian Carnival, carefully built by Orkiestra Kamerata Krakowska conducted by Rafał Jacek Delekta. A prominent soprano, Edyta Piasecka-Durlak, a soloist of the Kraków Opera, was the star of the evening.

The timing of the concert coincided with the Grand Finale of the Great Orchestra of Christmas Charity, therefore an auction was held during the interval, where interesting objects could be purchased. Some of the most exciting ones included a silver pastoral cross from an anonymous donor, obtained from John Paul II, and 'Obrazek Marysi' – a picture painted on glass by a secondary school student of Jarosław, who for a few years has been using an insulin pump received from the Great Orchestra of Christmas Charity.

World Press Photo Exhibition in Poznań – Greater Poland Trading Division

Once again Poznań was the location of the Polish première of the World Press Photo exhibition, which was held under the auspices of PGNiG.

World Press Photo is the most prestigious photo contest in which reporters from all over the globe compete for awards. Jurors of this year's edition had to rise up to the challenge of evaluating over 101,254 pictures, of which they had to choose the best shots in nine categories. This year's edition of the contest was won by Samuel Aranda, whose photograph shows a woman holding a wounded relative following anti-president protests in Yemen. The award-winners included two Polish photojournalists: Tomasz Lazar and Tomasz Gudzowaty.



Policies on participation in public life and lobbying

PGNiG has been looking for social support for its activities, also at the lowest levels of local self-government administration and among local communities. To the extent our rights allow us to do so, we try to foster the implementation of good legal solutions and to cooperate with the state administration. As one of the largest infrastructural and power industry investors, we have been involved in social consultations and lobbying at the EU level.

We have been using our experience in the educational activities in which we are involved, as well as in the social dialogue on shale gas exploration and production. As part of the public consultations carried out under the Act on Lobbying Activities in the Law Making Process, dated July 7th 2005, we reported our commentaries, postulates and conclusions concerning the legal acts of key importance to our and the whole industry's operations. These related primarily to the following legal acts:

- Act on Hydrocarbon Production and Taxation and the Hydrocarbon Fund,
- Energy Law,
- Gas Law (draft),
- Geological and Mining Law,
- Act on Stocks of Crude Oil, Petroleum Products and Natural Gas, and on the Rules to be Followed in the Event of Threat to National Fuel Security or Disruptions on the Petroleum Market,
- Environmental Protection Law.

The experience of our experts is employed by the teams working on the formation of our country's energy and fuel policy.

We have been committed to effectively supporting the interests of PGNiG and the entire Polish energy sector before the EU institutions and international organisations. PGNiG's representative office in Brussels has shown particular involvement in this area: it actively participates in meetings of EU institutions, industry organisations and the think tanks operating in Brussels.

Furthermore, its activities include:

- Monitoring of the European laws on hydrocarbons from unconventional resources, including the following environmental regulations:
 - EU Water Framework Directive,
 - Directive on the management of waste from extractive industries,
 - Regulation on registration, evaluation, authorisation and restriction of chemicals (REACH),
 - Directive on the assessment of the effects of certain public and private projects on the environment,
 - Directive on environmental liability with regard to the prevention and remedying of environmental damage.
- Monitoring of changes in the directive establishing the Emissions Trading System (ETS).
- Monitoring of work by the European Commission on proposals concerning the sufficiency of generation in the internal market and optimisation of public aid towards building a more efficient power system.
- Monitoring of work related to the establishment of laws for the wholesale energy market, including:
 - Markets in financial instruments directive,
 - Regulation on OTC derivatives, central counterparties and trade repositories,
 - Regulation on wholesale energy market integrity and transparency.

PGNiG SA has also been actively participating in providing opinions for drafts of legal acts related to protection of the environment in Poland. The Company environmental protection services submit their comments on any new regulations affecting the business of PGNiG SA, proposing new, broadened wording of articles/paragraphs, or deletion of certain provisions. As part of consultations on laws to be enacted or amended, opinions were provided concerning amendments to the Environmental Protection Law, the Waste Act, and the Geological and Mining Law. The Company's environmental protection services obtain interpretations on the scope and type of environmental obligations of PGNiG SA from the competent government and local self-government authorities, including the Ministry of Environment and District Directorates for Environmental Protection.



The PGNiG SA Ignacy Łukasiewicz Foundation

The PGNiG SA Ignacy Łukasiewicz Foundation was established in November 2004 by PGNiG SA as its sole founder and donor. The activities of the PGNiG SA Foundation include providing support, in the broad sense, to culture and the national heritage, working for the benefit of knowledge and education in the area of fundamental sciences, technical sciences and sports, with rivalry being viewed as a tool in the education of children and youngsters, as well as fostering health protection.

In the programmes currently pursued by the Foundation, a special role is played by:

1. education and learning, particularly with respect to fundamental and technical sciences,
2. protection of health and popularisation of sports among children and youngsters.

Summary of the Foundation's operations in 2012

We have closed another year of the Foundation's operations. It was an intense year, full of positive emotions, but also a time of changes. We have embarked on new projects, focused on both PGNiG employees and external beneficiaries. Our efforts have not gone unnoticed – in 2012 the PGNiG SA Ignacy Łukasiewicz Foundation was granted a distinction in the 'Positivist of the Year 2011' contest, in the Education and Science category.

During 2012, the Foundation received 578 applications, of which 79 were granted a subsidy. In accordance with its mission defined in its Articles of Association, the Foundation provided support to both health-promoting and educational projects. We have co-financed the purchase of disposable medical equipment for an oncology hospice, we provided assistance for ongoing clinical research and we supported the first medical aid training programme for volunteer firefighters. We helped schools in purchasing teaching aids and we facilitated the carrying out of a series of 20 concerts of classical music in modern arrangements for young schoolchildren. These are just a few of the projects which obtained assistance from our Foundation. The choice is always very difficult, because the aid that the Foundation is able to provide is only a drop in the bucket. Also, we try to promote the projects which we have been consistently supporting for years, believing that this way we can achieve durable changes for the better.

The 'Projektor' Students' Voluntary Work Programme

The 'Projektor' Students' Voluntary Work Programme of the Polish-American Freedom Foundation is implemented by the Voluntary Service Promotion Foundation and is the continuation of more than five years of joint effort.

As part of the programme, volunteering students conducted educational workshops entitled 'Young Nobel' for children living in small towns and villages. By prompting their active participation in interesting experiments and shows, 'Young Nobel' encourages children and youngsters to broaden their knowledge in many areas, particularly in sciences. 'Young Nobel' covered 809 educational projects engaging 12 thousand students and 11 educational picnics in which 1,445 students from 35 schools participated, and all of that during just one year!

In 2012, we introduced a new type of scholarship for secondary school leavers. This is a 'bridge' scholarship for the best students who have graduated from one of secondary schools that teach specialised oil and gas industry skills. In accordance with the Fund rules, a scholarship from the Fund may be sought by students who have passed the Polish Baccaureate (matura) and come from families in a difficult financial situation. In 2012, the Foundation awarded in total 26 scholarships.

Employee Voluntary Work Programme

In order to meet the expectations of employees, we launched a PGNiG Employee Voluntary Work Programme, as many of us want to help others.

In the first, pilot edition of the programme, a grant contest was announced. The first edition of the PGNiG Employee Voluntary Work Programme was addressed to employees of the Pomeranian Trading Division and PGNiG Branch in Zielona Góra, and carried out in the territory of the Province of Gdańsk. The purpose of the competition was to provide financial support to an organisation selected by an employee. This assistance is targeted at associations, foundations and institutions, and provided on the initiative of employees and with their participation.



The Ignacy Łukasiewicz Schools

Since 2008, the Foundation has been cooperating with schools that bear the name of Ignacy Łukasiewicz. 24 schools sponsored by the Foundation obtained funds for extracurricular classes for children and youngsters, and for the purchase of teaching aids necessary to conduct those activities. Nearly two thousand students participated in the programme, which altogether consisted of over 1,400 school hours. Some of the funds were allocated by the schools to trips to such places as the Gas Museum, where we hosted students from the Krosno-based school complex 'Naftówka'.

The Scholarship Fund

As we do every year, we rewarded the best post-secondary school and university students studying fields related to the oil and gas industry, by granting them one-off scholarships.

The pilot edition of the Employee Voluntary Work Programme, carried out from November 2012 until February 2013 may be shortly summed up as follows:

- 5 projects,
- 148 hours,
- 11 employees,
- 876 beneficiaries.

The interest in the pilot edition of the Employee Voluntary Work Programme has confirmed that it is an initiative that the Company's employees expect. Therefore, we hope that we will soon announce a new grant contest, this time addressed at all PGNiG employees. For more on the Foundation's activities, see www.pgnig.pl/pgnig/fundacja.

Shale Gas

Strategy for communication and dialogue with local communities as part of shale gas exploration activities
In late 2011, the President of the Management Board appointed a Working Team for Stakeholder Relations Management and Corporate Communication on Shale Gas.

The Team's key role is to coordinate the Company's communication activities in these areas, including through cooperation with PGNiG Group companies. Concurrently, the strategy for communication and dialogue with local communities was devised, presenting an action plan and a set of tools adjusted to individual stakeholder groups. In view of the general interest in shale gas, at the very beginning it was assumed that PGNiG's communication activities would be addressed to the general public, with a particular focus on the needs of local communities in the areas where PGNiG is conducting or will conduct exploration operations.

Social surveys

To successfully prepare local operations, we had to conduct surveys to assess the local community's knowledge and expectations of potential exploration work in their area. We conducted two rounds of surveys, whose results showed that the locals knew little about shale gas and its exploration and production technologies, but that they wished to learn about the potential benefits and associated risks. These findings helped us better plan our education and communication strategy.

The surveys also revealed that the local inhabitants were mostly interested in the potential impact of the investment on their everyday life, with less attention paid to the production technology itself (although some knowledge of the technology is necessary). Inhabitants chiefly wanted to know when and where the operations would be carried out, what nuisance they would experience, whether they would be expropriated, whether the price offered for their land would be attractive, who would make a profit from the investment and how much it would be, and whether the investment was safe for the environment and people.

One positive sign was that more than 50% of the inhabitants of individual communes showed strong or moderate support of shale gas projects in the vicinity of their households.



Educational video series, press campaign, newsletter on shale gas, mailbox, information materials, conferences

Recognising shale gas as an important issue to many Poles, PGNiG launched several educational campaigns in the media aimed at disseminating key information on shale gas exploration and production, addressing the most frequent concerns about the safety of such operations for the environment, landscape and people.



As part of the campaign, the TVP Gdańsk channel broadcast a video on shale gas several dozen times, which was seen by more than 280,000 viewers.

In addition, the Company conducted communication activities with the local press and radio stations. Apart from the local media, the information campaign was conducted in nationwide newspapers and magazines, including Fakt, Super Express, Gazeta Wyborcza, Rzeczpospolita, Puls Biznesu, Wprost, Dziennik Gazeta Prawna, and Newsweek. The media ran a series of articles, information campaigns, thematic supplements, advertorials, and educational sections on shale gas. Educational activities were also carried out on the Internet, including on the Gazeta Wyborcza and Fakt news websites.

Moreover, over 4,000 Internet users receive a monthly newsletter which compiles the most recent information on the development of shale gas technology and exploration activities. The newsletter's subscribers include representatives of public administration authorities, the Sejm (lower house of the parliament), the Senate, the media, local self-government units and environmental organisations. In addition, the info@lupkipolskie.pl address was created, to which any additional questions to PGNiG specialists may be submitted.

The Company's media activity is supported by BTL communication, and includes leaflets and brochures distributed directly to households, as well as posters, display walls and roll ups. Further, PGNiG representatives attend many conferences in which shale gas is discussed, including the Economic Forum in Krynica and Forum for New Ideas in Sopot.

LUPKI POLSKIE dobry gaz **PGNiG**

WYDOBYCIE GAZU Z LUPKÓW BĘDZIE PRIORYTETEM NOWEGO MINISTRA ŚRODOWISKA
Przygotowanie wydobycia gazu z łupki będzie priorytetem nowego ministra środowiska Macieja Grabowskiego, który za tydzień ma zostać zaprzęgnięty na to stanowisko. Do raportu tu! >

TUSK: REWOLUCJA LUPKOWA BĘDZIE MIAŁA WPLYW NA POLITYKĘ KLIMATYCZNĄ
Wie wtorek 19 listopada Donald Tusk otworzył w Warszawie kolejną fazę szczytu klimatycznego. Premier polskiego rządu przekonywał w swoim wystąpieniu, że gwałtownie trzeba się przystosować do zmieniających się warunków klimatycznych. >

PGNiG ZORGANIZOWAŁO DEBATĘ, NT. GAZU LUPKOWEGO W BRUXELLI
"Gaz łupkowy jest nie wiodącą konkurencyjną premiją europejską. Co jest potrzebne do opracowania europejskiej strategii gazu łupkowego?" >

GAZ LUPKOWY MOŻE PRZYNIŚĆ EUROPIE MILION MIEJSC PRACY
Wydobycie gazu łupkowego w Europie może do 2009 r. przynieść ponad mln miejsc pracy, obniżyć ceny energii dla gospodarstw domowych o ok. 10 proc. i zwiększyć udział PNB przez 20 lat nawet o 3,8 biliona euro - wynika z badania opracowanego przez organizację producentów gazu GDF. >



Meetings with commune authorities, local residents, information centres, study visits

Apart from informational and educational activities conducted as part of public consultations, PGNiG meets directly with stakeholders affected by shale gas production investments. Local community members are mostly interested in the impact of the investments on their everyday life. Inhabitants want to know when and where the operations will be carried out, what nuisance they will experience, whether they will be expropriated, whether the price offered for their land will be attractive, and most of all whether the investment is safe for the environment.

Before launching each investment in a new commune, PGNiG holds a meeting with the local authorities to discuss the work schedule, the gas exploration technologies to be used, their potential impact on local life, etc. A separate meeting is then held with the inhabitants, in which they have an opportunity to resolve any doubts and sometimes engage in debates. No problem remains unaddressed. Moreover, in each commune an information centre is set up: PGNiG's specialists are available for all inhabitants who arrive at the Commune Office on a specified date. In 2012 and 2013, the information centres were open for several dozen days.

As the inhabitants of areas where shale gas exploration operations are carried out perceive persons who have been at a drilling site as the most reliable source of information, PGNiG organises study visits to drilling rigs, such as those in Dębki, Żarnowiec and Lubocin. The visits may be made by those commune inhabitants who express an interest in participating and first notify a representative of their Commune Office. Drilling sites were also visited by foreign delegates: representatives of the European Commission, the UK Minister for Environment and Agriculture, representatives of the French parliament, researchers from Lithuania, journalists from Germany, the Netherlands, etc. After filing a relevant request, all interested parties may visit a drilling rig site, remembering to observe OHS rules, which they learn at the beginning of the visit.



Commune Consultation Councils

To ensure that local communities participate in the shale gas dialogue to the greatest extent possible, we launched a project to establish Consultation Councils, with members elected in a vote held by local inhabitants.



The first Consultation Council was set up in December 2012 in the Krokowa commune. The idea to establish the Council was formed by PGNiG, together with self-government authorities of the Krokowa Commune. The Council is a social body representing the needs and expectations of the local community in its relations with PGNiG. It is composed of representatives of inhabitants, social organisations, local media, the Commune Council, as well as the Head of the Commune. Further councils will be established in other communes. The Commune Consultation Councils will serve as an official platform for continuous dialogue between local communities and PGNiG, making it possible to consult important issues relating to exploration for gas from unconventional sources. The purpose of such councils is to communicate reliably the concerns, needs and expectations of the local community to PGNiG, creatively and proactively seek constructive solutions that are satisfactory to all parties, and to provide reliable reports on the Company's activities.

Support for local initiatives

PGNiG strives to address the key expectations local communities have towards the Company as an investor, not only those regarding information and education, but also those concerning various forms of support and creation of shared value.

Support for local initiatives constitutes a significant part of PGNiG's community activities. The Company sponsors open-air events and festivals, where it informs inhabitants about the activities it is carrying out in a given commune. In line with the inhabitants' expectations, the Company invests in communal infrastructure, finances equipment for schools and day care centres (provision of teaching aids, co-financing of sports fields renovation, co-financing of audio-visual equipment, purchase and co-financing of sports equipment), and finances purchases of equipment for local emergency services (co-financing of fire service equipment).

As part of volunteering projects, PGNiG employees support local organisations, such as Koło Pomocy Dzieciom i Młodzieży o Niepełnej Sprawności Ruchowej (Support Group for Children and Youth with Mobility Impairments), Polska Unia Aktywności Mobilnej (Polish Union of Active Mobility), or Pomorskie Stowarzyszenie Projektantów PoCoTo (the 'PoCoTo' Pomeranian Designers Association).

For our most recent shale gas developments see polishshalegas.pl



GRI indicators



PGNiG's 'Responsible Energy 2012' report was prepared primarily on the basis of the reporting indicators of the Global Reporting Initiative. This is an independent stakeholder network, whose mission is to develop and popularise unified guidelines for economic, environmental, and social performance reporting worldwide. It enables objective comparisons of CSR activities pursued by various companies. Besides principles and guidance, the GRI guidelines contain a system of indicators that companies may opt-in to include in their reporting.

This report discusses 16 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
Analysis and strategy	1.1	1.2															6.2
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Organisational profile	2.1	2.2	2.3	2.4	2.5	2.6	2.7	2.8	2.9	2.10							
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Report parameters	3.1	3.2	3.3	3.4	3.5	3.6	3.7	3.8	3.9	3.10	3.11	3.12	3.13			7.5.3 (3.13 z GRI)	
	p. 24	p. 24	p. 24	p. 79	pp. 22–34	p. 24	p. 24	p. 24	p. 24 and p. 76	p. 24	p. 24	pp. 56–57 and p. 76	p. 24			p. 24	
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Economic performance indicators	Global Compact	GRI indicators	IPIECA	ISO 26000	Page
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Aspect: Indirect economic impact		EC8		6.8; 6.8.4	pp. 60–71

Society performance indicators	Global Compact	GRI indicators	IPIECA	ISO 26000	Page
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Environment performance indicators	Global Compact	GRI indicators	IPIECA	ISO 26000	Page
Aspect: Water	P7, P8, P9	EN8	E6	6.5; 6.5.4	p. 54
Aspect: Emissions, effluents, and waste		EN16	E1	6.5; 6.5.5.	pp. 52–53
		EN18		6.5; 6.5.5.	pp. 52–53
		EN21	E9	6.5; 6.5.3.	p. 54
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Aspect: Overall		EN30		6.5	p. 58

Labour practices & decent work performance indicators	Global Compact	GRI indicators	IPIECA	ISO 26000	Page
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		LA3		6.4.4.	pp. 32–35
Aspect: Occupational health and safety	P1, P2, P3, P4, P5, P6	LA7	HS3	6.4; 6.4.6.	p. 38
		LA8	HS2	6.4; 6.4.6.	pp. 32–35
Aspect: Training and education		LA11	SE17	6.4; 6.4.7.	p. 39
		LA12	SE17	6.4; 6.4.7.	p. 39

Product responsibility performance indicators	Global Compact	GRI indicators	IPIECA	ISO 26000	Page
Aspect: Product and service labelling		PR5		6.7; 6.7.6	pp. 42–45



Additional information



Express your opinion

Dear Reader,

We would like to thank you for reading this, our fifth 'Responsible Energy' report. We hope that it has contributed to your knowledge and understanding of PGNiG's activities.

This year, as last 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 greatest possible extent, and for our future reports to better present the issues of interest to you. This is why we're asking you to send your comments to the

following address: Communications and Marketing Department, PGNiG SA, ul. M. Kasprzaka 25, 01-224 Warsaw, Poland, marking the envelope 'CSR REPORT'.

With many thanks,
Marzena Strzelczak
Management Board's Proxy for Sustainable Development and Responsible Business Strategy
Communications and Marketing Department,
PGNiG SA

Acknowledgements

We would like to thank all those who have contributed to PGNiG's fifth CSR Report.

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 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

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 of Polish Business (previously: Declaration on Sustainable Development in the Polish 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 (now Dolnośląski Oddział Polskiej Spółki Gazownictwa), Górnośląska Spółka Gazownictwa (now Górnośląski Oddział Polskiej Spółki Gazownictwa), Karpacka Spółka Gazownictwa (now Karpacki Oddział Polskiej Spółki Gazownictwa), Mazowiecka Spółka Gazownictwa (now Mazowiecki Oddział Polskiej Spółki Gazownictwa), Pomorska Spółka Gazownictwa (now Pomorski Oddział Polskiej Spółki Gazownictwa), Wielkopolska Spółka Gazownictwa (now Wielkopolski Oddział Polskiej Spółki Gazownictwa), PKP Energetyka, and Energa SA. In 2012, the Declaration was signed by Talisman Energy Polska, Aurelian Oil & Gas Poland, and Strzelecki Energia Sp. z o.o. In 2013, Gaspol SA and Lafarge joined the signatories. Therefore, the group of signatories included companies from outside the industry, which resulted in the change of the Declaration's name.

Social dialogue

exchange of information between parties, most frequently related to common problems and social affairs. 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 for their management. 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

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 Responsible Business Forum 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 SA.

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.

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 using mass media (traditional media, unconventional methods) and are supported by numerous entities. These include companies, social organisations and public authorities whose assistance to the initiators of the campaign may take different forms, be it 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 dependencies between companies and 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, social 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 social 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 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 relationships between different positions 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 social 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 that natural resources are used in a way which allows future generations to also utilise them. The concept of sustainable development is included in the Environmental Protection Law – Dz.U. of 2001, No. 62, item 627, Art. 3.50.



Glossary of industry terms

Biogas plant

a plant which ferments substrates, such as energy crops, livestock waste, distillery waste, and methane from landfill sites, into biogas. The resulting fuel can be combusted on-site by small cogeneration units (0.5–2 MW).

CCS (Carbon Capture and Storage)

a process of capturing carbon dioxide from flue gasses 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 that 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 gas 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

gas from 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 gas 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 shares were acquired by the State Treasury. Currently, OG PGAZ-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 gas 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 gas 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 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 distributing gas 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 Energy Regulatory Authority. Under applicable regulations, the President of URE is responsible for approving the tariffs submitted by holders of licences which authorise them to conduct business involving trade in and storage of gas fuels.

Shale gas

Shale gas

natural gas obtained from shale rock, characterised by a high content of organic matter but low porosity and permeability. The first attempts to extract gas from shale formations date back to the 19th century. In 2011, the global shale gas market was worth USD 27 billion. As regards its composition, shale gas does not differ from gas from conventional sources

Shale

a fine-grained sedimentary rock whose characteristic feature is fissility. The mineral content of shales may vary – most often clay minerals prevail, but they may also contain quartz, feldspar, carbonates and organic matter. As shales may contain layers of mudstone or sandstone, an appropriate adjective should be used in their names (e.g. argillaceous shale, arenaceous shale, mud shale). In favourable conditions, natural gas was generated in those shales that were rich in organic matter. In Poland, gas-bearing shales are found at depths of 2.5 km or more.

Well

a completed borehole drilled in a rock formation for investigation, exploration, documentary or production purposes. Boreholes are drilled on the basis of an Operations Plan approved by the Regional Mining Authority (Okręgowy Urząd Górniczy). All work must be conducted in compliance with Polish law and safety regulations. The structure of a borehole must meet all the safety requirements defined in the applicable laws. For this reason, several strings of cemented casing are placed in a well to ensure its tightness, joined by a casing head on which the production wellhead is mounted.

Gas fuel

a mixture of combustible and non-combustible gases, natural or manufactured, approved for use as a source of energy in households, municipal services, industry and transport.

Hydraulic fracturing (fracking)

the process of creating fractures in rock formations with the use of a special fracking fluid, which is a mixture of water and sand (99.5%) and chemical additives (0.5%). Hydraulic fracturing is a well intensification method, used to extract natural gas from shales.

Drilling pad

a site accommodating an assembled and fully operational drilling rig, along with all the technical infrastructure and necessary auxiliary facilities.

Shale gas production facility

(shale gas production site) a small area of land with wellheads used to collect hydrocarbons extracted from pads. The hydrocarbons are then gathered and transported for sale to wholesale and retail customers.

Production wellhead

enables receipt/injection of gas/fluids into a well. The wellhead is a steel assembly resistant to high pressures and fitted with valves to enable flow control. Production wellheads are designed for various pressures. Only a wellhead whose operational pressure is higher than the highest pressure in the borehole can be installed in that borehole. The wellhead is mounted on the casing head.

Proppant

a type of sand added to a fracking fluid (with proppant concentration of 4.5%), applied in hydraulic fracturing operations. A proppant prevents fractures in shale rock from closing and allows gas to flow more easily within the formation.

Shale gas deposit

pockets of natural gas trapped in shale rock.

Horizontal borehole

a directional borehole whose trajectory in its end section is horizontal or close to horizontal. It is drilled along gas-bearing layers. Horizontal boreholes are of key importance in shale gas production. They help expand the territorial scope of exploration without the need to enlarge the area occupied for that purpose on the surface. Horizontal drilling technology minimises the need to acquire land necessary to search for and produce hydrocarbons.

Underground aquifers

rock layers which contain free water (i.e. water capable of moving) in open spaces (pores and fractures). If the temperature of the water is high, it is called thermal water. Water-bearing layers can be encountered along the entire drilled section.

Drilling rig

a set of devices including a mast or derrick, power generation equipment, mud systems and all tools necessary to drill boreholes.

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