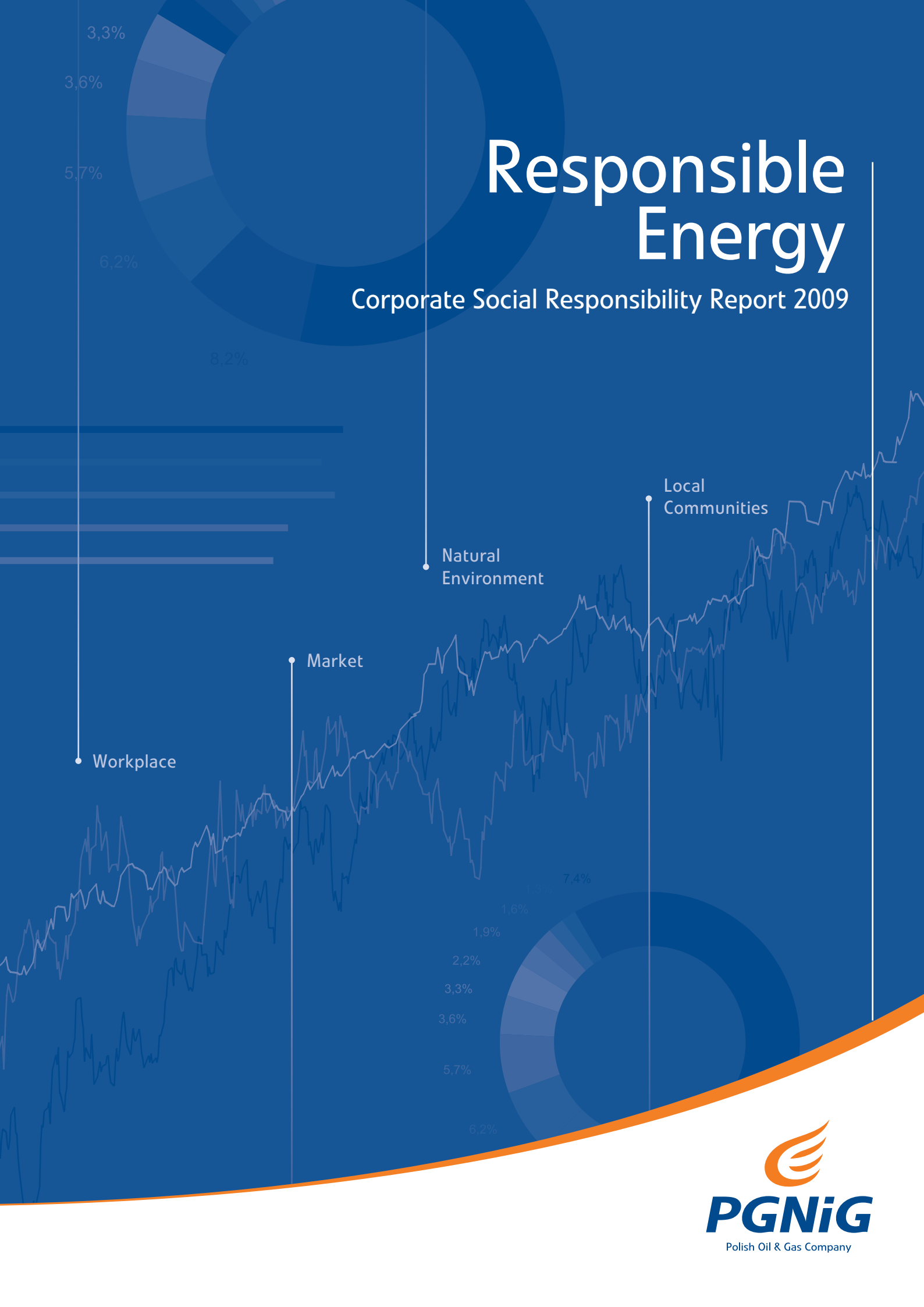


Responsible Energy

Corporate Social Responsibility Report 2009



Responsible Energy

Corporate Social Responsibility Report 2009

Responsibility is at the heart of everything
the PGNiG Group and its staff do. It is our key value.

In all our activities we strive for balance
and a smooth combination of business,
social and environmental objectives.

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PGNiG Group's Mission and Values

Our mission in the area of sustainable development is to be a responsible actor on the Polish energy market, one that understands and respects the needs and expectations of key stakeholders and the natural environment, and promotes innovative and environment-friendly solutions and technologies.

Values

The social, environmental and business dimensions of sustainable development and corporate social responsibility of the PGNiG Group are rooted in the system of ultimate values we champion.

These values are:

Responsibility.

Responsibility defines all the Group's relations, from employee and public relations to interactions with the natural environment, our customers and shareholders. Part of the responsibility is also PGNiG's role in ensuring energy security for Poland.

Credibility.

The PGNiG Group operates in a fair and transparent manner, is predictable and makes every effort to be perceived as a trustworthy business.

Quality.

The Group continuously strives to develop, improve and deliver high-quality products and services, implement innovative technologies, develop staff competence, while being flexible and open to change.

Partnership.

The PGNiG Group is a partner that seeks to understand the needs and expectations of the external environment and is open to a dialogue, respects people, their needs, customs, culture and religion. This is how we wish to develop our relations with our personnel, trade unions, customers, local communities and other market players, such as the Energy Regulatory Office, industry organisations, suppliers, business partners and other economic entities.

Letter from the President

Ladies and Gentlemen,

Corporate social responsibility tradition at Polskie Górnictwo Naftowe i Gazownictwo SA, or more broadly, at the PGNiG Group, is long and rich, dating back to the times of Ignacy Łukasiewicz, the pioneer of oil mining in Poland and beyond. Corporate social responsibility remains a vital value, present in the Group's everyday business pursuits.

In July 2009, the PGNiG Management Board adopted a Sustainable Development and Responsible Business Strategy, which establishes directions of our activities in the years to come, designed to smoothly combine our business goals with environmental and social objectives.

This is not an easy task, in particular if embarked on by a big organisation that we are. To manage a business while respecting the principles of sustainable development means that we must adopt a broader perspective in our everyday business decision making, and consider more than just short-term economic effects, namely the long-term social, environmental and economic implications. By delivering to our customers the product they need, we also wish to participate in building a sustainable future for the workplace, its surroundings, the natural environment and all other stakeholders working with us, and to make a lasting impression that the way we conduct business is just as important as our offering.

Publishing this year's corporate social responsibility report, we have decided to keep the last-year edition's title, that is Responsible Energy, as in our opinion it best conveys the essence of sustainable development in our industry, and also stands among the PGNiG Group's defining values.

This report demonstrates the magnitude of the challenges we face, but also the level of involvement of the PGNiG Group staff in the undertaking. If I were to name the single most-important benefit of implementing the principles of sustainable development at the Group, this would clearly be the commitment of our staff. The social responsibility project spurred a tremendous amount of creativity in them, becoming a powerful stimulus for all our employees across the value chain. This cannot be overestimated.

Along the same lines, we were proud yet humble to receive awards granted to the Company in recent months. A place among a dozen-or-so only companies of the Warsaw Stock Exchange's Respect Index, the first such ranking in this part of Europe, is something we pride on, but also something which proves what an enormous potential had been present within PGNiG before we unlocked it by providing it with a strategic framework. Our accomplishments this year, such as the Laurel of Responsibility, awarded under the "Promotion of Corporate Social Responsibility Standards Among Businesses" project by the Lewiatan Association of Employers, Deloitte, and the Solidarność Trade Unions, as well as our top ranking among responsible businesses in the fuels and energy sector and in the Polish businesses category from the Dziennik Gazeta Prawna daily, fuel our drive to continue with our hard and consistent efforts.

PGNiG's strategic involvement in the area of sustainable development and responsible business is demonstrated by our active membership in the Global Compact, the Responsible Business Forum, and a number of other initiatives you can read about in this Report.

To deliver on sustainability promises means to supervise and report the accomplishment of objectives not only at the level of the corporate headquarters, our branches and companies in Poland, but also at our foreign divisions and subsidiaries. Our top priority is to fine-tune the tools we have to ensure ongoing monitoring of our overriding objective: the growth of the Company's value in line with the sustainable development principles. We wish to develop our relations with the environment in a well-thought-out manner, and therefore, next to the Management by Objectives and the Value Building Programme in place at the Group, we embark on initiatives which improve our management systems, cooperation and coordination of our activities, internal communication and measurement of our commitment to corporate social responsibility. We are aware that we still have a long way to go, and it will take many years to attain certain objectives, considering the evolving environment and needs of our stakeholders.

I would like to thank all staff of the PGNiG Group who took on the challenge, and my special thanks go to our regional CSR coordinators for their unique involvement. Regular and honest cooperation with the coordinators is what enables us to successfully manage the implementation of the Sustainable Development Strategy across the Group.

Thanks are also due to our shareholders, customers and all stakeholders for their trust in us. Be assured that this is what provides a powerful stimulus for our sustained and reinforced efforts.

We are happy to hear your comments and opinions on our sustainability efforts, as this will help us improve them.

Respectfully yours,
Michał Szubski
President of the Management Board of PGNiG SA



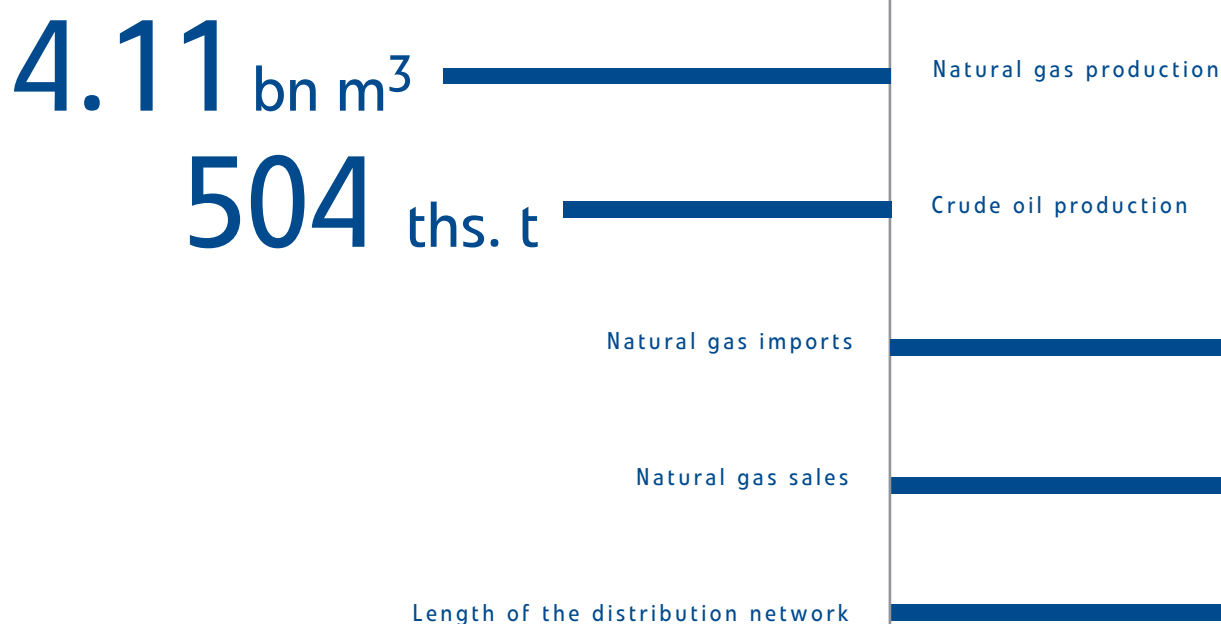
- PGNiG is the leader of the Polish natural gas market: the Company delivers gas to over 6.6 million customers. The PGNiG Group companies are involved in geophysical and geological surveys and analyses, oil and gas exploration, production and preparation of products for sale, both in Poland and abroad.
- The history of PGNiG dates back to the 19th century, the birth of the global and Polish petroleum industry. PGNiG is one of Poland's oldest enterprises; under its present name the Company has operated since 1982.
- Companies of the PGNiG Group employ over 30 thousand people. We are present in Denmark, Egypt, India, Yemen, Kazakhstan, Mozambique, Pakistan and Uganda, and also carry out production projects on the Norwegian Continental Shelf. Poland however remains our core location, where we continue to be one of the largest employers.
- Since September 2005, PGNiG has been listed on the Warsaw Stock Exchange. The Company enjoys growing trust from the capital market, as evidenced by its excellent ratings. PGNiG's strength is demonstrated by its inclusion in the WIG 20 index, the index of the Warsaw Stock Exchange's largest companies, and, since October 2009, its presence in the Respect Index, which lists socially responsible companies.

PGNiG's Profile

PGNiG Group		2008	2009
Sales revenue	PLNm	18,432	19,290
Net profit/loss	PLNm	866	1,203
Equity	PLNm	20,716	21,402
Total assets	PLNm	29,745	31,082

PGNiG SA		2008	2009
Sales revenue	PLNm	18,038	18,578
Net profit/loss	PLNm	546	665
Equity	PLNm	17,181	17,339
Total assets	PLNm	23,440	24,183

Key Business and Economic Figures for 2009



PGNiG Group	persons	31,440	31,685
PGNiG SA Head Office	persons	837	833
Exploration and Production	persons	10,725	10,800
Trade and Storage	persons	4,088	4,128
including companies consolidated with the equity method	persons	295	292
Distribution	persons	13,746	13,851
Other Activities	persons	2,044	2,073

Headcount as at December 31st 2009.

Training: an average of 35 training hours per employee and approximately 60 training hours per managerial employee.

Re-introduction of the profession of gas engineer – agreement with the Complex of Senior Secondary Schools No. 3 in Łódź on a project to launch the gas engineer course for youth and adults.

Environment

Environmental investment projects	PLN 16,811,255
Upgrades	PLN 11,055,770
Other environmental projects	PLN 961,481

Implementation of the Environmental Management System (EMS): EMS has been implemented at three entities, including the PGNiG SA Head Office, Karpacka Spółka Gazownictwa and Poszukiwania Nafty i Gazu Kraków.

Successful implementation of 45 projects at 71 Natura 2000 sites by the Group members.

Local Communities

Donations. PLN 3,066,620 was donated

to finance various needs, including the activities of the Foundation for the Ignacy Łukasiewicz Museum in Bóbrka.

PGNiG's I. Łukasiewicz Foundation launched its scholarship programme for students of exact sciences, with an annual grant of PLN 5 thousand being the prize for the best students.

On the initiative of PGNiG SA, seven companies signed a declaration on sustainable development in the energy sector. The signatories were: EDF Polska, ENEA SA, Gaz-System SA, GDF Suez Energia Polska, Polskie Górnictwo Naftowe i Gazownictwo SA, Tauron SA and Vatenfall Poland Sp. z o.o. In 2010, three more companies (Fortum Power and Heat Polska, Grupa LOTOS and Polskie Sieci Elektroenergetyczne – Operator) have joined the initiative.

PGNiG as a Strategic Sponsor of the Polish Handball Association

Collaboration between Polskie Górnictwo Naftowe i Gazownictwo and the Polish Handball Association started in January 2010. PGNiG became the strategic sponsor of women's national handball team, men's national handball team, junior national teams, and the sponsor of the women's and men's premier handball leagues. Starting from the 2010/2011 season, the premier handball league games are referred to as "PGNiG Superliga".

Over a time span of three years, PGNiG SA will provide funding to support the organisation of games, purchase of equipment for sport, recreation and official events, preparation to and organisation of competitions, as well as provision of physician and physical therapy services for the players.

Next to collaboration with the Polish Rowing Association, sponsorship support for the Polish national handball teams is another sports sponsoring project which showcases our commitment to implementing the corporate social responsibility strategy.

We are confident that our activity in this area will contribute not only to the development of the sports disciplines and improved performance of our sports contestants, but also will popularize physical activity and promote healthy lifestyle among the Polish people.

9.14 bn m³

13.28 bn m³

116 ths. km

PGNiG SA is the parent undertaking of the PGNiG Group, which includes 27 direct and 8 indirect subsidiaries of PGNiG SA. Our core business comprises exploration for and production of natural gas and crude oil, as well as import, storage, trade in and distribution of gaseous and liquid fuels.

PGNiG Group Structure

Exploration and Production	Trade and Storage	Distribution	Other Activities
PNiG Jasło sp. z o.o. 100%	INVESTGAS SA 100%	Dolnośląska Spółka Gazownictwa sp. z o.o. 100%	BUG Gazobudowa sp. z o.o. 100%
GK PNiG Kraków 100%		Górnośląska Spółka Gazownictwa sp. z o.o. 100%	ZUN Naftomet sp. z o.o. 100%
PNiG Nafta sp. z o.o. 100%		Karpacka Spółka Gazownictwa sp. z o.o. 100%	Geovita sp. z o.o. 100%
GK Geofizyka Kraków 100%		Gazownictwa sp. z o.o. 100%	PGNiG Energia SA 100%
Geofizyka Toruń sp. z o.o. 100%		GK Mazowiecka Spółka Gazownictwa 100%	BN Naftomontaż sp. z o.o. 88.83%
PN Diament sp. z o.o. 100%		Pomorska Spółka Gazownictwa sp. z o.o. 100%	Naft-Stal sp. z o.o. 67.40%
ZRG Krosno sp. z o.o. 100%		Wielkopolska Spółka Gazownictwa sp. z o.o. 100%	BSiPG Gazoprojekt SA 75%
PNiG Norway AS 100%			
POGC – Libya B.V. 100%			

Poszukiwania Nafty i Gazu Kraków Group comprises Poszukiwania Nafty i Gazu Kraków sp. z o.o. and its subsidiary Oil Tech International-F.Z.E.

Geofizyka Kraków Group comprises Geofizyka Kraków sp. z o.o. and its subsidiary Geofizyka Kraków Libya JSC (Geofizyka Kraków Libya JSC was deleted from the commercial register in January 2010).

Mazowiecka Spółka Gazownictwa Group comprises Mazowiecka Spółka Gazownictwa sp. z o.o. and its subsidiary Powiśle Park sp. z o.o.

The PGNiG Head Office supports all of the Group's business segments. PGNiG branches operate in two segments: the **exploration and production** segment (Zielona Góra, Sanok and Odolanów branches) and the **trade and storage** segment (six Gas Trading Divisions and the Storage System Operator).

The **distribution** functions are performed by six Gas Distribution Companies which are of strategic importance to the PGNiG Group. Nine of the Group subsidiaries specialize in hydrocarbon exploration and production, one company is involved in the storage business, one in power generation, and the remaining six subsidiaries provide services, including construction and assembly services for the oil mining industry.

PGNiG SA

Central Measurement
and Testing Laboratory in Warsaw

Odolanów Branch

Storage System Operator
in Warsaw

Sanok Branch

Zielona Góra Branch

Lower Silesian Gas Trading
Division in Wrocław

Upper Silesian Gas Trading
Division in Zabrze

Carpathian Gas Trading
Division in Tarnów

Mazovian Gas Trading
Division in Warsaw

Pomeranian Gas Trading
Division in Gdańsk

Greater Poland Gas Trading
Division in Poznań

Operating Branch in Pakistan

Egypt Branch

Denmark Branch

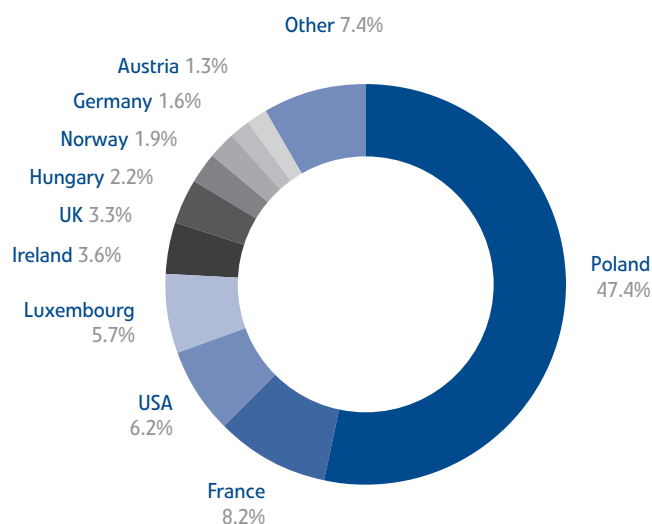
3.2 PGNiG at the Stock Exchange

PGNiG has been listed on the Warsaw Stock Exchange since 2005. PGNiG shares are included in the WIG-20 blue-chip index, as well as in the prestigious emerging markets index of Morgan Stanley Capital International Inc. (MSCI). The company enjoys the "golden company" status and is one of eight companies making up the WIG-Paliwa fuel index.

PGNiG's shareholder structure in 2008-2009

Shareholder	Number of shares/votes as at Dec 31 2008	% of share capital/total vote at GM, as at Dec 31 2008	Number of shares/votes as at Dec 31 2009	% of share capital/total vote at GM, as at Dec 31 2009
State Treasury	4,999,999,999	84.75%	4,303,686,368	72.94%
Eligible employees	0	0%	696,313,631	11.80%
Other	900,000,001	15.25%	900,000,001	15.25%
Total	5,900,000,000	100.00%	5,900,000,000	100.00%

Structure of free float (15.25% of the PGNiG shares), by shareholders' country of origin



The Polish State Treasury remains PGNiG's majority shareholder. On June 26th 2008, the Minister of the State Treasury purchased one PGNiG share on general terms which, pursuant to the Commercialisation and Privatisation Act of 1996, gave eligible employees the right to acquire, free of charge, up to 750,000,000 PGNiG shares. The process of free-of-charge distribution of the shares started on April 6th 2009 and will continue until October 1st 2010. By December 31st 2009, the employees acquired 696,313,631 shares representing 11.80% of the total vote. Consequently, the State Treasury's stake in PGNiG decreased to 72.94%. The shares acquired free of charge by eligible employees may not be traded in before July 1st 2010, and those acquired by members of the Company's Management Board – before July 1st 2011.

Shareholders

As at December 31st 2009, the share capital of PGNiG amounted to PLN 5,900,000,000, and was divided into 5,900,000,000 shares with a par value of PLN 1 per share. Shares of all series, that is Series A, Series A1 and Series B, are ordinary bearer shares, and entitle their holders to one vote each at the General Shareholders Meeting. PGNiG's Articles of Association do not provide for any limitations as to the exercise of the voting rights attached to the shares.

3.3 Corporate Governance

Compliance with corporate governance principles is of vital importance to the PGNiG Group. We treat all our shareholders in a fair, equal and honest manner, making every effort to build excellent relations between investors and the Company's governing bodies.

General Shareholders Meeting

The General Shareholders Meeting is the supreme body of PGNiG, exercising shareholder rights. Through the General Shareholders Meeting shareholders perform their corporate rights, by examining and approving Directors' Reports, taking decisions as to the amount, method and date of dividend payment, and more. The GM grants discharge to members of PGNiG's other governing bodies in respect of their performance of duties, appoints members of the Supervisory Board, and takes decisions concerning the Company's assets.

Supervisory Board

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

In 2009, the Supervisory Board was composed of eight members, including Stanisław Rychlicki, Marcin Moryń, Mieczysław Kawecki, Grzegorz Banaszek, Agnieszka Chmielarz, Marek Karabuła, Mieczysław Puławski, and Jolanta Siergiej. Currently, the Supervisory Board has seven members, as Mr Marek Karabuła was appointed Vice-President of the Management Board for Gas and Trade. The Chairman of the Supervisory Board, Mr Stanisław Rychlicki, does not perform any executive or managerial functions at the Company.

The Supervisory Board provides continuous oversight of the Company's operations in all areas of its activity based on laws of general application and Company's internal regulations.

Management Board

The Management Board is the executive body managing the Company's business and representing the Company in all actions before and out of court. The Management Board is composed of between two to seven members, with the precise number defined by the Supervisory Board. Members of the Management Board are appointed for a joint three-year term. The powers of the Management Board include all matters pertaining to the management of

PGNiG's business which have not been reserved for or delegated to other governing bodies of the Company by any applicable laws or the Company's Articles of Association. The Management Board operates on the basis of applicable laws, including in particular the Commercial Companies Code, as well as on the basis of the Company's Articles of Association and the Rules of Procedure for the Management Board.

Currently, the Management Board is composed of five members: Michał Szubski – President, Marek Karabuła – Vice-President, Gas and Trade, Radosław Dudziński – Vice-President, Strategy; Sławomir Hinc – Vice-President, Finance, and Mirosław Szkaluba – Vice-President, Social Dialogue and Assets.

PGNiG has appropriate procedures in place to prevent conflicts of interests to members of its supreme supervisory body. The process of preventing such conflicts is a part of the public hiring procedure: a job opening is announced on the web site of the Ministry of State Treasury. The process is also transparent, strictly compliant with the relevant laws, and ensures avoiding conflicts of interests.

In 2009, the PGNiG Group introduced Management by Objectives (MBO), a system which enables an objective measurement of employee's performance, rather than paying them for their working time. MBO was initially implemented for management boards of subsidiaries, heads of branches and heads of departments at the PGNiG Head Office. After one year, the managerial staff was obliged to report on the progress with the objectives assigned to them. If they were attained, a bonus was granted to well-performing managers.

This management system provides great support for the PGNiG Management Board in their pursuit of objectives set forth in the Group's strategy, by linking the objectives for the individual organisational units with the strategic framework.

Audit Committee

The Audit Committee has been a standing committee of the Supervisory Board since November 27th 2008. It consists of at least three members of the Supervisory Board, including at least one member who is independent of the Company and of entities having significant links with PGNiG and who is elected by the General Shareholders Meeting pursuant to PGNiG's Articles of Association. Such a person has to be competent in accounting and finance. Members of the Audit Committee are appointed by the Supervisory Board.

Best Practices

Since its debut on the stock exchange in 2005, the Company has followed the recommendations of the Warsaw Stock Exchange contained in "Best Practices for WSE Listed Companies". PGNiG's corporate governance reports have been published on the Company's website at www.pgnig.pl in the Corporate Governance section. The Company meets its disclosure obligations towards the shareholders and other capital market stakeholders by publishing reports on its current operations and financial reports, and by organising press conferences devoted to the Company's key projects and strategic objectives. Rules of Procedure for the General Shareholders Meeting, the Supervisory Board, the Management Board and the Audit Committee, as well as the Articles of Association of PGNiG, are available on the Company website at www.pgnig.pl, in the Investor Relations/Corporate Governance section.

Investor Relations

The Company meets its disclosure obligations towards the shareholders and other capital market stakeholders by publishing reports on its current operations and financial reports, and by organising press conferences devoted to the Company's key projects and strategic objectives. The activities of the Company's Investor Relations team is not limited only to what is explicitly required by the law. It also includes an array of other initiatives taken by the Company with a view to meeting high expectations of all the market participants, such as roadshows and conferences for investors held abroad (in Austria, Belgium, the Czech Republic, Japan, Germany, the United States, Sweden, France and the United Kingdom), meetings with asset managers, or ongoing contacts with equity analysts.

The PGNiG website features a dedicated section, managed and edited by the Company's Investor Relations team, where every capital market participant can find essential information on the Company's current standing, market forecasts for the PGNiG Group's performance, or the most recent price recommendations by analysts covering the Company. The Company's Investor Relations team publishes an electronic newsletter available to anyone interested in the current developments at PGNiG.

3.4 Our Operations

The activities of the PGNiG Group companies impact all areas of responsible business, namely the Workplace, Natural Environment, Market and Local Communities. The magnitude of the impact and of the challenges it involves are determined on the hand by the scale of the PGNiG Group's operations, the number of people it employs, and its geographical reach, and by the specific nature of a given element of the value chain on the other.

You are invited to watch the "How We Conduct Our Business" video, which is enclosed on a CD attached to this Report and available on the www.pgnig.pl and www.odpowiedzialna-energia.pl websites.

Direct customers



Exploration and Production

This business area has the following CSR-relevant impact:

- **Market/economic impact** – our operations stimulate economic life in regions where we are present; by increasing hydrocarbon production capacities, also beyond Poland, we contribute to greater security of gas supplies;
- **Local communities** – fostering partnership, working out uniform rules of collaboration with local authorities, forestry authorities, landowners, and – in the case of companies operating abroad – taking into account cultural differences;
- **Natural environment** – rational management of resources and of waste, including in particular drilling waste, minimising the adverse environmental impact from our operations and, when necessary, remedying the effects of our environmental interference;
- **Workplace** – working in the field carries with it the need to apply the tightest safety standards and to demonstrate top level of care.

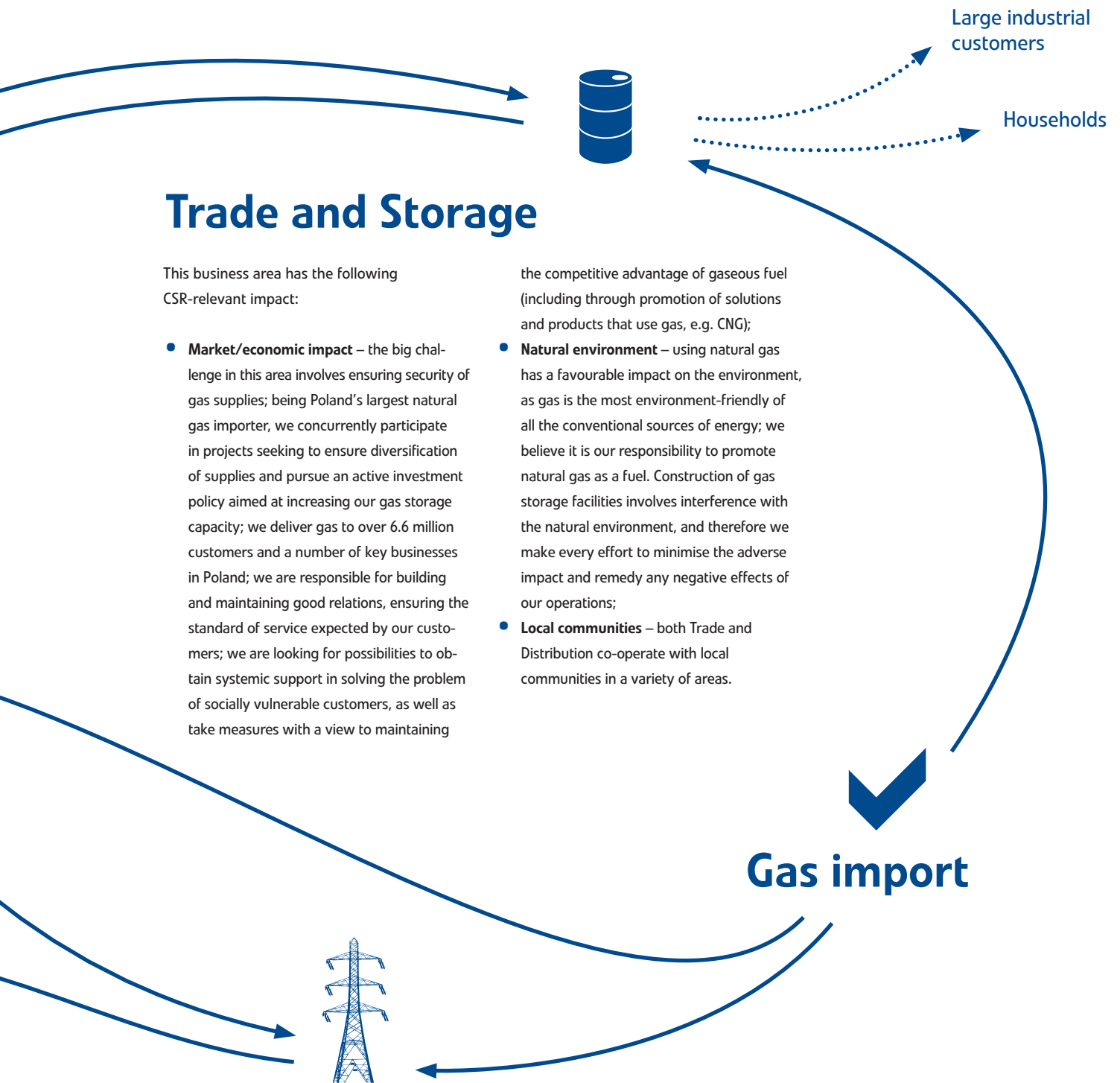
Distribution

This business area has the following CSR-relevant impact:

- **Market/economic impact** – we deliver gas to over 6.6 million customers and a number of key businesses in Poland, we are co-responsible for ensuring safe consumption of gas and national energy security, as well as for implementing solutions tailored to the evolving legal and business environment (unbundling of activities); our investment projects boost regional economies and this business

area has the following CSR-relevant impact : demand;

- **Natural environment** – our investment projects do interfere with the natural environment, and therefore we believe it is our responsibility to minimize any adverse impacts and, when necessary, remedy the negative effects of our environmental interference;
- **Local communities** – both Trade and Distribution co-operate with the local communities in a variety of areas.



Trade and Storage

This business area has the following CSR-relevant impact:

- Market/economic impact** – the big challenge in this area involves ensuring security of gas supplies; being Poland’s largest natural gas importer, we concurrently participate in projects seeking to ensure diversification of supplies and pursue an active investment policy aimed at increasing our gas storage capacity; we deliver gas to over 6.6 million customers and a number of key businesses in Poland; we are responsible for building and maintaining good relations, ensuring the standard of service expected by our customers; we are looking for possibilities to obtain systemic support in solving the problem of socially vulnerable customers, as well as take measures with a view to maintaining
- Natural environment** – using natural gas has a favourable impact on the environment, as gas is the most environment-friendly of all the conventional sources of energy; we believe it is our responsibility to promote natural gas as a fuel. Construction of gas storage facilities involves interference with the natural environment, and therefore we make every effort to minimise the adverse impact and remedy any negative effects of our operations;
- Local communities** – both Trade and Distribution co-operate with local communities in a variety of areas.

the competitive advantage of gaseous fuel (including through promotion of solutions and products that use gas, e.g. CNG);

Gas import

Power Generation

This business area has the following CSR-relevant impact:

- Market/economic impact** – the segment’s activities will increase demand for gas and help Poland better use its domestic resources of natural gas, broaden our offering, contribute to the emergence of new market entrants, enable location of investment projects in rural and non-industrialised areas (co-generation, use of biogas and biomass);
- Natural environment** – development of the segment will help protect the environment,
- Workplace** – taking over existing heating systems and sources and their conversion into gas-fuelled facilities often entails serious workforce cuts at existing companies, thus posing challenges related to workforce optimisation and finding good ways to use the skills of existing employees in performing new responsibilities.

as it will materially reduce harmful emissions, enable better utilisation of primary fuels as well as reduce energy transmission losses and the consumption of water;

CSR-relevant Impact of the Exploration and Production Segment and Our Responsibility

This business area has the following CSR-relevant impact:

- **Market/economic impact** – our operations stimulate economic life in regions where we are present; by increasing hydrocarbon production capacities, also beyond Poland, we contribute to greater security of gas supplies;
- **Local communities** – fostering partnership, working out uniform rules of collaboration with local authorities, forestry authorities, landowners, and – in the case of companies operating abroad – taking into account cultural differences;
- **Natural environment** – rational management of resources and of waste, including in particular drilling waste, minimising the adverse environmental impact from our operations and, when necessary, remedying the effects of our environmental interference;
- **Workplace** – working in the field carries with it the need to apply the tightest safety standards and to demonstrate top level of care.

The first borehole (Grundy-2), reaching down to 5,000 metres below the ground level, was drilled in 2008 in the Poznań area. The geological formations which have been reached have certain characteristics typical of unconventional reserves and may give hope for intense tight gas exploration in the area.

The Markowola-1 borehole in the Lublin area was completed in May 2010. Markowola-1 will be tested with a view to establishing the characteristics of reservoir saturation with gas from clastic deposits (shales). PGNiG has also commenced negotiations with foreign companies concerning exchange of geological and geophysical data (Lane Energy), and joint exploratory activities in the Płońsk area (Marathon Oil) and the Lublin Rift area (Chevron). Exploration for tight gas is also under way in the Poznań province in the Szamotuły area, in the Kórnik-Środa area (in cooperation with FX Energy), and in the area of Murowana Goślina-Klecko, Pyzdry, Gniezno and Ślesin, where first 2D and 3D seismic work has already commenced. Similar design and seismic work has been launched in the Pomeranian petroleum province.

Exploration and Production

The PGNiG Group is involved in exploration for oil and gas in Poland, but also in Africa, Asia and elsewhere in Europe. Some 10 thousand employees of the Group are responsible for exploration operations, geophysical and seismic surveys, production and preparation of products for sale. Production of natural gas from the Group's own resources contributes to higher security of supplies.

Major Events in 2009

- Acquisition of interests in three exploration licences on the Norwegian Continental Shelf;
- Exploration work commences in the Bahariya licence area in Egypt;
- Two PGNiG branches open in Denmark and Egypt.

PGNiG's Exploration and Production segment conducts geophysical and geological surveys, and oil and gas exploration and production. Currently, oil and gas production activities are conducted in Poland only.

Production from fields located abroad will commence in the third quarter of 2011, in the Skarv/Snadd/Idun licence area on the Norwegian Continental Shelf. Storage needs of the segment are met by gas storage facilities in Brzeźnica, Daszewo, Strachocin and Swarzędów.

Responsibly on Tight Gas Exploration

When discussing the segment, one can hardly leave out exploration for and production of shale gas. This topic has stirred strong emotions; a number of publications have appeared, which nevertheless were often disappointingly general and failed in helping the readers understand the peculiarities and complexity of the idea.

Regrettably, many opinions voiced in such publications were wishful thinking, and did not take into consideration the intrinsic difficulties of shale gas production.

PGNiG SA has been conducting geological research on shale gas (gas trapped in shales) and tight gas (natural gas accumulations, usually in sandstone, and less frequently in limestone formations) for several years now. The Company holds rights to areas where unconventional gas may be present, located in four petroleum provinces: the Gdańsk province, Lublin province, Kraków province and Poznań province. In total, PGNiG holds 11 shale gas licences, covering an area of about 9.1 thousand km² (applications for another two licences, covering an area of 1.3 thousand km², have been filed with the Ministry of the Environment), and 6 tight gas licences, covering a total exploration area of 13.9 thousand km².

Unfortunately, no reliable data is available at present that could serve as the basis for estimating the volume of the unconventional reserves. The information that surfaced in mass-media on the forecast hydrocarbon quantities in Poland's unconventional reserves had been prepared by American consulting companies, based on a comparison of geological conditions in Poland and the US. However, it has not been confirmed that geological conditions which are necessary to produce unconventional hydrocarbon accumulations were actually present in Poland.

Another problem connected with shale gas is enormous costs, far exceeding the cost of exploration for conventional reserves. To note, the cost of drilling a single exploratory well for shale gas more than doubles the cost of a conventional gas well, and increases along with the depth of the shale formation. Unconventional gas production technology also requires vast quantities of water.

Trade and Storage

Natural gas produced in Poland or imported is delivered to 6.6 million PGNiG customers, who also receive smooth, comprehensive, professional and timely service from the many thousands of employees of the Trade segment. It is the staff at the Customer Service Offices (CSO) at each of our 23 Gas Sales Units, who are the closest to our customers. To ensure security of supplies, the Company pursues an active policy to increase storage capacities at its underground gas storage facilities.

Major Events in 2009

- Supplies under the contract with RosUkrEnergo discontinued from January 1st 2009;
- Execution of a short-term agreement between PGNiG and Gazprom Export for delivery of 1 billion m³ of natural gas;
- Execution of an agreement with Qatargas Operating Company for delivery of 1 million tonnes of LNG over 20 years, starting from 2014;
- Opening of the first underground gas storage facility for nitrogen-rich gas in Daszewo, with a storage capacity of 30 million m³;
- Volume of mandatory stock of natural gas held in gas storage facilities was increased to about 400 million m³.

The Trade and Storage segment sells natural gas which is imported or produced domestically. Imported gas is purchased mainly in the East. The sale of natural gas from both the distribution and transmission network is regulated by the Energy Law, and gas prices are set based on tariffs approved by the Energy Regulatory Office. The segment operates three underground gas storage facilities to meet its current needs, located in Mogilno, Wierzchowice and Husów. Construction of two more gas storage facilities is under way. These are:

Bonikowo Underground Gas Storage Facility

– gas will be stored in a partially depleted gas reservoir. The facility will be ready for use in 2010, and will have working capacity of 200 million m³. It will be the second gas storage facility for nitrogen-rich gas in Poland, and will facilitate optimised production of nitrogen-rich gas from Poland' domestic reserves.

Kosakowo Cavern Underground Gas Storage Facility

– a high-methane gas storage facility in the vicinity of the Gdańsk-Gdynia-Sport agglomeration. The project provides for 10 caverns in halite formations. Completion of the facility, to hold 100 million m³ of gas, is due by 2014, and its further extension to reach 225 million m³ in capacity is scheduled to be completed by 2020.

CSR-relevant Impact of the Trade and Storage Segment and Our Responsibility

This business area has the following CSR-relevant impact:

- **Market/economic impact**
 - being Poland's largest natural gas importer, we concurrently participate in projects seeking to ensure diversification of supplies and pursue an active investment policy aimed at increasing our gas storage capacity; we deliver gas to over 6.5 million customers and a number of key businesses in Poland; we are responsible for building and maintaining good relations, ensuring the standard of service expected by our customers; we are looking for possibilities to obtain systemic support in solving the problem of socially vulnerable customers, as well as take measures with a view to maintaining the competitive advantage of gaseous fuel (including through promotion of solutions and products that use gas, e.g. CNG); the big challenge in this area involves ensuring security of gas supplies;
- **Natural environment** – using natural gas has a favourable impact on the environment, as gas is the most environment-friendly of all the conventional sources of energy; we believe it is our responsibility to promote natural gas as a fuel. Construction of gas storage facilities involves interference with the natural environment, and therefore we make every effort to minimise the adverse impact and remedy any negative effects of our operations;

Distribution

The staff of our six regional Gas Distribution Companies, which provide distribution services, work to ensure uninterrupted gas deliveries to both households and industrial customers.

Major Events in 2009

- Distribution network extended by 2 thousand kilometres in 2009

The core business of the Distribution segment is to transmit high-methane and nitrogen-rich gas, as well as small quantities of propane-butane and coke-oven gas, over the distribution network. Distribution operations are handled by six Gas Distribution Companies, which deliver gas to households as well as industrial and wholesale customers. The companies are also responsible for operating, maintaining and extending distribution pipelines, and for connecting new customers to the network.

CSR-relevant Impact of the Distribution Segment and Our Responsibility

This business area has the following CSR-relevant impact:

- **Market/economic impact**
 - we deliver gas to over 6.6 million customers and a number of key businesses in Poland, we are co-responsible for ensuring safe delivery of gas to the customers and for national energy security, as well as for implementing solutions tailored to the evolving legal and business environment (unbundling of activities); our investment projects boost regional economies and generate demand;
- **Natural environment** – our investment projects do not interfere with the natural environment, and therefore we believe it is our responsibility to minimize any adverse impacts and, when necessary, remedy the negative effects of our environmental interference;
- **Local communities** – both Trade and Storage and Distribution segments, co-operate with the local communities in a variety of areas.

Power Generation

By developing this new business segment, the PGNiG Group will become an energy conglomerate. PGNiG Energia will focus on the generation of electricity and heat, as well as on trading in electricity on the wholesale market.

Major Events

- PGNiG Energia was established to become the competence centre for the Group's power generation business;
- Steps taken to obtain co-funding for the pilot biogas project in Ostrów Świętokrzyski;
- Execution Agreement for the CCGT project in Stalowa Wola.

CSR-relevant Impact of the Power Generation Segment and Our Responsibility

This business area has the following CSR-relevant impact:

- **Market/economic impact** – the segment's activities will increase demand for gas and help Poland better use its domestic resources of natural gas, broaden our offering to customers, contribute to the emergence of new market entrants, enable location of investment projects in rural and non-industrialised areas (co-generation, use of biogas and biomass);
- **Natural environment** – development of the Segment will help protect the environment, as it will materially reduce harmful emissions, enable better utilisation of primary fuels, as well as reduce energy transmission losses;
- **Workplace** – taking over existing heating systems and sources and their conversion into gas-fuelled facilities often entails serious workforce cuts at existing companies, thus posing challenges related to workforce optimisation and finding good ways to use the skills of existing employees in performing new responsibilities.

You are invited to watch the "How We Conduct Our Business" video, which is enclosed on a CD attached to this Report and available on the www.pgnig.pl and www.odpowiedzialna-energia.pl websites.

4.1 Group's Stakeholders

It is of vital importance to us that we maintain constructive relations with all groups of stakeholders interested in our operations, as well as with those who are in a position to impact the debate on energy policy and key challenges for the industry. We acknowledge that only by building a broad platform of understanding with the Group's stakeholders can we pursue our business in line with the principles of sustainable development and understand better our mutual needs and expectations.

Owing to its size and reach, the Group has a broad array of stakeholders. The nature of the business of our branches and subsidiaries, as well as their place in the value chain, decide on the properties and composition of the respective stakeholder groups.

The table below presents key tools we use to build mutually beneficial relations with our external and internal environment.

We believe that we can achieve more by working hand in hand and we are keen to cooperate with other actors from the industry in the area of corporate social responsibility. Accordingly, since June 2009, we have hosted the Responsible Energy Conference, an annual event. It is devoted to sustainable development challenges in the energy industry. As part of the event, we also seek to establish partnerships to solve specific problems of importance for the stakeholders of a given industry, as well as for individual market participants. Opinions gathered at the conference indicate that co-operation within the energy industry is expected by everyone concerned.

More details on our relations with the external and internal environment can be found in sections *Market*, *Workplace* and *Local Communities*.

4.2 Sustainable Development and Responsible Business Strategy

In 2008, the Management Board of PGNiG adopted a new strategy, which defines business challenges for the Group until 2015. The Group's mission, articulated in the document, provides that "setting the interest of our shareholders, customers and employees as our main priority, we wish to focus on our reliability and transparency as a partner and to develop the Group's values in accordance with the principles of sustainable development".

Already in December 2008, in order to deliver on the promises outlined in the strategy, we launched the Sustainable Development Strategy Implementation project across the Group. We are Poland's first company in the energy industry to launch a comprehensive sustainable development strategy. Contributors to the strategy were employees from all operational areas of the PGNiG Head Office, as well as from branches and subsidiaries of the PGNiG Group. The Sustainable Development Strategy was formally approved by the Management Board in July 2009. The main objective we have embarked on by formulating our sustainable development mission is to be an active player on the Polish energy market, who acts responsibly and takes into consideration the expectations and needs of the stakeholders and the natural environment. Further, the Group wishes to act as sponsor of innovative and environmentally friendly solutions. The above is to contribute to the Group's development of productive relations with the present and future stakeholders, and also with the natural environment.

Our Approach to Sustainable Development

Stakeholders	Dialogue/developing constructive relations
Employees	Public consultation, Employee Council, the system of communicators (employees responsible for internal communication), electronic newsletter, corporate portal, staff surveys, web chats with representatives of the Management Board
Customers	Satisfaction surveys, helpline, website, Customer Service Offices, dedicated business consultants
Local communities	Public consultation, activities of PGNiG Foundation and the donation fund, direct cooperation with local authorities and organisations
Business partners	Dedicated business consultants, direct meetings, conferences, trade declarations
Suppliers	Evaluation of partnership, support for local development
Research institutes, universities and other schools	Support for vocational education at all levels, conferences, PGNiG Foundation's scholarship programme,
Administration and market regulator	Consultations, joint initiatives, such as conferences and workshops
Shareholders and investors	Meetings with asset managers, participation in roadshows and foreign conferences for investors, dedicated newsletter, current and periodic reports.

The Mission of the PGNiG Group

Our mission in the area of sustainable development is to be a responsible actor on the Polish energy market, one that understands and respects the needs and expectations of key stakeholders and the natural environment, and promotes innovative and environment-friendly solutions and technologies.

1.

Enhanced satisfaction of the existing customers and acquisition of new customers through improved customer care quality

8 operational goals
28 measures

2.

Efficient and partnership-based co-operation and dialogue with social and business partners

7 operational goals
20 measures

3.

Pursuing business in a responsible way while caring for the natural environment

7 operational goals
21 measures

4.

Creating a safe and friendly workplace

10 operational goals
26 measures

5.

Consistent, credible and efficient communication and marketing

2 operational goals
6 measures

6.

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

7 operational goals
20 measures

The Group's CSR strategy addresses the challenges emerging from our environment, and our planned actions driven by the strategy result both from the needs of our stakeholders, and from best practices in place at the Group, in particular in the area of environmental protection practices and social involvement initiatives.

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

1. Enhanced satisfaction of the existing customers and acquisition of new customers through improved customer care quality;

2. Efficient and partnership-based co-operation and dialogue with social and business partners;
3. Pursuing business in a responsible way while caring for the natural environment;
4. Creating a safe and friendly workplace;
5. Consistent, credible and efficient communication and marketing;
6. Seeking new business expansion opportunities in line with the principle of sustainable development.

An integral part of the Strategy is the implementation plan, which defines operational goals corresponding to each strategic objective. Next to defining operational goals and measures, the implementation plan also specifies measures which enable the Group to consistently gauge the implementation progress, as well as assigns owners to the individual operational goals, and sets the implementation schedule for the individual measures. An additional item of the plan is a list of stakeholders for the respective operational goals. Identification of stakeholder groups is meant to engage them in the implementation process.

The Sustainable Development and Responsible Business Strategy of the PGNiG Group is complementary to the Group's business strategy.

The strategy applies to PGNiG SA, the Group's parent undertaking, to all Polish and foreign branches of the Group, to PGNiG's wholly-owned subsidiaries, as well as to Gazprojekt and Naftomontaż in which PGNiG holds majority interests. In January 2010, based on the document, branches and subsidiaries of the PGNiG Group developed and adopted their substrategies, which are aligned with the key priorities of the master strategy, but also take into account the individual companies' specific business profiles and local conditions.

4.3 Management of the Sustainable Development Strategy at the PGNiG Group

Effective implementation of the adopted CSR strategy requires direct involvement of the management staff. Since its inception, the project has received a strong support at the Group level from the PGNiG Management Board. Both President and Vice-Presidents attended the project's working sessions and workshops, as well as meetings that closed out individual project stages. The final Sustainable Development Strategy charted not only the vision, but also priorities of our actions. Soon after its formal adoption, a dedicated structure was established to coordinate the related processes within the Group. Members of the Board, along with the President, perform the roles of Project Sponsors as part of the structure.

Another tier is the Steering Committee, composed of business owners of strategic objectives. The Management Board's Proxy for the Strategy is responsible for coordinating and monitoring the Sustainable Development and Responsible Business Strategy implementation at the PGNiG subsidiaries and branches, and for internal and external communication of actions on the sustainable development and responsible business agenda. The same role at the level of the Group's branches and subsidiaries is performed by Regional CSR Facilitators. The group consists of a few dozen persons, for whom sustainable development is the primary job responsibility. The Proxy is also responsible for monitoring progress with the implementation of strategic and operational goals, and for reporting to the Management Board of actions scheduled for a given period. The person also collects data from across the Group and prepares the Social Report in conjunction with the regional facilitators. Importantly, twenty-one facilitators started their postgraduate scheme in responsible business at the Kozminski University

in 2009. The strategic objectives were also incorporated into the evaluation of senior managerial staff by including them in the annual MBO targets, and thus were reflected in the objectives and targets set for individual employees and teams. All the above testifies to the strategic involvement and determination of the Group as it implements the Strategy.

An integral part of the Sustainable Development and Responsible Business Strategy is the implementation plan, which defines operational goals corresponding to the respective strategic objectives. Next to operational goals and measures, assignment of objective owners and establishment of the implementation schedule, the implementation plan also specifies measures to consistently gauge the progress of the implementation. Owners of the operational goals are also members of the management structure established to manage sustainable development and responsible business at the PGNiG Group. An additional item of the plan is a list of the entities' internal and external stakeholders, matched with the specific operational goals, which is to contribute to their involvement in our initiatives in the area.

The initial year of the Strategy's implementation demonstrated a need for further refinement of the tools in place at the Group, and therefore subsequent initiatives emerged, designed to improve the management and measurement of results, and evaluation of our actions. Together with our consultant in the process, PricewaterhouseCoopers, we embarked on a project to implement more efficient monitoring and improve communication, which represents a formidable task for a big organisation we are. 2010 also saw our joining the group of founding members of the LBG Poland (London Benchmarking Group), namely BZ WBK, Danone, GlaxoSmithKline, Ikea and Żywiec Zdrój. The LBG model is currently one of the world's best-tested methodologies for measurement and reporting of corporate social activities. Its implementation in Poland is managed by CSR Consulting, which invited us to test the methodology. Hopefully, our participation in the group's work will enhance the management process regarding our social involvement, thus improving the quality and efficiency of local and national corporate social activities of our business.

Clearly, another year of work under the Strategy will unveil new needs regarding the refinement of our tools, procedures and policies in the area. Aware of the need for improvement in this respect, we are all-the-more happy to have received awards resulting from our strategic involvement in the project already in the first year. For more details, see section 4.5.

4.4 Information about the Report

Responsible Energy is the second CSR report prepared by the PGNiG Group. The Report follows the Global Reporting Initiative guidelines and IPIECA indicators.

The publication presents our activities in the area of sustainable development and responsible business in the period from January 2009 to June 2010. The activities directly follow from the pursuit of objectives under the Sustainable Development and Responsible Business Strategy. Although the Strategy was adopted relatively recently (mid-2009), we are delighted to have attained some of its objectives already.

Two years ago, the PGNiG Group prepared the first external report on environmental protection, which, since last year, is included in the CSR Report. Data presented in the natural environment section are arranged into thematic groups, including specific types of environmental impacts on a specific environment factor. The scope of the discussion in the section covers all aspects of environmental protection, including legal, investment and economic aspects, environmental management systems, and launch of new technologies.

PGNiG's operational areas and activities are presented using data and/or descriptions of the practices, rules or procedures which are currently in place. All figures used in the Report are for 2009, but the section devoted to recent developments also covers the first half of 2010.

The presented financial data are consistent with the PGNiG Group's Annual Report for 2009 and, as such, were reviewed by the auditors. Notwithstanding, independent audits were also conducted at PGNiG subsidiaries, including environmental protection system audits.

Quantitative measures presented in the Report use data from PGNiG SA as well as from 23 gas companies operating across Poland, all domestic branches of PGNiG, and most of PGNiG's wholly-owned subsidiaries (except the recently established PGNiG Energia SA), as per sections 3.1 and 4.2 (also including two companies: Budownictwo Naftowe Naftomontaż sp. z o.o. and B.S i P.G Gazoprojekt SA). The Report does not contain data for some of Bud-Gaz' subsidiaries, Geovita and several foreign branches and subsidiaries.

The printed Introduction to the CSR Report 2009 contains only selected information on the PGNiG Group's operations relevant from the perspective of sustainable development and responsible business. The printed version includes a DVD, where you will find the full 2009 CSR Report and this year's Annual Report, as well as educational materials presenting our activities.

The full contents are also available on the websites www.odpowiedzialna-energia.pl and www.pgnig.pl (Responsible Business section). There you will also find a questionnaire designed to help us understand your expectations regarding reporting and corporate social activities of the PGNiG Group, which is also enclosed with this Report.

Opinions and suggestions of all readers of this publication count. Your comments will help us improve our activities and subsequent CSR reports of the PGNiG Group, so that they reflect our stakeholders' needs to the fullest extent possible. Please fill in the questionnaire and contact us at informacje@odpowiedzialna-energia.pl.

The Report has not been reviewed externally, although selected indicators come from the Annual Report and the Financial Report, which were audited externally. All data in the report were accurately collected directly from the entities described in this document, and from persons managing the respective areas of the PGNiG Group's operations.

4.5 Sustainable Development at the PGNiG Group – Key Events

2009

April

The PGNiG Group strategic workshop – development of the Sustainable Development and Responsible Business Strategy.

June

First PGNiG's Responsible Energy Conference devoted to sustainable development in the energy industry. The Sustainable Development Declaration is signed by seven companies: EDF Polska, ENEA SA, Gaz-System SA, GDF Suez Energia Polska, Polskie Górnictwo Naftowe i Gazownictwo SA, Tauron SA and Vatenfall Poland Sp. z o.o.

May/June

Mazowiecka Spółka Gazownictwa, jointly with Senior Secondary School Complex No. 3 of Łódź, embark on a project to establish a gas engineer education scheme for youth and adults starting from the school year 2009/2010.

July

Adoption by the PGNiG Management Board of the Sustainable Development and Responsible Business Strategy, which established priorities for actions at all stages of the PGNiG Group's value chain.

October/November

August

Adoption by the PGNiG Management Board of the implementation concept for the PGNiG Group Sustainable Development and Responsible Business Strategy, appointment of the Proxy for the Strategy and Regional CSR Facilitators.

Internal communication about the Sustainable Development and Responsible Business Strategy at the Group.

Regional meetings attended by about a thousand employees of the Group from all gas companies, branches and subsidiaries.

2010

December

Signing of a Letter of Intent between PGNiG and Konfederacja Pracodawców Polskich (Polish Employers' Confederation, currently Pracodawcy RP) on cooperation regarding development of the "Coalition for Responsible Business" project, co-funded by the EU. The purpose of the project is to disseminate CSR principles among Polish businesses.

November

The Responsible Energy Report receives a recognition in the Responsible Business Forum's competition.

PGNiG included in the Respect Index of the Warsaw Stock Exchange, the first index listing socially responsible companies in Central and Eastern Europe.

Strategic workshop at PGNiG branches and subsidiaries.

Launch of the new PGNiG web portal. The portal is accessible for the disabled. One of the innovations is a text-to-speech facility embedded in the service. The feature enables the users to have the contents of the portal read out by the computer, or to manually adjust the font size.

October

Signing of the Declaration on joint initiatives on sustainable development and responsible business between Wielkopolska Spółka Gazownictwa and Enea Operator.

Special award for communication with investors from the Warsaw Stock Exchange, presented at "The Best Annual Report" competition's award ceremony.

Publication of the first PGNiG Group's CSR Report, entitled Responsible Energy, prepared in accordance with the GRI guidelines, and discussing operations of the PGNiG Group (Head Office, branches, including 23 gas companies, other subsidiaries).

January

Declaration on the establishment of the Helium Cryogenics Centre at PGNiG's Odolanów Branch. The Centre is a joint project developed together with the Warsaw University of Technology, the Wrocław University of Technology, and the Department of Molecular Physics of the Polish Academy of Sciences. The purpose is to establish an institute with a research and business agenda, to be a benchmark example of collaboration between industry and science.

2010

February

Strategic workshop on socially vulnerable customers attended by experts from the Energy Regulatory Office and the Ministry of Labour

April

The Laurel of Responsibility goes to PGNiG SA under the "Promotion of Corporate Social Responsibility Standards Among Businesses" project, developed by Lewiatan, Deloitte and the Solidarność Trade Union.

Top position in the Polish Companies listing, top position in the Fuels and Energy Sector listing of the Responsible Companies Ranking 2010 by *Dziennik Gazeta Prawna*.

Agreement on co-operation in the area of ethics promotion in business between Pomorska Spółka Gazownictwa and the Gdańsk University of Technology.

June

2nd Responsible Energy Conference – three more companies: Fortum Power and Heat Polska, LOTOS Group and Polskie Sieci Elektroenergetyczne Operator, sign the Declaration on Sustainable Development in the Energy Sector in Poland.

Completion by 21 Regional CSR Facilitators of the post-graduate programme in responsible business at the Kozminski University.

May

Top position in the 24/7 Transparent CSR Leader ranking by Braun & Partners CSR. The ranking lists 25 companies with the highest 2008 profit.

May/June

"Marketing in the gas industry" conference. This year's edition is themed "In compliance with the sustainable development principles". PGNiG's representatives share their lessons from the development of the Sustainable Development and Responsible Business Strategy at the Group.

PGNiG joins the group of founding members of the LBG (London Benchmarking Group) Poland: BZ WBK, Danone, GlaxoSmithKline, Ikea and Żywiec Zdrój. The LBG Model is currently one of the world's best-tested methodologies for measuring and reporting the efficiency of corporate social activities. The methodology's implementation in Poland is managed by CSR Consulting.

The Workplace area has one strategic objective assigned in the Group's Sustainable Development and Responsible Business Strategy, namely to create a safe and friendly workplace. Ten objectives and 26 measures are implemented under the strategic objective. Implementation of the tasks and activities stipulated by the objectives needs continue in the subsequent years. This section presents information on all we have managed to achieve in the area thus far.

Workplace

Friendly and safe



Iwona Matusiak
Head of Integrated Management
Systems Department at Geofizyka
Toruń.

Geofizyka Toruń executes contracts for the most demanding investors worldwide. This is not only thanks to our excellent experts and state-of-the-art technology, but also best-in-class occupational safety standards. Our employees are provided with comprehensive training and equipped with Personal Safety Passports, which are internationally recognised professional competence IDs.

5.1 Challenges and Opportunities

Most entities making up the Group have a long history, often reaching back a few decades, or even one hundred years back, and thus contribute to the Group their own organisational cultures, as well as workplace regulations, procedures and policies. Each company treats its staff in a prioritised manner, making every effort to ensure their development and safety. The variety of entities forming the Group is an enormous value. Nevertheless, the topic of fuller harnessing at the Group level of the respective experience and best practices among the Group's members has been tackled for a number of years, similarly to such challenges as building uniform procedures and policies, but also shared standards and values that would unite the employees of the PGNiG Group and provide a common foundation for our operations.

This is reflected in the objectives and measures stipulated in the Sustainable Development and Responsible Business Strategy.

The focus on the objectives adopted in the Sustainable Development and Responsible Business Strategy in the employee area enhances the exchange of experience among HR teams at the Group level, ensures focused development of human resources, and warrants the establishment of a uniform and consistent platform for developing the Group-wide HR policies. Our enormous opportunity resides in the potential

5.2 Culture of Dialogue

Internal Communication

Smooth internal communication at an organisation whose size, reach and characteristics match those of the PGNiG Group is a formidable challenge.

We employ a few dozen thousand employees in a number of branches and tens of subsidiaries, both in Poland and abroad, who work behind the desk, but also at well installations, underground gas storage facilities, or as operators or repairers of the gas network. Consistent and rapid communication represents one of our employees' crucial rights, but also forms the basis for successful business operation of our subsidiaries. Therefore, we consistently develop communication tools and channels at the PGNiG Group. The key ones include:

Communicators – persons whose responsibilities include coordination of internal communications at their respective units (branches, gas distribution companies, subsidiaries), as well as cooperation in that area with other units/entities of the Group, including the Head Office. Several dozen staff of the PGNiG Group remain in ongoing telephone and email contact with their counterparts and take part, at least twice a year, in Group-wide communication and marketing meetings.

Newsletter Portal – an electronic portal, where we publish essential information for the Group's employees; the portal can be accessed from all IT systems used across the Group.

Electronic Newsletter – sent daily from the PGNiG Head Office to PGNiG's employees and communicators, who distribute it among the employees.

MaGAZyn – a monthly of the PGNiG Group's employees, with a circulation of 5 thousand copies; other periodicals (quarterlies, bi-monthlies and monthlies, both hard copy and electronic) are also published by the Group's subsidiaries and branches, discussing matters of importance for the respective organisations.

Electronic chat – with the President of the PGNiG Management Board is organised at least twice a year by the PGNiG Head Office; all employees of the Group may participate in the meeting.

Business presentations and meetings – organised as necessary by the respective divisions and departments of the PGNiG Head Office, and the Group's subsidiaries and branches.

These are the primary tools and channels of communication at the PGNiG Group. Importantly,

to develop joint initiatives for employees, and in the consistent building of a joint HR strategy. The key challenges in the area include the evaluation of the current HR initiatives in the context of the Sustainable Development Strategy's objectives, sustained care for the development of employees, establishment of a shared communication system, and development of the PGNiG Group Code of Staff Values. If we manage to avert the risk of prioritising other, seemingly more important topics, and maintain a uniform level of interest in the implementation of the strategy, we should be able to attain our overriding long-term objective. We agreed that this objective in the Workplace area is building an organisation which learns and develops in line with the principles of sustainable development, brings satisfaction to people it employs, and meets the market expectations.

Implementation of the CSR Strategy spurred the launch of various initiatives and concepts at the Group level, also those touching upon the workplace dimension. This Report presents the most interesting of those projects. With a view to improving our activities in the area, we also embark on initiatives under the PGNiG Value Building Programme, in place at the PGNiG Group since early 2010. This project is in particular seeking to align the incentive systems and implement the employee evaluation model under the new man-

agement model for the PGNiG Group. Until mid-2010, conceptual principles were developed for the employee evaluation system and process, and for the incentive system. A detailed analysis of the current organisational culture at PGNiG SA has also been completed. Currently, work is in progress on the concept of the final employee evaluation and incentive system and process.

Marta Cydejko, Director for Human Resources and Training Office at PGNiG SA:

Instrumental in the implementation of the CSR Strategy in the Workplace dimension are periodic meetings of HR staff. The topics covered at such meetings include key issues related to human resources development, as well as working out solutions on staff development. The meetings represent an excellent opportunity to share our knowledge and experience. At the initial stage, the meetings are attended by representatives of PGNiG branches. Subsequently, we plan to expand the group of attendees to include representatives of PGNiG's subsidiaries. Of paramount importance in the implementation of the CSR Strategy is focusing on staff development. The projects we are currently developing focus on this specific aspect. However, activities to increase the level of occupational safety and hygiene are equally important. The annual HSE services conference is a vital forum for exchange of experiences and review the level of safety at the PGNiG Group's subsidiaries.

however, because many of our subsidiaries and branches operate quality management systems, they may use other internal communication tools, which are not yet used Group-wide.

Certain projects which cover the entire Group are communicated at direct meetings organised across Poland. This was the case with the implementation of the Sustainable Development and Responsible Business Strategy. Next to using standard tools, such as internal publications, members of the PGNiG Management Board and managers who own the respective pillars of the Strategy attended a road show, comprising a series of meetings with employees of the branches and subsidiaries across Poland, also attended by over a thousand employees of the Group. For more details on communication within the project, see *Best Practices*.

Dialogue with Employees

Social dialogue in the energy industry has a well-established tradition. It is no different at the PGNiG Group, where over 120 trade union organisations operate. One member of the PGNiG Management Board is elected for a three-year term by employees of the Company, and the Supervisory Board includes three members who are representatives of the employees. Each subsidiary has an officer for employee affairs and cooperation with trade unions. The subsidiaries consult every material decision with employee organisations. This framework of cooperation is of seminal importance for us, yet it does protract decision-making processes concerning a number of issues, including employee affairs. The problem came to the attention of trade unions at PGNiG and the Group. In 2008 and 2009, attempts were made to establish a single method of cooperation among all the trade unions to enable coordination of the trade unions' activities towards employers in the gas and oil industry. The initiative was not entirely successful at that stage, but the process continues.

Employee information and consultations regarding important decisions are also present within the framework of cooperation with trade unions and employee councils, operating at PGNiG SA and many of the subsidiaries.

If the consultation procedure with trade unions is conducted, e.g. in the case of the Memorandum of Understanding with the National Trade Unions (which also represent trade unions within the Group), the process provides for a 30-day period for responding to a motion in writing, 30 days for exchanging documents if the negotiation-and-approval procedure is applicable, and 14 days if an opinion is to be issued. The duration of the process under the Memorandum of Understanding with the PGNiG Trade Union is 30, 30 and 10 days, respectively. The employer is required to provide the Employee Council with the information requested by the Council within 14 days. The Council issues opinions within 14 days of receiving the information from the employer. Also, as provided for the relevant laws, the employer is required to submit the information within deadlines and scope enabling the Council to familiarise itself with the facts of a specific case and prepare for the consultation process.

Since January 2009, a new discussion platform has operated at the Group, namely a special annual PGNiG Group Social Dialogue Conference, attended by the PGNiG Management Board and key directors, with a total of 150-200 persons participating in the event, also including representatives of social partners from across the Group. For more details, see *Best Practices*.

Andrzej Wyrzykowski, Social Dialogue Office Director at PGNiG SA:

The analysis of trade union organisations at the PGNiG Group must take into account a broader social context in which the unions operate. All trade unions belong to the various nationwide labour union organisations, which may, in particular cases, naturally transpose certain divergent opinions on important social and political matters onto the native ground of PGNiG, depending on the position of the respective nationwide trade unions on the matter. The variety of professions at the PGNiG Group also means that interests of the respective labour groups and, consequently, trade union organisations, may be divergent, similarly to their expectations as to the applicable solutions. Not without significance are also the trade union leaders' aspirations and the need for the social acceptance, notably from their constituencies. Polish laws and regulations governing the rights of the trade unions as well as the revised provisions of the Memoranda of Understanding between the trade unions and subsequent Management Boards of PGNiG SA may also sometimes thwart the problem-solving process. The provisions were being drafted in specific social and labour contexts as a response to problems which were

often of transitory nature. However, once signed, they continue to be binding on all the signatories, protracting the decision-making process where speedy solutions for pressing issues are necessary. In such a complex organisational and legal environment, one of the primary responsibilities of those in charge of the social dialogue at PGNiG is searching for and proposing such solutions as may result in a healthy compromise that reinforces the social foundations of PGNiG's business.

Collective Bargaining Agreement

Efforts of the trade unions and the employer led to the registration of the Collective Bargaining Agreement for Employees of Polskie Górnictwo Naftowe i Gazownictwo on July 15th 2009. It was the crowning of the parties' work on a document which would elaborate on employee rights and privileges stipulated in the relevant national laws and regulations.

The Collective Bargaining Agreement also follows up on the laws and regulations by taking into account the nature of our organisation, in many cases exceeding the requirements set by the laws. For more details on the specific solutions adopted in the Collective Bargaining Agreement see *Extra Benefits Package* section. To note, most of the solutions described in the Social Report come from the Group's parent undertaking, and other entities of the Group may apply different and often divergent rules in this respect.

5.3 Occupational Health and Safety

The nature of our operations requires not only professional training and development of professional qualifications, but also paying the utmost attention to occupational health and safety. This is of particular importance for employees working out in the field, at oil well installations. By analysing data on the number and causes of accidents, we are able to refine our tools used to prevent occupational accidents. In effect, their number has been consistently falling. Our branches and subsidiaries improve their occupational safety systems and continue to launch new initiatives in this area.

Total number of accidents

	2007	2008	2009
PGNiG SA	27	21	26
Subsidiaries	201	192	189
PGNiG Group	228	213	215

Frequency of accidents per 1,000 employees

	2007	2008	2009
PGNiG SA	3.2	2.4	2.9
Subsidiaries	9.8	9.2	9.1
PGNiG Group	8.0	7.2	7.3

In 2009, 215 accidents occurred across the Group (each involving one or more persons), in which injuries were sustained by 220 employees. The frequency of accidents per 1000 employees was 7.3 in 2009.

The root causes of the accidents include inappropriate behaviour of employees. 2009 saw one fatal accident, in which an employee of Poszukiwania Nafty i Gaz Nafta sp. z o.o. lost his life. The accident took place at the Markowola-1 oil-well installation. Its direct cause was the employee's being hit by a metal end of the drilling fluid-pumping hose. This caused the employee to fall off and suffer serious occipital injuries. The death resulted from multiple internal injuries (cardiac rupture, skull and brain lesions).

Having analysed all circumstances of the fatal accident, we took the following steps:

- The method for pumping the drilling fluid during the casing procedure was modified to limit the involvement of pressure vessel operators.
- The casing and cementing procedure was revised to include provisions on safe pumping during the casing procedure.
- Fitting anti-slip mats on floor surfaces at oil rigs and around the rotary table.

Last year, the Group's total of days on which employees were unable to work as result of accidents was 12,755, that is 1,484 days more than in 2008. The accident severity index, however, that is the number of sick leave days resulting from accident per accidents, was 59 days.

We also monitor our employees' occupational diseases. In 2009, the State Sanitary Inspectorate did not issue any decisions which would pertain to occupational diseases being identified in PGNiG Group's employees.

Occupational safety is also very high on the agenda of our foreign branches and subsidiaries. In bidding for foreign tenders, they must demonstrate proper operation of HSE systems to the strictest world standards. This enables them to provide services to international oil majors, such as Shell or Statoil, who expect top-level safety from their business partners. For interesting examples of our subsidiaries' activities in this area, see Best Practices and Best Practices Abroad.

Our routine HSE activities focus on providing our employees with appropriate protective clothing,

upgrading process plant and equipment, or renovating and overhauling premises. An established practice at PGNiG is also to elect employees to formal occupational health and safety committees, which actively participate in HSE inspections and put forward their HSE-related proposals. Many new initiatives are also proposed by our employees, who are also regularly trained on HSE at workplace at all levels of the PGNiG Group. This year, for the first time ever, all employees of the PGNiG Head Office attended an e-learning multi-module HSE training.

Every employee received an e-mail with a password to access the training, and then took a test on topics covered in the training. The e-learning model enabled our employees to attend the training at any time, without the need to leave their workplace.

Finally, it is worth noting that, among the many other non-salary benefits in place at PGNiG, employees are also entitled to a two-week rehabilitation leave to improve their general health. The employee's share in the total cost of the holiday is a mere 1% of the total cost.

5.4 Recruitment and Professional Development

The recruitment process is governed by internal corporate regulations. At PGNiG SA, there are no separate procedures in place to specify the rules of employing workforce from the local market. For information on how our subsidiaries with foreign operations deal with the issue, see *Best Practices Abroad*.

High on our agenda is internal recruitment. The process is vital for our employees who are keen to develop within the Group, as well as for the subsidiaries themselves, because this helps them retain competent staff. Under the current procedures, employees who change jobs within the company are still entitled to their length-of-service benefits.

Clearly, this does not mean that we do not hire employees from the labour market. Every year, we participate in traineeship programmes, e.g. we offer traineeships to winners of the "Grasz o staż" initiative for students and fresh graduates, who have later the opportunity to stay with PGNiG. Our new employees are also recruited from among graduates of vocational schools and universities of technology, with which our subsidiaries cooperate on a regular basis, e.g. by offering scholarships to top-performing students.

Importantly, over three-fourths of our subsidiaries and branches declare they discuss reasons for leaving with the departing employees.

Our subsidiaries' and branches' efforts also focused on initiatives aimed at supporting vocational education in Poland, including revival of professions and skills needed in our industry. Through PGNiG's Ignacy Łukasiewicz Foundation, PGNiG sponsors scholarships for technology degree scheme students.

For more details, see *Best Practices*.

Training

The PGNiG Group employs over 30 thousand people – from surveyors, oil-well operators and seismologists to economists, negotiators, customer consultants and sellers. The variety of our staff translates into the diversity of our training offering.

The Group's employees can learn foreign languages, also in individual tutoring schemes, complete post-graduate education, attend domestic trade conferences or other events, participate in traineeships, as well as explore e-learning self-education opportunities. They can also be sent for paid traineeship positions at our offices in Moscow or Brussels. This offers them an opportunity to familiarise themselves with the everyday work of those entities, while improving their language skills. In 2009, the average of nearly 60 training hours was used by each managerial staff member, with 35 training hours on average spent per employee.

Headcount by segments

Headcount	2009	2008	2007
PGNiG Head Office	833	837 ¹	604
Exploration and Production	10,800	10,725	10,151
Trade and Storage, including:	4,128	4,088	3,810
companies consolidated with the equity method	292	295	
Distribution	13,851	13,746	13,538
Other	2,073	2,044	1,928
Total	31,685	31,440	30,031

¹ This significant rise in headcount resulted from the restructuring carried in 2008, involving the unbundling of Trade and Distribution, as a result of which the Head Office took over the sales force.

Average number of training hours per employee	Average	Average training cost per employee	Average
Directors/managers, including office directors, proxies, managers	57.76	Directors/managers, including office directors, proxies, managers	2,494.86
Experts	46.12	Experts	1,187.20
Blue-collar positions	11.78	Blue-collar position	367.59
Non-blue collar, including administration staff	27.32	Non-blue collar, including administration staff	898.64
Total	35.75	Total	1,237.07

Depending on their scope of responsibilities, employees may also attend training on contemporary business management and operation. The specific training topics under this umbrella package include: project management, legal environment analysis, business risk management, customer service techniques, or internal communication and team work. A portion of the training cost is reimbursed by the European Social Fund.

Owing to the nature and specialist profile of the PGNiG subsidiaries, some training schemes are tailor-made. This applies in particular to training for the employees of Geofizyka Kraków, Geofizyka Toruń, PNiG Nafta Piła or Poszukiwania Nafty i Gazu Kraków, who, under contracts executed by their companies, go to Kazakhstan, Pakistan, Libya, Uganda or Ukraine and spend 6 to 8 weeks

there. The subsidiaries carry out regular training programmes for such employees on cultural differences, as this will help them develop good relations in the new environment, but also avoid risky behaviours. Human rights procedures and policies training is also provided at the PGNiG Group.

Typically, HSE Officers are continuously present at foreign contract sites, and they are responsible for ensuring strict adherence to all procedures related to health, safety and natural environment. For more details, see *Best Practices Abroad*.

An important training project launched in 2009 in connection with the Group-wide implementation of the Sustainable Development and Responsible Business Strategy was enrolment of 21 employees in a Poland's first post-graduate CSR programme, Responsible Business, at the Kozminski University. The group completed the programme in June 2010. As a result, the Group probably employs the largest number of CSR experts in Poland. For more details, see *Best Practices*.

during the 2010 flooding. They received assistance from the Social Fund which, following separate decisions of the PGNiG Management Board, was significantly increased.

PGNiG SA also cares about more distant future of our employees by covering them with the Retirement Plan and paying the base premium, totalling 7% of the employee's salary.

A benefit favoured by many of our employees is extra days off work. One of them falls on December 4th, that is Saint Barbara's Day, the patron saint of miners. The other day off falls on a birthday or name-day of an employee and can be taken at any time convenient to the employee. The third day off is offered to employees whose length-of-service at PGNiG SA is at least 15 years.

The benefits mentioned above as well as other benefits and the employer's obligations towards employees are provided for in the Company's Collective Bargaining Agreement, which was adopted after many months of negotiations with the trade unions. The Agreement came into force in July 2009. It contains such obligations as a guarantee of employment for the deceased employee's family member if the employee died or suffered injuries resulting in a permanent inability to work as a result of an accident at work or on his/her way /from work, higher retirement severance payments, calculated as length-of-service awards, or extension of the occasional leave period by one day, as well as many other provisions which reward those with a long track record at the company PGNiG.

A special benefit is the entitlement to obtain PGNiG shares free of charge. The benefit does not cover all employees as the so-called entitlement to shares was established under the law during the corporatisation (transformation into a joint-stock company) process of the state-owned enterprise, which took place in 1996. Persons employed after the transition are not entitled to the benefit.

5.5 Extra Benefits Package

Next to standard compensation paid to employees in the form of a salary, they are also entitled to a number of additional benefits. These include gift vouchers, medical cover, partial reimbursement of tickets for commuters, as well as opportunities to participate in many national and international sports events.

Non-financial benefits are high on the agenda of most of the Group's subsidiaries and branches. Over 70% of them declare that these benefits are "important" or "very important", and grades given to the package of extra benefits are also high (4s and 5s in the self-assessment account for about 65% of the responses).

Currently, all non-salary benefits are available at 73% of the Group's subsidiaries and branches. Importantly, although PGNiG SA already ranks high among Polish employers when it comes to non-salary benefits, new options and extensions are continuously being added to our offering. This Report presents employee benefits in place at PGNiG SA. However, the packages may vary substantially across the Group.

A unique example of our care for employees was the establishment of a separate financial assistance scheme within the PGNiG Group, to benefit those employees who suffered most severe losses

Nevertheless, a few dozen thousand employees of PGNiG SA and the Group's subsidiaries/branches, as well as entitled retirees, did acquire PGNiG shares free of charge. The number of shares assigned to individual employees varied based on their length-of-service at the company. Holding shares in PGNiG SA clearly forms a stronger bond between the company and its personnel.

Finally, the Group also cares about employees who have already retired. They are entitled to the following benefits offered by the Group:

- holiday subsidies;
- financial and in-kind assistance for persons experiencing financial hardships or health problems;
- housing assistance;
- co-funding of sports, recreation, cultural and educational activities;
- the eldest and those suffering from the most severe diseases also receive Christmas gift baskets.

In an attempt to address the needs of our employees, retirees and disability pensioners, the staff of the Social Welfare Office organises annual meetings of the PGNiG Management Board with retirees and disability pensioners of the Head Office, which represents an opportunity to brief them on our current operations and social welfare activities targeted at this group of former employees. With our retirees and disability pensioners in mind, we also organise trips as well as rehabilitation holidays.

Every year, on Saint Barbara's Day, that is the industry's holiday, we organise official celebration events as well as get-togethers for all employees. Additionally, it has become the company's tradition to organise an educational family picnics. In Warsaw alone, the 2010 picnic was attended by over 1,500 people.

5.6 Plans for the Future

Pursuant to the Sustainable Development and Responsible Business Strategy adopted by the Group, our activities in the Workplace dimension will focus on reinforcing the foundations of our shared corporate culture, and on developing uniform procedures, policies and ongoing cooperation of HR services within the PGNiG Group so as to implement consistent HR actions, create common HR tools, and, in a longer run, establish a Group-wide HR strategy.

By the end of 2010, we plan to conduct the first employee satisfaction survey at PGNiG SA, which is to cover all employees at the Head Office, as well as our Polish and foreign branches. Subsequently, we want to develop uniform guidelines for regular employee satisfaction surveys at all subsidiaries and branches to ensure comparability of the data (certain subsidiaries and branches already conduct such surveys as part of their own projects). We also look to work out shared research and analytical tools so that the survey can become a standard tool applied across the Group.

At the same time, we will continue our joint efforts to develop the PGNiG Group Code of Staff Values and appoint the PGNiG Group Ethics Officer. Currently, many of our subsidiaries and branches use their own codes of ethics and employ ethics officers, but this happens on a local scale only.

We will also strive to build the image of the Group as the "employer of choice", by developing shared regional initiatives and joint measures targeted at key stakeholders (such as universities which offer degree schemes corresponding to our industry's needs).

We wish to work together to develop managerial competences by identifying the relevant training needs and options for the development of joint projects in the area.

We plan to continue with sustainable development and responsible business training programmes and presentations both for CSR facilitators, our managers, and employees of the PGNiG Group both in Poland and abroad.

We will improve the standards of communication within the Group by working on shared rules and practices of communication.

5.7 Best Practices

Head Office, branches and subsidiaries:
How implementation of the Sustainable Development and Responsible Business Strategy has been communicated within the Group

Following the approval of the Strategy by the Management Board, the process of a broad internal communication of the Strategy at the PGNiG Group commenced. Attended by members of the Management Board and persons in charge of the key business areas at PGNiG and pillars of the CSR strategy, who previously participated in the development of the strategy, several meetings were held in various Polish cities (at Multikino multiplex cinemas). The meetings were attended by about 1,000 employees. Following the initial stage, individual strategies were worked out at dedicated workshops by employees, assisted by consultants. The purpose was for the individual strategies to match the local needs and capabilities while remaining consistent with the master strategy.

Head Office, branches and subsidiaries: Post-Graduate scheme in Responsible Business at the Kozminski University

Following the decision of the PGNiG Management Board, management boards of our subsidiaries and branch managers, 21 employees of the Group were nominated for enrolment in a post-graduate CSR programme: Responsible Business Strategy, organised by the Kozminski University.

During two semesters, our employees attended practical classes devoted to CSR strategy planning, development and communication, conducted by experts from PricewaterhouseCoopers. They could also familiarise themselves with a broader CSR context and to gain knowledge of environmental management systems, social innovations, marketing, or ethics. Importantly, the classes were conducted by academic lecturers and practitioners, and the programme coordinator was Boleslaw Rok, PhD, from the Business Ethics Centre of the Kozminski University, an eminent practitioner of the Polish CSR, who proposed and organised the ranking of Polish socially responsible corporations compiled by *Dziennik Gazeta Prawna*.

All our employees graduated from Poland's first post-graduate scheme in CSR programme in June 2010, and, as a result, the PGNiG Group currently employs probably the greatest number of CSR experts in Poland.

This is how they evaluate the time spent to broaden their CSR horizons.

CSR: Responsible Business Strategy is an investment in personal and professional development. It is a different line of actions and thinking, focusing on dialogue and other people. The scheme is worth recommending to managers, but also to all those to whom responsible business ideas are important.

Agnieszka Sioła, CSR Facilitator at PNiG Kraków

The scheme offers sustainable development expertise, but also touches upon a number of aspects regarding the management of other elements of the corporate value chain, such as environmental protection or human resources management. Graduates of the scheme are allowed a broader insight into the business and competence, and get to know how to translate the principles of sustainable development into everyday activities.

Katarzyna Mróz, Coordinator for Sustainable Development and Responsible Business Strategy Implementation at the PGNiG Group, Head Office

Participation in the scheme allowed me to adopt a broader perspective when looking at CSR. I also met a lot of interesting people, both lecturers and students. I think that the CSR Responsible Business Strategy scheme is a guide of sorts to CSR. I recommend it to everyone who wants to become an expert in the field.

Marta Malinowska,
CSR Facilitator, Gazownia Olsztyńska

Head Office, branches and subsidiaries

Many of the PGNiG subsidiaries and branches have their own codes of ethics and values in place, however one of the Strategy's objectives remains to implement a uniform Code of Values across the Group.

The initial work to develop the Code commenced in H2 2007 and H1 2008. A series of training sessions was conducted at the time for mid-level and senior managers of the PGNiG Group to help them understand the employee motivation mechanisms, and to define key values for the Group employees. The effort continued during the workshop on the Sustainable Development and Responsible Business Strategy, held in April 2009. At the same time, on April 7th 2009, the PGNiG Management Board approved the document entitled "Good Practices for the Managers of the PGNiG Group", which is an element of a coherent system, at the core of which will be the Code of Values for the PGNiG Group employees. The work on the document continued in 2010, also as part of the consultation process with CSR facilitators. The document is scheduled for implementation by the end of 2010.

PGNiG SA Ignacy Łukasiewicz Foundation: Scholarship Programme

Aware of the weakening interest of young people in technical sciences, and in an attempt to motivate them to work hard and broaden their knowledge, the Board of the Foundation decided to establish a scholarship fund for top-performing students enrolled in degree schemes related to the oil and gas industry.

The rules of the programme provide that the scholarship may be granted to students who jointly meet at least two of the following three conditions:

- their total average grade obtained for courses completed in the previous academic year is 4.5 or higher (5 being the top grade and 1 the lowest grade);
- demonstrate academic achievements from the previous academic year at the international, national or provincial level;
- are keen to share their knowledge with other people, e.g. as participants in student volunteering programmes, non-mandatory student traineeships, or act as volunteers on their own account.

The scholarships have already been awarded twice, for the academic years 2009/2010 and 2010/2011. For each academic year, ten students received PLN 5,000 in scholarship money. The programme raised considerable interest and will be continued in the coming years.

PGNiG Head Office: Social Dialogue Conference

It is a unique discussion forum concept, designed to broaden social dialogue at the PGNiG Group and improve communication with the thousands of the Group employees.

Regular meetings attended by the PGNiG Management Board and key department directors of the Head Office on the one hand, and by representatives of the key trade unions in the oil and gas industry, as well as the PGNiG Employee Council on the other, bring together a regrettably low number of the social partners' representatives, as only a relatively stable group of 30–35 persons attends the meetings. The number is disappointing if we consider that the PGNiG Group consists of a few dozen subsidiaries and branches, each with separate trade union organisations. Oftentimes, these trade unions are not members of the mainstream oil and gas industry trade unions. Hence the concept of holding a meeting attended by 150–200 persons acting as representatives of the social partners. The first such meeting demonstrated that the reasoning behind it was well-founded, which paved the way for the 2nd PGNiG Group Social Dialogue Conference, held in January 2010.

The event was attended by nearly 200 representatives of trade union organisations operating within PGNiG SA and the PGNiG Group, as well as the PGNiG Employee Council. The list of the conference's invited guests included Professor Jerzy Hausner, Rafał Baniak, Undersecretary of State at the Ministry of Economy, chairpersons of national trade unions represented in the Trilateral Commission: Jan Guz of OPZZ trade union, Janusz Śniadek of NSZZ Solidarność, Tadeusz Chwałka, Deputy Chairman of Forum ZZ, and Andrzej Konecki, member of the National Committee of NSZZ Solidarność. The PGNiG Management and Supervisory Boards were represented by Michał Szubski, President of the Management Board, and Vice-Presidents: Radosław Dudziński, Sławomir Hinc, Mirosław Szałuba, as well as members of the Supervisory Board: Agnieszka Chmielarz and Mieczysław Kawecki.



Jan Sęp
Head of Section for Contacts with the Environment at Zakład Robót Górniczych Krosno sp. z o.o.

Zakład Robót Górniczych Krosno is a modern company providing shaft mining maintenance services. The tradition we cherish, dating back to the early days of the world oil industry, born in Bóbrka near Krosno, is more than just the quality of our services, but is also about ensuring a safe and friendly workplace. We remember that Ignacy Łukasiewicz was not only an entrepreneur and innovator, but also a person for whom staff and social matters were high on the agenda.

natural gas market transition", presented by Tomasz Karaś, Strategy Department Director at the PGNiG Head Office.

Other presentations also discussed trade unions at PGNiG SA and at the Group (by Joanna Sztajer), and presence of the Polish trade unions in the EU institutions (Piotr Ostrowski from OPZZ's Committee for International Affairs). To note, there are over 120 local labour organisations at PGNiG SA and its subsidiaries, the vast majority of which belong to one of the three main trade union streams: OZZGniG, NSZZ Solidarność and PZZ Kadra. Referring to the 10th anniversary of the PGNiG Trade Union Coordination Committee, Dariusz Matuszewski, Chairman of OZZGniG, Bolesław Potyrała, Chairman of the national section of GniG NSZZ Solidarność, and Józef Ryl, Chairman of GniG section of PZZ Kadra presented the history and main achievements of this trade union communication platform, which is of vital importance for the social dialogue at PGNiG SA.

An important addition to the forms of social dialogue at PGNiG SA is the Employee Council, whose first term of office expired in June 2010. Its chairman, Tomasz Ziembicki, familiarised the conference attendees not only with the Council's activities, but also presented it against a broader context of the Council's formal framework and similar solutions applied in other European countries.

"Enterprise/company trade unions in times of transition towards the free market" was the theme of the 2010 conference, moderated by Mirosław Szałuba, Vice-President of the PGNiG Management Board, who is also behind the idea of the conference itself. After the speech by President Szubski and a paper delivered by Rafał Baniak, a panel discussion followed, moderated by Sławomir Matczak of the Polish public TV (TVP). Among those who took the floor in the heated debate were Chairman of NSZZ Solidarność Janusz Śniadek, Chairman of OPZZ Jan Guz, and Professor Jerzy Hausner.

Sławomir Hinc, Vice-President of the PGNiG Management Board discussed the company's prospects, but also potential threats resulting from the imminent opening of the gas market in Poland. The audience welcomed details of projects designed to prepare the company for new market challenges by developing the "PGNiG Group Value Building Programme in the context of the Polish

Mazowiecka Spółka Gazownictwa

Revival of the gas engineer profession is an initiative pursued in cooperation with the Senior Secondary School Complex No. 3 of Łódź. The project addresses labour market needs, and the expectations of the gas industry, which suffers from a serious shortage of mid-level technical staff.

As part of the project, in May and June 2009, Mazowiecka Spółka Gazownictwa, together with the Senior Secondary School Complex No. 3 of Łódź, put forward a proposal to conduct a pilot educational project starting from the school year 2009/2010, involving the launch of the gas engineer scheme for youth and adults. The pilot project was to gauge whether the scheme would prove popular with the target population, and whether it would equip its graduates with knowledge matching to the requirements of the contemporary labour market.

The results of the pilot scheme, approved by the Ministry of Economy and the Ministry of National Education, are to decide on whether it is justified to extend the list of professions by adding the gas engineer. The scheme raised so much interest among students of the participating school and other schoolgoers that, already in September last year, Mazowiecka Spółka Gazownictwa filed an application with the Ministry of Economy to enter the gas engineer profession on the list of professions taught in the vocational education system. The application was endorsed by the Chamber of the Natural Gas Industry, and by the Research Association of Oil and Gas Industry Engineers and Technicians (Stowarzyszenie Naukowo-Techniczne Inżynierów i Techników Przemysłu Naftowego i Gazowniczego). The Ministry of Economy welcomed the concept and filed the relevant application with the Ministry of National Education. The latter, in turn, proceeded to amending the regulation on the classification of professions taught in the vocational education system by adding the gas engineer profession. The gas engineer qualifications can therefore be acquired not only by youth, but also by adults who already work for gas companies, if they are enrolled in a 3-year vocational senior secondary school weekend scheme or a 2-year post-secondary non-degree course. Both schemes were launched in the school year 2009/2010. In order for the new profession to be recognised, not only is it necessary to enter it in the list of professions taught within the vocational education system, maintained by the Ministry of National Education, but also to have it included in the classification of professions and specialisations maintained by the Minister of Labour and Social Policy for the labour-market purposes. Both lists

should be consistent, since the former contains professions which can be taught, and the latter names professions which can be legally practised.

PGNiG Zielona Góra Branch, PN Diament

Conclusion of the agreement on curriculum organisation and education of future drilling rig and shaft mining technicians between the Zielona Góra Branch, Poszukiwania Naftowe Diament and the Senior Secondary School Complex of Grodzisk Wielkopolski. The project ensures a continued development of exploration and production operations in the area by educating mid-level technical staff, preventing the risk of unemployment and decline of the industry in the region.

Execution of the agreement was guided by a noble cause of educating future mid-level staff, and ensuring a safe and friendly workplace for them. The launch of the initiative also supports closer cooperation with local and school authorities, as well as with the schoolgoers themselves.

PGNiG's involvement stipulates supporting the youth in the education process, providing lecturers, learning aids and technical materials. The projected effect of these activities is a continuous dialogue with the communities which support the initiative, and which can identify subsequent areas to be covered by similar schemes.

PNiG Kraków – cooperation with universities of technology, traineeship project, support of new vocational education schemes

The company has established long-standing cooperation with the key providers of graduates for the oil industry, such as the AGH University of Science and Technology, the Oil Industry Secondary School of Krosno, and the PGNiG Vocational School Complex of Kraków. Our intent is to consistently promote oil drilling-related schemes. To that end, we participate in "open days" and "career days" events at universities, which has earned PNiG Kraków the reputation of a responsible and attractive employer. PNiG Kraków also organises a number of traineeship schemes and programmes for future oil industry professionals. Students and schoolgoers have the opportunity to learn the practicalities of the drilling rig operator profession, supervised by the best experts in Kraków. In 2009, and by mid-2010, 85 students and schoolgoers participated in the schemes. Two years ago, the company commenced co-operation with the PGNiG Vocational School Complex of Kraków as a result of which, on our initiative and drawing on our expert knowledge, a new drilling rig technician vocational scheme was launched

at the school. The scheme is very popular, and, importantly, top-performing students of the scheme receive scholarship money funded by the PNiG Kraków Management Board.

PNiG Nafta – Memorandum of Understanding on cooperation with the Stanisław Staszic School Complex of Piła

In 2008, the company signed a Memorandum of Understanding with the Stanisław Staszic School Complex of Piła, whereby both parties undertook to cooperate to ensure top-level education to drilling rig technicians, with a view to their later employment by our company, or higher education at the AGH University of Science and Technology of Kraków. Nafta Piła supports the school in conducting classes, organising traineeships as well as in the school's social welfare and day care pursuits in a number of ways. These include: seconding Nafta Piła's engineers to teach vocational subjects; providing learning aids and industry-specific publications to the school (employees of Nafta Piła developed course books for vocational subjects, published by the company); funding English language instruction with a specialist vocabulary module; making the oil rig installation and its technical base available for vocational instruction; organising traineeships; providing free-of-charge accommodation and meals to trainees at drilling rig installations; organising study visits to oil rig installations; granting awards to top-performing students; inviting students and teachers to events organised by Nafta (such as research conferences); and providing curriculum and staffing support for popular science events organised by the school. The benefits of the MoU for Nafta is access to qualified personnel.

PNiG Kraków – broad access to domestic and international training

The annual training plan for PNiG Kraków includes training programmes conducted domestically by the PNiG Kraków Training and Qualification Development Centre, as well as training abroad offered in cooperation with renowned universities and technical organisations.

The Kraków training centre hosts HSE and blowout prevention programmes, as well as training on occupational health and safety and environmental laws and regulations. The centre is accredited with IWCF (International Well Control Forum) and IADC (International Association of Drilling Contractors) WellCap Commission, and is certified to organise courses and exams in blowout prevention and control for drilling rig operators and supervisory personnel, as well as to issue IWCF and IADC

certificates recognised by all oil companies in the world, which are mandatory for workers in the sector. In 2009, the centre conducted training for 700 employees of PNiG Kraków. The company also invests in the development of its staff by co-funding their MA, post-graduate and MBA schemes which are in line with the current policy of the company.

Geofizyka Kraków – professional development programme

The launch of a comprehensive employee qualifications development programme at the company in 2010. The programme addresses the needs of employees and the company with respect to staff development. Its launch follows directly from the company's strategy, in which emphasis is placed on innovation and commitment.

In early 2009, Geofizyka Kraków's Personnel Department formed an interdisciplinary team of employees to explore current staff development needs and issues. In effect, a comprehensive employee development programme was developed a few months later.

The programme consists of a number of modules, such as the adaptation scheme, professional induction, knowledge sharing, the expert module, and the employee evaluation scheme. In Q1 2010, employee evaluation based on the new programme was conducted for the first time. In March 2010, the adaptation scheme was launched, which covers newly employed persons. Implementation of the induction module also commenced, as part of which employees are prepared to perform specific jobs at production units. Work is underway to develop and implement further modules.

The programme provides a comprehensive support package for new employees so that they can adapt to their jobs smoothly and effectively, and feel comfortable at the company. Secondly, the purpose of the programme is to manage staff development in a way ensuring company's further growth as a knowledge-based organisation where knowledge is shared. This means that mechanisms will be established whereby employees with expertise in certain areas, or with exceptional practical skills, can pass on their knowledge to other staff members and use their skills and knowledge effectively.

PNiG Nafta – satisfaction survey

The company conducted a satisfaction survey among its 104 employees performing administrative jobs, and a similar survey for 118 oil rig staff members followed in September. Conclusions from the survey will be analysed by the PNiG Management Board, and be used as the basis for further actions to enhance employee satisfaction.

Geofizyka Toruń

The company launched the process of providing its employees with Personal Safety Passports, which are internationally recognised documents used as an optional proof of qualifications in the industry, and which contain details on qualifications, authorisations and professional training. The document is kept by the employees themselves as their professional competence ID.

PNiG Jasło

Development of a revised and updated HSE manual: the manual is used by the company staff and PNiG Jasło sp. z o.o.'s business and social partners.

The purpose of the revised manual is to implement world management standards and improve safety of the company's operations, as well as to limit adverse effects of the operations on the natural environment and local communities. The tools offered by the HSE system, developed thanks to the effort and commitment of PNiG Jasło's staff, are designed to identify risks, search for best risk mitigation measures and enable the best-possible response to emergencies.

Budownictwo Naftowe Naftomontaż

Conducting environmental research – noise and vibrations emitted by power tools and SiO₂ dust emissions at welder workstations.

The purpose of the research is to reduce the likelihood of occupational diseases by eliminating or reducing the impact of factors harmful to the employees' health as identified in the course of the emission measurements.

GAZOPROJEKT

Employee training needs planning as part of the annual employee evaluation.

Training needs of the company's employees are identified during annual employee evaluation reviews. They must take into account the framework of strategic objectives, the training plan implementations from previous years, any planned staffing changes, amended laws, regulations,

technologies and working practices, as well as the vision of professional development communicated by the employees themselves. The Annual Training Plan covers training which improves employee skills and qualifications through workshops, training sessions, courses, conferences, trade events, etc. In 2009, approximately 100 training sessions were organised, attended by about 130 employees. In addition, a dozen or so employees had their post-graduate, MBA or MA programmes co-financed. The crowning of our staff development efforts is participation in the Investor in Human Capital (Inwestor w kapitał ludzki) certification programme. Following the audit at our company, combined with an electronic employee opinion survey, we were awarded the Investor in Human Capital certificate. This proves that our extensive actions in the area of employee development go beyond the market standards.

Dolnośląska Spółka Gazownictwa

Recruitment procedure. Each new job vacancy is reported to DSG staff and the Regional Job Centre, which gives a promotion opportunity to the former, and a chance to get a job for the latter's customers.

It is a way to recruit employees who have the required professional background and certain character traits which enable them to perform a given job efficiently. This, in turn, contributes to timely and quality completion of tasks and attainment of the company's strategic objectives, as well as to employee satisfaction. The outcome of the correct recruitment process is stable employment (the dismissals index for the company totalled 2.8% in 2009) and company's sound economic performance.

Pomorska Spółka Gazownictwa

In 2010, with a view to promoting knowledge and raising the awareness of Pomorska Spółka Gazownictwa employees in the area of occupational health and safety, fire safety and environmental protection, the company organised the fifth edition of the intra-company competition entitled "OHS, Fire Safety and Environmental Expert" (Mistrz wiedzy w dziedzinie BHP, Ppoż i Ochrony Środowiska).

Participation in the competition was open to all employees. The competition consisted of three stages: qualifiers, department finals, and central finals. The grand final of the competition included a written component, where competitors had to provide answers to 50 single-choice test questions, and the practical component, which included physical fitness tasks, such as "fire suppression," "rescue", and "time-limit safety

harness fastening". Forty-nine employees competed in the 2010 event, and the total of 257 participated in all five editions of the competition.

By supporting the employees' interests and their learning process, the company can boast employees who demonstrate commitment in their work. The company also contributes to awareness-raising among employees regarding potential threats in the workplace by promoting safety-oriented behaviours of the staff.

The measure of the competition's success is the consistently growing number of contestants. Therefore, the company plans to hold further editions of the event.

5.7.1 Best Practices Abroad

Hiring from Local Markets

Geofizyka Toruń

Hiring local employees for seismic work takes place in India in particular, where local staff is employed by Up Consultants.

Under an agreement executed by our subsidiaries, Geofizyka Toruń assigns a work location to employees and decides on terms of their employment. Local staff recruitment begins with ads published on the company's website in English, and on Best Jobs India website. Candidates who meet the recruitment criteria and pass the interview stage are offered employment. Currently, Up Consultants employs 47 staff members, 30 of whom fill key positions within seismic groups. However, no UPC employee holds a managerial position. On average, about 20 Up Consultants' employees work in a single seismic group in any given month, along with about 20 Polish employees. The rest of the group is made up of subcontractors.

PNiG Kraków

The company's operation on foreign markets has led to the uniformisation of its staffing policy standards, and the policy's alignment with the requirements of international operators which cooperate with the company. The policy has also been adapted to conditions prevailing on local labour markets.

The company focuses in particular on local staff recruitment and training in Kazakhstan, Pakistan and Uganda. Each local employee has equal access to vacancies, and can pursue his/her professional career in accordance with the career track established by PNiG Kraków. Sourcing and employing staff from local markets follows the company's internal human resources procedures,

ISO standards, as well as local labour market laws. Currently, PNiG employs three managers in Pakistan and seven in Kazakhstan.

Interestingly, local employees of PNiG Kraków also work for other contracts executed by the company. For example, employees from Pakistan are employed in Uganda, and from Mozambique in Kazakhstan. The company's head office staff includes staff from Kazakhstan, but also Lithuania. All local employees (Kazakhs, Pakistanis, Ukrainians, etc.) who worked for PNiG Kraków stand a good chance of employment at other foreign subsidiaries, because recommendations issued by PNiG Kraków have grown to be a guarantee of employee expertise for other oil companies.

PNiG Nafta

The operator (investor) specifies in the terms of contract that the contractor must provide key personnel along with the drilling rig.

Other employees, from the driller's hand down, are sourced locally. The operator usually specifies in the contract the percentage share of employees who must be sourced from the local market, or names specific positions to be filled by local workforce.

Typically, Nafta Piła's personnel account for 30% and local market staff for 70% of the total.

Training on Working Abroad

Geofizyka Kraków in Pakistan and Libya

As a contractor for geophysical work, Geofizyka Kraków operates on a number of foreign markets, in different geographical and cultural regions. Currently, Libya and Pakistan are the primary foreign locations. We have a well-established presence there, with several large projects executed over five years in Libya, and a number of large contracts successfully executed over twelve years of our presence in Pakistan. Working in both countries involves the challenge of getting on terms with completely different cultural realities. The work culture is also different, because employees sourced locally often come from less developed communities, or do not have prior experience of performing tasks similar to those required by Geofizyka Kraków. The hiring policy provides that local employees may account for as much as over 90% of the total staffing for contracts executed abroad, which means that the local staff's work culture and safety are instrumental to the success of each large project we execute abroad. Therefore, we prioritise their training in the area of occupational safety. A few years ago, we implemented a comprehensive

HSE system at Geofizyka Kraków, which is a practical tool to manage work safety in the course of project execution. In Libya and Pakistan, where standard risks are aggravated by difficult terrain and climate, and often political and social situation, our HSE procedures are central to each of our projects. We use an extensive system of training, including practical sessions, simulations and statistical analysis, or even incentives in the form of performance bonus, or awards for specific behaviours, with the overall objective being education of the local personnel and improved work safety. In Libya, drivers are trained on desert driving, and in Pakistan – on safe travelling in the mountain regions. Regardless of the country, all employees undergo practical training on medical and fire evacuation, resuscitation and first aid. Intelligence is gathered on each new project delivery location, including a site visit, which is followed by the identification of risks and threats. This is the basis for a project-specific HSE plan, which details training plans for the respective employee groups, as well as contingency procedures. The plan can be revised at any time if a situation occurs which has not been covered in the previous revision. This was the case in Pakistan in 2010, following the passage of a hurricane in the area of Geofizyka Kraków's project location. Prior to resumption of the work, safety procedures and the training plan were revised to include provisions on previously unaccounted for weather threats. Another set of activities, which is separate but fully integrated into employee safety, is prevention and mitigation of environmental impacts. Geofizyka Kraków is a provider of related environmental education in both Libya and Pakistan.

The work safety management policy we pursue offers benefits to both parties in the process. Firstly, it supports accident-free work, worker and environmental safety, and secondly, it contributes to acquiring new competences by employees coming from local communities.

Geofizyka Toruń

Each time new employees commence work in a seismic group abroad, they undergo the induction training, where they are briefed on the company's policies, such as the responsible business policy, also touching upon human rights. The induction training is organised for all employee groups, including subcontractors, who are under an obligation to comply with all standards adopted by Geofizyka Toruń. The overriding objective of the induction training is to discuss work safety.

PNiG Kraków

The company provides drilling rig maintenance services in Europe, Asia and Africa. Owing to the cultural differences between Poland and certain other countries (such as Pakistan, Uganda, Mozambique or Kazakhstan), PNiG Kraków has long been organising meetings to prepare its employees to work not only in a different weather, but also a different social environment. If the markets where the Kraków drillers work are regarded as high-risk areas, PNiG Kraków organises meetings attended by occupational health and safety, environmental, as well as legal services, where human rights, cultural peculiarities, or natural environment risks are discussed. In 2009, the company organised over 60 one-hour training sessions to cover the above topics, attended by 70% of PNiG Kraków's employees. In addition, twice a year, we organise meetings of our staff with specialist companies which provide training on emergency prevention as well as safe behaviour in travel and workplace. Threat simulations and prevention exercises are conducted during such training.

PNiG Nafta

Training on cultural differences was conducted by PNiG Nafta Piła prior to the commencement of its projects in India and Egypt. The training was conducted by the oil rig installation management and by Safety Officers. Among the topics discussed were cultural and religious aspects, observance of human rights in the context of religious and cultural differences, as well as non-discrimination.

Training materials were drafted internally, but also came from the management of the company for which we worked. Oftentimes, the operator's management organises meetings with the staff to discuss cultural and religious matters in a given area.

During our work in Egypt, one of the container offices at the drilling rig site was converted into a mosque, available to the staff at all times. Over the years of our presence abroad, never have any cultural or religious issues emerged, either in Egypt or India.

5.8 Awards and Distinctions Received by PGNiG's Entities between January 2009 and June 2010

Awards and distinction received by PGNiG's entities between January 2009 and June 2010 in the Local Communities dimension

Entity	Awards and distinctions received	Awarding organisation	Reasons for the award/criteria/grounds
Distribution			
Mazowiecka Spółka Gazownictwa	Staff-friendly employer 2009	NSZZ Solidarność Certification Committee	NSZZ Solidarność trade union awards companies, whose activities match the values promoted by the trade union, such as preference for indefinite-time employment, observance of labour laws and standards as well ensuring the employee's rights to form and join trade unions.
Exploration and Production			
PNiG Kraków	Reliable Employer of the Year	<i>Rzecz o Biznesie</i> supplement to <i>Rzeczpospolita</i> daily	The award for personnel management. PNiG Kraków received the award for effective training of its foreign employees, for investing in training and for continuous improvement of qualifications
PGNiG Sanok Branch	Investor in Human Capital	Management Observatory Foundation	This nationwide programme is organised for all companies which demonstrate care for their staff's development, and where efficient human resources management systems are in place. Participation in the competition enables the competing companies to analyse and compare their achievements against the market standards in the area of HR policies. The foundation presents the award to organisations which exceed employee development standards.
Other			
BSiPG GAZOPROJEKT	Investor in Human Capital	Management Observatory Foundation	This nationwide programme is organised for all companies which demonstrate care for their staff's development, and where efficient human resources management systems are in place. Participation in the competition enables the competing companies to analyse and compare their achievements against the market standards in the area of HR policies. The foundation presents the award to organisations which exceed employee development standards.

Market

Caring for Customers and developing new business areas

Marcin Lewenstein
Head of the Strategic Planning Office, PGNiG SA's Strategy Department

The current global trend in the power industry is to form energy conglomerates. The conducive factors include customers' and markets' growing expectations and evolving needs. That is why a decision was taken in November 2009 to establish PGNiG Energia, a subsidiary involved in the construction of power units, natural gas-fired installations, co-generation systems and pilot biogas projects.



The Market dimension was assigned two strategic objectives in the Group's Sustainable Development and Responsible Business Strategy. These are:

- enhanced satisfaction of existing customers and acquisition of new customers through improved quality of customer service;
- seeking new business expansion opportunities in line with the idea of sustainable development.

Ten operational goals and 34 measures were identified for implementation in the Market dimension. Similarly to other dimensions, the implementation of some will commence in the years to come. This section presents what we have managed to achieve in the area thus far.

6.1 Challenges and Opportunities

Natural gas is the primary product of PGNiG. In order that it can reach end customers, it takes the commitment of many entities of the Group from across the PGNiG value chain, as well as hard work of a few dozen branches and subsidiaries of the Group.

The biggest challenge, but also opportunity in this segment is to ensure a high standard of service for the 6.6 million household customers and key industrial accounts.. Of paramount importance, however, are also often exceptional competences of our experts and high quality of services provided by our exploration, drilling, production teams and distribution companies. In line with the Group's strategy, we also want to develop new services and products, extend the scope and scale of our business, and explore new business areas in line with the principles of sustainable development.

Implementation of the CSR Strategy contributed to a better prioritisation of many activities and projects within the PGNiG Group, including those in the area of customer care. This Report presents the most interesting of those initiatives. With a view to improving further, we are also developing initiatives under the PGNiG Group Value Building Programme, in place at the Group since early 2010. In particular, these are projects dedicated to creating a new product offering and implementing a new operational model for the customer service area. Until mid-2010, the outline of a new product offering was formulated, along with a new operational concept for the Customer Service Offices, and a concept for e-service implementation at PGNiG. The package also includes a number of projects designed to improve customer service, reduce service delivery costs,

and refine the quality management systems both in the Trade segment, directly involved in customer service, and in the Distribution segment.

As the largest natural gas supplier on the Polish market, we are responsible for building and maintaining good relations with our customers, as well as for exploring new opportunities to support socially vulnerable customers in a systemic way. We wish to maintain the competitive advantage of gaseous fuels, also by promoting new solutions and products which use gas, such as CNG.

A big challenge in the responsible business area involves ensuring the security of gas supplies, and therefore the Group participates in projects seeking to diversify the supplies, but also pursues

an active exploration and investment policy with a view to increasing the capacity of our gas storage facilities.

Natural Gas

Natural gas is the most environment-friendly conventional source of energy. It is a fuel which emits by far the least pollution. For example, the emission of CO₂ per unit of generated energy is the lowest for natural gas. What is more, gas combustion generates no waste.

We believe therefore it is our responsibility to promote use of gas. Accordingly, education on broader gas application represents one of the priorities in our Sustainable Development Strategy.

Emissions of main pollutants (kg/GJ)

	Dust	CO	CO ₂	NO ₂	SO ₂
Coal	1.003	1.096	0.120	0.177	0.840
Fuel oil	0.055	0.034	0.082	0.110	0.132
Natural gas	0.009	0.015	0.063	0.054	-

Emission of pollutants generated by heating 100 sqm of housing space (kg per year)

Pollutant	Coal	Coke	Oil	Gas
Sulphur dioxide (SO ₂)	64.70	19.2	5.7	-
Nitrogen dioxide (NO ₂)	26.96	6.0	6.5	3.200
Carbon oxide (CO)	67.40	75.0	0.5	0.900
Suspended dust (PM10)	229.20	18.3	1.8	0.038

Our primary product is not sold in packaging and therefore PGNiG does not recycle any material from the products it sells.

Comparison of pollutant content in natural gas with pollutant content in other fuels

Pollutant	Natural gas	Fuel oil	Coal
Ash	none	0.0-0.4%	7-30%
Sulphur	trace amount	0.1-4.0%	0.5-2.5%
Chlorine	none	none	up to 0.6%
Arsenic	none	0.5-2.0	80-2,900
Cadmium	none	0.5-0.7	400
Cobalt	none	none	80-1,600
Mercury	<0.004	0.09-0.16	400
Chromium	none	0.6-1.2	120-1,800
Magnesium	none	none	400-1,200
Nickel	none	none	320-3,200
Vanadium	none	2-1,300	320-6,000
Zinc	none	2-20	1,200-8,000
Lead	none	3.0-25.0	1,200-4,000
Other organic substances in trace amounts	none	none	5-10

CNG is compressed natural gas which can be used as a fuel for vehicles. There are about 10.5 million CNG - fuelled vehicles in the world, and mechanisms have been put in place in numerous countries to support the application of natural gas as a vehicle fuel. It is estimated that at the end of 2009 there were approximately 2.1 thousand vehicles in Poland running on compressed natural gas; these were mainly public transport vehicles and vehicles operated by private carriers. 2009 saw the opening of more CNG filling points and, at the end of the year, PGNiG operated a total of 31 CNG filling stations.

In 2007, gas trading companies requested the regulator to be released from the obligation to submit for approval the tariffs for CNG used by motor vehicles. In March 2008, the Energy Regulatory Office granted the request. Currently, CNG prices for customers using public filling stations are set by PGNiG.

PGNiG sees the promotion of CNG in Poland as one of its primary responsibilities, which is motivated by both economic and environmental factors.

6.2 Customer Care

All the 23 Gas Sales Units (responsible for gas sales and customer service) follow the Single Retail Customer Service Model to maintain and improve the level of customer service in our six Gas Trading Divisions. Customer satisfaction surveys and education campaigns are also conducted on a regular basis.

In a survey conducted as part of studies preceding implementation of the Sustainable Development and Responsible Business Strategy, almost 70% of the Group's entities from different operational segments reported that dialogue with customers and customer satisfaction surveying are important, and over 50% declared that they already conducted such customer-focused activities.

The Single Retail Customer Service Model enables customers to use state-of-the-art information exchange technologies. For example, most customer service-related documents can be downloaded from the Internet. Today, most customers fill them in themselves, which saves time previously spent on interaction with consultants. In the Pomeranian Gas Trading Division, an electronic customer service office facility (e-CSO) has been made available to the customers of the Bydgoszcz, Gdańsk and Olsztyn Gas Sales Units. Implementation of electronic customer service offices in certain other gas trading divisions is expected to follow soon. PGNiG's investments in this area are validated by the results of customer satisfaction surveys, which indicate that Internet contact with a Gas Sales Unit is a communication channel highly valued by the customers.

With our customers in mind, in 2009 we redesigned our website, which now offers new functionalities facilitating its use by the disabled. For more details on this subject, see *Best Practices*. In the 2010 retail customer satisfaction survey, top grades were given to such attributes of the website as aesthetic appeal, clear layout, and easy searching for relevant information.

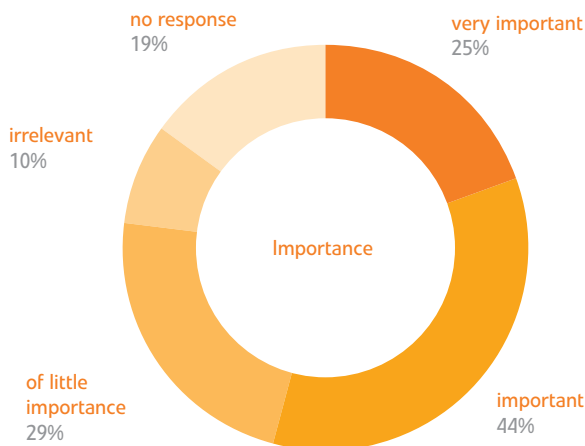
All the Gas Sales Units find providing customers with appropriate access to information to be of particular importance as far as customer service quality is concerned. The scope of information published by PGNiG on its website includes details on gas delivered to customers, which goes beyond the regulatory requirements currently in effect. The same information is also provided to all customers on demand. These are primarily monthly gas quality reports, with information on the primary functional parameter of gaseous fuel, i.e. its gross calorific value.

In addition, on the initiative of the Lower Silesian and Gas Trading Division and the Mazovian Gas Trading Divisions, their customers regularly receive documents confirming quality of the fuel they are supplied with. Gas samples are taken for analysis by specially trained employees at least every 10 days. Also the Gas Distribution Companies (Distribution System Operators, DSO) control gas quality on an ongoing basis. Aware that it is a factor of primary importance for the customers, we also organise open days for our customers at PGNiG SA's Central Measurement and Testing Laboratory, featuring show testing. For more details, see *Best Practices*.

Naturally, customers can contact us not only via the website, but also through our 300 Customer Service Offices (CSOs).

CSOs were very positively evaluated in the customer satisfaction survey. The customers appreciated in particular their availability and location, the methods and time required to handle individual matters, as well as the competence of PGNiG staff. The survey also showed that customers' satisfaction with interaction with the customer service offices has a material impact on the overall customer satisfaction index. Therefore, PGNiG will continue to monitor the work of the CSOs, with a view to identifying those areas where improvement is still needed.

Importance of dialogue with customers and customer satisfaction surveys









The customer satisfaction survey further revealed that telephone interaction with a CSO is an important communication channel for PGNiG's customers. They value and appreciate the possibility to have their problem solved with a single call. Considering the fact that customer satisfaction from telephone interactions with CSOs greatly depends on how easy it is to get connected to consultants (as confirmed by the surveys), we plan to make relevant investments in this area of customer service.

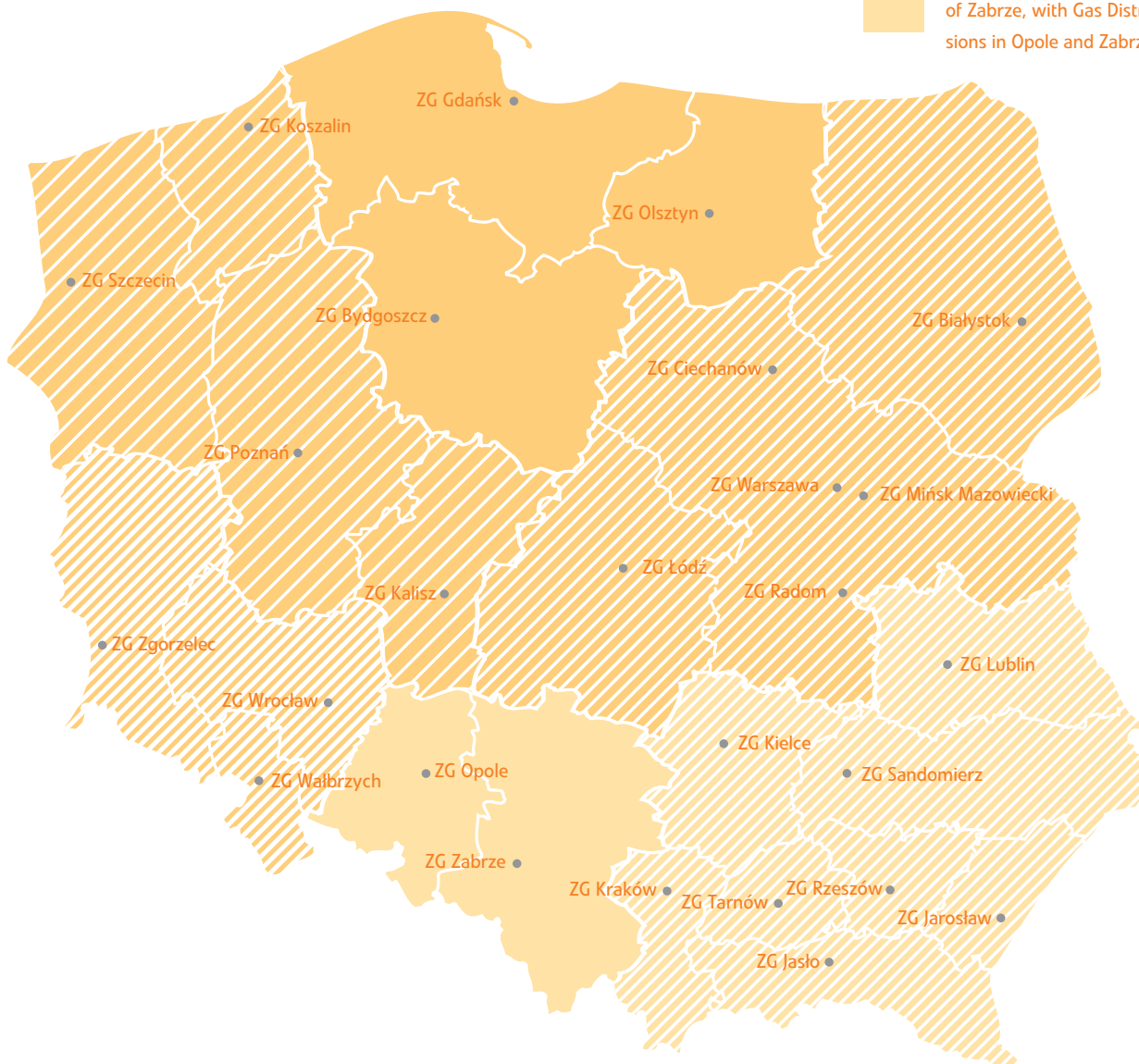
To sum up the 2010 retail customer satisfaction survey, it can be argued that the Net Promoters Score (the basic customer satisfaction index), the Customer Satisfaction Index we plan to make relevant investments in this area of customer service and Customer Loyalty (measuring loyalty following from high satisfaction and high brand recommendation levels) are all high.

We care about socially vulnerable customers

Socially vulnerable customers is an item high on our agenda. Laws which are currently in effect in Poland fail to provide a clear definition of socially vulnerable customers, which hinders PGNiG's attempts to implement uniform standards in this respect. In its household gas delivery business, PGNiG often encounters the problem of customers who fail to pay their gas bills on time for a number of reasons. The Group's collection procedures clearly specify how to collect the Company's receivables in such cases. Before we proceed to suspending gas deliveries, we use an array of other measures to help the customers make their payment, including the setting of additional payment deadlines, breaking the payment into instalments, waiver of charging interest in justified cases, or cancellation of interest already charged.

The issue of supporting socially vulnerable customers is itemised among the measures planned to be taken as part of the Group's Sustainable Development Strategy. In cooperation with experts from the Energy Regulatory Office and the Ministry of Labour, we commenced work to

-  Wielkopolska Spółka Gazownictwa (WSG) of Poznań, with Gas Distribution Divisions in Kalisz, Koszalin, Poznań and Szczecin
-  Pomorska Spółka Gazownictwa (PSG) of Gdańsk, with Gas Distribution Divisions in Bydgoszcz, Gdańsk and Olsztyn
-  Mazowiecka Spółka Gazownictwa (MSG) of Warsaw, with Gas Distribution Divisions in Białystok, Łódź, Mińsk Mazowiecki, Radom, Ciechanów and Warsaw
-  Karpacka Spółka Gazownictwa (KSG) of Tarnów, with Gas Distribution Divisions in Jarosław, Jaso, Kielce, Kraków, Lublin, Rzeszów, Sandomierz and Tarnów
-  Dolnośląska Spółka Gazownictwa (DSG) of Wrocław, with Gas Distribution Divisions in Wrocław, Wałbrzych and Zgorzelec
-  Górnośląska Spółka Gazownictwa (GSG) of Zabrze, with Gas Distribution Divisions in Opole and Zabrze



establish nationwide regulations in this respect. Already today, however, many of our Gas Sales Units declare they take measures to help socially vulnerable customers, and 82% of respondents perceive such measures as important or very important.

Notwithstanding the foregoing, social welfare institutions, such as local social welfare centres, often provide financial assistance to such customers, making outstanding payments for defaulting customers. It is important to note that this system of assistance operates outside PGNiG SA and is based on an agreement between the social welfare institution and the customer. The Company PGNiG, however, tries to provide information to customers in need on how to obtain such assistance.

High Standards and Quality as Our Competitive Strengths

The PGNiG Group is in the business of end-to-end production of natural gas and crude oil, starting from geophysical surveys, which precede the exploration stage, through drilling and production, to end with product preparation and sales.

Highly specialised staff equipped with state-of-the-art machinery represents our key asset, making the Group subsidiaries reputable and valued partners across the world. Many years of relevant experience enable us to work efficiently in various climate and geological zones, as well as in different cultural regions.

Next to internal benefits from the implementation of the Sustainable Development and Responsible Business Strategy at the Group, the strategy is also an important building block of our competitive advantage. Pursuing our business in a responsible way is of paramount importance during tenders in which our companies participate as bidders. Implementation of the strategy often translates into extra points being scored in the tender procedures, where

counteracting corruption, observance of human rights, ethics, compliance with labour laws, as well as evaluation and selection of suppliers and subcontractors are of material importance in the bidder evaluation process. For example, PNiG Kraków regularly comes across such requirements being imposed on bidders in contracts for drilling services tendered by international operators.

Responsible business, including observance of the UN Global Compact's principles, compliance with professional ethics standards by our employees, and monitoring of suppliers and subcontractors have been high on the Company's agenda for many years. Suppliers and subcontractors that have passed the verification process are entered on our Qualified Suppliers List.

Another way in which the PGNiG Group demonstrates its care for quality and customer satisfaction is the pursuit of business projects by forming alliances and consortia with proven partners and subcontractors from within the PGNiG Group. This is an excellent method to promote the Group companies, and to guarantee service quality. Consortia led by PNiG Kraków have executed projects in Kazakhstan, India, Mozambique, and more recently in the Czech Republic. This comprehensive and professional approach to contract execution in all its aspects ensures that expectations of our customers are met, and full customer satisfaction is achieved.

6.3 Extension and Construction of Gas Storage Facilities

Among the six priorities of PGNiG's business is the extension and construction of gas storage facilities. This is to ensure security of gas supplies to our customers. PGNiG owns and operates seven underground storage facilities, some of which are in salt caverns and others in partially depleted gas deposits. The facilities differ in terms of their working parameters, in particular with respect to gas withdrawal time. Six of them are used to store high-methane gas, and one holds Ls subgroup nitrogen-rich gas.

The underground storage facilities enable PGNiG to maintain continuity of gas supplies in the peak season of gas consumption (i.e. in winter), to keep an appropriate level of reserves to be used in the case of any interruptions in gas supplies, failures or gas flow volume reductions. The facilities

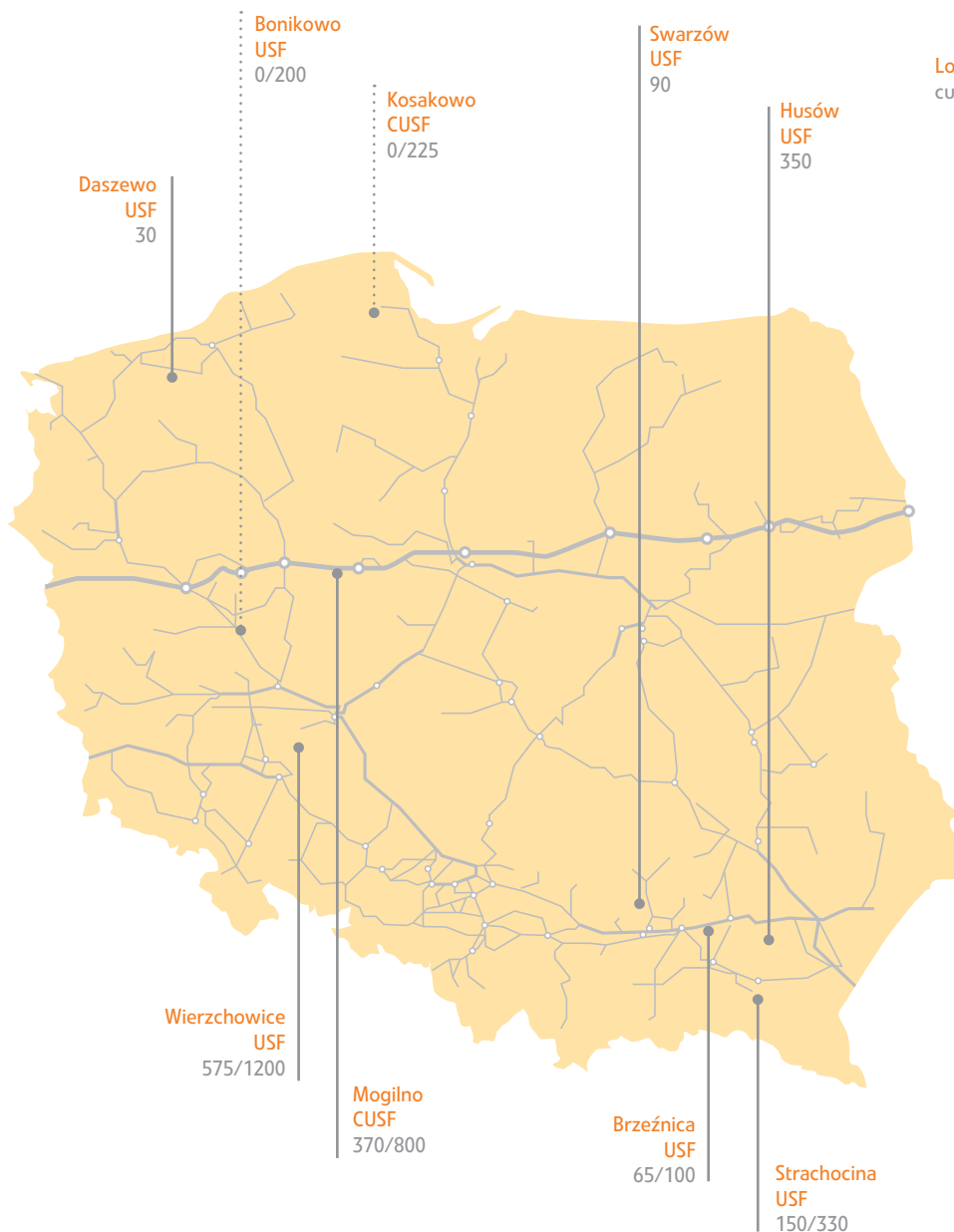
also allow the Company to satisfy the statutory requirements concerning maintenance of mandatory stocks. Furthermore, the storage facilities help PGNiG optimise its gas supply chain, and enable it to respond to sudden, short-term surges and falls in demand for gas. Thanks to the gas storage facilities, PGNiG can keep a steady level of production throughout the year, because gas is injected into the storage facilities in periods of lower demand, and withdrawn in periods of peak demand (when current production or imports are not sufficient).

In order to meet demand for gas storage services from various market participants, PGNiG established the Storage System Operator, a dedicated branch which is responsible for providing third parties with access to gas storage capacities. Once planned the planned extension projects are completed, in 2015 PGNiG should be able to store gas covering 70-day demand from its customers.

In 2009, three-fourths of the capital expenditure allocated to construction and extension of high-methane gas storage facilities was spent on the Wierchowice Underground Storage Facility, which is the largest such facility in Poland. In November 2009, a new facility came on stream – the Daszewo Underground Storage Facility, which is the first facility in Poland designed to hold nitrogen-rich gas. It has a working capacity of 30 million m³, and a maximum withdrawal capacity of 16 thousand m³ per hour.

Two new gas storage facilities are under construction.

- Bonikowo Underground Gas Storage Facility. Gas will be stored in a partially depleted gas deposit, starting from 2010. The facility will have a working capacity of 200 million m³. It will hold Lw subgroup nitrogen-rich gas and will allow PGNiG to optimise national gas production from fields located in western Poland;
- Kosakowo Cavern Gas Storage Facility. A high-methane gas storage facility in the vicinity of the Gdańsk-Gdynia-Sport agglomeration. The project provides for 10 caverns in halite formations. Completion of this 100 million m³ facility is due in 2014, and its further extension to 225 million m³ in capacity is scheduled to be completed by 2020.



Locations of underground gas storage facilities
current/target working capacity

Academic research currently conducted by students at the Laboratory primarily covers natural gas and biogas analytics.

Independent research and development activities at the PGNiG Group are also conducted by other subsidiaries, including:

- Poszukiwania Nafty i Gazu Jasło sp. z o.o.;
- PGNiG SA of Warsaw, Zielona Góra Branch;
- Karpacka Spółka Gazownictwa sp. z o.o. of Tarnów;
- Zakład Urządzeń Naftowych NAFTOMET sp. z o.o.

The se entities conduct research in various areas, from those closely linked with our business goals, such as gas quality testing (Karpacka Spółka Gazownictwa of Tarnów), to research into reduction of impacts on the environment (Poszukiwania Nafty i Gazu Jasło and the Zielona Góra Branch), to tests and analyses which contribute to the establishment of technical standards and legal regulations for the gas market (Karpacka Spółka Gazownictwa of Tarnów).

6.5 Contribution to Industry Development

Exploring new business areas by the PGNiG Group goes hand in hand with robust activity of our experts and knowledge-sharing under the various initiatives embarked on by the market actors, such as conferences, and debates. For more details, see *Local Communities*.

Our subsidiaries also cooperate with research institutions across the country. Nearly 38% of all the Group companies and branches have decided to enter into cooperation with selected Polish research institutions. Exploration and production companies account for 67% of the subsidiaries engaged in such co-operation.

Among the many research institutions which cooperate with the PGNiG Group a few deserve a mention. These are the AGH University of Science and Technology, the Silesian University of Technology, the Polish Standardisation Committee (Polski Komitet Normalizacyjny), the Polish Oil and Gas Institute (Instytut Nafty i Gazu), the Poznań University of Technology, the Polish Fuels and Renewable Energy Institute (Instytut Paliw i Energii Odnawialnych) or the Motor Transport Institute (Instytut Transportu Samochodowego).

6.4 Research Laboratories

The Central Measurement and Testing Laboratory ("CMTL"), present within the PGNiG corporate structure for 16 years already, supervises the various natural gas billing processes. The primary responsibilities of the laboratory include maintenance of reference standards for the instruments and measures units used in the natural gas industry. CMTL also oversees metering systems by conducting regular inspections ordered by parties to the billing process, as well as in emergency cases or when a dispute needs to be resolved. It is also the Laboratory's mission to initiate research and implementation projects concerning in particular new techniques and technologies for the natural gas industry (e.g. assessment of gas quality).

Currently, CMTL is the leading partner for CO₂ emission metering for large gas combustion sources, as well as Poland's only accredited laboratory authorised to test and evaluate equipment used for CO₂ emission volume estimations. Work is currently under way to start offering these services also to other entities, which, next to natural gas, also emit greenhouse gases coming from the combustion of biogas, solid or liquid fuels.

The Laboratory represents the key values of the PGNiG SA, also because it openly communicates with the society, and is happy to host all events for people who are interested in science and research. CMTL also organises trainee-ships for students and, since last year, students from the University of Warsaw and the Cardinal Stefan Wyszyński University in Warsaw have been able to conduct their MSc/BSc research at the laboratory, and acquire hands-on experience of natural gas industry.

An interesting example of research activities conducted by our subsidiaries the involvement of Pomorska Spółka Gazownictwa sp. z o.o. in the European BIOGASMAX Project on the application of biogas and natural gas in the transport sector, and in the Baltic Energy Cluster, which develops projects facilitating the absorption of EU funding in the area of renewable energy in northern Poland.

Other areas of significant research interest among our subsidiaries development of CNG filling stations, drilling fluid management, soil and water analysis and testing, waste management, environmental monitoring, and materials science.

6.6 Seeking New Business Expansion Opportunities in Line with the Principle of Sustainable Development

PGNiG attaches a lot of importance to projects which serve the purpose of corporate value building in a long-term perspective. The Group's business strategy includes the search for new directions and sources of gas supplies: access to own gas reserves is a key success factor, but also enhances security of supplies. PGNiG is developing exploration and production operations both in Poland and abroad. In this area, our objectives include:

- Increasing natural gas production from PGNiG's own reserves;
- Streamlining operations in the Exploration and Production segment through restructuring of the exploration companies (partial or full consolidation, which will enable us to maintain the position of a trusted and recognised provider of well-maintenance services);
- Building the position of an international exploration and production group on key markets in three regions of the World: (1) the North Sea, the Norwegian Sea and, in future, the Barents Sea (Norway and Denmark, UK, Germany); (2) in North Africa (Libya, Egypt, Algeria, Tunisia, Morocco, Mauritania), and (3) in Central and South Asia (India and Pakistan).

When deciding on the lines of foreign expansion, we take into account the prospects for discovering oil and gas, the political situation in the country which exports those resources, options for delivery of the gas to Poland, laws and regulations, as well as the potential for cooperation with other oil and gas companies (both Polish and foreign). In 2009, most of the effort in this area focused on the development of new fields, or increasing the production capacity of the existing facilities.

Key projects included development of the Lubiatów-Międzychód-Grotów oil and gas fields (the LMG project), construction of the denitrating plant in Grodzisk Wielkopolski, development of the

Kaleje and Łukowa fields, as well as development of the Żołynia, Pantalowice, Nowy Tomyśl and Pilzno fields.

In addition to developing its core business, the PGNiG Group also explores new business opportunities. The current global trend in the power industry is to form energy conglomerates. The conducive factors include customers' and markets' growing expectations and evolving needs as well as the rapidly growing importance of the environment-friendly sources of energy.

The PGNiG Group takes on the sustainability challenge of producing and trading in electricity derived from natural gas, but also from renewable energy sources, both in its business strategy, and the sustainable development strategy.

A peculiarity of the Polish market, which also represents an enormous opportunity for PGNiG SA, is the imminent closure of a large number of coal-fired boiler facilities, which are very popular in the country but often fail to meet the environmental requirements. This gives room for replacement of their production capacities based on a more environment-friendly gas technology.

The entry into the power industry, as provided for in the "PGNiG Group Strategy Until 2015", and our focus on building the presence in the new segment in line with responsible business principles, are reflected in the priorities of the Group's Sustainable Development Strategy.

In 2009, PGNiG signed two letters of intent: one with Tauron, on extension of a power plant in Stalowa Wola, and the second with the LOTOS Group and Energa, on potential joint gas-fired power projects. In November 2009, a decision was taken to establish PGNiG Energia. The company will be involved in power-generation projects, gas-fired co-generation projects, as well as in pilot biogas projects. Our approach of involving a separate dedicated entity in such projects enables us to prioritise such undertakings at the Group level.

6.7 Plans for the Future

Over the next 6 months, PGNiG plans a pilot launch of an e-gallery. The PGNiG e-gallery is an IT tool which is to be a marketing-oriented expert and sales service, and an intermediary in the sales of heating systems which use gaseous fuels, as well as a tool to present the offering of key suppliers of equipment which consumes gaseous fuels in consumer applications. The project concept envisages that the final product of the cooperation will be the launch of a sophisticated web-based service combining consultancy functionalities (professional opinions on energy consumption, technical, operational and installation matters) with sales, with PGNiG and its website acting as an intermediary. It is expected that, next to revenue streams from the increased volume of sales, the new project will contribute to building productive communication and a positive image of PGNiG among customers and other stakeholders.

There are also plans to broaden the offering by adding financial and then insurance services.

PGNiG SA is the only owner of CNG filling stations in Poland. In 2009, a CNG Market Development Strategy was formulated, which provides for the construction of more CNG filling stations.

Innovative natural gas application projects are also high on PGNiG's agenda. We promote innovative solutions and technologies, such as the application of natural gas in air-conditioning systems, which in the future will allow to heat and air condition facilities at a competitive cost compared with other energy sources.

PGNiG SA is primarily interested in the development of small and medium-sized co-generation, with capacities from 2MW to 10MW (for comparison, a large power plant has the capacity of about 800MW). Their key asset is location close to the customer, which helps to minimise transmission losses and adverse landscape changes. We plan to participate in such projects not only as a provider of gas, but also as an equity investor (independently, or jointly with existing facility operators in joint ventures).

But the Group also intends to develop co-generation sources designed to provide electricity and heat to larger customers.

PGNiG will not remain passive in the area of renewable energy sources. Our natural market niche is biogas projects; they offer an enormous opportunity, as the segment has not fully developed in Poland yet. They also form a crucial element of the Group's power business development concept as far as renewable energy sources are concerned, and PGNiG SA plans to be involved in purchasing and developing biogas plants. Heat generated by biogas projects will be sold locally and electricity will be sold to the transmission grid as green energy.

CCS Technologies

Other business lines of the Group pursued in compliance with the sustainability concept include the development of CO₂ capture and storage technologies. Carbon dioxide can be stored in underground rock pores which were previously filled by natural gas. The development of competence in the area of environment-friendly solutions involving CO₂ storage is one of our business priorities, and one of the objectives of the Sustainable Development Strategy.



Agnieszka Chmielarz
Chief Specialist for Products and
Services at PGNiG SA's Customer
Service Standards Office

PGNiG is keen to respond to our customers' needs and move with the times. Therefore, within the next 6 months, we plan a pilot launch of an e-gallery. The PGNiG e-gallery is an IT solution which is to be a marketing-oriented expert and sales service, and an intermediary in the sales of gaseous fuel-fired heating systems. The service will enable all those interested to familiarise themselves with the offerings of key suppliers of equipment operating on gaseous fuel. This is exactly a solution that our customers expect, as evidenced by their opinions voiced in customer satisfaction surveys.

One of innovations is a text-to-speech facility embedded in the website's structure. With the help of the tool, users can have the website's contents read out by the computer, and can also manually adjust the size of the fonts. Navigation and use of the website is also facilitated by clear separation of its contents and background, as well as a clear differentiation between various building blocks of the website (links, content, form fields, buttons), which significantly improves its clarity. The website has been developed in compliance with the WCAG standards, which represent a set of rules and recommendations issued by the W3C (World Wide Web) Consortium. W3C is an international organisation which has been developing WWW standards since 1994. Its primary mission is to ensure long-term, optimum growth of the Internet. The www.pgnig.pl website has been constructed based on DynaXML, a proprietary website solution delivered by AMG.net.

We hope that this initiative will help elderly people, or those suffering from visual impairment, use the electronic channel to take care of the formalities connected with the requirement to replace the gas-supply contracts signed before July 1st 2007.

6.8 Best Practices

New PGNiG SA Website: Focus on the Needs of the Disabled

The new website of Polskie Górnictwo Naftowe i Gazownictwo was designed with a view to ensuring its availability to the disabled. The website features include a new application for on-line replacement of gas supply contracts. Modification of the website is another step in our pursuit of the PGNiG Group's Sustainable Development and Responsible Business Strategy, which identifies enhanced customer satisfaction through improved customer service quality as one of its pillars. We want to attain the objective by developing new channels and tools of communication with our customers, including the launch of a website which is friendly to people with disabilities.

Open Day at the Central Measurement and Testing Laboratory - Analysis of Gas Supplied to Customers in Warsaw

The gas for the analysis was sampled directly from the gas supply system in the laboratory's building. The gas comes from the Warsaw ring, a network of gas pipelines surrounding Warsaw. Gas quality depends on the concentrations of its individual components and their mutual proportions. It was confirmed that the proportions of components in the sampled gas were correct: methane accounted for over 98%, ethane for about 0.8%, and nitrogen for about 0.8%. The gas composition analysis also enabled us to determine:

- the gross calorific value – 39.95 MJ per cubic metre;
- the Wobbe index – above 53.09 MJ per cubic metre.

In order to meet the requirements specified in the "Transmission Network Operation Instruction", E-type natural gas (high-methane gas) must have a gross calorific value in excess of 34 MJ per cubic metre. If the parameter is below this threshold, the gas is not approved for transmission by the transmission pipelines operator Operator Gazociągów Przesyłowych GAZ-SYSTEM SA.

Natural gas delivered to customers must also meet certain quality specifications provided for in the Minister of Economy's Regulation concerning detailed gas system operation requirements, dated July 2nd 2010, whose Par. 38 regulates gas quality.

Based on an analysis conducted before the audience at the laboratory, it was demonstrated that the gross calorific value of the gas in the laboratory building's gas supply system, which is essentially the same gas as that supplied to other customers in the city, was at 39.9 MJ per cubic metre, i.e. very high.

Carpathian Gas Trading Division – "Socially Vulnerable Customer" Initiative

The Carpathian Gas Trading Division is working on a document entitled "Socially Vulnerable Customer – Rules for and Scope of Assistance by the Carpathian GTD". The purpose of the programme is to help customers who are economically weak avoid being disconnected from the gas network. The document governs the methods of providing assistance to socially vulnerable customers, and lays down rules for cooperation with local social welfare centres and with family assistance centres.

Carpathian Gas Trading Division – Cooperation with the Regional Development Agency and Special Economic Zones

Regular meetings are organised with managers of special economic zones and the Regional Development Agency. This way the Gas Trading Division obtains information on the zones growth prospects, which is of paramount importance for the development of infrastructure and gas sales volumes.

Lower Silesian Gas Trading Division, Gas Sales Unit in Wrocław – Assistance to Socially Vulnerable Customers

As part of the "customer zone" initiative, focusing on cooperation between energy companies and social welfare centres, the South-Western Field Branch in Wrocław attended a meeting held at the Energy Regulatory Office. The Wrocław Gas Sales Unit put forward a cooperation proposal with a view to providing assistance to socially vulnerable customers supported by local welfare centres. A few dozen letters were sent to all local welfare centres within the operational boundaries of the Wrocław Gas Sales Unit, which resulted in the collection of contact details to facilitate direct, ongoing co-operation.

Special leaflets were also prepared for customers who are in need of assistance.

Lower Silesian Gas Trading Division, Gas Sales Unit in Zgorzelec

The following methods of providing assistance can be used by the Gas Sales Unit after it has familiarised itself with the financial situation of a customer who submits a written application for assistance: extension of the final payment date by up to 30 days without charging late interest, breaking the payment into instalments over a maximum period of 12 months without charging late interest, cancellation of interest or principal, breaking the payment into instalments, or waiver of fees for resuming supply of gaseous fuel.

Storage System Operator Instruction Concerning Avoidance of Discriminatory Behaviour Towards the Storage System Operator's Customers

The Instruction is binding on all employees of the Storage System Operator ("SSO") as well as on the persons to whom the Branch reports. Its purpose is to ensure equal treatment of and non-discrimination against storage service customers and prospective storage service customers.

The responsibilities and rules of proceeding provided for in the Instruction relate to:

- the Management Board, as regards its supervision over equal and non-discriminatory treatment of the existing and prospective storage service customers;
- the SSO branch manager and their deputies;
- other SSO employees.

The Instruction details what needs to be done to ensure non-discriminating treatment of the storage system's customers, including:

- Rules for the protection of confidential or legally protected information whose disclosure could infringe on the storage system customers' business secrecy, or which could be used for purposes other than management of the storage system;
- Solutions and tools to avoid discrimination against the existing and prospective storage service customers, in particular if the discrimination favours PGNiG subsidiaries.

6.9 Awards and Distinctions Obtained by the PGNiG Group Members between January 2009 and June 2010

The potential of the PGNiG Group is manifest in its presence in independent rankings. In the Global 2000 international ranking of companies which are of greatest importance to the world economy, published by the American edition of the *Forbes* magazine, PGNiG SA moved up from 1,170th position in 2008 to 926th position in 2009.

In 2009, PGNiG SA was also awarded the "Premium Brand" title. It came in recognition of the PGNiG SA brand which is highly reputed in the industry. In the same year, the PGNiG Group came sixth in the ranking of one hundred most valuable brands in Poland, prepared by A.T. Kearney and the editorial staff of *Newsweek*. The ranking covered companies with highest revenues, highest earnings, as well as those recognised by Poles as important and valuable brands.

Trade and Storage

Upper Silesian Gas Trading Division	2009 Golden Media Leaf	The Warsaw-Katowice-Kraków Press, Radio and Television Study and Programming Centre, patronage by the <i>Rzeczpospolita</i> daily	Award for skilful acquisition of new gas customers, and for excellent relations with the media.
Upper Silesian Gas Trading Division, Gas Sales Unit in Opole	Grand Prix of the 34th Opole Construction Industry Fair "My home"	Market Śląski	Award for activities in line with the principles of sustainable development and corporate social responsibility, with a particular focus on protection of the natural environment.
Upper Silesian Gas Trading Division, Gas Sales Unit in Zabrze	Amicus Amico	Era sp. z o.o. competition jury	Honorary award for reliability, ethical and open approach in business interactions deserving utmost respect.
Pomeranian Gas Trading Division, Gas Sales Unit in Bydgoszcz	Special award	Mayor of Bydgoszcz's 2010 award	Award for the promotion of use of compressed natural gas as a car and bus fuel, for environmentally friendly initiatives and promotion of the city of Bydgoszcz.
Pomeranian Gas Trading Division, Gas Sales Unit in Bydgoszcz	Special award	Competition jury of the 8th Automotive Fair "Auto-Show" 2010.	Special award for an innovative product offering and promotion of new solutions.

Distribution

Górnośląska Spółka Gazownictwa	Certificate of the 12th edition of the Entrepreneurial Culture Promotion Programme	Fair Play Enterprise	The certificate confirms that Górnośląska Spółka Gazownictwa applies standards for honest dealings with customers, partners, employees, business partners, local communities, as well as local and national authorities.
Górnośląska Spółka Gazownictwa	Award for the best stand at the 1st International Tourism, Industrial Heritage, and Underground Tourism Fair	Organisers of the fair	Award for an interesting display of exhibited items.
Karpacka Spółka Gazownictwa	The Quality of the Year Award	Polskie Centrum Badań i Certyfikacji SA (Polish Centre for Testing and Certification)	The Quality of the Year is a nationwide project seeking to support, develop and foster a quality-driven approach to business among enterprises.
Karpacka Spółka Gazownictwa	The Words of Wisdom (Złota Myśl) Award in the category: provider of financing to Polish academic research and culture	Fundacja Nauka i Zdrowie (Learning and Health Foundation)	The award is offered to persons or institutions that rendered great service to Polish culture and academic research. The awards are presented in two categories: (i) contributor to the development of Polish academic research and culture, and (ii) provider of financing to Polish academic research and culture.
Karpacka Spółka Gazownictwa	ISO UDT-Cert Integrated Management System		Karpacka Spółka Gazownictwa was the first distribution company to obtain four certificates: in the area of quality, environment, information safety and health and safety at work.
Karpacka Spółka Gazownictwa	2009 Quality of the Year	Polskie Centrum Badań i Certyfikacji SA (Polish Centre for Testing and Certification), <i>Biznes Raport</i>	Award-winner in a nationwide competition, recognition for the quality of services in all operational aspects, including the pursuit of high quality of service to customers buying natural gas.
Karpacka Spółka Gazownictwa	The "New Impulse" Award		The recognition is awarded to persons, enterprises and institutions working for the development of the Polish energy and fuels sector, promoting new and energy-efficient technologies, raising social awareness in the area of energy efficiency, and taking actions fostering development of the energy market.
Mazowiecka Spółka Gazownictwa	The Province of Warsaw's Company of the Year 2009 – 2nd position in the power and electrical engineering category	Competition Jury and Organiser of the Province of Warsaw's Company of the Year competition	The award is presented to companies which strive to provide top-level services and demonstrate a professional approach to customers.
Pomorska Spółka Gazownictwa	The Marshall of the Province of Gdańsk's Award in the 12th edition of the Province of Gdańsk's Quality Award Competition	The Province of Gdańsk Council of the Polish Federation of Engineering Associations – NOT of Gdańsk	The award is presented for accomplishments in the area of promoting ethics, fair dealings and modern management concepts, as well as for commitment and contribution to the development of Pomerania as a region.
Wielkopolska Spółka Gazownictwa	2009 Quality of the Year	Polskie Centrum Badań i Certyfikacji SA (Polish Centre for Testing and Certification), <i>Biznes Raport</i>	Recognition was awarded for high quality of comprehensive gaseous fuels distribution services.

Exploration and Production

Geofizyka Kraków	2008 Business Gazelle	<i>Puls Biznesu</i> daily, Coface Poland	The award is granted to companies showing the largest sales revenue growth and excellent financial performance and which, over the last 3 years, have not recorded a loss, enjoy unblemished reputation and demonstrate fairness towards their partners, employees and the Polish State Treasury. Geofizyka Kraków has ranked among "Business Gazelles" since 2006.
Geofizyka Toruń	Gazeta Prawna's 2010 ranking of responsible companies	Responsible Business Forum, PricewaterhouseCoopers	8th position in the fuel and energy industry, top ranking among companies of the PGNiG Group.
Poszukiwania Naftowe "Diament"	"Business Leader in the Zielona Góra / Gorzów Wielkopolski Province" – Best Company of the Zielona Góra / Gorzów Wielkopolski Province in large companies category	Western Chamber of Industry and Commerce, Marshal of the Zielona Góra / Gorzów Wielkopolski Province	Poszukiwania Naftowe "Diament" sp. z o.o. is a company which cares for the natural environment, ensures a friendly workplace and invests in new technologies.
PNiG Jasło	Business Gazelle	<i>Puls Biznesu</i> daily	The award is granted to companies showing the largest sales revenue growth and excellent financial performance and which, over the last 3 years, have not recorded a loss, enjoy unblemished reputation and demonstrate fairness towards their partners, employees and the Polish State Treasury.
PNiG Jasło	Province of Rzeszów Leader	Chamber of Industry and Commerce in Rzeszów	The purpose of the award is to grant certificates to large and medium-sized companies from the Province of Rzeszów and award the title of the "Province of Rzeszów Leader" to the best among them.
PNiG Jasło	2010 Forbes' Diamond	<i>Forbes</i> , Dun&Bradstreet	2nd among the largest companies (over PLN 250m in revenue) of the Province of Rzeszów. The Forbes' Diamonds is a ranking of Polish companies whose value grows at the fastest pace. The ranking is published based on a Swiss business valuation methodology, which takes into account both financial performance and value of the companies' assets, enables corporate potential measurement considering the value of capital expenditure and potential for sales revenue and profit growth.
PNiG Kraków	Forbes' Diamonds	<i>Forbes</i>	Recognition in the Forbes' Diamonds ranking in a category where the competitors are companies from the Province of Kraków with revenue in excess of PLN 250m.
PNiG Nafta	Platinum Media Leaf	The Warsaw-Katowice-Kraków Press, Radio and Television Study and Programming Centre, patronage by the Rzeczpospolita daily	The Platinum Media Leaf was awarded for excellent results of oil and gas exploration, as well as for introduction and use of state-of-the-art drilling methods and technologies, and excellent relations with local communities, both in Poland and abroad.
PNiG Nafta	Forbes' Diamonds	<i>Forbes</i>	The company was listed in the Forbes' Diamonds ranking in recognition of its excellent performance and resistance to economic turmoil. The basis for the evaluation was a positive credibility ranking from the years 2005-2008, (profitability based on EBIT and ROA, high current ratio and no outstanding payments), net profit and value of equity. In a ranking of companies with revenue in excess of PLN 250m, PNiG Nafta of Piła came 2nd among companies from the Province of Poznań, and 15th in the nationwide ranking.
PNiG Nafta	Business Gazelle	<i>Puls Biznesu</i> daily	PNiG Nafta of Piła is one of Poland's fastest growing companies. This is the company's fourth Business Gazelle title in a row (2006-2009).

PNiG Nafta	The Stanisław Staszic Award	Chamber of Commerce of Northern Greater Poland	The company was the award winner in the Stanisław Staszic Competition, in the most recognised corporate brand of Northern Greater Poland category. The jury considered PNiG Nafta as a brand which is associated with reliability, top service quality and activities that benefit the society, and as a company which is recognised not only in Poland, but also worldwide, thus being an economic ambassador of its city and region.
ZUN Naftomet	Business Gazelle	<i>Puls Biznesu</i> daily	The company was recognised as one of the fastest growing companies in the 10th edition of the competition.

Other

BSiPG GAZOPROJEKT	Lower Silesia Business Certificate	The "Krzyżowa" Foundation for Mutual Understanding in Europe and the Board of the Province of Wrocław	The purpose of the programme is to award those companies from Lower Silesia which meet ethics and fair competition requirements and boast sound financial performance and stable employment.
BSiPG GAZOPROJEKT	2009 Business Gazelle	<i>Puls Biznesu</i> daily	The ranking is a list of most robust and credible small and medium-sized companies in Poland. To receive the distinction in 2009, the companies had to post profits and demonstrate continuous sales growth in the years 2006-2008.
BSiPG GAZOPROJEKT	White List – Bronze Certificate for reliability and credibility	Wrocław Chamber of Commerce	Meeting the competition criteria (accurate and timely social security and tax payments)
BSiPG GAZOPROJEKT	Best Polish Engineering Design Company in 1990-2010	Chamber of Engineering Design	The purpose of the competition was to award and promote engineering design companies which represented top performance in engineering design and are benchmark examples of engineering design work. Award criteria: achievements and reputation (credentials, recommendations and awards), corporate organisation and management systems, accomplishments in HR policy, active presence in professional and commercial organisations, scope and quality of insurance covers used by the company, and financial performance.
BSiPG GAZOPROJEKT	2010 Best Engineering Design	Chamber of Engineering Design	Two designs were awarded in the competition: "Upgrade of the GT10B+50P4 Compressor at the Hołowczyce Gas Compressor Station" and "Education, Tourism and Sports Centre, along with a Youth Hostel in Krośnice". The criteria were innovativeness, originality and optimised design solutions.
INVESTGAS	2009 European Crown	Jury of the Media Programme "Poland in Europe – Europe in Poland"	Award for consistently pursued strategy of enhancing Poland's energy security through the construction of underground gas storage facilities, in combination with care for the environment and excellent relations with the local government.
INVESTGAS	2009 Media Oscar for the President of Investgas SA's Management Board	The Warsaw-Katowice-Kraków Press, Radio and Television Study and Programming Centre	Award for consistently pursued strategy of enhancing Poland's energy security through the construction of underground gas storage facilities, in combination with care for the environment and excellent relations with the local government. For managing a company having strategic importance for the state's energy security and for cooperation with the media.

Natural Environment has one strategic objective assigned in the Group's Sustainable Development and Responsible Business Strategy. The objective is to conduct business in a responsible way while caring for the natural environment. Seven goals and 21 measures are provided for under the strategic objective. Some will continue to be implemented in the years to come. This section discusses what we have managed to achieve in the Natural Environment dimension thus far.

Natural Environment

Acting responsibly and respecting the natural environment

7.1 Challenges and Opportunities

Our business inextricably involves interference with the natural resources and individual components of the environment. This is particularly true about the Exploration and Production segment, and it is our responsibility to minimise impacts of its operations on the natural environment, rationally manage resources and waste, and, if necessary, compensate for the effects of our interference with the natural environment.

On the other hand, when compared with other fossil fuels, natural gas, which is our main commodity, produces markedly less emissions into the atmosphere. Therefore, in the present days, when counteracting climate change is high on the agenda, it is essential to promote a broader use of natural gas, both for applications which have been known for years (such as gas cookers or heating residential), or through products that we can offer by developing our new business segment – Power Generation. Power plants fuelled by gas instead of the traditional coal, co-generation, renewable energy sources and the utilisation of biomass will all have a beneficial effect on the level of

Katarzyna Chołast Specialist, PGNiG's Odolanów Branch

The Odolanów Branch is the only producer of helium in the European Union. The helium produced here finds its application in research conducted by leading European centres, such as the European Organisation for Nuclear Research (CERN). State-of-the-art technologies we employ are also there to benefit the natural environment. Our process of natural gas denitrification employs the recently installed turboexpanders, in which the energy from the pressure of gas extracted from rock mass is converted into electric power. This way we reduce the consumption of energy generated using conventional methods.



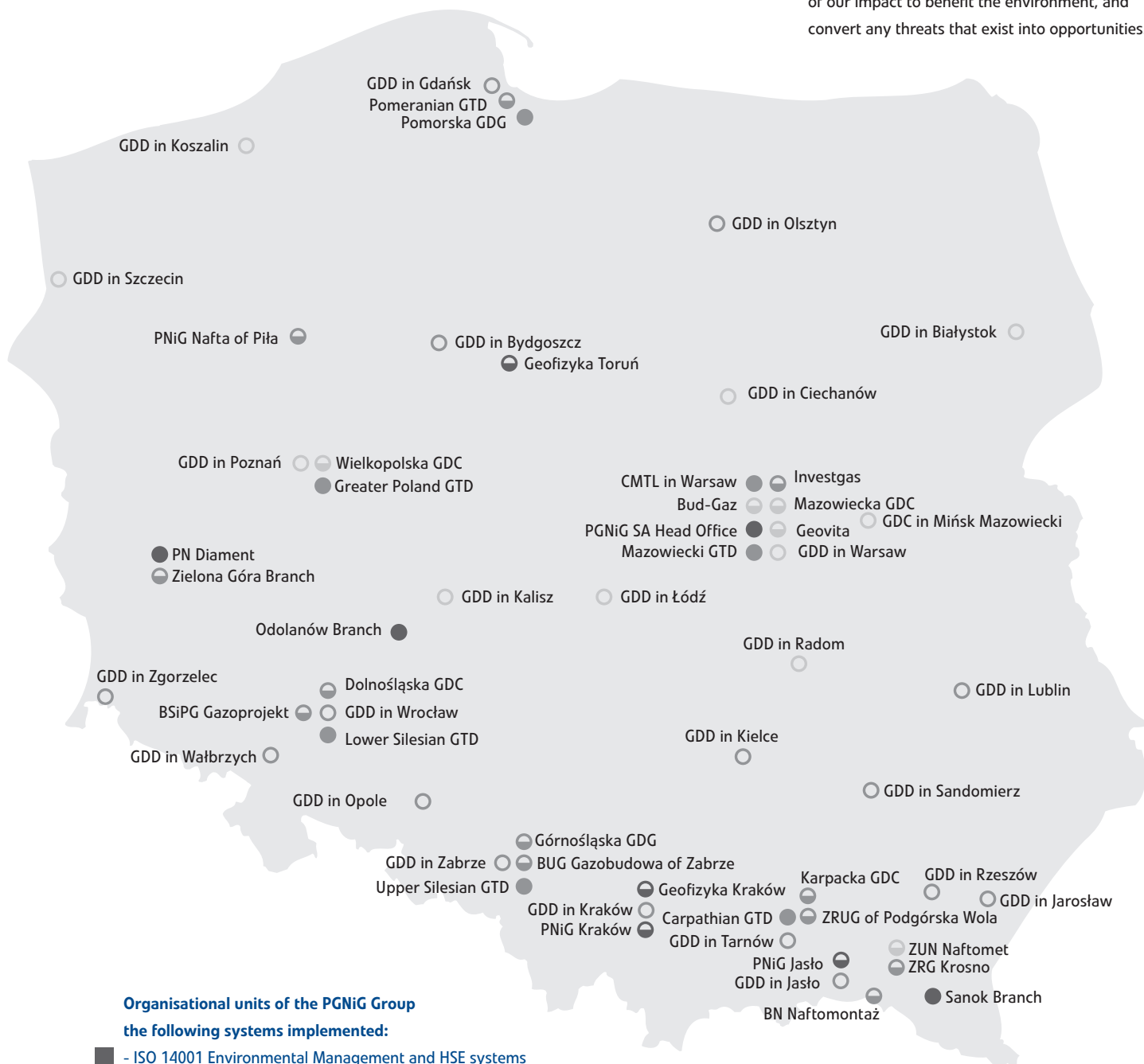
atmospheric emissions. A similar environmental and economic purpose is served by the promotion of CNG fuelled vehicles, from passenger cars to buses and delivery trucks. This is one of PGNiG's corporate social responsibility priorities. For more details on the educational and promotional campaigns concerning the use of natural gas, see *Local Communities*.

Aware of the contemporary challenges of environmental protection, notably relating to climate change, depletion of natural resources, or excessive pollution of the various individual components of the natural environment (air, water, soil), we are continuously striving to minimise our impact on the environment across all the elements of our corporate value chain (exploration, production, storage, distribution, trade and power generation) while concurrently promoting both innovative and environmentally friendly solutions and technologies.

Irrespective of their individual business characteristics, all entities of the PGNiG Group, whether operating in Poland or elsewhere, have always put special emphasis on environmental protection, mitigation of adverse environmental impacts, and environment-friendly projects. This has found reflection in the goals and measures identified in the Sustainable Development and Responsible Business Strategy. Care for the natural environment is among the six primary objectives of our Strategy.

PGNiG believes that the key challenge is to conduct our business so that we use the broad range of our impact to benefit the environment, and convert any threats that exist into opportunities.

Environmental Management Systems at the PGNiG Group



Organisational units of the PGNiG Group the following systems implemented:

- - ISO 14001 Environmental Management and HSE systems
- - ISO 14001 Environmental Management system
- - other entities
- - Head Office and Branches of PGNiG SA, including Gas Trading Divisions (GTD)
- - Companies of the PGNiG Group, including Gas Distribution Companies (GDC)
- - Gas Distribution Divisions (GDD) of the Gas Distribution Companies (GDC)

Environmental Management System certificates held by the PGNiG Group's entities

PGNiG organisational unit	Date of implementation/ certification	Date of certification renewal
Head Office	July 2009	
Odolanów Branch	May 2003	December 2009
Sanok Branch	May 2004	February 2008
Zielona Góra Branch	April 2002	June 2005 April 2008
Dolnośląska Spółka Gazownictwa	May 2005	July 2008
Górnośląska Spółka Gazownictwa	October 2004	November 2007
Pomorska Spółka Gazownictwa SA	December 2005	
Karpacka Spółka Gazownictwa	September 2009	
Mazowiecka Spółka Gazownictwa SA	implementation in progress	
Wielkopolska Spółka Gazownictwa SA	implementation in progress	
Geofizyka Kraków*	November 2001	May 2005 May 2008
Geofizyka Toruń*	January 2004	January 2008
Poszukiwania Nafty i Gazu Kraków	November 2009	
Poszukiwania Nafty i Gazu Jasło*	November 2001	October 2007 October 2009
Poszukiwania Nafty i Gazu Piła	June 2000	December 2006 December 2009
Poszukiwania Naftowe Diament	November 2005	February 2007 January 2010
ZRG Krosno	November 2005	December 2008
BUG Gazobudowa Zabrze	September 2001	December 2007
BN Naftomontaż	December 2004	December 2007
ZRUG in Podgórska Wola	May 2006	March 2009
GAZOPROJEKT	December 1999	December 2008
INVESTGAS	December 2005	December 2007

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

7.2 People and Systems

It takes vast knowledge and experience to meet environmental protection requirements, in particular because of the evolving environmental protection laws, but also the growing importance of environmental protection. But, the PGNiG Group boasts excellent staff, who have the relevant education and many years of experience in the field.

In 2009, specialist environmental protection training covered over **1,511 persons**, and the total cost of the training and degree schemes in environmental protection amounted to nearly **PLN 220 thousand**.

Environmental Management Systems

Over 70% of the PGNiG Group's subsidiaries and branches have environmental management systems in place based on the PN-EN ISO 14001 standard, often integrated with other systems, such as quality assurance, occupational health and safety, and information protection systems. The systems, used by the companies for a few years already, position PGNiG among robust and environmentally credible companies on the Polish market, but also internationally, in Denmark, Norway, Pakistan or Egypt.

The use of the environmental management systems enables us to meet the requirements stipulated in relevant laws and regulations, but also to better respond to the needs of our customers and communities in which we are present, thus building trust in PGNiG.

Efficient environmental management systems may also reduce the operating costs through more efficient use and optimised selection of materials (raw and recycled materials) and products, improved infrastructure utilisation, reduction in the volumes of emitted pollutants and generated waste, as well as in the cost of their disposal, and finally through lower demand for energy and water, which also reduces their consumption cost. EMSs also translate into enhanced occupational safety and greater awareness of the employees' role in reducing the Company's impact on the natural environment.

In 2009, most of our companies which were required to renew the certification fulfilled the relevant requirements and obtained the renewals.

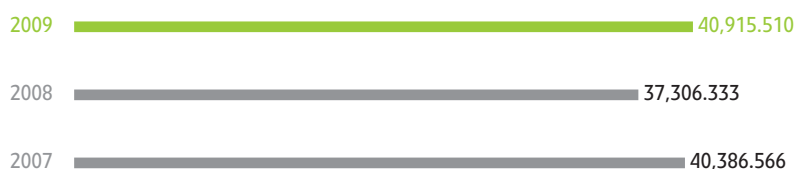
In 2009, the certificates were awarded to **Karpacka Spółka Gazownictwa, Poszukiwania Nafty i Gazu Kraków** and the **PGNiG Head Office**.

We comply with environmental protection laws and have a clean environmental record.

All organisational units making up the PGNiG Group hold the relevant permits and approvals to use the environment. They are being renewed or replaced with new ones as soon as material changes in the subsidiaries' or branches' operations are introduced, or if such renewal or replacement are required under any amended laws and regulations.

In 2009, despite numerous inspections carried out by regional inspectors for environmental protection and district mining authorities, no environmental fines were imposed on PGNiG subsidiaries.

Methane emission volumes generated by the PGNiG Group's operations in 2007-2009 (in Mg)



7.3 Greenhouse Gas Emissions

We counteract climate change by controlling the emission of greenhouse gases.

Our Group strives to reduce the emission of greenhouse gases and other gas and dust emissions into the air by using gas as a low-emission fuel, by monitoring the consumption of fuels, by reducing energy consumption and by upgrading or replacing the sources of heat used internally.

The PGNiG subsidiaries emit dust and gas pollutants generated by fuel combustion in internal combustion engines (cars and machines), by sources of heat, crude oil and natural gas mining processes, and in the course of auxiliary processes (painting, welding, wood processing, etc.). Pollution emissions into the air are both controlled (through point and fixed emitters) and diffuse (e.g. in the painting process).

The effective laws on control and reduction of greenhouse gas emissions necessitate introduction of CO₂ emission monitoring and reporting by those PGNiG subsidiaries and branches which are covered by the European Union Emission Trading Scheme (EU ETS).

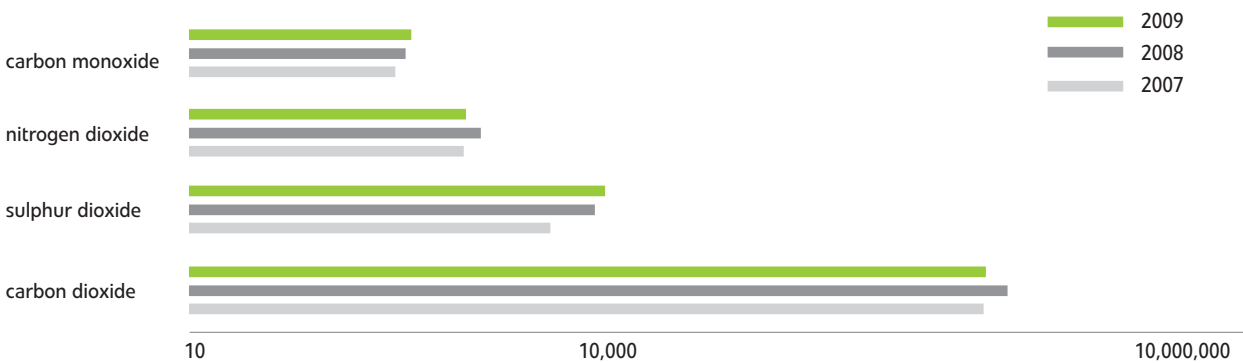
The PGNiG Group's subsidiaries and branches implemented internal and external systems for gas quality control as part of their effort to reduce greenhouse gas emission volumes, but also use their ISO 17025-compliant laboratories to conduct measurements and comparative analysis, control and validate correct operation of process chromatographs, use internal spreadsheets for CO₂ emission volume calculation, and upgrade gas consumption metering systems. With respect to methane emissions by the mining sector, uniform emission indicators have been developed, and work is underway in the gas sector to arrive at a single methodology for gas emission settlement to be employed by all gas companies.

In 2009, emissions of primary gas pollutants, such as carbon dioxide, methane, sulphur dioxide, nitrogen oxides (in NO₂ equivalents) and carbon monoxide, which are generated chiefly by the combustion of fuels by sources of heat and energy for process needs, remained at a steady level relative to the previous years' volumes. 2009 saw a minor growth in methane emission compared with 2008, but the emission level is still within the limits of previous years' emissions.

Carbon dioxide emission volumes from the PGNiG Group's installations covered by EU ETS, summary for 2009 (in Mg)

Installation	National Emission Allocation Plan Number	Emissions allocated	2009 emission	Available
Mogilno Underground Gas Storage Cavern Facility	PL-898-08	26,642.00	8,521.40	18,120.60
PGNiG SA Odolanów Branch	PL-562-05	11,181.00	11,872.97	-691.97
PGNiG SA Odolanów Branch	PL-950-08	30,495.00	27,392.06	3,103.00
PGNiG SA Zielona Góra Branch,	PL-563-05	31,664.00	28,573.00	3,091.00
Dębno Oil and Gas Mine		99,982.00	76,360.00	23,622.00

Air emissions by type of pollutant (in '000 tonnes)



7.4 Water Consumption, Sewage and Waste

We optimise water consumption and waste generation.

Shortage of water and deteriorating quality of water from domestic sources represent an important problem for the PGNiG Group from the viewpoint of quality, economic and environmental protection processes.

Companies of the PGNiG Group source water from their own intake points, or from the water supply network, and use it for workplace needs and, to a smaller extent, for industrial processes.

Annual fluctuations in the volume of water consumption largely depend on exploration and investment activities currently in progress. In 2009, the consumption of water from the water supply network fell from 511.8 thousand m³ to 467.70 thousand m³, while the intake of water from our own intake points slightly increased.

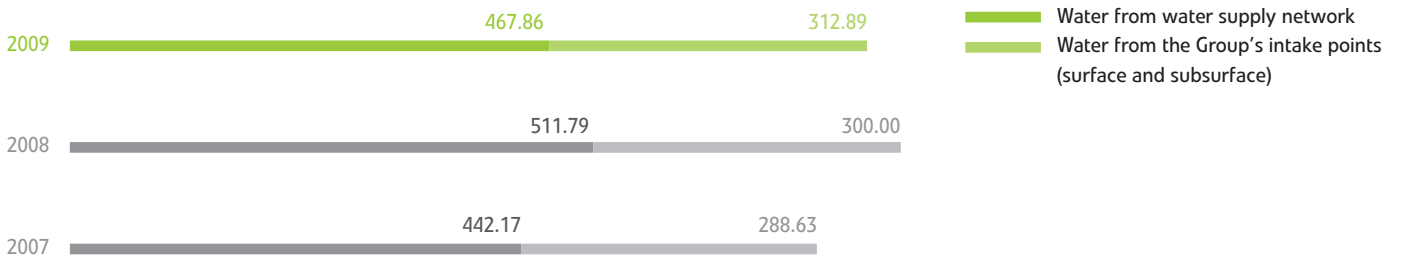
Sewage generated by the PGNiG subsidiaries and branches is discharged to the sewage system

(under contracts with water supply and sewage collection operators), or to surface waters or soil (in compliance with the existing water permits) following their pre-treatment or full treatment at the Group's site sewage treatment plants.

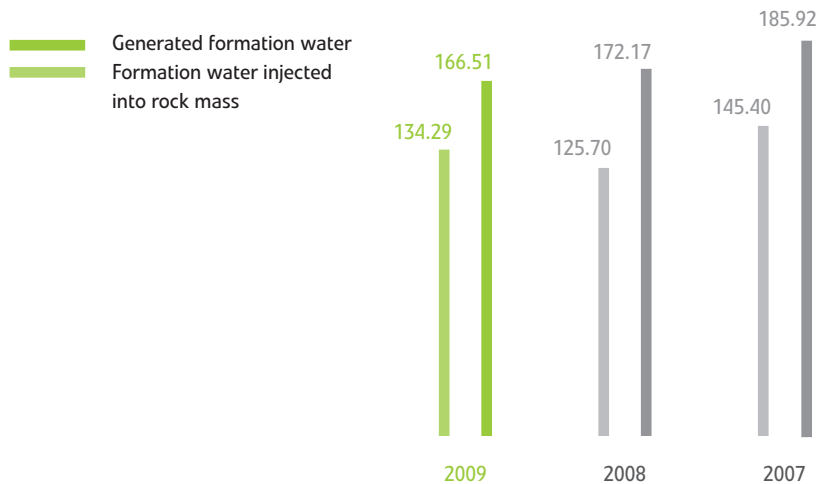
In 2009, the volume of sewage coming from the Group's cesspits and collected by sewage treatment plants decreased, while the volume of sewage discharged to the sewage system increased.

A separate category in the management of water supply and waste across the PGNiG Group is formation water. It is typically injected into the same geological formations from which it was extracted, along with hydrocarbons. Formation water which could not be injected back is classified as waste other than hazardous and neutral, code 010102, and stored in rock mass under the permits for waste storage in rock mass held by the Company, or treated by external operators with relevant licences and experience in the field.

Intake of surface and subsurface water in 2006-2009, by source (in '000 m³)

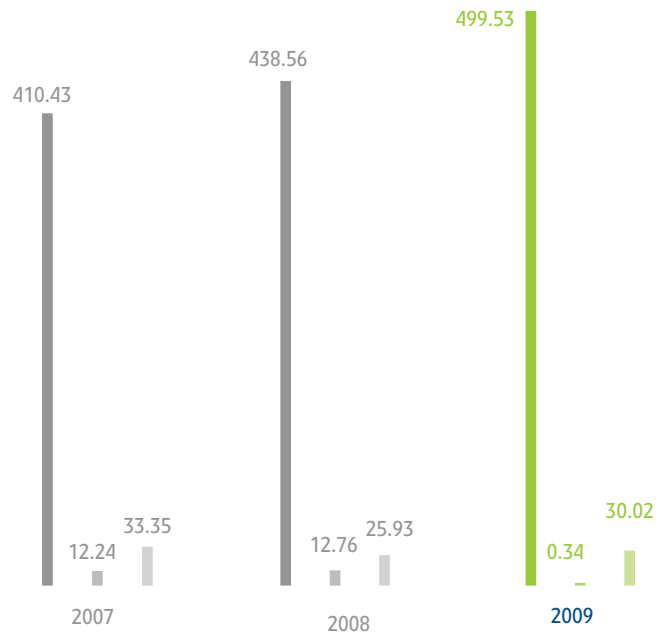


Formation water generated in 2007-2009 (in '000 m³)



Volumes of sewage generated in 2007-2009, by place of discharge

- █ Sewage system discharge
- █ Discharge to sewage treatment plant from Group's cesspits
- █ Discharge to surface water and soil, including from Group's sewage treatment plants



Waste

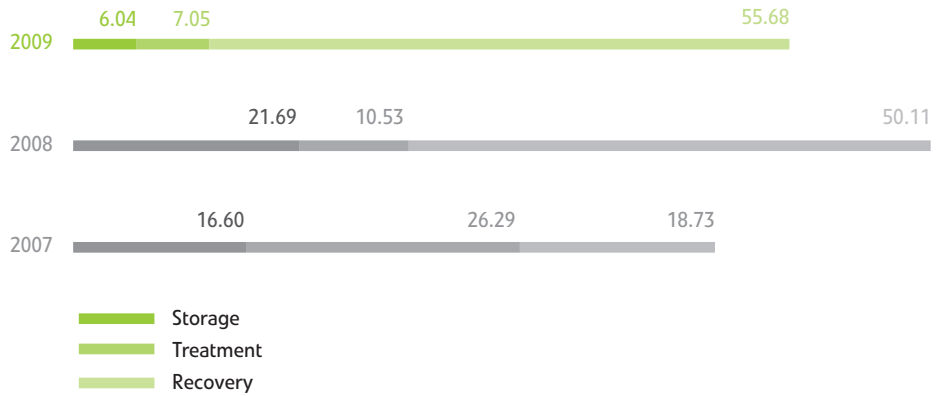
Reasonable Waste Management

84.5 thousand Mg of waste was generated by the PGNiG Group in 2009 (a 19% decline on 2008), excluding municipal waste sent for recovery or treatment, landfill waste or waste stored to be managed in the future.

About 80% of the waste is drilling waste.

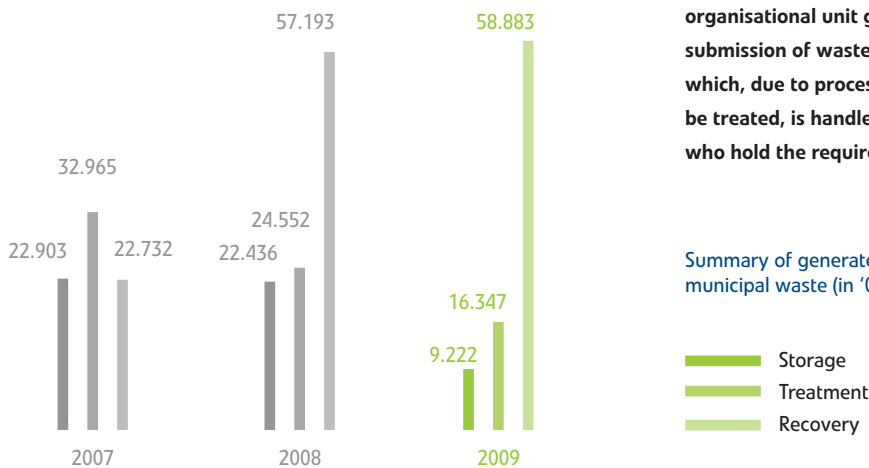
It consists of drillings generated during oil or gas well drilling, and drilling mud (mixture of clay minerals, chemicals and water enabling drillings to be extracted to the surface). The PGNiG Group's subsidiaries and branches have, for a number of years now, been gradually reducing the quantities and noxiousness of the generated waste. A significant proportion of the waste is managed. Drillings are separated from drilling mud on vibration screens or with the use of other devices.

Drilling waste generated in 2007-2009 (in '000 Mg)



In order to address the challenges of waste management, the PGNiG Group has set the objectives and commitments which lead to reduction or reuse of the waste. Waste management programmes in place at each PGNiG's organisational unit give preference to the submission of waste for recovery. The waste which, due to process considerations, needs to be treated, is handled by specialist providers who hold the required treatment licences.

Summary of generated waste, excluding non-segregated municipal waste (in '000 Mg)



Robert Plesiewicz Marketing Specialist at INVESTGAS

INVESTGAS S.A. is involved on the development and modernisation of the gas and power industry, with a particular focus on underground gas storage facilities. Quality, safety and environmental protection are the priorities of our operation. This translates into objectives defined under the Integrated Management Improvement Programme for 2010-2012 and into specific solutions applied in contract performance. Environmental requirements are taken into account already at the stage of project designing. Our contractors are also required to use management systems reducing waste generation.

We analyse and monitor the condition of the environment.

Environmental research is conducted by the PGNiG Group to meet the requirements under the binding laws and regulations. It is also a valuable source of information, as the environmental research enables our branches and companies to acquire data and information used to develop documents, statements and report, as well as to plan environmental activities.

The analysis and monitoring of the environment also allows us to determine its condition before, during, and after execution of particular projects. The research covers e.g. emissions of pollutants into the air, the condition of surface and subsurface waters, the quality of sewage, soil and land, noise levels, or impact of electromagnetic fields. We also monitor the presence of leaks in our underground gas storage facilities and contents of dangerous substances in waste, and sometimes in formation water. Therefore, we are prepared to monitor the condition of the environment on an ongoing basis, and are also able to identify any previously occurring threats.

7.5 Other Environment-Friendly Initiatives and Projects

On account of the quantities of dangerous substances collected onsite (natural gas, crude oil, LPG, propane and butane mix), eleven organisational units of PGNiG are subject to requirements governing serious industrial failures, of which nine are classified as High-Risk Plants (the Odolanów Branch, the Zielona Góra Branch – the Dębno Oil and Gas Mine, the Wierzchowice Underground Gas Storage Facility, the Grodzisk Denitrating Plant, The Sanok Branch – The Strachocina Underground Gas Storage Facility, the Swarzędz Underground Gas Storage Facility, the Husów Underground Gas Storage Facility, the Brzeźnica Underground Gas Storage Facility and the Mogilno Underground Gas Storage Cavern Facility – Investgas S.A.), while two are classified as Increased-Risk Plants (Mazowiecka Spółka Gazownictwa – Gas Distribution Company Gazownia Białostocka, Gas Distribution Region of Elk, the Zielona Góra Branch – the Zielin Oil and Gas Mine).

In 2009, no serious industrial failures occurred at any of the locations referred to above. Similarly, no environmental events occurred which would have any impact on the condition of the environment, or human health.

Other entities of the PGNiG Group do not collect such quantities of dangerous substances as to be classified as increased risk plants.



We reclaim brownfields.

It follows from the pursuit of environmental objectives adopted by the PGNiG Group's subsidiaries and branches, which have been remedying the effects of past operations for a few years already, including operations of PGNiG's legal predecessors, such as e.g. municipal gas works.

In 2009, the clean-up activities covered degraded soil at mining sites, oil terminal and storage depots, post-drilling areas, soil at decommissioned and workover well sites, and conventional gas work sites. In 2009, land rehabilitation commenced on the real properties which are non-production assets administered by the PGNiG Head Office, such as Wałbrzych, Wrocław, Jugowice, Świdnica, Łądek Zdrój and Ziębice. In the same year, production branches conducted reclamation activities in the operational area of the Zielona Góra Branch involving biological remediation of soil contaminated with oil derivatives on the Mozów, Jarszewo and Wałowice oil terminal sites and the Kije Oil Mine; we also carried out water and soil condition research with a view to conducting remediation projects. Wielkopolska Spółka Gazownictwa decommissioned its tar tanks on real property in Kalisz, whereas Pomorska Spółka Gazownictwa remediated surface water on real properties in Sopot and Kowalewo Pomorskie. Exploration companies conducted rehabilitation work around exploration workover wells (30 wells in total).

In 2009, our companies involved in the construction of gas pipelines carried out reclamation activities on the pipeline construction sites.

We gradually remedy adverse effects of past hydrocarbon mining operations.

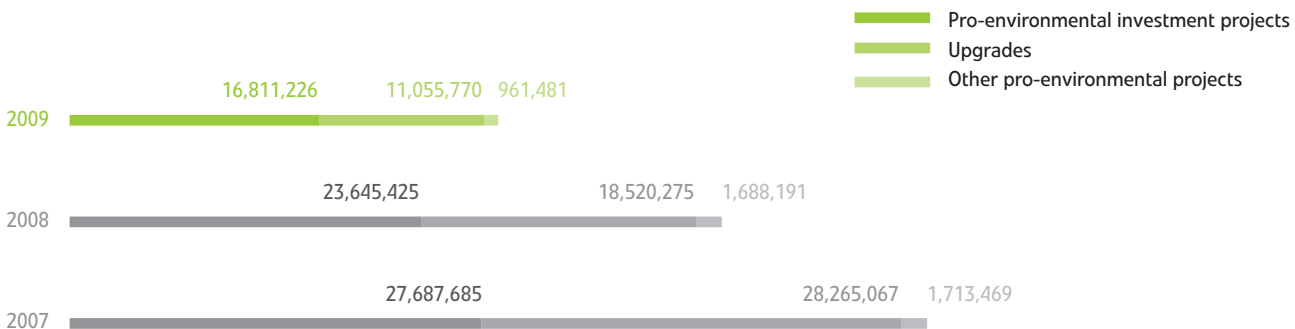
In order to mitigate the adverse effect of past operations, PGNiG SA decommissions oil mining facilities whose operation was discontinued many years ago, such as shafts, diggings and drilling pits. Decommissioning work is very expensive and requires the use of specialist equipment and effective technologies. Petroleum has been drawn from seepages in the Carpathians from time immemorial. Demand for crude oil led in the 19th century to the development of digging shafts (diggings). Negative or worked-out diggings were abandoned or decommissioned in a wrong way. Currently, such diggings are found all over the Carpathians, and they pose a threat – not only to the environment, but also to humans and animals. **Within the PGNiG mining areas they are gradually decommissioned, although the we have not contributed have to their creation or been their owner.**

Pro-environmental Projects

The PGNiG Group conducts a number of pro-environmental projects. This is actually one of the directions of our business development – construction and opening of new CNG filling stations, but also other projects, which are less spectacular but equally important for the environment.

One the one hand they are connected with the daily operations of the Group companies and relate for instance to buying natural gas fuelled vehicles, installation of sun collectors or building insulation. On the other hand, our care for the environment is manifest in the projects executed by the Exploration and Production segment, such as the purchase of power generators to work at oil rig installations, redesign of installations used for desulphurisation of natural gas and crude oil and for waste injection at petroleum production sites, upgrade of formation water installations and borehole installations and their job changeover to enable injection of formation water into native rock mass. Another group of projects consists of upgrades of gas-fired boiler houses and cogeneration systems with a view to limiting emissions from energy-generation sources or replacement of cast-iron gas pipelines with PE ones. Our overhaul projects include primarily tank protection systems, tank embankments and bottom sealing, overhauls of gas-fired boilers, measurement apparatus and irrigation systems. **A significant drop in capital expenditures on environmental protection results from the progression of our environment-related efforts, and specifically the previous years' completion of the most expensive projects (e.g. replacement of cast-iron pipes with PE ones).**

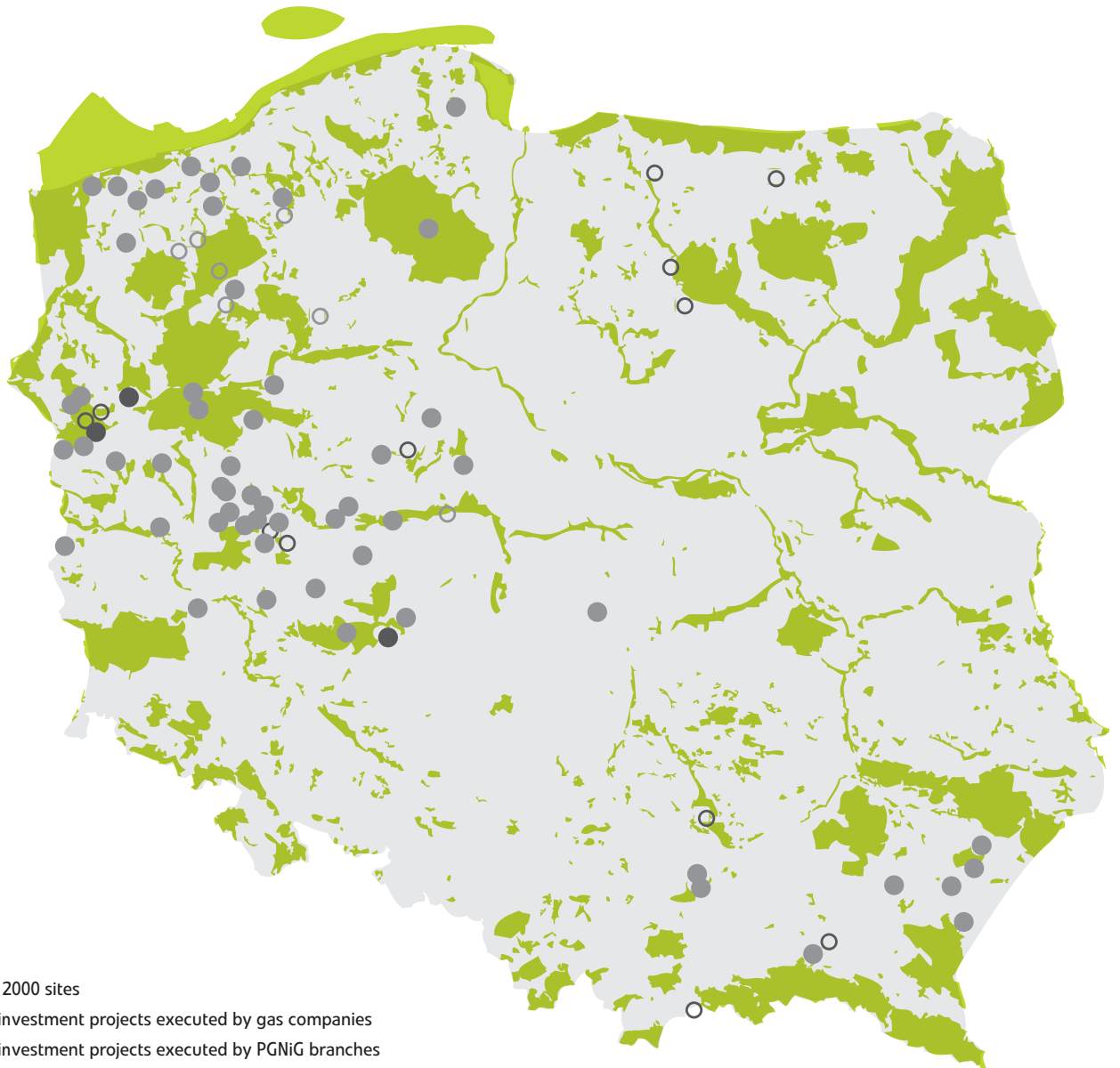
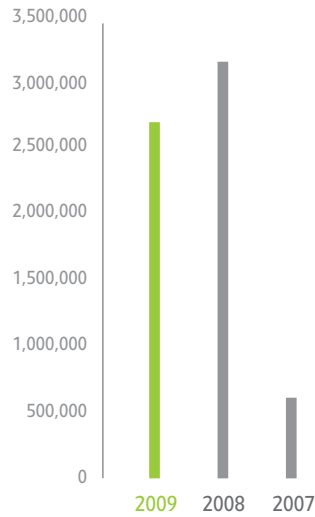
Expenditures on environmental investment and upgrade projects in 2007 – 2009 (PLN)



We incorporate into the investment process technologies and processes which protect the environment.

Environmental considerations are becoming increasingly more important as a factor in selection of sites and technology as well as in the analysis of future costs of operations. In our opinion, development of a set of uniform guidelines for project planning and execution is one of the major achievements of PGNiG. Selection of green technologies is part of our strategy.

Cost of pro-environmental overhaul work in 2007-2009



- Natura 2000 sites
- Linear investment projects executed by gas companies
- Linear investment projects executed by PGNiG branches
- Single-location investment projects executed by gas companies
- Single-location investment projects executed by PGNiG branches

When considering a site for a project, we analyse whether there are any protected areas, Natura 2000 sites or other areas important from the perspective of nature conservation, which on the one hand require special procedures during project execution or taking compensatory measures, and on the other hand restrain the planned activities. When undertaking projects which require an environmental impact assessment, the PGNiG Group companies comply with all procedures and prepare environmental impact reports.

Thanks to modern technological solutions we can limit the impact on flora and fauna by reducing the area subject to tree felling, securing the root systems during earthwork, limiting vibrations, noise and emissions of pollutants, especially during the mating and breeding seasons for animals.

In 2009, the PGNiG Group's subsidiaries and branches implemented 45 projects in 71 Natura 2000 sites. Their execution was possible owing to our experienced staff and high management standards in the area of environmental management.

PGNiG also participates in initiatives which promote the concept of sustainable development in the energy and fuels sector. For example, PGNiG is an active member and strategic partner of the Responsible Business Forum. The mission of the Forum is to promote the concept of responsible business as the effective standard in Poland in order to enhance competitiveness of enterprises, satisfaction of the society, and condition of the environment. PGNiG's representatives also sit on the Public Council of the National Emission Reduction Plan.

7.6 Plans for the Future

Most importantly, we will continue to pursue the Group's Sustainable Development and Responsible Business Strategy through the following:

- implementation of environmental management systems at other subsidiaries and branches of the PGNiG Group;
- simultaneous incorporation of certain components of the implemented and/or upgraded Environmental Management Systems into the HSE systems, that is international management standards which are currently indispensable for companies which operate on foreign markets, and increasingly more often preferred by foreign partners present on the Polish market;
- the approved rules for the preparation, planning and execution of investment and overhaul projects at PGNiG branches incorporate environmental protection aspects. Many of the remaining subsidiaries and branches of the PGNiG Group already have solutions in place which meet at least pro-environmental best practices requirements and, where necessary, the Best Available Technology requirements;
- refinement and unification of the environmental impact assessment methods we use to assess the impact of our sites and installations on the environment at each lifecycle stage (design and construction, operation, decommissioning);
- we have developed uniform reporting methods for all the Group's subsidiaries and branches with respect to information on the condition of the environment and the impact of the Group's operations. Objective and comparable data we collect in the process allow us to prepare reports based on a single set of internal standards used by all subsidiaries and branches;

- promotion of natural gas as an environment-friendly fuel. As the primary Polish manufacturer and provider of natural gas, we feel responsible for reducing harmful emissions into the atmosphere by promoting a broad application of this most environment-friendly conventional fuel. We also plan to continue the expansion of our CNG fuelling station network and co-generate energy and heat from gaseous fuels. A "PGNiG Group Operational Strategy for the Development of the Market for CNG as a Vehicle Fuel" was developed for the Group;
- continued efforts to raise the environmental awareness of our employees through periodic training, information campaigns, promotion of pro-environmental attitudes and solutions for the workplace.
-

7.7 Best Practices

PGNiG: gas-fired co-generation plant by PGNiG and Tauron Polska Energia SA

Poland's largest gas-fired co-generation plant will be launched in Stalowa Wola in the second half of 2014. Hot water from the plant will be used for municipal needs of the towns of Stalowa Wola and Nisko, whereas process steam will be utilised by the nearby industrial sites. The unit's capacity will increase the total capacity of the plant, which diminished as a result of decommissioning of some coal-fired installations, in effect leading to a nearly threefold reduction in carbon dioxide emissions.

PGNiG's Odolanów Branch: launch and optimisation of turboexpanders generating power in gas decompression process

The first two turboexpanders were installed in the denitrating plant in 2005, with two more added in 2009. Energy coming from decompression of natural gas, supplied at its natural pressure from Polish deposits, is converted in the turboexpanders into power, supplying the plant, and supporting the process heat demand from the gas denitrating plant.

Karpacka Spółka Gazownictwa: cogeneration

There are many cogeneration units and gas turbines within the operational area of Karpacka Spółka Gazownictwa (e.g. in Cmolas, Grabownica near Sanok, Melgiew near Lublin, Przeworsk, Stężycza near Lublin, Tuchów near Tarnów, Zakopane, Zgłobień near Rzeszów, Starachowice and Tarnów), which supports a more efficient utilisation of primary fuels and reduces energy transmission losses by as much as up to 6%.

Wielkopolska Spółka Gazownictwa: application of new technologies in the construction of the Trzemeszno-Witkowo pipeline

Horizontal directional drilling was used at two locations in the construction of the pipeline: under Lake Bystrzyce (289 m), and under forest land (446 m), preventing tree felling and re-routing of the pipeline. The method has been successfully applied by gas companies for many years as it reduces the environmental impact of their operations.

Poszukiwania Nafty i Gazu Nafta Piła: three boreholes on the Sinai Peninsula at the turn in 2010

The drilling area was located on the Red Sea, 100 meters from the shoreline, in the vicinity of a well-known tourist resort Sharm El Sheikh. Vicinity of the sea accommodating a particularly precious coral reserve imposed a requirement of preventing any contamination of seawater with oil products. The drilling rig area was therefore custom prepared and protected against leaks of fluids and oil used in the drilling process. The drilling followed the "dry location" method, with drillings and drilling fluids stored in leak-proof containers and, after pre-filtration and drying, transported to the disposal site. The same process was used for water and waste. Mock alerts were often raised to test the fluid and oil leak emergency procedures. All locations of potential leaks were rigorously monitored. All downtimes were used to deliver theoretical and practical training to our Egyptian staff. PNiG Nafta Piła was the first company in the area to conduct drillings under such stringent requirements. The project is a source of vast experience for us and is bound to bear fruit in the future, because the same methods are commonly used in drilling work in Poland.

Construction of a blast room and a paint spraying and drying booth

The Company completed an investment project at its engineering base, consisting in the construction of a hall housing a state-of-the-art and environmentally friendly blast room and a paint spraying and drying booth by SciTeeX.

Thus far, the cleaning of large-size elements was contracted out, or conducted outdoors, which led to diffuse emissions of dust into the air, and generated a large quantity of waste. In order to streamline and upgrade the process, and improve working conditions, as well as with a view to "regulating the emission of gases and dust into the air" and to "minimise the resultant waste", Nafta took on the investment challenge involving the construction of a hall to accommodate a state-of-the-art blast room and a paint spraying and drying booth. The application of the paint spraying and drying booth will markedly improve process conditions, production efficiency, occupational health and safety, economic and environmental protection factors, and will help optimise the use of space.

INVESTGAS – inclusion of environmental protection considerations into the investment process

Environmental considerations are taken into account the design stage with a view to limiting site area to the necessary minimum and to mitigate the risk of pollutant emissions into the atmosphere. In 2009, the Company applied in particular the following solutions:

- Horizontal directional drilling at the Kosakowo Underground Gas Storage Facility, which markedly reduced the project area;
- Application of nitrogen instead of mineral oil at the Kosakowo Underground Gas Storage Facility to insulate the underground pit ceilings in the leaching process, which will eliminate the risk of environmental pollution by oil derivatives.

The Integrated Management Improvement Plan for 2010-2012 includes:

- Reduction of energy consumption at the INVESTGAZ head office by at least 10% (heating and air conditioning automation);
- Reasonable management requirements imposed on contractors to reduce quantity of waste generated in the investment process.

7.8 Awards and Distinctions

PGNiG SA received the maximum score (100 points) for the environmental responsibility criterion in *Gazeta Prawna's* 2009 ranking of socially responsible companies. In the same ranking for 2010 organised by *Dziennik Gazeta Prawna*, we scored 84 points, following a change of the evaluation criteria. Regardless of the reason, it represents a stimulus for us to review our progress in the area.

For more details on the awards and distinctions for environmental activities of the PGNiG Group's subsidiaries and branches see *Market and Local Communities*.

Local Communities

Dialogue and cooperation with social and business partners

Emilia Tomalska
Spokesperson for
Mazowiecka Spółka Gazownictwa

We feel it is our responsibility to support initiatives aiming to address Poland's most urgent social problems. An example of these efforts is an agreement with the Satoris Foundation of active philanthropy, whereby we cooperate with the Foundation on the project called *Magazyn uliczny WSPAK*, a magazine sold by the socially excluded, the long-term unemployed, the homeless and the disabled. The initiative is designed to help the disadvantaged regain self-esteem and earn money in a respectable way. Persons selling the magazine pay regular visits to PGNiG offices, where they meet with positive response to the project from our employees.



Two strategic objectives set out in the PGNiG Group's Sustainable Development and Corporate Social Responsibility Strategy correspond to the Local Communities dimension:

- Effective, dialogue-based cooperation with social and business partners on an equal-footing basis and;
- Consistent, reliable and effective communications and marketing.

The above objectives have been subdivided into 14 goals and 40 measures. Some of them will be continued in future years. This section contains an overview of what we have managed to accomplish in the area to date.

8.1 Challenges and Opportunities

The tradition of the PGNiG Group's commitment to social responsibility goes back to the times of Ignacy Łukasiewicz, the pioneer of the oil industry in Poland and in the world. Apart from being a successful entrepreneur and innovator, Ignacy Łukasiewicz made it his mission to help others start up business ventures. In 1877, he organised the first petroleum congress and founded the National Petroleum Association in Gorlice. His work was an invaluable source of inspiration to other entrepreneurs. It is safe to say that he was a precursor of corporate social responsibility, founding and building schools, both elementary and vocational schools for oil industry workers. Interestingly enough, on his initiative a lace-making school for girls was also founded. He would support peasant boys who took up university studies and would offer free medical treatment to peasants living in the neighbourhood. He took particular care of his workforce. He set up the so-called fraternal fund in Bóbrka, the first such initiative in the Polish region of Galicia. It was obligatory for workers to participate and pay a contribution equal to 3% of their wages into the fund. In return, they received free medical treatment, sickness allowances, life annuities in case of disability, as well as other allowances and benefits, which were clearly ahead of their time. He was also engaged in charity work, for which Pope Pius IX granted him the title of papal chamberlain.

In addition to offering a glimpse into the history of oil and gas production in Poland, to which PGNiG wants to refer, this introduction sheds light on a set of values that are still alive in the PGNiG Group's everyday activities. The most important of them are responsibility and partnership. These are the values on which we want to base our business and social relations, enhancing the quality of dialogue with the

outside world, so as to better understand the needs and expectations of all our stakeholder groups: local communities, public administration and regulatory bodies, sub-suppliers, etc. We are determined to draw on the wealth of our tradition, while effectively using a broad mix of various communication tools and channels.

We are well aware that natural gas, our core product, a resource of unique importance to our retail and industrial customers alike, ensuring the comfort of everyday life and smooth operation of a number of industries. We perceive it as our mission to ensure secure and reliable supplies of energy, realising our critical role in Poland's energy security. Therefore, extensive disclosure of information on our projects, diversification of supplies and acquisition of new deposits is a priority, especially during crises, which give rise to doubts, concerns and questions about the status or quality of gas supplies. We are eager to base our relations with the media, as the channel through which we are able to reach a wide group of stakeholders, on mutual understanding and trust. A good illustration of our commitment and determination to reach the public with accurate information is the statistics from January 2009 (when the gas crisis was unfolding). In that period (from January 2nd to February 4th 2009), the Press Office prepared 10 press releases and replied to 150 e-mailed questions. In addition, PGNiG representatives appeared in 94 TV and radio programmes. As a result, in just one month a total 339 publications appeared in the press and electronic media, and PGNiG representatives were quoted on more than 300 different occasions in the context of the gas crisis. As a listed company, PGNiG also complies with Best Practices for WSE Listed Companies, striving to adhere to the best corporate governance practices laid down in the document. Our press releases must be consistent with the reports we are required to publish as a listed company. Our Investor Relations team works closely with the Press Office to ensure that any information sought after by the press gets published as soon as possible. If necessary, current reports are released even several times a day.

Building trust on the basis of interaction with the media is just one element of the Group's social outreach strategy. Our close long-term relationships with local communities have given us certainty that we can strive towards excellence only through that interaction. Far from dismissing traditional philanthropy, we are resolved to use other means of cooperation to improve our effectiveness in responding to local communities' real needs. We can see, though, how difficult it is to accommodate the expectations of all local communities, to work out solutions that would satisfy a stakeholder base

as wide and diverse as ours. The tools used in that process are described in section 4.1.

While engaging in CSR and sustainability initiatives, the PGNiG Group is determined to communicate them even more extensively and effectively to the public.

An important element of that communication strategy is the PGNiG Group's CSR Report, first published in 2009. We see reporting not only as an obligation following from our membership in Global Compact or the Responsible Business Forum, but as an important part of cooperation in and coordination of the efforts aimed at implementing the CSR strategy across the Group, to lay the foundations of a uniform Group-wide corporate culture. We also attach great importance to what is, after all, an absolute necessity in reporting, i.e. the involvement of various divisions along the whole length of the value chain. The preparation of a joint CSR Report helps develop commitment to and understanding of CSR activities within our organisation.

The ambition of the PGNiG Group is to give a structural framework to its CSR and sponsoring activities, by developing action plans aligned with its Sustainable Development and Corporate Social Responsibility Strategy, on the basis of which it will build long-term partnership relations with the outside world, conduct effective dialogue with the public administration and regulators, share knowledge, broaden cooperation with research institutes and, finally, tackle socially important issues.

8.2 Investment in Infrastructure, Payment of Compensation

Exploration, drilling, extraction of hydrocarbons and expansion of the gas network all interfere with the environment. On the other hand, our activities deliver a range of benefits to local communities, as we create jobs, invest in infrastructure and accelerate the development of municipalities by getting them connected to the gas network.

It is our standard practice to work with the local community before we launch a project in a given area. Meetings are held to inform local residents of why and how a given project is to be executed (we always try to bring the schedule of work in line with the land owners' needs and expectations) and of the benefits it will deliver to the municipality and its residents (such as a rise in tax revenues). We try to get to know all questions and clear all doubts. Once the required documents and permits are obtained, we offer compensation to the owners of land on which the project is to be carried out. If they accept the offered amount, we pay the compensation, otherwise – we undertake negotiations.

The compensation is usually paid for requisition of land and its exclusion from use, or for temporary requisition of land on which hydrocarbon operations are taking place, or as compensation to land owners for impairment of land under which a pipeline has been laid.

As for municipal projects, it is a standard practice of the PGNiG Group companies which use heavy equipment in their geophysical, drilling or production work to participate in the costs of repairs of municipal or county roads, and to allow the local community to use their wells and local tie-ins to the water supply system after the drilling operations are over. As a consequence, the PGNiG Group contributes to improving the lives of local populations.

Other aspects of investment in the local infrastructure include payment of royalty fees for gas and oil production, which contribute to municipal budgets.

For more details on employment policies and practices applied by the PGNiG Group in Poland and abroad see *Workplace*.

8.3 Initiatives Aimed at Promoting the Petroleum Industry and the Idea of Responsible Business

As the leader of gas production and distribution in Poland, as well as the holding company of several dozen undertakings, a majority of which provide highly specialised services, PGNiG brings together a number of leading experts in their respective fields. Hence, representatives of the PGNiG Group attend virtually every important industry conference, are members of many industry organisations (often sitting on their governing boards) and are involved in many research projects. These are related, for instance, to issuing opinions on new regulations, developing standards and guidelines for the industry, or professional improvement. For instance, President of the PGNiG Management Board Michał Szubski serves as chairman of the Polish Association of Engineers and Technicians of the Oil and Gas Industry (SITPniG), the largest industry organisation in Poland and the successor of the organisations of petroleum technicians that were active in Poland from the mid-19th century, first under partitions and then in the interwar period.

In total, the Group's employees are members of more than 60 local, national and international organisations and associations, both intra- and intersectoral. The scale of their involvement allows us to stay in touch with the themes relevant to the Company and the environment in which it operates, while participating in problem solving and novel initiatives.

In May 2009, the Ignacy Łukasiewicz Oil and Gas Industry Museum in Bóbrka hosted the Fourth National Congress of the Oil and Gas Industry Workers, which marked two anniversaries: the 155th anniversary of the European oil industry, which is considered to have begun with the establishment by Ignacy Łukasiewicz and Tytus Trzeciecki of a crude oil mine in Bóbrka, and the 5th anniversary of the Ignacy Łukasiewicz Oil and Gas Industry Museum Foundation in Bóbrka. The Congress, which was organised by the Board of the Association of Engineers and Technicians of the Oil and Gas Industry, was focused on "Present-Day Challenges and Trends in Petroleum Production, Oil Processing and Gas Distribution in Poland".

The Congress serves as a forum for the industry, as well as members of the European Parliament, representatives of the Ministry of Economy, presidents and directors of institutes and companies active in the Polish oil and gas industry, local authorities and persons whose everyday work is connected with the industry.

It is worth noting that the PGNiG Group companies initiate a number of scientific conferences and symposia, not all of which deal with abstruse, highly specialist subjects.

More and more often, we take an active role in other areas, too. Each year in June, a conference is organised jointly by Karpacka Spółka Gazownictwa and gas distribution company Gazownia Krakowska under the title "Marketing in the Gas Industry". The event brings together specialists in the area, also from outside the PGNiG Group. The focus of this year's conference was sustainable development.

Another initiative dedicated to responsible business was the Responsible Energy conference, organised by PGNiG in June 2009, at which – on the initiative of PGNiG – the first Declaration on Sustainable Development in the Energy Sector in Poland was signed. The first signatories of the Declaration included such high-profile names as EDF Polska, Enea, GAZ-System, GDF SUEZ Energia Polska, PGNiG, Tauron and Vattenfall Poland. In June 2010, three further companies – Fortum Power and Heat Polska, Grupa LOTOS and Polskie Sieci Elektroenergetyczne Operator – signed up to the initiative. A similar declaration to undertake joint initiatives in the spirit of responsible business was signed in October 2009 by Wielkopolska Spółka Gazownictwa and Enea Operator.

In April 2010, Pomorska Spółka Gazownictwa entered into cooperation with the Gdańsk University of Technology to promote the ethical conduct of business. There are also many initiatives whereby we support schools bearing the name of Ignacy Łukasiewicz. The schools, which are located in areas with a long tradition of petroleum production and which cultivate that tradition, promote pro-environmental projects. The jointly implemented projects are also aimed to support education. For more details, see Best Practices.

PGNiG's representatives are also engaged in sustainable development initiatives of the public administration authorities. **On May 8th 2009, the President of the Council of Ministers appointed the members of the Corporate Social Responsibility Team. The task that lies before the Team members consists in creating the best conditions conducive to the development of CSR in Poland and, in particular, in promoting solutions supporting coordination of efforts undertaken by the public administration bodies.**

The proceedings of the Team are pursued through four dedicated working groups

- the CSR promotion group for Poland;
- the CSR education group;
- the sustainable consumption group;
- the responsible investment group.

Katarzyna Wróblewicz, representing Pomorska Spółka Gazownictwa, is a participant of the CSR promotion working group. The group has already drawn up draft recommendations concerning the dissemination of corporate social responsibility business practices as part of Poland's public policies. Since the work is underway on developing growth strategies for Poland, the group first focused on recommendations for the government regarding the elimination of barriers to business in pursuing CSR studies, and the creation of conditions conducive to promoting CSR practices. The recommendations were developed on the basis of the document "The Underlying Principles of the Republic of Poland's Corporate Social Responsibility Policies. Analysis, Diagnosis, Recommendations", prepared by the UNDP as part of the project "Accelerating CSR Practices in the New EU Member States and Candidate Countries as a Vehicle for Harmonization, Competitiveness, and Social Cohesion in the EU" (for more information, visit www.acceleratingcsr.eu). The group relied on the experience of European countries and the recommendations of the United Nations Development Programme. The outcome of **CSR Team's** work will be used by the governments, business and social partners, non-governmental organisations, universities, the media and all organisations, institutions and individuals interested in pursuing CSR practices.

In addition, companies and divisions of the PGNiG Group are engaged in numerous other socially-focused initiatives in cooperation with local partners, also carrying out projects which promote the concept of sustainable development.

For more details, see *Best Practices*.

The grant offered by PGNiG has certainly helped in my studies as I bought my first laptop. By having a computer that I can carry round I can study where I want. I don't have to do it at home – I can study or prepare projects wherever I am. Additionally, I was able to buy several books on chemical engineering and technology which I hope to use for my job in the future

Schools named after Ignacy Łukasiewicz

At the beginning of the 2008/2009 school year, the PGNiG Foundation commenced cooperation with schools named after Ignacy Łukasiewicz. The cooperation involves provision of funds to finance extra classes for children and youth. **We support 20 schools, mainly in southern parts of Poland.** We have received many interesting programmes concerning both educational classes at school (interest development, knowledge consolidation, compensatory classes) and field classes (e.g. trips following Ignacy Łukasiewicz's footsteps).

For instance, primary school pupils in Kryg were able to extend their knowledge of the history and culture of where they and their families live during German and English classes, while learning vocabulary related to historic buildings and monuments, geography and history. Their task was to locate "seven wonders of Kryg". Children made photographs, interviewed local citizens and then prepared reports on their activities in the foreign languages.

Students of the Complex of Schools in Nowa Sarzyna organised a club of young moviemakers.

The young moviemakers used IT programmes purchased with using the subsidies offered by the Foundation. The movies they produced were broadcast by the local cable network and shown on web portals. Furthermore, the students also arranged a studio for the school TV network. In addition, schools often receive donations from the PGNiG Foundation to acquire the necessary school and sports equipment.

In the second semester of the 2008/2009 school year, 1,366 hours of extracurricular classes were held, in which 1,452 students took part, while 1,796 students participated in 1,127 classes in the first semester of the 2009/2010 school year.

8.4 PGNiG SA's Ignacy Łukasiewicz Foundation

PGNiG SA's Ignacy Łukasiewicz Foundation draws on the traditions of Ignacy Łukasiewicz's community involvement. In accordance with the Sustainable Development and Responsible Business Strategy, the Foundation is a key tool in implementing the PGNiG Group's social initiatives. The Foundation works together with PGNiG branches and subsidiaries. We are most concerned to ensure that the initiatives we support are long-term programmes and that they are supported through partnership with patrons other than the PGNiG Foundation; thus, it is important for us to know that these programmes solve real problems and lead to lasting social changes.

The Foundation is particularly involved in supporting science and education – all member undertakings of the PGNiG Group fall back on the findings and insights of the sciences, hence we are so much committed to the promotion of the sciences among children and youth.

In 2009, a scholarship fund was established with a view to supporting the best students of technical universities where oil and gas specialisations are taught. The assistance is meant for top performing students who can share their knowledge with others by participating in student-volunteer programmes, extracurricular apprenticeship schemes or by pursuing initiatives on their own.

Thanks to the grant offered by PGNiG SA's Ignacy Łukasiewicz Foundation I was able to take language courses which helped me improve my English and German. I was also able to expand my knowledge of geophysics and geology by taking part in the Third Geophysics Workshops Geosfera as well as in GAP (Geophysical Activity Programme) workshops which took place in Karlsruhe, Germany. I also took a geology-themed trip to Munich. In addition, I used the funds I received from the Foundation to buy books and computer equipment, which greatly help me study geophysics.

Monika Ujma, Stanisław Staszic AGH University of Science and Technology

Paweł Czajka, Warsaw University of Technology

Supporting volunteer work initiatives adds yet another dimension to our operations. The Foundation is a strategic partner of the "Student Volunteers" Programme run by the Polish-American Freedom Foundation, whose aim consists in equalling educational opportunities of children and youth living in rural and non-urban areas while promoting the concept of voluntary involvement. The youth are presented with positive role models and they are inspired to engage in creative development and pursuit of knowledge. The students are provided with an opportunity to engage in the implementation of various, frequently novel methods of activities and endeavours for the sake of other people. The young invest their time, energy and efforts to show new horizons to the youngest children who have a rough start in life and they simply spend time with them. Community involvement is a great adventure and it can leave a lasting positive mark on students' lives. For students, not only is it an opportunity to find out new things, but it is also a way to find their way in life and affirm the belief that they can overcome any obstacles and make their dreams come true.

The "Student Volunteers" Programme is an example of partnership working – on behalf of the Polish-American Freedom Foundation, it was implemented by the Polish Association of Pedagogues and Youth Animators Klanza (currently the Programme is run by the Foundation for the Development of Volunteerism). The Ministry of National Education exercises honorary patronage over the Programme. The PGNiG foundation is the strategic partner.

In 2009, 178 educational schemes were executed as part of the cooperation with the PGNiG Foundation, in which participated 3,500 pupils from 1,500 schools and 6,000 university students living mostly in the Rzeszów, Warsaw and Olsztyn provinces.

School of Young Mathematicians

The School of Young Mathematicians is a prize for the winners of the Hugon Steinhaus Mathematics Competition in Jasło. In 2010, the winners of the Competition went on a trip to Wrocław as Hugon Steinhaus' life evolved around this city. The young people had an opportunity to learn about the life and work of the mathematician, but they were also able to develop their interest in mathematics and sciences and gained knowledge of how to apply the new abilities to solve real-life problems. The participants met with such people as an academic of the Wrocław University of Technology, who made a brief presentation of the university's history and showed them around a few university facilities, including the Hugon Steinhaus Centre. Young mathematicians also visited the Mikołaj Kopernik Planetarium and Astronomical Observatory in Chorzów and the Gold Mine in Złoty Stok.

PGNiG Basic Vocational School (ZSZ PGNiG) – Kraków

Organising additional classes helped students make up for the lack of maths knowledge, resulting from differing education levels of junior secondary schools, practically consolidate the skills gained in maths classes and stimulate students developing logical thinking skills. We made additional analyses of maths problems and issues which are not discussed because teachers do not have time for that or these issues are excluded from curricula despite being necessary to solve tasks in other technical subjects at school. We aroused students' interest in maths and improved student activity during classes. By participating in the classes students also developed their reading comprehension, memorising, logical thinking and counting skills. In addition, we reviewed the material for the secondary-school leaving examination.

Juliana Golec, teacher

I was taught lessons which I did not understand at school, without having to pay for private lessons that I cannot afford.

Mateusz Pawlak, student

My knowledge of English improved tremendously. Conversations made me feel much more confident and I am not afraid to speak English anymore.

Paweł Potok, student

The trip "Following Ignacy Łukasiewicz's footsteps" gave me more knowledge about the life and work of Ignacy Łukasiewicz and his links with Gorlice where we live. Also, I saw a collection of paraffin lamps in the museums in Bóbrka and Krosno – some of them are real masterpieces. I learned a very interesting history of the town of Krosno and found out about the culture of people who inhabited that area in the past. I also learnt about the crude oil extraction process in the past and how the oil industry evolved and changed its application over the years.

Anna Firlit, student

Chairing a thematic club devoted to the life and work of Ignacy Łukasiewicz encouraged me to find out more about the life and achievements of the patron of our school. As a result, the students were able to grasp that Ignacy Łukasiewicz was not only an eminent inventor but also a social activist and patriot. I wish to emphasise how the youth are interested in the links Ignacy Łukasiewicz had with the Gorlice region and how he shaped the traditions of our school – the traditions which I, as a history teacher and form master, try to inspire in my students.

Anna Belczyk, teacher

By participating in after-school classes and activities conducted by Ms Anna Belczyk I found out more about the patron of our school Ignacy Łukasiewicz. After an educational movie we watched and a class in the museum I discovered that not only was he the inventor of the paraffin lamp and that he was the first one to extract crude oil in areas nearby Gorlice, but I also learnt about many interesting facts about his life which were not known to me. I had known him to be a renowned inventor but I was never interested in what kind of human being he was. Comparing the knowledge about our patron I had a year ago with what I know now, I can say that all these educational efforts were up to their task. I got to know Ignacy Łukasiewicz to be an eminent researcher and also a sensitive man devoted to his country and other people, who by all means deserves to be the patron of our school and a role model for younger generations.

Urszula Wszółek, student

Complex of Schools in Nowa Sarzyna

Chess club

Chess is often referred to as a royal game. And no wonder, because the ability to play chess was a skill highly valued at the European royal courts back in the olden days. This has not changed until today – chess has been one of the most interesting games in the world. I have played chess in our chess club for a year. I attended the first class out of curiosity and I have stayed with the club until today. I expanded the range of my hobbies and I also met many people who like playing chess as much as I do.

Urszula Nowakowska

Running the chess club has been a challenge for me because I have never done anything like that before. I have played chess for many years, but I never taught chess rules or strategies to anyone. Watching students developing their skills, enjoying successes playing chess or simply having a good time has been a great source of pleasure to me as well. By meeting students competing at the chessboard and taking them to chess competitions I was able to get to know them better, see their strengths and weaknesses and, in the end, apply my knowledge in my educational work. Chess is one of my passions, so running the chess club and teaching and playing chess has been a great pleasure to me.

Dorota Osipa, chess club head

Movie club

We regularly make short-movie news reports on our school life. While making these movies I found out many interesting things about the way movies can be produced. I learnt a lot about film editing and I know how to arrange a small studio for news recording. I know how to operate a movie camera and what functions it has; I am also able to record and prepare a news report on important events at our school. By making these movies I learnt about cropping or caption keys. I also found out about the hard work of news reporters covering events at our school. I would also like to add that benefits arising from participation in the movie club are valuable not only to me but also to people living in Nowa Sarzyna who get an insight into the life of our school.

Maciej Rajzer

8.5 Social and Sponsoring Projects

The PGNiG subsidiaries and branches are involved in issues important to local communities, engaging in initiatives and sponsoring projects in the same areas as those undertaken by the PGNiG Foundation. In 2009, the PGNiG Group drew up the Sponsoring Strategy, which was aligned with the Strategy of Sustainable Development and Responsible Business and specified the rules and criteria for selecting the initiatives to be supported.

We operate on the assumption that the PGNiG Group, as a vital element of the Polish economy, should also include social aspects in activities whose direct goal is advertising and promotion. Therefore our sponsoring and marketing projects frequently serve social purposes – we support such areas as education at Polish schools, or sports and culture, and provide assistance to the disabled. Education is of particular importance for both the Group and the Foundation.

Since 2008, the PGNiG Group has been engaged in projects of educational and social nature – arts and science festivals. Each festival lasts several days and features popular science events which are to make even most complex scientific topics easily understandable, often using humour. This makes the festivals popular among children and teenagers as well as adults. In 2009, the Group sponsored the arts and science festivals in Kraków, Bydgoszcz, Gdańsk, Warszawa, Olsztyn, Wrocław and Siedlce. Whenever possible, our representatives participate in shows and lectures, and even organise lectures as part of the art and science festivals at PGNiG own premises.

Another important aspect, actively supported as part of the Group's sponsoring and marketing activities and closely related to our operations, is protection of the environment. We eagerly engage in both local and large-scale projects that may influence social attitudes in this area.

Research conducted in 2009 shows that as much as 87.5% of the subsidiaries, branches and gas distribution companies of the Group declare to include environmental and social elements in their external communications, which, in the opinion of almost 90% of the respondents, is important or very important.

Wojciech Janas
Head of Marketing
Gas distribution company
Gazownia Rzeszowska
Carpathian Gas Trading Division

PGNiG plays an active role in the lives of local communities, and it is hardly surprising that it does. In many regions of Poland we are one of the largest Employers (e.g. the Carpathian Gas Trading Division), and our business activity drives the whole region's economic development. We therefore consider it our duty to foster good relations with the communities where we operate. We do our best to learn and understand their needs and expectations, while clarifying any concerns. We wish to be part of the local communities, which is why we care about our employees, who also belong there.

This is particularly significant in the upstream sector – 100% of the entities in this segment include environmental and social elements in their external communications, considering them to be important (100% – important or very important).

Another group of projects combining the social involvement of PGNiG subsidiaries and branches with their marketing goals is sport sponsoring. This form of cooperation is expected by our stakeholders, therefore many PGNiG entities support local clubs and sport events. For many years the PGNiG Branch in Sanok and the Jasielsk gas distribution company have been involved, for example, in the Gorlice Oil Run, while Karpacka Spółka Gazownictwa has been supporting the Karpaty Courier Race and Run For a Smile race organised by SOS Wioski Dziecięce in Kraśnik. The Gdańsk gas distribution company has been sponsoring



races of dragon boats in Gdańsk. There are many more examples of such activities. Another nationwide project is also worth a mention – in 2009, PGNiG SA continued cooperation with the Polish Rowing Association (PZTW). We hope that this will help to popularise rowing as a sport particularly associated with the beauty of nature, and the tremendous successes of our Olympic champions from Beijing – the crew of four: Marek Kolbowicz, Konrad Wasilewski, Michał Jeliński and Adam Korol.

Since 2008, PGNiG SA has been involved in the “PGNiG Safe by the Water” project, promoting sailing but also safe and environmentally-friendly use of the nature’s charms. Sadly, every year many Poles who take a relaxing time by the sea will never be able to experience holidays again, as shown by the drowning statistics. The objective of the initiative, which in 2010 had its third edition, is to promote healthy lifestyle as well as safe and environmentally-friendly conduct while spending time by the water. The event was held under the honorary patronage of the minister of sport and tourism, it was also supported by the Voluntary Water Rescue Service (WOPR) of Masuria and Sopot. The crew of four Olympic champions from Beijing participated in the event. “We are engaged in this campaign because it promotes safety as well as positive attitudes towards the environment and an active, healthy lifestyle,” said Adam Korol, one of the champions. The “PGNiG Safe by the Water” project involves educational activities as well as unforgettable sport and sailing experiences.

In 2010, a similar initiative, Safe Solina, addressed to families spending time by the water, was organised by the PGNiG Branch of Sanok near the Solina Lake in the Province of Rzeszów. The project involved educational activities promoting pro-ecological attitudes and safety by the water.

A noteworthy example of PGNiG’s commitment to supporting Polish culture is our involvement in Jan Jakub Kolski’s latest film production under the title *Wenecja*. The film, whose script is based on a book by Włodzimierz Odojewski, explores the universal theme of growing up. It is set during World War II in a house which has a cellar containing a dream world. PGNiG was really keen to support the newest production by one of the most interesting Polish film directors. In addition, that cooperation has paved the way for another original project – the film entitled “Poland’s Underground Treasures – from a Blue Droplet of Gas to a Gold Trail on a Screen”, which offers an unconventional take on the fuel and energy industry and its founder Ignacy Łukasiewicz. We hope that the project will spread knowledge of Bóbrka, the village where the global oil industry was born. You can still witness its beginnings by visiting the Ignacy Łukasiewicz Museum in Bóbrka, an institution financed and developed by the Oil and Gas Industry Museum Foundation, founded in 2004 by PGNiG, PKN Orlen and STiPNIg. View the exceptional film on www.pgnig.pl or www.odpowiedzialna-energia.pl.

The initiative was particularly popular among sailing fans from south-eastern Poland.

In January 2010, PGNiG commenced its cooperation with the Polish Handball Federation and became a strategic sponsor of the Polish men’s, women’s, and juniors national teams as well as a title sponsor of premier men’s and women’s teams. We strongly believe that the cooperation with the Polish Handball Federation and rowing Olympic champions will help promote these disciplines and improve the teams’ performances, and will not only popularise these sports, but also increase Polish people’s physical activity and encourage them to lead a healthy lifestyle.

PGNiG also participates in numerous events important for Polish culture and art. We sponsor local initiatives through the chain of gas distribution companies, our branches and other subsidiaries of the PGNiG Group. Karpacka Spółka Gazownictwa of Tarnów, the PGNiG Branches of Sanok and Zielona Góra, and the Karpacki Gas Trading Division of Tarnów, have a particularly rich tradition in this respect. More information, including information on the awards received for these initiatives, is presented at the end of this section.

The Group companies also support the Gas Industry Museums in Paczków and at the PGNiG Head Office, at ul. Kasprzaka 25 in Warsaw.

8.6 Plans for the Future

Above all, PGNiG intends to continue implementing social objectives of our Strategy of Sustainable Development. We are planning to participate in company events and events promoting social responsibility, and issue further CSR Reports. We hope to undertake more initiatives, jointly with other oil and gas companies, with the signatories of the Declaration on sustainable development in the energy sector, and with the Polish Energy Regulatory Office, Ministry of Economy and Ministry of the Environment.

PGNiG also plans to continue cooperation with Pracodawcy RP (Polish Employers) on the "Coalition for Responsible Business" project, co-funded by the EU. The purpose of the project is to disseminate CSR principles among Polish businesses. In December 2009, we signed a letter of intent with Konfederacja Pracodawców Polskich (Polish Employers' Confederation, currently Pracodawcy RP) providing for the cooperation on the project.

Furthermore, eager to share our experience, we take steps to get our branches and foreign subsidiaries involved in execution of socially responsible projects. We intend to focus on efficiency, and to this end we have joined the Group of Founders of the LBG (London Benchmarking Group) Polska, which is composed of such companies as: BZ WBK, Danone, GlaxoSmithKline, Ikea and Żywiec Zdrój. The LBG model is currently one of the most reliable methods of measuring and reporting efficiency of social initiatives undertaken by businesses. In Poland, it is implemented by CSR Consulting.

Next year we also intend to launch a project aiming at a more effective dialogue with the Group's stakeholders, leading to further improvement of the relationship.

8.7 Best Practices

POOG Gazownia Gdańska: Cooperation with the Centre for Pro-Ecological Information and Education and Educational Establishments

Our actions focus on disseminating information about natural gas and science among children and teenagers. To do that, we organise a series of events and competitions, an example of which might be the "Let an Apple Hit Your Head" contest, addressed to primary and secondary school students from Gdańsk and Sopot. The competition was to encourage students to creatively interpret and present natural phenomena in the areas of ecology, physics, chemistry, and technology, and to put their knowledge into practice. The contestants conducted independent experiments in the area they had selected from the list provided to them, and then presented the selected issue and the experiment. Teachers were allowed to support their students by sharing their knowledge and suggesting useful sources of information.

Mazowiecka Spółka Gazownictwa: Partnership with the Satori Foundation, supporting persons excluded from the society

The company supports projects which help solve pressing social problems in Poland. Under the agreement with the Satori Foundation, our employees participate in the CSR project *WSPAK Street Paper*. The paper vendors are persons excluded from the society – the permanently unemployed, homeless and disabled. The vendors receive half of the profit, the other half is allocated to the printing costs. This initiative enables people facing difficult life situation to regain self-esteem and earn the living in a respectable way. Most importantly, *WSPAK* is a remarkable social initiative, launched by a group of journalists engaged in social work. It is the second paper of this type in Poland and 108th in the world. *WSPAK* distributors first appeared in our office at ul. Krucza in December 2009 and since then the papers has been published once every two months. The distributors may be met not only at Mazowiecka Spółka Gazownictwa's office, but also at other companies and offices in Warsaw, including the Municipal Office of Warsaw, offices of Polskie Koleje Państwowe (national railway operator), in the campuses of the University of Warsaw and SGGW (Warsaw University of Life Sciences).

Karpacka Spółka Gazownictwa, PGNiG, Eko Gaz Foundation: First multimedia exhibition on natural gas in Poland.

In May 2010, the first multimedia exhibition on natural gas was opened at the Ignacy Łukasiewicz Gas Industry Museum in Bóbrka. The exhibition is arranged into six rooms, each with a different theme, from gas formation in geological layers of the earth, to its uses. The visitors are taken to the mysterious interior of the earth, where, thanks to a confluence of light, sound and image, they learn where and how gas forms, and then how it is found and extracted and how it gets to such places as factories, bakeries, or our houses, and finally what it is used for.

The exhibition was created with a view to disseminating information about the "blue fuel" in a clear and accessible manner. The popular multimedia form of the exhibition was chosen, which means that the visitors learn about natural gas not only from the guide and by looking at exhibits, but also by means of light, sound and images. Sometimes films and presentations can explain information which cannot be expressed by words or exhibits. The exhibition was arranged in a way that allows to add new exhibits, presentations and films, and the management staff would welcome new additions and any suggestions concerning this matter.

The idea of the first modern exhibition on natural gas was initiated at Karpacka Spółka Gazownictwa and was implemented with the financial support of PGNiG and the Eko Gaz Foundation. Within several months all renovation work has been completed, the films and presentations prepared, and the decoration of each room agreed upon. The project was coordinated by Bożena Malaga-Wrona, KSG's representative, and construction was overseen by the Board composed of the following persons: Artur Grodziński (project's designer), Ewa Król (PGNiG Branch of Sanok), Tadeusz Godzisz (Zakład Robót Górniczych of Krosno), Kazimierz Wajda (Refineria Nafty Jedlicze), Czesław Bobek (Member of the Management Board of the Bóbrka Foundation), Bohdan Gocz (Gas Industry Museum in Bóbrka).

Karpacka Spółka Gazownictwa: support for archaeology research studies

In 2010, KSG provided funds for archaeology research studies on two significant archaeological finds – a site in Wilczyce in the Sandomierz county and a burg city found in Trzcinica near Jasło, which is called the Troy of the Carpathians. The Carpathian Troy is a heritage park situated at the site of a Slavic fortified settlement dating back to the early Middle Ages. Trzcinica was a centre of

local power, one of the strongest between Kraków and Przemyśl, and one of the earliest and most powerful castles in the Małopolska region.

A human outpost, which dates back to the Palaeolithic era (15,000 years old), was situated in Wilczyce. Around 50,000 artifacts were discovered in that area, which provide a comprehensive picture of the human presence on the site. The main identified items included flint products, bones indicating food eaten as well as arms and artworks made of bone and mammoth tusk. In addition, conventional figurines of Venus were excavated, which were made in line with the Magdalenian era patterns. However, the most valuable find was a very well-preserved skeleton of an eight-month-old premature girl. Additionally, valuable family possessions were found near the skeleton. The Wilczyce find is unique on the European scale, and several scientific and popular science articles were published worldwide discussing the find. The Institute of PAN (the Polish Academy of Sciences) supervising the excavations plans to publish the results of the archaeological research in 2011; there are also plans to produce a TV report for Discovery Chanel. KSG considers continued cooperation in this respect.

Pomorska Spółka Gazownictwa: cooperation with the Management and Economics Department of the Gdańsk Technical University on business ethics

The cooperation agreement, executed on April 9th 2010, aims at establishing a platform for exchanging experience and expertise in ethical and socially responsible practices in business, strengthening business based on ethical principles at PSG and promoting education on professional work ethics principles among the students of

the Management and Economics Department of the Gdańsk Technical University. The project's priorities also include the promotion of ethical practices in business as a corporate asset which builds reputation and stakeholder confidence. For Pomorska Spółka Gazownictwa, the agreement is a natural consequence of the reorganisation of the company's corporate culture in line with the sustainable development and responsible business strategy initiated in 2008. PSG was the first Poland-based gas company to participate in the Global Compact initiative; in addition, the company also joined the Responsible Business Forum Partnership Programme. The Management and Economics Department of the Gdańsk Technical University is one of the leading research centres in the Pomerania region, where the curriculum has included subjects discussing business ethics and corporate social responsibility since the inception of the Department. The students are taught ethics-related subjects throughout the course of their studies. The issues of corporate social responsibility are also subject of MBA courses and Public Relations post-graduate programmes. In 2009, students of the Management and Economics Department and the Forum of Responsible Business organised a CSR conference ("CSR as responsibility for property. Corporate social responsibility – building competitive advantage or building civilization") under the auspices of the Ministry of State Treasury.

Sanok Division: support for and cooperation with schools named after Ignacy Łukasiewicz

The Sanok Division organises and supports competitions testing knowledge of Ignacy Łukasiewicz's life and heritage, ecology competitions, educational programmes, youth athletics meeting and integration meetings. Around 200 children participate in each such event.

Sanok Division: support for the International Pianists' Forum – Bieszczady Without Borders

The Forum is a large meeting of musically-gifted youth from all around Poland and the Carpathian Euroregion, where young virtuosos can be seen. The Forum enables also the participants to take piano master classes, share experiences and take first steps on the professional stages of Lviv, Kosice and Bratislava. Operating under the auspices of the Ministry of Culture, the Forum has become a fixed date in the calendar of the largest and most important musical initiatives in Poland.

Górnośląska Spółka Gazownictwa: cooperation with Vattenfall: Safety at Home campaign

The fifth edition of the Safety at Home initiative lasted from September to December 2009.

The Safety at Home campaign aims at making the public, preventive forces and owners and managers of buildings aware of threats related to illegal connecting to gas and electrical infrastructure and theft of gas and electricity, as such practices pose real threat not only to the perpetrators but also to other people. A dedicated "safety telephone line" was launched a few years ago for reporting illegal gas connections, suspected theft of gas, damage to and unusual elements of gas network or infrastructure. All reports forwarded to the 24-hour phone line are carefully checked. Information on

At the end of the lessons there was a contest of artworks showing how to use gas and electricity safely. To date, the Safety at Home campaign has involved nearly 30,000 primary school pupils of Bytom, Chorzów, Częstochowa, Gliwice, Kędzierzyn-Koźle, Ruda Śląska, Świętochłowice and Zabrze.

Pomorska Spółka Gazownictwa: the Division of Olsztyn Zakład Gazowniczy – Safe Gas competition

At the end of March 2009, PSG OZG of Olsztyn and the Fifth Comprehensive Secondary School of Olsztyn held a Safe Gas (Bezpieczny gaz) contest for junior and senior secondary school students living in the Olsztyn province. The goal of the competition was to bring to light the benefits and advantages of using natural gas and to educate young people about the safe use of gas appliances. For the contest entrants submitted free-form works on the subject "Natural gas – an environment-friendly source of energy. How to use it safely and reasonably?" The honorary patronage over the contest was held by the governor of the Olsztyn province and the Olsztyn Centre for Environmental Education). Sixty-eight junior and senior secondary school students living in the Olsztyn province took part in the contest finale held in April 2009.

Karpacka Spółka Gazownictwa: Cooperation with universities and schools, campaigns for children and the youth, charity events and support for science

In 2009, the company provided funding for the purchase of equipment for the state-of-the-art language laboratory at the Centre of Modern Technologies of the State Higher School of Vocational Education in Tarnów. Using the new equipment, lecturers can conduct classes for groups but, also, the equipment enables pair-work or individual study. A high quality of the audio equipment helps enhance phonetic abilities. The laboratory is mostly used by language students and participants of language courses. The campaign Szkoła dobrze wychowana (Well brought-up school) is an initiative co-organised by Zakład Gazowniczy of Lublin, the Lublin school superintendent and Radio eR. The new initiative promoted positive behaviours and responsible raising of the youth. Primary schools, junior secondary schools and senior secondary schools in the Lublin area were invited to participate in the project.

Partnership of Zakład Gazowniczy of Tarnów in regular charity campaigns organised by the association Ich lepsze jutro (Better tomorrow for them), which operates at the Specialist Centre for Children's Rehabilitation, and the Prometeusz foundation at the Special School and Education Centre. The meetings and campaigns are designed to integrate handicapped persons with the community, while promoting voluntary service and organizing free-time activities for children and the youth.

The Roztańczona Europa (Dancing Europe) International Youth Meetings aim at promoting folk culture and regional traditions among children and the youth. Groups from around Europe (Ukraine, France, Moldavia, Poland) present their culture and traditions during joint concerts and folklore workshops. Zakład Gazowniczy of Kraków is a partner in the initiative.

suspected theft can be also reported by sending an e-mail to bezpieczenstwo@gsgaz.pl. The Safety at Home campaign has also been promoted at schools where the youngest pupils are told about how to safely use gas and electricity. Classes are concluded with a contest of posters made by the pupils, illustrating how to use gas and electricity in a safe manner. The most appealing posters are then used in calendars and promotional materials published by the company. In addition to radio spots and posters displayed at bus stops, last year's campaign was also addressed to first to third grade pupils of Chorzów and Świętochłowice schools and those living in Kędzierzyn-Koźle (for the first time in the Opole region). Nearly 5,000 pupils from 41 primary schools in the Silesia region participated in last year's edition of the campaign. During the classes conducted by highly-qualified staff the pupils learnt about where gas comes from, what it is used for and how to use it safely. The pupils were also warned of things to watch out for in home electrical and gas systems, such as loosely hanging cables or damaged gas metres.

8.7.1 Best Practices Abroad

Geofizyka Toruń: Cooperation with local communities

Geofizyka Toruń boasts broad experience in performing seismic surveys. The company has been capturing new markets for many years, always in line with the approved corporate social responsibility policies. In 2009, it started its first seismic data acquisition project in Thailand. In order to enter this new market Geofizyka Toruń had to analyse Thailand's legal system, ensure compliance with all, and obtain work permits in particular.

The project in Thailand entailed facing the challenge of functioning in an unfamiliar and very different culture. Thai holidays, such as the Songkran festival (the traditional New Year celebrated for several days in April), were free from work and Polish employees devoted their leisure time to visit such places of interest as Prasad Phimai, an ancient Khmer sanctuary. It helped develop harmonious relations with the local community (e.g.: a visit paid by staff from a local university). In order to express gratitude for such a welcome, after the project completion the company donated computer hardware and office appliances to a local school, and drugs which were not used by a field hospital, replenished the stocks of the project's nearby hospital.

During the preparatory phase, a branch in Bangkok was established to satisfy the formal and legal requirements. The main challenge consisted in the organisation of dynamite seismic surveys, and field supervision by a representative of the state administration. Additionally, appropriate procedures had to be followed as the area abounds in archeological sites (approximately 240 protected zones).

In line with the company's policy and terms of the contract, particular emphasis was put on co-operation with and employment of local companies (hiring workers, renting vehicles, shooting). On average, more than 530 locals were contracted per month (approx. 95% of the seismic group). All employees were provided with industrial safety training, protective clothing and boots. The importance of HSE measures was also stressed during a meeting of the company's President with the seismic group staff. In February 2010, the company completed the project successfully, achieving the projected zero rate of work-related accidents and establishing excellent relations with the local community.

POGC Libya: Environmental Programme

POGC Libya, a member of the PGNiG Group operating in Libya launched a social programme aimed at raising public awareness of safety, healthy lifestyle and environmental protection, including the rational use of energy. The programme is implemented in cooperation with the National Youth Council in Tripoli and local authorities in the region where the company conducts operations. During the meetings with young people, POGC Libya discusses not only best practices followed in its everyday operations, care for and procedures related to waste management and water use, but also its concerns for the cultural heritage (of archeological finds discovered in the area). One of the presentations was devoted to the harmful effects of drugs and risky behaviour among teenagers. Another presentation entitled "Environmental protection is everyone's responsibility" explained the basic terms and notions of environmental protection. It also demonstrated how young people could act for the benefit of their immediate environment and our planet. Several hundred participants of these meetings expressed their favourable opinions on the programme. Surprisingly, they claimed they had never heard of an energy company engaging in this type of activities.

8.8 Awards

Awards obtained by PGNiG companies in the Local Community category in the period January 2009–June 2010

Entity	Awards	Awarding organization	Reasons for the award/ Criteria / Grounds
Trade and Storage			
Carpathian Gas Trading Division, Gas Sales Unit in Sandomierz	Jasło Culture Patron 2009	Mayor of Jasło	Granting the award, the mayor of Jasło emphasized the significant role of patronage in developing cultural life in Jasło and expressed her willingness to promote the activities of cultural benefactors. She stressed the company's generosity and reliability in organising and supporting activities for town's cultural development, active involvement in local initiatives as well as its positive image as a Culture Patron among town residents.
Carpathian Gas Trading Division, Gas Sales Unit in Sandomierz	Summary of the cultural year 2009 in Zamość	City Office of Zamość	The Company supported two festivals – the Festival of Italian Culture "Arte, Cultura, Musica, E..." and Marek Grechuta Cultural Festival of Zamość
Carpathian Gas Trading Division, Gas Sales Unit in Sandomierz	New Year's Meeting of Athletes	City Office of Sandomierz	The award in the category of 'Promoter of Sport in Sandomierz'. PGNiG SA CGTD, Gas Sales Unit in Sandomierz was honoured for its contribution to the development and support of sports clubs and associations. The award was granted on the basis of the number of recommendations sent by sports clubs and sections in the town. In the analysed period the gas sales unit cooperated with the Handball Association Wisła and Interscholar Student Sports Club Piątka – handball section.
Pomeranian Gas Trading Division, Gas Sales Unit in Gdańsk	Thread of Understanding Certificate	Primary School No. 18 in Elbląg and the Cooperative Community Centre, the Zakrzewo Cooperative in Elbląg	The certificate was granted for joint efforts to promote sustainable development, under the Green Thread of Understanding Agreement concluded between the Zakrzewo Cooperative and Primary School No. 18. In 2009 the Company participated in various school initiatives related to the protection of the natural environment. They were designed to raise the ecological awareness of the students and inhabitants of the Zawada residential district and to integrate them.
Pomeranian Gas Trading Division, Gas Sales Unit in Gdańsk	Partner 2009	Marshall of the Province of Olsztyn	The award was granted on the initiative of provincial cultural institutions run by local governments. The Company was honoured for supporting vital cultural institutions, such as Stefan Jaracz Theatre, the Museum of Warmia and Masuria.
Pomeranian Gas Trading Division, Gas Sales Unit in Gdańsk	Silver Mask	Stefan Jaracz Theatre	Support for the theatre in Olsztyn. The Company implemented an eco-idea, which was aimed at educating the inhabitants of the region by persuading them to use eco-bags. Every ticket for Meetings of Theatres in Olsztyn was accompanied by an eco-bag with the logo of PGNiG and Meetings of Theatres in Olsztyn. In this way we distributed 10,000 eco-bags.
Pomeranian Gas Trading Division, Gas Sales Unit in Gdańsk	Gold Statuette of "Friend of the Earth"	Ecological Education Centre in Olsztyn	The award was granted for nine-year-long consistent support for eco-teams in the region of Warmia and Masuria
Distribution			
Dolnośląska Spółka Gazownictwa	Lower Silesian Success Key	Association for the Promotion of Lower Silesia	Promotion of socially involved business, which, consciously and responsibly, assumes ethical, ecological and social obligations in keeping with the broad interests of the community.
	Laurels of Eco-Friendship	Polish Centre of Education, Promotion of Ecological Products and Appliances "Association Ekonature"	Statuettes were given to persons and institutions renowned for the promotion of ecology in Lower Silesia. The award is a recognition of activities aimed at supporting ecological education.
Górnośląska Spółka Gazownictwa		<i>Tygodnik Regionalny Gонец Górnośląski</i> weekly	

	Silesian Oscar 2008	<i>Tygodnik Regionalny Gонец Górnośląski</i> weekly	The award was granted for undertaking new challenges and implementing initiatives designed to promote Silesia in Poland and abroad as well as for creating a new vision of the region worthy of future generations.
	Honorary Title "Friend of the Silesian Scholarship Fund Foundation"	Adam Graczyński Silesian Scholarship Fund Foundation	The title was granted to GSG by the Board of Foundation and conferred upon it during the scholarship awarding ceremony of the 17th and 18th editions of the Silesian Scholarship Fund.
	Platinum Media Leaf 2009	Committee of the Media Programme "Poland in Europe – Europe in Poland"	The award for the campaign Safety at Home launched with Vattenfall. It focused on educating the youngest gas and electricity consumers how to use the utilities in a safe way. The company was also awarded for consistent expansion and modernization of the gas network in Silesia and the region of Opole, which translates into safe and reliable supplies of natural gas to its consumers.
	Medal for the 90th Anniversary of PZITS	Polish Association of Engineers and Sanitary Technicians (PZITS)	On November 6th, during a jubilee session a historical paper was read out and distinguished members of the association received commemorative medals.
	Golden Laurels of Skills and Competence in the category of 'Socially Responsible Company'	Chamber of Commerce and Industry in Katowice	The award was granted for the active participation of employees in the life of local communities by helping those in need; for financial support of important medical centres, among others: the Burns Treatment Centre in Siemianowice Śląskie, Hematology and Children's Oncology Unit in Zabrze, Foundation of the Silesian Centre of Heart Diseases; for sponsoring Adam Graczyński Silesian Scholarship Fund Foundation. The Fund supports gifted students of various fields, who are in a difficult financial situation and receive top grades. The Golden Laurels in this category were awarded by popular vote organised by Polska Dziennik Zachodni and www.laury.eu
Karpacka Spółka Gazownictwa	Medal for the 750th anniversary of Kraków's incorporation	City of Kraków	The award represents the city's gratitude for saving the cultural and national heritage.
	Tarnów Culture Patron 2008	City of Tarnów	The title is awarded to persons and companies supporting culture and art institutions in Tarnów.
	Medal for the 90th anniversary of the AGH University of Science and Technology	AGH University of Science and Technology of Kraków	The award was granted in recognition of the company's comprehensive support for teaching and research conducted by the university.
	Statuette of Misericors	Caritas in Tarnów	The statuette for sponsors and volunteers of Caritas in Tarnów.
	Patron of the Cultural Centre in Przemyśl	Cultural Centre in Przemyśl	The title is awarded to persons and institutions supporting the Cultural Centre in Przemyśl.
Mazowiecka Spółka Gazownictwa	Platinum Media Leaf	Studio and Programme Centre of the Press, Radio and Television Warsaw-Katowice-Kraków, Committee of the Media Programme "Poland in Europe – Europe in Poland"	The award is granted for supporting sector education.
	Partner CSR	Satoris Foundation	The award for the support of projects designed to solve pressing social problems in Poland.
	Patron 2009	Centre of Polish Sculpture in Orańsk	The award is granted in recognition of the Company's involvement in cultural events organized by this institution in 2009.
	Granite Tulip 2009	Committee formed by the Chamber of Commerce and Industry in the Radom region	The aim of the competition is to promote companies and institutions, which through their professionalism, management and implementation of new technologies contributed to the development of the Radom region and gained a prominent position in Mazovia and in Poland.

Pomorska Spółka Gazownictwa	Friend of Children	Society of the Friends of Children	The title awarded to express gratitude for previous cooperation and financial support.
	Ally of the Theatre	Stefan Jaracz Theatre in Olsztyn	The titled granted for support, which enables the theatre to develop and expand repertoire, for being an ally of culture.
	Medal of the Marshall of the Province of Bydgoszcz	Marshall of the Province of Bydgoszcz	Medal for services rendered for the region development.
	Patron of the Museum of Warmia and Masuria	Museum of Warmia and Masuria in Olsztyn	Diploma for the support of museum's activities.
	Parton of the Garden of Arts in Bydgoszcz 2009, the statuette of the Golden Apple	Mayor of Bydgoszcz	The title granted for support of culture in the city in 2009.
Wielkopolska Spółka Gazownictwa	Culture Patron	Mayor of Kalisz	The award was granted in recognition of the Company's contribution to the city culture. In 2009, WSG supported the Days of Kalisz.
		Calendar Competition Vidical, the Poster Museum in Warszawa	The award for the large format calendar of WSG, which featured landscape photographs taken in Greater Poland

Exploration and Production

PGNiG Jasło	Jasło Culture Patron 2009	City Office of Jasło	The award is granted to emphasize the significant role of patronage in developing cultural life in Jasło and promote the activities of cultural benefactors. Every year the statuette of 'Jasło Culture Patron' is awarded to persons and institutions, which support culture in the town and the Jasło region.
PGNiG Nafta	Success Leader	Board of the County of Piła	Nafta received the title of 'Success Leader' for promoting the Piła region and its business and social activities, which contributed to the development of the county.
PGNiG Sanok Branch	Golden Pin Forum	Carpathian Culture Development Foundation	For supporting musical education of young people and equaling opportunities of teenagers from small towns in the Carpathian Euroregion.
PGNiG Zielona Góra Branch	Award for services for the Province of Zielona Góra	Regional Council of the Province of Zielona Góra	The award is granted to natural persons, state institutions and companies, the activity of which contributed to economic, cultural and social development of the province. The branch has been involved in the life of the local community for many years. It is one of the biggest employers in the region and at the same time serves as a patron of various cultural and educational initiatives.
Poszukiwania Naftowe Diament	Commercial award of the Mayor of Zielona Góra "Citizen Friendly Company"	Mayor of Zielona Góra	For the company's active involvement in the development and life of the city and its local community.

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Glossary

Glossary of CSR terms:

Community action – short-term social initiative carried out on a one-off or regular basis to help a given group or a person. An example of a one-off community action is the Krewniacy initiative promoting donation of blood for patients in need of transfusion.

CSR Consulting – a company cooperating with entities and institutions from different sectors providing them with support in implementing the principles of responsible business in their business operations.

Declaration on sustainable development in the energy sector – the declaration signed for the first time on June 17th 2009 containing statements by the signatories that they understand and are willing to implement in their policies the principles of sustainable development. 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 declaration. On June 17th 2010, the declaration was signed by three more companies – Fortum Power and Heat Polska, Grupa Lotos and Polskie Sieci Elektro-energetyczne Operator.

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

Philanthropy – charitable activities which are a demonstration of care for common good, carried out by persons, organisations or companies for people in need. Such activities mainly involve providing financial or material support and in modern times they are chiefly carried out through foundations and associations.

Responsible Business Forum (FOB) – a non-governmental organisation whose mission is to promote the principles of responsible business as a standard applicable in Poland, aimed at increasing the competitiveness of companies, enhancing social satisfaction and improving the condition of natural environment. FOB gathers a number of Polish companies, including PGNiG.

Global Compact – an initiative launched by UN Secretary General Kofi Annan aimed at introducing a new framework for businesses by supporting, among other things, respect of human rights, application of labour standards and business activities conducted in harmony with the environment. The Global Compact is supported by non-governmental organisations and more than 2000 companies from different parts of the world, including Pomorska Spółka Gazownictwa and PGNiG.

Grasz o staż initiative – an internship competition with the longest tradition in Poland (launched in 1996) organised by Gazeta Wyborcza and Price-waterhouseCoopers. Each year, the winners are awarded paid internships and other prizes (an opportunity to take up post-graduate studies or training programmes, books) funded by the companies and non-governmental organisations cooperating with the organisers.

HSE (Health, Safety, Environment) – rules of conduct related to health and safety at work and environmental protection defined by international regulations.

Stakeholder – any entity with an interest in 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) – approach to company's operations which treats company's benefit and social 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 campaign – activities aimed at changing the attitude or behaviour of a given group as well as preventing their development. Social campaigns are carried out through means of mass communication (traditional media, unconventional methods) and supported by numerous entities, including companies, civil society organisations and public authorities, whose assistance for the initiators of the campaign may have different forms, be it financial, material or in the form of services. Company's involvement in a social campaign strengthens its image of an entity with active interest in its environment and gives an opportunity to build stronger relationship between the employees as well as between the company and particular groups.

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

London Benchmarking Group Polska – an initiative aimed at better measurement of the social impact of companies' operations, which is implemented in Poland by CSR Consulting in cooperation with Danone, BZ WBK, GLAXO, Ikea and Żywiec. Thanks to its development, companies have an opportunity to gain knowledge on effective management of their social commitment.

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

Cause-related marketing – an intermediate form of marketing between commercial and social marketing. It involves supporting a social cause to strengthen the image of the company. The implementation of cause-related marketing very often involves three parties: the company, civil society organisations and consumers.

Social programme – planned activities aimed at providing a solution to or preventing a specific social problem. It may be implemented independently or as a joint effort by public institutions, businesses and civil society 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 company's operations.

CSR (Corporate Social Responsibility) – a strategy based on an assumption that a company should voluntarily take public interest into consideration in its pursuit to achieve economic objectives. CSR promotes observance of ethical principles, employees' rights, human rights, as well as respect for social and natural environment in company's operations and its decision-making process. It is generally accepted that a company's policy should provide not only for achievement of economic objectives but also the implementation of corporate social responsibility principles.

Local community – a group of people living in a specified area, bound by social relationships, common tradition and culture. A local community can be formed by the inhabitants of a locality, commune, housing estate, city district or city.

Sponsorship – mutual agreement between two parties, a sponsor and a sponsoree, whereunder the sponsor provides the sponsoree with financial or material resources or services in exchange for its popularisation. Sponsorship involves planned and intended activities aimed at creating a positive image of a company.

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

Voluntary work – involvement of company employees in voluntary work for the benefit of civil society organisations. The employees acting as voluntary workers carry out various types of activities for the people in need using their expertise as well as improving their skills in other areas. Depending on the adopted policy, the company supports voluntary work of its employees by allowing them to conduct such work during working hours, providing material, logistics or financial assistance.

Sustainable development – strategy of social and economic development where political, economic and social activities are carried out with a view not to have an adverse impact on the environment. The aim of sustainable development is to ensure such utilisation of natural resources which would not compromise the ability of future generations to benefit from them. The concept of sustainable development is included in the Environmental Protection Law – Dz.U. of 2001, No. 62, item 627, Art. 3.50.

Industry-Specific Terms

Biogas plant – a plant which can process (through fermentation) such substrates as biofuel feedstock cultivation, livestock waste, distillery waste, or methane from dumping sites. The produced fuel is consumed at small cogeneration units (0.5-2 MW).

CCS (Carbon Capture and Storage) – a process of capturing carbon dioxide from flue gasses to reduce its emissions to the atmosphere, which has a negative impact on the environment. Due to limited capacity to utilise captured carbon dioxide, an important issue related to the process is CO₂ storage by its compression and deposition in worked out caverns which used to hold hydrocarbon deposits.

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

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

Exploration and Production or E&P – one of PGNiG's segments of operation. The companies operating in this segment are engaged in exploration, geophysical and geological work. The segment also involves production of natural gas and crude oil.

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

Direct gas pipeline – the gas pipeline used for transmission of gaseous fuel directly to the customer's installation, omitting the gas system.

PGNiG Group – the PGNiG Group.

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

OGP GAZ-SYSTEM – 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 the company shares were acquired by the State Treasury. Currently, OGP GAZ-SYSTEM conducts business activities of a gas transmission system operator under a licence issued by the Polish Energy Regulatory Office.

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

Underground Gas Storage Facility – The PGNiG Group is the exclusive owner of underground gas storage facilities operated domestically. Six such facilities are in Poland – five of them located in worked out natural gas caverns, and the sixth one in a salt cavern in Mogilno.

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

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

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

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

Environmental management systems – 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 environmental impact of human activities. This can be achieved by application of uniform management principles with regard to access to environmental resources, elimination of negative environmental impact of business activities and rational consumption of natural resources.

URE (Urząd Regulacji Energetyki) – the Energy Regulatory Office. Under the relevant 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 gaseous fuels.

Questionnaire

Dear Reader,

We would like to thank you for reading this Report.

We hope that it has contributed to your knowledge and understanding of the PGNiG Group's activities.

A dialogue with stakeholders is one of our priorities. We would like our activities to satisfy your needs and expectations to the widest possible extent, and we would like our future reports to better present matters that are of interest to you. This is way we ask you to fill out the questionnaire below. Please return it to the following address:

Departament Marketingu i Komunikacji, PGNiG SA

ul. Kasprzaka 25

01-224 Warszawa

with the following note: ANKIETA RAPORT SPOŁECZNY

The questionnaire may be also be downloaded from our websites: www.pgnig.pl and www.odpowiedzialna-energia.pl.

Thank you.

Yours faithfully,

Marzena Strzelczak

Management Board's Proxy for Sustainable

Development and Corporate Social Responsibility Strategy

Biuro Komunikacji

Departament Marketingu i Komunikacji

PGNiG SA

Please mark the appropriate answer with an X.

1.	With respect to the content, I found this report	not in the least interesting	moderately interesting	interesting	very interesting
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	With respect to the content, I found this report	too general	general	exhaustive	very exhaustive
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	I consider the graphics of the report to be	not at all attractive	moderately attractive	attractive	very attractive
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	I consider the graphics of the report to be	incompatible with the presented content	compatible with the presented content only to a moderate degree	well suited for the presented content	very well suited for the presented content
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	I believe the PGNiG Group presents information about its current activities	in a completely incomprehensible manner	in an incomprehensible manner	in a clear and comprehensible manner	in a very clear and comprehensible
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	I believe that the creation and implementation of the Sustainable Development and Responsible Business Strategy is profitable for the PGNiG Group.	No, it has no bearing whatsoever	No, it is rather irrelevant	Yes, it is relevant and has a positive impact	Yes, it is extremely important and profitable for the PGNiG Group
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	In my opinion, the presentation of the PGNiG Group's business activities in the form of a social report is necessary.	No, it is completely unnecessary	It is not particularly necessary	It is necessary	It is very necessary
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

8. I am interested to learn about the Group's sustainable development and business responsibility strategies in the area of:

8.a	the cooperation of the PGNiG Group undertakings with local communities, including projects carried out by the Ignacy Łukasiewicz Polish Oil and Gas Foundation	No, I'm not in the least interested in this subject	I'm not interested in this subject	I'm slightly interested in this subject	I'm very much interested in this subject
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.b	the cooperation of the PGNiG Group undertakings with local communities abroad	No, I'm not in the least interested in this subject	I'm not interested in this subject	I'm slightly interested in this subject	I'm very much interested in this subject
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.c	the PGNiG Group's impact on the natural environment	No, I'm not in the least interested in this subject	I'm not interested in this subject	I'm slightly interested in this subject	I'm very much interested in this subject
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.d	challenges posed by climate change	No, I'm not in the least interested in this subject	I'm not interested in this subject	I'm slightly interested in this subject	I'm very much interested in this subject
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.e	the cooperation of the PGNiG Group undertakings with local authorities and public administration	No, I'm not in the least interested in this subject	I'm not interested in this subject	I'm slightly interested in this subject	I'm very much interested in this subject
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.f	new investment projects	No, I'm not in the least interested in this subject	I'm not interested in this subject	I'm slightly interested in this subject	I'm very much interested in this subject
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.g	improvement of the retail customer service model	No, I'm not in the least interested in this subject	I'm not interested in this subject	I'm slightly interested in this subject	I'm very much interested in this subject
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.h	health and safety at work	No, I'm not in the least interested in this subject	I'm not interested in this subject	I'm slightly interested in this subject	I'm very much interested in this subject
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.i	personnel and training policy	No, I'm not in the least interested in this subject	I'm not interested in this subject	I'm slightly interested in this subject	I'm very much interested in this subject
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Respondent's details

Which of the groups of stakeholders do you represent? Please mark with an X as appropriate:

- | | |
|---|--|
| 1. <input type="checkbox"/> Customer of PGNiG | 6. <input type="checkbox"/> Employee of the PGNiG Group |
| 2. <input type="checkbox"/> Business partner/participant of the Polish energy market | 7. <input type="checkbox"/> Sub-supplier |
| 3. <input type="checkbox"/> Member of a trade organisation | 8. <input type="checkbox"/> Member of the local community – "a neighbour" of PGNiG |
| 4. <input type="checkbox"/> Employee of public/government/local government administration | 9. <input type="checkbox"/> Other (specify) |
| 5. <input type="checkbox"/> Student | |

Thank you for your time.

GRI Indicators

The GRI indicators have been developed by the Global Reporting Initiative (GRI). GRI is an independent network of stakeholders, who embarked on the mission of developing and disseminating common guidelines to be followed in reporting on companies' economic, environmental and social performance all over the world. The use of GRI indicators enables objective comparison

of CSR-related activities among companies. In addition to principles and recommendations, the GRI guidelines include a system of indicators from which companies may voluntarily select. The indicators selected by the Company are presented in the table below. In this edition of the report, 63 indicators have been discussed, or 15 more than in the previous year's report.

The indicators relating to estimates and calculations, as presented in the report, have been prepared and compiled in accordance with the International Financial Reporting Standards (endorsed by the EU).

No.	Type of GRI indicator	Place of presenting in the Report
Strategy and Analysis		
1.1	Statement from the most senior decision maker of the organisation (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and its strategy	Letter of the President Pages 6-7
1.2	Description of key impacts, risks and opportunities	Pages 14-18, 25-26, 39-40, 51-52, 63-64,
Organisational Profile		
2.1	Name of the organisation	Pages 6
2.2	Primary brands, products and/or services	Pages 14-15
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures	Pages 10-11, 16-18, 14-18
2.4	Location of organisation's headquarters	Pages 85
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Pages 14-18
2.6	Nature of ownership and legal form	Pages 8-13
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	Pages 8-9, 14-18
2.8	Scale of reporting organisation, including: <ul style="list-style-type: none"> – Number of employees – Net sales (for private sector organisations) or net revenues (for public sector organisations); – Total capitalisation broken down in terms of debt and equity (for private sector organizations); and – Quantity of products or services provided 	Pages 8-9
2.9	Significant changes during the reporting period regarding size, structure, or ownership including: <ul style="list-style-type: none"> – The location of, or changes in operations, including facility openings, closings, and expansions; and – Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organisations). 	Pages 21-22
2.10	Awards received in the reporting period	Pages 38, 48-50, 74-76
Report Parameters		
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	Pages 21
3.2	Date of most recent previous report (if any)	Pages 6
3.3	Reporting cycle	Pages 21
3.4	Contact point for questions regarding the report or its contents	Pages 85
Report Scope and Boundary		
3.5	Process for defining report content, including: <ul style="list-style-type: none"> – Determining materiality of individual issues to the organisation and its stakeholders; – Prioritising topics within the report; and – Identifying stakeholders the organisation expects to use the report 	Pages 21-22
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	Pages 21-22
3.7	State any specific limitations on the scope or boundary of the report	Pages 21-22
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations	Str. 16-18
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	Pages 87

3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	N.A.
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Pages 16-18, 21-22
GRI Content Index		
3.12	Table identifying the location of Standard Disclosures in the report	Pages 87-89
Assurance		
3.13.	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	Pages 22
Governance, Commitments and Engagement		
Governance		
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight	Pages 12-13, 21
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organisation's management and the reasons for this arrangement)	Pages 13
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	Pages 13
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Pages 13, 27
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance)	Pages 13
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Pages 13
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	Pages 13
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Pages 4-5
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	Pages 21
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	Pages 13
GRI G3 Indicators		
Commitments to External Initiatives		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	Pages 51
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Pages 7, 9
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: – Has positions in governance bodies; – Participates in projects or committees; – Provides substantive funding beyond routine membership dues; or – Views membership as strategic.	Pages 7, 63-73, 44
Stakeholder Engagement		
4.14	List of stakeholder groups engaged by the organisation	Pages 19-20
4.15	Basis for identification and selection of stakeholders with whom to engage	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Pages 19
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	Pages 19-22
Management Approach and Performance Indicators		
Economic Performance Indicators		
Aspect: Economic Performance		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Pages 8
Aspect: Indirect Economic Impacts		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Pages 9, 34-38, 62, 66, 68-73

Environment Performance Indicators		
Aspect: Materials		
Aspect: Water		
EN8	Total water withdrawal by source	Pages 56-57
EN10	Percentage and total volume of water recycled and reused	Pages 56-57
Aspect: Biodiversity		
Aspect: Emissions, Effluents, and Waste		
EN16	Total direct and indirect greenhouse gas emissions by weight	Pages 54-55
EN20	NO _x , SO _x , and other significant air emissions by type and weight	Pages 55
EN21	Total water discharge by quality and destination	Pages 56-57
EN22	Total weight of waste by type and disposal method	Pages 57-58
Aspect: Compliance		
Aspect: Products and Services		
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Pages 40
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Pages 54
Aspect: Overall		
EN30	Total environmental protection expenditures and investments by type	Pages 59
Labour Practices & Decent Work Performance Indicators		
Aspect: Employment		
LA1	Total workforce by employment type, employment contract, and region	Pages 29
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Pages 31
Aspect: Labour/Management Relations		
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	Pages 27
Aspect: Occupational Health and Safety		
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region	Pages 27-29
LA8	Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases	Pages 27-29
Aspect: Training and Education		
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Pages 29-30
Human Rights Performance Indicators		
Aspect: Investment and Procurement Practices		
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Pages 29-30
Society Performance Indicators		
Aspect: Community		
S01	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	Pages 63-73
Product Responsibility Performance Indicators		
Aspect: Product and Service Labelling		
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Pages 40, 47
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Pages 41

IPIECA Indicators

The PGNiG Group's 2009 Responsible Energy report was also prepared based on the reporting indicators developed by an international organisation IPIECA. IPIECA prepared draft guidance on sustainable development reporting for companies from the fuel and gas sector. The PGNiG Group reported 11 IPIECA indicators in accordance with the draft guidance, which has not yet been translated into Polish.

To prepare the draft indicators IPIECA has cooperated with the American Petroleum Institute and the International Association of Oil & Gas Producers. For more information on IPIECA indicators, see <http://www.ipieca.org/>

The PGNiG Group reported the following indicators:

E1, E6, E10, HS2, HS3, SE1, SE2, SE4, SE6, SE16, and SE17.

Issue Category	Indicator
Climate Change and Energy	E-1: Greenhouse Gas Emissions
Ecosystem Resources	E-6: Biodiversity
Local Environment	E-10: Waste
Workforce Protection	HS-2: Workforce Health
	HS-3: Occupational Injury and Illness
Community Engagement	SE-1: Community Impacts and Engagement
	SE-2: Social Investment
	SE-4: Involuntary Resettlement and Economic Displacement
Local Content	SE-6: Local Hiring Practices and Performance
Labour Practices	SE-16: Employee Engagement and Satisfaction
	SE-17: Training and Development

"Oil and gas industry guidance on voluntary sustainability reporting." 2nd Edition, 2010 (draft 4)

IPIECA is the global oil and gas industry association for environmental and social issues. It develops, shares and promotes good practices and knowledge to help the industry improve its environmental and social performance; and is the industry's principal channel of communication with the United Nations.

Through its member led working groups and executive leadership, IPIECA brings together the collective expertise of oil and gas companies and associations. Its unique position within the industry enables its members to respond effectively to key environmental and social issues.

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