

UN GC Communication on Progress Report

Human Rights Principles

Assessment, Policy and Goals

PKP S.A. as a State Treasury company is characterized by its longstanding experience and traditions in managing railway assets. The Company pursues its business goals taking into consideration important social, environmental and economic aspects in accordance with the idea of sustained development.

While taking care to develop its corporate culture and build positive relations with internal and external environment, the Company actively supports the respect for human rights. The fundamental elements that underpin the process of building and development the desired corporate culture at PKP S.A. include the Company's Code of Ethics as well as related policies supporting the compliance with the rules contained in the Code. The Code covers the key values developed by the Employees and Clients: reliability, good management, safety, modernity, responsibility, respect. It is also a list of rules to follow in performing duties at work.

A major role in PKP S.A. activities is played by the gradual adjustment of the facilities managed by the Company to make them meet the needs of persons with limited mobility. A large-scale programme of modernization and construction of railway stations is underway. New and renovated facilities are equipped with solutions designed to facilitate the use of railway infrastructure for people with various types of disability. In 2015, for example, in response to the need to improve the comfort of travellers who are deaf or with impaired hearing, the service of on-line translation of the sign language "Tłumacz Migam" (Sign Translator) was launched. The service is available at 10 major railway stations. Thanks to the service people who can use the sign language may easily communicate with the railway station personnel.

Moreover, persons with limited mobility may count on assistance being provided by the railway station personnel if requested earlier. PKP S.A. undertakes a series of corporate social responsibility initiatives. These include actions directed at the most needy groups. For a few years now the Company has been a partner of the Ministry of Family, Labour and Social Policy in the programme to reduce and mitigate the problem of homelessness. Together with representatives of the local administration, police, city guards and with the support of streetworkers from specialized non-governmental organizations, the Company conducts actions aimed at helping the homeless who stay at railway stations in their return to the society. Since 2009 PKP S.A. has been a member of the European Charter for Development of Social Initiatives in Stations.

PKP S.A. as a modern organization will continue to undertake initiatives promoting human rights.

Implementation

PKP S.A. took the following steps in order to respect human rights and prevent their violation:

- The external ethics line was maintained, where employees or clients may anonymously report information on abuse or fraud,
- An e-learning training was introduced for employees concerning the Code of Ethics and the implemented policies: anti-mobbing, fraud prevention, management of the conflict of interest,
- Regular training sessions were held concerning the Code of Ethics for newly hired employees as part of the onboarding programme,
- In cooperation with the Ministry of Family, Labour and Social Policy under the programme to reduce and mitigate the problem of homelessness, dialogue sessions were held in 6 cities throughout Poland. The purpose of the meetings was to exchange knowledge and good practices as well as present action plans for the next year.
- Representatives of PKP S.A. participated in meetings of the European Charter for Development of Social Initiatives in Stations, aimed at developing best practices of preventing social exclusion and homelessness.
- In 2015 the service of on-line sign language translator "Tłumacz Migam" (Sign Translator) was launched at 10 InfoRailway Stations throughout the country.

Measurement of outcomes

PKP S.A. regularly monitors and evaluates actions taken with regard to the respect for human rights.

The actions conducted for a few years by non-governmental organizations which benefit, among other funding sources, from public funds, intended to reduce the scale of homelessness bring measurable results. The aid provided, methods of activation and the presence of streetworkers serve to reduce the number of people who are in a difficult life situation and who stayed for a long time at railway stations.

PKP S.A., in cooperation with Migam, conducted a survey in which the respondents were asked to evaluate the usefulness of the availability of the sign language translator. 73.6% of the respondents declared that thanks to this solution they were able to use railway facilities more often. As much as 85% of the respondents admitted that the availability of the service contributed to their positive thinking about the railway stations and PKP. The service of on-line sign language translator was included permanently into the passenger service standards at InfoRailway Stations.

The activities of PKP S.A. in the area of the prevention of homelessness and services for people who are deaf or with impaired hearing were distinguished by the Social Corporate Responsibility Forum and defined as a Good Practice.

Labour Principles

Assessment, Policy and Goals

PKP S.A. has active trade unions with which the Company's Collective Bargaining Pact has been concluded, regulating labour relationships in compliance with the provisions of the labour law valid in the Republic of Poland.

The parties are convinced that the provisions of the Collective Bargaining Pact for the Company's employees:

- are conducive to employee integration around the mission and goals of Polskie Koleje Państwowe Spółka Akcyjna,
- serve to ensure appropriate labour conditions and fair remuneration, achievement of personal career ambitions of the employees, as well as respect for their dignity and equal treatment of men and women,
- help to prevent conflicts and disputes,
- contribute to the creation of strong relations between Polskie Koleje Państwowe Spółka Akcyjna and the employees.

The Company strictly complies with the provisions of the Polish Labour Code, which prohibits forced labour or employment of minors of age.

The PKP Group Code of Ethics explicitly prohibits discrimination related to employment as well as discrimination against business partners, clients or contractors on grounds of age, gender, disability, race, religion, sexual orientation, nationality, origin, political or trade union activity. The Code emphasizes the principle of zero tolerance of any forms of physical or psychological abuse, mobbing or harassment.

For employees who find themselves in a particularly difficult life or economic situation in-kind or financial assistance is provided from the Company's Social Benefits Fund. 156 benefits were paid out between 2015 and mid-2016. 46% of the employed persons with disabilities benefited from this form of support.

The Company takes care to provide good atmosphere at work and corporate culture ensuring respect for all employees in the organization. From the diversity perspective, the key task is to enhance managers' awareness in line with the principle that they set the example for their subordinates.

Implementation

Health and safety of the employees, improving their skills and competences, developing corporate culture based on efficiency and value-oriented management are the main directions of PKP S.A. activities undertaken out of care for the Company's personnel.

PKP S.A. employees may use a broad range of e-training programmes. This form of employee improvement and development is planned to continue.

PKP S.A. builds a corporate culture based on ethical values and social commitment. The Company has an Ethics Officer. Thanks to a tool known as the Ethics Line both employees and contractors have the possibility to safely and anonymously report information about possible irregularities. Moreover, 1716 employees of the Company underwent e-learning training on the Code of Ethics.

The employees who have no access to computers are provided with printed training documents.

As part of health care PKP S.A. offers to its employees co-funding from the Company's Social Benefits Fund to pay for sports activities in the facilities of three contractors with whom the Company entered into agreements on very preferential conditions. At present, 34.43 % of the employees benefit from the sports activities.

Within its recruitment processes the Company uses clear and uniform rules towards all candidates and it encourages applications from people with disabilities. The recruitment process is described in a separate document: "Rules of recruitment at PKP S.A." The document emphasizes the respect for the rights of both candidates and existing employees who participate in internal recruitment in terms of ensuring confidentiality, respect and equal treatment. The recruitment processes are conducted in a transparent manner and vacancies are announced in the Company's Intranet as well as in a special newsletter.

Measurement of outcomes

The Company plans to implement clear procedures and standards monitoring the effectiveness of the actions taken. PKP S.A. strives to employ all its personnel on the basis of employment contracts.

It should be noted that as much as 83.3% of persons hired under employment contracts have indefinite duration agreements, which are the most favourable solution to the employees.

In 2015 PKP S.A. spent PLN 1 905 904 on employee training and development and signed 59 agreements on co-funding of post-graduate studies. At the same time, thanks to the introduction of the e-training system, savings of PLN 703 500 were achieved. In the first half of 2016, the next 26 agreements on co-funding of post-graduate studies were signed and 500 people underwent training.

The Company also monitors its diversity ratio and strives to maintain a balanced employment structure in terms of gender. At present, however, the ratio indicates that PKP S.A. employs more women (61%) than men, which shows the company is women-friendly.

The balanced employment structure in terms of gender is shown by the data concerning employment on managerial positions – the shares of genders in employment on those positions are equal.

Environmental Principles

Assessment, Policy and Goals

PKP S.A. pursues a policy aimed at mitigating its negative impact on the environment. The main goals of the Company with regard to its pro-ecological policy include:

1. Building in selected locations compact, ecologic Innovative System Railway Stations (IDS) with the use of modern and economical construction solutions adjusted to the needs of travellers and tenants.
2. Reducing atmospheric emissions from fuel combustion in boiler rooms and combustion during the work of machines, equipment and means of transport;
3. Rational waste management in order to reduce waste amount and minimize its negative impact on the environment, with particular focus on dangerous waste (including: greases, obsolete monitors, fluorescent lamps, batteries);
4. Gradual phasing out of equipment, parts of structures, or demolishing of buildings containing asbestos and eternit;
5. Use of energy-saving devices and environment-friendly equipment;
6. Segregation of municipal waste at premium category railway stations and in the Company's administrative buildings;
7. Rationalization of the use of fuels, heat, electricity and water;
8. Reduced use of paper achieved with two-page printing and electronic flow of documents within the company as well as e-invoices;
9. Compliance with the valid legal regulations and internal rules concerning environmental

protection;
10. Care of green spaces and trees, including tree branch care;

Moreover, PKP S.A. complies with environmental protection rules with regard to:

- handing over dangerous waste to companies authorized to utilize it;
- confirming the quality of solid and liquid fuels at their purchase on the basis of attached certificates;
- statistics and reporting for the purposes of Poland's Main Statistical Office, National Centre for Emission Balancing and Management, and Central Register of Operators of Fire Protection Equipment and Systems;
- Handling waste generated at PKP S.A. (including dangerous waste)
- Handling materials containing asbestos,
- Defining standards of maintenance of cleanliness and the manner of their control through SLA (Service Level Agreements), that is continuous improvement of the provided service in order to achieve the intended, pre-defined cleanliness level (Book of Cleanliness Maintenance Standards);
- Maintaining cleanliness in the facilities and on the areas managed by PKP S.A. – the Company uses safe chemicals with strictly defined pH of the solution (depending on the type of cleaned space), alkaline and water solutions of nonionic surface active compounds and organic solvents.

Implementation

PKP S.A. is aware of its environmental impact. Bearing that in mind, it manages its real estate in such a manner so as to reduce negative impact for the environment. The activities require high financial outlays, and that is why they are carefully planned and are consistent with the strategic goals of the Company:

1. In 2015 four Innovative Systemic Railway Stations (IDS) were handed over for the use by travellers in Strzelce Krajeńskie, Ciechanów, Mława and Nasielsk. Thanks to modern solutions it was possible to reduce the negative impact for the environment by using:
 - new technologies to heat and ventilate facilities – heat pumps (air or ground), high-efficiency gas stove,
 - rain water as grey water to flush toilets in the building,
 - energy-saving LED lighting with sensors of presence in facilities,
 - photovoltaic cells situated on building roofs and generating electricity for outdoor lighting;
 - thermic insulation as well as window and door frames with the parameters ensuring insulation in excess of the current requirements of technical conditions (we fulfil the conditions which will be required from buildings only from 1 January 2021)
 - green roofs for retention of rain water
 - mechanical ventilation with heat regaining efficiency of 85%Innovative Systemic Railway Stations (IDS) are more economical and energy-efficient than the previous railway stations in those locations.
2. The Company modernizes the boiler room it uses by superseding solid fuel (coal and coking coal) boiler rooms with high-efficiency gas and oil boiler rooms. Electric heating is installed gradually. The facilities of the Company are connected to the municipal heating network. Over the last two years almost 40 facilities were modernized (railway stations and dwellings). Additionally, work is in progress on thermomodernization projects in railway station and

- administration buildings in order to reduce heat energy use (replacement of internal and external central heating installation, insulation of the building, building of a new connection to the municipal heating grid).
3. The amount of sewage is gradually reduced. PKP S.A. rationalizes its water use. Sewage systems were modernized (building of connections, connection of facilities to the municipal sewage or water supply networks).
 4. The Company gradually phases out asbestos from the equipment and structures it operates. The work is planned to be completed by the end of 2030. These are actions performed under the Programme of Cleaning the Country of Asbestos in 2009-2032 adopted by the Council of Ministers in 2009. The main goals of the Programme are to:
 - remove and make harmless products containing asbestos,
 - minimize negative health impacts caused by the presence of asbestos on the territory of the country,
 - elimination of the harmful effect of asbestos on the environment.
 5. At the turn of 2015 and 2016 PKP S.A. replaced lighting in 3 railway station buildings: Warszawa Wschodnia, Warszawa Wileńska and Lublin. LED (Light Emitting Diodes) technology was used. These are energy-saving sources of light with long duration reaching up to 11 years. For comparison, traditional light bulbs work for only 1 year. By the end of 2016 lighting is planned to be replaced at more railway stations: PKP Warszawa Centralna, Warszawa Stadion, Rzeszów Główny and Leszno.
 6. Moreover, almost 300 waste segregation containers were placed at PKP railway stations.

Measurement of outcomes

Both at the new and at the renovated railway stations modern solutions are used considerably reducing electricity use. The Innovative Systemic Railway Stations (IDS) have been equipped with a series of ecological solutions. 4 such places were developed and construction of the following is planned. The implemented environmental solutions translate into economic benefits.

Anti-Corruption Principles

Assessment, Policy and Goals

The rules contained in the PKP S.A. Code of Ethics support the process of building and developing the desired corporate culture. The Code indicates the attitudes compliant with the law and standards valid at PKP S.A. It promotes rules of ethical conduct in relations with colleagues, clients, suppliers, competitors, social environment and natural environment. It helps the employees to make the right choices and facilitates solving dilemmas of moral nature. The tools helpful in the implementation of the provisions of the Code of Ethics are the policies concerning such areas as: fraud prevention, acceptance of gifts and benefits, prevention of mobbing, rules of using social media, Conflict of Interest Regulations. The Company also has an Ethics Line which allows to safely and anonymously report information about possible violations of the Code of Ethics and related policies.

In particular the "Fraud Prevention Policy" provides that the use of high honesty standards and ethical conduct are the key elements of building credibility, trust and care of the Company's image. They testify to the responsible approach to managing the Company and are among the sources of the Company's success. The policy promotes the rule of zero tolerance of corruption and bribery, identifies risks resulting from corruption or directly undermining the correct economic exchange. It presents a system of evaluation of anti-corruption actions.

The policy contains anti-corruption goals and defines specific tasks in order to:

- 1) define potential risks and their continuous monitoring;
- 2) educate employees on business ethics;
- 3) solve problem situations on an on-going basis;
- 4) encourage to report problems, increase awareness and unconditionally prevent irregularities.

The PKP S.A Ethics Officer, supported by Value Leaders, ensures conduct compliant with the Code and observance of the implemented policies. In the event of receiving information concerning violations of the fraud prevention policy the Ethics Officer, in cooperation with the Audit and Control Office Director and Security Office Director, forwards the information to the Company's management. The Company also has an Ethics Commission consisting of: the Ethics Officer, Ethics Officers from the companies in the PKP Group and Value Leaders.

PKP S.A. actively participates in the actions of the Global Compact Initiative of the UN Secretary General, with particular engagement in the project of the Coalition of Ethics Officers and the development of Ethics Standards for Polish firms and institutions.

Implementation

- At the turn of 2015 and 2016 e-learning training on ethics and policies related to the Code of Ethics was developed and implemented. A considerable majority of PKP S.A. employees completed the training,
- The employees who wished to report cases of violation of the rules of the Code and policies or cases of fraud, in addition to the possibility of reporting the information directly to their superiors or to the Ethics Officer had at their disposal anonymous communication channels via telephone and online Ethics Line,
- Regular training on the Code of Ethics was conducted for all newly hired employees,
- 6 meetings of the Ethics Committee were organized to exchange experiences and good practices with regard to amicably conflict resolution and improvement of atmosphere at work,
- Communication and information activities were conducted concerning the compliance with the Code of Ethics and implemented policies in internal communication channels,
- PKP S.A. Ethics Officer actively participated in the work of the Coalition of Ethics Officers, aimed at development of Ethics Standards for Polish firms and institutions.

Measurement of outcomes

- Within the undertaken anti-corruption activities positive changes were observed in the Company's corporate culture. The information received concerning fraud contributed to reduce the scale of its occurrence, amicable conflict resolution and improved atmosphere at work,
- No incidents of attempted extortion or corruption were recorded in 2015,
- PKP S.A. activities related to the management of the ethics programme were distinguished by the Corporate Social Responsibility Forum and defined as a Good Practice,
- Thanks to the responsible approach to business, use of corporate governance principles, transparent procedures and improvement of standards, the positive image PKP S.A. was consolidated,

E-learning training on the Code of Ethics and related policies ends with a test. All employees who participated in the training passed the test.