



2019

Sustainability Report



Contents

Letter from the President of the Management Board 4

2019 Highlights..... 6

ABOUT GAZ-SYSTEM 8

Business Model 10

Corporate Governance 12

Strategy..... 18

Organisational Culture..... 20

Transmission System..... 22

Strategic Projects..... 24

Key Tasks 26

Transmission Network Operation System 37

Research and Development..... 39

Employees 42

Human Capital 44

Occupational Health and Safety Management..... 45

Employee Benefits 50

Professional Development 52

Energy Academy..... 53

Environment 54

Environmental Initiatives..... 57

Environmental Protection in Investment Projects 60

Investment Projects and Protection of Biodiversity 63

Suppliers 64

Cooperation with Suppliers 66

LNG Supply Chain..... 68

Communities..... 70

Effective Communication 72

Local Communities..... 74

Stakeholders 78

Voluntary and Charitable Activities 82

Engagement in Partnerships and Initiatives 83

Cooperation with Universities 84

Supporting Vocational Education..... 85

Cooperation Within Industry Organisations 86

About the Report 88

Conclusion 90

Financial performance..... 92

GRI Content Index..... 96

Letter from the President of the Management Board

GRI 102-14

GRI 102-15

GRI 103-1

GRI 103-2

GRI 103-3

Dear Readers,

It is my great pleasure to introduce this Sustainability Report of the GAZ-SYSTEM Group for the year 2019. The last year's projects and investments which we present herein confirm our steady pursuit of the strategy adopted by the company's management. We are implementing the largest investment programme in the history of the Polish gas industry. Thanks to determination and joint efforts, the subsequent milestones in our projects are being achieved. We have been consistently building Poland's energy independence and a competitive natural gas market in Europe.

The Baltic Pipe, a crucial project from the energy security perspective, entered the implementation phase. This is one of the most important infrastructure projects in the country, which will enable the creation of a gas route between Poland, Denmark and Norway resulting in increased diversification of supply to our country. In parallel, we are expanding the President Lech Kaczyński LNG Terminal in Świnoujście to increase its capacity to 7.5 bcm/year. We are developing alternative sources of natural gas supply to Poland through projects such as FSRU (Floating Storage and Regasification Unit) in the Port of Gdańsk. The construction of gas interconnections with Slovakia and Lithuania is well underway. The development of the North-South Gas Corridor has reached an advanced stage with the completion planned for 2021.

We are also committed to building public awareness with regard to energy conservation and environmental protection, among other things through grant programs such as the Natural Energy Fund. We cooperate with local governments and non-governmental organizations and implement numerous CSR initiatives addressed to children and young people. During educational workshops, we explain that switching to gaseous fuel means saving and cleaner air. At each stage of project implementation we stay in touch with our stakeholders, listening to their concerns and trying to respond to their expectations.

Last year was exceptional for two reasons. First of all, we transported a record-high gas volume through our pipelines — 20.5 bcm, which clearly shows the growing demand of the economy for this fuel. Secondly, our company celebrated its fifteenth anniversary. During these 15 years, we have built up a position of a reliable, independent and trustworthy transmission system operator that acts a socially responsible way. This would not be possible without the effort and support of our employees. I would like to thank each and every one of them for their professionalism, commitment and open-mindedness. If, over the years, we have earned the trust of our business partners, clients and contractors, most of the credit for this goes to our employees.

On behalf of the Management Board of GAZ-SYSTEM I encourage you to read our report.

Tomasz Stępień

President of the Management Board, GAZ-SYSTEM S.A.



Highlights

2019

January

- » Contract for the engineering of the Oświęcim — Tworzeń gas pipeline and the Tworzeń system station.
- » All necessary environmental and location decisions for all projects making part of the LNG Terminal Expansion Programme obtained.

March

- » 1180-meter long HDD section of the Brzeg — Zębice — Kietczów gas pipeline drilled under the Oder River; DN1000.

May

- » Location decision for the construction of the Goleniów — Lwówek gas pipeline, DN1000.
- » Opening event at the seat of the company's Tarnów Branch in Pogórska Wola.
- » Environmental decision for gas pipeline connecting the offshore pipeline with the National Transmission System (Baltic Pipe project).

July

- » GAZ-SYSTEM and Energinet obtained environmental permits for all parts of the Baltic Pipe project located within the on-shore part of Denmark.

September

- » Completion of the tie-in project to connect the Żerań CHP Plant in Warsaw.

November

- » All location decisions and construction permits for the gas interconnection with Lithuania (GIPL), together with the expansion of the Hołowczyce compressor station obtained.
- » Commissioning of the Zdzeszowice- Wrocław gas pipeline, section 1 Brzeg — Zębice — Kietczów.
- » Commissioning of the Hermanowice — Strachocina gas pipeline.
- » Environmental decision for the offshore gas pipeline in the Polish part of the Baltic Sea (Baltic Pipe project).
- » The laboratories of GAZ-SYSTEM obtained accreditation of conformity with PN-EN ISO/IEC 17025 standard "General requirements for the competence of testing and calibration laboratories".

February

- » Contract for the supply of steel pipes for the construction of the Poland-Slovakia gas interconnection.
- » Contract for the construction of a gas compressor station in Kędzierzyn-Koźle.
- » Environmental decision for the Goleniów-Lwówek gas pipeline (Baltic Pipe project).

April

- » Agreement on the EU co-financing (OPI&E) of a project aimed at the development of the functionality of the LNG terminal in the amount of 128 million Euro was signed.
- » Agreement with the EU Innovation and Networking Executive Agency (INEA) for the co-financing of construction works for Baltic Pipe under the Connecting Europe Facility was signed.
- » Entry into force of the updated Transmission Network Code (TNC) and Transmission Network Code of the Polish Section of the Transit Gas Pipeline System Yamal – Europe (TGPS Network Code). For more information see: www.gaz-system.pl in the "Customer Zone" section.

June

- » All necessary decisions and permits for the construction of the Goleniów — Lwówek gas pipeline, DN1000 obtained.
- » Location decision for the expansion of the gas compressor station in Goleniów (Baltic Pipe project).
- » Resolution of the Management Board adopting the R&D Agenda of GAZ-SYSTEM, i.e. a document defining the R&D directions and areas for the company.

August

- » First contract for investor's supplies under the Baltic Pipe project.
- » Approval of the Ten-Year Network Development Plan for the years 2020-2029 with the President of the Energy Regulatory Office.

October

- » Completion of the construction and commissioning of the Lwówek — Odolanów gas pipeline.
- » Contract for the construction of a gas distribution and measurement node in Strachocina.
- » Publication by the European Commission of the 4th list of Projects of Common Interest (PCI), including four GAZ-SYSTEM's projects, among them, for the first time, the FSRU in the Port of Gdańsk.

December

- » Contract for the supply of pipes for the construction of the Poland-Slovakia interconnection.
- » Announcement of 2nd Competition under the INGA Programme.
- » Letter of Intent with Ciech on cooperation in the construction of the "Damasławek" underground gas storage facility and salt mine.
- » Selection of the pipe supplier for the Baltic Pipe offshore gas pipeline.



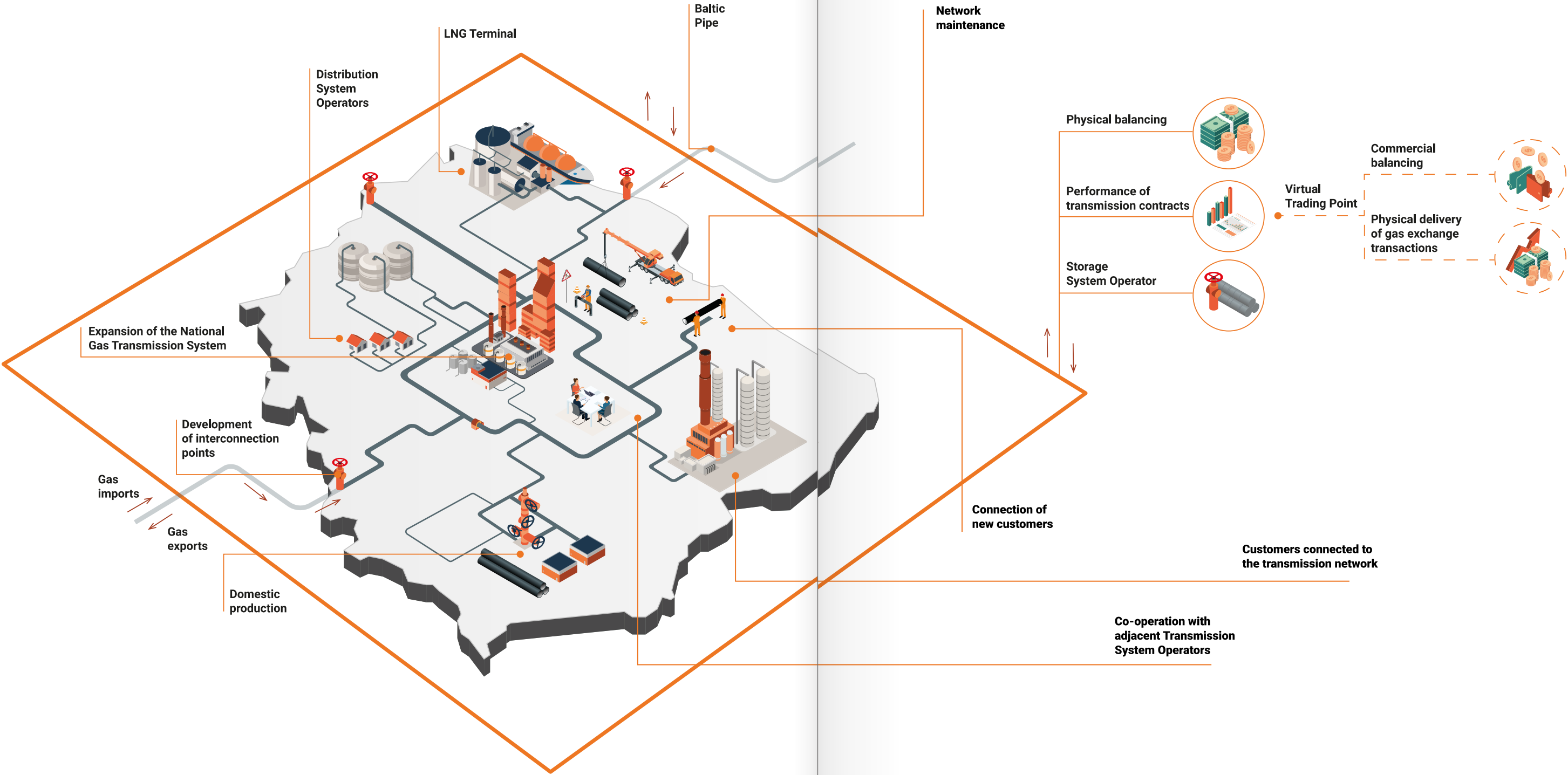
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About GAZ-SYSTEM

- 10 Business Model
- 12 Corporate Governance
- 18 Strategy
- 20 Organisational Culture
- 22 Transmission System

Business Model

GRI 102-4

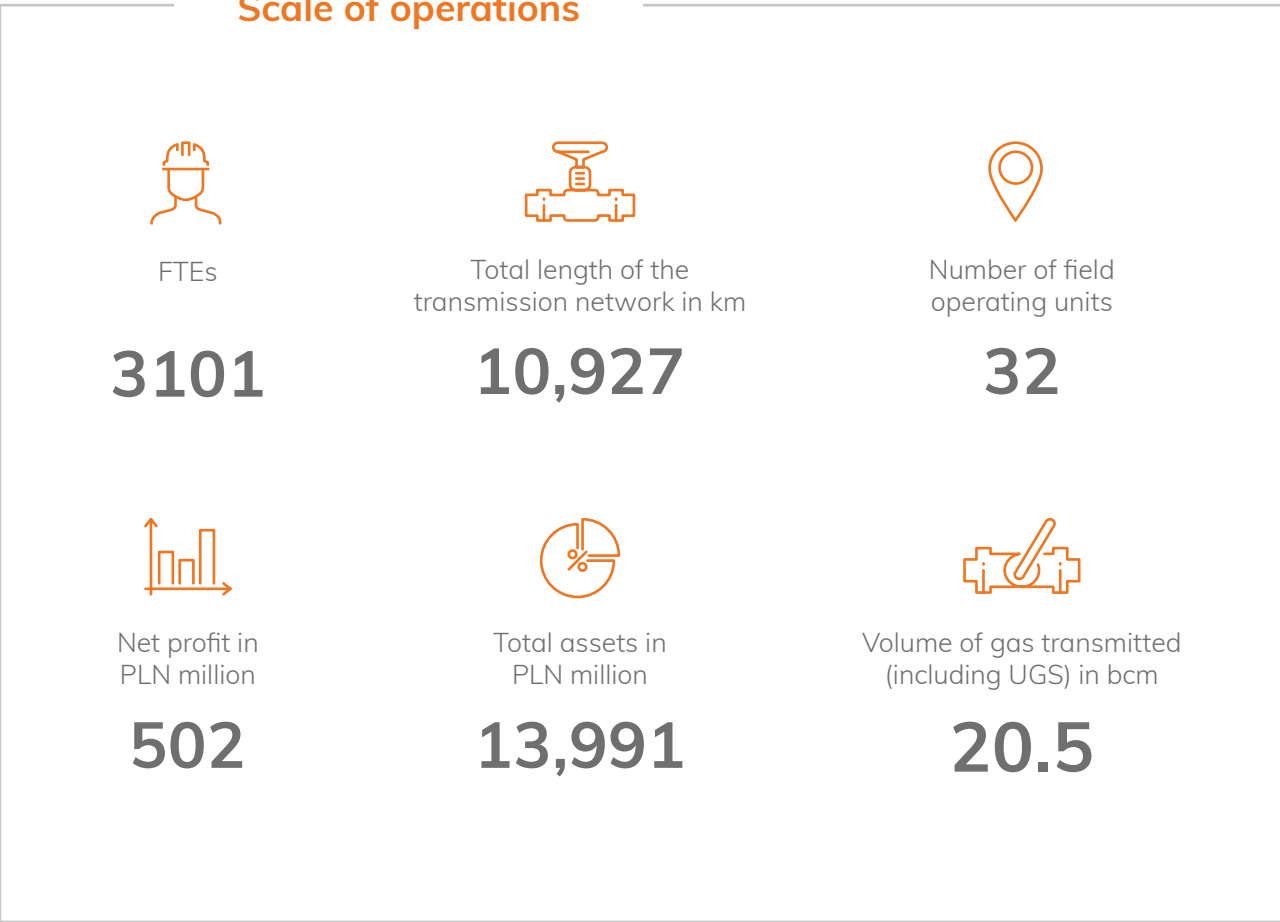


Corporate Governance

GRI 101
GRI 102-1
GRI 102-2
GRI 102-4

GAZ-SYSTEM is a key player in the natural gas market in Poland as a company of strategic importance for the national economy and energy security. Among other things, the company is responsible for the management of the transmission network and natural gas transport throughout Poland to supply the fuel to distribution networks and to final customers.

GRI 102-7



GRI 101
GRI 102-2
GRI 102-3
GRI 102-5
GRI 102-6
GRI 103-1
GRI 103-2
GRI 103-3
GRI 206-1

GAZ-SYSTEM is wholly owned by the State Treasury and the owner's supervision over the company is exercised by the Government Plenipotentiary for Strategic Energy Infrastructure. By virtue of the decision of President of the Energy Regulatory Office (President of the ERO), GAZ-SYSTEM holds a licence for the transmission of gaseous fuels (until 2068) and has been designated as the gas Transmission System Operator in the territory of Poland (until 2068).

Since December 2008, GAZ-SYSTEM has been the owner of Polskie LNG S.A. By virtue of a licence granted by the President of the ERO for natural gas liquefaction and LNG regasification in liquefied natural gas facilities until 31 December 2030, Polskie LNG provides LNG re-gasification services (long-term and short-term), and the additional service is the reloading of LNG into road tankers. In 2019, there were no cases of anticompetitive behaviour or unfair trading practices on the part of GAZ-SYSTEM.



GRI 102-3

The head office of **GAZ-SYSTEM** is located in Warsaw at 4 Mszczonowska Street, and the company's branches are based in: Gdańsk, Poznań, Rembelszczyzna, Tarnów, Świerklany and Wrocław.

The head office of **Polskie LNG** is located in Świnoujście at 1 Przy Morzu Street and in Warsaw at Aleje Jerozolimskie 146.

GRI 102-18
GRI 102-22

The day-to-day activities of GAZ-SYSTEM are led by the Management Board which sets out the objectives and guidelines for the Company's operations, represents the company in external relations and ensures the efficiency and transparency of management. The members of the Management Board are appointed for a joint, three-year term by the Supervisory Board.

Between 1 January 2019 and 31 December 2019, the Management Board of GAZ-SYSTEM was composed of three members:



Tomasz
Stępień

President of the
Management Board

- » Audit Division
- » Administration Division
- » Market Information Office
- » Research and Development Division
- » National Gas Dispatching Division
- » Human Capital Management Division
- » Independent positions
- » Branch in Świerklany
- » Branch in Wrocław
- » Branch in Poznań
- » Branch in Gdańsk
- » Branch in Tarnów
- » Branch in Rembelszczyzna



Artur
Zawartko

Vice-President of the
Management Board

- » Finance Division
- » Business Continuity Management Division
- » Gas Market Development Division
- » Security Division
- » OHS and Fire Protection Division
- » IT and Management Systems Division
- » Operation Division
- » Cybersecurity Division
- » Corporate Communication and Marketing Division

On 1 March 2020, by virtue of a resolution of the Extraordinary General Meeting of Gas Transmission Operator GAZ-SYSTEM S.A., Marcin Kapkowski was appointed as Vice-President of the Management Board.

GRI 102-18
GRI 102-22



Krzysztof
Jackowski

Vice-President of the
Management Board

- » Baltic Pipe Division
- » Legal Division



Marcin
Kapkowski

Vice-President of the
Management Board

- » Investment Division
- » Procurement Division

Composition of the Supervisory Board of GAZ-SYSTEM

- » Andrzej Maria Herman — Chairman
- » Wojciech Arkuszewski — Deputy Chairman
- » Paweł Pikus — Secretary
- » Dariusz Kocuń — Member
- » Krzysztof Ogonowski — Member
- » Adam Piotrowski — Member



GRI 102-18
GRI 102-22

Polskie LNG

Composition of the Management Board:

- » Tomasz Stępień
President of the Management Board (since 14 October 2019)
- » Krzysztof Jackowski
Vice-President of the Management Board (since 14 October 2019)
- » Paweł Jakubowski
President of the Management Board (from 18 March 2018 until 14 October 2019)
- » Bartłomiej Słoma
Vice-President of the Management Board (from 18 March 2018 until 14 October 2019)

Management Board



IT Systems
Office



Audit and
Controlling Office



Legal
Office



Finance
Division



Corporate
Security Office



Investment
Division



Project Support
Division



Operational
Management
Office



Operation
Division



Personnel and
Organisation
Division

Composition of the Supervisory Board of Polskie LNG:

- » Izabella Łyś-Gorzkowska
Chair of the Supervisory Board, in office throughout 2019.
- » Artur Zawartko
Deputy Chair of the Supervisory Board, in office throughout 2019.
- » Mateusz Kieferling
Member of the Supervisory Board, in office throughout 2019.
- » Alicja Ostanek
Secretary of the Supervisory Board since 15 January 2019
- » Krzysztof Jackowski
Member of the Supervisory Board, in office from 15 January 2019 until 14 October 2019.
- » Kamil Fijałkowski
Member of the Supervisory Board, in office from 12 July 2019 until 15 October 2019.

Strategy

GRI 102-15

As the Transmission System Operator, the company pursues the objectives set out in the current “Strategy of the Gas Transmission Operator GAZ-SYSTEM until 2025”. These include: active involvement in the process of the European gas market integration, ensuring security of the transmission system operation, maintaining the continuity of transmission services and improving operational and organisational efficiency.

Risk management

In GAZ-SYSTEM, risk management is a continuous process which is subject to necessary adjustments in response to the changing external and internal situation of the organization, its environment and specific current business requirements. The ability to accurately identify and assess risks and apply risk management methods to mitigate them is an important factor influencing the company’s efficiency and growth.

The corporate risk management process is based on the ISO 31000 standard. The key risks affecting the company are closely related to its mission and development plans. The achievement of the objectives is supported by systematic risk analyses associated with decisions concerning the planning and execu-

tion of maintenance and investment projects, business development or safeguards against disruptions. Systematic risk management is in place, inter alia, in the following areas:

- » ensuring continuity of transmission (as part of the Business Continuity Management System according to ISO 22301);
- » operation of the transmission system (Risk and Reliability Assessment System for gas pipelines and stations);
- » project management (project risk management process integrated with the EPM risk management system);
- » information security (as part of the Business Continuity Management System according to ISO 27001);
- » safety at work (legally required risk assessments).

GRI 102-15

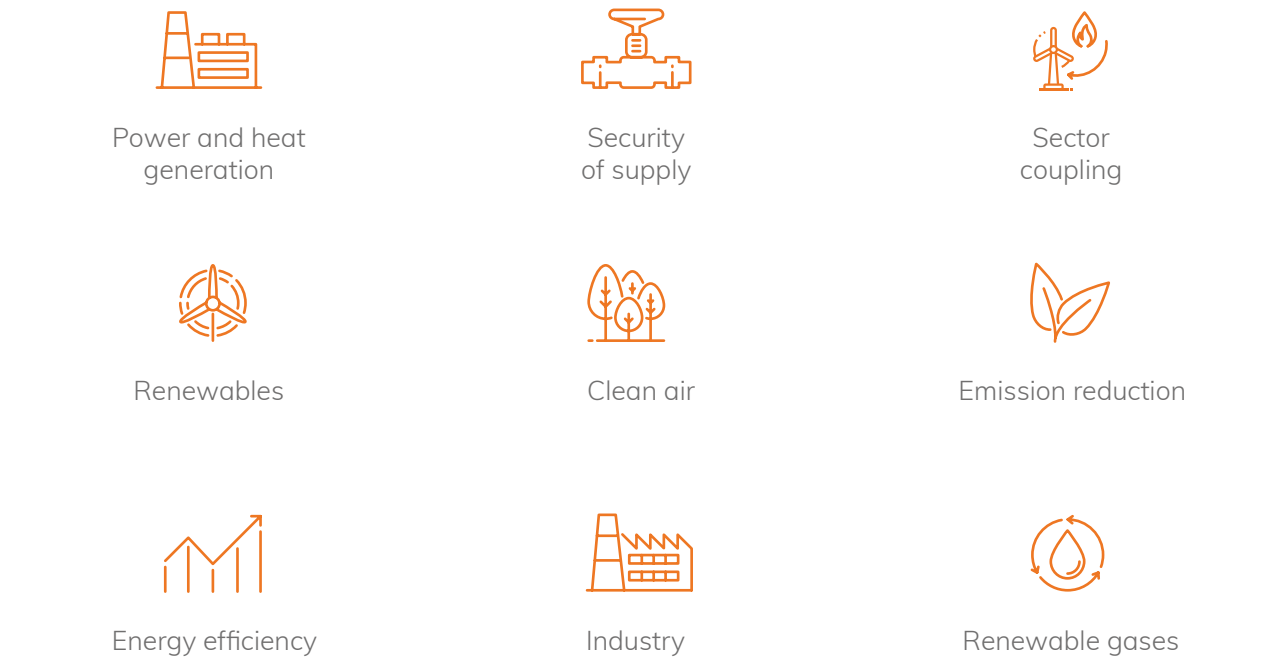
Opportunities and risks of GAZ-SYSTEM

Risk model (in the Corporate Risk Management process)



Recognising the challenges in the European energy market and the objectives of the EU energy and climate policy, GAZ-SYSTEM can actively contribute both to the growth of energy security in the country and in the region and take part in shaping the future development directions of the entire energy sector.

Area of opportunity



Organisational Culture

GRI 103-1
GRI 103-2
GRI 103-3

Security, responsibility, knowledge and experience are the underpinnings of the mission and vision of the GAZ-SYSTEM Group companies. Clearly stated values are the starting point for building the image of a stable business partner and supporting the implementation of strategic projects.

GRI 102-9
GRI 102-16

GAZ-SYSTEM

The mission of GAZ-SYSTEM is to ensure safe transport of natural gas in Poland and actively participate in the creation of an integrated

transmission system in Europe. In its day-to-day activities, the company demonstrates commitment to environmental stewardship

The vision of the company is to ensure energy security and play an instrumental role as an operator integrating the transmission system in Europe through the following:

- » creation of conditions for the development of a competitive natural gas market in Poland, and the companies operating in the sector;
- » construction of interconnections with the transmission systems of the neighbouring countries as part of the European gas networks;
- » developing a modern gas pipeline network in Poland;
- » offering services to enable optimised use of this infrastructure.

GRI 205-2

Values

In its daily work, the company follows the Code of Ethics which defines the principles concerning the organisation, internal relations as well as relations with external stakeholders. The guiding values for the employees of GAZ-SYSTEM are:

The company's employees are also bound by an anti-corruption procedure which provides instructions how they should act in case of noticing any irregularities, fraud or corrupt activities. The anti-corruption policies and procedures have been communicated to 100% of the employees.



Responsibility



Commitment



Professionalism



Teamwork



Respect



GRI 102-9
GRI 102-16

Polskie LNG

The mission of Polskie LNG is to actively support the security and reliability of LNG imports to the Polish and European gas system, and to cooperate with other parties in the development of competition on the gas market.

The vision of Polskie LNG is to become a significant player in the European natural gas transmission system in order to actively support the country's energy security by ensuring the reliable operation of the LNG terminal. The company will achieve the above owing to a competent team of people applying state-of-the-art standards and acting in accordance with the principles of sustainable development, as well as through the diversification of servi-

ces and application of clean, safe and modern technologies.

Polskie LNG's Code of Ethics is based on the core values of the company. They are the foundation which served for defining the competence model and standards of employees' behaviour. The Code clearly emphasizes that the company's policy is based on equal opportunity irrespective of race, nationality, gender, sexual orientation, disability or age. The company has implemented a procedure to counteract mobbing, discrimination and sexual harassment. An official employee representative and an anti-mobbing commission were appointed.

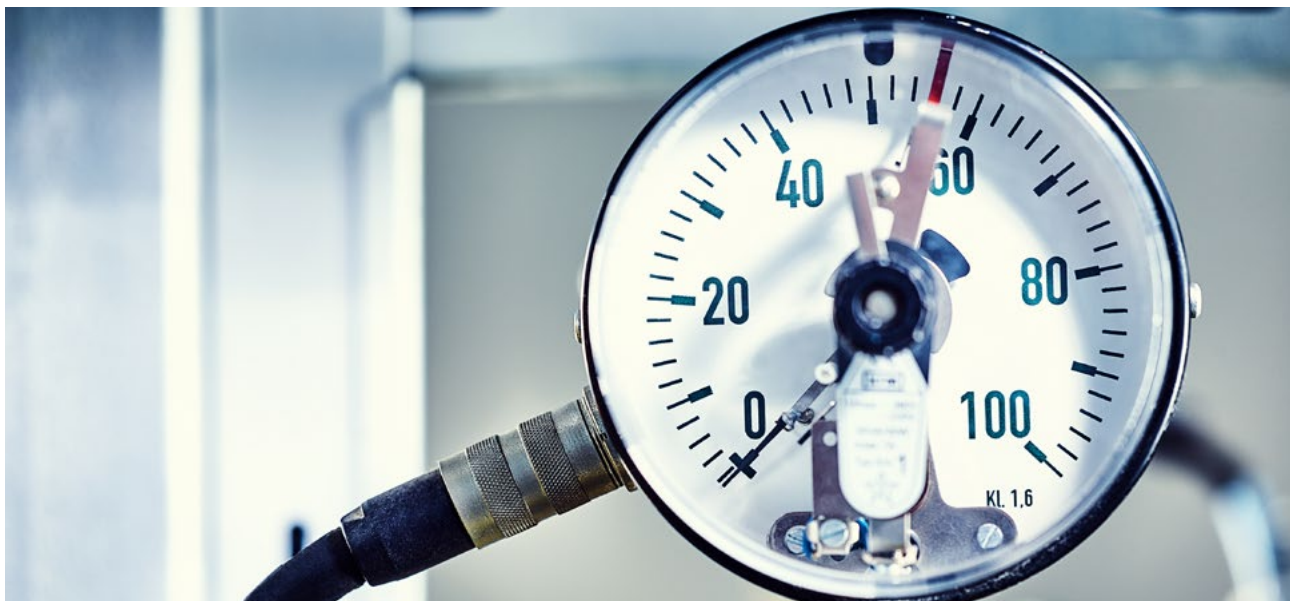
Transmission System

GRI 102-2

The reliability of gas supply is directly related to the efficiency and safety of the transmission system operated by GAZ-SYSTEM. Thanks to the undertaken investments in the expansion and modernisation of the infrastructure, the volume of gas transmitted by the company has increased by almost 5 bcm over the last 15 years.

The National Transmission System comprises two natural gas subsystems, for high-methane (E) and low methane (Lw) gas. On 19 December 2019, the President of the Energy Regulatory Office issued a decision by virtue of which,

as of 1 January 2020, GAZ- SYSTEM performs the operator's duties with respect to the Polish section of the Yamal — Western Europe gas pipeline owned by the EuRoPol GAZ. Decision will remain in force until 31 December 2022.



Transmission in numbers:	2018	2019
Length of transmission network	10,743 km	10,927 km
Number of entry points ¹	67	67
Number of exit points ²	934	921
Gas stations	848	853
Compressor stations	15	15
System nodes	34	34
Volume of gas transported ³	17.2 bcm	18.9 bcm
	193,7 TWh	212,6 TWh
Volume of transported gas including UGS ⁴	19.4 bcm	20.5 bcm
	218,7 TWh	229,6 TWh
Working volume of underground gas storage (UGS) facilities	3 bcm	3.07 bcm

Source: GAZ-SYSTEM

¹ Number of physical entry points to the transmission system, i.e. points with a specific physical location where gas is delivered to the system. Includes gas imports, withdrawal from UGS facilities, deliveries from fields and domestic production (mixing plants).
² Number of physical exit points from the transmission system, i.e. points with a specific physical location where gas is offtaken from the system. Includes transmission to exit points at the connection with distribution areas and the distribution network other than a gas distribution area, injection to UGS facilities, exports and supply to final customers.
³ The volume of transported gas includes low-methane gas (Lw), after volume conversion to high-methane gas (E) equivalent. The volume of gas transmitted expressed in units of volume is an indicative value.
⁴ The volume of transported gas includes the operation of UGS facilities. The volume of transported gas comprises low-methane gas (Lw), after volume conversion to high-methane gas (E) equivalent. The volume of gas transmitted expressed in units of volume is an indicative value.

2. Strategic Projects

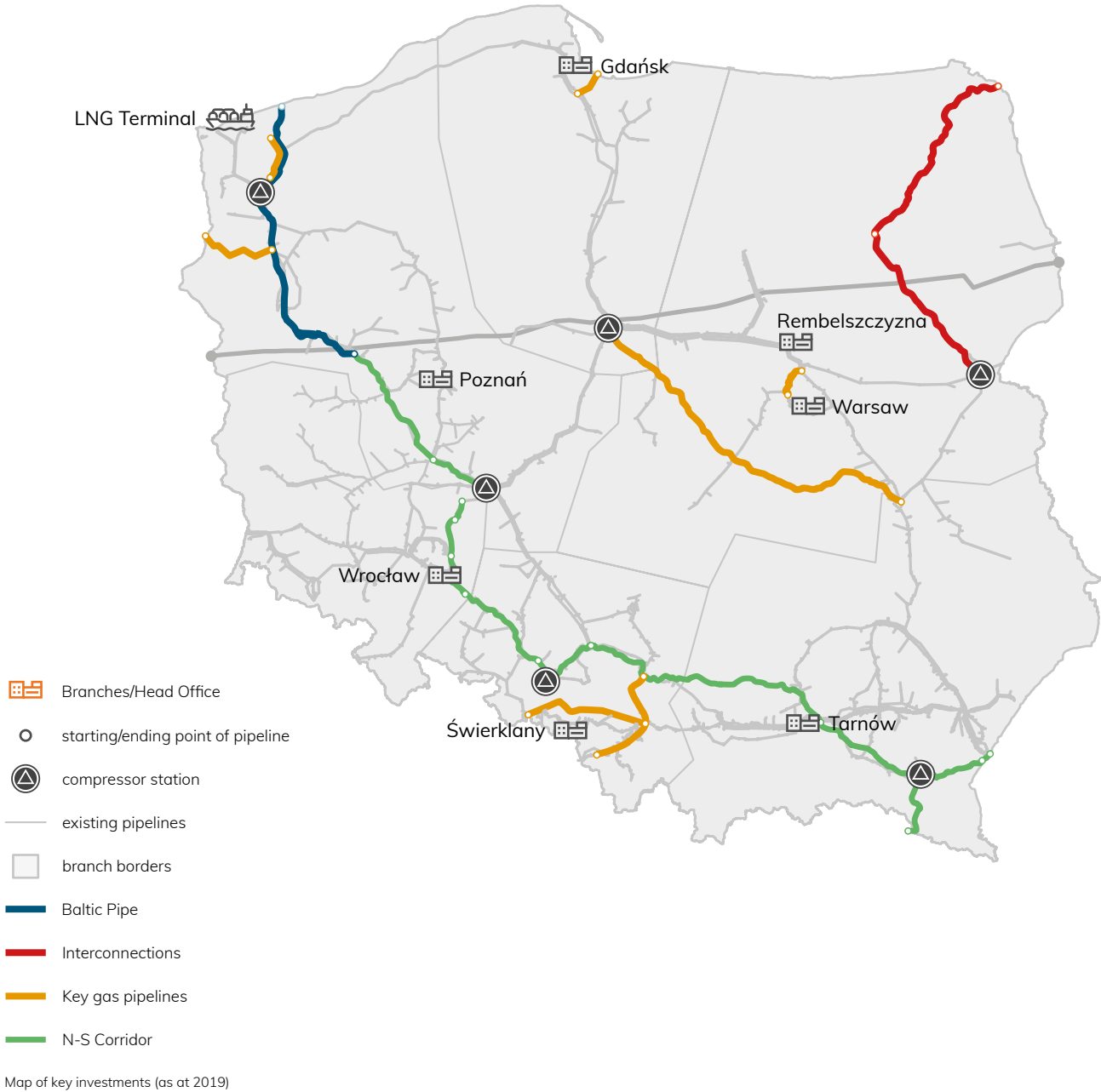
- 26 Key Tasks
- 37 Transmission Network Operation System
- 39 Research and Development



Key Tasks

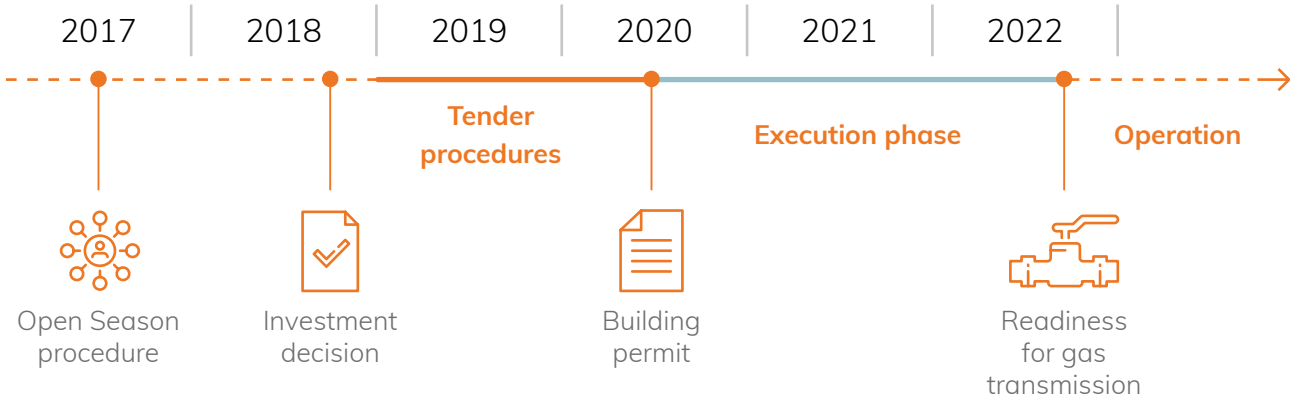
GRI 103-1
GRI 103-2
GRI 103-3
GRI 203-1

In 2019, GAZ-SYSTEM presented the Ten-Year Network Development Plan for 2020-2029, setting out the main directions of the company’s infrastructure investments. The document was consulted with the market participants to ensure that the contemplated projects fully meet the expectations of current and future users of the National Transmission System and the investment processes take into account the business needs of customers. The expansion of the transmission network proposed in the TYNDP, from the current over 11 thousand km to around 14.8 thousand km, including specifically interconnections, is aimed at ensuring a high degree of diversification of gas transmission sources and directions and gaining access to competitive markets.



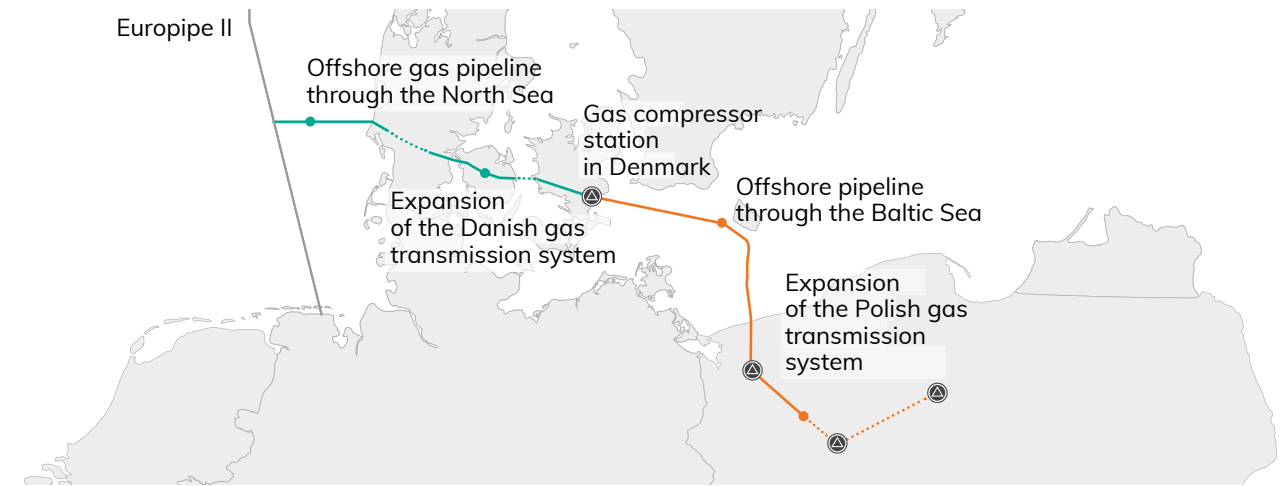
GRI 203-1

Baltic Pipe



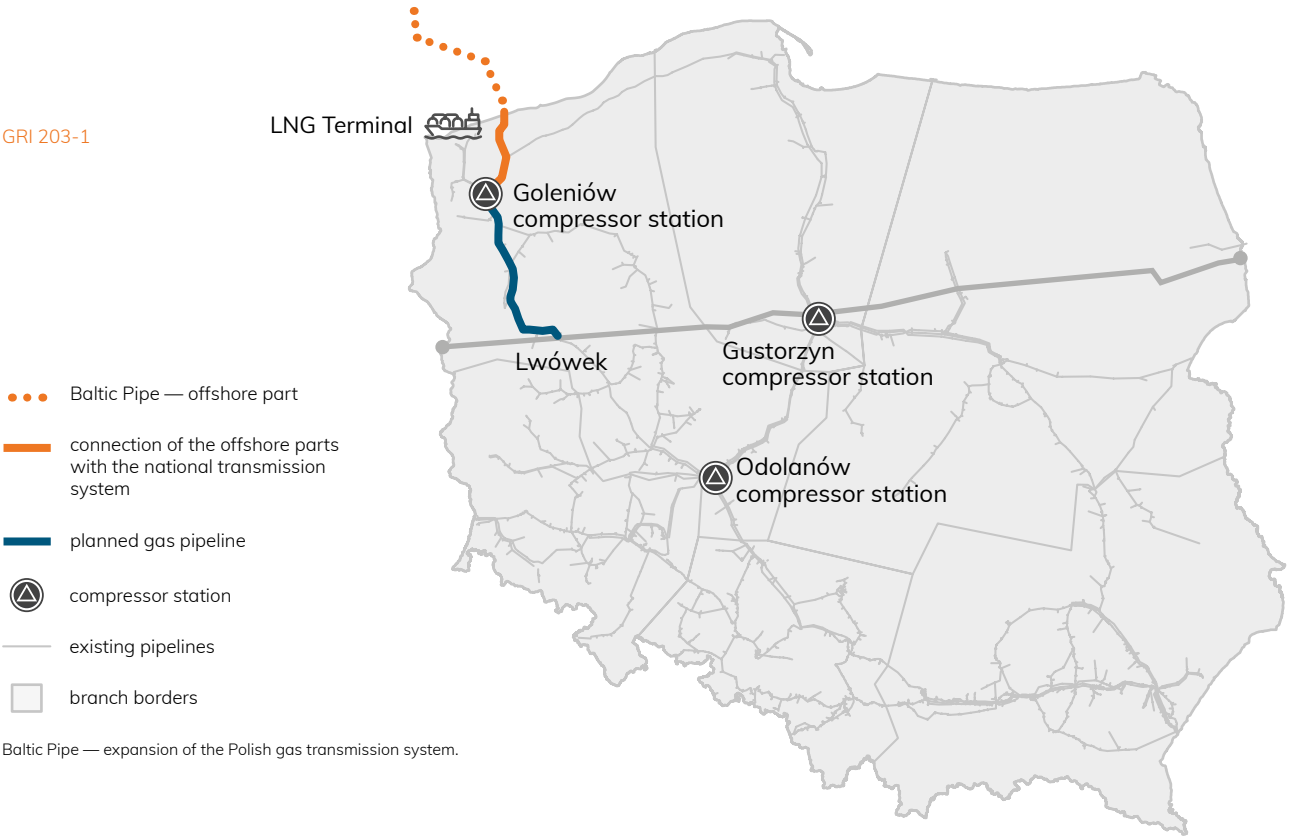
The Baltic Pipe is a flagship project of GAZ-SYSTEM, which will contribute to the increased competitiveness of the gas market not only in Poland but in the entire CEE region. It is aimed at creating a new corridor for the supply of natural gas from Norway to the Danish and Polish markets, as well as to end users in neighbouring countries.

The Baltic Pipe was included, for the fourth time, in the EU list of Projects of Common Interest (PCI). Both in the offshore and onshore part of the pipeline the works are carried out according to the assumed schedule (see above). For more information visit the dedicated website at: www.baltic-pipe.eu.



Map of the Baltic Pipe project

GRI 203-1



Baltic Pipe — expansion of the Polish gas transmission system.

North-South Gas Corridor

Its main objective is to increase energy security in Central and Eastern Europe and to integrate regional natural gas markets. The development of the North-South Gas Corridor consists of a series of investment projects carried out, among others, by national transmission system operators in this part of Europe, including GAZ-SYSTEM. The project consists of a series

of bi-directional cross-border interconnections and domestic gas pipelines, either already existing or at different stages of development. In Poland, the transmission capacity will increase as a direct effect of the investments implemented in the framework of this programme. The length of the North-South Gas Corridor on the territory of Poland is about 816 km.

Development of cross-border transmission infrastructure

The investments undertaken by GAZ-SYSTEM are of key importance for the development of an integrated and competitive natural gas market in Central Europe and the Baltic region. The company, in cooperation with the transmission system operators from neighbouring countries, continued activities aimed at improving security of gas supply and diversifying its directions. Major developments in 2019 included:

- » Beginning of the construction of the Polish part of the Poland — Slovakia interconnection;
- » Obtaining the necessary permits for the construction of the Poland-Lithuania

- interconnection and launching a tender procedure for construction contractors;
- » Obtaining the location decision for the construction of the Gustorzyn gas compressor station (Kujawsko-Pomorskie Voivodeship) and commencement of the tender procedure to select building contractors for this facility;
- » Obtaining a building permit for the Polish section of the Poland-Ukraine gas interconnection.

More information about the projects can be found on www.gaz-system.pl in "Our Investments" section.

GRI 203-1

LNG Terminal Expansion

In 2019, the company proceeded with the implementation of the President Lech Kaczyński LNG Terminal Expansion Programme in Świnoujście, which consists of four elements:

- » Additional regasification facilities to increase the nominal regasification capacity of the terminal from 5 bcm to 7.5 bcm per annum;
- » A third LNG tank to increase the flexibility of the LNG terminal operation and ensure optimal storage capacity for processing purposes;
- » An LNG railway re-loading facility to extend the scope of services by the ability

to load ISO containers and rail tankers, and reach out to new potential customers;

- » An additional wharf which will enable the loading and unloading of tankers, reloading of LNG and loading of LNG bunkering vessels, and bunkering services.

In 2019, a milestone of the project was reached with the signing of a contract for the supply of SCVs, the essential installations for the implementation of the LNG Terminal Expansion Programme.

FSRU LNG project in the Port of Gdańsk

The Poland's strategy in the area of diversification of natural gas supply includes, apart from the construction of the Baltic Pipe and the expansion of the LNG terminal in Świnoujście, the deployment of a Floating Storage Regasification Unit (FSRU) to receive liquefied natural gas in the Port of Gdańsk. To enable further distribution of the gas, the expansion of the National Transmission System is also plan-

ned. The capacity of the FSRU will ultimately be defined on the basis of market demand assessment. It is assumed, however, that FSRU will offer receiving capacity of 4.5 bcm per annum with the possibility for further capacity upgrading depending on the market development in the region and the increase in demand for natural gas in the country.

Damaśławek Cavern Underground Gas Storage (CUGS) Facility

The Damaśławek CUGS project (Kujawsko-Pomorskie Voivodeship) assumes the construction of a new cavern underground gas storage

facility and a salt mine. For more information see: www.gaz-system.pl, "Our Investments" section.

Interconnection Agreements

GAZ-SYSTEM has agreements with all transmission system operators in neighbouring countries. An important development in 2019 concerned the Interconnection Agreement with Ukraine. The parties from both countries signed an amendment to the agreement introducing changes concerning the interconnections between the transmission systems of Poland and Ukraine, as a result of which

the rules of operation of the Hermanowice and Drozdowicze interconnection points, as the first ones on the border between the EU and the Energy Community Contracting Party, were aligned with the model resulting from the EU regulations. For more information see: www.gaz-system.pl, "Customer Zone" section.

GRI 102-2
GRI 103-1
GRI 103-2
GRI 103-3
GRI 417-1

Gas market services

The principal service provided by GAZ-SYSTEM concerns the transport of natural gas through pipeline networks in the entire country. The purpose of this activity is to deliver gas to the distribution networks and to final customers connected directly to the transmission system. The transmission service is provided on the basis of a transmission contract concluded between GAZ-SYSTEM and a system user. Pursuant to transmission contracts, GAZ-SYSTEM provides long-term gas transmission services for the yearly product and short-term transmission services for the quarterly, monthly, day-ahead and within-day products. In case when firm capacity is not available, GAZ-SYSTEM can offer interruptible service at physical entry and exit points. As at 31 December 2019, 175 clients had an active transmission contract with GAZ-SYSTEM. In addition, as the TSO for the Polish section of Yamal-Europe gas pipeline, GAZ-SYSTEM provided gas trans-

mission services with respect to the allocated capacity under 64 transmission contracts. Efficient and effective management of the quality of provided services and prevention of any non-compliance in this area is crucial from the company's perspective. With regard to customer service, this concerns in particular such areas as disclosure of public information, issuance of technical conditions for the connection to the transmission network, execution of connection agreements and gas transmission contracts and settlements in respect of the services. For more information see: www.gaz-system.pl, "Customer Zone" section.

GRI 417-1

Information Exchange System (IES)

The provision of detailed information to market participants as regards the services offered and the transmission system is an essential responsibility of GAZ-SYSTEM in meeting the transparency requirements applicable to transmission system operators. The web-based

platform known as the Information Exchange System is the main tool for data exchange between the company and its clients. In response to users' needs, it has been systematically modified and improved with new functionalities.

	2018	2019
Number of registered entities	495	527
Number of external users	1776	1994
Number of internal users	361	463

Data on IES users (as at 31 December 2019).

GRI 417-1

GSA Platform

Market participants may use the GSA Platform to book the capacity of interconnection points which is made available by GAZ-SYSTEM as the operator of the national transmission system and the operator of the Polish section of the Yamal-Europe transit gas pipeline system.

During auctions, the System Users can purchase annual, quarterly, monthly, daily and within-day products. The number of registered System Users is 73 while the number of registered GSA Platform Users is 200.

Primary Market

Product	Number of auctions	
	2018	2019
Within-day	106,959	104,085
Daily	6928	6907
Monthly	211	206
Quarterly	181	166
Yearly	210	191
TOTAL	114,489	111,555

Number of auctions held on the primary market by type of product (as at 31 December 2019). Source: GAZ-SYSTEM/GSA Platform

Secondary market

The GSA Platform offers System Users the possibility to place and accept offers on the secondary capacity market. In 2019, 140 offers for capacity resale were made, of which 110 led to the conclusion of a resale transaction. The GSA Platform also makes available capacity offered by the Czech transmission system operator NET4GAS s.r.o. as part of the bundled product offered at the Cieszyn IP. A total of 8830 auctions were held in 2019 (against

8765 in 2018) for bundled capacity at the Cieszyn interconnection point on the Polish-Czech border. The capacity booking services offered on the GSA Platform are available to all transmission system operators. Participation in auctions is free and based on transparent communication standards.



Good practice



In 2019, a series of workshops on the services offered by the GSA Platform was launched. During two meetings held so far, the topics of discussion were concentrated around the approach to market demand assessment procedure for incremental capacity, announcements of new projects and initiatives, as well as numerous technical issues. In addition, the GSA Platform Report with a summary of the gas year 2018/2019 was published for the first time. The report will be published regularly in the future.

A customer satisfaction survey conducted in the second half of 2019 among the GSA Platform users showed that for a vast majority it is primarily a tool for participating in auctions. More than half of the respondents confirmed using the functionality of offering and buying capacity in the secondary market. The GSA Platform is considered transparent, practical and clear.

On 16 October 2018, the GSA Platform was selected by the Agency for the Cooperation of Energy Regulators (ACER) as the tool for offering capacity on the Polish-German border (at Mallnow and GCP GAZ-SYSTEM/ONTRAS points). In February 2019, following an appeal lodged by PRISMA GmbH, the decision was annulled by the ACER Board of Appeal (ACER BoA). As a result of a new procedure, the Regional Booking Platform was selected as the auctioning platform for the next 3 years. On 7 October 2019, GAZ-SYSTEM, as the operator of the GSA Platform, appealed to ACER BoA against that decision, but it was upheld.

GRI 103-1
GRI 103-2
GRI 103-3
GRI 417-1

Information obligations in the energy market

GAZ-SYSTEM as the participant of the wholesale energy market, fulfils the obligations resulting from the Regulation of the European Parliament and Council on the integrity and transparency of the wholesale energy market (REMIT). Thus, pursuant to Article 4(1) of the REMIT, the company is required to publish inside information concerning, inter alia, the capacity and use of facilities for natural gas and electricity transmission, including their planned and unplanned unavailability. The inside information may influence the develop-

ment of prices for wholesale energy products. In 2019, GAZ-SYSTEM launched the Inside Information Platform (GIIP), the first platform of this kind in Poland dedicated to natural gas. The platform was developed according to the requirements of the Agency for the Cooperation of Energy Regulators (ACER) and its services are available to all participants of the wholesale gas market.

www.gasinsideinformationplatform.pl



Moreover, the REMIT Regulation has introduced monitoring obligations with respect to wholesale energy markets to detect manipulation and violations of the prohibition of insider trading. The responsibility for these obligations rests with ACER, the national regulatory authorities (in Poland the Energy Regulatory Office) and the so-called persons professionally arranging transactions on the wholesale energy market, or PPATs, which include electricity and gas exchanges as well as transmission system operators. GAZ-SYSTEM fulfils this obligation through ongoing monitoring of the market area where it acts as an intermediary in transactions. Accordingly, all activities of

market participants in respect of transmission capacity through the GSA Platform and the balancing segment are continuously scrutinized. When irregularities are discovered, this leads to an investigation. Once it has been determined that a given behaviour may constitute a breach of REMIT provisions, GAZ-SYSTEM is required to notify such occurrence to the ERO President. For more information see: en.gaz-system.pl/customer-zone/remit/



The transparency of the wholesale energy market is also achieved through the obligation to report data to ACER.

Since the entry of this obligation into force (April 2016), GAZ-SYSTEM has submitted to ACER



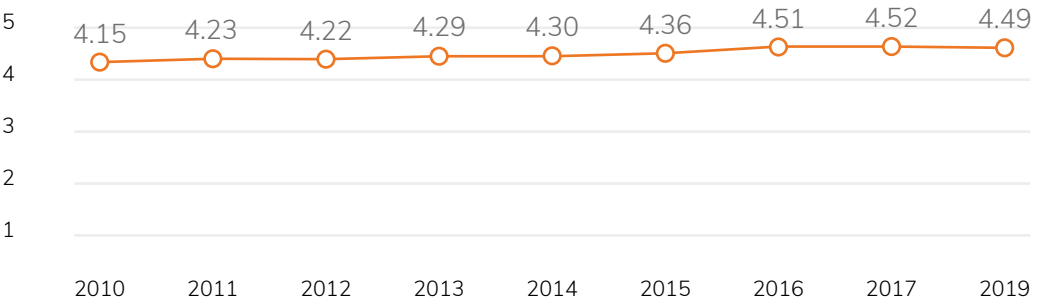
28,362 reports
(as at 31 December 2019),
of which 8601 were sent
in 2019.

GRI 103-1
GRI 103-2
GRI 103-3

Customer Satisfaction Survey

In order to identify the current expectations of business partners and obtain their feedback on the provided services, for the past 13 years GAZ-SYSTEM has been regularly conducting a customer satisfaction survey.

The level of customer satisfaction with the quality of relationship with GAZ-SYSTEM resulting from the survey is 4.49. This indicator is the arithmetical average of the scores given for the quality of customer service, employee attitudes and competence level as well as the quality of services provided by GAZ-SYSTEM*.



* Each of the dimensions was evaluated based on five-grade scale where 5 was the highest score.

The vast majority of customers are very satisfied with the level of service provided by GAZ-SYSTEM and appreciate such elements as the willingness of employees to help and good and efficient communication. The respondents are also positive about the changes and

improvements implemented in the Information Exchange System and confirm their interest in the GAZ-SYSTEM Forum workshops which are highly valued for good organisation and unique expertise.

GRI 418-1

Questions related to the privacy policy and personal data security of all entities cooperating with the company are treated as a priority in GAZ-SYSTEM. The storage and processing of personal data are subject to appropriate security measures. The company has a Personal Data Protection Officer and the information clause concerning personal data protection are

available on the website. In 2019, no substantiated complaints regarding breaches of customer privacy and losses of customer data were registered. For more information see: www.gaz-system.pl, "Data Security" section.

Good practice



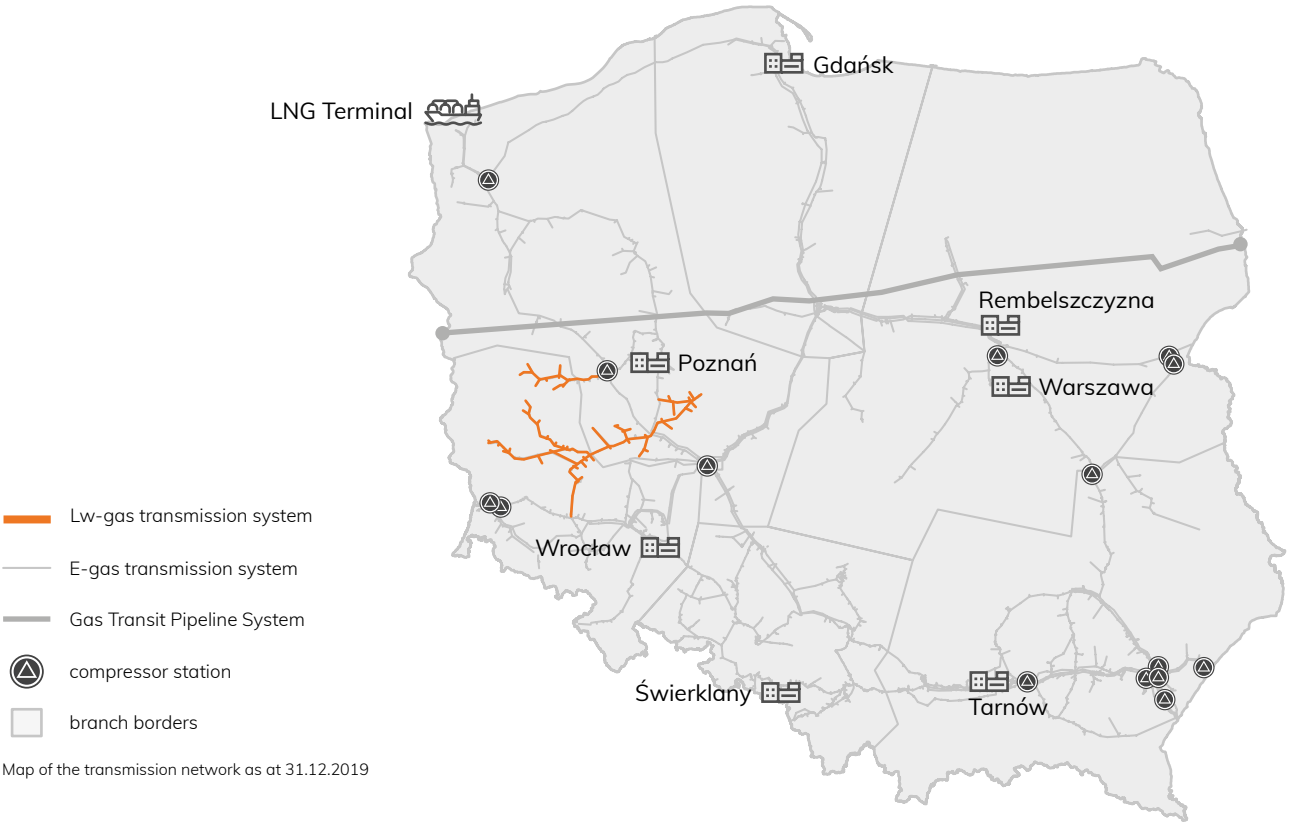
GAZ-SYSTEM Forum — regular meetings with market participants organised by the company. The primary role of the meetings is that of consultations and they serve for presenting the current issues related to the functioning and development of the gas market and the use of services offered by GAZ-SYSTEM. The workshop is also an opportunity for discussion and exchange of opinions between the organisers and the invited guests. Since 2019, GAZ-SYSTEM has extended the agenda of GAZ-SYSTEM Forum with an additional session addressed to representatives of companies interested in connecting to the transmission network. During the workshop the participants can learn about the details of the connection process and the experiences of other companies that have already used the connection service.

Client Calendar — developed for our clients with a view to providing full access to important dates and information relevant for the system users, sent at the beginning of each gas year to our clients with transmission contracts.

Transmission Network Operation System

GRI 102-2

The GAZ-SYSTEM's operational crews perform scheduled operational activities on the transmission network (inspections, maintenance, checks, measurements and specialist inspections) defined together with their frequency in the Transmission Network Operation System. This guarantees the maintenance of the technical condition and operational safety of the transmission network.



An annual technical assessment report is prepared for each facility, based on the operational activities performed and the incidents that occurred in the transmission network during

the year. Depending on its results, a given item is recommended for further operation, repair, modernisation or decommissioning.

TGPS Operatorship Agreement

On 19 December 2019, the President of the Energy Regulatory Office (ERO) issued a decision defining the content of an agreement between GAZ-SYSTEM and EuRoPol GAZ concerning the operatorship of the Yamal Pipeline for the period from 1 January 2020

to 31 December 2022. Under the operatorship agreement, GAZ-SYSTEM supervises the ongoing operation of five gas compressor stations along the Polish section of the Yamal Pipeline.

TGPS operation and maintenance

GAZ-SYSTEM is also responsible for the operation of the pipeline infrastructure of the transit gas pipeline in Poland under an agreement

concluded with EuRoPol GAZ for the period from 1 February 2019 to 31 December 2022.

Safety of the transmission network

In 2019, the company continued its efforts under the Transmission Network Security Improvement Programme. The following tasks were completed:

- » introduction of a compulsory register of points/areas selected for increased surveillance (monthly inspections);
- » implementation of the Unmanned Aerial Vehicles Operational Manual, which

enables aerial inspections of transmission network elements in areas with difficult access from the ground level;

- » equipping the Field Operations Units (responsible for the operation of the pipeline infrastructure) with remote laser methane detectors.

Upgrading and maintenance of the transmission network

Under the maintenance plan for 2019, 330 tasks were underway, out of which 184 were completed. A total of PLN 77.3 million was allocated for this purpose. The investment plan

in the safety area, on the other hand, featured 402 tasks, of which 129 were completed. The amount allocated for this purpose was PLN 164.8 million.

Research and Development

GRI 103-1
GRI 103-2
GRI 103-3

GAZ-SYSTEM has been implementing a number of projects aimed at innovation and new technologies development. The company cooperates extensively with external laboratories, research and development centres and universities. The R&D activity is also undertaken at the Gas Quality Measurement Laboratory in Pogórska Wola and the Gas Calibration Laboratory in Hołowczyce.

GRI 203-1

GAZ-SYSTEM's R&D Agenda

In June 2019, the Management Board of GAZ-SYSTEM approved the R&D Agenda, i.e. the document setting out the directions of the company's R&D activity which also indicates the units responsible for the coordination of the R&D efforts. Moreover, it defines the areas for R&D cooperation with research and development centres and universities and other stakeholders. On the basis of the approved R&D Agenda, the thematic scope of 2nd Competition under the INGA Programme, carried out in cooperation

with the National Centre for Research and Development and PGNiG, was defined. In December 2019, the second edition of the competition was announced with call for proposals opened in February 2020. Notably, in 2019, as a result of the first edition of the INGA competition, three projects with a total budget of more than 7 million PLN received funding (GAZ-SYSTEM's contribution will exceed 3 million PLN).

Assessment of opportunities for hydrogen injection to transmission network

As part of R&D projects, GAZ-SYSTEM has been actively engaged in the efforts undertaken by industry associations and working groups operating at both national and European level. As a result, the company has been systematically gaining knowledge on the impact of hydrogen on the natural gas transmission infrastructure and getting ready for the future development of an action plan necessary to adapt the system for the transmission of

natural gas containing hydrogen. The HYready project is also underway. In connection with the debate on the future shape of the energy sector, in 2019 GAZ-SYSTEM also joined the Hydrogen Europe, an organisation promoting the use of hydrogen as a safe energy source contributing to the development of a low-carbon economy.

Activities focused on methane emissions

The company takes part in many initiatives related to the issue of methane emission, constantly analysing the external environment and internal needs in this area. A project is currently underway within The European Gas Research Group (GERG) to select and test the parameters (including metrological ones) of commercially available equipment to detect and measure methane emissions. GAZ-SYSTEM is the project leader with five European transmission system operators involved as partners. The completion is planned for 2020.

GAZ-SYSTEM employees, together with

representatives of other companies associated in the Marcogaz Technical Association of the European Natural Gas Industry in the 'Methane Emissions' working group, also took part in the analyses concerning methane emissions from transmission and distribution systems. They were also involved in the preparation of a document for the European Commission on the opportunities for reducing methane emissions from the gas industry.



GAZ-SYSTEM'S Laboratories

The Gas Quality Measurement Laboratory (LPJG) is responsible for metrological and analytical oversight over process gas chromatography instruments which are used to determine the calorific values of gas for the purposes of settlements with transmission service users. The laboratory also performs regular checks and inspections of gas quality measurement instruments. In addition, the scope of research activity undertaken by the LPJG includes: analysis of gas composition, water and hydrocarbon dew point measurements as well as tests in the operating environment (e.g. noise impact). The laboratory provides training on the use and operation of process gas chromatography instruments and devices for measuring water dew point.

The Gas Meter Calibration Laboratory (LWG) in Hołowczyce is Poland's only facility that performs calibration of gas meters using high-pressure natural gas. The calibration of gas meters with natural gas under high pressure

results in better accuracy of gas quantity measurements. Thus, it leads to increased reliability of settlements with customers at the entry and exit points of the transmission network, as well as better balancing of the transmission system. Through its activity, the LWG ensures proper metrological supervision over gas meters. In 2019, the Gas Meter Calibration Laboratory calibrated around 100 turbine and ultrasonic gas meters for both GAZ-SYSTEM and external customers. In addition, the laboratory broadened the scope of its services to include the adjustment of certain types of gas meters.

The LWG also engaged in research and development work related to natural gas flow metrology and innovative technical solutions in the gas industry.

In 2019, there were no significant fines or non-monetary sanctions for non-compliance with laws and regulations.

GRI 102-2

GRI 103-1

GRI 103-2

GRI 103-3

GRI 417-1

GRI 419-1

Good practice



In 2019, GAZ-SYSTEM continued the initiative to use the creative potential of its employees and to build an organisational culture based on knowledge sharing through the „Exchange of inventive and improvement ideas” project. In the second edition of the project, employees were encouraged to submit proposals for inventions and improvements in various areas of GAZ-SYSTEM's business. The best ideas will be rewarded, which can be implemented and used in the company's operations.

3. Employees

- 44 Human Capital
- 45 Occupational Health and Safety Management
- 50 Employee Benefits
- 52 Professional Development
- 53 Energy Academy



Human Capital

GRI 103-1
GRI 103-2
GRI 103-3

GAZ-SYSTEM pursues a proactive human resources policy aimed at developing its employees and supporting their needs and competences. The initiatives implemented consistently within the organizational culture help support the creation of a friendly workplace geared towards the readiness to achieve common goals.

GRI 102-8

Total number of employees by contract type and gender

Type of employment contract		women		men
definite term of employment		69		162
indefinite term of employment		732		2138
Total		801		2300
Number of company employees		3101		
Head Office	1100	561	539	1100
Gdańsk Branch	154	17	137	154
Poznań Branch	338	35	303	338
Rembelszczyzna Branch	365	48	317	365
Świerklany Branch	278	44	234	278
Tarnów Branch	605	51	554	605
Wrocław Branch	261	45	216	261
Total	3101	801	2300	3101

GRI 102-41

Percentage of employees covered by collective agreements	100%
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GRI 405-1

Age	senior management		middle management		other employees	
	women	men	women	men	women	men
below 30	-	-		4	243	77
30-50 years	21	33	50	226	1,569	493
above 50	2	14	13	148	778	145
Total	23	47	63	378	2,590	715

GRI 102-8

207 employees (49 women and 158 men) are employed at Polskie LNG.

Occupational Health and Safety Management

At GAZ-SYSTEM, a high security culture is reflected in the sense of responsibility of all employees. On a daily basis, the key aspect is to continuously prevent incidents and limit their possible consequences. The company's priority is also to raise safety awareness among both employees and contractors alike, and to develop OSH and fire prevention qualifications.

GRI 103-1
GRI 103-2
GRI 103-3
GRI 403-1
GRI 403-2
GRI 403-3
GRI 403-4
GRI 403-8

System solutions

The occupational health and safety management system, which covers all the employees of the company, operates under non-certified European occupational health and safety management standards. The solutions are adapted to the legal requirements and needs of the company. The key objectives are:

- » Ongoing accident prevention and impact mitigation, with top priority for threats identified in the work-safety management system and considered as significant;
- » Raising employee awareness of safe-work principles;
- » Strict compliance with the applicable OHS legislation;
- » Supervision to ensure compliance with internal work-safety rules;
- » Ensuring the application of the latest science and technology achievements in the area of improvement of working conditions;
- » Regular participation in OHS knowledge and experience exchange with other companies;
- » Improving employee qualifications in OHS.

The company has an OHS Committee in place, which fulfils an advisory and opinion-giving role for OHS issues. The Committee includes an equal number of employer (including OHS personnel and physician providing health-care for the employees) and employee representatives.

The Chairman of the OHS Committee is appointed by the employer, and the Deputy Chairman by the Social Labour Inspector. Consequently, all employees are represented in the official joint OHS committees. The Commit-

tee's main tasks include: reviewing the working conditions, conducting periodic assessments of occupational health and safety, giving opinions on measures taken by the employer to prevent accidents at work and occupational diseases, as well as formulating recommendations on improving the working conditions. The questions related to the protection of working conditions and medical care are addressed in the Collective Labour Agreement.

In order to minimise the risk of accidents, employees are trained on occupational safety rules, while each job position is subject to a comprehensive occupational risk assessment, carried out with the participation of employee representatives, the Social Labour Inspectorate and an occupational physician. The occupational risk assessment is carried out on the basis of the applicable internal procedure and involves the preparation, consultation and approval of the occupation risk score card. In addition to the complementary workplace risk assessment, the vital responsibility of the OHS function is to constantly strive to improve working conditions. The company has procedures in place to minimise risks to the health and life of its employees. Gathering information related to accident hazards allows for appropriate response prior to their occurrence, while their analysis supports the design of effective accident prevention measures.

GRI 403-2
GRI 403-4

Incident monitoring

According to the provisions of the Collective Labour Agreement, 100% of the employees are covered by the provisions on protection of working conditions and medical care. In 2019, 85 accident-related events were reported in GAZ-SYSTEM, of which 35 were accidents at work and 50 were classified as other incidents (accident-related incidents, potential accident occurrences). In accordance with the health

and safety monitoring procedure, clear and transparent guidelines for reporting accidents, incidents and near misses apply in the company. The table below presents detailed information on accidents at work.

Information on accidents at work at GAZ-SYSTEM		
Component	2018	2019
total number of accidents at work	28	35
women	6	9
men	22	26
number of fatal, group and severe accidents		
fatal	-	-
group	1	-
severe	0	1
total days of incapacity for work due to accidents at work	645	1,933
women	59	581
men	586	1,352
accident frequency rate	9.31	11.25
women	7.65	11.14
men	9.91	11.29
accident severity rate	23.04	55.23
women	9.83	64.56
men	26.64	52.00

Detailed information on accidents at work. Source: GAZ-SYSTEM.

GRI 403-5
GRI 403-6

Preventive measures

Preventive measures targeting both the company’s employees and subcontractors are seen as the key elements in safety management. Building awareness of safe work performance and strengthening proactive attitudes among employees and contractors is a way to further improve the company’s safety culture. In 2019, the major developments in this regard included:

- » The participation in the presentation of safety technology equipment and Drager Safety Roadshow workshop as part of the “Safety is Cool” social campaign of the Central Institute for Labour Protection — National Research Institute;
- » An initiative promoting latest solutions in the area of safety techniques, safe execution of works and improvement of fire extinguishing operations at the Field Operating Unit in Krakow;
- » Activities undertaken as part of the “First Aid is Easy” Campaign, including:
 - » 8th edition of GAZ-SYSTEM President’s Cup First Aid Championships;

- » series of first aid workshops carried out in branches and organisational units, attended by 1460 employees in total.

The company encourages employees to participate in health care campaigns, including flu vaccinations and annual preventive medical check-ups. In 2019, information and educational campaigns on the dangers posed by ticks and Sosnowsky’s hogweed were also undertaken. As part of the “First Aid is Simple” initiative, the company purchased AEDs for 8 locations and 80 blood pressure monitors. It should be noted that between November and March, GAZ-SYSTEM is obliged to provide meals to employees performing specific jobs in extreme conditions. In 2019, 354 persons were eligible to receive the meals.

Good practice



The “Family Bicycle Rally” organized for the employees featured numerous attractions related to the OHS area. It was an opportunity to practice the first aid rules or to take part in a fire simulation and fire-fighting drill. The participants could also experience the world seen through alco-googles, or the limited visibility in a smoke chamber simulating the fumes during a fire. The event builds on the “Health and Safety City”, a recurrent initiative which gained high popularity among the employees and takes form of a dedicated zone offering a programme of attractions related to fire protection, first aid and work at heights. In 2019, the “Health and Safety City” was organised during a family picnic at the GAZ-SYSTEM branch in Tarnów.

GRI 403-7

Because of the specific nature of the work and the risks associated with the company’s operations, utmost importance is attached in GAZ-SYSTEM to cooperation with rescue services, including fire brigade units. In 2019, 86 meetings with representatives of the fire

brigade were held, which included presentation meetings with the command staff. In addition, 42 technical visits and 7 fire drills were conducted at GAZ-SYSTEM’s facilities. The meetings were attended by 720 participants.

GRI 403-2,
GRI 403-4

Polskie LNG

The tools used for tracking and reporting of accident statistics as part of ongoing of occupational safety monitoring include:

- » Monthly accident report;
- » Accident register updated on ongoing basis.

In 2019, there was one individual accident at work. Other incidents are illustrated in the table below.

Type of incident	Number of incidents
PLNG employees	
Accidents at work	1
Potential accident occurrences/hazardous events	11
Accidents on the way to or from work	2
Polskie LNG subcontractors	
Accidents at work	0
Potential accident occurrences/hazardous events	1

GRI 403-7

The information on accidents at work, potential accident occurrences or hazardous events is available to all employees of Polskie LNG in the intranet site of the Health, Safety and Fire Office. Each event is thoroughly analysed including the identification of its cause and assignment of responsibility for the implementation of corrective and preventive measures to eliminate similar cases in the future. In 2019, 4 drills were carried out to verify the evacuation conditions and organization, 3 of which concerned selected sectors of the terminal and one was meant to check the possibility of evacuation from both parts of the terminal (onshore and

offshore). In this respect, the company cooperated closely with the State Fire Service, which also took part in each of the drills and reviewed the operational procedures worked out during the activities carried out on site.

As far as the improvement of working conditions is concerned, 13 initiatives aimed at increasing the safety and comfort of Polskie LNG employees were agreed and implemented.

Employee Benefits

GRI 103-1
GRI 103-2
GRI 103-3

The responsible approach of GAZ-SYSTEM to human resources management is reflected in the definition of transparent and non-discriminatory rules with respect to e.g. hiring, employment, promotion and professional development of the employees.

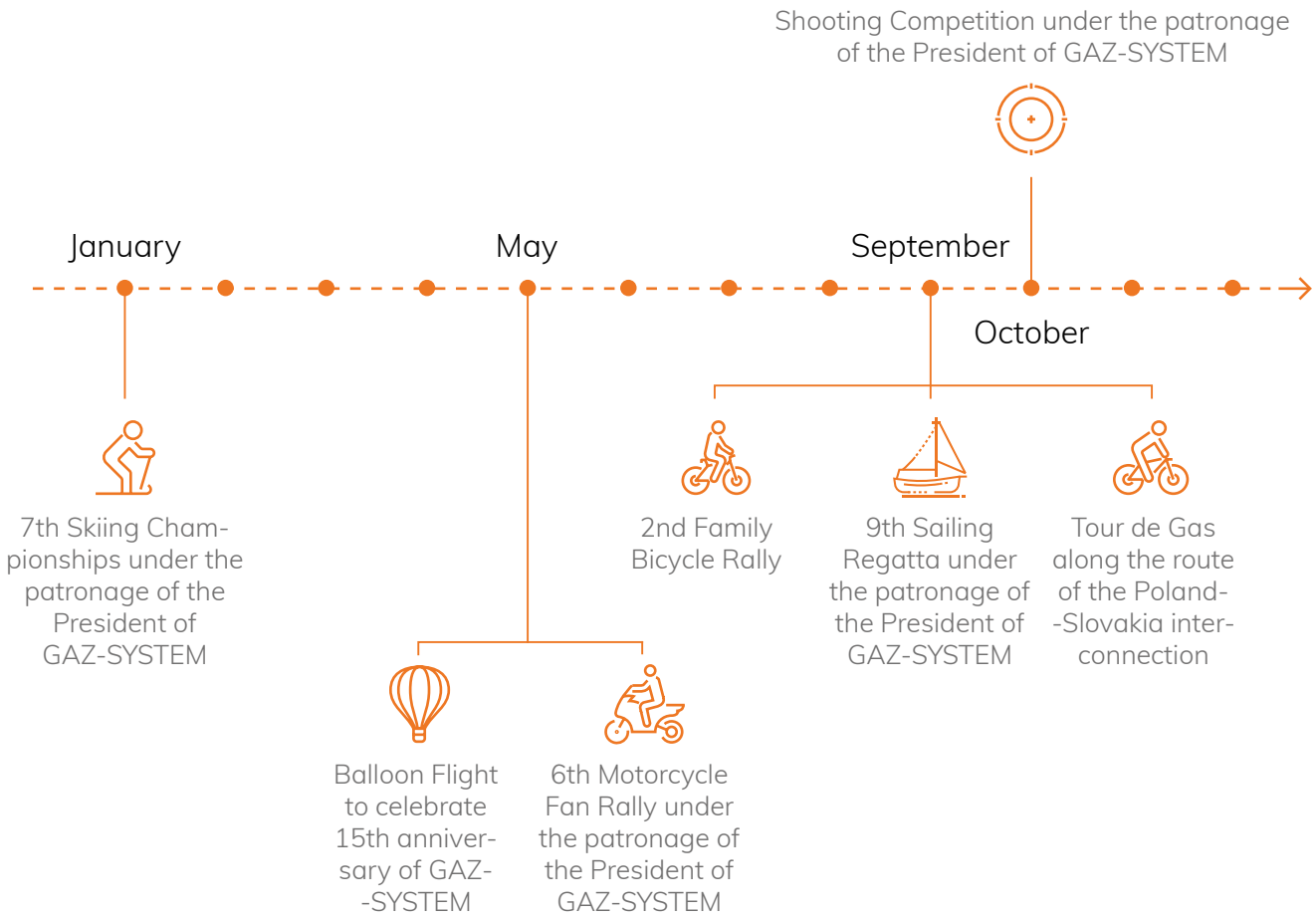
GRI 102-41
GRI 401-2

All the employees, regardless of their working time and type of contract are covered by the Collective Labour Agreement of 8 March 2007 for the employees of Gas Transmission Operator GAZ-SYSTEM S.A. The document sets forth the employee entitlements under the generally applicable labour regulations and additional benefits offered by the company. Any matters concerning employment and major organisational changes are subject to consultations with social partners. In 2019, the company contracted medical services for the employees and their family members and continued the agreement to purchase sports passes. In addition, social benefits were paid out and financial support from both the company welfare fund and the emergency fund was offered to employees and pensioners who found them-

selves in a difficult or precarious situation. Parents benefit from the possibility of taking additional 4 hours off on the day of their children's birthday (up to the age of 18). Traditional gatherings to celebrate the mining industry holiday (Santa Barbara's Day or "Barbórka"), recreational and sports events, family picnics on the occasion of Children's Day and holiday meetings with retired employees were organized. The above events were accompanied by the celebrations of the company's 15th anniversary, which gave them a special character. Apart from the Employee Pension Plan, which covers those who have been with the company for at least 3 months, other benefits do not depend on the tenure, type of contract or part/full-time employment.



Calendar of sports events in 2019



Good practice



The 2019 Tour de Gas cycling race was the second edition of the event with the participation of the GAZ-SYSTEM team. This time, in September 2019, the company was also a co-organiser together with the Slovak gas transmission pipeline operator, EUSTREAM. The employees of TSOs from Poland, Slovakia and Hungary took part in the competition. The route run along the planned interconnection (in some places already being under construction) between the transmission systems of Poland and Slovakia and the race proved to be an apt combination of business activity, professional experience with passion for sport, competition and active leisure. GAZ-SYSTEM was represented by a team of 15 racers, both men and women.

Professional Development

GRI 103-1
GRI 103-2
GRI 103-3

In 2019, an increasing number of training courses was delivered by inhouse trainers selected from among the employees as part of the GAZ-SYSTEM’s “Internal Trainer Corps” initiative. The topics included training in soft skills (e.g. agile communication, cooperation academy, time management, energy and stress management) as well as more such areas as investment projects, operation, IT and cybersecurity.

Development projects carried out internally included: “Effective Manager”, “Secretary Academy” and Development Project for Female Leaders. The employees had the opportunity to participate in both closed and open trainings (covering industry-specific topics, counteracting mobbing in the workplace, improving managerial and IT skills, updates on current legal regulations). Grants were made to support employees pursuing university and post-graduate studies.

The employees took part in language courses organized by the company. The development interview process was also continued, which helps build a culture of dialogue between the employee and the supervisor, and supports conscious career planning through the individual development plans which are defined each year. The aim of the interview is also to identify the growth potential and competence gaps within the organisation.

GRI 404-1

Training hours by gender and category of employees in 2019	Total		women		men	
	Total training hours	Average number of hours	Total training hours	Average number of hours	Total training hours	Average number of hours
senior management	4,993	71	3,557	155	1,436	31
middle management	17,131	39	14,695	233	2,436	6
other employees	64,510	25	51,575	72	12,935	7
Total training hours	86,634	28	69,827	87	16,807	7

Energy Academy

In 2019, GAZ-SYSTEM once again became a strategic partner of the „Energy Academy” - an educational initiative aimed at students and graduates under 27 years old. The project was established by the Lesław A. Paga Foundation and has become a platform for the exchange of knowledge between practitioners with many years of experience in the energy sector and those who are just beginning their careers in the sector.



The company has been engaged in cooperation with the Academy since 2012. GAZ-SYSTEM representatives delivered presentations and workshops for those who intend to develop professionally in sectors related to the energy market. 8th edition featured a workshop on natural gas quantity and quality measurements. GAZ-SYSTEM hosted three persons as part of two months’ paid internships offered every year by partner companies. They had the opportunity to learn about the job specifics in, among others, the Baltic Pipe Division and the Market Communication Office.

4. Environment

- 57 Environmental Initiatives
- 60 Environmental Protection in Investment Projects
- 63 Investment Projects and Protection of Biodiversity





GRI 103-1
GRI 103-2
GRI 103-3

GAZ-SYSTEM's activities bring real social and environmental benefits. For many years now, the company's financial support for projects aimed at promoting sustainable development, eco initiatives and environmental protection, has been aligned with the needs of local communities.

GRI 307-1

As legally required, GAZ-SYSTEM monitors data related to one of the crucial aspects identified by the stakeholders, i.e. environmental protection, focusing on the following areas: energy carriers, water management, sewage management, waste management, gas and dust emissions to the air. Each year, the amo-

unt of significant penalties and total number of non-financial sanctions for non-compliance with environmental laws and regulations is reported.

In 2019, significant environmental penalties totalled PLN 15,700.

Environmental Initiatives

In 2019, the company announced the 10th anniversary edition of the grant competition called 'Natural Energy Fund' which aims to provide co-financing for original pro-environmental ideas while encouraging community involvement in nature protection initiatives. As this report went to print, project implementation was still underway, and the final review was set for Q3-Q4 2020.

10th Edition 2019-2020



The authors of the winning concepts focused on addressing local environmental needs related to waste management and clean air. In many places, investments into land development were planned in such a way that not only serves the residents but also preserves biodiversity.

188
total number of winning applications in all editions of the competition

Forest planting by employee volunteers

For many years, our employees have been engaged as volunteers in planting trees all over Poland. Since the beginning of this campaign, over one million seedlings have been planted

in five designated areas located within in the Wrocław, Gdańsk, Poznań, Rembelszczyzna and Świerklany branches.



In 2019, the initiative was supported by 250 participants who planted nearly 17 thousand seedlings.

2000	Beech
5000	Pine
3500	Wild Cherry
4000	Pedunculate Oak
2500	Thuja Emerald



Cleaning beaches

Recognising that beaches are one of Poland's major tourist attractions, GAZ-SYSTEM, as an investor that carries out its projects in the vicinity, is taking care about the coastline and encourages others to do so. Two events were organised as part of the international campaign 'Clean Up the World'. The first one was addressed to the residents of Rewal and neighbouring municipalities as well as tourists. The cleaning took place in the area where the Baltic Pipe is to be landed. The motto of the initiative was: 'Baltic Pipe — for the environment and for the people' Previously, lessons in ecology, waste segregation and recycling were conducted based on materials prepared by the company. In a special zone on the beach (Baltic Pipe Ecologically), an educational campaign was organized, including a workshop called 'Giving a second life to waste'. As a result of joint effort, about 300 bags were filled with waste. The employees of Polskie LNG, for the third time already, organized a beach cleaning in Warszów (right-bank district of Świnoujście). Nearly a hundred participants volunteered. Approximately 300 kg of waste was removed from the beach stretch between the breakwaters, and from the surrounding dunes.

Good practice



As part of preparatory work before undertaking the construction of a gas pipeline in Warsaw's Żerań district and during the execution of the project, a nearby illegal landfill site was removed — 43 lorries took away about 1,100 tonnes of waste from the construction site.

Environmental Protection in Investment Projects

GRI 103-1
GRI 103-2
GRI 103-3

Environmental decisions must be obtained for the majority of projects prior to the commencement of construction works. In order to obtain an environmental decision, inventories and natural valuations of the area where the intended project is to be developed are carried out. Additionally, at the construction stage, works are carried out under environmental supervision with the environmental impact of the investment also being monitored. In some cases, monitoring is also carried out at the post-completion stage, depending on the conditions resulting from the decision on environmental conditions for a particular project.

During project execution, contractors and investor’s supervisory personnel are obliged to strictly adhere to the applicable procedures and legal regulations at each stage. The diagram on the adjacent page illustrates one of the crucial phases, i.e. the pipeline construc-

tion process. It should be underlined that the land surface after the completion of the project remains 100% biologically active and various measures to compensate for potential adverse impacts are possible.



Underground crossings are one of the technology solutions that minimize environmental impact during construction. They make it possible for the pipeline to be laid without the need for trenching works under rivers, peat bogs, railway tracks, roads, etc. This modern earth-

works technology is environmentally friendly and the works are safe for the existing local infrastructure in the vicinity.



Investment Projects and Protection of Biodiversity

In the course of its investment projects GAZ-SYSTEM generates an impact on protected areas. The length of the gas pipeline network passing through such areas totals 2460 km, which constitutes 22.51 per cent of the entire transmission network.

GRI 102-11

Ensuring environmental sustainability is a key issue in the context of the company's investments, operation and maintenance of its gas infrastructure. All around the country, the Environmental Management System for the transmission of natural gas is in place, which is aligned with the company's strategic directions, including sustainable management approach.

GAZ-SYSTEM's environmental goals are:

- » Improved efficiency of environmental management;
- » Continuous improvement in terms of the environmental impact of implemented processes (e.g. investments, maintenance, operation, procurement);
- » Mitigation of negative impact on the environment, especially in: waste management, water and sewage management, emission of pollutants into the air, noise emissions.

The above guidelines are applicable for all the employees responsible for the supervision and implementation of tasks with potential environmental impact.

5. Suppliers

- 66 Cooperation with Suppliers
- 68 LNG Supply Chain



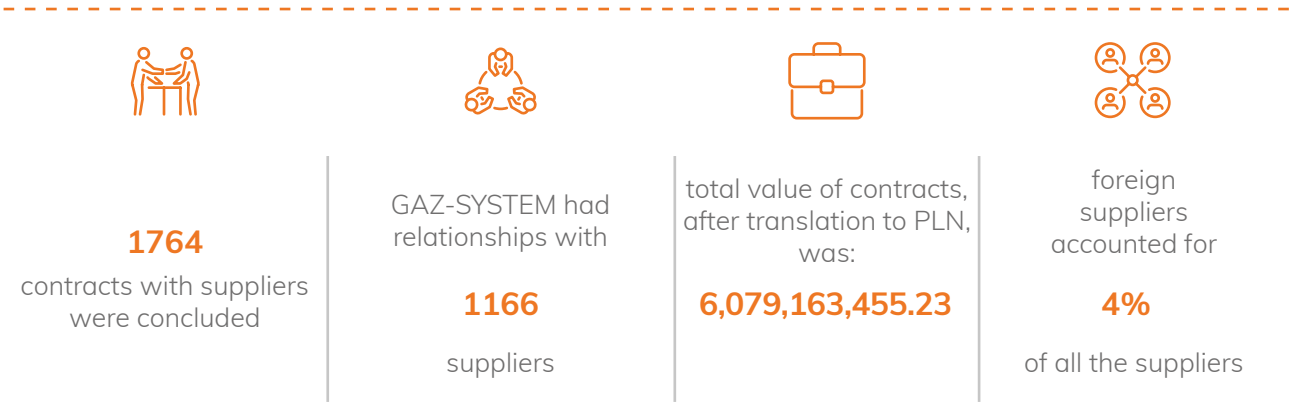
Cooperation with Suppliers

GRI 102-9
GRI 103-1
GRI 103-2
GRI 103-3

The GAZ-SYSTEM Group is aware of the fact that it has a significant impact on the procurement market and the business environment through the entire supply chain. Therefore, it strives to set the highest standards in its business relations, with a priority on successful, long-term cooperation with suppliers.

GRI 204-1

In 2019



The company has implemented the Supplier Code of Conduct. The document sets out the foundations for GAZ-SYSTEM's day-to-day business activities, particularly with regard to its credibility, transparency and strengthening relations with business partners.

In its day-to-day business GAZ-SYSTEM strives to:



The Supplier Code of Conduct identifies 5 key areas:



The suppliers cooperating with GAZ-SYSTEM are expected to know the Code and implement its provisions. Relevant declarations in this respect make part of the documents the suppliers are required to present in the course of procurement procedures. Building long-term supplier relations based on the principles of corporate social responsibility is essential for the development of the company. The Supplier Days, i.e. an annual gathering addressed to the contractors for engineering services and construction works, investor supervision services and material suppliers are a long-standing good practice that exemplifies this approach. On 20 September 2019, 6th edition of this event was held with the participation of over 200 representatives from nearly 100 companies. After the meeting, GAZ-SYSTEM run a survey among the participants to assess the level of

suppliers' satisfaction with the cooperation with the company. The vast majority of respondents indicated the organization of the Supplier Day, as a regular dialogue with the market, as well as the publication of the company's investment plans as a good practices. In addition, in order to effectively communicate with the market, GAZ-SYSTEM conducted a technical dialogue aimed at adapting the model contract for the execution of construction works to the capabilities and expectations of the contractor market. As a result of the dialogue with suppliers, revisions were made to the provisions of the contract, including its financial and legal aspects. Similarly as in 2018, efforts continued with a view to centralising the procurement of materials. In total, 115 contracts for supplies of materials worth over 38 million PLN were concluded.

Good practice



The List of Credible Suppliers published on the company's website includes entities which have duly completed at least one contract awarded as a result of a tender procedure and have successfully passed the evaluation process for at least one completed contract. The List is maintained for selected procurement categories taking into account the strategic activity of GAZ-SYSTEM. In 2019, the company added new categories to the List. In the same year, automatic issuance of reference letters for suppliers that obtained maximum score in the evaluation of a contract in given procurement category.

LNG Supply Chain

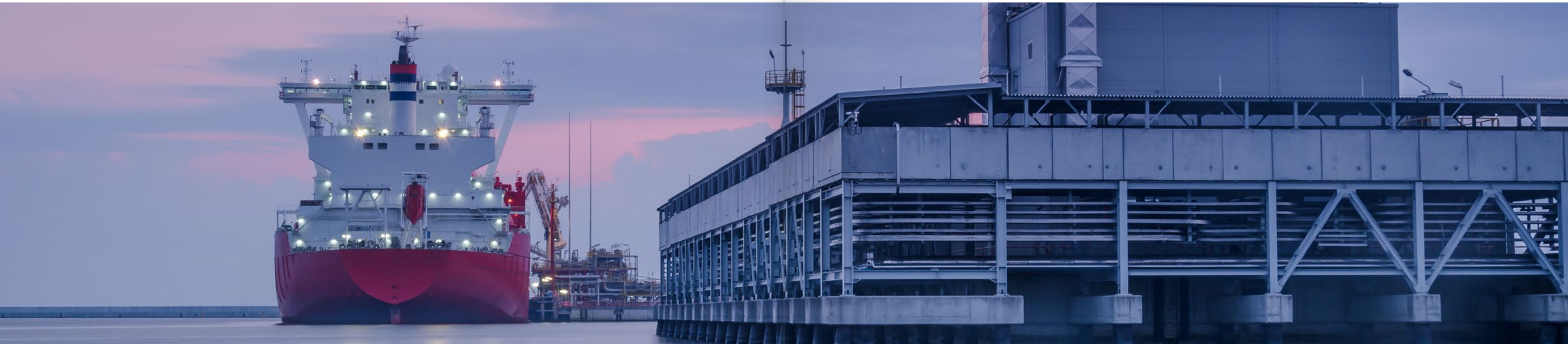
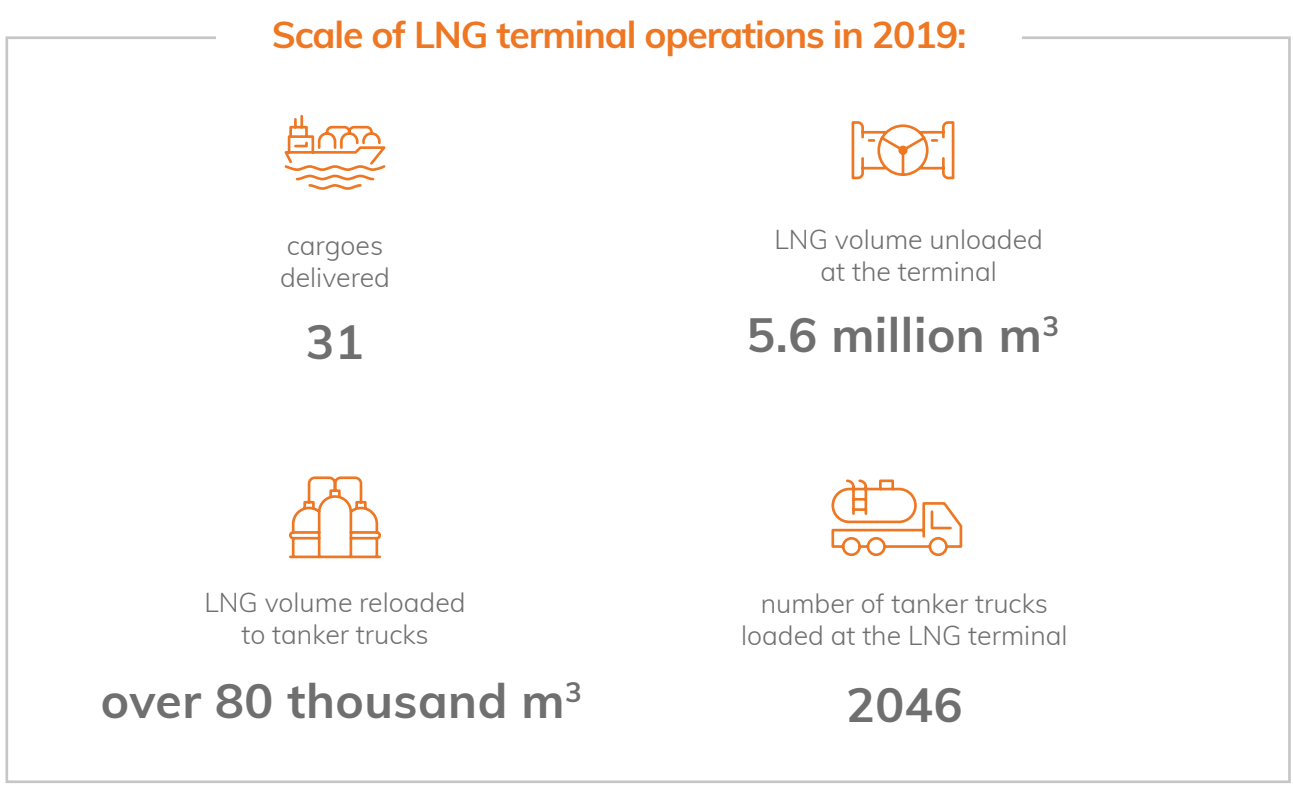
GRI 102-9
GRI 203-1

The President Lech Kaczyński LNG Terminal in Świnoujście is an important element in building the Poland’s energy independence. The first delivery of LNG to Poland was made in 2016, and in 2019 the terminal received 31 cargoes.

The global LNG supply chain (in case of deliveries to Poland) starts with the transportation of the liquefied natural gas to the terminal in Świnoujście (from Qatar, Norway and the USA) by Q-flex methane carriers which are among the largest in the world (currently 42 vessels are authorized to call at the terminal). Then, the fuel is brought back to gaseous state through the process of heating it up (known as regasification). Then, already in a volatile form, the gas is injected into the National Transmission System and then delivered to distribution networks and individual customers connected to the transmission system.

In 2019, the number of cargoes unloaded at the terminal increased. As in previous years, Qatar was the prevailing origin of deliveries, followed by the USA and Norway. Apart from delivering gas after its regasification by the terminal to the transmission network, the company reloads LNG into tanker trucks. In fact, the terminal in Świnoujście serves a large group of LNG traders operating on the retail market and LNG carriers with whom it cooperates on an ongoing basis in order to provide LNG reloading services. In 2019, the number of cargoes unloaded at the terminal increased. The number of road tankers loaded also increased.

GRI 102-7



6. Communities

- 72 Effective Communication
- 74 Local Communities
- 78 Stakeholders
- 82 Voluntary and Charitable Activities
- 83 Engagement in Partnerships and Initiatives
- 84 Cooperation with Universities
- 85 Supporting Vocational Education
- 86 Cooperation Within Industry Organisations



Effective Communication

GRI 103-1
GRI 103-2
GRI 103-3

Communication with the local community is an important aspect of the investment process. When the residents are informed early in the process about the planned construction projects, technologies to be used, potential compensation payments or benefits for the region, this helps gain their acceptance and support for the project.

GRI 413-1

During the engineering and construction stage, residents, landowners and all stakeholders are provided with key information about the undertaken projects. This policy applies to all investment projects and is implemented at every location where the company operates. The activities aimed at winning win the acceptance of local communities for undertaken investment projects included the organisation of town hall meetings, public consultations, information and promotion stands and conferences on compensation payments. The stakeholders have access to such sources of information as websites dedicated to investment projects, posters, leaflets and brochures.

Activity	2018	2019
Number of consultation meetings with representatives of local communities (meetings with residents)	133	47
Number of participants in consultations	1521	620
Number of publications in the media	1198	2478
Number of complaints concerning insufficient information	0	0
Number of meetings with local authorities	158	168
Workshops for contractors and subcontractors — engineering services and construction works	20	15

Communication with local communities, internal indicators of GAZ-SYSTEM.



Good practice

During the construction of the tie-in gas pipeline to the Żerań CHP plant, GAZ-SYSTEM's employees kept local residents informed about the progress and explained the need for the implementation of the project in the area. The employees on duty were based at a nursery in Warsaw's Białołęka district and could be contacted on 20 days between mid February to the end of May 2019.

Once a project is completed, each year GAZ-SYSTEM contributes 2% of the value of the transmission assets located in the territory of the municipality as property tax payable each year to the local budget. The municipalities may use this revenue for any purpose they consider important to the local community.

In 2019, these payments amounted to nearly

PLN 162.5 million.

Information and promotion activities also play a special role in the implementation of investment projects, involving stakeholders from various backgrounds and locations. In 2019, many such events were dedicated to the company's strategic project, i.e. The Baltic Pipe. The related communication included consultations with various authorities and agencies, town hall meetings for residents, discussions with local and regional governments, landowners and fishing communities. During the second phase of the public hearing in Denmark,

GAZ-SYSTEM, together with its subcontractor, was present at a meeting in Holmegaard. The discussion concerned information about the offshore pipeline through the Baltic Sea and the point of its connection with the Danish transmission system. In line with the requirements of the Espoo Convention, the results of an environmental impact assessment in a transboundary context were presented.

Local Communities

Responsible implementation of investment projects also involves building the best possible relations with the community and supporting the development of civil society. As part of its social projects, GAZ-SYSTEM supports cultural, social and educational initiatives aimed at improving the quality of life and safety of residents as well as encouraging remembrance and preserving local traditions.

Local Initiatives Support Fund

The Local Initiatives Support Fund is an initiative addressed to stakeholders living in the areas where the company's key investment projects are developed. It allows the residents of individual regions to obtain funding to implement their ideas, projects and initiatives.

In 2019, local communities in the following municipalities were invited to submit applications: Komańcza (Podkarpackie Voivodeship), Deszczno (Lubuskie Voivodeship), Lwówek (Wielkopolskie Voivodeship) and the city of Kędzierzyn-Koźle (Opolskie Voivodeship).



The maximum total amount of support per municipality was **70 thousand PLN** and **10 thousand PLN** per single application. The total support for the **27 best projects** selected by the jury amounted to **PLN 263,328.57**.

Educational Workshops

The safety of gas transmission is the company's priority and therefore, for three years now, GAZ-SYSTEM has been systematically educating young people about natural gas, its origin and uses as well as the safe operation of

gas pipelines. In 2019, a series of educational workshops was held throughout Poland for the seventh and eighth grades of primary schools and students of technical high schools supported by GAZ-SYSTEM.



The mobile laboratory of GAZ-SYSTEM, having travelled almost **5,000** kilometres, called at **91 schools** where **2,751 students** during **116 workshops** learned about topics related to cathodic protection of gas pipelines, specific properties of gases and their use in everyday life. The presentations were accompanied by numerous experiments and demonstrations.

School Kits

In our efforts to develop good relations with local communities we especially cherish the children and therefore, for the ninth time already, GAZ-SYSTEM S.A. donated school kits for first formers.

Along with the wishes of a successful and creative school year 2019, they received backpacks, pencil cases and shoe bags.



In total **2451** kits were donated to new students in **54** municipalities in Poland.



Good practice



In July and August 2019, GAZ-SYSTEM organised a series of educational picnics for children under the headline “Summer with Baltic Pipe”. Overall, 26 gatherings took place in 23 municipalities where the Baltic Pipe project will be executed. The events were attended by a total of nearly 1600 children who participated in educational games and competitions and learned about the basics of gas transmission safety. Demonstrations in chemistry and physics were also organised during the picnics. Nearly 350 children took part in the art competition and knowledge tournament under the headline “Natural Gas — the Clean Fuel in Our Homes”. It was addressed to primary school students from two coastal communes of Zachodniopomorskie Voivodeship — Rewal and Trzebiatów (locations close the planned route of the Baltic Pipe project).

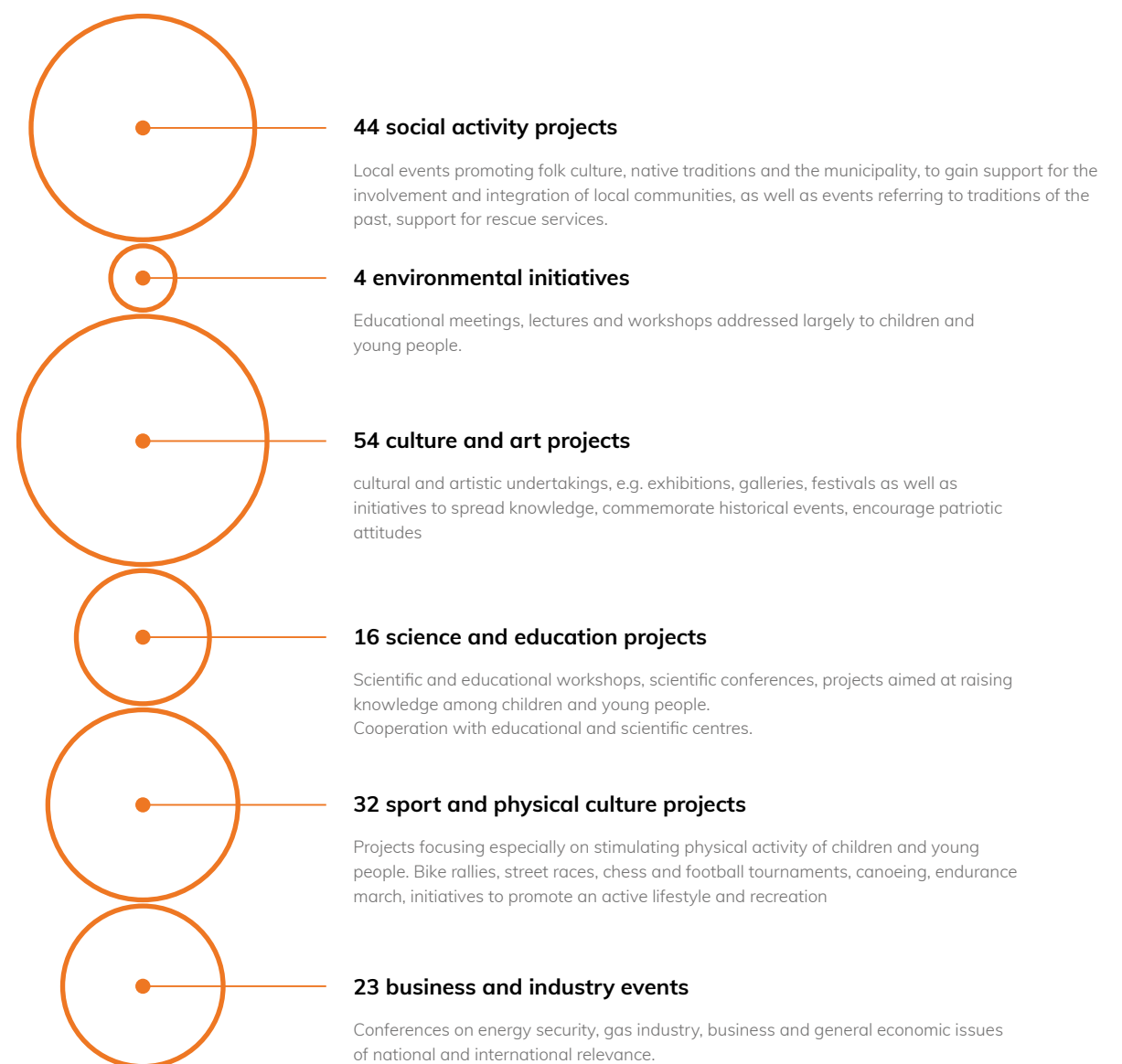
Sponsorship

The sponsorship activities of GAZ-SYSTEM are carried out on the basis of internal regulations which were updated in 2019.

- » the purpose of the company’s sponsorship activity is to: build the awareness of customers about the company’s activities, investments and projects undertaken by the company, ensure the safety of the existing infrastructure and creating positive connotations for the GAZ-SYSTEM’s brand name;

- » build the reputation of an industry expert as the company responsible for the country’s energy security, develop positive relations with stakeholders;
- » support local communities and projects implemented by them, inform local communities and win sustainable acceptance for undertaken investment projects, build trust and good relations.

The company got involved as a sponsor in 173 projects in the following areas



Stakeholders

GRI 102-40
GRI 102-43
GRI 102-46
GRI 102-47

The development of sustainable stakeholder relations through efficient dialogue on multiple communication platforms is a priority for GAZ-SYSTEM. The frequency of contacts is driven by the applicable regulations and generally accepted standards, and depends on the needs of both parties. Communication channels are selected to suit the stakeholders' needs.

GAZ-SYSTEM is aware of its impact on the external environment and understands its role as the organisation that sets market standards. The company strives to engage its stakeholders as broadly as possible, and to listen carefully to their concerns. To this end, on 5 March 2020, a panel event for GAZ-SYSTEM's external stakeholders was held at the company's head office. They were invited to participate in workshops to indicate which of the proposed sustainability indicators are key from the perspective of the company's operations and should be presented in the Sustainability Report for 2019.

The meeting was attended by 30 representatives of organizations and business partners involved in cooperation with the company, including representatives of government institutions, regulatory bodies, local governments, business partners, customers, service providers, cultural, educational and sports centers, beneficiaries and non-governmental organizations. During the meeting they expressed their requests and expectations towards the company in four main areas.

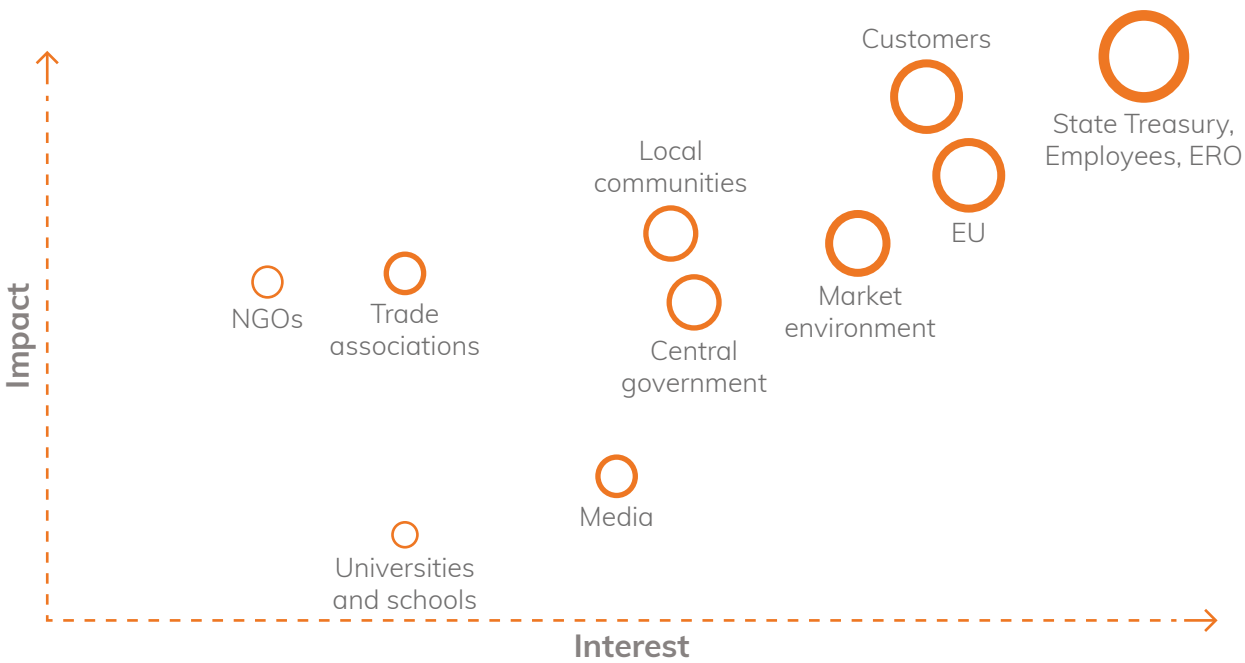
GRI 102-44
GRI 102-47

Area of GAZ-SYSTEM's influence	Stakeholder expectations
Local communities and social engagement;	» Systematic dialogue with local stakeholders in areas where investment projects are carried out;
	» Development of CSR areas;
	» Promotion of events for local communities;
	» Support for cultural activities and events organised in areas where investment projects are carried out;
	» Support for activities to promote a safety culture in society; Participation in research projects aimed at the development of science;
	» Support for science and initiatives to promote science in society;
	» Education, environmental protection, especially initiatives addressed to children and youth;
	» Broader cooperation with academic institutions, especially technical universities;
	» Consultations with stakeholders when undertaking new educational and environmental initiatives;
	» Support for activities promoting culture;
	» Increased promotion of CSR activities;
	» Cooperation of field units with local communities;
	» Participation in sports and cultural events in the areas where the company carries out investment projects;
Business environment	» Supporting employees in developing communication, negotiation and mediation skills.
	» Activities supporting landowners whose property is used for project development;
	» Taking care to ensure safety for the landowners whose property is affected by project development;
	» Best practice sharing with other companies, especially SMEs;
	» Continuity of supply;
	» Communication with the market during business events and through the media;
	» Greater flexibility of customer services and contracts;
	» An offering which takes into account the geopolitical situation and problems of the country from which the gas is supplied;
	» Continuous improvement with regard to the safe operation of the gas transmission system;
	» Automation of processes with 24/7 service availability, coupled with investments in human resources of all levels of education;
Environment	» Expansion of the transmission system and enabling the elimination of white spots on the map of Poland; increased availability of gas for consumers;
	» Dissemination of research conducted for scientific purposes and its use in other fields.
	» Participation in social and educational campaigns to raise environmental awareness;
	» Supporting all activities related to the broadly understood environmental protection that take place in the areas where GAZ-SYSTEM carries out investment activities;
	» Cooperation with other institutions and organisations to protect biodiversity in project locations;
	» Education addressed to municipalities and community leaders as regards the impact of their decisions on the local environmental resources;
	» Selecting project locations and upgrading old gas pipelines so as to minimise environmental risks, communication of this policy to local communities;
	» Searching internally for solutions that can have a positive impact on the protection of the environment and resources;
	» Compensating for potential adverse environmental impacts;
	» Internal environmental audits concerning the company's daily operations;
	» Investment in specific environmental and safety needs of local communities;
	» Sponsorship of environmental investments;
	» Taking into account the specific features and needs of the immediate environment in the design of tie-in pipelines;
	» Investing in new technologies to reduce negative impacts on the climate and environment;
	» Civic education to promote day-to-day care about the environment;
	» Planting new trees, especially around gas pipelines;
	» Sowing flowers to attract bees within the safety zone limits along gas pipeline routes;
	» Increasing awareness of the Polish society as regards low-emission energy sources, with gas being one of the most important of them;
	» The widest possible communication about the environmental activities that support local communities;
	» Educating local communities on the sustainable use of natural resources in relation to the company's core business;
	» Public education related to the energy industry and energy conservation and savings;
	» Developing research and using improved technologies to help reduce environmental impact;
	» Review of the company's activities and processes to introduce more sustainable practices;
	» Activities addressed to field employees with a view to improving their knowledge of nature.

Area of stakeholder group influence	Communication channels
Employees	Intranet, company magazine, newsletter, management meetings with employees, surveys, workshops, trainings, information boards, posters, annual report.
Local governments	Official correspondence, brochures, leaflets, thematic conferences, direct meetings, workshops, website, annual report.
Customers	Dedicated Customer Zone section on the website, Information Exchange System (IES), GIIP Platform, GSA Platform, market consultations, direct mail, workshops, training on IES, Balancing Services Market and Information Exchange, customer satisfaction survey, Supplier Days, regular meetings within the GAZ-SYSTEM Forum, meetings within the GSA Platform Forum.
European Union	Current reporting, reports, participation in consultations, official correspondence, presentations, speeches, direct meetings, industry conferences, website.
Market environment, including other operators	Official presentations, meetings, economic congresses, industry conferences, website, annual report.
Local communities	Public consultations, information meetings, workshops, information and promotion stands, advertisements in the press, folders, leaflets, brochures website, annual report.
National industry organizations	Meetings, participation in working groups, economic congresses, conferences, meetings, publications in industry magazines, website, annual report.
NGOs	Website, public consultations, direct meetings, conferences, workshops.
Universities/schools	Website, job fairs, educational fairs, educational workshops, patronage cooperation, educational programmes, scientific conferences, GAZ-SYSTEM profile on LinkedIn.
International industry organizations	Meetings, participation in working groups, meetings, publications in industry magazines, brochures, leaflets, website, annual report in English.
Suppliers	Dedicated website section, annual meetings during the Supplier Day, trainings, definition of good practices (Code of Conduct for Suppliers), workshops, trade fairs.
Media	Cooperation with industry portals, press releases, interviews, press materials on the company's website, dedicated website of the Baltic Pipe project, conferences, industry meetings, day-to-day interactions with the spokesperson, brochures, leaflets, illustrative maps, company's profile on Twitter and LinkedIn, Baltic Pipe project's profile on Twitter, YouTube channel for GAZ-SYSTEM and Baltic Pipe, annual report.
Media	Współpraca z portalami branżowymi, informacje prasowe, wywiady, materiały prasowe na stronie spółki, strona internetowa projektu Baltic Pipe konferencje, spotkania branżowe, bieżąca współpraca z rzecznikiem prasowym, foldery, broszury, ulotki, mapy poglądowe, profil spółki na Twitterze oraz LinkedIn, profil projektu Baltic Pipe na Twitterze, kanał GAZ-SYSTEM i Baltic Pipe w serwisie YouTube, raport roczny

GRI 102-42

Stakeholder identification



Stakeholders' impact on GAZ-SYSTEM's business. Source: GAZ-SYSTEM.

The key to successful stakeholder relations is to define what is being communicated and how stakeholders want to be involved in the

company's business areas. The next step is to select the right tools for communication.



Voluntary and Charitable Activities

Under the “GAZ-SYSTEM Together for Others” programme, Christmas fund raising campaigns have been organised since 2013 for the benefit of orphanages and care facilities. In 2019, 287 donors from the head office and branches in Gdańsk, Świerklany, Tarnów, Wrocław and Rembelszczyna took part in the initiative.

The funds went to:

- » The Administration of Care and Education Centres in: Komorno, Szachy, Janów Podlaski, Manie (Lubelskie Voivodeship);
- » The Wrocław Centre for Care and Education (Dolnośląskie Voivodeship);
- » Children’s Home in Supraśl (Podlaskie Voivodeship);
- » “Promyk” Care and Education Institution in Rzuchowa (Małopolskie Voivodeship);
- » Children’s Home in Tarnów Opolski (Opolskie Voivodeship);
- » “Bartoszewo” Care and Education Institution in Gostynin (Mazowieckie Voivodeship).

GAZ-SYSTEM as a socially responsible company is open to the needs of institutions and organisations working for the public good and those in need. In 2019, 15 cash donations for

the total amount of PLN 533,645.43 and one in-kind donation were made. Support was given to activities and institutions responsible for safety in the broad sense of the term, i.e. public safety, occupational health and safety and fire safety. The company provided funding for the purchase of protective and special clothing for fire fighters, equipment needed to streamline operations as well as rescue and firefighting equipment. Thanks to the donated funds, a mobile education room was created to conduct fire safety classes for children. As far as charitable initiatives are concerned, a social inclusion programme for people with disabilities and their families was subsidized, as well as a five-month assistance programme and free home visits of doctors and nurses for veterans.

Engagement in Partnerships and Initiatives

The company is an active player on the European gas and LNG market. It gets involved in environmental projects at the local and national level. For years, GAZ-SYSTEM has been participating in various activities to promote safe work and health protection in the work and study environment.

The company participates in, among other things, the following activities:



Legislative work of the European Commission and market regulators concerning: the future role of natural gas in Central and Eastern Europe, investments in infrastructure and technologies and assumptions for future financial instruments in the energy sector.



The Eastern Partnership LNG Network initiative aimed primarily at promoting LNG in the eastern neighbours of the European Union.



Initiatives of the “Partnership for Climate” platform, a pro-environmental initiative of the capital city of Warsaw.



The work of the Forum of Leaders of Workplace Safety at the Central Institute of Labour Protection — National Research Institute.

Cooperation with Universities

The company continued its cooperation with the AGH University of Science and Technology in Krakow. Its scope includes both teaching activities and exchange of scientific and technical information. In 2019, 10 graduates from the Faculty of Drilling, Oil and Gas and the Faculty of Energy and Fuels completed their internship with the company.

Two of the company's employees began PhD studies at the AGH University of Science and Technology in the Faculty of Drilling, Oil and Gas as part of the first edition at the newly established AGH Doctoral School where they take part in the "Implementation Doctorate" programme financed by the Ministry of Science and Higher Education. The dissertation is prepared under the supervision of the employer of the doctoral student and must provide an engineering, structural or technological solution to a specific problem. The doctoral studies carried out as part of this project will lead to the development of practical solutions that can be implemented in GAZ-SYSTEM. A cooperation agreement was also signed with the Faculty of Geological and Geographical Sciences of the Adam Mickiewicz University in Poznan. The cooperation will include, in

particular, content-related supervision during the preparation of bachelor's, engineering, master's, doctoral and post-doctoral dissertations, opportunity for the students of Adam Mickiewicz University to do their student internships and graduate professional internships in the company, the participation of the company's employees in expert teams concerned with curriculum planning, delivering lectures and training workshops as well as the implementation of joint research and development projects.

In 2019, GAZ-SYSTEM continued to pursue its policy that offers university and secondary school students the opportunity to take part in internships aligned with the curriculum and the business profile of the company. Overall, 28 persons completed their internship.

Supporting Vocational Education

Since 2017, the company has been supporting young people who are trained as gas technicians by extending patronage over vocational schools. This initiative aims to provide theoretical and practical training, and to encourage young people to build their professional careers in the gas industry.

The schools covered by GAZ-SYSTEM's patronage are:

- » Technical High School No 3 in Łódź;
- » Ignacy Mościcki Technical School Complex in Tarnów;
- » Complex of Construction and Comprehensive Education Schools in Jarosław;
- » Occupational and Adult Education Centre in Jarosław;
- » Eugeniusz Kwiatkowski Technical School Complex in Grodzisk Wielkopolski.

In 2019, young people from the school complex in Jarosław participated in a trip to the Museum of Gas Industry in Bóbrka, visited the

construction site of the Poland-Slovakia gas interconnection, the compressor station and the gas drying plant in Maćkowice, Gas Quality Measurement Laboratory in Pogórska Wola and gas-fuelled CHP plant in Nowa Sarzyna.

The donation was also used to purchase additional equipment for the school's gas network lab. In addition, the students had the opportunity to participate in a team building workshop where, during a simulated emergency situation at a gas station individual students played the role of rescuers, managed the crisis situation, developed the response strategy and divided the tasks and responsibilities.



Cooperation Within Industry Organisations

GRI 102-13

The companies of the GAZ-SYSTEM Group are actively engaged in cooperation with regulatory, technical, scientific, business and analytical organisations, both international and domestic.

Regulatory and Lobbying Organisations

Cooperation concerning the EU regulations for the gas market and the development of EU energy policy with regard to natural gas and gas infrastructure

- » **European Network of Transmission System Operators for Gas (ENTSOG)**
- » **Gas Infrastructure Europe (GIE)**

Technical Organisations

Cooperation concerning innovation, new technologies and industry standards

- » **European Gas Research Group (GERG)**
- » **Marcogaz Technical Association of the European Natural Gas Industry**
- » **European Association for the Streamlining of Energy Exchange (EASEE-gas)**
- » **European Committee for Electrotechnical Standardization (CENELEC)**

Organisations promoting a particular energy carrier or technology

Promotion of the low-carbon energy sources

- » **Hydrogen Europe**

GRI 102-13

Regional chambers of commerce

Promotion and support of GAZ-SYSTEM investment projects and improvement of the company's recognition

- » **Norwegian-Polish Chamber of Commerce**
- » **Scandinavian-Polish Chamber of Commerce**

Global organisations

Monitoring of processes and trends in global markets

- » **International Gas Union (IGU)**
- » **International Energy Charter**
- » **CEDIGAZ**

LNG industry organisations

- » **International Group of Liquefied Natural Gas Importers (GIIGNL)**
- » **The Society of International Gas Tankers and Terminal Operators (SIGTTO)**
- » **Baltic Ports Organization (BPO)¹**

On the national level, the company cooperates with the following industry organisations:

- » **Izba Gospodarcza Gazownictwa (Chamber of Natural Gas Industry)**
- » **Polskie Zrzeszenie Inżynierów i Techników Sanitarnych, PZITS (Polish Association of Sanitary Engineers and Technicians)**
- » **Stowarzyszenie Naukowo-Techniczne Inżynierów i Techników Przemysłu Naftowego i Gazowniczego, SITPNiG (Scientific and Technical Society of Oil and Gas**

Industry Engineers and Technicians), as a supporting member

- » **Klub Polskich Laboratoriów Badawczych POLLAB (Club of Polish Research Laboratories POLLAB)**
- » **Working Group for Oil and Gas Industry established as part of the 'Alliance for the Improvement of Work Safety, Fire Protection and Environmental Protection in Oil and Gas Industry', operating under the auspices the National Labour Inspectorate.**

¹ Polskie LNG S.A. is the member
² GAZ-SYSTEM and Polskie LNG are members
³ Starting from 2019

7. About the Report

- 90 Conclusion
- 92 Financial Performance
- 96 GRI Content Index



Conclusion

GRI 102-10
GRI 102-46
GRI 102-48
GRI 102-49
GRI 102-50
GRI 102-51
GRI 102-52
GRI 102-54
GRI 102-56

The GAZ-SYSTEM Sustainability Report covers the period from 1 January 2019 to 31 December 2019 and is issued annually. The last report was published in June 2019. The report has been prepared in accordance with GRI Standards: Core option.

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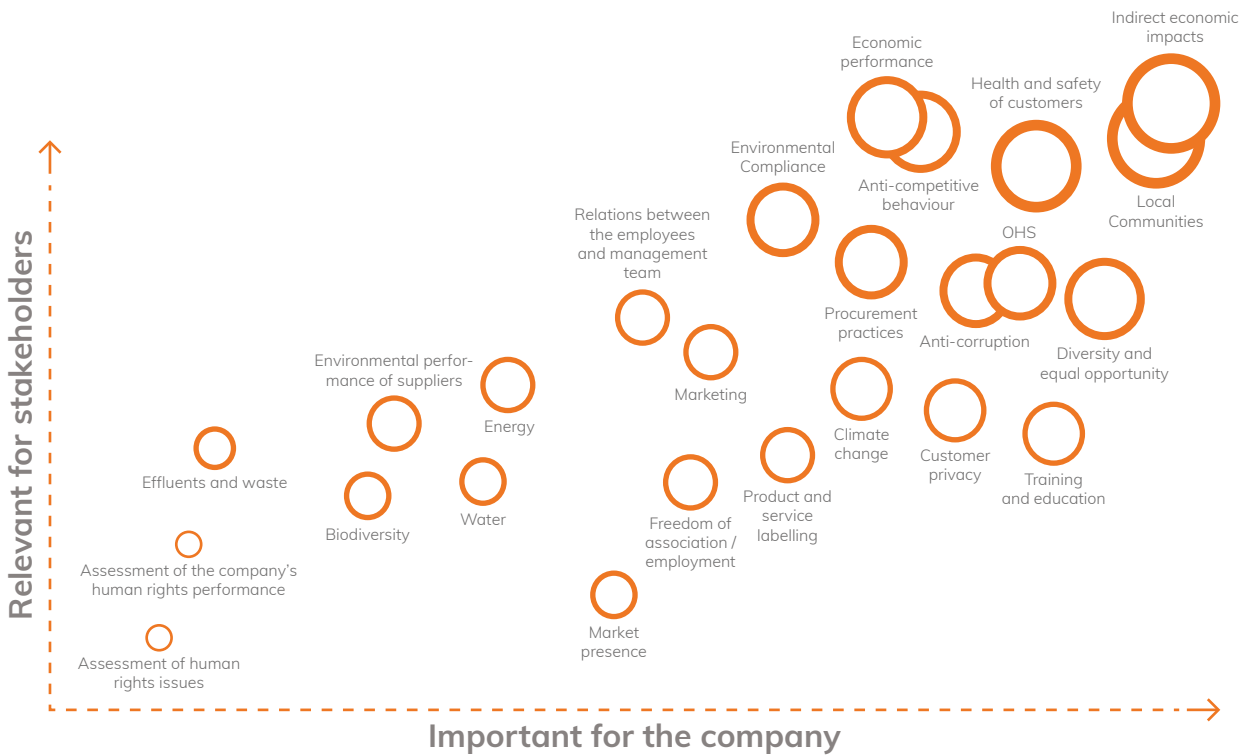
The first part of the process of defining the content of the report was to identify priority topics for the organization in terms of their impact on the economic, social and natural environment. The meeting took place in January 2019. The second step was to gather information on stakeholder expectations, and this took place

during a stakeholder dialogue meeting led by an independent consulting company Go Responsible in March 2020. The key criteria for defining the content of the report were relevance, completeness and presentation of the content, where appropriate, in the broader context of sustainable development. The data discussed in the report were gathered in a reliable manner, which is guaranteed by the professional data gathering system implemented by the organisation. Both employees and external stakeholders were involved in the preparation of the annual report. No major changes occurred during the reporting period.



GRI 102-47

The most important issues identified as relevant by internal and external stakeholders:



GRI 102-53

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Social Sponsorship
and CSR Department,
Corporate Communication
and Marketing

Financial performance

GRI 201-1

Balance Sheet (PLN million)

Item	Title	At 31/12/2018	At 31/12/2019
A	Non-current assets	10,791	12,564
1	Intangible assets	223	246
2	Plant and equipment	10,432	12,155
3	Long-term receivables	0	0
4	Long-term investments	0	0
5	Long-term accruals	136	163
B	Current assets	1,906	1,427
1	Inventories	168	125
2	Short-term receivables	341	332
3	Short-term investments	1,387	959
4	Short-term accruals	10	11
TOTAL ASSETS		12,697	13,991
A	Equity	7,260	7,683
1	Share capital	3,772	3,772
2	Other capital	3,072	3,472
3	Accumulated profit (loss)	-38	-3
4	Net profit/loss	516	502
5	Write-off of net profit during the financial year	-62	-60
B	Liabilities and provisions for liabilities	5,437	6,308
1	Provisions for liabilities	562	683
2	Long-term liabilities	1,049	1,256
3	Short-term liabilities	719	772
4	Accruals	3,107	3,597
TOTAL EQUITY AND LIABILITIES		12,697	13,991

GRI 201-1

Income Statement (PLN million)

Item	Title	for period 1-12.2018	for period 1-12.2019
1	Income from sales and equivalent income	2,372	2,325
2	Costs of operating activities	1,784	1,752
2.1	Depreciation	321	335
2.2	Consumption of materials and energy	403	309
2.3	Contracted services	298	256
2.4	Taxes and charges	219	227
2.5	Wages and salaries	393	436
2.6	Social insurance and other benefits	112	126
2.7	Other allocated costs	38	63
2.8	Value of goods and materials sold	0	0
3	Profit (loss) on sales (1-2)	588	573
4	Other operating income	145	106
5	Other operating expenses	95	46
6	Operating profit (loss) (3+4-5)	638	633
7	Financial income	25	32
8	Financial expenses	29	33
9	Profit (loss) on ordinary activities (6+7-8)	634	632
10	Extraordinary profits (losses)	0	0
11	Profit/loss before taxation (9+/-10)	634	632
12	Income tax and deferred taxes	118	130
13	Net profit/loss	516	502

GRI 201-1

Cash flow statement (PLN million)

Item	Title	1-12.2018	1-12.2019
A	Cash flow from operating activities		
1	Net profit/loss, taking into account profit-sharing payment	454	442
2	Total adjustments	513	479
3	Net cash from operating activities (1+2)	967	921
B	Cash flow from investment activities		
1	Receipts	10	2
2	Capital expenditures	1,389	2,015
3	Net cash flows from investment activities (1-2)	-1,379	-2,013
C	Cash flow from financing activities		
1	Receipts	611	814
2	Outflows	167	149
3	Net cash flows from financing activities (1-2)	444	665
D	Total net cash flow (A.3 ± B.3 ± C.3)	32	-428
E	Balance-sheet increase/decrease in cash and cash equivalents	32	-428
F	Cash and cash equivalents at beginning of period	1,355	1,387
G	Cash and cash equivalents at end of period (F±D)	1,387	959

GRI 201-1

Financial indicators

	2018	2019	Calculation method
Profitability ratios			
return on assets (ROA)	4%	4%	$\frac{\text{net profit}}{\text{total assets}} \times 100\%$
return on equity (ROE)	7%	7%	$\frac{\text{net profit}}{\text{equity}} \times 100\%$
return on sales (ROS)	22%	22%	$\frac{\text{net profit}}{\text{net revenue from sales}} \times 100\%$
Liquidity/debt ratios			
debt ratio	43%	45%	$\frac{\text{total liabilities}}{\text{assets}}$
current ratio	2.7	1.8	$\frac{\text{current assets}}{\text{short term liabilities}}$
quick ratio	2.4	1.7	$\frac{\text{current assets-inventories-short term accruals}}{\text{short term liabilities}}$
cash ratio	1.9	1.2	$\frac{\text{cash}}{\text{short term liabilities}}$
EBIT (PLN million)	638	633	net operating result
EBITDA (PLN million)	959	968	net operating result + depreciation

GRI 102-45

The consolidated financial statements cover two organisations: GAZ-SYSTEM S.A. and Polskie LNG S.A.



GRI Content Index

GRI 102-55

Disclosure number	Disclosure title	Reporting level	Reference
GRI 101	Foundation: 2016		
101	Foundation	100%	12, 13
GRI 102	General disclosures: 2016		
Organizational profile			
102-1	Name of the organisation	100%	12
102-2	Activities, brands, products, and services	100%	12, 13, 22, 31, 37, 41
102-3	Location of headquarters	100%	13
102-4	Location of operations	100%	10, 12
102-5	Ownership and legal form	100%	13
102-6	Markets served	100%	13
102-7	Scale of the organisation	100%	12, 69
102-8	Information on employees and other workers	100%	44, 45
102-9	Supply chain	100%	20, 21, 66, 68
102-10	Significant changes to the organization or its supply chain	100%	90
102-11	Precautionary principle or approach	100%	63
102-12	External initiatives	100%	83
102-13	Memberships of associations	100%	86-87
Strategy			
102-14	Statement from the senior decision-maker	100%	4
102-15	Key impacts, risks, and opportunities	100%	4, 18-19
Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	100%	20, 21
Governance			
102-18	Governance structure	100%	14-15, 17
102-22	Composition of the highest governance body and its committees	100%	14-15, 17
Stakeholder engagement			
102-40	List of stakeholder groups	100%	78
102-41	Collective bargaining agreements	100%	44, 50
102-42	Identifying and selecting stakeholders	100%	81
102-43	Approach to stakeholder engagement	100%	78
102-44	Key topics and concerns raised	100%	79
102-45	Entities included in the consolidated financial statements	100%	95
102-46	Defining report content and the topic Boundaries	100%	78, 90
102-47	List of material topics	100%	78, 79, 91
102-48	Restatements of information	100%	90
102-49	Changes in reporting	100%	90



For the GRI Content Index Service, GRI Services reviewed that the GRI content index is clearly presented and the references for all disclosures included align with the appropriate sections in the body of the report. The service was performed on the Polish version of the report.

GRI 102-55

Disclosure number	Disclosure title	Reporting level	Reference
Reporting practice			
102-50	Reporting period	100%	90
102-51	Date of most recent report	100%	90
102-52	Reporting cycle	100%	90
102-53	Contact point for questions regarding the report	100%	91
102-54	Claims of reporting in accordance with the GRI Standards	100%	90
102-55	GRI Content Index	100%	96-99
102-56	External assurance	100%	90
Economic topics			
Economic performance			
GRI 103	Management approach: 2016		
103-1	Explanation of the material topic and its boundary	100%	4
103-2	The management approach and its components	100%	4
103-3	Evaluation of the management approach	100%	4
GRI 201	Economic Performance: 2016		
201-1	Direct economic value generated and distributed	100%	92-95
Indirect economic impacts			
GRI 103	Management approach: 2016		
103-1	Explanation of the material topic and its Boundary	100%	26
103-2	The management approach and its components	100%	26
103-3	Evaluation of the management approach	100%	26
GRI 203	Indirect economic impacts: 2016		
203-1	Infrastructure investments and services supported	100%	26, 28, 29, 30, 68
Procurement practices			
GRI 103	Management approach: 2016		
103-1	Explanation of the material topic and its boundary	100%	66
103-2	The management approach and its components	100%	66
103-3	Evaluation of the management approach	100%	66
GRI 204	Procurement practices: 2016		
204-1	Proportion of spending on local suppliers	100%	66
Anti-corruption			
GRI 103	Management approach: 2016		
103-1	Explanation of the material topic and its boundary	100%	20
103-2	The management approach and its components	100%	20
103-3	Evaluation of the management approach	100%	20
GRI 205	Anti-corruption: 2016		
205-2	Communication and training about anti-corruption policies and procedures	100%	20
Anti-competitive behavior			
GRI 103	Management approach: 2016		
103-1	Explanation of the material topic and its boundary	100%	13
103-2	The management approach and its components	100%	13
103-3	Evaluation of the management approach	100%	13
GRI 206	Anti-competitive behavior: 2016		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	100%	13

GRI 102-55

Disclosure number	Disclosure title	Reporting level	Reference
Environmental topics			
Environmental compliance			
GRI 103	Management approach: 2016		
103-1	Explanation of the material topic and its boundary	100%	56, 60
103-2	The management approach and its components	100%	56, 60
103-3	Evaluation of the management approach	100%	56, 60
GRI 307	Environmental compliance: 2016		
307-1	Non-compliance with environmental laws and regulations	100%	56
Social topics			
Employment			
GRI 103	Management approach: 2016		
103-1	Explanation of the material topic and its boundary	100%	50
103-2	The management approach and its components	100%	50
103-3	Evaluation of the management approach	100%	50
GRI 401	Employment: 2016		
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	100%	50
Occupational health and safety; worker health			
GRI 103	Management approach: 2016		
103-1	Explanation of the material topic and its boundary	100%	46
103-2	The management approach and its components	100%	46
103-3	Evaluation of the management approach	100%	46
GRI 403	Occupational health and safety; promotion of worker health:		
403-1	Occupational health and safety management system	100%	46
403-2	Hazard identification, risk assessment, and incident investigation	100%	46-47, 49
403-3	Occupational health services	100%	46
403-4	Worker participation, consultation, and communication on occupational health and safety	100%	46, 47, 49
403-5	Worker training on occupational health and safety	100%	48
403-6	Promotion of worker health	100%	48
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	100%	49
403-8	Workers covered by an occupational health and safety management system	100%	46
Training and education			
GRI 103	Management approach: 2016		
103-1	Explanation of the material topic and its boundary	100%	52
103-2	The management approach and its components	100%	52
103-3	Evaluation of the management approach	100%	52
GRI 404	Training and education: 2016		
404-1	Average hours of training per year per employee	100%	52
Diversity and equal opportunity			
GRI 103	Management approach: 2016		
103-1	Explanation of the material topic and its boundary	100%	44
103-2	The management approach and its components	100%	44
103-3	Evaluation of the management approach	100%	44
GRI 405	Diversity and equal opportunity: 2016		
405-1	Diversity of governance bodies and employees	100%	45

GRI 102-55

Disclosure number	Disclosure title	Reporting level	Reference
Local Communities			
GRI 103	Management approach: 2016		
103-1	Explanation of the material topic and its boundary	100%	72
103-2	The management approach and its components	100%	72
103-3	Evaluation of the management approach	100%	72
GRI 413	Local Communities: 2016		
413-1	Operations with local community engagement, impact assessments, and development programs	100%	72
Product and service labeling			
GRI 103	Management approach: 2016		
103-1	Explanation of the material topic and its boundary	100%	34, 41
103-2	The management approach and its components	100%	34, 41
103-3	Evaluation of the management approach	100%	34, 41
GRI 417	Product and service labelling: 2016		
417-1	Requirements for product and service information and labeling	100%	31, 32, 34, 41
Customer privacy			
GRI 103	Management approach: 2016		
103-1	Explanation of the material topic and its boundary	100%	35
103-2	The management approach and its components	100%	35
103-3	Evaluation of the management approach	100%	35
GRI 418	Customer privacy: 2016		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	100%	36
Socioeconomic compliance			
GRI 103	Management approach: 2016		
103-1	Explanation of the material topic and its boundary	100%	41
103-2	The management approach and its components	100%	41
103-3	Evaluation of the management approach	100%	41
GRI 419	Socioeconomic compliance: 2016		
419-1	Non-compliance with laws and regulations in the social and economic area	100%	41



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