

Strategy of KOGENERACJA S.A.

In 2019, KOGENERACJA S.A. continued to pursue its strategy adopted in 2015 whose primary objective is to maintain high profitability as expected by its shareholders. To this end, the following strategic objectives set out in the Strategy of 2015 were implemented:

- Development of a safety culture.
- Securing the Company's long-term future.
- Enhancement of the assets competitiveness and reduction of the environmental impact of the generation process.
- Expansion of the market and growth of sales, also to end customers.
- Achievement of the planned profitability.
- Becoming a preferred partner for the city of Wrocław and the regional authorities.
- Development of the organization and its competencies in accordance with the corporate social responsibility principles.

While working on the future revisions of the Company's Strategy, the Management Board of KOGENERACJA S.A. will be guided by the provisions of the District Heating Strategy announced in December 2017 by PGE Polska Grupa Energetyczna S.A., the Company's strategic investor. The strategy will be regularly updated in response to changes in the regulatory environment and new market opportunities identified. The Management Board of KOGENERACJA S.A. will set the revised strategic objectives bearing in mind that high-efficiency of the cogeneration-based heat production process significantly improves the effectiveness of fuel utilization, helps to protect the natural environment and is one of the key instruments in combating the growing problem of smog in many Polish cities.

Management by Objectives (MBO)

In order to effectively manage the Company's operations, the Management Board adopted in 2013 a new approach to the Management by Objectives policy dating back to 2002. A new Instruction on the Management by Objectives was implemented in KOGENERACJA S.A. to enable the linking of MBO Contracts contributing to the implementation of the Strategy with the objectives set within the framework of the employee performance appraisal system implemented in the Company. The document also specifies the method of assessing the achievement of objectives and of calculating the weights assigned to individual tasks.

Early in 2019, detailed MBO Contracts were concluded between the Chief Executive Officer and each of the Operations Director. The objectives set in the MBO Contracts for 2019 stemmed directly from the Strategy of KOGENERACJA S.A. Subsequently, the tasks specified in the Contracts with the Operations Directors were cascaded to Department Heads with whom MBO Contracts were also signed, in accordance with the methodology described in the revised Instruction.

Health and safety at work

The priority for the Group is the complete elimination of accidents at work. Therefore, actions are taken to continuously improve the safety culture among employees and contractors working on its premises, i.a., through the implementation of the OHS Improvement Plan and the resulting organizational and technical activities.

In 2019, no work accident involving an employee of KOGENERACJA S.A. and one accident involving a contractor's employee were reported (versus 1 accidents involving the Company's employees and no accidents among the contractors' staff in 2018).

Employment Policy

In 2013, a support program for employment restructuring was adopted; the so-called Individual Departures Program (PIO). In 2019, 20 people in KOGENERACJA S.A. benefited from the Program. (10 persons in 2018.).

In 2019, 32 persons were employed in the Parent Company (19 persons in 2018).

Employee health

The Company promotes an active and healthy lifestyle:

- Employees have a choice of organized activities offered by the Sports and Tourism Association in which they can participate.
- KOGENERACJA S.A. cooperates with EMC Instytut Medyczny S.A. which provides to the Company occupational medicine services.
- The Company offers additional medical services, which employees have a guaranteed access to medical specialists and a range of other non-standard services (PZU package until 31 December 2019).
- In 2019, employees received refunds of the cost of corrective eyeglasses.