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**Supplement**

- Supplement I – GAZ-SYSTEM S.A. AS A COMMITTED EMPLOYER
- Supplement II – GAZ-SYSTEM S.A. AS A BUSINESS PARTNER
- Supplement III – GAZ-SYSTEM S.A. AS A MEMBER OF THE LOCAL COMMUNITY
- Supplement IV – GAZ-SYSTEM S.A. AS A STRATEGIC COMPANY
**LETTER FROM CHAIRMAN OF THE SUPERVISORY BOARD**

Ladies and Gentlemen,

On behalf of the Supervisory Board, I am proud to present to you the report of Gas Transmission Operator GAZ-SYSTEM S.A. for 2013. We are the only organisation in the Polish gas sector to publish an integrated document showing both financial and non-financial performance of the company as well as our efforts towards sustainable development.

For three years now, the company has reported under the Global Reporting Initiative’s G3.1 Guidelines at Application Level B+.

In 2013, we once again demonstrated strong performance in terms of both the projects and tasks carried out within the company to improve its efficiency and operations, as well as the investment programme aimed at reinforcing Poland’s transmission system. The reporting period was marked by our continuing efforts to expand the national gas transmission network in the North-Western and Central Poland. We managed to complete the final stages of the Świnoujscie-Szczezin pipeline construction and continued construction works on strategic pipeline routes which are expected to reach completion in 2014. Preparatory efforts were also undertaken to implement the new investment programme beyond 2014. Our plan within the next few years is to ensure that our investments translate into increased revenues from cross-border gas transportation to be achieved thanks to Poland’s favourable geographical location.

With this year’s report, we intend to present to you a more detailed account of our company from four particularly important perspectives:

- as a business partner.
- as a strategic company for the gas market in Poland.
- as a committed employer.
- as a member of the local community.

This annual activity report outlines both our successes and the challenges the company had to face in 2013. It is also a confirmation that the company maintains the highest standards of business conduct, on which, as a state-owned company, we place the greatest emphasis. With the present report we also intend to demonstrate our commitment to the principles of Corporate Environmental and Social Responsibility.

I am confident that the information contained in the report is a solid reflection of GAZ-SYSTEM’s mission, i.e. to ensure safe transmission of gas within Poland and actively create an integrated transmission system in Europe, while respecting the principles of sustainable development.

I hope you enjoy reading this report.

Yours faithfully,

Jerzy Molski

Chairman of the Supervisory Board of GAZ-SYSTEM S.A.
**LETTER FROM CHAIRMAN OF THE SUPERVISORY BOARD**

Ladies and Gentlemen,

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With this year’s report, we intend to present to you a more detailed account of our company from four particularly important perspectives: as a strategic company for the gas market in Poland, as a committed employer, as a member of the local community, as a business partner.

This annual activity report outlines both our successes and the challenges the company had to face in 2013. It is also a confirmation that the company maintains the highest standards of business conduct, on which, as a state-owned company, we place the greatest emphasis. With the present report we also intend to demonstrate our commitment to the principles of Corporate Environmental and Social Responsibility.

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I hope you enjoy reading this report.

Yours faithfully,

Jerzy Molak

Chairman of the Supervisory Board of GAZ-SYSTEM S.A.
LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD

Ladies and Gentlemen,

This report, which I hope you will enjoy reading, summarises our company’s operations in 2013.

Let me start by referring to certain selected aspects of our activity. The company responsibly and effectively strengthened its position in the gas market by offering an ever-wider range of services and attracting new customers. During this time, we transported nearly 17 billion cubic meters of natural gas under 63 transmission agreements. We recorded an increase in sales revenue and our profit well outperformed the assumptions of our financial plan. This was achieved without compromising transmission network safety, which is traditionally of utmost importance to us. We are implementing new and improving the existing elements of Transmission Network Operation System (SESP), which is a collection of interrelated procedures for the surveillance and control of our facilities.

To a large extent, our efforts in the reporting period were focused on continued development of the company. We are one of the most important investors in the Polish economy. The company’s strategic investments, which in 2013 totalled an impressive PLN 1.2 billion, are all in the final stages of implementation. They are designed not only to improve Poland’s energy security, but also offer opportunities to enhance competitiveness in the natural gas market and increase its accessibility. The last four years have been a breakthrough in this respect, both for the company as well as for the national economy. Back in 2011, the technical capabilities of gas imports into Poland from the West covered only 9% of the total imported volume. As of April 2014, this figure has risen to over 70%.

The year 2014 will be marked by the completion of our five-year investment programme and the commissioning of 878 km of new gas transmission pipelines. As for the entire 2009-2014 investment period, GAZ-SYSTEM’s transmission network will be expanded by over 1,200 km of gas pipelines, which represents more than 10% of the currently operated infrastructure. We consistently fulfil and implement the provisions of the Regulation (EU) No 994/2010 of the European Parliament and of the Council concerning measures to safeguard security of gas supply by expanding the transmission infrastructure and offering new services.

Our new investment projects, which have been granted the status of “Project of Common Interest”, are due for implementation in the years 2015-2020 as part of the regionally important North-South Gas Corridor. Its launch will help build Poland’s full independence in terms of gas supply, integrate the European system and, consequently, increase the chance to diversify our revenue. Our consistently upgraded transmission system and cross-border interconnections will open new prospects and strengthen the company’s position both domestically and across Europe.

We strive to achieve our business objectives whilst applying the principles of sustainable development and responsible management. New improved business practices and dialogue with our stakeholders enable us to build a long-lasting and constructive relationship with the environment in which we operate. Our reporting standards adhere to guidelines set by the Global Reporting Initiative (GRI) and the employee volunteering strategy adopted by the company in 2013 also allowed our staff to get involved in taking responsibility for the environment. None of these initiatives, however, would have gone far without the organisational and financial support of the company.

Our achievements, demonstrated by GAZ-SYSTEM’s rapid growth and improved efficiency, would not be possible without the commitment, knowledge and skills of our employees. Together, we are building a strong and reliable organisation based on trust and mutual respect. I am proud to have the privilege of being part of the great team with which I have a possibility to work on the most ambitious of projects important for the entire economy.

I wish you all an enjoyable read.

Yours faithfully,

Jan Chadam

President of the Management Board
LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD

Ladies and Gentlemen,

This report, which I hope you will enjoy reading, summarises our company’s operations in 2013.

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Yours faithfully,

Jan Chadam
President of the Management Board
GAZ-SYSTEM S.A. is a member of the European Transparency Initiative, launched by the Commission in 2007 and is listed in the “EU Transparency Register” for interest groups and entities operating at the EU institutions and involved in the development and implementation of EU policies.

On 31 December 2013 the company ceased to operate the “Compliance Programme for Transmission System Operator - Gas Transmission Operator GAZ-SYSTEM S.A.” The change was due to the amendment of the Energy Law regarding programmes and activities undertaken to ensure non-discriminatory treatment for transmission system users in relation to the transmission system operator.
GAS COMPRESSOR STATIONS
LOW-METHANE GAS PIPELINES
HIGH-METHANE GAS PIPELINES
YAMAL-EUROPE PIPELINE

Detailed map of the transmission system is available at http://en.gaz-system.pl//
Source: GAZ-SYSTEM S.A.

Gas pipelines on the map are shown schematically.

WHO WE ARE

GAS TRANSMISSION OPERATOR
GAZ-SYSTEM S.A.

1. Is a company responsible for the transmission of natural gas and the management of the transmission network in Poland

GRI 2.3

2. Is a strategic company for Poland’s economy and energy security

GRI 2.3

3. Operates under a license issued by the President of the Energy Regulatory Office (ERO) valid until the end of 2030, which authorises the company to provide transmission services of gaseous fuels

GRI 3.8

4. Acts as a transmission system operator and the independent operator of the Polish section of the Yamal-Europe natural gas pipeline

GRI 2.9

5. Is a joint stock company with a share capital of PLN 3,771,990,842

GRI 2.9

GAZ-SYSTEM S.A. is a member of the European Transparency Initiative, launched by the Commission in 2007, and is listed in the “EU Transparency Register” for interest groups and entities operating at the EU institutions and involved in the development and implementation of EU policies.

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With the entry into force of the amendments to the Energy Law, owner’s supervision over GAZ-SYSTEM S.A. was taken over by the Minister of Economy as of 11 September 2013.

GAZ-SYSTEM S.A. operates from its head office located in Warsaw, at 4 Maszczonowska St., and its branches based in Gdańsk, Poznań, Rembelszczyzna, Tarnów, Świecie and Wrocław. The company also has a subsidiary, Polskie LNG S.A., established to construct a liquefied natural gas (LNG) terminal in Świnoujście. On the forum of EU Institutions GAZ-SYSTEM S.A. acts through its Brussels Office, which operates under the guidelines of the European Commission and the European Parliament in relation to the requirements and best practices regarding activity related to the European Union.
GAZ-SYSTEM S.A.

IN NUMBERS

Values as at 31.12.2013

- **LENTH OF TRANSMISSION NETWORK**: 10,077 km
- **GAS STATIONS**: 882
- **SYSTEM POINTS**: 57
- **COMPRESSOR STATIONS**: 14
- **TOTAL ASSETS**: 8,175 PLN million
- **NET PROFIT**: 319 PLN million
- **COSTS OF OPERATING ACTIVITIES**: 1,876 PLN million
- **NET INCOME FROM SALES**: 2,199 PLN million

**QUANTITY OF GAS TRANSPORTED**

Including Underground Gas Storages (UGS)
17 bcm/187.3 TWh*

Excluding UGS
15.8 bcm/175.5 TWh**

* The quantity 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. Gas volumes transported within the OTC market and the Gas Exchange are not taken into account. In 2013, the settlements in respect of transmission services were based on energy units, and therefore the quantity of transported gas in volume units is only presented as an illustrative value.

**The quantity of transported gas comprises low-methane gas (Lw), after volume conversion to high-methane gas (E) equivalent. Gas volumes transported within the OTC market and the Gas Exchange are not taken into account. In 2013, the settlements in respect of transmission services were based on energy units, and therefore the quantity of transported gas in volume units is only presented as an illustrative value.
GAZ-SYSTEM S.A.
IN NUMBERS
Values as at 31.12.2013

2,199
PLN million
NET INCOME FROM SALES
2,393
EMPLOYEES

1,876
PLN million
COSTS OF OPERATING ACTIVITIES

319
PLN million
NET PROFIT

8,175
PLN million
TOTAL ASSETS

10,077 km
LENGTH OF TRANSMISSION NETWORK

882 GAS STATIONS

57 SYSTEM POINTS

14 COMPRESSOR STATIONS

17 bcm/187.3 TWh*
Including Underground Gas Storages (UGS)

15.8 bcm/175.5 TWh**
Excluding UGS

* The quantity 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. Gas volumes transported within the OTC market and the Gas Exchange are not taken into account. In 2013, the settlements in respect of transmission services were based on energy units, and therefore the quantity of transported gas in volume units is only presented as an illustrative value.

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The company’s day-to-day business is run by the Management Board, which is composed of 1 to 4 members. The members are appointed by the Supervisory Board for a joint three-year term of office. The Management Board 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 company also appoints the Managing Director who oversees the work of selected organisational units engaged in operating activities. The Management Board acts pursuant to its By-Laws, which are approved by the Supervisory Board and contain, among others, conflict of interest policies applicable to the Board members.

In accordance with the provisions of the Articles of Association, in the selection of the candidates for the Management Board, the supervisory authority is required to take into account their experience in managerial and supervisory positions or the relevant technical and professional qualifications, as appropriate for the position to be filled in. The determination of remuneration levels and the execution of contracts with the members of the Management Board fall within the authority of the Supervisory Board, and depend not only on the financial performance but also on the achievement of the strategic objectives, including those related to sustainable development.

The performance of the Management Board in all relevant areas is systematically assessed by the Supervisory Board. Each year, based on such assessment, the Supervisory Board requests the Shareholders’ Meeting for the acknowledgement of the fulfilment of duties by the Management Board members.

Jan Chadam
President of the Management Board

Jan Chadam holds a PhD and a post-doctoral degree in Economics. In the course of his career, he has held a host of executive positions, including Financial Director, Vice President and President of the Board at Pro Futuro S.A., Warsaw. Member of the Board at Elzab S.A., Zabrze. Financial Director at SPMG S.A., Lublin. President of the Board at SPMG S.A., Zamość, and Director of Internal Audit Department at Polkomtel S.A. In February 2009 he was appointed Member of the Management Board at GAZ-SYSTEM S.A., and subsequently President of the Management Board as of July 2009. He has authored a book and several dozen domestically and internationally recognised publications on finance and management and has taught at several universities and MBA programmes.

Wojciech Kowalski
Member of the Management Board

Wojciech Kowalski graduated from the Faculty of Mechanical Engineering of the Wrocław University of Technology. He is a licensed construction engineer authorised to perform independent technical roles in construction industry. Mr Kowalski completed post-graduate programmes in gas industry at the Warsaw University of Technology, and in project management at the Warsaw School of Economics. He also attended specialist training courses in quality management, corporate finance and project profitability and risk assessment. He has been involved in the gas industry for 25 years. After joining the Gas Engineering Office Gazoprojekt S.A., in 1995 he was appointed Vice-President of Gazoprojekt S.A. Initially responsible for technical, and subsequently for commercial matters. He has extensive experience in corporate management, industrial plant engineering, investment process management within the energy and gas sectors. In January 2009, he was appointed Member of the Board of GAZ-SYSTEM S.A.

Sławomir Śliwiński
Member of the Management Board

Sławomir Śliwiński graduated with a degree in Law and Administration from the Nicolaus Copernicus University in Toruń and completed a postgraduate program in gas distribution company management at the AGH University of Science and Technology in Kraków. He is a certified quality auditor qualified by the Polish Centre for Testing and Certification and the European Organization for Quality (EOQ) and received an MBA diploma in 2008. Mr Śliwiński was President of the Board at the Pomorska Spółka Gazownictwa Sp. z o.o. (a distribution system operator from the PGNiG Group). Prior to that, he worked for ZRUG Toruń S.A. (engineering and construction contractor for gas industry), where he filled a number of positions including Quality Management Officer, Vice-President and President of the Management Board. In April 2009, he was appointed Member of the Board of GAZ-SYSTEM S.A.
The company’s day-to-day business is run by the Management Board which is composed of 1 to 4 members. The members are appointed by the Supervisory Board for a joint three-year term of office. The Management Board 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 company also appoints the Managing Director who oversees the work of selected organisational units engaged in operating activities. The Management Board acts pursuant to its By-Laws, which are approved by the Supervisory Board and contain, among others, conflict of interest policies applicable to the Board members.

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The performance of the Management Board in all relevant areas is systematically assessed by the Supervisory Board. Each year, based on such assessment, the Supervisory Board requests the Shareholders’ Meeting for the acknowledgement of duties by the Management Board members.

Jan Chadam
President of the Management Board

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Stawomir Śliwiński
Member of the Management Board

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According to the Articles of Association of Gas Transmission Operator GAZ-SYSTEM S.A., the Supervisory Board is composed of 3 to 9 members who are appointed and recalled by the Shareholder Meeting, including one member elected by the company’s employees (dependent member). Members of the Supervisory Board serve for a term of three years. The candidate for the Supervisory Board to be elected by the employees must not report directly to any of the Board Members.

The responsibilities of the Supervisory Board include oversight over all the aspects of the company’s activities, including the review of the Management Board’s report on the company’s operations and the financial statements for the previous financial year, as well as expressing opinion on long-term strategic plans, transmission network development plan, annual operational plans, two-year maintenance plans and three-year investment plans. The Supervisory Board meets at least once in every two months.

The members of the Supervisory Board are entitled to monthly remuneration in the amount determined by the Shareholders’ Meeting within the limits stipulated by the relevant regulations.

The activities of the Supervisory Board are subject to annual evaluation by the Shareholders’ Meeting, which takes form of acknowledging the fulfilment of duties and includes an assessment on the progress on the business strategy implementation.

The employees may submit their comments and recommendations for the Supervisory Board through the Secretary who has been elected by the employees.

Ordinary Shareholder Meetings are convened by the Management Board within six months of the end of each financial year. An Extraordinary Shareholders’ Meeting may be convened by the Management Board or at a written request of the Supervisory Board or the shareholder. The Shareholders’ Meeting is convened in the circumstances defined in the Commercial Companies Code and the Articles of Association, and at any time when deemed appropriate by the bodies or persons authorised to do so. The Shareholders’ Meeting may only adopt resolutions proposed in the agenda.

The Supervisory Board currently consists of seven members:

- Jerzy Molak - Independent member, Chairman of the Supervisory Board, does not hold any functions within the Management Board
- Sławomir Kutyła - Independent member, Deputy Chairman of the Supervisory Board
- Włodzimierz Wołski - Dependent member, Secretary of the Supervisory Board
- Jarosław Gniazdowski* - Independent member of the Supervisory Board
- Waldemar Kamrat* - Independent member of the Supervisory Board
- Piotr Mateja* - Independent member of the Supervisory Board
- Paweł Pikus* - Independent member of the Supervisory Board

* appointed to the Supervisory Board on 22 October 2013. Previously, the Supervisory Board was composed of: Agnieszka Godula, Zbigniew Marek, Jan Matuszewski and Katarzyna Ranc-Dobrzanska.
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The employees may submit their comments and recommendations for the Supervisory Board through the Secretary who has been elected by the employees.

**ORGANIZATIONAL STRUCTURE**

**THE SUPERVISORY BOARD IS CURRENTLY COMPOSED OF SEVEN MEMBERS**

- Jerzy Molak - Independent member, Chairman of the Supervisory Board
- Sławomir Kutyła - Independent member, Deputy Chairman of the Supervisory Board
- Włodzimierz Wołski - Dependent member, Secretary of the Supervisory Board
- Jarosław Gniadowski* - Independent member of the Supervisory Board
- Waldemar Kamrat* - Independent member of the Supervisory Board
- Piotr Mateja* - Independent member of the Supervisory Board
- Paweł Pikus* - Independent member of the Supervisory Board

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Men represent the majority in the personnel, which is related to the nature of the company’s operations and the jobs to be performed.

<table>
<thead>
<tr>
<th></th>
<th>Employees</th>
<th>Supervised personnel*</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td>2012</td>
<td>2,299</td>
<td>23</td>
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<td>2,393</td>
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<td>2,513</td>
</tr>
</tbody>
</table>

- Ratio of the number of persons employed under short-term contracts to the number of persons with employment contracts: 3.82% 0.88%

* Supervised personnel are persons rendering work for GAZ-SYSTEM S.A. who are not, however, the company’s employees (e.g. cleaners, catering personnel and security guards). In 2013, the number of employees comprises all the supervised personnel providing services on a shift basis.

### Structure - Employment

#### Number of employees by Branch:

<table>
<thead>
<tr>
<th>Branch</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head Office</td>
<td>347</td>
<td>449</td>
</tr>
<tr>
<td>Gdańsk</td>
<td>190</td>
<td>184</td>
</tr>
<tr>
<td>Poznań</td>
<td>307</td>
<td>323</td>
</tr>
<tr>
<td>Wrocław</td>
<td>286</td>
<td>276</td>
</tr>
<tr>
<td>Świętokrzyski</td>
<td>227</td>
<td>217</td>
</tr>
<tr>
<td>Rzeszów</td>
<td>344</td>
<td>354</td>
</tr>
<tr>
<td>Tarnów</td>
<td>598</td>
<td>590</td>
</tr>
</tbody>
</table>

- Full-time employees: 568 - 2,299, 592 - 2,393
- Part-time employees: 5 - 143, 6 - 120
- Employees with indefinite-term contracts: 526 - 2,078, 562 - 2,255
- Employees with definite-term contracts: 47 - 221, 35 - 138
- Employees with employment contracts: 40 - 83, 12 - 18
- Employees with contracts on commission: 2 - 5, 1 - 3

ANNUAL REPORT 2013
Men represent the majority in the personnel, which is related to the nature of the company’s operations and the jobs to be performed.

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>573</td>
<td>597</td>
</tr>
<tr>
<td>Total</td>
<td>2,299</td>
<td>2,393</td>
</tr>
<tr>
<td>Supervised personnel*</td>
<td>23</td>
<td>31</td>
</tr>
<tr>
<td>Total</td>
<td>143</td>
<td>265</td>
</tr>
</tbody>
</table>

**Ratio of the number of persons employed under short-term contracts to the number of persons with employment contracts**

- 2012: 3.82%
- 2013: 0.88%

*Supervised personnel are persons rendering work for GAZ-SYSTEM S.A. who are not, however, the company's employees (e.g. cleaners, catering personnel and security guards). In 2013, the number of employees comprises all the supervised personnel providing services on a shift basis.*

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-time employees</td>
<td>568</td>
<td>1,720</td>
</tr>
<tr>
<td>Total</td>
<td>2,288</td>
<td>2,383</td>
</tr>
<tr>
<td>Part-time employees</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>Employees with indefinite-term contracts</td>
<td>526</td>
<td>1,552</td>
</tr>
<tr>
<td>Total</td>
<td>2,078</td>
<td>2,255</td>
</tr>
<tr>
<td>Employees with definite-term contracts</td>
<td>47</td>
<td>174</td>
</tr>
<tr>
<td>Total</td>
<td>221</td>
<td>138</td>
</tr>
<tr>
<td>Employees with employment contracts</td>
<td>40</td>
<td>43</td>
</tr>
<tr>
<td>Total</td>
<td>83</td>
<td>18</td>
</tr>
<tr>
<td>Employees with contracts on commission</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>5</td>
<td>3</td>
</tr>
</tbody>
</table>
According to the Transmission Network Code (TNC), adopted by the President of Energy Regulatory Office on 24 July 2012, the company started the 2013 gas year based on European standards relating to the duration of the gas day (6:00-6:00) and using energy units (kWh) for commercial balancing.

As a basic principle of contracting transmission services, in accordance with European standards, GAZ-SYSTEM S.A. made the assumption that transmission capacity should follow the customer rather than the gas supplier. A combination of these solutions with the introduction of virtual points (separation of physical flows from gas trade flows), resulted in an increase in the number of GAZ-SYSTEM’s customers, who have started to make more active use of the transmission network.

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.

It should be noted that, within a year of launching the gas exchange, we have been able to introduce part of the proposals made by market participants as to its operation, and more are currently in development. The simplified access to transaction handling and the possibility of concluding them without the obligation to use brokerage services, as introduced through a relevant amendment to the Energy Law, is expected to boost interest in trading on the exchange.

Through amendments introduced to the Transmission Network Code (TNC), GAZ-SYSTEM S.A. managed to significantly simplify the process of contracting transmission services and made it easier for market participants to manage transmission capacity allocated to them. The introduction of trade at a virtual point notably increased the possibility of concluding the transactions and made the capacity booking at entry and exit points truly independent. Moreover, in accordance with requests made by System User trading in gas, transactions are no longer directly related to the physical gas flows. The next step is to amend the recently approved TNC by introducing provisions to allow the implementation of the Intraday Market on the gas exchange, which is being prepared by gas exchange – POLPX.

GAZ-SYSTEM S.A. has also observed a steady increase in the competence of market participants, who increasingly use the virtual point to suit their business needs. Entities starting their independent operations on the Polish market are becoming increasingly active participants in trading on the gas exchange, as well as taking advantage of trade on the OTC market. According to our knowledge, large gas consumers are also interested in the potential significant sources of supply in case when a decision is made to switch the supplier or a framework agreement with the previous supplier is partially cancelled. As usual in business, it all comes down to the price...

Piotr Bujalski
Deputy Director, National Gas Dispatching Division
GAZ-SYSTEM S.A.
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Piotr Bujalski
Deputy Director, National Gas Dispatching Division
GAZ-SYSTEM S.A.
BUSINESS MODEL OF GAZ-SYSTEM S.A.

- **New connections**
- **Transmission system expansion**
- **Integration with EU transmission systems**
- **Co-operation with system operators in neighbouring countries**
- **Network maintenance and repairs**
- **Transmission System Natural gas transportation**
- **Exports**
- **Imports**
- **Domestic sources**
- **Customers connected to distribution networks**
- **Customers connected to the transmission network**
- **Storage System Operator**
- **Physical balancing**
- **Performance of transmission contracts**
- **virtual point**
- **Physical performance of exchange transactions**

**Key Points:**
- Customers connected to the transmission network
- Storage System Operator
- Physical balancing
- Performance of transmission contracts
- Virtual point
- Physical performance of exchange transactions
In 2013, new rules for the functioning of the gas market in Poland came into effect, turning it into a liberalised market harmonized with the standards applied by European transmission network operators. One noticeable effect of the changes was the emergence of new clients for gas transmission services, as reflected in an over-100-per-cent increase in the number of contracts concluded. Also in 2013, GAZ-SYSTEM S.A. carried out its first capacity auction, in which a monthly product was offered at the interconnection points to the transmission systems of neighbouring countries. The changes implemented to the operating principles of the gas market have created a steadily growing interest in the gas fuel, which is confirmed by 18 new connection agreements and determining technical conditions for further 29 connections in 2013. In order to ensure continuous and effective access to information for both customers and employees of the company, the Information Exchange System is continuously improved. The system is used by more than five hundred registered external users and nearly three hundred internal users.

Piotr Bagiński
Deputy Director, Gas Market Division 
GAZ-SYSTEM S.A.

The cooperation between PKN Orlen and GAZ-SYSTEM S.A. has become more intense in recent years, which is a result of the liberalisation of the gas sector. From our perspective, GAZ-SYSTEM S.A. as the operator and owner of the critical gas infrastructure is the key enabler of market-oriented changes. The development of cross-border connections and GAZ-SYSTEM’s drive towards ensuring that the processes of providing transmission capacity are transparent, has allowed us to diversify the gas supplier portfolio. The Operator is facing many challenges and we hope that this does not slow down the integration of the Polish gas market with the European gas system.

Grzegorz Markiewicz
Director, Oil and Gas Trade Department 
PKN Orlen

The cooperation with GAZ-SYSTEM S.A. is characterized by a high level of professional knowledge, consistency and reliability of operations. Any emerging problem situations are resolved efficiently, with kind attention and commitment. Communication with the company regarding the implementation of transmission contracts is fast, careful and conducted in a friendly manner. We certainly appreciate our cooperation and mutual assistance as it helps us operate in the rapidly changing regulatory and market environment.

Ryszard Miduch
Production Director, Management Representative 
Azoty Group, Fertiliser Plant “Pulawy” S.A.

Investing in Growth
In 2013, new rules for the functioning of the gas market in Poland came into effect, turning it into a liberalised market harmonized with the standards applied by European transmission network operators. One noticeable effect of the changes was the emergence of new clients for gas transmission services, as reflected in an over-100-per-cent increase in the number of contracts concluded. Also in 2013, GAZ-SYSTEM S.A. carried out its first capacity auction, in which a monthly product was offered at the interconnection points to the transmission systems of neighbouring countries. The changes implemented to the operating principles of the gas market have created a steadily growing interest in the gas fuel, which is confirmed by 18 new connection agreements and determining technical conditions for further 29 connections in 2013. In order to ensure continuous and effective access to information for both customers and employees of the company, the Information Exchange System is continuously improved. The system is used by more than five hundred registered external users and nearly three hundred internal users.

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In the reporting period, GAZ-SYSTEM S.A. defined technical conditions for 29 connections, including 6 connections for consumers from the energy sector. The volume of contracted capacity resulting from the determined connection conditions in 2013 amounted to 623,239 m³ per hour, including 434,069 m³ per hour for the energy industry (figures exclusive of connection conditions for 2 production fields and an underground gas storage facility).

In 2013, GAZ-SYSTEM S.A. concluded 18 agreements for connection to the transmission network with 58 connection agreements in progress.

The investments based on the use of natural gas will contribute to the economic growth of the regions where gas pipelines are constructed.

No financial penalties were recorded in the reporting period for non-compliance with laws and regulations relating to the services provided.

As a young and active participant in the natural gas market in Poland, PGE S.A. really appreciates the high level of professionalism and competence of the employees of GAZ-SYSTEM S.A. The execution and performance of transmission contracts have always proceeded smoothly. The company is focused on innovative IT solutions, which significantly improves the quality of transmission services provided. Particularly worthy of emphasis is the pro-activeness of the operator’s staff, who work hard to develop and implement innovative solutions for the ever-emerging competitive natural gas market in Poland. The personnel of GAZ-SYSTEM S.A. have put a tremendous effort over recent years and created a brand which enabled them to join the group of modern European transmission system operators.

Jacek Kropiewnicki
Head of Gas Trade Department
PGE S.A.

On 17 December 2013, President of the ERO approved the new, reduced Tariff for gas transmission services of Gas Transmission Operator GAZ-SYSTEM S.A., which has been in effect as of 1 January 2014. Under the Tariff No. 7 the cost of transporting 1,000 cubic metres of natural gas went down by 4.80 % as compared to the previously applicable Tariff.
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1. ŚWINOUJŚCIE-SZCZECIN

2013

- pipeline laying completed
- welding and assembly of the process part of the pipeline (pipes and fittings) completed
- construction site restored to original condition
- marking of the pipeline route

2014

- initial gas fill and performance of necessary pipeline tests
- pipeline commissioning, permit to operate obtained, pipeline handed over for operation

2. SZCZECIN-GDAŃSK

2013

Stage I: Płoty-Karlino:
- second tender to select a new pipeline contractor
- new contract with the contractor signed
- tenders for fittings supply
- completion of assembly and earthworks along the pipeline route
- acceptance of investor’s supplies

Stage II: Karlino-Płońsk:
- pipeline contractor’s works (pipe laying, tests, assembly welding)

Stage III: Płock-Płońsk:
- contractor’s works (pipeline laying and drainage)

2014

- pipeline commissioning, permit to operate obtained, pipeline handed over for operation

3. SZCZECIN-LWÓWEK

2013

Stage I: Szczecin-Gorzów Wielkopolski
- contractor’s works (assembly, pipeline laying, tests)

Stage II: Gorzów Wielkopolski-Lwówek
- contractor’s works (assembly, pipeline laying, tests)

2014

- continuation of welding and earthworks
- pipeline commissioning, permit to operate obtained, pipeline handed over for operation

4. REMBELSZCZYZNA-GUSTORZYN

2013

Stage I: Gustorzyn-Płock
- contractor’s works (test)

Stage II: Rembelszczyzna-Pliszczyn
- Commissioning Committee for Stage II appointed

Stage III: Płock-Płońsk
- contractor’s works (pipeline laying and drainage)

2014

- pipeline commissioning, permit to operate obtained, pipeline handed over for operation

5. GUSTORZYN-ODOLANÓW

2013

Stage I: Gustorzyn-Turek
- commissioning committee started its activities
- shut-off and release valve units completed: Młyń, Izbića Kujawska, Wrząca Wielka, Turek II Point

Stage II: Turek – Odolanów
- pipeline trenching, laying and backfilling

2014

- completion of trenching, laying and backfilling works
- construction of process facilities
- pipeline commissioning, permit to operate obtained, pipeline handed over for operation

The investment programme implemented by GAZ-SYSTEM S.A. has substantial impact on the business, social and natural environment. In 2014, the company will complete the construction of the following strategic gas pipelines: Szczecin–Gdańsk, Szczecin–Lwówek, Gustorzyn–Płock, Rembelszczyzna–Gustorzyn and Świnoujście–Szczecin.
## Investment Programme

### 1. ŚWINOUJŚCIE–SzczeCIN

**2013**
- Pipeline laying completed
- Welding and assembly of the process part of the pipeline (pipes and fittings) completed
- Construction site restored to original condition
- Marking of the pipeline route

**2014**
- Initial gas fill and performance of necessary pipeline tests
- Pipeline commissioning, permit to operate obtained, pipeline handed over for operation

### 2. SzczeCIN–Gdańsk

**2013**
- Stage I: Płoty-Karlin: second tender to select a new pipeline contractor
- New contract with the contractor signed
- Tenders for fittings supply
- Continuation of assembly and earthworks along the pipeline route
- Acceptance of investor’s supplies

**2014**
- Contractor’s works (tests)
- Welding and assembly of the process part of the pipeline (pipes and fittings) completed
- Construction site restored to original condition
- Marking of the pipeline route
- Pipeline commissioning, permit to operate obtained, pipeline handed over for operation

### 3. SzczeCIN–Lwówek

**2013**
- Stage I: Szczecin–Gorzów Wielkopolski: contractor’s works (assembly, pipeline laying, tests)
- Stage II: Gorzów Wielkopolski–Lwówek: contractor’s works (assembly, pipeline laying, tests)

**2014**
- Contractor’s works (assembly, pipeline laying, tests)
- Continuation of welding and earthworks
- Pipeline commissioning, permit to operate obtained, pipeline handed over for operation

### 4. Rembelszczyzna–Gustorzyn

**2013**
- Stage I: Gustorzyn–Płock: contractor’s works (tests)
- Stage II: Rembelszczyzna–Płock: contractor’s works (pipeline laying and drainage)

**2014**
- Pipeline commissioning, permit to operate obtained, pipeline handed over for operation

### 5. Gustorzyn–Odolanów

**2013**
- Stage I: Gustorzyn–Turek: commissioning committee started its activities
- Shutoff and release valve units completed: Milein, Izbića Kujawska, Wrząca Wielka, Turek II Point
- Stage II: Turek – Odolanów: pipeline trenching, laying and backfilling

**2014**
- Completion of trenching, laying and backfilling works
- Construction of process facilities
- Pipeline commissioning, permit to operate obtained, pipeline handed over for operation
The above diagram illustrates the financing structure of the investment plan rather than the actual use of funds. The financing of the investment programme will be accounted for in 2015.

**Sources of Financing for the Investment Plan of GAZ-SYSTEM S.A. 2011-2014 (PLN)**

- **2.5 (Equity)**
- **0.2 (Loan from PKO BP)**
- **0.6 (Operational Programme Infrastructure & Environment – LNG Terminal)**
- **0.6 (LNG Terminal)**
- **0.3 (EEPR)**
- **0.03 (TEN-E)**
- **0.3 (EEPR – LNG Terminal)**
- **0.03 (TEN-E)**
- **0.6 (BB – gas pipelines)**
- **1.7 (Loans from commercial banks)**

**Selected Infrastructure Projects of GAZ-SYSTEM S.A. that received the PCI (Project of Common Interest) Status.**

- **The North-South Gas Interconnections in Central-Eastern Europe and South-Eastern Europe:**
  - The North-South Gas Corridor in Western Poland, including the PL-CZ interconnection and the following gas pipeline sections: Lwówek-Odolanów, Czeszów-Wierzchosławice, Czeszów-Kiełczów, Zdzieszowice-Wrocław, Zdzieszowice-Kędzierzyn, Tworóg-Tworzeń, Tworóg-Kędzierzyn, Pogórka Wola-Tworzeń, Strachocina-Pogórka Wola, as well as the upgrading of the compressor station in Odolanów and the PL-CZ interconnection together with supporting infrastructure.
  - The North-South Gas Corridor in Eastern Poland, together with the PL-SK interconnection and the following gas pipeline sections: Rembelszczyzna-Wola Karczewa, Wola Karczewa-Wronów, Rozwadów-Końskowola-Wronów, Jarosław-Rozwadów, Hermanowice-Jarosław, Hermanowice-Strachocina, Wronów point as well as the PL-SK interconnection together with supporting infrastructure.

Rafał Wittmann
Director of Development Division
GAZ-SYSTEM S.A.

Adequate development of the domestic transmission system and physical diversification of gas supply directions are the underpinnings of Poland’s energy security. The development policies implemented by GAZ-SYSTEM S.A. led to significant security improvement and enabled gas sourcing from alternative directions and suppliers. In 2013, we managed to increase the technical capacity of interconnections with the EU to 30% of the total import capacity. This dynamic integration process of European transmission systems coupled with the expansion of internal domestic networks continues. New interconnections are being planned between Poland and the Czech Republic and Poland and Slovakia, supporting the implementation of a crucial European initiative, i.e. the North-South Gas Corridor in Central-Eastern Europe. On the other hand, the PL-LT interconnection is intended to integrate the gas systems of the Baltic States and thus eliminate so-called energy islands and enhance security in the entire region. The overriding goal of GAZ-SYSTEM S.A. is to make sure that the infrastructure condition guarantees high reliability of transmission services and thereby supports the development of competition in Poland and in the region.
The above diagram illustrates the financing structure of the investment plan rather than the actual use of funds. The financing of the investment programme will be accounted for in 2015.

The North-South Gas Interconnections in Central-Eastern Europe and South-Eastern Europe:

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- The North-South Gas Corridor in Eastern Poland together with the PL-SK interconnection and the following gas pipeline sections: Rembelszczyzna-Wola Karczewska, Wola Karczewska-Wronów, Rozwadów-Końskowola-Wronów, Jarosław-Rozwadów, Hermanowice-Jarosław, Hermanowice-Strachocina, Wronów point as well as the PL-SK interconnection together with supporting infrastructure.

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Rafał Wittmann
Director of Development Division
GAZ-SYSTEM S.A.
Under the Act of 24 April 2009 on the investments in regasification terminal for liquefied natural gas in Świnoujście, GAZ-SYSTEM S.A. acts as the coordinator of the works associated with the construction of the LNG terminal. The company is also responsible for connecting the terminal to the national transmission network and participates in the financing of the project. Meanwhile, the responsibility for the terminal construction rests with a subsidiary company – Polskie LNG S.A.

In 2013, two sub-projects were completed: the construction of the infrastructure ensuring the access to the external port and the construction of the port infrastructure. The Świnoujście-Żaclacz pipeline was also built and is scheduled for commissioning in 2014.

Along with the project’s advancement in 2013, the coordinator offered to the Partners engaged in Terminal-related investments to extend the coordinator process, according to the same principles as the coordination of the construction process, onto all the activities and tasks implemented by the Partners and aimed at achieving Full Operational Capability (FOC) by the External Port in Świnoujście and the LNG Terminal. As a result of activities undertaken by GAZ-SYSTEM S.A., a check-list identifying all the tasks required for the FOC status was prepared. The tasks were incorporated into the Consolidated Schedule approved by the Minister of State Treasury and are regularly monitored with GAZ-SYSTEM S.A. playing the coordinating role also with respect to FOC.

As the coordinator, we proactively monitor the project’s progress and support the project shareholder by the means of the Coordination System for LNG Terminal Construction. We do our best to make sure that the LNG Terminal construction proceeds smoothly and all the organisational, legal and procedural aspects are properly taken care of to enable the safe arrival of the first LNG cargo to the port in Świnoujście, as well as its unloading and subsequent regasification. Through the LNG Terminal in Świnoujście, our gas networks will be integrated with the global transportation system for liquefied gas. There are currently over 100 receiving terminals operating worldwide, including 22 in Europe. The LNG Terminal in Świnoujście is the first project of this kind (a large, on-shore import terminal) in Central and Eastern Europe and as such will play a crucial role in the Baltic Sea region due to its strategic location.

Krzysztof Wiśniewski
Director of the LNG Division
GAZ-SYSTEM S.A.

"As the coordinator, we proactively monitor the project’s progress and support the project shareholder by the means of the Coordination System for LNG Terminal Construction. We do our best to make sure that the LNG Terminal construction proceeds smoothly and all the organisational, legal and procedural aspects are properly taken care of to enable the safe arrival of the first LNG cargo to the port in Świnoujście, as well as its unloading and subsequent regasification. Through the LNG Terminal in Świnoujście, our gas networks will be integrated with the global transportation system for liquefied gas. There are currently over 100 receiving terminals operating worldwide, including 22 in Europe. The LNG Terminal in Świnoujście is the first project of this kind (a large, on-shore import terminal) in Central and Eastern Europe and as such will play a crucial role in the Baltic Sea region due to its strategic location.

Krzysztof Wiśniewski
Director of the LNG Division
GAZ-SYSTEM S.A.

IMpACT OF THE LNG TERMINAL
ON THE GAS MARKET

- diversification of gas supply to Poland
- access to gas at a competitive price
- possibility of purchasing gas on short-term markets
- development of gas exchange in Poland
- access to the global LNG market for landlocked countries
- development of LNG use in Poland as an alternative fuel for transportation, industry, areas without developed transmission networks or other applications

In carrying out its tasks based on the principles of sustainable development and guided by them in its daily activities, the company analyses the impact it has on its stakeholder environment.

ECONOMIC IMPACT
- providing training for market participants concerning the duties described in the Transmission Network Code
- dialogue with suppliers
- stable employer with the potential to create new jobs
- payment of compensation for expropriation of property rights or compensation for establishing a transmission easement
- purchase of land from individuals or acquisition of the right to use the land for building purposes
- dialogue with local communities with regard to implemented investments
- building social awareness about the company’s activities in respect of business, environmental and community aspects
- involvement in the development of the local community by implementing dedicated programs
- sponsorship, educational and communication activities

ENVIRONMENTAL IMPACT
- energy management
- solid and liquid waste generation
- gas, PM and noise emissions
- destruction or transformation of natural habitats, plant and animal habitats and species
- minimising negative effects of investments through additional measures beyond those prescribed by environmental decisions
- mitigation of adverse impact during the system operation, e.g. through the abatement of methane emissions
- development of additional internal environmental standards
- supporting local environmental programs through grants awarded under the Natural Energy Fund contest
IMPROVEMENTS IN THE ENGAGEMENT OF THE LNG TERMINAL

Under the Act of 24 April 2009 on the investments in regasification terminal for liquefied natural gas in Świnoujście, GAZ-SYSTEM S.A. acts as the coordinator of the work associated with the construction of the LNG terminal. The company is also responsible for connecting the terminal to the national transmission network and participates in the financing of the project. Meanwhile, the responsibility for the terminal construction rests with a subsidiary company – Polske LNG S.A.

In 2013, two sub-projects were completed: the construction of the infrastructure ensuring the access to the external port and the construction of the port infrastructure. The Świnoujście–Szczecin pipeline was also built and is scheduled for commissioning in 2014.

Along with the project’s advancement in 2013, the coordinator offered to the Partners engaged in Terminal-related investments to extend the coordinator process, according to the same principles as the coordination of the construction process, onto all the activities and tasks implemented by the Partners and aimed at achieving Full Operational Capability (FOC) by the External Port in Świnoujście and the LNG Terminal. As a result of activities undertaken by GAZ-SYSTEM S.A., a check-list identifying all the tasks required for the FOC status was prepared. The tasks were incorporated into the Consolidated Schedule approved by the Minister of State Treasury and are regularly monitored with GAZ-SYSTEM S.A. playing the coordinating role also with respect to FOC.

As the coordinator, we proactively monitor the project’s progress and support the project stakeholder by the means of the Coordination System for LNG Terminal Construction. We do our best to make sure that the LNG Terminal construction proceeds smoothly and all the organisational, legal and procedural aspects are properly taken care of to enable the safe arrival of the first LNG cargo to the port in Świnoujście, as well as its unloading and subsequent regasification. Through the LNG Terminal in Świnoujście, our gas networks will be integrated with the global transportation system for liquefied gas. There are currently over 100 receiving terminals operating worldwide, including 22 in Europe. The LNG Terminal in Świnoujście is the first project of this kind (a large, on-shore import terminal) in Central and Eastern Europe and as such will play a crucial role in the Baltic Sea region due to its strategic location.

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IMPACT OF THE LNG TERMINAL
ON THE GAS MARKET IN POLAND AND IN EUROPE

- diversification of gas supply to Poland
- access to gas at a competitive price
- possibility of purchasing gas on short-term markets
- development of gas exchange in Poland
- access to the global LNG market for landlocked countries
- development of LNG use in Poland as an alternative fuel for transportation, industry, areas without developed transmission networks or other applications

In carrying out its tasks based on the principles of sustainable development and guided by them in its daily activities, the company analyses the impact it has on its stakeholder environment.

IMPACT OF THE LNG TERMINAL
ENIRONMENT

- driving the changes taking place in the gas market in Poland
- diversification of technical gas transmission capabilities in order to strengthen energy security of the country
- reduced transmission tariff
- delivery of infrastructure investments that ensure the development of and access to the transmission network in Europe and the development of local businesses
- impact on the economy and competitive position of the market
- tax contributions to local budgets
- secured sustainable financing for the implementation of the company’s investment programme, including EU funds and loans from European financial institutions and commercial banks

- energy management
- solid and liquid waste generation
- gas, PM and noise emissions
- reduction and transformation of natural habitats, plant and animal habitats and species
- minimising negative effects of investments through additional measures beyond those prescribed by environmental decisions
- mitigation of adverse impact during the system operation, e.g. through the abatement of methane emissions
- development of additional internal environmental standards
- supporting local environmental programs through grants awarded under the Natural Energy Fund contest

ECONOMIC IMPACT

ENVIRONMENTAL IMPACT

SOCIAL IMPACT
28 February 2013
GAZ-SYSTEM S.A. received the Top Employers 2013 certificate for best HR practices and high workplace standards.

22 April 2013
The company received the Human Capital Investors’ Badge for best practice human resources management contributing to the improvement of working conditions and promoting employee development.

15 October 2013
GAZ-SYSTEM S.A. was ranked in the 1st place in the Best Employer 2013 survey, in the category of XXL companies.

16 October 2013
The President of the Management Board of GAZ-SYSTEM S.A., Jan Chadam became a winner of the “Energy Person” competition. The “Energy Person” title is awarded to those whose work, ideas and views had an instrumental impact on the shape of the Polish energy and fuel sector in the recent years and have been time tested.

28 October 2013
The Capital City of Warsaw recognised the company with the title of the “Company of Merit for Warsaw Energy Industry”.

19 November 2013
GAZ-SYSTEM S.A. was awarded the title of a “Well-Perceived Company” for strategy and communication.

12 December 2013
“Energy Sector OPI&E Projects Through A Camera Lens”
A photograph showing the construction of the Rembelszczyzna-Gustorzyn gas pipeline taken by the company’s employee Ksawery Mikosz, won 2nd place in the contest.
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OUR STRATEGY

Investing in Growth
OUR STRATEGY

Investing in Growth
OUR STRATEGY

The Strategy of GAZ-SYSTEM S.A. sets out five strategic directions:

1. ensure safe operation of the transmission system as an element of the European gas pipeline network
2. create optimum conditions in Poland for the development of a liberalised market for natural gas as an environmentally friendly fuel
3. ensure effective and sustainable improvement of the company's operational and organisational performance
4. build the position of the company as a significant participant of the natural gas market in the European Union, particularly in the Central and Eastern Europe region
5. manage the company from a sustainable development perspective

The responsibility for the coordination of the strategy definition and implementation activities has been delegated to the Strategy Officer appointed by the Management Board.

GRI 4.1

WE ENSURE SAFE TRANSPORTATION OF NATURAL GAS IN POLAND AND ARE ACTIVELY ENGAGED IN THE CREATION OF AN INTEGRATED TRANSMISSION SYSTEM IN EUROPE. IN OUR DAY-TO-DAY ACTIVITIES, WE ARE COMMITTED TO ENVIRONMENTAL STEWARDSHIP AND SUSTAINABLE DEVELOPMENT.

Mission

OUR VISION IS TO PROVIDE ENERGY SECURITY AND BUILD THE POSITION OF A MAJOR OPERATOR DRIVING THE INTEGRATION OF THE TRANSMISSION SYSTEM IN EUROPE THROUGH:

- construction of interconnections with the transmission systems of the neighbouring countries to integrate the European gas networks;
- development of modern gas pipeline network in Poland and offering advanced services to enable its optimised utilization.

Vision

OUR VALUES

Our actions are guided by responsibility towards stakeholders and the environment we operate in.

RESPONSIBILITY

We are fully committed to our activity – we appreciate the contribution of each employee to our present and future success.

COMMITMENT

We promote professionalism of our employees – we want to achieve our objectives through, above all, the continuous development of the knowledge and skills of our staff.

PROFESSIONALISM

We strive to provide top quality services through cooperation and therefore promote teamwork in our company. This entails opening up to others and their ideas.

TEAMWORK

We treat our stakeholders with the utmost respect and exhibit the highest standards of integrity.

RESPECT
OUR STRATEGY

The Strategy of GAZ-SYSTEM S.A. sets out five strategic directions:

1. ensure safe operation of the transmission system as an element of the European gas pipeline network
2. create optimum conditions in Poland for the development of a liberalised market for natural gas as an environmentally friendly fuel
3. ensure effective and sustainable improvement of the company’s operational and organisational performance
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Vision

OUR VISION IS TO PROVIDE ENERGY SECURITY AND BUILD THE POSITION OF A MAJOR OPERATOR DRIVING THE INTEGRATION OF THE TRANSMISSION SYSTEM IN EUROPE THROUGH:

- 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 to integrate the European gas networks;
- development of modern gas pipeline network in Poland and offering advanced services to enable its optimised utilisation.

GRI 4.8

Mission

We ensure safe operation of the transmission system as an element of the European gas pipeline network.

Vision

Our vision is to provide energy security and build the position of a major operator driving the integration of the transmission system in Europe through:

- 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 to integrate the European gas networks;
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Respect

Our actions are guided by responsibility towards stakeholders and the environment we operate in.
CODE OF ETHICS

With a view to ensuring the highest ethical standards, a Code of Ethics has been defined jointly by GAZ-SYSTEM S.A. and its employees. The document defines the rules of conduct and key values to drive the behaviours and decision making in the company. The principles set out in the code concern, among other things, the participation in public life and lobbying, hiring and treatment of employee family members, as well as the use of the company’s assets.

The company’s employees can participate in social and political life as individuals but the information gained whilst in the employment of the company may not be used for political purposes. The company ensures that the corporate space is free from politics. It is prohibited to electioneer and manifest one’s political views and present one’s beliefs in an ostentatious and overbearing manner.

According to the provisions of the Code of Ethics, the company neither endorses nor provides any financial support to any political party, organisation or movement, or any individual engaged in political activities. The code also addresses the question of providing equal opportunities for professional development, presentation of employees’ world view and political convictions and the principles concerning the dress code in the workplace. Each employee has received a hard copy of the Code of Ethics while for other stakeholders it is available on our corporate website www.gaz-system.pl.

In 2013, the company did not provide any training on the Code of Ethics.

RISK MANAGEMENT

Risk management in GAZ-SYSTEM S.A. is an ongoing process that is continuously adjusted in response to the changing external and internal environment of the company. Since 2007, all the sources of information regarding relevant risks are integrated within the Enterprise Risk Management (ERM) process. The purpose of the ERM is to ensure continuous assessment of the risks that affect the company’s operations and the appropriate management of such risks. Based on the assessment, the risks can be ranked and the priorities can be set in response to such risks.

Risk management is also prevalent at every level of the management structure and makes an inherent element of majority of the management systems operated by the company, including:

- ISO 14001:2004 “Environmental Management Systems” with respect to: Natural gas transmission throughout the country
- BS OHSAS 18001:2007 “Occupational Health and Safety Management Systems” with respect to: the transmission of natural gas throughout the country (a system of procedures that regulate the performance of tasks including both investment process, and in the operation: review and consultation of gas-hazard work orders, project review, inspection of gas-hazard works, communication with sub-contractors and suppliers with regard to the occupational health and safety requirements and principles)
- ISO/IEC 17025 “General requirements for the competence of testing and calibration laboratories”
- BS 5750:1994 (a part of the GazStep project management methodology implemented by GAZ-SYSTEM S.A.)

TRANSMISSION NETWORK OPERATION SYSTEM

a set of internal procedures and manuals describing in detail the methods of performance of specific operating activities within the transmission infrastructure, aimed at, inter alia, the mitigation of technical failure risks

CONTINGENCY MANAGEMENT POLICY

Implemented in GAZ-SYSTEM S.A. in March 2008
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In 2013, the company did not provide any training on the Code of Ethics.
The most significant opportunities and risks for the company are related to the transmission network development plans and therefore, prior to taking any investment decision, GAZ-SYSTEM S.A. undertakes detailed analyses in order to accurately assess the profitability of the project in question and identify any underlying risks.

In 2013, as a part of the optimisation of the organisational structure, the audit and corporate risk management functions were separated to a dedicated unit. A project aimed at the adaptation of the ERM procedures was undertaken to align them with the changes within the company and its external environment as well as with the international standard ISO 31000. The company also started the implementation of a business continuity system according to ISO 22301 standard. Structured business continuity plans will play a substantial role in mitigating the consequences of the occurrence of those risks which could lead the interruption of key processes and suspension of services.

The work on the definition of anti-corruption and whistle-blowing policies was also undertaken with implementation planned for 2014. In addition, a dedicated unit has been established to implement control tasks consisting in detecting and combating irregularities. There are also communication channels whereby any kind of abuse may be reported either anonymously or in person. These channels for reporting abuse are available both to internal and external stakeholders.

In 2013, GAZ-SYSTEM S.A. embarked on a review of the social responsibility principles in each of the key areas including: corporate governance, human rights, labour practices, environment, fair operating practices, customer relations, community engagement and local community development. This effort resulted in the definition of the “Framework concept for the implementation of recommendations from the PN-ISO 26000 review for GAZ-SYSTEM S.A.” which includes a collection of projects recommended for implementation by the company. Key initiatives concern such areas as: strategy and reporting, compliance policy, customers, environmental impact management, procurement and relations with business partners and stakeholder involvement. The recommendations developed during the ISO 26000 review will be taken into account in the update of the business strategy.
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In 2013, audits concerning the implementation of the procurement process and the execution of contracts and contract amendments were held across all the organisational units, which also covered the fraud risk element. No corruption incidents were discovered in the company in the reporting period.

The risks the company has to cope with depend on the strategic decisions of the government regarding the directions for the development of the energy sector in Poland and on the future EU policies on CO₂ emissions reduction. The future of shale gas development in Poland and in Europe may also be a factor of fundamental importance. GAZ-SYSTEM S.A. will adapt its policies to current developments and the company is already preparing for different scenarios.
When managing a network project such as the construction of the Rembelszczyzna-Gustorzyn gas pipeline, we recognized that the communication with local communities is absolutely crucial. Even though the rights-of-way are acquired in the course of administrative procedures, direct meetings with landowners in 21 municipalities along the pipeline route were held throughout the three consecutive years, starting from 2011. We were trying to provide the participants of those meetings with comprehensive information on the project, on the compensation payment model and existing gas pipelines. We are also working together with central and local governmental authorities.

Iwona Dominiak
Corporate Communication Manager
GAZ-SYSTEM S.A. Branch in Rembelszczyzna

GAZ-SYSTEM S.A. frequently implements its investment projects on land owned by private individuals and therefore has to obtain their consents for temporary or permanent use of the property.

The owners are entitled to compensation in connection with the construction of strategic gas pipelines on their land, with two types of compensation being applicable under the law:

1. on the grounds of restricted ability to use the property
2. for the expropriation and in connection with the expropriation, and in case of physical damage (e.g. for crop losses)

Under the Act of 24 April 2009 on the investments in the liquefied natural gas regasification terminal in Świnoujście, which forms the basis for most GAZ-SYSTEM S.A.’s strategic investments, the competent authority to grant compensation is the Voivode.

The level of compensation for the restriction of the ownership right in connection with the establishment of a pipeline buffer zone, for the property occupation during the construction and for farming and other damage caused during the pipeline construction is subject to the decision of the provincial governor taken on the basis of assessments made by certified property valuers. The compensation payment is made within 14 days of the above decision becoming final.

The payment of compensation due for expropriation and in connection with expropriation is agreed in writing between the Voivode and the person entitled to such compensation.

Investment projects which are not covered by the Act of 24 April 2009 on the investments in the liquefied natural gas regasification terminal in Świnoujście are implemented on the basis of the Building Law Act of 7 July 1994. According to its provisions, the landowners whose property is crossed by the pipeline route are entitled to compensation for a transmission easement, as well as to any damage caused during the pipeline construction (e.g. crop losses, destroyed soil structure and its reclamation, etc.). The amount of compensation is determined on the basis of assessment made by certified property valuers.

GAZ-SYSTEM S.A. handles the claims of the landowners whose properties are crossed by transmission infrastructure. For this purpose, the company has established the “Procedure for handling claims of landowners of properties where gas transmission system facilities are located”. The procedure sets out guidelines for the clarification of the legal status of the rights-of-way with respect to gas pipelines running through properties of either private individuals or business entities. It also governs the assessment of financial claims by independent property valuers.

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Iwona Domińska
Corporate Communication Manager
GAZ-SYSTEM S.A. Branch in Rembelszczyzna

The expansion of the gas pipeline network in Poland ensures energy security of the country by creating the necessary conditions for the transportation of increased gas volumes and contributes to the economic growth of the regions. The municipalities where pipelines are located receive additional financial revenue, as the investor pays a property tax at a rate corresponding to 2% of the value of the investment located within their territory.

In 2013, GAZ-SYSTEM S.A. paid property tax to 760 municipalities in the total amount of nearly 95 PLN million.

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GAZ-SYSTEM S.A Branch in Rembelszczyzna

GAZ-SYSTEM S.A frequently implements its investment projects on land owned by private individuals and therefore has to obtain their consents for temporary or permanent use of the property.

The owners are entitled to compensation in connection with the construction of strategic gas pipelines on their land, with two types of compensation being applicable under the law:

1. on the grounds of restricted ability to use the property
2. for the expropriation and in connection with the expropriation, and in case of physical damage (e.g. for crop losses)

Under the Act of 24 April 2009 on the investments in the liquefied natural gas regasification terminal in Świnoujście, which forms the basis for most GAZ-SYSTEM S.A.’s strategic investments, the competent authority to grant compensation is the Voivode.

The level of compensation for the restriction of the ownership right in connection with the establishment of a pipeline buffer zone, for the property occupation during the construction and for farming and other damage caused during the pipeline construction is subject to the decision of the provincial governor taken on the basis of assessments made by certified property valuers. The compensation payment is made within 14 days of the above decision becoming final.

The payment of compensation due for expropriation and in connection with expropriation is agreed in writing between the Voivode and the person entitled to such compensation.

Investment projects which are not covered by the Act of 24 April 2009 on the investments in the liquefied natural gas regasification terminal in Świnoujście are implemented on the basis of the Building Law Act of 7 July 1994. According to its provisions, the landowners whose property is crossed by the pipeline route are entitled to compensation for a transmission easement, as well as to any damage caused during the pipeline construction (e.g. crop losses, destroyed soil structure and its reclamation, etc.). The amount of compensation is determined on the basis of assessment made by certified property valuers.

GAZ-SYSTEM S.A. handles the claims of the landowners whose properties are crossed by transmission infrastructure. For this purpose, the company has established the “Procedure for handling claims of landowners of properties where gas transmission system facilities are located”. The procedure sets out guidelines for the clarification of the legal status of the rights-of-way with respect to gas pipelines running through properties of either private individuals or business entities. It also governs the assessment of financial claims by independent property valuers.

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When managing a network project such as the construction of the Rembelszczyzna-Gustorzyn gas pipeline we recognised that the communication with local communities is absolutely crucial. Even though the rights-of-way are acquired in the course of administrative procedures, direct meetings with landowners in 21 municipalities along the pipeline route were held throughout the three consecutive years, starting from 2011. We were trying to provide the participants of those meetings with comprehensive information on the project, on the compensation payment model and existing gas pipelines. We are also working together with central and local governmental authorities.

Iwona Dominiak
Corporate Communication Manager
GAZ-SYSTEM S.A Branch in Rembelszczyzna

GAZ-SYSTEM S.A. paid property tax to 760 municipalities in 2013. The expansion of the gas pipeline network in Poland ensures energy security of the country by creating the necessary conditions for the transportation of increased gas volumes and contributes to the economic growth of the regions. The municipalities where pipelines are located receive additional financial revenue, as the investor pays a property tax at a rate corresponding to 2% of the value of the investment located within their territory.

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In 2013, an accident occurred in Janków Przygrodzki during the construction of the Gustorzyn-Odolanów gas pipeline. A functioning gas pipeline was damaged and caught fire resulting in two casualties among the contractor’s personnel, over ten people having been injured and houses and property of outsiders having been burnt down. In view of the situation, GAZ-SYSTEM S.A. set up a committee to investigate the causes and circumstances of the accident. Based on the conducted analyses, expert assessments and studies, the committee concluded that the gas pipeline damage was caused by the non-compliance with the building and detailed engineering design in the performance of the pipeline construction works. In response to those findings, GAZ-SYSTEM S.A. immediately set out to verify the compliance in the performance of construction works in the vicinity of functioning gas networks for all the construction projects being currently in progress. In addition, with respect to the construction of new gas pipelines, the company introduced even more stringent requirements for the contractors at the engineering and execution stage, exceeding the applicable standards, and strengthened the process of construction works inspection during the execution.

GRI 4.17 ● Special care was extended by the company over the persons affected by the accident in Janków Przygrodzki. They were offered psychological support, reimbursement of medical cost and substitute accommodation. The claims in respect of property damage and bodily injuries were covered by the insurance policy of GAZ-SYSTEM S.A. In addition, the company committed itself to engage in the reconstruction of the damaged infrastructure in the village.

For PR 6 ● Systematic approach to communication activities related to investments.
- “Promotion and Communication Manual for Projects Co-financed through Operational Programme Infrastructure & Environment”;
- Visual Identity Manual for Projects Co-financed through the Trans-European Networks Energy (TEN-E) Programme,
- “Best Practice Manual: Building Good Relationships with Landowners”.

For PR 7 ● In the reporting period, no instances of non-compliance with regulations on marketing communication were discovered.

<table>
<thead>
<tr>
<th>NUMBER OF COMMUNITY MEETINGS HELD AND INFORMATION POINTS SET UP</th>
<th>NUMBER OF PARTICIPANTS TAKING PART IN COMMUNITY MEETINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>2012</td>
</tr>
<tr>
<td>875</td>
<td>1145</td>
</tr>
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Based on this feedback, the company is adapting the communication tools to stakeholders’ needs.
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SO 10 • Systematic approach to communication activities related to its investments.
- “Promotion and Communication Manual for Projects Co-financed through Operational Programme Infrastructure & Environment”
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PR 6 • In the reporting period, no instances of non-compliance with regulations on marketing communication were discovered.

PR 7 • In 2013, the company collected 1,617 questionnaires concerning investment projects carried out in 25 locations. Based on this feedback, the company is adapting the communication tools to stakeholders’ needs.
In 2013, GAZ-SYSTEM S.A. adopted the “Employee Volunteering Strategy” and implemented two related programmes: “GAZ-SYSTEM. Together for Local Communities” – a grant competition for company’s employees, which offers them the opportunity to realise their ideas for supporting community and environmental causes. The other programme was titled “GAZ-SYSTEM S.A. Together for Others” and involved fundraising for seven child care centres located in the vicinity of the Branches and the Head Office. Both employee volunteering initiatives involved 459 employees and 17 beneficiaries.

In 2014, the company plans to continue the programmes and implement another one titled “GAZ-SYSTEM S.A. Together for Nature”. It will consist of the organisation of volunteering and integration trips during which the employees will perform some physical works to protect the environment.

For more than ten years now, the employees of GAZ-SYSTEM S.A. have been collecting funds for Christmas gifts for all our children and all of them receive parcels of sweets from the company. On several occasions we were also presented with toys and clothing. It is an enormous help for which we are very grateful. We are happy to see people coming to us and willing to offer help selflessly. This helps us and our children in looking at the world with somebody else’s eyes. They do it accepting and loving the children the way they are today in their difficult time of life.

Piotr Malesa
Director of the Administration Centre of Child Care Facilities in Komarno

An additional initiative meant to benefit local communities is called “Pass It On” and features a charity clothing collection programme operated by the Anna Dymna’s Foundation and 3R Recycling Solutions. Each kilogramme of goods collected represents tangible support for the Foundation’s beneficiaries – PLN 0.30 per 1 kg of clothing and PLN 0.50 per 1 kg of shoes.

Status as at 31.12.2013, the action started on 20 May 2013
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In the course of its investment projects GAZ-SYSTEM S.A. generates an impact on protected areas. The length of gas pipeline networks crossing protected areas is about 1975 km, which represents approx. 20% of the total length of the company’s transmission networks.

In order to proceed with the construction of all strategic gas pipelines the company is required to obtain appropriate approvals for exemptions from the prohibitions provided for under the Nature Conservation Act regarding protected plants and animals. In 2013, GAZ-SYSTEM S.A. obtained 22 such exemptions (derogation decisions) which concern 226 species of plants and animals occurring in the areas where investment projects are carried out. However, in most cases, before the construction works can be undertaken, GAZ-SYSTEM S.A. has to obtain an environmental decision for the project. This involves an environmental impact assessment. Such assessment was carried out for the following strategic pipelines: Szczecin-Świnoujście, Szczecin-Gdańsk, Szczecin-Lwówek, Gustorzyn-Odolanów, Rembelszczyzna-Gustorzyn, Gałów-Kiełczów, Świętochłowice-Pogórska Wola, Hermanowice-Strachocina. In case of the Lasów-Jeleniów gas pipeline, as well as the Jeleniów II and Rembelszczyzna compressor stations, the Rembelszczyzna, Gustorzyn and Odolanów system nodes, environmental decisions were issued without an environmental impact assessment as there were no environmental risks involved.

The strategy of GAZ-SYSTEM S.A. concerning the biodiversity management policy includes the following measures:

- Taking environmental inventories along the routes of planned strategic gas pipelines (covering the full vegetation season and the optimum periods of the identification of individual species)
- Implementing a nature conservation supervision function during the construction of strategic gas pipelines
- Monitoring the environmental impact of selected strategic gas pipelines

Data on the forms of nature conservation based on:
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**OUR IMPACT ON NATURAL ENVIRONMENT**

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**ENVIRONMENTAL INVENTORIES**

Taking environmental inventories along the routes of planned strategic gas pipelines (covering the full vegetation season and the optimum periods of the identification of individual species)

**NATURE CONSERVATION SUPERVISION**

Implementing a nature conservation supervision function during the construction of strategic gas pipelines

**MONITORING**

Monitoring the environmental impact of selected strategic gas pipelines

Data on the forms of nature conservation based on:
Furthermore, the question of biodiversity is addressed in the applications for environmental decisions for strategic gas pipeline projects.

Environmental impacts are associated with the construction phase. Impacts occurring at the time of pipeline installation include: the removal of trees and shrubbery, taking of land, construction-related drainage, noise pollution, air pollution, sewage and solid waste discharges. These impacts are limited to a land strip of up to 26 m in width. In-service environmental impacts of gas facilities may occur only in the event of a failure. For each of its investments, GAZ-SYSTEM S.A. holds an environmental decision, which describes the applicable methods for managing impacts on biodiversity. Specific recommendations for minimising the negative impact on habitats and species protected under the Natura 2000 network, including their extent, type and location, are detailed in the notes to a particular decision on environmental conditions, which is obtained individually for each pipeline.

Newly built gas pipelines cross protected areas, including Natura 2000 areas. In view of the need to prevent any adverse impacts on valuable habitats and species, the environmental decisions require that the investor uses trenchless pipeline laying techniques, including HDD crossings.

GAZ-SYSTEM S.A. also undertakes further measures to mitigate the adverse impact of its investment projects on the environment.

GRI 4.15 • The stakeholder groups of particular importance to GAZ-SYSTEM S.A. include the customers, business partners and local communities. The company maintains regular dialogue with the above mentioned stakeholder groups and takes their expectations into account when making its business decisions.

Each year, in the effort to improve the customer service management, GAZ-SYSTEM S.A. carefully looks into their needs and expectations. In the reporting period, the response rate in the customer satisfaction survey was 89.33% (number of customers taking part in the survey to those invited). According to customers’ perceptions, GAZ-SYSTEM S.A. is, above all, a competent and professional company (93% of customers surveyed), is reliable and delivers on its commitments (92%) and is warm-hearted and customer-friendly (90%).

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of customers satisfied with the quality of services provided by the company</td>
<td>84%</td>
</tr>
<tr>
<td>% of customers satisfied with the level of customer service</td>
<td>87%</td>
</tr>
<tr>
<td>% of customers appreciating the employees’ attitude</td>
<td>89%</td>
</tr>
<tr>
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environment.

FIND OUT MORE:
For more information on the environmental impact
of individual investment projects visit our website at:

In 2013

67,000
trees

56 m²
of shrubbery

worth nearly
106
PLN

within the scope of:
the Szczecin-Świnoujście,
Szczecin-Lwówek and
Gustorzyn-Odolanów gas
pipeline projects and the
upgrade of the Odolanów
system point.

STAKEHOLDER
DIALOGUE

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Customer satisfaction
index (on a scale from 1 - 5)

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.22</td>
<td>4.29</td>
</tr>
</tbody>
</table>

% of customers satisfied with the
quality of services provided
by the company

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>84%</td>
<td>88%</td>
</tr>
</tbody>
</table>

% of customers satisfied with the level
of customer service

<table>
<thead>
<tr>
<th>2012</th>
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</tr>
</thead>
<tbody>
<tr>
<td>87%</td>
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% of customers appreciating
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International industry organisations:
- European Network of Transmission System Operators for Gas (ENTSOG)
- Gas Infrastructure Europe (GIE)
- European Association for the Streamlining of Energy Exchange (EASEE-gas)
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- Marcogaz
- International Gas Union (IGU)
- Natural Gas Star Programme

National industry organisations:
- Towarzystwo Rozwoju Infrastruktury Pracy na Gazownictwo (Association for Infrastructure Development)
- Izba Gospodarcza Gazownictwa (Chamber of Natural Gas Industry)
- Polskie Zrzeszenie Inżynierów i Techników Sanitarnych (Polish Association of Sanitary Engineers and Technicians)
- Towarzystwo Naukowo-Techniczne Inżynierów i Techników Przemysłu Naftowego i Gazownicze (Scientific and Technical Society of Oil and Gas Industry Engineers and Technicians)
- Klub Polskich Laboratoriów Badawczych POLLAB (Club of Polish Research Laboratories POLLAB)

CSR organisations:
- Global Compact
- Responsible Business Forum
- Odpowiedzialna Energia (Responsible Energy Initiative)

Business organisations:
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As a member of management bodies:
-GR4.13

MEMBERSHIP IN ORGANISATIONS

STAKEHOLDER MAP AND THE FORMS OF THEIR INVOLVEMENT

EMPLOYEES
-GR4.14

SUBSIDIARY COMPANY

TRADE UNION ORGANISATIONS

CENTRAL AND LOCAL GOVERNMENT
-GR4.15

NATIONAL REGULATORY AUTHORITY

CUSTOMERS

NON-GOVERNMENTAL ORGANISATIONS AND SCIENTIFIC COMMUNITY

LOCAL COMMUNITIES

MEDIA

NATIONAL AND INTERNATIONAL INDUSTRY ORGANISATIONS

FINANCING INSTITUTIONS

BUSINESS PARTNERS
As part of the ongoing dialogue, GAZ-SYSTEM S.A. engages in various sustainable development initiatives. Since 2009, the company has been a member of Global Compact and has been taking part in United Nations initiatives e.g. Caring for Climate. Also in 2009, the company became the signatory of the Responsible Energy declaration which promotes sustainability in the energy sector. Since 2012, GAZ-SYSTEM S.A. is a partner of the Responsible Business Forum. The company is also a member of the Coalition for Responsible Business, and in this capacity adopted the Responsible Business Code. In 2013, for another time, GAZ-SYSTEM S.A. was listed in the Ranking of Responsible Companies taking 7th place among the energy sector companies and 31st place in the overall ranking prepared by the Business Ethics Centre of Koźmiński University and “Dziennik Gazeta Prawna” daily.

As part of GAZ-SYSTEM’s educational initiatives, we have continued our cooperation with the AGH University of Science and Technology in Kraków. The company also continued to be involved as a partner of the Energy Academy project, which is aimed at building an educational institution supporting energy security and sustainable development of the energy market in Poland. As part of the project, GAZ-SYSTEM S.A. offered four sponsored two-month internships.

The media serve as the key communication channel between the company and its stakeholders. A well-coordinated policy of informing the media about the activities of GAZ-SYSTEM S.A. is one of the most important elements of enhancing company value and reputation. For this reason, the company adheres to Media Contacts Rules which enable consistent and reliable communication.

AGREEMENTS WITH TRADE UNIONS

CONTAIN PROVISIONS CONCERNING THE OCCUPATIONAL HEALTH AND SAFETY ASPECTS:

1. personal protection equipment
2. joint OSH committees with the participation of the management and employees
3. the participation of employees’ representatives in OSH inspections and audits and accident investigations
4. OHS training and education
5. right to refuse a hazardous job

The OHS Committee is an advisory and opinion-making body with respect to safety and occupational health issues. The Committee tasks include review of working conditions, periodic assessment of the OHS status, expressing opinions on measures introduced by the employer to prevent accidents at work and occupational diseases, and putting forward proposals concerning the improvement of working conditions. The meetings of the OHS Committee are held at least once in a quarter. Thereby 100% of the workforce are represented in the official joint OHS committees.
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SUPPLIER MANAGEMENT

In December 2013, a new “Procurement Policy of GAZ-SYSTEM S.A.” was adopted. The document defines the procurement-related goals of the company and describes the key assumptions for the functioning of this area.

The new Procurement Policy sets the framework for the implementation of relevant solutions in the future, including in particular: contract implementation quality evaluation system, procedures and tools promoting reliable suppliers and eliminating unreliable ones, streamlining procurement processes through, among other things, focus on strategic procurement and development of IT systems supporting procurement processes.

In the reporting period, because of legal constraints related to, among other things, to the public procurement law, the company was not able to screen its business partners for human rights performance.

The only indirect way of assessing the supplier on this dimension is to verify whether the members of the body representing the supplier or the supplier itself as a body corporate were not sentenced by a final judgement for certain types of offences (e.g. against the rights of persons engaging in gainful employment). When such circumstance occurs, the supplier is disqualified from the procedure.

The above-mentioned solution is applied by GAZ-SYSTEM S.A. in all the public procurement procedures. In case of non-public tenders, the verification is performed based on the Contractor’s declaration.

In the reporting period, the company was not a party to any court or administrative proceedings concerning the freedom of competition or anti-monopoly regulations.

HR 2 of qualified suppliers for fittings attended by 28 persons

2 meetings

SO 7 for Qualified Suppliers concerning Investment and Maintenance Plans attended by 19 persons

1 meeting

2 audits of qualified suppliers

for manufacturers of working clothing, personal protection and work safety equipment

attended by 27 persons

1 meeting

for fittings supplier

attended by 19 persons
SUPPLIER MANAGEMENT

In December 2013, a new “Procurement Policy of GAZ-SYSTEM S.A.” was adopted. The document defines the procurement-related goals of the company and describes the key assumptions for the functioning of this area.

The new Procurement Policy sets the framework for the implementation of relevant solutions in the future, including in particular: contract implementation quality evaluation system, procedures and tools promoting reliable suppliers and eliminating unreliable ones, streamlining procurement processes through, among other things, focus on strategic procurement and development of IT systems supporting procurement processes.

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HR 2

28 persons attended 2 meetings for manufacturers of working clothing, personal protection and work safety equipment

2 audits of qualified suppliers

SO 7

19 persons attended 1 meeting for Qualified Suppliers concerning Investment and Maintenance Plans

1 meeting

27 persons attended by 1 meeting for fittings supplier
OUR PERFORMANCE
OUR PERFORMANCE

Investing in Growth
The year 2013 was very successful for the company from the financial performance perspective. Despite that the transmission tariff was reduced for another consecutive year, we managed to improve our financial result, both on a pre- and post-tax basis.

The cost reduction, covering mainly the costs of gas consumption and third-party services, was instrumental in the improvement of the company’s performance results. The company maintained high profitability of its business activity and is successful in generating cash from its core activity – the annual EBITDA increased from PLN 725 million to PLN 768 million.

The high operating cash flow generated by the company enables the continuation of the ambitious plan of transmission system development and modernisation. We continue to spend more on the investment plan implementation more than the EBITDA – as much as PLN 1,210 million this year.

In order to secure financing for such level of investments, the company had to incur more debt, as a result of which the level of indebtedness increased by 17% reaching 33%. At the same time, this level of expenditure was reflected in the increase of the balance-sheet assets by over PLN 1.3 billion. Considering that the investments plans for the year 2014 are still ambitious and their progress has significantly improved in the recent years, the indebtedness growth trend can be expected to continue in the coming years until the limit specified under relevant loan agreements is reached. This, however, is not yet going to happen in 2014.

Adam Bryszewski
Director of Financial Division
GAZ-SYSTEM S.A.

FINANCIAL PERFORMANCE

The above opinion is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
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<tbody>
<tr>
<td>(PLN million)</td>
<td>(PLN million)</td>
</tr>
<tr>
<td>Balance-sheet total</td>
<td>6,808</td>
</tr>
<tr>
<td>Equity</td>
<td>5,317</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>379</td>
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</tr>
<tr>
<td>Net income from sales and equivalent income</td>
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</tr>
</tbody>
</table>
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The cost reduction, covering mainly the costs of gas consumption and third-party services, was instrumental in the improvement of the company’s performance results. The company maintained high profitability of its business activity and is successful in generating cash from its core activity – the annual EBITDA increased from PLN 725 million to PLN 768 million.

The high operating cash flow generated by the company enables the continuation of the ambitious plan of transmission system development and modernisation. We continue to spend more on the investment plan implementation more than the EBITDA – as much as PLN 1,210 million this year.

In order to secure financing for such level of investments, the company had to incur more debt, as a result of which the level of indebtedness increased by 11% reaching 33%. At the same time, this level of expenditure was reflected in the increase of the balance-sheet assets by over PLN 1.3 billion. Considering that the investments plans for the year 2014 are still ambitious and their progress has significantly improved in the recent years, the indebtedness growth trend can be expected to continue in the coming years until the limit specified under relevant loan agreements is reached. This, however, is not yet going to happen in 2014.

Adam Bryszewski
Director of Financial Division
GAZ-SYSTEM S.A.

---

**Financial Performance**

<table>
<thead>
<tr>
<th>2012 (PLN million)</th>
<th>2013 (PLN million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance-sheet total</td>
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</tr>
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### BALANCE SHEET

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<th></th>
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<tr>
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<td>463</td>
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<td>705</td>
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<td>Short-term accruals</td>
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<td>Net profit/loss</td>
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<td>319</td>
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<td>Write-off of net profit during the financial year</td>
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<td>-121</td>
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<td>TOTAL EQUITY AND LIABILITIES</td>
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<td>8,175</td>
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</table>

### INCOME STATEMENT

<table>
<thead>
<tr>
<th>No.</th>
<th>Item</th>
<th>For 1-12.2012</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Income from sales and equivalent income</td>
<td>1,631</td>
<td>2,199</td>
</tr>
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<td>2</td>
<td>Costs of operating activities</td>
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<td>1,876</td>
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<tr>
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<td>Depreciation</td>
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<td>391</td>
</tr>
<tr>
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<td>135</td>
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<tr>
<td>2.3</td>
<td>Contracted services</td>
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<td>309</td>
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<tr>
<td>2.4</td>
<td>Taxes and charges</td>
<td>96</td>
<td>103</td>
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<tr>
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<td>Wages and salaries</td>
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<td>232</td>
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<tr>
<td>2.6</td>
<td>Social insurance and other benefits</td>
<td>69</td>
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<tr>
<td>2.7</td>
<td>Other allocated costs</td>
<td>21</td>
<td>22</td>
</tr>
<tr>
<td>2.8</td>
<td>Value of goods and materials sold</td>
<td>22</td>
<td>612</td>
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<td>390</td>
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<td>Income tax and deferred taxes</td>
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| 2   | Long-term liabilities | 300               | 900               |
| 3   | Short-term liabilities | 387               | 592               |
| 4   | Accruals              | 614               | 1,053             |
| **TOTAL EQUITY AND LIABILITIES** | **6,808** | **8,175** |

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**PLN million**

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<td>13</td>
<td>Net profit/loss</td>
<td>306</td>
<td>319</td>
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</table>
### CASH FLOW STATEMENT

**PLN million**

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>A</td>
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### FINANCIAL RATIOS

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<td>- return on equity (ROE)</td>
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<td>6%</td>
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<tr>
<td>- net margin on sales (ROS)</td>
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<td>15%</td>
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<td><strong>Liquidity/debt ratios</strong></td>
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<td>- debt ratio</td>
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<td>- quick ratio</td>
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<tr>
<td>- cash ratio</td>
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<tr>
<td>- EBIT (PLN million)</td>
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</tr>
<tr>
<td>- EBITDA (PLN million)</td>
<td>725</td>
<td>768</td>
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</table>

**In 2013, GAZ SYSTEM S.A. was a party to 641 court cases which mostly concerned landowner claims. No material penalties were imposed on the company in the reporting period.**
CASH FLOW STATEMENT

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
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<td>Cash flow from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Net profit/loss</td>
<td>147</td>
<td>198</td>
</tr>
<tr>
<td>2</td>
<td>Total adjustments</td>
<td>354</td>
<td>523</td>
</tr>
<tr>
<td>3</td>
<td>Net cash from operating activities (1+2)</td>
<td>501</td>
<td>721</td>
</tr>
<tr>
<td>B</td>
<td>Cash flow from investment activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Receipts</td>
<td>36</td>
<td>15</td>
</tr>
<tr>
<td>2</td>
<td>Outflows</td>
<td>1,544</td>
<td>1,291</td>
</tr>
<tr>
<td>3</td>
<td>Net cash flows from investment activities (1-2)</td>
<td>-1,508</td>
<td>-1,276</td>
</tr>
<tr>
<td>C</td>
<td>Cash flow from financing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Receipts</td>
<td>574</td>
<td>964</td>
</tr>
<tr>
<td>2</td>
<td>Outflows</td>
<td>481</td>
<td>227</td>
</tr>
<tr>
<td>3</td>
<td>Net cash flows from financing activities (1-2)</td>
<td>93</td>
<td>737</td>
</tr>
<tr>
<td>D</td>
<td>Total net cash flow (A.3 ± B.3 ± C.3)</td>
<td>-914</td>
<td>182</td>
</tr>
<tr>
<td>E</td>
<td>Balance-sheet increase/decrease in cash and cash equivalents</td>
<td>-920</td>
<td>181</td>
</tr>
<tr>
<td>F</td>
<td>Cash and cash equivalents at beginning of period</td>
<td>1,437</td>
<td>523</td>
</tr>
<tr>
<td>G</td>
<td>Cash and cash equivalents at end of period (F2D)</td>
<td>523</td>
<td>705</td>
</tr>
</tbody>
</table>

FINANCIAL RATIOS

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability ratios</td>
<td></td>
</tr>
<tr>
<td>- return on assets (ROA)</td>
<td>4%</td>
</tr>
<tr>
<td>- return on equity (ROE)</td>
<td>6%</td>
</tr>
<tr>
<td>- net margin on sales (ROS)</td>
<td>19%</td>
</tr>
<tr>
<td>Liquidity/debt ratios</td>
<td></td>
</tr>
<tr>
<td>- debt ratio</td>
<td>22%</td>
</tr>
<tr>
<td>- current ratio</td>
<td>2.0</td>
</tr>
<tr>
<td>- quick ratio</td>
<td>1.8</td>
</tr>
<tr>
<td>- cash ratio</td>
<td>1.4</td>
</tr>
<tr>
<td>- EBIT (PLN million)</td>
<td>330</td>
</tr>
<tr>
<td>- EBITDA (PLN million)</td>
<td>725</td>
</tr>
</tbody>
</table>

In 2013, GAZ-SYSTEM S.A. was a party to 641 court cases which mostly concerned landowner claims. No material penalties were imposed on the company in the reporting period.
The compensation and incentive system in GAZ-SYSTEM S.A. is designed to motivate employees to achieve current and longer-term business goals. This is reflected in a significant share of variable compensation components in the total compensation, which is much higher than for the market as a whole and the industry. As confirmed by the results of the “Saratoga Human Capital Benchmarking”, variable elements account for nearly 25% of the employee compensation in GAZ-SYSTEM S.A., against the industry average of approx. 17%.

The entry level positions in GAZ-SYSTEM S.A. include interns and warehouse and maintenance personnel. In the head office and the branches in Gdańsk and Świerklany there are no employees in entry level positions. Neither are they filled by any women.

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>236%</td>
</tr>
<tr>
<td>Rembelszczyzna</td>
<td>238%</td>
</tr>
<tr>
<td>Poznań</td>
<td>223%</td>
</tr>
<tr>
<td>Tarnów</td>
<td>241%</td>
</tr>
<tr>
<td>Wrocław</td>
<td>267%</td>
</tr>
</tbody>
</table>

The average base salary for entry level employees amounts to 223% of the statutory minimum wage (PLN 1,600).

The responsible approach of GAZ-SYSTEM S.A. 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. No instances of discrimination were reported in 2013.

Any changes concerning personnel matters are consulted with the company’s trade union organisations. In 2013, no occurrences that would restrict the freedom of association or collective dispute rights were identified.
The compensation and incentive system in GAZ-SYSTEM S.A. is designed to motivate employees to achieve current and longer-term business goals. This is reflected in a significant share of variable compensation components in the total compensation, which is much higher than for the market as a whole and the industry. As confirmed by the results of the “Saratoga Human Capital Benchmarking”, variable elements account for nearly 25% of the employee compensation in GAZ-SYSTEM S.A., against the industry average of approx. 17%.

The entry level positions in GAZ-SYSTEM S.A. include interns and warehouse and maintenance personnel. In the head office and the branches in Gdańsk and Świerklany there are no employees in entry level positions. Neither are they filled by any women.

The average base salary for entry level employees amounts to 223% of the statutory minimum wage (PLN 1,600). GAZ-SYSTEM S.A. understands a responsible workplace as, among other things, decent pay offered to entry level employees. The minimum entry level wage is independent of the location or the employee’s gender. Its level was determined in the Collective Labour Agreement.

### Ratio of Entry Level Wage to Local Minimum Wage at Significant Locations of Operation

<table>
<thead>
<tr>
<th>Location</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gdańsk</td>
<td>216%</td>
<td>223%</td>
</tr>
<tr>
<td>Poznań</td>
<td>225%</td>
<td>223%</td>
</tr>
<tr>
<td>Tarnów</td>
<td>241%</td>
<td>226%</td>
</tr>
<tr>
<td>Wrocław</td>
<td>267%</td>
<td>250%</td>
</tr>
</tbody>
</table>

The compensation and incentive system in GAZ-SYSTEM S.A. is designed to motivate employees to achieve current and longer-term business goals. This is reflected in a significant share of variable compensation components in the total compensation, which is much higher than for the market as a whole and the industry. As confirmed by the results of the “Saratoga Human Capital Benchmarking”, variable elements account for nearly 25% of the employee compensation in GAZ-SYSTEM S.A., against the industry average of approx. 17%.
GAZ-SYSTEM S.A. enjoys an excellent reputation as a reliable employer and therefore the number of employees leaving the company is fairly low while the number of newly hired employees continues to grow. This is driven, above all, by the large scale investment programme and the handover of operating activities with respect to the existing transmission system infrastructure to GAZ-SYSTEM S.A. crews.

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>34.6%</td>
<td>23.4%</td>
</tr>
<tr>
<td>3.9%</td>
<td>6.4%</td>
</tr>
<tr>
<td>12.8%</td>
<td>12.8%</td>
</tr>
<tr>
<td>14.1%</td>
<td>17.0%</td>
</tr>
<tr>
<td>5.1%</td>
<td>6.4%</td>
</tr>
<tr>
<td>19.2%</td>
<td>21.3%</td>
</tr>
<tr>
<td>10.3%</td>
<td>12.7%</td>
</tr>
<tr>
<td>29.5%</td>
<td>25.5%</td>
</tr>
<tr>
<td>70.5%</td>
<td>74.5%</td>
</tr>
<tr>
<td>35.9%</td>
<td>34.0%</td>
</tr>
<tr>
<td>52.6%</td>
<td>44.7%</td>
</tr>
</tbody>
</table>

*The total number of employees leaving work during the reporting period includes the employees who started a child care/unpaid leave in 2013.

**The total number of employees who started working at the unit during the reporting period also includes employees returning after a child care/unpaid leave in 2013.

The responsibility of GAZ-SYSTEM S.A. for the employees also entails the guarantee of return to work for parents who take advantage of a parental or child care leave. Most women return to work in their original position and remain with the organisation for at least 12 months to follow.

**Total number of employees who left the company in the reporting period: 78 47* 
Percentage of employees who left the company in the reporting period: 3.4% 2.0%** 

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>17.3%</td>
<td>29.8%</td>
</tr>
<tr>
<td>10.7%</td>
<td>2.1%</td>
</tr>
<tr>
<td>29.3%</td>
<td>19.9%</td>
</tr>
<tr>
<td>18.2%</td>
<td>25.5%</td>
</tr>
<tr>
<td>4.9%</td>
<td>2.9%</td>
</tr>
<tr>
<td>11.6%</td>
<td>10.4%</td>
</tr>
<tr>
<td>8.0%</td>
<td>9.2%</td>
</tr>
<tr>
<td>24.9%</td>
<td>25.5%</td>
</tr>
<tr>
<td>25.1%</td>
<td>74.5%</td>
</tr>
<tr>
<td>39.5%</td>
<td>32.6%</td>
</tr>
<tr>
<td>55.6%</td>
<td>58.9%</td>
</tr>
<tr>
<td>4.9%</td>
<td>8.5%</td>
</tr>
</tbody>
</table>

*The total number of employees leaving work during the reporting period includes the employees who started a child care/unpaid leave in 2013.

Number of persons taking advantage of a maternity/paternity leave, of which:

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>29</td>
<td>32</td>
</tr>
<tr>
<td>61</td>
<td>43</td>
</tr>
</tbody>
</table>

Retention ratio for employees who returned to work after a maternity/paternity leave

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>27</td>
</tr>
<tr>
<td>31</td>
<td>61</td>
</tr>
<tr>
<td>96.9</td>
<td>96.9</td>
</tr>
</tbody>
</table>

Number of persons who returned to work after a maternity/paternity leave and continued to work in the organisation for 12 months following their return, of which:
GAZ-SYSTEM S.A. enjoys an excellent reputation as a reliable employer and therefore the number of employees leaving the company is fairly low while the number of newly hired employees continues to grow. This is driven, above all, by the large scale investment programme and the handover of operating activities with respect to the existing transmission system infrastructure to GAZ-SYSTEM S.A. crews.

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of employees who left the company in the reporting period:</td>
<td>78</td>
</tr>
<tr>
<td>Head Office</td>
<td>27</td>
</tr>
<tr>
<td>Gdańsk</td>
<td>3</td>
</tr>
<tr>
<td>Poznań</td>
<td>10</td>
</tr>
<tr>
<td>Rembertów</td>
<td>11</td>
</tr>
<tr>
<td>Świecie</td>
<td>4</td>
</tr>
<tr>
<td>Tarnów</td>
<td>15</td>
</tr>
<tr>
<td>Wrocław</td>
<td>8</td>
</tr>
<tr>
<td>Women</td>
<td>23</td>
</tr>
<tr>
<td>Men</td>
<td>55</td>
</tr>
<tr>
<td>Age below 30</td>
<td>9</td>
</tr>
<tr>
<td>Age 30-50</td>
<td>28</td>
</tr>
<tr>
<td>Age over 50</td>
<td>41</td>
</tr>
</tbody>
</table>

Percentage of employees who left the company in the reporting period: 3.4% 2.0%

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of employees hired in the reporting period:</td>
<td>225</td>
</tr>
<tr>
<td>Head Office</td>
<td>39</td>
</tr>
<tr>
<td>Gdańsk</td>
<td>24</td>
</tr>
<tr>
<td>Poznań</td>
<td>66</td>
</tr>
<tr>
<td>Rembertów</td>
<td>41</td>
</tr>
<tr>
<td>Świecie</td>
<td>11</td>
</tr>
<tr>
<td>Tarnów</td>
<td>26</td>
</tr>
<tr>
<td>Wrocław</td>
<td>18</td>
</tr>
<tr>
<td>Women</td>
<td>56</td>
</tr>
<tr>
<td>Men</td>
<td>169</td>
</tr>
<tr>
<td>Age below 30</td>
<td>89</td>
</tr>
<tr>
<td>Age 30-50</td>
<td>125</td>
</tr>
<tr>
<td>Age over 50</td>
<td>11</td>
</tr>
</tbody>
</table>

Percentage of employees hired in the reporting period: 9.8% 5.9%

* The total number of employees leaving work during the reporting period includes the employees who started a child care/unpaid leave in 2013.

The responsibility of GAZ-SYSTEM S.A. for the employees also entails the guarantee of return to work for parents who take advantage of a parental or child care leave. Most women return to work in their original position and remain with the organisation for at least 12 months to follow.

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of persons taking advantage of a maternity/paternity leave, of which:</td>
<td></td>
</tr>
<tr>
<td>Number of persons returning to work after a maternity/paternity leave, of which:</td>
<td></td>
</tr>
<tr>
<td>Number of persons who returned to work after a maternity/paternity leave and continued to work in the organisation for 12 months following their return, of which:</td>
<td></td>
</tr>
<tr>
<td>Retention ratio for employees who returned to work after a maternity/paternity leave</td>
<td>96.9 – 100</td>
</tr>
</tbody>
</table>

* The total number of employees who started working at the unit during the reporting period also includes employees returning after a child care/unpaid leave in 2013.
GAZ-SYSTEM S.A. operates an e-learning platform which offers the employees access to training on, e.g. MS Office, SAP, Electronic Data Exchange system (EOD) or soft skills development. In addition, some of the obligatory training programmes, e.g. on health and safety at work, are carried out by the company in-house. Training leave is granted to the employees in accordance with the Labour Code regulations. In 2013, GAZ-SYSTEM S.A. spent PLN 2,614,940.74 on training.

The company's care about the employees is also reflected in the current Health and Safety Management System based on OHSAS 18001:2007 standard, which ensures that the company complies with the highest OHS standards. Each job position is assessed for occupational risk according to a three-step Occupational Risk Assessment Procedure. As the first step, the assessment team prepares an occupational risk score card for a given job position, which is then evaluated by the Occupational Risk Assessment Committee. The final risk assessment is made by the Director of the OHS and Fire Protection Division. Apart from the OHS Department, the occupational risk assessment process involves the representatives of the Social Labour Inspectorate operating at the company and managers of other organisational units, or their authorised representatives, who assess the individual job positions within their organisational units. The list of particularly onerous workplaces is set out in Annex 5 to the Workplace Regulations.

In 2013 we put a lot of effort in preparing for the implementation of the Talent Management Programme. It is an important step to us, especially that the new approach to talent management, which is unique in our industry, takes GAZ-SYSTEM S.A. onto pioneering paths in human resources management. The programme ensures that the HR policies will continue to be focused on cooperation, commitment and knowledge sharing. It will put a strong emphasis on the direct involvement of the management team as its overall impact will largely depend on a pro-active attitude of the organisation’s leadership. I am confident that the Talent Management Programme we developed will meet the expectations of the employees by providing them, among other things, with additional development opportunities and a real impact on the company's growth.

Małgorzata Kaczmarska
Deputy Director of HR Division
GAZ-SYSTEM S.A.

<table>
<thead>
<tr>
<th>EMPLOYEE TRAINING</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average number of training hours per employee per year, by gender:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>19.87</td>
<td>25.76</td>
</tr>
<tr>
<td>Men</td>
<td>17.93</td>
<td>17.01</td>
</tr>
<tr>
<td>Average number of training hours per employee per year, by organisational level:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior management (directors and higher levels)</td>
<td>57.25</td>
<td>89.16</td>
</tr>
<tr>
<td>Middle management (managers)</td>
<td>21.54</td>
<td>18.31</td>
</tr>
<tr>
<td>Professional functions (employees performing specialised tasks, e.g. environmental)</td>
<td>17.05</td>
<td>20.27</td>
</tr>
<tr>
<td>Administration and organisation professionals (e.g. HR, accounting)</td>
<td>18.32</td>
<td>28.12</td>
</tr>
<tr>
<td>Technical positions</td>
<td>15.74</td>
<td>8.48</td>
</tr>
</tbody>
</table>

Similarly as in the past years, the company offered an extensive range of development opportunities for the employees including various training courses, language classes, conferences and study programmes. They are aimed at the improvement of the employee's professional qualifications and competence level.
GAZ-SYSTEM S.A. operates an e-learning platform which offers the employees access to training on, e.g. MS Office, SAP, Electronic Data Exchange system (EOD) or soft skills development. In addition, some of the obligatory training programmes, e.g. on health and safety at work, are carried out by the company in-house. Training leave is granted to the employees in accordance with the Labour Code regulations. In 2013, GAZ-SYSTEM S.A. spent PLN 2,614,940.74 on training.

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The employees of GAZ-SYSTEM S.A. have access to healthcare services outside the public system, including comprehensive specialist consultations, examinations and diagnostics. The healthcare package is also available to employee families and retired employees. In addition, the company’s employees are covered by a group accident insurance scheme. GAZ-SYSTEM S.A. operates an optional non-mandatory Pension Scheme, which has been joined by over 80% of the employees. The personnel have a guaranteed social package, which covers a partial reimbursement of the costs of holidays, sports and leisure activities, cultural and educational events or support in case of accidents.

In 2013 we put a lot of effort in preparing for the implementation of the Talent Management Programme. It is an important step to us, especially that the new approach to talent management, which is unique in our industry, takes GAZ-SYSTEM S.A. onto pioneering paths in human resources management. The programme ensures that the HR policies will continue to be focused on cooperation, commitment and knowledge sharing. It will put a strong emphasis on the direct involvement of the management team as its overall impact will largely depend on a pro-active attitude of the organisation’s leadership. I am confident that the Talent Management Programme we developed will meet the expectations of the employees by providing them, among other things, with additional development opportunities and a real impact on the company’s growth.

Małgorzata Kaczmarska
Deputy Director of HR Division
GAZ-SYSTEM S.A.
Any incidents are communicated to all the employees, and the post-incident recommendations and preventive measures are aimed at preventing further accidents at work and potential hazards.

The company also provides assistance to employees in the event of occupational diseases and accidents at work. Each employee is entitled to a healthcare package and additional assistance is available upon the decision of a committee which examines each case individually in accordance with the Procedure for determining the circumstances and causes of accidents at work.

**GAZ-SYSTEM S.A. TRACKS AND REPORTS THE STATISTICS ON THE ACCIDENTS AT WORK AND OTHER INCIDENTS BY THE MEANS OF:**

1. **monthly report on accidents at work (compiled at the end of month and covering information on the number of accidents at work, types of injuries, working days lost due to accidents, accident frequency and severity rates)**

2. **register of accidents at work and other incidents (contains information on the type of incident, incident report number and date, name of the injured, place, date and time of accident, consequences of the accident, duration of inability to work resulting from the accident, brief description of the circumstances, accident classification)**

3. **statistics concerning the number of accidents at work and other incidents**

### Injuries, occupational diseases, lost days and absenteeism rate in the reporting period, by gender:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>7</td>
<td>13</td>
</tr>
</tbody>
</table>

### Number of fatal, group and severe accidents:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1</td>
<td>10</td>
</tr>
</tbody>
</table>

### Total days of incapacity for work due to accidents at work:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>86</td>
<td>786</td>
</tr>
</tbody>
</table>

### Accident frequency rate**:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>0.4</td>
<td>2.6</td>
</tr>
</tbody>
</table>

### Accident severity rate***:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>12.3</td>
<td>78.6</td>
</tr>
</tbody>
</table>

### Number of diagnosed occupational diseases:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

### Total number of contractor accidents during performance of works for the benefit of the company***:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

### Number of fatal, group and severe accidents:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

---

* Total accidents/headscount x 1000.
** Number of days of incapacity for work due to accidents/number of accidents.
*** Figures for direct sub-contractors.
Any incidents are communicated to all the employees, and the post-incident recommendations and preventive measures are aimed at preventing further accidents at work and potential hazards.

The company also provides assistance to employees in the event of occupational diseases and accidents at work. Each employee is entitled to a healthcare package and additional assistance is available upon the decision of a committee which examines each case individually in accordance with the Procedure for determining the circumstances and causes of accidents at work.

### GAZ-SYSTEM S.A. TRACKS AND REPORTS THE STATISTICS ON THE ACCIDENTS AT WORK AND OTHER INCIDENTS BY THE MEANS OF:

1. Monthly report on accidents at work (compiled at the end of month and covering information on the number of accidents at work, types of injuries, working days lost due to accidents, accident frequency and severity rates)
2. Register of accidents at work and other incidents (contains information on the type of incident, incident report number and date, name of the injured, place, date and time of accident, consequences of the accident, duration of inability to work resulting from the accident, brief description of the circumstances, accident classification)
3. Statistics concerning the number of accidents at work and other incidents

### Table: Accidents at Work and Other Incidents by Gender

<table>
<thead>
<tr>
<th>Year</th>
<th>Injuries</th>
<th>Occupational Diseases</th>
<th>Lost Days and Absenteeism Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2013</td>
<td>1</td>
<td>3</td>
<td>7</td>
</tr>
</tbody>
</table>

### Table: Number of Fatal, Group and Severe Accidents

<table>
<thead>
<tr>
<th>Year</th>
<th>Fatal</th>
<th>Group</th>
<th>Severe</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2013</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

### Table: Total Days of Incapacity for Work Due to Accidents at Work

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>86</td>
</tr>
<tr>
<td>2013</td>
<td>786</td>
</tr>
</tbody>
</table>

### Table: Accident Frequency Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Frequency Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>0.4</td>
</tr>
<tr>
<td>2013</td>
<td>2.6</td>
</tr>
</tbody>
</table>

### Table: Accident Severity Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Severity Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>5.6</td>
</tr>
<tr>
<td>2013</td>
<td>78.6</td>
</tr>
</tbody>
</table>

### Table: Number of Diagnostic Occupational Diseases

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>0</td>
</tr>
<tr>
<td>2013</td>
<td>5</td>
</tr>
</tbody>
</table>

### Table: Total Number of Contractor Accidents During Performance of Works for the Benefit of the Company

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>0</td>
</tr>
<tr>
<td>2013</td>
<td>1</td>
</tr>
</tbody>
</table>

### Table: Number of Fatal, Group, and Severe Accidents

<table>
<thead>
<tr>
<th>Year</th>
<th>Fatal</th>
<th>Group</th>
<th>Severe</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2013</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

* Total accidents/headcount x 1000
** Number of days of incapacity for work due to accidents/number of accidents
*** Figures for direct sub-contractors
Our company evolves along with new technologies and changing economic and social environment, which means that our workplace, conditions and processes are continuously transformed. These new situations present both new risks and challenges for the employees and managers who expected quick and effective solutions to ensure a high level of work safety. The company’s policy with regard to work safety is based on a preventive approach and is addressed to all the employees and sub-contractors alike. It is meant to build a true hazard mitigation culture. This requires, above all, a comprehensive approach involving all the instruments available, as well as continuous monitoring of the hazards based on systematic collection of information and feedback from all the employees of the company.

Pawel Mońka
Director of OHS and Fire Prevention Division
GAZ-SYSTEM S.A.

ACCIDENTS AT WORK IN 2013
BY LOCATION

<table>
<thead>
<tr>
<th></th>
<th>Head Office</th>
<th>Gdańsk</th>
<th>Poznań</th>
<th>Rembertowszczyzna</th>
<th>Świętochłowice</th>
<th>Tarnów</th>
<th>Wrocław</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>total accidents</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>persons injured in accidents</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>number of group accidents (out of the total accidents)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>type of injury</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>death</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>severe bodily injury</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>minor bodily injury</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>days of incapacity for work</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
<td>276</td>
</tr>
<tr>
<td></td>
<td>110</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>283</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>67</td>
<td>801</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>accident frequency rate</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.2</td>
<td>1.7</td>
</tr>
<tr>
<td></td>
<td>9.3</td>
<td>10.9</td>
</tr>
<tr>
<td></td>
<td>2.8</td>
<td>5.4</td>
</tr>
<tr>
<td></td>
<td>1.7</td>
<td>5.4</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>accident severity rate</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
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<td>0</td>
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<td>92</td>
<td>283</td>
</tr>
<tr>
<td></td>
<td>36.7</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>61.4</td>
</tr>
</tbody>
</table>

ENVIRONMENTAL PERFORMANCE

GAZ-SYSTEM S.A. is committed to the natural environment, which is reflected in the environmental management system operated by the company and based on the PN-EN ISO 14001:2005 standard.

In continuation of the electricity cost optimisation project, the company called out a tender for 12 months’ contract for electricity supply to gas compressor stations, gas stations, cathodic protection stations, as well as administration, ancillary and other facilities. As a result of the new contract, a lower price, independent of the previously applicable tariffs, was achieved for the supply of electricity to approx. 1,200 company’s consumption points.

GAZ-SYSTEM S.A. continuously monitors and strives to reduce its water consumption. Water consumption volumes for the reporting period are presented in the following table:

<table>
<thead>
<tr>
<th>WATER CONSUMPTION</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total volume of water drawn by the organisation and intermediaries (e.g. utility companies) regardless of the source</td>
<td>188,859 m³</td>
<td>154,623 m³</td>
</tr>
<tr>
<td>through intermediaries</td>
<td>19,316 m³</td>
<td>27,155 m³</td>
</tr>
<tr>
<td>total volume of water drawn from groundwater (only water drawn and used directly by the organisation)</td>
<td>169,543 m³</td>
<td>127,468 m³</td>
</tr>
</tbody>
</table>

WATER CONSUMPTION

CONSUMPTION OF ENERGY PRODUCED FROM NON-RENEWABLE SOURCES

| 2012 | 2013 |
| 226,313.64 GJ  | 239,937.84 GJ |

TOTAL NATURAL GAS CONSUMPTION

| 2012 | 2013 |
| 2,194,259.00 GJ | 2,870,720.00 GJ |
Our company evolves along with new technologies and changing economic and social environment, which means that our workplace, conditions and processes are continuously transformed. These new situations present both new risks and challenges for the employees and managers who expected quick and effective solutions to ensure a high level of work safety. The company’s policy with regard to work safety is based on a preventive approach and is addressed to all the employees and sub-contractors alike. It is meant to build a true hazard mitigation culture. This requires, above all, a comprehensive approach involving all the instruments available, as well as continuous monitoring of the hazards based on systematic collection of information and feedback from all the employees of the company.

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</tr>
<tr>
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CONSUMPTION OF ENERGY PRODUCED FROM NON-RENEWABLE SOURCES

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<tr>
<td>2012</td>
<td>2,870,720.00 GJ</td>
<td>2,399,937.84 GJ</td>
</tr>
</tbody>
</table>
The greenhouse gas emissions generated by the company principally comprise methane, which is released to the environment during the operation of gas infrastructure, and carbon dioxide produced as a result of the combustion of gas for own needs. Methane is emitted to the atmosphere during pipeline blow-down process, due to gas leaks from networks or failures.

In the reporting period, GAZ-SYSTEM S.A. carried out the assessment of natural gas emission levels and the verification of emission rates for selected gas compressor stations within the transmission system operated by GAZ-SYSTEM S.A. The project was a continuation of the studies undertaken in 2010-2012, and its goal was to perform a comprehensive tightness inspection and take measurements of gas emissions at the compressor stations in Wronów, Miocin, Lubaczów and Krzywa, which use different types of compressors and drivers.

The emission measurements were taken for all the types of compression units, gas fittings, as well as measurement and control instruments. On this basis, the variability of gas emissions from these facilities was assessed and the actual gas emission rate for compressor stations was established. The recommended emission estimation algorithms will improve the accuracy in the determination of the levels of gas emissions from compressor stations.

Another effort undertaken in the reporting period concerned the revision of the methodology for natural gas emission abatement at the transmission system components. It was discovered that for six out of seven compressor stations covered by the study, the measures aimed at the abatement of gas emissions proved highly effective.

The highest emission reduction was achieved in case of high-emission compressor stations. Following the undertaken inspection and maintenance works, the average natural gas emission from the gas compressor stations covered by the study was reduced over six times.

### Produced liquid waste

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total volume of liquid waste</td>
<td>67,302 m³</td>
</tr>
</tbody>
</table>

**Effluents discharged to surface waters (lake, river, etc.):**

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>51,123 m³</td>
<td>48,998 m³</td>
</tr>
</tbody>
</table>

**Effluents discharged to sewage system:**

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>15,112 m³</td>
<td>20,434 m³</td>
</tr>
</tbody>
</table>

**Effluents discharged through the soil:**

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>233 m³</td>
<td>250 m³</td>
</tr>
</tbody>
</table>

**Effluents disposed of by vehicles to waste water treatment plants:**

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>183 m³</td>
<td>673 m³</td>
</tr>
</tbody>
</table>

**Processed by a municipal waste water treatment plant:**

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>15,946 m³</td>
<td>21,107 m³</td>
</tr>
</tbody>
</table>

**Processed by the organisation:**

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>51,356 m³</td>
<td>49,248 m³</td>
</tr>
</tbody>
</table>

### Emissions

**Direct greenhouse gas emissions from all sources held or controlled by the reporting organisation, including:**

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>231,900 Mg CO₂</td>
<td>246,713 Mg CO₂</td>
</tr>
</tbody>
</table>

**Other combustion processes, such as gas flaring:**

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>120,200 Mg CO₂</td>
<td>81,812 Mg CO₂</td>
</tr>
</tbody>
</table>

**Gas emissions/escapes (including breakdowns):**

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>111,700 Mg CO₂</td>
<td>163,901 Mg CO₂</td>
</tr>
</tbody>
</table>

**Indirect greenhouse gas emission resulting from:**

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>40,905.92 Mg CO₂</td>
<td>44,721 Mg CO₂</td>
</tr>
</tbody>
</table>

**Purchased electricity:**

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>40,905.92 Mg CO₂</td>
<td>44,721 Mg CO₂</td>
</tr>
</tbody>
</table>

**Total greenhouse gas emissions as the sum of direct and indirect emissions in tonnes of CO₂ equivalent:**

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>272,805.92 Mg CO₂</td>
<td>290,434 Mg CO₂</td>
</tr>
</tbody>
</table>

* Calculated in accordance with GHG Protocol Initiative using a simplified assumption that 80% of purchased electricity is generated from coal and 20% from natural gas.
The greenhouse gas emissions generated by the company principally comprise methane, which is released to the environment during the operation of gas infrastructure, and carbon dioxide produced as a result of the combustion of gas for own needs. Methane is emitted to the atmosphere during pipeline blow-down process, due to gas leaks from networks or failures.

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### Table: Produced liquid waste

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<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total volume of liquid waste</td>
<td>67,302 m³</td>
</tr>
<tr>
<td>Total volume of effluents by place of disposal, of which:</td>
<td></td>
</tr>
<tr>
<td>Effluents discharged to surface waters (lake, river, etc.)</td>
<td>51,112 m³</td>
</tr>
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<td>Effluents discharged to sewage system</td>
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<td>Effluents discharged through the soil</td>
<td>233 m³</td>
</tr>
<tr>
<td>Effluents disposed of by vehicles to waste water treatment plants</td>
<td>184 m³</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total volume of effluents by method of treatment, of which:</td>
<td></td>
</tr>
<tr>
<td>Processed by a municipal waste water treatment plant</td>
<td>15,946 m³</td>
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<td>51,356 m³</td>
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</table>

### Table: Emissions

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<th>2012</th>
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</tr>
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</tbody>
</table>

* Calculated in accordance with GHG Protocol Initiative using a simplified assumption that 80% of purchased electricity is generated from coal and 20% from natural gas.
Other air emissions generated by the company include nitrogen oxides, sulphur oxides, volatile organic compounds and particulate matter. The respective emission volumes are presented below:

<table>
<thead>
<tr>
<th>Material or emissions of the following substances</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nitrogen compounds</td>
<td>281.28 Mg</td>
<td>140.96 Mg</td>
</tr>
<tr>
<td>Sulphur compounds</td>
<td>2.53 Mg</td>
<td>1.27 Mg</td>
</tr>
<tr>
<td>Volatile organic compounds</td>
<td>2.33 Mg</td>
<td>3.67 Mg</td>
</tr>
<tr>
<td>Particulate matter</td>
<td>2.35 Mg</td>
<td>0.98 Mg</td>
</tr>
</tbody>
</table>

The reduction of the produced waste volumes is archived, among other things, through increased recycling rates for scrap metals and paper. Scrap inventory-taking is performed in accordance with the Guidelines for handling scrap and other recyclable assets originating from fixed assets of Gas Transmission Operator GAZ-SYSTEM S.A. in 2013, approx. 362 Mg of scrap metal was produced and approx. 45 Mg of paper and cardboard was recycled.

GAZ-SYSTEM S.A. has implemented a mandatory risk assessment in the process of CO₂ monitoring and reporting, which results from the requirements of the Regulation (EC) No 601/2012 on the monitoring and reporting of greenhouse gas emissions. In the reporting period the company estimated the costs and made provisions for the purchase of CO₂ allowances for the years 2013-2015 based on a projection of the allowance prices, but no CO₂ allowances were actually purchased in 2013. The company’s responsible approach to environmental questions led to the accession to the Caring for Climate Initiative whereby GAZ-SYSTEM S.A. made a commitment to improve energy efficiency and reduce carbon emissions. The initiative provides a platform for the exchange of experience between the government, business and academic community through which companies may join forces in the effort to prevent climate change and the degradation of natural environment.

GAZ-SYSTEM S.A. also regularly monitors noise emission levels at system facilities such as gas stations or gas compressor stations, according to the frequency set out in relevant permits.

In compliance with the applicable laws, in 2013, the company paid environmental charges, including:

<table>
<thead>
<tr>
<th>Cost of environmental charges</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating expenses, of which:</td>
<td>743,396 PLN</td>
<td>777,963 PLN</td>
</tr>
<tr>
<td>Total cost of environmental charges paid to the Voivodeship Marshal:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for air emissions</td>
<td>196,024 PLN</td>
<td>121,208 PLN</td>
</tr>
<tr>
<td>Charges for water consumption</td>
<td>14,827 PLN</td>
<td>10,717 PLN</td>
</tr>
<tr>
<td>Charges for effluent disposal</td>
<td>7,230 PLN</td>
<td>12,740 PLN</td>
</tr>
<tr>
<td>Total cost of waste disposal (external providers)</td>
<td>337,449 PLN</td>
<td>358,116 PLN</td>
</tr>
<tr>
<td>Total cost of water sourcing (external providers)</td>
<td>80,024 PLN</td>
<td>121,233 PLN</td>
</tr>
<tr>
<td>Total cost of effluent collection (external providers)</td>
<td>107,842 PLN</td>
<td>153,931 PLN</td>
</tr>
</tbody>
</table>

In the reporting period, no fines or non-monetary sanctions for non-compliance with environmental laws and regulations were levied on the company.
Other air emissions generated by the company include nitrogen oxides, sulphur oxides, volatile organic compounds, and particulate matter. The respective emission volumes are presented below:

<table>
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In compliance with the applicable laws, in 2013, the company paid environmental charges, including:

- Operating expenses, of which:
  - charges for air emissions
  - charges for water consumption
  - charges for effluent disposal

- Total cost of environmental charges paid to the Voivodeship Marshal:
  - 2012: 743,396 PLN
  - 2013: 777,965 PLN

- Total cost of waste disposal (external providers):
  - 2012: 337,449 PLN
  - 2013: 358,116 PLN

- Total cost of water sourcing (external providers):
  - 2012: 80,024 PLN
  - 2013: 121,233 PLN

- Total cost of effluent collection (external providers):
  - 2012: 107,842 PLN
  - 2013: 153,931 PLN

In the reporting period, no fines or non-monetary sanctions for non-compliance with environmental laws and regulations were levied on the company.

GAZ-SYSTEM S.A. spent 300,000 PLN mainly related to research pertaining to environmental protection.
ABOUT
THE REPORT
This integrated annual report describes the activities supporting sustainable development undertaken by GAZ-SYSTEM S.A. and presents the financial and non-financial performance for the year 2013. The company adopted an annual reporting cycle and this document is the third report prepared based on the Guidelines of the Global Reporting Initiative (GRI) according to version G3.1 and application level B+. At this level, it is required that at least 20 indicators are presented and grouped into economic, social and environmental ones. The present report discloses 45 indicators. The calculation methods applied in the report are those specified in the GRI guidelines. The information provided in the report was compiled based on the analyses and statistics kept by the company, and its scope covers both the head office of GAZ-SYSTEM S.A. and its six branches.

The fiscal year in the company’s reporting corresponds to the calendar year. The company reports on a yearly basis. This integrated annual report was subject to external assurance with regard to non-financial information by an independent assurance provider, i.e. Deloitte Advisory Sp. z o.o. having its registered office in Warsaw. The study carried out by Deloitte was conducted in accordance with the applicable international standards, based on the International Standard on Assurance Engagements 3000 (ISAE 3000) (“Assurance Engagements Other than Audits or Reviews of Historical Financial Information”) established by the International Federation of Accountants, IFAC. 

The readers of this integrated annual report, i.e. customers, business partners and local communities, were identified during a dedicated workshop organised by GAZ-SYSTEM S.A. for the employees from different business areas with the company. The workshop participants were divided into thematic groups and discussed issues related to the market, workplace, environmental impact and local communities. The goal of the workshop was to:
- work out jointly the concept for the non-financial part of the next integrated annual report,
- select relevant issues to be reported,
- define the approach to individual GRI indicators.

The present report discloses 45 indicators. The calculation methods applied in the report are those specified in the GRI guidelines. The information provided in the report was compiled based on the analyses and statistics kept by the company, and its scope covers both the head office of GAZ-SYSTEM S.A. and its six branches.

Any questions concerning this integrated annual report should be addressed to:
Malgorzata Polkowska
Director of Corporate Communication
Spokesperson
GAZ-SYSTEM S.A.
phone: +48 22 220 15 46
email: pr@gaz-system.pl
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- work out jointly the concept for the non-financial part of the next integrated annual report,
- select relevant issues to be reported,
- define the approach to individual GRI indicators.

In the process of the definition of the scope of the report, a list of key issues addressed in the report was created.

Prioritisation of Key Issues Addressed

| GRI 3.5 | IN THE REPORT |

- Safe operation of the transmission system
- Customer relations and gas market liberalisation
- Relations with local communities in areas where investment projects are implemented
- The construction of gas pipelines and new investment plans related to the development of the transmission network
- Other

The present report discloses 45 indicators. The calculation methods applied in the report are those specified in the GRI guidelines. The information provided in the report was compiled based on the analyses and statistics kept by the company, and its scope covers both the head office of GAZ-SYSTEM S.A. and its six branches.
### CSR INITIATIVES

<table>
<thead>
<tr>
<th>Goal</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MARKET</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consultations on new Network Code</td>
<td>completed</td>
<td></td>
</tr>
<tr>
<td>Preparation of a Network Code Manual</td>
<td>in progress</td>
<td><strong>digital version published</strong></td>
</tr>
<tr>
<td>Consultations on a bundled product</td>
<td>completed</td>
<td></td>
</tr>
<tr>
<td>Customer Satisfaction Survey and development of the Information Exchange System</td>
<td>completed</td>
<td><strong>modification of the survey and addition of new indicators</strong></td>
</tr>
<tr>
<td>Audits of qualified suppliers</td>
<td>completed</td>
<td><strong>introduction of the List of Reliable and Unreliable Contractors</strong></td>
</tr>
<tr>
<td>Trainings for suppliers and subcontractors</td>
<td>completed</td>
<td><strong>OHS and fire prevention training</strong></td>
</tr>
<tr>
<td>CSR newsletter</td>
<td>completed</td>
<td></td>
</tr>
<tr>
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<thead>
<tr>
<th>Goal</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>WORKPLACE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Definition of the Rules for the functioning of an organisation to manage sustainable development aspects together with the Procedure for an information gathering system to report on sustainable development aspects according to the guidelines of the Global Reporting Initiative (GRI).</td>
<td>completed</td>
<td>implementation of programmes: “GAZ-SYSTEM S.A. Together for Others”, “GAZ-SYSTEM S.A. Together for Local Communities”, “GAZ-SYSTEM S.A. Together for Nature”</td>
</tr>
<tr>
<td>Definition and implementation of employee volunteering strategy</td>
<td>completed</td>
<td>implementation of the career path project</td>
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<td>Implementation of the Electronic Document Flow</td>
<td>completed</td>
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<td><strong>ENVIRONMENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensatory planting and monitoring</td>
<td>completed</td>
<td>continued</td>
</tr>
<tr>
<td>Environmental monitoring related to gas pipeline construction projects</td>
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<tr>
<td><strong>LOCAL COMMUNITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>School kit programme for first formers</td>
<td>completed</td>
<td>continued</td>
</tr>
<tr>
<td>Sponsoring initiatives</td>
<td>completed</td>
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<td>completed</td>
<td>continued</td>
</tr>
<tr>
<td>Sponsoring initiatives</td>
<td>completed</td>
<td>continued</td>
</tr>
</tbody>
</table>

### Notes
- Environmental monitoring related to gas pipeline construction projects: completed, continued.
- School kit programme for first formers: completed, continued.
- Sponsoring initiatives: completed, continued.
Statement

GRI Application Level Check

GRI hereby states that Gas Transmission Operator GAZ-SYSTEM S.A. has presented its report “Investing in Growth” [2014] to GRI’s Report Services which have concluded that the report fulfills the requirement of Application Level B+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 27 June 2014

Ashildur Hjaltadóttir
Director Services

Global Reporting Initiative

The “+” has been added to this Application Level because Gas Transmission Operator GAZ-SYSTEM S.A. has submitted (part of) this report for external assurance. GRI accepts the reporter’s own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world’s most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 20 June 2014. GRI explicitly excludes the statement being applied to any later changes to such material.
Independent assurance report pertaining to the non-financial part of the Integrated Annual Report 2013 of GAZ-SYSTEM S.A.

To the Management Board of GAZ-SYSTEM S.A.

We have reviewed the non-financial part of the Integrated Annual Report 2013 of GAZ-SYSTEM S.A. ("Integrated Annual Report") developed by GAZ-SYSTEM S.A. with its registered address in Warsaw, ul. Mikołajkowska 4 ("Company"), with respect to assurance reported in the cases of GRI 1 Sustainable Development (Reporting Guidelines for B level issued by Global Reporting Initiative (GRI)). The assurance was conducted from 1 January 2013 to 31 December 2013 in relation to quantifiable and qualitative sustainability assurance.

This Management Board of the Company is responsible for reliable, correct and fair presentation of the information contained in the above-mentioned document. Our work was to issue an independent assurance report based on the integrated annual report.

Our procedures did not include assessment of the business, correctness, and completeness of documents provided by the Company, nor did they constitute an audit of the internal control system implemented therein. Therefore, we do not express any opinion regarding correctness of the system. Our procedures did not constitute an audit of financial statements as defined in the Auditing Act. Therefore, we do not express an opinion consuming the assurance report nor do we make statements regarding the financial statements of the Company as determined in regulations applicable to certified auditors.

Planning and performing our work had the nature of a limited assurance engagement performed in line with GRI 3000 Assurance Engagements (Other than Audits or Reviews of Historical Financial Information), which requires us to plan and perform the engagement in a manner which allows for limited assurance that the non-financial part of the integrated annual report does not include material misstatements. The scope and methodology of a review of the integrated annual report significantly differ from those applied during an audit, which is aimed at providing reasonable assurance.

The purpose of the review is not to issue an opinion on correctness, true and fair presentation of the integrated annual report, and therefore no such opinion has been issued. The procedures followed during the review of the non-financial part of the integrated Annual Report comprised:

- Identifying issues and results significant for the control of the Integrated Annual Report from the viewpoint of the sustainability and responsibility strategy followed by the Company and elaboration of the expectations;
- Comparing data included in the non-financial part of the Integrated Annual Report to those presented in the Financial Statements of GAZ-SYSTEM S.A. for 2013;
- Interviewing individuals in charge of the implementation of the corporate social responsibility strategy in the Company and of the processes of integrated Annual Report;
- Verifying the information included in the Integrated Annual Report for compliance with the internal documentation of the Company;
- Answering the level of compliance with Sustainable Development Reporting Guidelines and GRI Reporting Frameworks.

Based on the review we obtained limited assurance that the information contained in reports prepared by the Company included in the nonfinancial part of the Integrated Annual Report developed by the GAZ-SYSTEM S.A. is free from material misstatements and it is compliant with GRI 1 Sustainable Development Reporting Guidelines for B level issued by Global Reporting Initiative.
<table>
<thead>
<tr>
<th>GRI Indicator</th>
<th>Global Compact Principle</th>
<th>Indicator</th>
<th>Page</th>
<th>Reporting level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>6.2</td>
<td>Statement from the most senior decision-maker of the organisation (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and its strategy.</td>
<td>4-5</td>
<td>full</td>
</tr>
<tr>
<td>1.2</td>
<td></td>
<td>Description of key impacts, risks, and opportunities.</td>
<td>4.3, 31, 40</td>
<td>full</td>
</tr>
<tr>
<td>2.1</td>
<td></td>
<td>Name of the organisation.</td>
<td>8</td>
<td>full</td>
</tr>
<tr>
<td>2.2</td>
<td></td>
<td>Primary brands, products, and/or services.</td>
<td>8</td>
<td>full</td>
</tr>
<tr>
<td>2.3</td>
<td>6.2</td>
<td>Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.</td>
<td>8, 15</td>
<td>full</td>
</tr>
<tr>
<td>2.4</td>
<td></td>
<td>Location of organisation’s headquarters.</td>
<td>8</td>
<td>full</td>
</tr>
<tr>
<td>2.5</td>
<td></td>
<td>Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.</td>
<td>8</td>
<td>full</td>
</tr>
<tr>
<td>2.6</td>
<td></td>
<td>Nature of ownership and legal form.</td>
<td>8, 11</td>
<td>full</td>
</tr>
<tr>
<td>2.7</td>
<td></td>
<td>Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).</td>
<td>23</td>
<td>full</td>
</tr>
<tr>
<td>2.8</td>
<td></td>
<td>Scale of operations.</td>
<td>10, 11</td>
<td>full</td>
</tr>
<tr>
<td>2.9</td>
<td></td>
<td>Significant changes during the reporting period regarding size, structure, or ownership.</td>
<td>8</td>
<td>full</td>
</tr>
<tr>
<td>2.10</td>
<td></td>
<td>Awards received in the reporting period.</td>
<td>32-33</td>
<td>full</td>
</tr>
<tr>
<td>2.11</td>
<td></td>
<td>Reporting period.</td>
<td>82</td>
<td>full</td>
</tr>
<tr>
<td>2.12</td>
<td></td>
<td>Date of most recent previous report.</td>
<td>28 June 2013</td>
<td>full</td>
</tr>
<tr>
<td>2.13</td>
<td></td>
<td>Reporting cycle.</td>
<td>82</td>
<td>full</td>
</tr>
<tr>
<td>2.14</td>
<td></td>
<td>Contact person.</td>
<td>82</td>
<td>full</td>
</tr>
<tr>
<td>2.15</td>
<td></td>
<td>Process for defining report content, including: • Determining materiality of specific issues for the organisation and its stakeholders • Prioritising topics within the report • Identifying stakeholders the organisation expects to use the report.</td>
<td>82, 83</td>
<td>full</td>
</tr>
</tbody>
</table>

**3.6** Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). | 82 | full |

**3.7** Statement concerning any specific limitations on the scope or boundary of the report. | There are no limitations on the scope or boundary of the report. | full |

**3.8** Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations. | 8, 82 | full |

**3.9** Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. | 82 | full |

**3.10** Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/ acquisitions, change of base years/periods, nature of business, measurement methods). | No re-statement full |

**3.11** Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report. | No changes | full |

**3.12** Table identifying the location of the Standard Disclosures in the report. | 88-96 | full |

**3.13** Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explanation of the scope and basis of any external assurance provided. | 82 | full |

**4.1** Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight. | 12, 36 | full |

**4.2** Indication whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organisation’s management and the reasons for this arrangement). | 14 | full |
3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.

3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).

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4.2 Indication whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organisation’s management and the reasons for this arrangement).
<table>
<thead>
<tr>
<th>GRI Indicator</th>
<th>Global Compact Principle</th>
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<th>Page</th>
<th>Reporting level</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.3</td>
<td>6.2</td>
<td>The number and gender of members of the highest governance body that are independent and/or non-executive members (for organisations that have a unitary board structure of the supervisory board/highest governance body).</td>
<td>14</td>
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<tr>
<td>4.4</td>
<td>6.2</td>
<td>Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.</td>
<td>8,14</td>
<td>full</td>
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<tr>
<td>4.5</td>
<td>6.2</td>
<td>Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation’s performance (including social and environmental performance).</td>
<td>12,14</td>
<td>full</td>
</tr>
<tr>
<td>4.6</td>
<td>6.2</td>
<td>Processes in place for the highest governance body to ensure conflicts of interest are avoided.</td>
<td>12</td>
<td>full</td>
</tr>
<tr>
<td>4.7</td>
<td>6.2</td>
<td>Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.</td>
<td>12</td>
<td>full</td>
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<tr>
<td>4.8</td>
<td>6.2</td>
<td>Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.</td>
<td>36-38,41</td>
<td>full</td>
</tr>
<tr>
<td>4.9</td>
<td>6.2</td>
<td>Procedures of the highest governance body for overseeing the organisation’s identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles. Include frequency with which the highest governance body assesses sustainability performance.</td>
<td>14</td>
<td>full</td>
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<tr>
<td>4.10</td>
<td>6.2</td>
<td>Processes for evaluating the highest governance body’s own performance, particularly with respect to economic, environmental, and social performance.</td>
<td>14</td>
<td>full</td>
</tr>
<tr>
<td>4.11</td>
<td>6.2</td>
<td>Explanation of whether and how the precautionary approach or principle is addressed by the organisation.</td>
<td>38</td>
<td>full</td>
</tr>
<tr>
<td>4.12</td>
<td>6.2</td>
<td>Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.</td>
<td>54</td>
<td>full</td>
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</tbody>
</table>

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<thead>
<tr>
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<tbody>
<tr>
<td>4.13</td>
<td>6.2</td>
<td>Memberships in associations (such as industry associations and/or national/international advocacy organizations in which the organisation: • Has positions in governance bodies; • Participates in projects or committees; • Provides substantive funding beyond routine membership dues; • Views membership as strategic.</td>
<td>53</td>
<td>full</td>
</tr>
<tr>
<td>4.14</td>
<td>6.2</td>
<td>List of stakeholder groups engaged by the organisation.</td>
<td>52, 53</td>
<td>full</td>
</tr>
<tr>
<td>4.15</td>
<td>6.2</td>
<td>Basis for identification and selection of stakeholders with whom to engage.</td>
<td>51,82</td>
<td>full</td>
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<tr>
<td>4.16</td>
<td>6.2</td>
<td>Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.</td>
<td>52, 53</td>
<td>full</td>
</tr>
<tr>
<td>4.17</td>
<td>6.2</td>
<td>Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.</td>
<td>19, 42, 44, 51-53, 55</td>
<td>full</td>
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</table>

**Management Approach – Economics**

<table>
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<tbody>
<tr>
<td>EC1</td>
<td>6.8, 6.8.3, 6.8.7, 6.8.9</td>
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</table>

**Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.**

**EC2**

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<th>Indicator</th>
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<tbody>
<tr>
<td>6.5.5</td>
<td>40, 78</td>
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</table>

**Financial implications and other risks and opportunities for the organisation’s activities due to climate change.**

**EC5**

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<tr>
<td>1</td>
<td>6.4.3</td>
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</table>

**Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.**

**EC8**

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<tbody>
<tr>
<td>6.3.9, 6.8, 6.8.3, 6.8.4, 6.8.5, 6.8.6, 6.8.7, 6.8.9</td>
<td>46</td>
</tr>
</tbody>
</table>

**Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, inkind, or pro bono engagement. Impact of these activities on the community.**
The number and gender of members of the highest governance body that are independent and/or non-executive members (for organisations that have a unitary board structure of the supervisory board/highest governance body).

Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.

Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation’s performance (including social and environmental performance).

Processes in place for the highest governance body to ensure conflicts of interest are avoided.

Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.

Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.

Procedures of the highest governance body for overseeing the organisation’s identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles. Include frequency with which the highest governance body assesses sustainability performance.

Processes for evaluating the highest governance body’s own performance, particularly with respect to economic, environmental, and social performance.

Explanation of whether and how the precautionary approach or principle is addressed by the organisation.

Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.

Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation:
- Has positions in governance bodies;
- Participates in projects or committees;
- Provides substantive funding beyond routine membership dues;
- Views membership as strategic.

List of stakeholder groups engaged by the organisation.

Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation’s performance (including social and environmental performance).

Procedures of the highest governance body for overseeing the organisation’s identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles. Include frequency with which the highest governance body assesses sustainability performance.

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<td>EN9</td>
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<td>EN10</td>
<td>6.5</td>
<td>EN22</td>
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<td>6.5</td>
<td>EN28</td>
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<td>6.5</td>
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<td>6.5</td>
<td>EN31</td>
<td>79</td>
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<td>EN15</td>
<td>6.5</td>
<td>39, 55, 66, 67, 70, 71, 73</td>
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<td>EN16</td>
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<td>LA1</td>
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<td>EN17</td>
<td>6.5</td>
<td>LA2</td>
<td>68</td>
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<td>EN18</td>
<td>6.5</td>
<td>LA3</td>
<td>70</td>
<td>full</td>
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<td>EN19</td>
<td>6.5</td>
<td>LA4</td>
<td>18</td>
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<td>EN20</td>
<td>6.5</td>
<td>LA6</td>
<td>55</td>
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<td>EN21</td>
<td>6.5</td>
<td>LA7</td>
<td>71, 72</td>
<td>full</td>
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</tbody>
</table>

**Management Approach – Environment**

- Direct energy consumption by primary energy source.
- Indirect energy consumption by primary energy source.
- Total water withdrawal by source.

**Management Approach – Labour Practices and Decent Work**

- Total number of employees according to the type of employment contract, position and region, broken down by age group, gender, and region.
- Total number and rate of new employee hires and employee turnover by age group, gender, and region.
- Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.
- Percentage of employees covered by collective bargaining agreements.
- Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs.

**Indirect energy consumption by primary energy source.**

**Total water withdrawal by source.**

**Total volume of effluents by quality and ultimate place of disposal.**

**Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.**

**Total environmental protection expenditures and investments by type.**

**Total number of employees according to the type of employment contract, position and region, broken down by age group, gender, and region.**

**Total number and rate of new employee hires and employee turnover by age group, gender, and region.**

**Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.**

**Percentage of employees covered by collective bargaining agreements.**

**Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs.**

**Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.**
Understanding and describing significant indirect economic impacts, including the extent of impacts.

Management Approach – Environment

Direct energy consumption by primary energy source.

Indirect energy consumption by primary energy source.

Total water withdrawal by source.

Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.

Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.

Habitats protected or restored.

Strategies, current actions, and future plans for managing impacts on biodiversity.

Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.

Total direct and indirect greenhouse gas emissions by weight.

Initiatives to reduce greenhouse gas emissions and reductions achieved.

NOx, SOx, and other significant air emissions by type and weight.

Total volume of effluents by quality and ultimate place of disposal.

Total weight of waste by type of waste and disposal method.

Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.

Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.

Total environmental protection expenditures and investments by type.

Total number of employees according to the type of employment contract, position and region, broken.

Total number and rate of new employee hires and employee turnover by age group, gender, and region.

Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.

Percentage of employees covered by collective bargaining agreements.

Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs.

Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.
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</tr>
</thead>
<tbody>
<tr>
<td>LA9</td>
<td>1</td>
<td>6.4.6</td>
<td>Health and safety topics covered in formal agreements with trade unions.</td>
<td>55</td>
<td>full</td>
</tr>
<tr>
<td>LA10</td>
<td>6.4.7</td>
<td></td>
<td>Average hours of training per year per employee by gender, and by employee category.</td>
<td>71</td>
<td>full</td>
</tr>
<tr>
<td>LA11</td>
<td>1, 6</td>
<td>6.4, 6.4.7, 6.8.5</td>
<td>Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.</td>
<td>70</td>
<td>full</td>
</tr>
<tr>
<td>LA13</td>
<td>1, 6</td>
<td>6.3.7, 6.3.1, 6.3.0, 6.4.3</td>
<td>Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.</td>
<td>12, 18</td>
<td>full</td>
</tr>
<tr>
<td>LA14</td>
<td>1, 6</td>
<td>6.4.3</td>
<td>Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.</td>
<td>66</td>
<td>full</td>
</tr>
<tr>
<td>LA15</td>
<td>6.4.3</td>
<td></td>
<td>Return to work and retention rates after parental leave, by gender.</td>
<td>69</td>
<td>full</td>
</tr>
<tr>
<td>LA17</td>
<td></td>
<td></td>
<td>Management Approach – Human Rights</td>
<td>56, 67</td>
<td>full</td>
</tr>
<tr>
<td>HR2</td>
<td>1, 2, 3, 4, 5, 6</td>
<td>6.3.3, 6.3.5, 6.4.4</td>
<td>Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken. (A significant or contractor is among the top 10 key suppliers or subcontractors of the company).</td>
<td>56</td>
<td>partial</td>
</tr>
<tr>
<td>HR4</td>
<td>1, 2, 6</td>
<td>6.3.7, 6.4.3</td>
<td>Total number of incidents of discrimination and corrective actions taken.</td>
<td>67</td>
<td>full</td>
</tr>
<tr>
<td>HR5</td>
<td>3</td>
<td>6.3, 6.3.3, 6.3.4, 6.3.5, 6.3.8, 6.3.10, 6.4.3, 6.4.5</td>
<td>Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.</td>
<td>67</td>
<td>partial</td>
</tr>
</tbody>
</table>

**Management Approach – Society**

- **SO1** | 6.8.3 | Percentage of operations with implemented local community engagement, impact assessments, and development programs. | 42, 46, 49 | full |
- **SO2** | 6 | 6.6.3 | Percentage and total number of business units analysed for risks related to corruption. | 40 | full |
- **SO4** | 10 | 6.6.3 | Actions taken in response to incidents of corruption. | 40 | full |
- **SO5** | 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 | 6.6.4 | Public policy positions and participation in public policy development and lobbying. | 8 | full |
- **SO6** | 10 | 6.4.4 | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country. | 38 | full |
- **SO7** | 6.6.6, 6.6.5, 6.6.7 | Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes. | 57 | full |
- **SO8** | 6.6.7 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations. | 65 | full |
- **SO9** | 6.8.3 | Operations with significant potential or actual negative impacts on local communities. | 42, 44, 50 | full |
- **SO10** | 6.8.3 | Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities. | 42, 44, 50 | full |

**Management Approach – Responsibility for products and services**

- **PR1** | 6.3.9, 6.6.6, 6.7, 6.7.4, 6.7.5 | Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures. | 39 | full |
### Health and Safety Topics Covered in Formal Agreements with Trade Unions

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<td>LA9</td>
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<td>6.4.6</td>
<td>55</td>
<td>full</td>
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</tbody>
</table>

### Composition of Governance Bodies and Breakdown of Employees per Employee Category According to Gender, Age Group, Minority Group Membership, and Other Indicators of Diversity

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<td>6.4.7</td>
<td></td>
<td>71</td>
<td>full</td>
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### Programs for Skills Management and Lifelong Learning to Support the Continued Employability of Employees and Assist Them in Managing Career Endings

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### Ratio of Basic Salary and Remuneration of Women to Men by Employee Category, by Significant Locations of Operation

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### Return to Work and Retention Rates after Parental Leave, by Gender

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### Management Approach – Human Rights

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### Total Number of Incidents of Discrimination and Corrective Actions Taken

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### Operations and Significant Suppliers Identified in Which the Right to Exercise Freedom of Association and Collective Bargaining May Be Violated or at Significant Risk, and Actions Taken to Support These Rights

<table>
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### Life Cycle Stages in Which Health and Safety Impacts of Products and Services Are Assessed for Improvement, and Percentage of Significant Products and Services Categories Subject to Such Procedures

<table>
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### Percentage of Operations with Implemented Local Community Engagement, Impact Assessments, and Development Programs

<table>
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<tr>
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### Percentage and Total Number of Business Units Analyzed for Risks Related to Corruption

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### Actions Taken in Response to Incidents of Corruption

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### Total Value of Financial and In-Kind Contributions to Political Parties, Politicians, and Related Institutions by Country

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### Management Approach – Responsibility for Products and Services

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### Monetary Value of Significant Fines and Total Number of Non-Monetary Sanctions for Non-Compliance with Laws and Regulations

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### Operations with Significant Potential or Actual Negative Impacts on Local Communities

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<th>GRI Indicator</th>
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### Prevention and Mitigation Measures Implemented in Operations with Significant Potential or Actual Negative Impacts on Local Communities

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<td>39</td>
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</tbody>
</table>
LIST OF ACRONYMS

BEMIP - Baltic Energy Market Interconnection Plan
CEF - Connecting Europe Facility
EBB - European Investment Bank
EBRD - European Bank for Reconstruction and Development
ESFR - European Energy Programme for Recovery
ENTSO-E - European Network of Transmission System Operators for Gas
EU - European Union
ERG - Energy Regulatory Office
FNE - Natural Energy Fund
GC - Global Compact
GIP - Gas Infrastructure Partnership - Poland - Lithuania
GIE - Gas Infrastructure Europe
GRI - Global Reporting Initiative
GRP - Gas Regional Investment Plan
INC - Transmission Network Code
ING - Liquefied Natural Gas
ISO - Distribution System Operator
ISO - Storage System Operator
ISO - Transmission System Operator
IRC - Over-the-Counter Market
PCI - Project of Common Interest
UGS - Underground Gas Storage
OPAZ - Operational Programme Infrastructure & Environment 2007-2013
TGP - Tranit Gas Pipeline System Yermal-Europe
IES - Information Exchange System
TEN-E - Trans-European Energy Networks
POLPX - Polish Power Exchange

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Source: Carbon footprint data evaluated by Labelia Conseil in accordance with the
Bilan Carbone® methodology. Calculations are based on a comparison between
the recycled paper used versus a virgin fibre paper according to the latest European
BREF data (virgin fibre paper) available. Results are obtained according to technical
information and subject to modification.

ECOCALCULATOR

Thanks to using Cocoon Silk paper instead of non-recycled paper we have reduced the adverse
impact on the environment by:

Electricity: 169 kg less greenhouse gases

Water: 3 213 litrów

Energy: 3 486 l

Wood: 2 043 kg

Axiagroup Graphic

is a member of the
WWF Climate

Investing in Growth

ANNUAL REPORT 2013

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LIST OF ACRONYMS

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TEN-E - Trans-European Energy Networks
POLPX - Polish Power Exchange

ECOCALCULATOR

Thanks to using Cocoon Silk paper instead of non-recycled paper we have reduced the adverse impact on the environment by:

- 1 257 kg less waste
- 167 kg less greenhouse gases
- 1 689 km shorter journey by an average European-class car
- 34 867 l less water used
- 3 213 kWh less energy consumed
- 2 043 kg less wood used

Source: Carbon footprint data evaluated by Labelia Conseil in accordance with the BSI CarbonWise methodology. Calculations are based on a comparison between the recycled paper used versus virgin fibre paper according to the latest European BREF data (virgin fibre paper) available. Results are obtained according to technical information and subject to modification.
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Project coordinators: Małgorzata Polkowska, Aneta Szczepańska, Zofia Antoszewska, Iwona Kazuba-Zając, Joanna Miłczarek

Contributors:

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GAZ-SYSTEM S.A. cares about customer satisfaction and staff development. To this end, we implement new and improve existing procedures.

In November 2013, the company introduced new Organisational Regulations, which are aimed at improving the efficiency of the execution of strategic investment projects, effectiveness of public funding acquisition, strategy management, corporate communication and supporting processes, and at preparing the company for operating in a liberalised gas market environment.

We have also completed the job title assessment project, which has generated a list of model jobs with relevant salary level categories and decision-making processes. New job descriptions were created, whereby the scope of activities to be performed by an employee, which was previously contained in the job title, is specified in a document defining the scope of responsibilities for particular jobs. This solution addresses the need to standardise job title terminology across similar employee competencies, i.e., employee powers and responsibilities, education, experience and the level and extent of professional knowledge held. In addition, the “list of model jobs” has introduced some new job titles (e.g., Trainee) and diversified positions according to seniority (e.g., Junior/Senior Employee). Thanks to that, it is now possible to promote workers to higher positions and build their individual career paths, which is the next stage of the scheme. For this purpose, specific promotion criteria will also be set out, including information on skills and professional knowledge required for promotion.

Over the past year, work continued on improving the TETA payroll system and enhancing its functionality, as well as in the TETA HRM module. The modifications and new functionalities implemented were intended to better suit the needs of the system users, making it a more intuitive tool. An additional functionally called “Training” was also added to the TETA HRM application, designed for managing employee professional development. The main objective of the new solution was to automate and facilitate the planning of employee development needs in respect of training courses and conferences. Additionally, using the “Training” tab, employees are now able to generate applications to attend training courses and conferences. Each organisational unit manager can view the upcoming and past training courses and conferences attended by their subordinates, while they have access to development activities planned for them.

In 2013 an application named TETA GALAKTYKA was launched, which includes a register of contract concluded with employees and individuals. The main objective of the application was to improve and facilitate access of Directors/Managers and their deputies to viewing contracts that have been concluded with subordinate employees and individuals who have been awarded commissions, internships or placements.

A scheme to implement a new RECRUITMENT tool into the TETA system was also prepared, which will be operated under the TETA GALAKTYKA module. This change will provide all the information about a candidate in one place. Due for launch 2014 is an IT system that will streamline and standardize the process.

The responsibility of GAZ-SYSTEM S.A. for its employees is also reflected in the social benefits provided.

ALL GAZ-SYSTEM EMPLOYEES ARE ELIGIBLE FOR A BENEFITS PACKAGE THAT INCLUDES PARTIAL OR FULL FUNDING OF:

- FINANCIAL AND MATERIAL ASSISTANCE IN THE FORM OF:
  - relief benefits – once per year
  - hardship benefits – in case of accidents (e.g., flood, fire, etc.)

- HOUSING ASSISTANCE OFFERED TO STAFF MEMBERS, WHICH MAY BE GRANTED IN THE FORM OF:
  - long-term loans
  - medium-term loans for apartment/house renovation or modernisation
  - short-term loans for minor apartment/house repairs

- RECREATIONAL AND SPORTING ACTIVITIES – the company organizes and provides funding to team and individual sports activities for employees. In order to promote the image of the company and the integrate people working for the gas industry in Poland and internationally, GAZ-SYSTEM S.A. also hosts sports competitions attended by teams from within the company, during the reporting period, GAZ-SYSTEM S.A. continued to provide financial support to sporting events such as: sailing regattas, ski races and indoor football

- CULTURAL, EDUCATIONAL AND CELEBRATORY EVENTS - once a year the company hosts a family picnic including, among others, numerous activities and attractions for children. Occasionally, trips are also organized for children and/or staff to entertainment centres, theatres and other cultural and educational events. Children aged 14 or less in a given year are eligible to receive Christmas gifts and goodies. In 2013, first aid training was provided to the participants of the company’s family picnic. Traditionally, an integration meeting for employees and their spouses/partners, known as the Grand Carnival Ball
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- hardship benefits - in case of accidents (e.g., flood, fire, etc.)
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- mobility benefits – once per year
- medium-term loans for apartment/house renovation or modernisation
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- medium-term loans for apartment/house renovation or modernisation
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The responsibility of GAZ-SYSTEM S.A. for its employees is also reflected in the social benefits provided.
In addition, employees who have found themselves in extreme hardship situations are eligible to receive “Special Financial Assistance” in the form of one-off, non-refundable financial or material benefits (including the purchase of rehabilitation equipment for accident victims or children with disabilities and impairments, or natural disaster relief assistance).

Since August 2013, a new Group Life Insurance scheme has been in place, which replaced the previously existing insurance programmes and harmonised insurance conditions for all the employees, and, by expediting the benefits of scale, expanded the range of services and increased the total potential compensation amount.

GAZ-SYSTEM S.A. also cares about relations with employees who reached the end of their careers and retired. These people retain their eligibility for the continued use non-public medical care provided at discounted rates and the Company Social Services Fund. The company is committed to giving their retired staff members a sense of belonging to the organisation by inviting them to official celebratory meetings and the Central Institute for Labour Protection - National Research Institute. In addition to the mandatory OHS training, we joined our employees to include projects addressed to employees of subcontractors of other gas industry companies through participation in socially oriented projects and campaigns. This year’s “Innovation for safety” campaign co-ordinated by the Central Institute for Labour Protection - National Research Institute.

In the reporting period, GAZ-SYSTEM S.A. also became a partner to the “Framework guidelines for the design of spaces and adaptation of workplaces for persons with disabilities and special needs”, a project coordinated by the State Fund for Rehabilitation of Persons with Disabilities and the Central Institute for Labour Protection - National Research Institute.

Moreover, our representatives participated in various conferences aimed at, inter alia, the exchange of good practices in the field of enhancing occupational safety standards. A good example here is the “Corporate Responsibility as the Stimulator Improvements in OHS” conference, during which GAZ-SYSTEM S.A. presented the projects and initiatives it has undertaken to raise employees’ awareness in OHS matters.

In addition to mandatory OHS training, the company is taking on a number of other educational initiatives in this respect. As part of maintaining good safety practices, our staff had an opportunity to take part in the 2nd edition of the first-aid competition to win the GAZ-SYSTEM S.A. President’s Cup, contests on work safety and ergonomics, OHS equipment demonstrations, combined with workshops on recommended use of PPE in the work environment. As a member of Safe Work Leaders Forum, we strive to expand the activities targeted at our employees to include projects addressed to employees of subcontractors of other gas industry companies through participation in socially oriented projects and campaigns. This year’s “Innovation for safety” campaign co-ordinated by the Central Institute for Labour Protection - National Research Institute.

In the area of occupational health and safety, in 2013, the company the “Innovation for safety” social campaign coordinated by the Central Institute for Labour Protection - National Research Institute. As part of the campaign, GAZ-SYSTEM S.A. hosted the 3rd national conference entitled “Innovation for Safe Gas Industry” targeted at companies from the gas industry.

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The aim is to raise the level of staff knowledge on first aid and prevention of accidents at work.

Another undertaking includes holding general knowledge competitions on work safety. In 2013 we held a number of competitions to celebrate World Day for Safety and Health at Work. Our OHS educational activities are also complemented by thematic workshops and demonstrations for employees, as well as open meetings targeted also at other gas industry companies. In the reporting period, we organized a demonstration of innovative safety equipment, which combined presentations of modern OHS solutions with workshops on recommended use of Personal Protective Equipment in the workplace.

While ensuring high standards of personal protective equipment used by the company employees, GAZ-SYSTEM S.A. holds periodic tests for the workwear used. The 2013 results confirm that the protective clothing used by the employees meets high safety standards while maintaining protective properties throughout its useful life.
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Since August 2013, a new Group Life Insurance scheme has been in place, which replaced the previously existing insurance programmes and harmonised insurance conditions for all the employees, and, by exploiting the benefits of scale, expanded the range of services and increased the total potential compensation amount.

GAZ-SYSTEM S.A. also cares about relations with employees who reached the end of their careers and retired. These people retain their eligibility for the continued use of public medical care provided at discounted rates and the public medical care provided at discounted rates and the

GAZ-SYSTEM S.A. is also a partner to projects and awareness campaigns related to the improvement of occupational health and safety. In 2013, the company the “Innovation for safety” social campaign coordinated by the Central Institute for Labour Protection - National Research Institute. As part of the campaign, GAZ-SYSTEM S.A. hosted the 3rd national conference entitled “Innovation for Safe Gas Industry” targeted at companies from the gas industry.

In the reporting period, GAZ-SYSTEM S.A. also became a partner to the “Framework guidelines for the design of spaces and adaptation of workspaces for persons with disabilities and special needs”, a project coordinated by the State Fund for Rehabilitation of Persons with Disabilities and the Central Institute for Labour Protection - National Research Institute.

For several years now, GAZ-SYSTEM S.A. has consistently expanded efforts to improve its occupational health and safety standards. This is evidenced not only by the implementation of the mandatory obligations under labour law, as confirmed by the positive results of external audits on working conditions, but also through other activities that contribute to the improvement of health and safety of all employees.

An important event confirming the company’s activity in this area was the accession of GAZ-SYSTEM S.A. to the Occupational Safety Leaders Forum and the award of the Safe Work Leader’s Green Card to the company. As part of the activities of the Forum, GAZ-SYSTEM S.A. is a member of the Gas Industry Working Group, which brings together member companies from the gas sector.

Moreover, our representatives participated in various conferences aimed at, inter alia, the exchange of good practices in the field of enhancing occupational safety standards. A good example here is the “Corporate Responsibility as the Stimulator Improvements in OHS” conference, during which GAZ-SYSTEM S.A. presented the projects and initiatives it has undertaken to raise employees’ awareness in OHS matters.

In addition to mandatory OHS training, the company is taking on a number of other educational initiatives in this regard. As part of maintaining good safety practices, our staff had an opportunity to take part in the 2nd edition of the first-aid competition to win the GAZ-SYSTEM S.A. President’s Cup, contests on work safety and ergonomics, OHS equipment demonstrations, combined with workshops on recommended use of PPE in the work environment. As a member of Safe Work Leaders Forum, we strive to expand the activities targeted at our employees to include projects addressed to employees of subcontractors of other gas industry companies through participation in socially oriented projects and campaigns. This year’s “Innovation for safety” campaign co-ordinated by the Central Institute for Labour Protection - National Research Institute has been an inspiration for us to host the 3rd national OHS conference and showcase of innovative safety equipment, which combined demonstrations for employees, as well as open meetings targeted also at other gas industry companies. In the reporting period, we organized a demonstration of innovative safety equipment, which combined presentations of modern OHS solutions with workshops on recommended use of Personal Protective Equipment in the workplace.

While ensuring high standards of personal protective equipment used by the company employees, GAZ-SYSTEM S.A. holds periodical tests for the workwear used. The 2013 results confirm that the protective clothing used by the employees meets high safety standards while maintaining protective properties throughout its useful life.
The core service provided by GAZ-SYSTEM S.A. is the gas transmission over the transmission network throughout the country, in order to deliver gas to the distribution grid and end consumers connected to the transmission system.

The transmission service is provided on the basis of a transmission contract concluded between GAZ-SYSTEM S.A. and the System User. An annex is attached to the transmission contract which specifies the amount of capacity the System User is eligible to at the entry point or exit point, the type of allocated capacity (firm/interruptible) and the time for which such transmission capacity is allocated.

GAZ-SYSTEM S.A. provides long-term and short-term gas fuel transmission services. The primary transmission service period is the gas year (1 October – 30 September) during which the same amount of (contracted) capacity is provided in each hour of the gas year. Short-term services are provided for periods of less than one year, i.e. a quarter, a month or a day.

Should it be impossible to provide services on a continuous basis, GAZ-SYSTEM S.A. may provide interruptible transmission services.

In connection with its role as the Yamal-Europe Transit Gas Pipeline System Operator, GAZ-SYSTEM.S.A. performed 21 contracts for the provision of gas transmission services over the Polish section of the Transit Gas Pipeline System (TGPS) in 2013.

GAZ-SYSTEM S.A. provides its services on the basis of the Transmission Network Code (TNC), which sets out the rules with respect to the provision and use of the gas transmission service. The TNC establishes detailed criteria of the safety of the gas system operation, which provides the guarantee of continuous and secure supply of the fuel to customers. The document also regulates the matters concerning the cooperation between the entities involved in gas transmission, and its scope covers the entire technical infrastructure operated by GAZ-SYSTEM S.A.

The Transmission Network Code has implemented a new model of service contracting by GAZ-SYSTEM S.A. i.e. the conclusion of a new framework transmission contract is limited only to a formal registration whereas the expansion of the agreement to specify the amount of capacity for specific entry and exit points can take place at any time and according to customer needs. In the gas year 2013, GAZ-SYSTEM S.A. concluded 98 such annexes.

The booking procedure for gas distribution and storage services has also been amended. Customers apply to operators for the provision of services, while the technical cooperation has been re-settled under interoperator contracts concluded between the Distribution System Operator, the Storage System Operator and GAZ-SYSTEM S.A. This arrangement has proved to be more efficient, allowing GAZ-SYSTEM S.A. to respond to the needs of its transmission customers with greater flexibility.

Changes made on the gas market in the previous year, have also had a positive effect on the development of natural gas trading. The introduction of a virtual point that separated physical gas flows from trade gas flows have proved successful in practice. This is confirmed by the growth of transactions on the gas exchange (up to a total of 574 GWh in the gas year 2013) and in the OTC virtual point (bilateral transactions market – up to 15.26 TWh in the gas year 2013).

On 1 October 2013, GAZ-SYSTEM S.A. opened a new gas year which will continue until the end of the gas day of 30 September 2014. The amended TNC, in operation since the beginning of the new gas year, provides for capacity allocation by auction to become the primary and exclusive mechanism for allocating capacity at interconnection points. The system users will not have to apply for capacity allocation at these interconnection points, as it will be automatically offered in the auction procedure.

Auction mechanisms provide objective pricing of capacity offered at points most frequently chosen by customers. In accordance with the TNC, GAZ-SYSTEM S.A. conducted the first pilot sale of bundled capacity at Lasów interconnection point via the PRISMA European capacity booking platform. The bundled product offered for 3 quarters of the 2013/2014 gas year allowed users to simultaneously book capacity with German transmission system operator GONTRAS GmbH and in the national transmission system. This option was used by four entities, including three Polish and one foreign customer.

Under this procedure, on 28 November 2013, GAZ-SYSTEM S.A. held the first capacity auction for the monthly product, offered at the following points at the interconnection with the transmission systems of neighbouring countries:

- on Polish-Czech border, at Cieszyn interconnection point
- on Polish-German border, at Lasów interconnection point
- on Polish-German border, at Kamminke interconnection point
- on Polish-Ukrainian border, at Hermanowice interconnection point to Ukraine
- on Polish-Belarussian border, at Vysokoye interconnection point

The auction allocated a total of 8,650 m³/h of offered capacity for the monthly interruptible product, at the Hermanowice exit point to Ukraine.

The TRANSMISSION NETWORK CODE

PROVISIONS ENTERING INTO FORCE ARE TAILORED TO THE REQUIREMENTS OF THE EUROPEAN CONGESTION MANAGEMENT PROCEDURE (CMP) THROUGH:

1. Introduction of capacity oversubscription and buy-back mechanism

2. Notification at any time of surrender of allocated capacity with the option to use such capacity until GAZ-SYSTEM S.A. has resold it to another system user

3. Monitoring by GAZ-SYSTEM S.A. capacity utilisation by users of the system in summer and winter (the so-called long-term UIOL “use it or lose it”)
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Changes in framework transmission contracts (both bilateral and OTC type) have been made, including the introduction of a buy-back mechanism and under this procedure, on 28 November 2013, GAZ-SYSTEM S.A. held the first capacity auction for the monthly product, offered at the following points at the interconnection with the transmission systems of neighbouring countries:

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5. on Polish-Belarussian border, at Vysokoye interconnection point

The auction allocated a total of 8 650 m³/h of offered capacity for the monthly interruptible product, at the Hermanowice exit point to Ukraine.
GAZ-SYSTEM S.A. consults all work on the Code with market participants through the publication of draft amendments and a number of consultation meetings. The jointly developed solutions translate into efficient use of transmission services, and this will be the basis for greater market liquidity and further positive commercial developments.

GAZ-SYSTEM S.A. is obliged to conclude a connection agreement to the transmission system with entities requesting connection in accordance with the principles of equal treatment, provided there are technical and economic conditions for connection to the grid and supply of gaseous fuel, and that the entity applying for the conclusion of an agreement fulfills the conditions for connection to the transmission system and gas offtake. If GAZ-SYSTEM S.A. refuses to sign any connection agreement, it is obliged to immediately notify in writing both the President of the Energy Regulatory Office as well as an interested party of any such refusal, stating the reasons for it.

PRACTICAL ASPECTS OF BOOKING CAPACITY IN GAZ-SYSTEM S.A.
DUE TO CHANGES OF THE TNC WHICH ARE ESSENTIAL FOR PLANNING THE ACTIVITY OF MARKET PARTICIPANTS INCLUDE:

For points described in the TNC, in which capacity allocation is not made by auction:

CAPACITY ALLOCATION PROCEDURE
new deadline for the submission of capacity allocation applications within the regular procedure for capacity allocation for the period between 1 and 10 May of each gas year

INTERRUPTIBLE CAPACITY ORDERING
solution which allows the submission of applications for interruptible capacity allocation at any time (but no later than one month before the commencement of the transmission service)

REDUCTION OF ALLOCATED CAPACITY
new deadline for the submission of applications to change capacity allocation (PP) including a reduction in capacity allocated within the national transmission system. The deadline for the submission of appropriate applications to cancel transmission capacity in the next gas year expires on 1 May of each year.

OTHER IMPORTANT PROVISIONS OF THE TNC EXPECTED TO CONTRIBUTE TO A FURTHER INCREASE IN THE ACTIVITY OF THE GAS MARKET PARTICIPANTS INCLUDE:

1. Introducing provisions enabling the implementation of the Intraday Market for gas by the Polish Power Exchange
2. Reducing the time to send feedback on approval or rejection of a nomination from 18:00 to 16:00 on the day preceding the service (D-1)
3. Simplifying the use of the compulsory reserve located outside the territory of the Polish

TARIFF
On 17 December 2013, the President of the Energy Regulatory Office approved a new, lower tariff for gas transmission services provided by GAZ-SYSTEM S.A.

As in the previous year, the Tariff for transmission services of gaseous fuels No. 7 is an Entry-Exit tariff and was based on the provisions of the Third Energy Package and Regulation of the European Parliament and Council No 715/2009. The structure of Tariff No. 7 was also affected by the entry into force of the Regulation of the Minister of Economy of 28 June 2013, laying down detailed rules for the development and calculation of tariffs and settlements in gaseous fuels. Tariff No. 7 again reduced the correction coefficients for the fixed fees applicable to short-term services (quarterly and monthly), which, from the point of view of the transmission system user, will reduce the cost of using this type of services.

Due to the provisions of the new Regulation of the Minister of Economy of 28 June 2013, concerning the detailed rules for the development and calculation of tariffs and settlements in gaseous fuels, which requires the Company to shift from settlements in units of volume (m³) to units of energy (kilowatt-hours) as of 1 August 2014, Tariff No. 7 for transmission services operated by the Gas Transmission Operator will remain valid until 31 July 2014.
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**CAPACITY ALLOCATION PROCEDURE**
new deadline for the submission of capacity allocation applications within the regular procedure for capacity allocation for the period between 1 and 10 May of each gas year

**INTERUPTIBLE CAPACITY ORDERING**
solution which allows the submission of applications for interruptible capacity allocation at any time (but no later than one month before the commencement of the transmission service)

**REDUCTION OF ALLOCATED CAPACITY**
new deadline for the submission of applications to change capacity allocation (PPF) including a reduction in capacity allocated within the national transmission system. The deadline for the submission of appropriate applications to cancel transmission capacity in the next gas year expires on 1 May of each year

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CUSTOMER RELATIONS

GAZ-SYSTEM S.A. strives to enhance customer service management by improving the quality of its services.

New business environment circumstances require continuous modifications to be made to the Information Exchange System (IES) and adapting it to the new model of the gas market in Poland.

The IES is viewed positively by a growing number of customers, as confirmed by the opinions expressed in the 2013 Customer Satisfaction Survey and an increased number of its users. Our customers praise it for the easier access to documents and data they need, and a more streamlined flow of information. As the end of 2013, the IES had 503 external and 286 internal users.

The most important IES functionalities, whose implementation started in 2013 include:

- development and launch of a capacity auction platform
- offering the possibility of submitting nominations through the IES
- providing access to the commercial transmission reports in pdf format
- providing users with access to current data readings and billing data
- access to data on gaseous fuel quality parameters

With the changing company environment circumstances and the gas market model, we adapt the functionalities available from our Information Exchange System to the information needs of our customers. At GAZ-SYSTEM S.A., we also constantly strive to ensure that the use of the platform is as clear and intuitive as possible, because the IES is an essential tool in the hands of our customers providing them access to information on the performance of their contracts. The year 2013 marked a turning point for GAZ-SYSTEM S.A., not only in terms of a large number of new transmission contracts (and the need to support them in the system) and a partial transition to energy units, but also in terms of adapting the capacity allocation mechanisms to EU standards. Both the network code relating to capacity allocation mechanisms in gas transmission systems (Network Code for Capacity Allocation Mechanism) and the Transmission Network Code regulate capacity allocation principles of interconnectors. Currently, capacity allocation may be carried out only through a capacity auction performed on auction platforms. In order to meet this obligation, GAZ-SYSTEM S.A. allocates interconnector capacity on the platform which is accessed by our customers through the IES. The first auctions on the IES auction platform were carried out on 28 November 2013.

Hubert Kabuski
Head of Customer Relations
Gas Market Division
GAZ-SYSTEM S.A.

TRANSMISSION NETWORK EXPANSION PLANS

In the reporting period, GAZ-SYSTEM S.A. pursued efforts aimed at opening the Polish market to new directions of supply, and, consequently, enabling the physical diversification of gas import sources in the short term, i.e. until 2014. The company actively participated in the creation of an integrated gas pipeline network in Central and Eastern Europe.

One of the most important activities initiated by GAZ-SYSTEM S.A. in 2012, and continued throughout 2013 was an investment to allow the physical reverse transmission on the Yamal pipeline, designed to meet the requirement to implement the reverse gas flow service. The expansion project has allowed us to provide the so-called physical reverse flow service and upgrade the type of service provided at Wloclawek and Lwówek point from interruptible to firm since Q2 2014.

In 2013, GAZ-SYSTEM S.A. continued anaotrical work on the construction of the North-South Corridor, which is an important component of the plan to create a single gas market in Central-Eastern Europe by connecting the transmission networks of countries in the region: Poland, Slovakia, Hungary and the Czech Republic. The Corridor will help turn the possibility of gas supplies from the Caspian Sea region into a reality. In addition, the project will allow the import and export of gas from LNG terminals and export of Polish shale gas. It should be noted that the implementation of specific projects within the concept will create a connection between the LNG terminal in Świnoujście with the Czech Republic and Slovakia. An increase in the efficiency of Polish LNG terminal through the development of regasification capacity - from 5 to 7.5 billion m³/year – is also incorporated into these plans.

The North-South Corridor consists of multiple bidirectional gas interconnections and an extensive network of national pipeline systems that already exist or are in various stages of planning or construction.

THE CORRIDOR PROJECT AIMS TO:

1. strengthen regional gas markets integration
2. increase security of supply
3. enable access to new sources of supply (LNG, Norway) for Eastern Europe
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Regulation of the European Parliament and of the Council (EU) No 347/2013 on guidelines for trans-European energy infrastructure, which entered into force on 17 April 2013, seeks to provide multi-dimensional support for infrastructure projects enhancing market integration and security of natural gas supply within the European Union.

On 14 October 2013, the European Commission (EC) published the first European list of projects in the gas sector, which were granted the status of Projects of Common Interest (PCI). The list includes 248 infrastructure projects in the field of electricity, natural gas, oil, and smart grid. These projects will enjoy best practices in administrative and regulatory procedures ensured by the EU legislator. Furthermore, in relevant cases, these projects may be funded under the new Connecting Europe Facility (CEF) infrastructure support instrument.

As for natural gas infrastructure across all regional groups, the PCI status was granted to 55 projects. Infrastructure projects by GAZ-SYSTEM S.A. were reviewed and evaluated and then given priority status within the two regional gas initiatives.

By securing PCI status for its infrastructure investments, GAZ-SYSTEM S.A. has confirmed their great importance for the development of an integrated and competitive natural gas market in Central-Eastern Europe and contribution to improving the safety and the degree of diversification of gas supply.

The project is now at the pre-investment stage. The pace and scope of the whole project depends not only on a stable regulatory framework provided by the countries, but also, among others, on the funding mechanism for infrastructure investments under the new EU financial perspective for 2014-2020. The “Connecting Europe Facility” (CEF) instrument may be an important source of funding in this case. The Board representatives from both companies agreed that work on the construction of the new connection should be continued and consequently signed a cooperation agreement to identify feasibility conditions for the construction of the Polish-Czech Republic pipeline. GAZ-SYSTEM S.A. and Net4Gas, s.r.o. This project is an important complementary component of the strategy to build a secure transmission system, both in Poland and in Central Europe. Following its completion, the transmission system in Poland is expected to reach a high degree of reliability and to reduce the vulnerability of the Polish market to the effects of potential crisis situations in Eastern Europe. In addition, the new gas connection will allow increased gas flows between the countries, which may accelerate the process of price convergence between the analysed markets and contribute to the creation of transparent pricing mechanisms.

The Parties to the project are GAZ-SYSTEM S.A. and Net4Gas, s.r.o. This project is an important complementary component of the strategy to build a secure transmission system, both in Poland and in Central Europe. Following its completion, the transmission system in Poland is expected to reach a high degree of reliability and to reduce the vulnerability of the Polish market to the effects of potential crisis situations in Eastern Europe. In addition, the new gas connection will allow increased gas flows between the countries, which may accelerate the process of price convergence between the analysed markets and contribute to the creation of transparent pricing mechanisms.

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As for natural gas infrastructure across all regional groups, the PCI status was granted to 55 projects. Infrastructure projects by GAZ-SYSTEM S.A. were reviewed and evaluated and then given priority status within the two regional gas initiatives.

By securing PCI status for its infrastructure investments, GAZ-SYSTEM S.A. has confirmed their great importance for the development of an integrated and competitive natural gas market in Central-Eastern Europe and contribution to improving the safety and the degree of diversification of gas supply.

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In 2013, the company conducted a number of analytical studies related to the construction of the following interconnections:

1. **INTERCONNECTION POLAND-CZECH REPUBLIC**

The Parties to the project are GAZ-SYSTEM S.A. and NET4GAS, s.r.o. This project is an important complementary component of the strategy to build a secure transmission system, both in Poland and in Central Europe. Following its completion, the transmission system in Poland is expected to reach a high degree of reliability and to reduce the vulnerability of the Polish market to the effects of potential crisis situations in Eastern Europe. In addition, the new gas connection will allow increased gas flows between the countries, which may accelerate the process of price convergence between the analysed markets and contribute to the creation of transparent pricing mechanisms.

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2. **INTERCONNECTION POLAND-GERMANY IN LASOW**

On 2 May 2013, GAZ-SYSTEM S.A. and ONTRAS GmbH signed a Memorandum of Understanding to improve the functionality of the transmission system and thereby increasing the capacity at Lasów point and offering bundled capacity to a greater extent than was offered during the pilot project.

Studies were therefore carried out to explore the possibility of increasing capacity at Lasów point on the forward and reverse directions, as well as to identify the national network development plans and assess potential demand development in both countries. Based on the results of these studies, recommendations will be developed regarding possible future actions.

3. **OFFERING OF BUNDLED CAPACITY AT LASOW INTERCONNECTION POINT (BUNDLED PRODUCT)**

In 2012, GAZ-SYSTEM S.A. and ONTRAS GmbH agreed with Poland’s Energy Regulatory Office (ERO) and Germany’s Bundesnetzagentur (BNetzA) the amount of bundled capacity available at Lasów point. As a result of these arrangements, a bundled capacity product was first offered at Lasów interconnection point in June 2013. Bundled capacity at 57,980 kWh (5 200 m3/h), was offered in three auctions of a pilot project delivered on the PRISMA gas capacity booking platform for the first three quarters of 2014.
The project of a gas interconnection between Poland and Lithuania envisions the construction of a new cross-border gas pipeline that will connect the natural gas transmission systems of Poland and Lithuania. The parties to the project are GAZ-SYSTEM S.A. and AB Amber Grid.

The Poland-Lithuania interconnection will allow full integration of the Baltic countries with the EU gas market by giving them access to a range of gas supply options available from the developed gas markets of Western Europe. The connection will also provide the Baltic States with access to the global LNG market via the LNG Terminal in Świnoujście.

The project to develop EIA documentation for the gas pipeline connection between Poland and Lithuania has received funding under the EU’s TEN-E (Trans-European Energy Networks) for 2013. In August 2013, GAZ-SYSTEM S.A. and AB Amber Grid signed a cooperation agreement, the purpose of which is to continue joint efforts on the Poland-Lithuania interconnector at the preparatory and design stages.

In 2013, GAZ-SYSTEM S.A. conducted internal analytical work to formulate recommendations regarding the optimal variant of the Baltic Pipe construction under the Baltic Energy Market Interconnection Plan (BEMIP).

In 2013, GAZ-SYSTEM S.A. began cooperation with Ukraine’s transmission system operator Ukrtransgas, aiming to assess the real potential interest in gas transmission services from Poland and the expansion/modernisation needs of both transmission system operators. The potential sources for gas supply to Ukraine include the LNG Terminal, or, as before, the German market.

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2. Bearing in mind the provisions of the Preventive Action Plan and the obligation to provide a reverse flow service imposed on GAZ-SYSTEM S.A., the company continued its efforts to enable bi-directional gas transmission at Mallnow interconnection. The investment was completed on 31 March 2014.

3. The Parties to the project are GAZ-SYSTEM S.A. and eustream, a.s. This project is an important component of the strategy to build a secure transmission system, both in Poland and in Central Europe. Following its completion, the transmission system in Poland is expected to reach a high degree of reliability and to reduce the vulnerability of the Polish market to the effects of potential crisis situations in Eastern Europe. The project is now at the pre-investment stage.

In 2013, the parties continued their efforts to identify the legal/regulatory, organisational/technical and expenditure conditions and the business case of creating the Poland-Slovakia Interconnection. This work led to the development of a feasibility study for the project.

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The Key Issues for the Company within the Framework of the European Energy Policy Include:

- Ensuring support for the company’s projects and initiatives at the political/administrative and regulatory/financial levels under EU programmes and schemes.
- Development of cross-border gas infrastructure to ensure gaseous fuel transmission between particular national and regional markets, as demanded by their participants.
- Development and implementation of European network codes in the areas defined by Regulation of the European Parliament and Council (EC) No. 715/2009, the development of Ten-Year Network Development Plans (TYNDPs) and the preparation of Gas Regional Investment Plans (GRIPs).
Supplement III
GAZ-SYSTEM S.A.
AS A MEMBER OF THE LOCAL COMMUNITY
During the implementation of large and complex gas infrastructure investments across the country, it is sometimes impossible to entirely avoid some minor damage to e.g. drainage systems or local roads. However, any such damage is promptly repaired and the affected area restored to its original state. In addition, the proper operation of drainage facilities following the completion of construction works is guaranteed to GAZ-SYSTEM S.A. by the contractors in accordance with the generally applicable rules.

During the construction of the Szczecin-Gdańsk pipeline, special arrangements were made for a plot featuring a blueberry plantation and a complex drainage system. As a result of complaints made by residents of a housing estate adjacent to the gas station located in Ząbki’s Andersen Street, GAZ-SYSTEM S.A. took steps to adjust the noise emissions from the station area to the standard acceptable level. To this end, the company soundproofed the station’s output piping and reduction lines inside the station. In addition, the installation of mobile acoustic screens in the station building was carried out. Retaining walls were also built on both sides of the output pipelines and the space between them backfilled. As a result of these works acceptable noise levels were achieved.

The residents of Warsaw’s residential district of Białołęka, located approximately 1.5 km from the gas compressor station in Rembelszczyzna, reported a nuisance of low-frequency sounds in the spring and summer, coming from the compressor. Following a technical survey to investigate the problem, conducted in cooperation with Warsaw University of Technology and noise assessment companies, the issue was diagnosed to be caused by cooling fans at the wet gas cooler of the compressor station. In June 2013, these fans were replaced along with the modernisation of the cooler housing, which eliminated the tedious sounds. The effectiveness of this project was confirmed by appropriate noise level testing.

For more than 20 years, GAZ-SYSTEM S.A. had supplied drinking water to the residents of Samoklazy municipality as the owner of the only local water treatment plant based at the compressor station facility in Hołowczyce. In the reporting period, by agreement between the company and the municipality, the station was sold to the latter party. This enabled the municipality to fulfill its statutory obligations imposed on local administration with the tangible result of reducing the unit price of water for the residents.
Supplement III
GAZ-SYSTEM S.A.
AS A MEMBER
OF THE LOCAL COMMUNITY

Local communities are some of the most important stakeholders of GAZ-SYSTEM S.A. While implementing its investment projects, the company impacts on property owners by routing the pipelines through their property. In order to minimise these impacts, GAZ-SYSTEM S.A. designs new-pipeline routes mostly along existing pipelines and within their protected zones. Thanks to this approach land owners are generally protected from suffering any additional legal restrictions.

As an investor, GAZ-SYSTEM S.A. takes care of restoring each plot to its original condition, i.e. cleaning up the area after the construction process is finished. Any possible changes may result from the provisions of relevant environmental decisions or building regulations. It should be noted, however, that due diligence is exercised when fitting each individual area.

During the implementation of large and complex gas infrastructure investments across the country, it is sometimes impossible to entirely avoid some minor damage to, e.g., drainage systems or local roads. However, any such damage is promptly repaired and the affected area restored to its original state. In addition, the proper operation of drainage facilities following the completion of construction works is guaranteed to GAZ-SYSTEM S.A. by the contractors in accordance with the generally applicable rules.

During the construction of the Szczecin-Gdańsk pipeline, special arrangements were made for a plot featuring a blueberry plantation and a complex drainage system. Unfortunately, the application of HDD technology was impossible for technical reasons, so the contractor in consultation with the owner determined the least invasive method to carry out the work. In addition, GAZ-SYSTEM S.A. commissioned the restoration of tunnels, which will be installed by the contractor after the project has been completed.

The residents on Warsaw’s residential district of Białeoleka, located approximately 1.5 km from the gas compressor station in Rembelszczyzna, reported a nuisance of low-frequency sounds in the spring and summer, coming from the compressor. Following a technical survey to investigate the problem, conducted in cooperation with Warsaw University of Technology and noise assessment companies, the issue was diagnosed to be caused by cooling fans at the wet gas cooler of the compressor station. In June 2013, these fans were replaced along with the modernisation of the cooler housing, which eliminated the tedious sounds. The effectiveness of this project was confirmed by appropriate noise level testing.

As a result of complaints made by residents of a housing estate adjacent to the gas station located in Ząbkis’s Anderssen Street, GAZ-SYSTEM S.A. took steps to adjust the noise emissions from the station area to the standard acceptable level. To this end, the company soundproofed the station’s outlet piping and reduction lines inside the station. In addition, the installation of mobile acoustic screens in the station building was carried out. Retaining walls were also built on both sides of the outlet pipelines and the space between them backfilled. As a result of these works acceptable noise levels were achieved.

In the context of existing legislation, the controlled pipeline zones should not contain trees and shrubs, buildings, permanent depots and/or warehouses, or any other activity which might pose a threat to the safe operation of pipelines. To minimise these restrictions, the company has further reduced the absolute ban on tree planting to the designated operational area of just 4 metres wide.

GAZ-SYSTEM S.A. also strives to maintain good relations with the authorities which decide on the principles for running particular investment projects. A good example here is the steering committee working under the auspices of the Lower Silesian Voivode. In addition to the Voivode, the committee includes, inter alia, representatives of local authorities at all levels, the Regional Directorate of the Environment, the Regional Directorate of State Forests and the General Directorate for National Roads and Motorways. The committee’s regular meetings are an excellent opportunity to provide comprehensive information on the investment process and provide the chance to discuss problems or issues that arise at different stages of project implementation.

GAZ-SYSTEM S.A. also cares about the natural environment in the areas where the projects are hosted. The company carries out nature inventories and environmental monitoring on strategic pipeline routes. While delivering projects interfering with valuable protected areas, actions are taken to prevent or significantly mitigate impacts on local species and habitats. The scope of these activities is the result of natural inventories and studies conducted as part of Environmental Impact Assessment (EIA) reports. These are specified in the notes to environmental decisions. The proper implementation of the above recommendations is overseen by environmental site supervision staff, whose roles also the use of new solutions that can also go beyond the Decision, if the need arises.

In November 2013, we invited a group of teenagers from a Supral children’s home to visit a gas compressor station in Holotwyczyn and get acquainted with the nature of work at this kind of facility. The day trip was organized for young people who are about to decide what kind of education they want to pursue. We wanted to show them what jobs are available in the gas industry and the kind of skills they need to acquire in order to gain employment within the industrial sectors. We tried to encourage them to focus on physics, mathematics, and nature studies e.g. in the context of environmental protection, so that they have a chance to aspire to the most sought-after professions. Our intention was to present real job prospects and thus motivate students to focus on their school work.

Iwona Dominiak
Corporate Communication Manager
GAZ-SYSTEM S.A. Branch in Rembelszczyzna

For more than 20 years, GAZ-SYSTEM S.A. had supplied drinking water to the residents of Samoki municipality as the owner of the only local water treatment plant based at the compressor station facility in Holotwyczyn. In the reporting period, by agreement between the company and the municipality, the station was sold to the latter party. This enabled the municipality to fulfill its statutory obligations imposed on local administration with the tangible result of reducing the unit price of water for the residents.
As part of its community communication efforts, GAZ-SYSTEM S.A. prepared a series of press publications in local media and newsletters. All interested parties may regularly access the company’s website at www.gaz-system.pl to search for updates on the ongoing pipeline construction, as well as any questions related to compensation and transmission network safety. The company shares also educational videos explaining individual steps in the pipeline construction process and providing current information on the transmission network expansion being underway.

Also a part of its communication activities around investment projects, GAZ-SYSTEM S.A. strives to improve its competencies in building and maintaining good relationships with landowners, share its experience and jointly look for answers to any difficult questions that may arise.

In 2013, as part of a training project titled “Successful Communication with Landowners”, a series of workshops was organised for the employees from the Branches in Rembelszczyzna, Świerklany, Poznań and Tarnów who are responsible for relations with landowners. The workshops were conducted by business trainers with extensive experience in negotiations and community communications and led to the joint definition of good communication practices and an aligned approach to relations with landowners. The contributions from all workshop participants were collected in the “Best Practice Manual: Building Good Relationships with Landowners”.

The relations with local communities not only play a complementary role in investment projects but are an important element of the sustainable development strategy of GAZ-SYSTEM S.A.
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Joanna Szostek
Specialist, Corporate Communication Office
GAZ-SYSTEM S.A.

We carry out intensive community communication efforts in nearly 80 municipalities throughout the year 2013, in accordance with the company’s yearly communication plan. Specifically, information meetings with both the authorities and local residents were a crucial element of the plan. We organised 22 meetings and set up nearly 40 information stands during local community events. In some municipalities, we worked jointly with the authorities and established temporary information desks for the residents. In addition, our representatives at the company’s branches were responding to any questions or doubts from the landowners.

As a company focused on sustainable development, GAZ-SYSTEM S.A. pays a lot of attention to developing good relations with local communities. To this end we implement initiatives addressed specifically to this stakeholder. We strengthen our commitment in this field by implementing new ideas.

In 2013, we decided to involve our employees in community work too, and launched two volunteer programmes. The programmes involved fund raising for the Foster Care and Education Centre in Wrocław and for a campaign titled “Say YES to ECO”. The purpose of the campaign was to organise a workshop for children from the primary school in Wilczkowo to familiarise them with topics related to ecology, environmental protection and recycling.

Dorota Leżoń
Corporate Communication Manager
GAZ-SYSTEM S.A. Branch in Wrocław

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

As part of its community relations, GAZ-SYSTEM S.A. operates a grant programme called the Natural Energy Fund, which aims to stimulate original ideas supporting the preservation or rescue of the natural environment in the region. The competition is targeted primarily at local communities and schools in several provinces across Poland and is organised annually. In 2013, awards worth in aggregate PLN 189,000 were granted to 19 projects, resulting in the total of 56 ideas that were supported with grants since the beginning of the competition. The initiative has given a strong impetus for innovative local environmental initiatives.

Joanna Szostek
Specialist, Corporate Communication Office
GAZ-SYSTEM S.A.
As part of its community relations, the company organises a grant competition for the employees titled “GAZ-SYSTEM. Together for Local Communities”. The competition offers the employees the opportunity to realise their own ideas for supporting community and environmental causes.

In the first edition of the competition held in 2013, 22 project proposals were submitted in 4 categories: ecology and environmental protection, child and youth education, sports activity, first aid. 10 projects were awarded grants of PLN 3000 each. They include:

1. Naturally!
   The project goal concerned the organisation of a NATURA 2000 educational campaign for children during a map of Lower Silesia showing all the NATURA 2000 was created.

2. Get to Know the Environment You Live In
   The project investigated the condition of the nature’s components around Kolszyn and the impact of the nearby transportation routes on the condition of soil, water and atmosphere.

3. Somebody Still Cares
   The project consisted in the organisation of a handicraft and baking festival to raise funds for the children from the Children’s Home in Supraśl.

4. Say YES to ECO
   The organisation of an educational event to raise the environmental awareness among the children from the Primary School in Wilczkowo.

5. Educating children and youth on safety hazards and first aid
   A project seeking to introduce children to hazards that may occur in their environment and first-aid principles in case of accidents, putting a special emphasis on safety hazards during holidays. Also involved in the project were specialists from the National Fire Brigade, Police Station, Volunteer Lifeguard Service in Zegrze and a paramedic.

   A project that led to founding a student pro-environmental organisation which aims to raise awareness of environmental pollution hazards. As a result of the project, a contamination map of the Józefów area in the municipality of Nieporęt was produced.

7. Protecting Nature From People
   The organisation of a “Week of Friendship with the Environment” for the local community.

8. Little Ball Growing Bigger
   The project aimed to involve mentally disabled persons in sports. A series of games supporting physical fitness was organised to overcome barriers between the intellectually disabled and the fully-fit ones.

9. Library – It’s Time For A Book!
   The project involved some work for a school library and a competition titled “The Colourful World of Julian Tuwim”, as well as the invitation of a local leader who read aloud for the children as part of the nationwide campaign “Poland.”

10. Green Land of Joy in Kamionki
    An initiative to tidy up public space in the village of Kamionki, the site for cultural and sports events.
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Supplement IV

GAZ-SYSTEM S.A.
AS A STRATEGIC COMPANY

As Poland’s gas transmission system operator, GAZ-SYSTEM S.A. is required to ensure the safe transmission of gas within the country. The safe operation of the transmission network is ensured by an efficient supervision and control system. The construction of new pipelines in accordance with approved designs and compliance by construction and supervision contractors with the company procedures relating to the execution of construction works in the vicinity of the active gas networks ensure the use of responsible working practices and safe gas transmission.

In order to ensure the safety and proper technical maintenance of the transmission network, GAZ-SYSTEM’s operations personnel carry out all planned activities detailed in the Transmission Network Operating System (SESP). The SESP is a collection of interconnected documents providing detailed methods for performing operational activities relating to particular transmission network components. The entire network operation process is carried out by specialist staff holding nationally recognised professional qualifications.

The essential activities performed as part of the gas pipelines operation in accordance with the SESP include:

- Preventive measures, in the form of monitoring gas pipelines zones and routes from the ground and air using a helicopter.
- Tests and measurements of pipeline foundation in the ground and at the intersection with terrain obstacles.
- Pipeline cleaning and testing with intelligent pigs.
- Keeping the control area over pipelines free of plant life (clearing shrubs and self-sown plants).
- Maintenance of transmission network components.
- Checking and maintenance of gas fittings drives and fittings themselves.
- Checking and maintenance of the protection of high pressure steel gas pipelines.

The above activities are planned under annual work schedules and implemented by the operator’s own services. Each year, the tasks completed and records made in respect of particular pipelines form the basis for the annual technical condition status report. Depending on the results, each pipeline is recommended for further use, or for renovation and/or modernisation.

In addition to conducting inspection activities under the TNOS, the operating parameters of the transmission network in terms of gas flow and pressure are subject to continuous 24/7 remote monitoring [24 hours] by the services responsible for system operation, i.e. the National Gas Dispatch Centre and its branches.

GAZ-SYSTEM S.A. also operates a 24/7 Gas Emergency Unit (GEU), whose task is to deal with any network failure incidents concerning facilities operated by the company and reported by managing systems, the public, local administration, the Police and/or Fire Service. The core responsibilities of the GEU include: failure handling and recovery, elimination of other risks in the transmission system, implementation, supervision and safety protection of repair, investment and operation tasks within the transmission system.

The above process provides sufficient knowledge on the condition of and threats to the operated network posed by external environment.

The safe use of gas pipelines is also provided by appropriate corrosion protection procedures operated by GAZ-SYSTEM S.A. This enables the identification and assessment of corrosion issues as well as effective corrosion management. Another tool for the assessment of the technical condition of the gas network is the inspection of pipelines by the means of intelligent pigs. With this type of research, the company strives to minimise any safety risks to the system.

GAZ-SYSTEM S.A. also respects the safety procedures for the supervision of newly built transmission pipelines. The proper delivery of the construction projects is supervised by both the investment contractor (construction manager, heads of individual sections) as well as external company appointed by the investor to perform the so-called investor’s project supervision (supervision inspectors for particular disciplines involved). The Construction Contractor and the Investor Supervision Contractor perform their technical on the site independently in compliance with relevant provisions of construction law. Prior to obtaining permission to operate, the pipeline is subject to technical acceptance and special tests carried out with the participation of the Technical Inspection Office. The State Sanitary Inspectorate and the National Fire Service issue their respective opinions on the compliance of the gas pipeline project. A use permit is issued by the competent Voivode after the project has been inspected by the Voivodeship Inspectorate for Construction Supervision.
The essential activities performed as part gas pipelines operation in accordance with the SESP include:

- preventive measures, in the form of monitoring gas pipeline zones and routes from the ground and air using a helicopter
- tests and measurements of pipeline foundation in the ground and at the intersection with terrain obstacles
- pipeline cleaning and testing with intelligent pigs
- keeping the control area over pipelines free of plant life (clearing shrubs and self-sown plants)
- maintenance of transmission network components
- checking and maintenance of gas fittings drives and fittings themselves
- checking and maintenance of the corrosion protection of high pressure steel gas pipelines

The above activities are planned under annual work schedules and implemented by the operator’s own services. Each year, the tasks completed and records made in respect of particular pipelines form the basis for the annual technical condition status report. Depending on the results, each pipeline is recommend for further use, or for renovation and/or modernisation.

In addition to conducting inspection activities under the TNOS, the operating parameters of the transmission network in terms of gas flow and pressure are subject to continuous 24/7 remote monitoring [24 hours] by the services responsible for system operation, i.e. the National Gas Dispatch Centre and its branches.

GAZ-SYSTEM S.A. also operates a 24/7 Gas Emergency Unit (GEU), whose task is to deal with any network failure incidents concerning facilities operated by the company and reported by monitoring systems, the public, local administration, the Police and/or Fire Service. The core responsibilities of the GEU include: failure handling and recovery, elimination of other risks in the transmission system, implementation, supervision and safety protection of repair, investment and operation tasks within the transmission system.

In order to ensure the safety and proper technical maintenance of the transmission network, GAZ-SYSTEM’s operations personnel carry out all planned activities detailed in the Transmission Network Operating System (SESP). The SESP is a collection of interconnected documents providing detailed methods for performing operational activities relating to particular transmission network components. The entire network operation process is carried out by specialist staff holding nationally recognised professional qualifications.

As Poland’s gas transmission system operator, GAZ-SYSTEM S.A. is required to ensure the safe transmission of gas within the country. The safe operation of the transmission network is ensured by an efficient supervision and control system. The construction of new pipelines in accordance with approved designs and compliance by construction and supervision contractors with the company procedures relating to the execution of construction works in the vicinity of the active gas networks ensure the use of responsible working practices and safe gas transmission.

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In the reporting period, GAZ-SYSTEM S.A. continued the reorganisation of its operational services, which consisted of restoring and maintaining its own service teams to perform any scheduled operational activities and emergency tasks. The main objective of restoring the company’s own operational services is to secure the continuity of operation and full readiness to undertake emergency repairs in all areas of operation of the transmission system. This ensures independence of the changing conditions on the market of specialist services for the gas industry. In addition, thanks to self-operating their infrastructure, the company obtains first-hand information on the technical condition of the transmission system, which translates to rational and cost-effective management. Another benefit is the effective management of emergency situations and optimal planning of investment and repair needs. For these reasons, the adopted organisational model of operational services envisages that only specialist activities, such as pipeline route inspections from the air or gas pipeline foundation underneath water courses will be outsourced to external contractors.

In September 2013, the reduction and metering station in Tryńcza hosted the staging of emergency response exercises attended by the company rescue units, including the Gas Emergency Team of the Local Operating Services Facility in Jarosław. The exercises were organised by the Voivodeship Headquarters of the National Fire Service in Rzeszów and hosted by the County Headquarters of the National Fire Service in Przeworsk. In addition, the practice session was supported by volunteer fire service, police and rescue service units as well as crisis management teams from Przeworsk county. The objective was to coordinate the joint operation of emergency services during rescue operations involving large area and mass casualty incidents.

GAZ-SYSTEM S.A. made available the facilities of gas compressor station in Wronów for conducting rescue exercises to test emergency procedures concerning fire safety and environmental protection. A simulated fire was used to test the operating emergency plan of Puławy county fire service, professional skills the rescue officers, performance of notification, communication and control systems at the intervention and tactical levels, as well as the interaction of all emergency services at an explosion-prone facility. The exercise was attended by over 100 participant, including company staff, the officers of the National and the Voluntary Fire Services, Police and Emergency Medical Service.

In 2013, GAZ-SYSTEM S.A. also continued its passporting system implementation project. Guidelines for spatial data which comprehensively regulate the issues of map data in the company were developed and approved. In addition, the V-Mapa industry map service system was implemented. Currently underway is the process of updating map resources and acquiring additional spatial data. GAZ-SYSTEM S.A.’s technical and operating services already use a unified IT system based on a standardised transmission infrastructure data model.

On 6 June 2013, a simulated failure of the transit gas pipeline was staged at one of the shut-off and relief systems near the Narew River. The exercise aimed to find out whether GAZ-SYSTEM S.A. has the technical and organisational skills necessary to remove the consequences of a failure involving the loss of containment of the pipeline and the danger of explosion. The staging confirmed that GAZ-SYSTEM S.A. has the logistical capability and resources to carry out an effective rescue operation in case of the transit pipeline failure.
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In the last quarter of 2013, the Transmission Network Operating System (SESP) was integrated into the passporting system. As a complete set of procedures and detailed instructions, the SESP describes the methods for conducting maintenance work. By linking records of operational activities to the transmission infrastructure’s passport database, a full maintenance history has been made available. This provides a wide range of analytical possibilities to be used for creating and approving repair and modernisation plans.

As a responsible business partner, GAZ-SYSTEM S.A. agreed the principles for transmission easement agreements concluded with the “State Forests” National Forest Holding in respect of areas managed by the latter company.

The arrangement introduces a uniform transmission easement agreement model for use by all forest divisions in Poland. All easement agreements will be witnessed by a notary public. The arrangement further specifies operating conditions for both existing as well as newly constructed pipelines located on land managed by the State Forests, including access to respective pipelines by forest roads.

It was established that for the duration of the construction projects regarding pipelines which require the exclusion of forest land from forestry production, the parties will conclude lease agreements, which will be replaced by transmission easement agreements after project completion.

Regulations in this area are expected to significantly improve the delivery of investments to develop the gas transmission network, which are crucial for the Polish economy. Currently, the total length of pipelines running through woodland managed by the “State Forests” reaches almost 1,000 kilometres, which represents more than 10% of the country’s transmission network.

GAZ-SYSTEM S.A. also runs an extensive research and development programme. Since the company’s Research and Development (R&D) Team’s inception in 2013, its experts have provided expert advice on research projects planned for implementation, presented technical problems to be solved and evaluated the results of completed projects. The R&D has also decided to initiate research on, among others, potential use of renewable energy sources in GAZ-SYSTEM S.A., monitoring of gas emissions from shut-off and release valve units, studies of noise from the transmission network facilities and design of measuring systems on gas turbine feed line.

One of the projects under implementation was to study the natural gas components which do not lend themselves to routine analysis (e.g. helium and hydrogen) and which are found in the transmission network, as well as their impact on the calorific value and corrosive properties of transmitted gas along with their impact on the environment. The studies found that these components neither have an impact on the environment and transmission infrastructure nor have any significant effect on the calorific value, because their concentrations are negligible.

Another important study from the company’s point of view was the use of ultrasonic clamp-on flow meters to determine flow disturbance in measuring systems. A scientific study concerning the optimisation of energy management in selected natural gas compressor stations was also carried out. The study had the form of an energy audit, combined with a pre-feasibility study of projects to improve energy management at the Holowczyce and Jarosław compressor stations. The Holowczyce compressor station was further examined to identify opportunities for energy savings and operating cost reduction.

GAZ-SYSTEM S.A. is also involved in a number of international R&D projects. In 2013, the company participated, among others, in a project held to compare the accuracy of gas emission measurements using two methods (one using the Hi Flow Sampler and the other in accordance with EN 15446 Standard) as well as the DOMHYDRO project to determine the effect of hydrogen on gas appliances.

In the reporting period GAZ-SYSTEM S.A. patented an invention, known as the “Installation for Gas Meter Calibration with High-Pressure Gas”. Existing European gas meter calibration solutions employ either an open system in which the calibration pressure is the operating pressure of the network, or in a closed system with regulated pressure. Both these systems have certain advantages, but also some limitations. The patented solution effectively utilises the advantages of both systems and eliminates most of their limitations.
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In 2013 the company’s R&D expenditure totalled nearly 8.5 PLN million.
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