



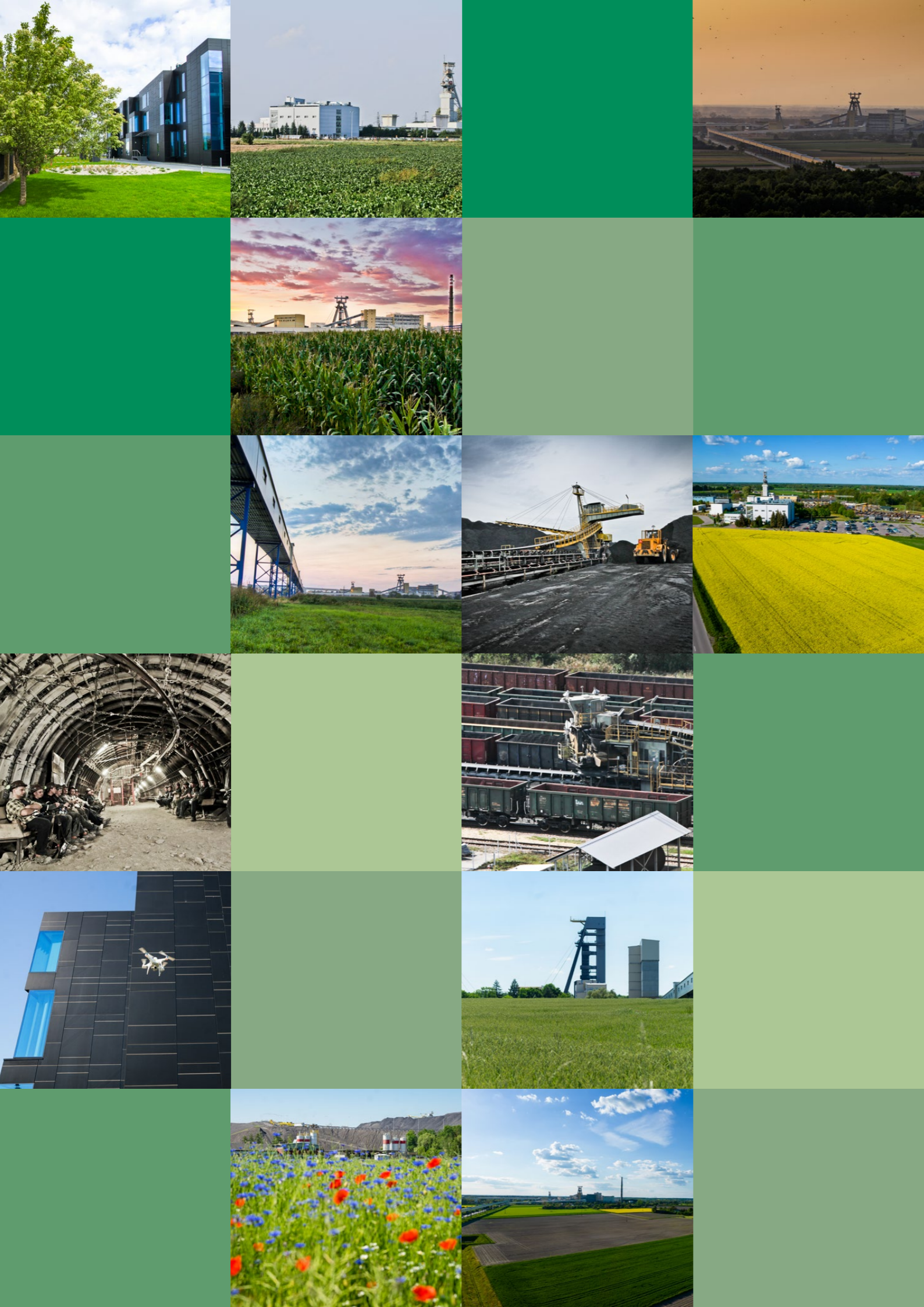
**BOGDANKA**

**Stable  
development  
in uneasy  
environment**

Challenges  
in a Time of Pandemic

LW Bogdanka Group

**Integrated Report for 2020**



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## 1

# Message from the President



Artur Wasil, President of the Management Board of LW Bogdanka

## GRI 102-14

The year 2020 was a year of challenges for all of us. However, thanks to the commitment, dedication, and responsibility of our team we were able to successfully respond to them, and we may say now that last year was difficult but good for Bogdanka. Our operational and financial results are the proof. Consolidated revenue for this period amounted to PLN 1,822.1 million, EBITDA – PLN 466.2 million, operating profit – PLN 102.6 million, and net profit – PLN 73 million. Despite unfavourable weather conditions, i.e. warm and windy winter as well as the coronavirus pandemic and its consequences for the economy, we were the only thermal coal mine in Poland which closed the year with a positive result.

The time of pandemic was a test for our responsibility. The first measures for increasing safety at the company were taken at the very beginning, which required discipline and understanding. We passed this exam with flying colours. Our employees complied with procedures and recommendations for they understood that the safety of all staff was the responsibility of each single staff member. Before the pandemic started, I often used to stress that our employees were the company's main asset. The situation showed that the asset is even more precious.

Bogdanka is an economic pillar of the Lublin province, and in this hard time we gave our support to hospitals and institutions which experienced problems. We donated PLN 800,000 to the health care system. We did not forget about our sportsmen, clubs, and cultural and educational institutions. We are and we want to remain a responsible neighbour and a socially committed company.

Further challenges are ahead of us. The planned energetic transformation has forced us to prepare ourselves for tomorrow. Our efforts have brought results in the form of the new Strategy of LW Bogdanka S.A. Mining Area of the Enea Group until 2030 (under the 2040 framework), which responds to the challenges mounted by the market environment and the stakeholders. The new strategy's key assumptions are continuation and transformation, the pursuance of which will allow us to prepare for the decarbonisation of the economy. We want to remain the leader of efficiency in the mining industry countrywide, but we also want to be able to effectively compete with global entities. Bogdanka has an important role to play as a Polish coal producer and an organisation

stabilising supplies to Polish power plants. Our goal is to carry out the company's transformation in such a manner so to efficiently compete with imported coal. We are implementing innovations of breakthrough nature for Bogdanka. We are setting the company on a new path through digitisation and optimisation. Our goal is to launch digital industrial revolution 4.0.

We still want to be an organisation that maintains the highest standards of work safety, flexibly adjusts to environmental requirements and market conditions, and builds "Green Deal" as part of diversification of business activity. The responsibility for the region's future also lies with Bogdanka, and that is why we undertake an array of initiatives for stimulating the development of the local community: in such areas as education, entrepreneurship or improvement of touristic values. Our activities and the achieved results brought us in 2020 the distinction of the "Social leader of local business".

When I look at the current position and strategy, I am an optimist and I believe that we can complete our plans. Keeping the company's functioning in stability and maintaining the jobs are important not only for the company itself, but for the region and the whole country as well. We will strive to make Bogdanka continue being the economic pillar of the Lublin province and develop with the support of well-qualified personnel. The team of highly qualified employees, stable key customer for coal, i.e. the Enea Group, sound financial results and the highest efficiency in the mining industry in Poland allow us to look to the future with optimism.

To my great satisfaction, I present to you the eighth sustainable development report of the LW Bogdanka Group prepared in accordance with the GRI standards, and, at the same time, the seventh integrated report of our Group developed in accordance with the IIRC guidelines. This document is a proof of environmental, social and economic activities carried out by our organisation in 2020 –the time full of surprises and uncertainties.

I hope you will read this report with interest.

Yours faithfully,  
**Artur Wasil**

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LW Bogdanka Group

## 2.1

### Our environment

The Lublin region is an agricultural area. The most recent available data shows that in 2019 agricultural land accounted for 70.5 percent of the province's total area,<sup>1</sup> being the highest rate in Poland. The agriculture in the Lublin Region has large potential (good soil, a relatively high share of agricultural land in total surface area) and, compared to other regions, is highly specialized in the production of certain crops (including fruit, hops, and tobacco), however the small area of the local farm is a significant barrier to development, leading to difficulties in achieving profitability and viability. Another key problem is low workforce productivity in the agricultural sector, associated with high hidden unemployment in the countryside<sup>2</sup>.

The Lublin region has been the least wealthy province (*województwo*) in Poland for many years. In 2019,<sup>3</sup> its GDP *per capita* was PLN 40,700. It is 30 percent higher than five years earlier, but even so it remains below 70 percent of Poland's average. The per capita GDP of the Lublin region is 31 percent of the level achieved in the Warsaw (capital city) area (PLN 130,000)<sup>4</sup>. According to a ranking prepared in 2020 by the "Wspólnota" (*Community*) Local Government Magazine, the poorest commune in Poland in 2020 was Stary Brus in the Włodawa county, with a per capita income of PLN 2,361<sup>5</sup>. It is an agricultural community, with not a single manufacturing plant. And a mere 30 kilometres away, there is one of the wealthiest communes in Poland, with a per capita income of PLN 6,963.90. This community is Puchaczów, the commune where LW Bogdanka has its headquarters.

GRI 103-1

aspect: Employment and employee/management relations

LW Bogdanka is the only hard coal mine in Poland located outside the Upper Silesia region and the only mine that extracts coal in the Lublin Coal Basin. It has been one of the largest employers in the Lublin region for many years. As of the end of 2020, Bogdanka Group had **5,682 employees**, which gave it fourth place in the largest employer ranking of the local "Kurier Lubelski" newspaper. And it is the employers and the labour market which have the highest impact on the wealth of the region's inhabitants and regional situation in general.



### 5,682 employees

Headcount at the Bogdanka Group at the end of 2020



### 4th place

in the region's largest employers category

<sup>1</sup> *Rolnictwo w województwie lubelskim w 2019 roku (Agriculture in Lublin Province in 2019)*, Statistical Office in Lublin, Lublin, July 2020, p. 11

<sup>2</sup> *Lubelszczyzna 2020. Rozwój, ale w jakim kierunku? (Lublin Region 2020. Development – yes, but in what direction?)*, Instytut Badań Strukturalnych (Institute for Structural Research) 2011, Warsaw 2011: [https://ibs.org.pl/app/uploads/2016/07/IBS\\_Report\\_05\\_2011\\_pl.pdf](https://ibs.org.pl/app/uploads/2016/07/IBS_Report_05_2011_pl.pdf)

<sup>3</sup> Current data available from GUS (*Central Statistical Office*)

<sup>4</sup> Quote from: *Zabetonowany podział na Polskę A i B. Bogaci wciąż uciekają (Never ending division into Poland A and Poland B. The rich are still ahead)*, in: <https://regiony.rp.pl/finanse/34239-zabetonowany-podzial-na-polske-a-i-b-bogaci-wciaz-uciekaja>, 4.01.2021

<sup>5</sup> <https://radio.lublin.pl/2020/08/trzydziestki-kilometrow-do-nieba-gmina-brus-najbiedniejsza-w-polsce/>

## Energy transformation – a challenge for Poland and Bogdanka

GRI 102-15

In the years to come, Poland will be redirecting its energy and climate policies<sup>6</sup>, with an imminent impact on the mines. The Government's plans assume a significant reduction in the share of coal in the energy mix. According to the *Energy Policy of Poland until 2040*, the main objective of Poland's energy policy is energy security, while ensuring competitiveness of the economy, energy efficiency and reducing the environmental impact of the energy sector, with the optimum use of own energy resources.

Energy Policy of Poland, specific objectives:

**56%** No more than 56% share of coal in electricity generation in 2030

**23%** At least 23% share of renewable energy in gross final energy consumption in 2030

 Implementation of nuclear power in 2033

**30%** Reduction in GHG emissions by 30% by 2030 (compared to 1990)

**23%** Reduction in primary energy consumption by 23% by 2030 (compared to 2007 consumption forecasts)

Bogdanka proactively participates in discussions regarding the future of hard coal mining sector, have resulted in a new social agreement regulating the functioning of the mining sector until 2049 and defining how its transformation is to be effected, signed on 1 June 2021.



Changes are inevitable and I believe that it is our responsibility to prepare the region for these changes. It is a good time for the Lublin region to take advantage of the energetic transformation projects. Taking care of domestic mines is also important.



**Artur Wasil,**  
President of the Management Board of LW Bogdanka

### Territorial Just Transition Plan for the Lublin Province

In December 2020, the Marshall of the Lublin Province established a Task Force to prepare a Territorial Just Transition Plan (TJTP) for the Lublin Province, chaired by the Deputy Marshall of the province. Representatives of LW Bogdanka have also been participating in the activities of the Task Force.

The plan has been prepared in response to activities aimed at achieving climate neutrality by 2050, named the "European Green Deal". The TJTP is to define the social, economic and environmental challenges and to determine the needs in the area of economy diversification, employees reskilling and environment remediation, and it should include an overview of the upgrading processes for the extraction and power generation segments in the region until 2030.

The preparation of that document is a key requirement to receive support from the Just Transition Fund (JTF), the total budget of which exceeds EUR 4.4 billion. The JTF's funding will be used to support the following provinces: Lublin, Silesia, Małopolska, Lower Silesia, Wielkopolska, and Łódź. The plan will cover the area that is most dependent on LW Bogdanka's operations, which includes the Łęczna-Chełm mining and power district, which in turn covers parts of three subregions (Lublin, Chełm-Zamość and Biała Podlaska).



The strategy presented by Bogdanka is fully in line with the restructuring strategy adopted by the government for the mining sector. These plans are fully supported by the Ministry of State Assets and the government. And these plans, which assume that Bogdanka will extract two products, thermal coal and coking coal (types 34 and 35), guarantee that Bogdanka will be not only the last mine to cease producing thermal coal, but also a possible place of work for those who will still wish to work on extracting coking coal. It is an enormous challenge to turn Bogdanka into a two-product mine but I am certain that the miners of the Lublin region will succeed and those ambitious plans will be fully implemented.



**Artur Soboń,**  
Secretary of State in the Ministry of State Assets and Government Plenipotentiary for Transformation of Energy Companies and Hard Coal Mining



### Part of Position Statement 3 of the Regional Social Dialogue Council of the Lublin Province of 11 February 2021 concerning the Just Transition Fund<sup>7</sup>:

In 2019, the European Green Deal program was adopted, the aim of which is to create a zero-emission economy, and which should result in transformation of the energy sector in the first place. (...) Under the climate policy of the European Union, we will have to enter an entirely new stage of economic development, which is based on renewable energy. The age of coal is becoming history. We need to get prepared for this. Without creating alternative development models and without ensuring long-term financing for adopted solutions, a part of the Lublin Province will face a risk of devastating collapse. (...) To make this transition feasible and socially acceptable, we have to start both media and expert consultations and discussions with all the stakeholders involved in the process of change with a focus on:

- » implementing green and just transition for the LW Bogdanka's area of operation and employees;
- » diagnosing the threats and adverse impacts of those changes and preparing effective solutions to prevent those trends, with a particular focus on the effects of transition to be faced by all companies whose business is connected with the use of hard coal or its products;
- » developing and promoting alternative development scenarios for LW Bogdanka's beneficiaries;
- » mine reclamation;
- » restoring equilibrium in the ecosystem and improving the environment around LW Bogdanka;
- » providing information on health, environment, image and development-related outcomes of existence of LW Bogdanka;
- » identifying sources of multi-year financing for the transition process using financial instruments that will protect participants of the transition process from taking on debt. Debt instruments, like dedicated loans, will not resolve any of these problems – on the contrary, they will reinforce adverse trends tormenting the Lublin region.

<sup>6</sup> From: Andrzej Ceglarz, *Zmiany klimatu, energia i środowisko. Polska Polityka Energetyczna (Change of Climate, Energy and Environment. Poland's Energy Policy)*, Friedrich Ebert Stiftung, December 2020: <http://library.fes.de/pdf-files/bueros/warschau/17099.pdf>

<sup>7</sup> [https://www.lubelskie.pl/file/2016/11/Stanowisko-Nr-3\\_2021-WRDS-WL.pdf](https://www.lubelskie.pl/file/2016/11/Stanowisko-Nr-3_2021-WRDS-WL.pdf)



The firmness showed by the Trade Unions and Management Board of Bogdanka during plenary discussions ensured that our Company did not join the Social Agreement unconditionally. One of the provisions says that the Agreement will become binding on us when we accede to the Support Program, which means when we can no longer face the challenges and a decision to liquidate our Company becomes inevitable. Only then will the employee assistance mechanisms covered by the Agreement come into force and, probably, our region be able to use assistance from the Just Transition Fund. According to the assumptions, the entire European Union is to cease using thermal coal by 2050. However, this not necessarily means the end of our Company. In line with the strategy, Bogdanka is to reduce, step by step, the production of thermal coal and to increase the share of coking coal, which is considered a strategic commodity throughout the world at present. However, this transition will take a long time. And in order to improve the social security of our employee in this transition period, we are working on our own system of employment guarantees, irrespective of that Social Agreement. We are also convinced that in agreement with regional authorities and organizations of employers and employees we should start searching, right now, for jobs for those

who can move from mines and mining-related companies to other sectors. And when Bogdanka becomes the leader of change in our region, it will attract local businesses from multiple sectors, and coal will only be one of the products of our Company.



**Grzegorz Jadwiżuk,**  
Leader of the Polish Miners' Union  
in LW Bogdanka

The activities of LW Bogdanka in the region are not limited to coal extraction. They also include various investment projects and assistance to make the region more appealing to tourists, such as projects that cover water reservoirs, an educational path or cultural events. These are also interesting concepts to revitalize post-mining areas – submitted by our stakeholders, participants in social dialogue, during mining stockpile reclamation workshops – such as the idea to build a ski slope. As one of the largest employers in the Lublin province, we strive to ensure high quality education in the region. We also initiate activities to support sustainable agriculture.





Climate protection is a top priority for the Lublin Province, therefore we want to participate proactively in the energy transition process and in preparation of the Just Transition Plan for the region. A key challenge under the Plan is to create economic alternatives and to progressively transform the operations of LW Bogdanka. Of course, new profiles and specialties will have to be created to implement mechanisms that will ensure smooth transition from coal to a different model, which will ensure both economic growth and stable energy supplies in the region. A reasonable and feasible transition process and support from the Just Transition Fund enable us to build a non-mining future of Bogdanka, on the one hand, and, on the other, should be a development opportunity for the entire Lublin region and its inhabitants. Recent research shows that the transition will affect nearly 100 entities in the Lublin Province and 9,000 persons with a connection, whether direct or indirect, to the mining sector. Therefore, we assume that the diversification of operations of LW Bogdanka and its entry into prospective segments of the power and manufacturing sectors will make it possible to implement a controlled and constructive transformation of this mining region without harm and an adverse impact on the local economic and social situation and the economic standing of the region as a whole.



**Jarosław Stawiarski,**  
Marshall of the Lublin Province



# 2.2

## LW Bogdanka Group

GRI 102-1 | GRI 102-2  
GRI 103-1 | GRI 103-2 | GRI 103-3

aspect: Financial results

Lubelski Węgiel Bogdanka S.A. is a leader among Poland's hard coal producers. It mainly carries on mining operations that include extraction, agglomeration and sale of hard coal.

In 2020, Bogdanka produced 7.6 million tonnes of commercial coal. In terms of sales, its share in the thermal coal market was 19.7%, and 25.3% in the professional power sector.

It delivers its output predominantly to industrial customers. Supplies are delivered based on long-term agreements with the sales made to commercial and industrial power sectors. As much as 84% of our sales generated throughout the year were within Enea Group, i.a. to Enea Wytwarzanie Sp. z o.o. and Enea Elektrownia Połaniec S.A.

Since October 2015, Bogdanka has been part of Enea Group, the second leading producer of electrical energy in the Polish power market, which manages a full value chain on the electrical energy market – from petrol, through production, distribution and sale of electrical energy, to customer service.

Its key advantages are technologically advanced extraction systems and excavation effectiveness above the sector average.

GRI 102-1 GRI 102-3 GRI 102-4 GRI 102-5  
GRI 102-6

Lubelski Węgiel Bogdanka S.A. is a public limited company, listed on the Warsaw Stock Exchange since June 2009. It operates in the so called Lublin Coal Basin. Its registered office is in the commune of Puchaczów, Łęczna county, Lublin province.

The LW Bogdanka Group also includes:

<b>88.7%</b> share	<b>Łęczyńska Energetyka Sp. z o.o.</b> Heat production; refurbishment, maintenance and assembly of power generation equipment; production of drinking and industrial water (LW Bogdanka's share: 88.7%).
<b>100%</b> share	<b>EkoTrans Bogdanka Sp. z o.o.</b> Comprehensive organization of the process used to transport and recover spoil from coal shale washing and cleaning; reclamation services (LW Bogdanka's share: 100%)
<b>100%</b> share	<b>RG Bogdanka Sp. z o.o.</b> Services, deliveries and mining works for LW Bogdanka (LW Bogdanka's share: 100%).
<b>100%</b> share	<b>MR Bogdanka Sp. z o.o.</b> Repairs, regeneration and production of steel structures; services for LW Bogdanka (LW Bogdanka's share: 100%).

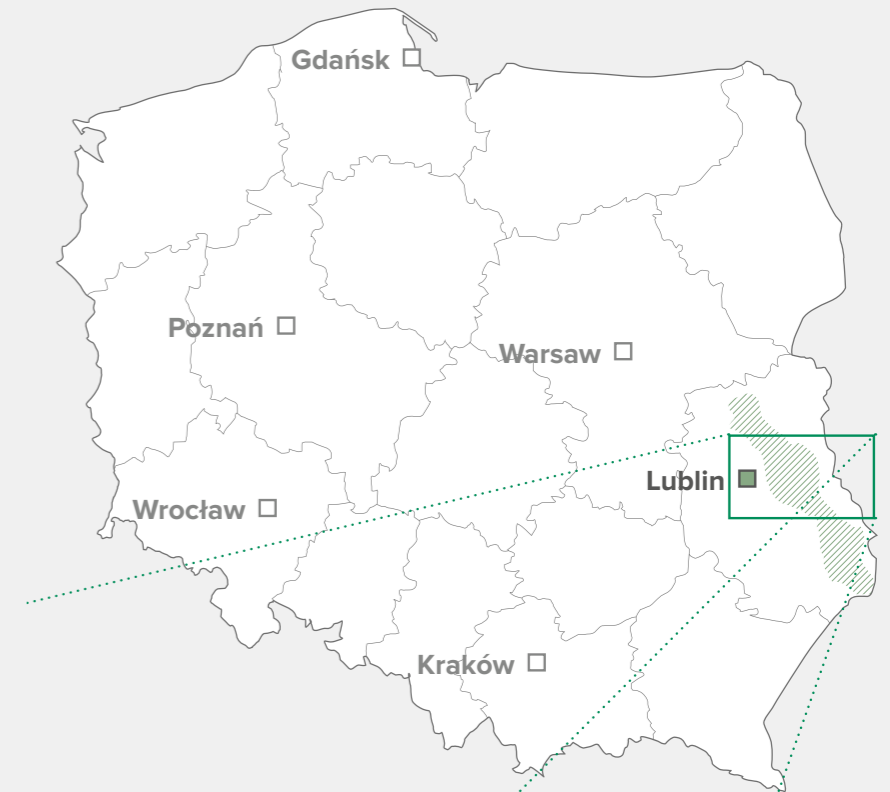
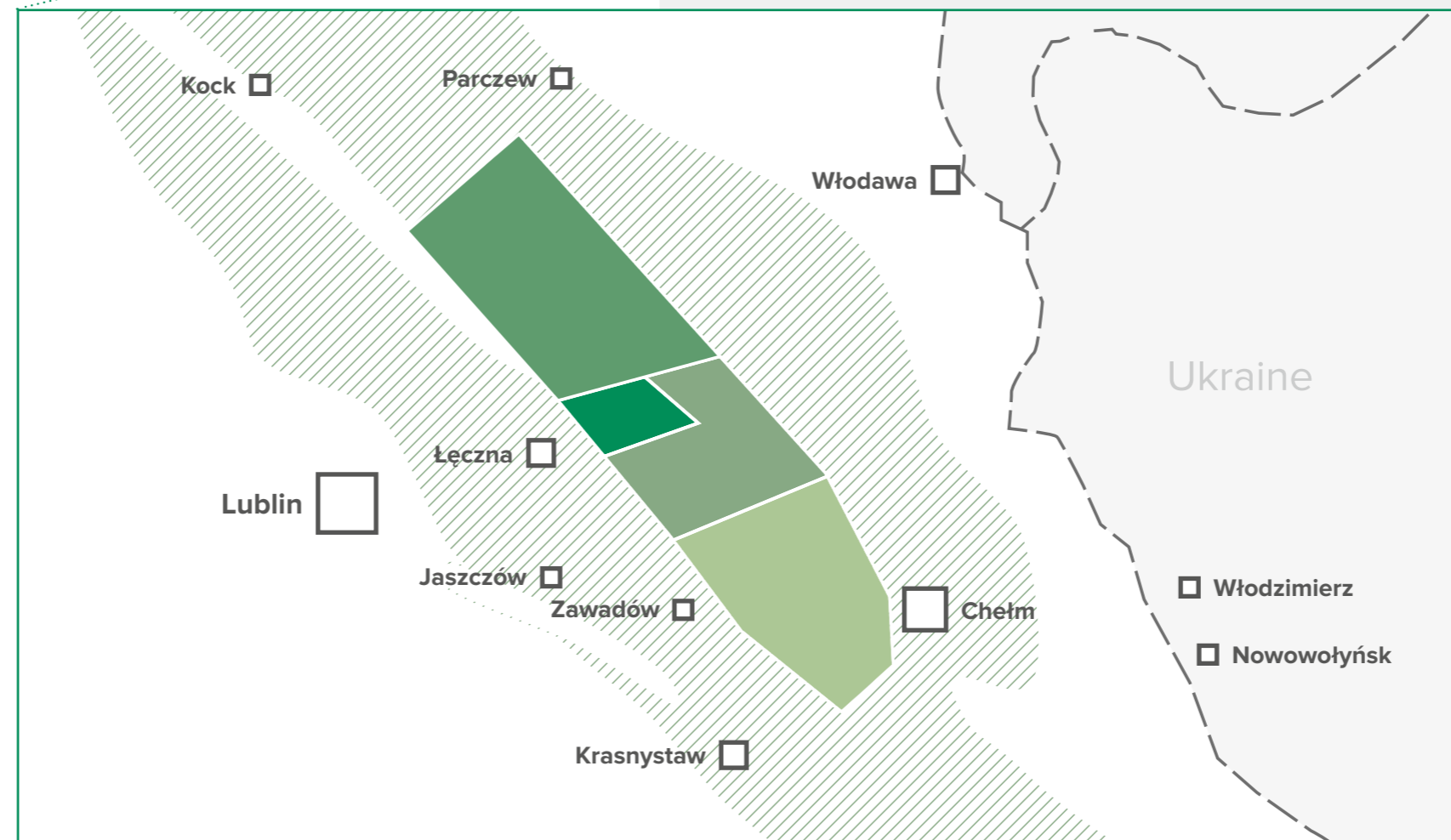
GRI 102

LW Bogdanka runs its operations in Poland. The main source of the Company's revenues is the production and sale of thermal coal, which is mostly used to produce electricity, heat and cement. The mining activities of LW Bogdanka in the area of hard coal extraction are carried out in accordance with the Geological and Mining Law.

Since 2015, LW Bogdanka S.A. has been the so called **Extraction Area in Enea Group**. The Bogdanka mine is the largest supplier of coal to Enea's power plants.

The Company holds four mining licenses for extraction of hard coal from the following deposits:

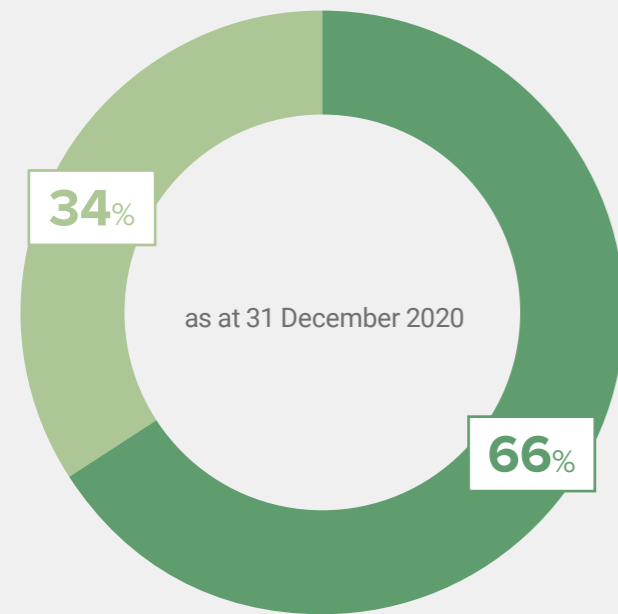
- » Bogdanka (Puchaczów V)
- » Stręczyn, K-3
- » Ostrów
- » K-6, K-7





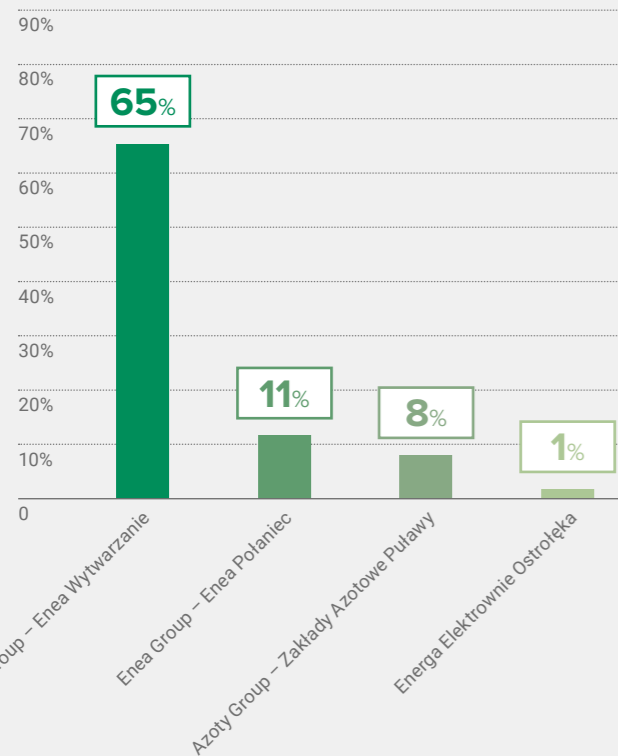
## Shareholders

GRI 102-5



■ Enea Group  
■ Other

## Key customers (by sale)



## Bogdanka Group – key consolidated data for 2020

GRI 201-1 GRI 102-7

as at 31 December 2020

5,682	Employees
1	Types of operations
PLN 1,822,112,000	Net revenue on sales
PLN 96.7 million	Profit on sales
PLN 95.2 million	EBIT
PLN 466.2 million	EBITDA
PLN 73.0 million	Net profit
PLN 4,375,263,000	Total assets
Equity and liabilities:	
PLN 1,075,436,000	Liabilities (debt)
PLN 3,299,827,000	Equity
1	Types of products or services
11.9 million tonnes	Gross coal extraction
7.6 million tonnes	Production of commercial coal
64.0%	Yield
7.7 million tonnes	Sales of commercial coal
25.7 km	New workings

GRI 102-10

In 2020, there were no significant changes in the size, structure, ownership or value chain in LW Bogdanka.

## Management structure

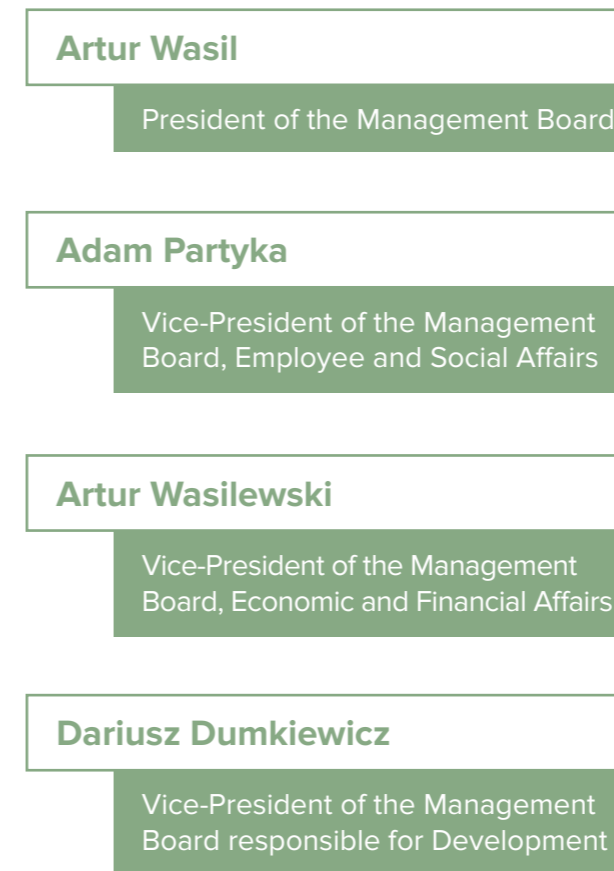
GRI 102-18

The governing bodies include the Management Board and the Supervisory Board.

### Management Board

The Management Board of LW Bogdanka S.A. is responsible for the implementation of the Company's strategy and the management of its assets. It represents the Company towards third parties and before and out of court. Individual members are in charge of their respective areas of operations, and their work is led by the President of the Management Board.

### Composition of the Management Board



### Changes in the composition of the supervisory bodies

The Management Board of LW Bogdanka remained unchanged during 2020.

## Supervisory Board

The methods of operation of the Supervisory Board, including the procedure for convening its meetings, are defined in the Rules of Procedure of the Supervisory Board, adopted by the Supervisory Board.

The Board may appoint standing and temporary committees from among its members. The Audit Committee is a standing committee at the Supervisory Board.

### Composition of the Supervisory Board as at 30 December 2017

<b>Anna Chudek</b> Chairwoman of the Supervisory Board	Appointed for new term on 29 July 2020
<b>Marcin Jakubaszek</b> Deputy Chairman of the Supervisory Board	Appointed on 27 August 2020
<b>Szymon Jankowski</b> Secretary to the Supervisory Board	Appointed on new term on 29 July 2020
<b>Dariusz Batyra</b> Member of the Supervisory Board	Appointed on new term on 29 July 2020
<b>Krzysztof Gigol</b> Member of the Supervisory Board	Appointed on 27 August 2020
<b>Iwona Gołden</b> Member of the Supervisory Board	Appointed on 27 October 2020
<b>Bartosz Rożnawski</b> Member of the Supervisory Board	Appointed on new term on 29 July 2020
<b>Michał Stopyra</b> Member of the Supervisory Board	Appointed on new term on 29 July 2020
<b>Grzegorz Wróbel</b> Member of the Supervisory Board	Appointed on 1 October 2020

### Changes in the composition of the Supervisory Board

On 29 July 2020, the Annual Shareholders Meeting of LW Bogdanka passed a resolution to appoint the following Supervisory Board, for a new 3-year term: Izabela Antczak-Bogajczyk, Dariusz Batyra, Anna Chudek, Szymon Jankowski, Bartosz Rożnawski, and Michał Stopyra.

On 27 August 2020, the Extraordinary General Shareholders Meeting appointed Krzysztof Gigol and Marcin Jakubaszek as members of the Supervisory Board.

On 1 October 2020, the Minister of State Assets appointed Grzegorz Wróbel to the Supervisory Board.

On 14 October 2020, Izabela Antczak-Bogajczyk resigned from her position of a member of the Supervisory Board effective 25 October 2020.

On 27 October 2020, the Extraordinary General Shareholders Meeting appointed Iwona Golden as member of the Supervisory Board.

### Corporate governance

Since 2009, LW Bogdanka has been applying the Code of Best Practice for WSE Listed Companies. The Code is the collection of corporate governance principles and rules of conduct that affect the management of relationships between listed companies and their market environment.

GRI 419-1

In 2020, no fines or non-monetary sanctions was imposed on the Company for failure to ensure compliance with social, economic or environmental laws or regulations.

### Integrated Management System

LW Bogdanka has in place an Integrated Management System that is composed of a Quality Management System, an Environment Management System and an Occupational Health and Safety Management System and is based on the following standards: ISO 9001:2015, ISO 14001:2015, PN-N-18001:2004 The most recent recertification audit was carried out in May 2018.

The Company has implemented an Integrated Management System Policy that defines its vision, mission and strategic objectives. The Policy also includes a declaration of the Management Board to respect the provisions of the Policy, which were prepared jointly with representatives of the employees and top management of LW Bogdanka.



The Integrated Management System Document is available here: [https://www.lw.com.pl/\\_up\\_img/DOS/ZSZ2021.jpg](https://www.lw.com.pl/_up_img/DOS/ZSZ2021.jpg)

GRI 102-11

### Risk management

In order to ensure security of the Company's operations and effective decision making focused on the maximization of profits at an acceptable level of risk, LW Bogdanka has in place a risk management system. LW Bogdanka uses the Integrated System of Enterprise Risk Management (ERM) of Enea Group. Its key objectives are to ensure the effective and efficient control, identification and elimination of potential risks, the security of the mine's operations, and the effectiveness of decisions aimed at maximization of profits at an acceptable risk level.

The Enterprise Risk Management (ERM) Integrated System operates on the basis of the following documents:

- » Corporate Risk Management Policy of Enea Group
- » Corporate Risk Management Methodology of ENEA Group – ERM procedures
- » LW Bogdanka Group Risk Register
- » LW Bogdanka Group Risk Map
- » List of key and material risks of the LW Bogdanka Group
- » Programs used to mitigate key risks at the Parent Company

The risk management system involves participation of the Supervisory Board, the Management Board, the Audit Committee, managers of organisational units (risk owners), and the Risk Management Department. The system is subject to regular assessments and updates based on current experiences and results with a view of keeping it in line with the Company's needs and evolving environment. Any Risks considered material are reported annually in published statements and reports on the Company's activities.

As a result of a risk inventory update, a risk associated with retaining and attracting employees for the Company was added to the area of operations in 2020.

### Risks identified by LW Bogdanka

GRI 102-15

Main risks to the Company by category:

 <p><b>Business environment and market</b></p>	<ul style="list-style-type: none"> <li>» Risk associated with the social and economic situation in Poland and the world</li> <li>» Risk associated with the economic policy of the State in relation to the hard coal mining sector</li> <li>» Risk associated with the levels of prices for raw materials for power production in Poland and the world</li> <li>» Risk associated with the specific nature of mining sector operations and the possibility of unforeseen events</li> <li>» Risk of restrictive EU climate policy also with respect to the CO2 emissions</li> <li>» Epidemic risks</li> <li>» Risk of temporary limitation of supplies to customers</li> </ul>
 <p><b>Operational risk</b></p>	<ul style="list-style-type: none"> <li>» Risk associated with the launch of extraction of new deposits at LW Bogdanka</li> <li>» Technical and technological risk</li> <li>» Risk associated with high costs of technologies used by LW Bogdanka</li> <li>» Risk of IT systems malfunctioning</li> <li>» Risk of difficulties in supplies performed through rail transport</li> <li>» Customer insolvency risk</li> <li>» Risk associated with the strong position of the trade unions</li> <li>» Key supplier risk</li> <li>» Risk of price fixing by the suppliers</li> <li>» Risk associated with retaining and attracting employees for the Company</li> </ul>
 <p><b>Legal and financial risks</b></p>	<ul style="list-style-type: none"> <li>» Insurance risk</li> </ul>
 <p><b>Environmental risk</b></p>	<ul style="list-style-type: none"> <li>» Risk associated with reclamation and mining damage</li> <li>» Risk associated with tightening of standards and regulations of law with respect to environmental protection and the obligation to obtain permits for the economic use of the environment</li> <li>» Risk associated with management of waste generated after extension of the mining area</li> <li>» Investment risks associated with the presence of protected areas.</li> </ul>
 <p><b>Legal risk</b></p>	<ul style="list-style-type: none"> <li>» Risk of change to tax laws</li> <li>» Risk of real estate tax on mining excavations of LW BOGDANKA</li> <li>» Risk of a change in the law and its interpretation and application</li> <li>» Risk of violating the stock exchange disclosure requirements</li> </ul>

# 2.3

## Sustainable supply chain

The main activities of LW Bogdanka include extraction, processing and sale of hard coal. The mine mostly supplies coal as raw material for other industries, as power, cement or chemical sector. This means that the mine is situated at the very beginning of the supply chain.

The core production, i.e. coal extraction and processing, is coupled with operations carried out by subsidiaries of LW Bogdanka. Such tasks comprise heat production, water treatment and supply, sewage collection or transport services.

Of the supplies purchased for the mine, electricity is the key input as it is required to ensure correct operation of underground equipment, water removal pumps and air conditioning systems. It is also important to ensure supplies of special products and services used in the mining sector for drilling and reconstruction of workings, transportation of output, delivery of support systems for longwall galleries and mining machines and equipment.

### Effective responsibility management in the supply chain

GRI 102-9 | GRI 103-1

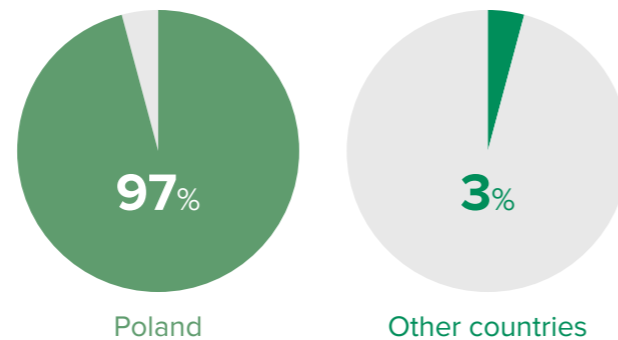
aspect: Procurement practices and social and environmental assessment of suppliers

LW Bogdanka Group cooperates with more than 2000 suppliers and, by this, supports business development in the region. By regulating the rules of cooperation with suppliers, the Company affects not only its own activities, but also the functioning of many other businesses.

GRI 204-1

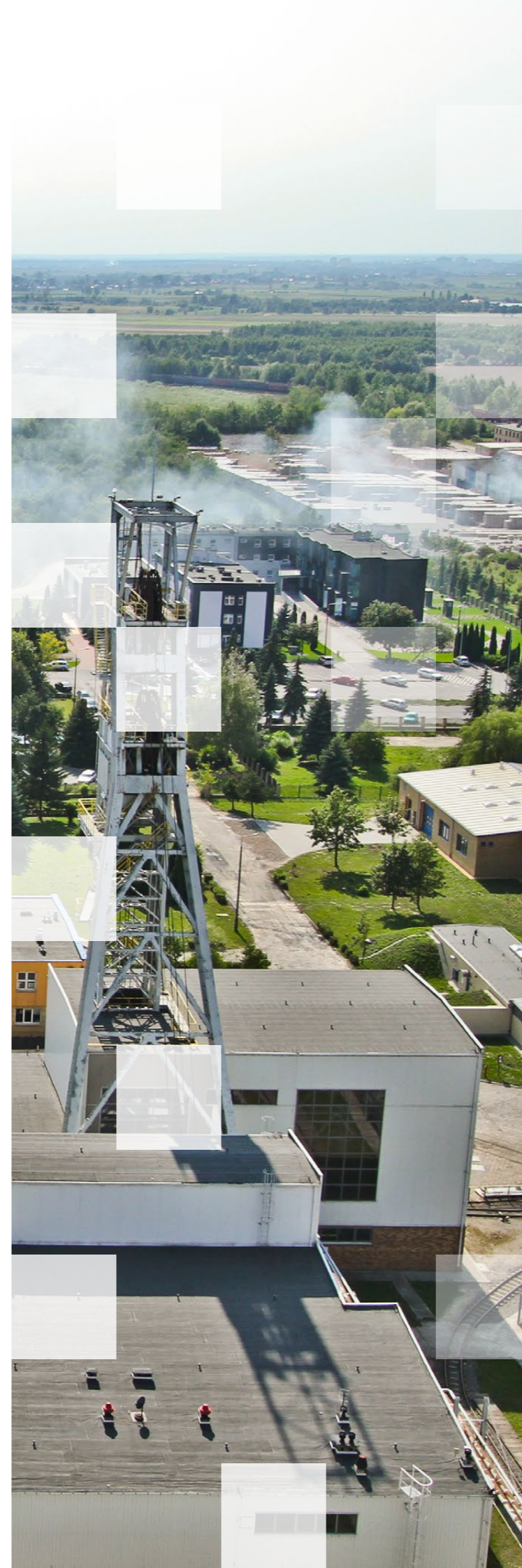


### Geographical structure of suppliers



### Our suppliers

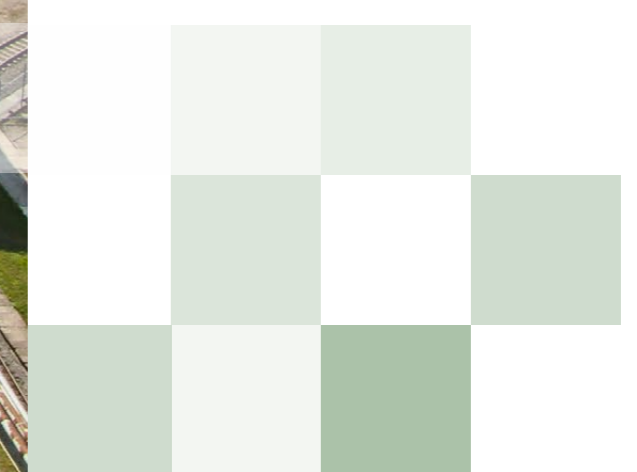
The core activity of Bogdanka, which is the extraction and sale of hard coal, is accompanied by other tasks carried out by its subsidiaries. Such tasks comprise heat production, water treatment and supply, sewage collection or transport services. From the perspective of the mine's supply chain, it is of key importance to purchase materials such as electricity, whose fixed and stable supplies guarantee the operation of heavy equipment underground, drainage pumps and air conditioning systems.



We have been performing mining works for LW Bogdanka since 2013. We have gradually expanded the scope of our services, while focusing on execution of special mining works. The development direction we have taken is a response to the Group's needs, and ensures stable functioning and the leader's position in the local market of mining services, which translates into professional development of our employees and a possibility to keep improving their working conditions. Our company will continue to provide top quality services and successively develop its machines and equipment. In addition, while following the example of the best actors, we want to enhance employee benefits, in accordance with the principles of sustainable growth and to improve the wellbeing of our employees.



**Marcin Kuryło,**  
President of the Management Board of RG Bogdanka



GRI 103-2 | GRI 103-3

aspect: Procurement practices and social and environmental assessment of suppliers

Since 2014, bidders wishing to cooperate with the Company must submit statements of compliance with the rules of ethics, human rights, environment protection and labour law (including health and safety).

Since 2015, Supplier Code of Conduct has been applicable at LW Bogdanka. It regulates issues associated with observance of law, including respect for human rights, elimination of discrimination, workplace relations, occupational health and safety and environment protection.

Any contracts entered into by LW Bogdanka with its suppliers contain a variety of relevant provisions, including consent to audits conducted by or on behalf of LW Bogdanka.

**General Terms of Supply Contracts**

The General Terms of Supply Contracts were implemented on 20 January 2020. In its procurement policy, and in its supplier assessment, the Company takes into account both environmental aspects and respect for human rights. Any supplier that wants to cooperate with LW Bogdanka must include appropriate statements related to those aspects in its form submitted in the course of tender procedure.

GRI 308-1 | GRI 414-1

In 2020, statements relating to social and environmental issues were submitted in all tender procedures (except for low-amount procedures carried out without tender where such statements are not required). Suppliers which started their cooperation with the Company in 2020 were not subject to any additional environmental or social assessment.

Any subcontractors working in facilities of LW Bogdanka are expected to ensure that their employees comply with LW Bogdanka's Code of Ethics. They are also required to inform LW Bogdanka of any possible infringement of the Code. Our subcontractors must also comply with the Supplier Code of Conduct of LW Bogdanka.

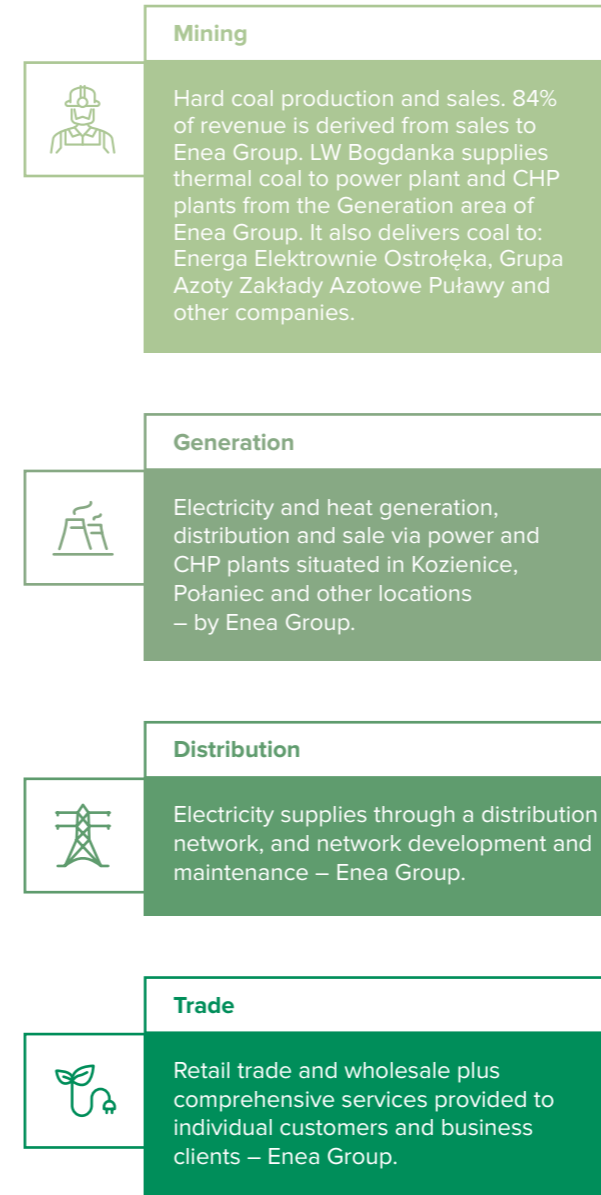


**Supplier Code of Conduct of LW Bogdanka**

LW Bogdanka endeavors to observe the highest standards of any applicable laws, employment standards and the principles of protection of the natural environment, both in its statutory activities and towards its business partners. We adhere to generally accepted principles and values and we expect our business partners will do the same. Therefore, in August 2015, we created our Supplier Code of Conduct, which formalizes our rules of cooperation with partners that cover both ethics and sustainable growth strategy. The Code defines our primary requirements that ensure compliance with the standards and expectations of our Company. We expect that our suppliers will operate in accordance with the law and the principles of ethics in such areas as legal compliance, human rights, child labour and forced labour, discrimination, workplace relations, time of work, occupational health and safety, environment protection, supply chain, product safety, conduct in business environment, invitations and gifts, free competition, trust and data protection or money laundering.

**LW Bogdanka in the value chain of Enea Group**

After LW Bogdanka was included in Enea Group, the mine became the first strategic link in the value chain of Enea Group. In addition, this has ensured stable and secure supplies.



As one of the main pillars of the economy of the Lublin province, Bogdanka carries out a responsible procurement policy. This pandemic has affected not only us, but also many other businesses. We are aware that our business and strategic decisions exert a significant impact on the operations of smaller companies and our vendors. As a responsible business partner, we take into account environmental and social aspects. The Company has a very strong position in the region, however as we want to be a responsible partner and stable employer we must not forget the various challenges Bogdanka will face in the near future. Therefore, we have to look into the future with an even greater focus on the optimization of our operating and business processes, taking into account changes progressing in the sector, environmental requirements and incessantly evolving market conditions.



**Artur Wasilewski,**  
Vice-President of the Management Board for Economic and Financial Affairs





# 3 Tomorrow's Mine

## 3.1

### Efficient and innovative business

We are the most advanced and most effective mine in Poland and one of the most effective in Europe. Bogdanka has one of the lowest unit cost of coal extraction. As the thermal coal market in Poland shrinks, the Company has to continually increase its efficiency and search for and implement innovative solutions.

#### Smart mine

In the second half of 2020, Bogdanka started the exploitation of a longwall with a record-breaking seven-kilometre-long face. Excavations in this longwall were preceded by preparations, for several years, which included both making galleries and developing digital tools. As a result, a wall was created that is the first 'smart' wall in the Polish hard coal mining industry and also the first case of such a comprehensive use of digital tools, including the Internet of Things (IoT).

The average daily output of the wall may be as high as 20,000 tonnes, but the capacity of the wall complex should allow the Company to dig, at certain stages of exploitation, even 30,000 tonnes per day.

As one of the most advanced and most efficient mines, LW Bogdanka gladly accepts certain obligations. Research and development are a fixed part of our activities and schedules. They enable us to maintain a high average efficiency and to mitigate risks faced by mines in our times.

In 2020, the following capital expenditure and research & development projects were carried out by Bogdanka Group:


- 1 Independent bolted support.
- 2 Project to design and implement a rock mass monitoring system based on photonic technology.
- 3 Identification of new coking coal deposits in the Lublin Coal Basin.
- 4 Production of components for renewable energy installations and recycling of photovoltaic waste.
- 5 Utilization of unmanned aerial systems (UAS) in interdisciplinary strategic development of companies.



In the course of research and development activities, we always try to maximize the positive social impact of our organization. In 2020, we completed internal activities to improve our productivity. The implementation of those projects has been indirectly beneficial to both local and national economy, and has also contributed to social development. Our activities and their outcomes include:

- 1 Construction of a generator of binary ice for the central air conditioning system in the Stefanów Field – the project is environmentally neutral, has created new jobs (system maintenance personnel) and has introduced a new technology in the market.
- 2 Unmanned conveyors of coal in the Stefanów Field and construction of the control room above the ground – new jobs for persons with a disability acquired as a result of a workplace accident at LW Bogdanka.
- 3 Construction of a photovoltaic farm – new jobs, environment protection.

 **PLN 606.7 million**  
In 2020, LW Bogdanka Group's capital expenditures totaled.

 **PLN 285.3 million**  
The largest portion was used to develop new and upgraded existing excavations



## Industry 4.0

### *IIoT – Industrial Internet of Things*

LW Bogdanka believes that Artificial Intelligence is a great opportunity for improvements in the areas of equipment failure predicting and equipment maintenance. It is already used for analysis of data that used to be difficult to interpret. Today, the volume of information being processed is enormous and a human being's capabilities to see and properly interpret relevant signals sent by machines and equipment are limited. And this is where Artificial Intelligence can enter to help.

Bogdanka has started and will continue various projects related to applications of Artificial Intelligence. One of those projects is to improve effective working time by reducing both the number of machinery failures and the time needed to fix them. It has been assumed that data we gather from machinery and equipment will be further collected and analyzed by Artificial Intelligence solutions, and in particular by machine learning. Historical data provided by machinery, data received from its manufacturers and data from other companies that use comparable solutions throughout the world will be processed by Artificial Intelligence algorithms to identify components that should be replaced before they break down leading to production downtime. Those algorithms will also show the volume of spare parts available in the market; when they should be procured; the stock levels; and which parts the Company has in its warehouse and which are kept by its supplier.

Before this project is implemented, the problem of possibility to collect data from machinery needs to be resolved by adding appropriate provisions to relevant contracts. It must also be ensured that such data will be processed on servers located in the European Union, in accordance with the General Data Protection Regulation (GDPR). This issue requires safeguards to prevent data leaks. Another important aspect is the need to use appropriate cyber security mechanisms (required certificates, audits) – to become a trusted business partner. There are also some

technological aspects that should be applied, including standardization of communication protocols in the OT area and appropriate measurements of machinery. Relevant organizational solutions will also be necessary: acquisition of appropriate competences in the organization and creation of dedicated positions to ensure correct information-based decision making. However, the most demanding challenge in the area of application of Artificial Intelligence is to trust an AI system and to follow its guidelines, for example immediate responding to messages prompting operators to carry out some maintenance, check or replacement.

### Cooperation with KGHM-LWB-JSW

Bogdanka cooperates with JSW S.A. and KGHM S.A. by exchanging technical and technological experience. During joint technology & training trips for miners, discussions covered, among other things, lessons concerning the use of independent bolted support, mechanical support, explosive storage, overhead individual transportation systems, wireless communication systems and security systems, for example solutions for personnel location underground or IT/OT solutions.

### Binary ice generator

In the Stefanów extraction area, preparatory workings were drilled. Their target length was about 7250 metres. These are the longest gate road workings in the history of Bogdanka. The drilling started in the end of 2016. Ultimately, they are to enable excavation from seam 385(391) in field VIII in the Stefanów area. In order to enable production, such a large seam will require an additional amount of cooling agent for the existing central air conditioning system of the mine. An additional obstacle is the faces of longwalls, running for more than 7 kilometres. In order to improve the conditions of work, productivity of machinery and the general functioning of the Stefanów field, the company decided to resolve the problem of transport of additional cooling power via the existing or a new air conditioning system. However, to increase the output of the air conditioning system

that uses ice water by way of a significant enlargement of the ice water stream, not only the air conditioning station would have to be enhanced, but also the water pipelines, both vertical and horizontal, would have to be replaced with larger ones, and the three-chamber pipe feeder should be extended. As the central air conditioning system covers the entire Stefanów field, such a solution would require a temporary reduction or even suspension of coal production.

Necessity is the mother of invention. Engineers from the Bogdanka mine were aware of the challenges arising from the need to prepare longwalls which are over 7 kilometres long and pondered on various solutions connected with climate threats or efficiency of local air conditioning systems and propulsion cooling. Many different variants were analyzed, in consultation with the largest companies considered to be experts in the field. A concept was selected that assumed that the capacity of the air conditioning system used in the workings would be enhanced by using a mixture of ice suspension and ice water to cool the air, while keeping and using the existing pipelines and equipment. When making this decision, good market practices were followed, for example from South African mines, and opinions provided by research institutions were used, including the Krakow University of Technology, which has experience in using binary ice in small air conditioning installations.

In the existing air conditioning layout, ice water warms up on long faces to temperatures that make it impossible to keep the optimal operating parameters of the equipment, which, in turn, makes the cooling of the air in the mine less intense. At present, the temperature of the ice water approaching the three-chamber feeder is about 2°C and in the summer it can even reach 5°C. When binary ice (i.e. round and extra small ice crystals up to 1 millimetre in size, also called "ice porridge" or "water ice") is added to ice water, the temperature of that mixture of liquid and solid water will be between 0.5°C and 2°C for up to 5 kilometres from the three-chamber feeder.



The binary ice production technology was developed by an Israeli company. It built the binary ice generator and delivered it to Stefanów by sea and land.

The solution implemented by Bogdanka is the first of its sort that is used in the mining sector. Before it was developed, binary ice was never had never been used in such a large air conditioning system. In addition, this technology has been adapted to our existing central air conditioning infrastructure. In addition, there is no other system in this world that uses ice suspension and was designed from scratch. The greatest fear of both engineers at the mine and designers is how the three-chamber feeder will work with ice suspension. The feeder is designed to transport ice water and nobody has tested it with ice suspension. Therefore, the implementation of this technology is a genuine innovation because of its pioneering and breakthrough nature.

The generator will be started up and the installation tests will commence in June 2021. If the tests confirm the assumption, the new technology will help resolve temperature-related problems at other mining companies in Poland and throughout the world.

### Expansion of the fleet of drones

In 2020, LW Bogdanka analyzed various improvements that could be achieved by using unmanned aerial vehicles (also known as drones) in operating activities. After those analyses, it was decided to expand both company fleet of unmanned aircraft and the areas of its utilization. As a result, our fleet was enlarged by a Hydrodrone, a dedicated bathymetric platform (for measurements of water reservoir beds).

Because of an update of its strategy and the resulting concept of use of drones, LW Bogdanka started a special research project. This project is to identify the possible areas of utilization of drones by the Company on a larger scale using advanced measurement sensors.

## Renewable energy

In 2020, LW Bogdanka carried out a procedure and selected the provider of a feasibility study for construction of a photovoltaic farm on its land. The study covered the following activities:

- » Verify the demand for power and determine the recommended size of the planned system;
- » Propose the most favorable layouts for possible locations of the system in the light of the determined demand for power on the basis of available land resources of LW Bogdanka;
- » Recommend the type, number and optimal layout of photovoltaic panels, with rationale;
- » Verify the possible connection points and specify the method of connection to the existing grid;
- » Estimate the capital expenditures and calculate the profitability of the project (including the NPV ratio for particular stages);
- » Prepare a framework schedule (tasks & financing) that covers all the implementation stages, including activities to obtain necessary licenses and permits;
- » Recommend support to secure external financing.

After the analysis was complete and the feasibility study was accepted, the Management Board of LW Bogdanka agreed to start a procedure for implementation of the project to build a pilot photovoltaic system having a power of 3 MWp dedicated to supply electricity exclusively for the purposes of the Bogdanka field.

In the course of designing work, the Terms of Reference and a draft Implementation Agreement (agreed with external law firms) were prepared. In addition, preliminary arrangements were made with PGE Dystrybucja (grid operator) in connection with the activities necessary to connect the farm to the grid. The authorities of Puchaczów commune were consulted to agree the steps to issue the required permits.

License for prospecting for coking coal. Under its new strategy, the Company has been attempting to obtain a license for prospecting for and exploration of deposits in the Lublin Coal Basin.



There is no doubt that Bogdanka is different from other mines operated by Polish mining companies as regards deposit locations and natural risks, and those differences are our advantage over other companies operating in Poland. In a broader comparison versus mines throughout the world, those conditions are nothing special. However, our mine stands out because of achievements such as a record speed of drilling of workings in support or production output on ploughed walls. Thanks to the technology solutions we use, both those offered by the largest manufacturers of mining machinery in the world and those implemented as part of so called small mechanization, we are the most efficient hard coal mine in Europe.

And it is small mechanization that makes the biggest difference between our mine and the other mines in Poland, and those in other countries. In order to catch up, in terms of production and cost performance, with other mines that use independent bolted support, have deposits that are closer to the surface, thicker or with more favorable geomechanical parameters, we had to opt for solutions that would improve our efficiency.

The last technology leap was the introduction and development of ploughing technology and the associated adaptation of small mechanization solutions. Recently, solutions developed for ploughing technology have been adapted to cutter-loader technology. At present, as we have started to exploit longwalls that are over 7 kilometres long, some technical and organizational solutions have been implemented to optimize costs and efficiency. Activities were also initiated, and next are planned, to improve the costs and efficiency of mining works and, first of all, work safety.

How will all those innovations help? First, it should be noted that every change, whether to refine an existing solution or to design a new one, is aimed at implementing a component that will improve technology processes. We are also carrying out activities that can become a breakthrough innovation for our mine or bring

about meaningful organizational changes. The overriding goal of every change is to improve safety, while cost or efficiency improvement always goes second to that.

For us, a cost and efficiency improvement means already implemented or being implemented technical, technology and organizational solutions that enable us to raise the utilization rates for our longwall and face complexes. Our aim is to achieve the OEE rate in the range of 35-40% in two years. This will bring us closer to global benchmark levels, which will undoubtedly increase our advantage in Poland's market and expand the area of the so called geographic rent.



**Lukasz Herezy, PhD,**  
Director of Innovation





# 3.2

## Development strategy

### Value creation model

The organizational pillars of activities of LW Bogdanka are TRANSPARENCY and RESPONSIBLE MANAGEMENT. The model of value creation in the Company is based on an analysis of six capitals: financial, manufactured (operational), human, intellectual, social, and natural, and on their correlation with the strategic goals of the company. The goals and capitals intertwine, and their inseparable part is a constant dialogue with the stakeholders: shareholders, customers, employees of the Company, and the local community.

### Financial capital

Financial capital is the pool of funds that the Company can use to run its business activities, including receivables, equity, subsidies (grants), investments, etc.

### Manufacturing (operating) capital

Manufacturing capital is the facilities an organization uses to produce coal. These include buildings, equipment, infrastructure (e.g. roads, sewage and water treatment plants).

### Intellectual capital

Intellectual capital consists of intangible assets, i.e. intellectual property, patents, copyrights, software, rights and licenses, procedures and protocols.

### Human capital

Human capital consists of the competences, skills and experience of employees, the methods used to manage the organization, including its approach to risk management, ethical values, and the organization's strategy in place.

### Social capital

Social capital encompasses shared norms, values and behaviours, as well as key relationships with stakeholders based on trust. It is also the desire to engage in the development of external stakeholders and striving to build lasting relationships with them.

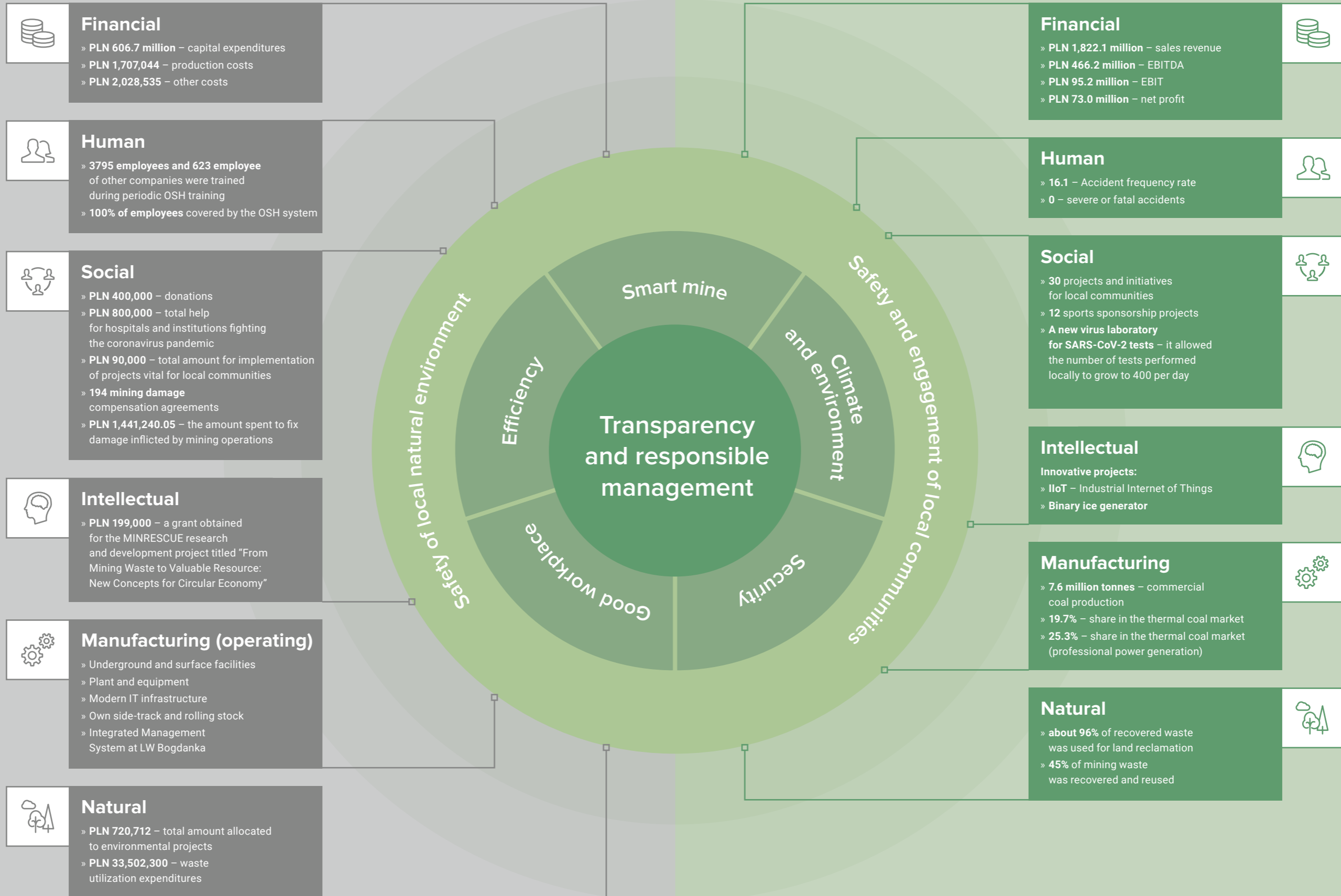
### Natural capital

Natural capital is all renewable and non-renewable environmental resources and processes that affect the present or future well-being of an organisation. It consists of, among other things, air, water, biodiversity, and ecosystem.



# Input

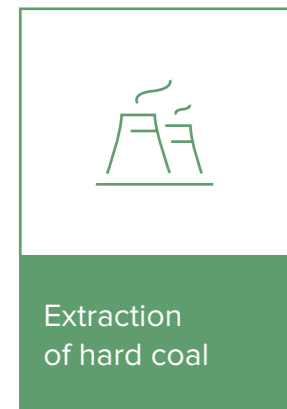
# Outcome



## Our business model

As part of Enea Group, LW Bogdanka is the first element of the Group's value chain. The mine extracts and sells hard coal. Our largest customer are members of Enea Group, which is also the majority shareholder of LW Bogdanka. Cooperation with key customers is based on long-term commercial agreements. The fact that our coal is delivered within our Group ensures stable and secure conditions for our business.

The future business model of the mine assumes it will become a bi-product company (producing both hard coal and coking coal) as the thermal coal market shrinks. Under the new development strategy, LW Bogdanka will gradually go beyond its core business and, as a result, it will not only maintain its position of one of the largest employers in the region, but it will also gain new business opportunities. According to forecasts, non-core revenues are to account for 30% of total revenues by 2040.



Extraction of hard coal



Extraction of coking coal

**+30%**



## New business strategy

The Development Strategy of the LW Bogdanka Mining Area of Enea Group until 2030 (under the 2040 framework) is a response to the challenges emerging in the market environment and presented by stakeholders.

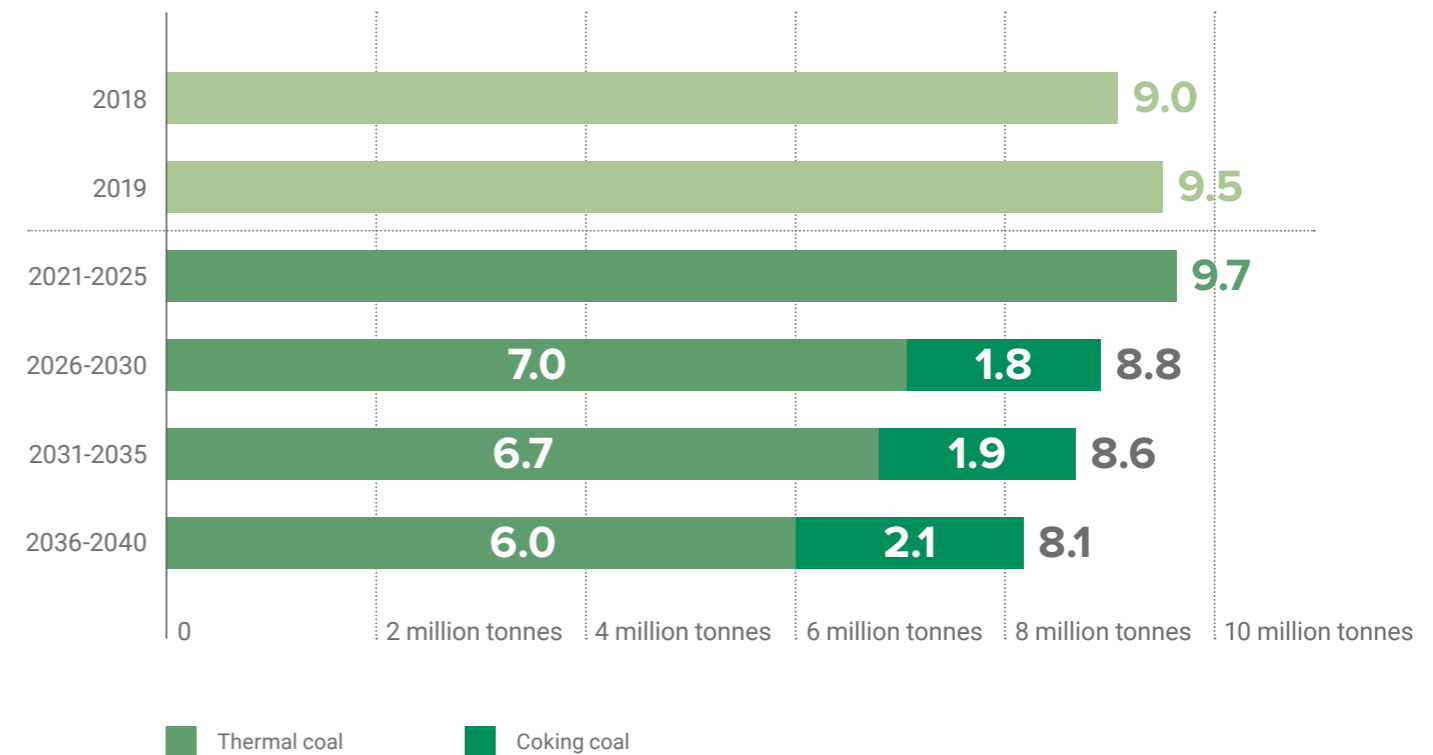
### Expectations and challenges are concentrated in the following areas:

- » Maintaining production capacity
- » Maintaining high company profitability ratios
- » Innovation
- » Business and social support for the region
- » Respect for environment
- » Secure jobs

### The key assumptions of the new strategy are continuation and transformation, which will cover:

- » Two products – selective coal extraction (type 34)
- » Diversification – increasing the areas of business activity
- » Identifying, recognizing and documenting new coal reserves (coking coal – type 35)

## Estimated annual production:



Under our new Strategy, capital expenditure for core business will amount to PLN 4.1 billion over 2021-2040, with total capital expenditure amounting to PLN 8 billion. Average annual expenditure in 2021-2030 will amount to approx. PLN 470 million.



LW Bogdanka is aware of challenges of climate change and their impact on its operations and growth. This awareness is reflected in the new strategy, which is based on 5 pillars. Previous priorities, such as safety,

have obviously remained in place. Simultaneously, the strategy strongly emphasizes the need to implement innovation and new technologies.

**Strategic initiatives covered by the Development Strategy of the LW Bogdanka Mining Area of Enea Group until 2030 (under the 2040 framework):**

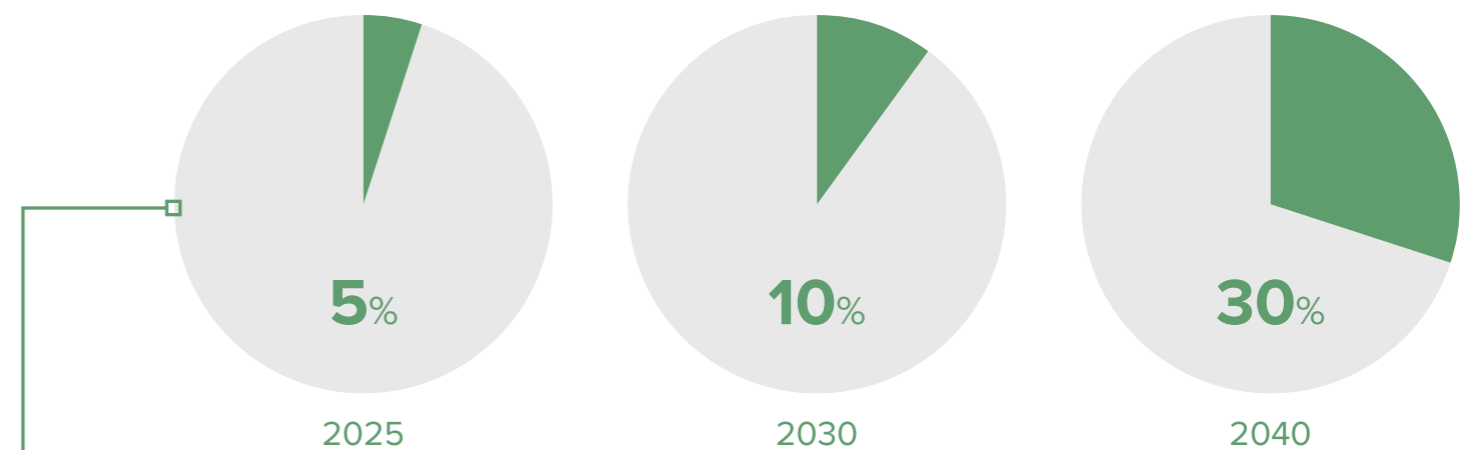


In the diversification area, the Strategy assumes a focus on development initiatives, which will represent key areas of business transformation. They include:

- Post mining areas development
- Circular economy
- Industrial water treatment
- Rail transportation
- Other ways of coal processing

- Residual heat utilisation
- Production of components for renewable energy sources and recycling
- Photovoltaic farm
- Unmanned aerial vehicles

The new Strategy assumes that revenues of the Company from non-core business will be continually on the rise, gaining a higher share in total revenues year to year. In consecutive years, they are estimated to account for:





The situation is leaving us no choice but to push Bogdanka in new directions. By our actions, we want to prove that we care of jobs. However, transformation is a long-lasting process and we have been implementing it in a well-thought-of and rational manner in order to do our best to secure the Company's future.

Diversification of operations and entry into leading power and industrial sectors will let us implement a controlled transformation of our mining region in connection with the changes we face.

The Strategy was published in the end of last year and is in line with the draft of the local just transition plan prepared for the Lublin province, and reflects the government's restructuring strategy for the mining sector. These plans are fully supported by the Ministry of State Assets and the government. The Strategy is a response to the challenges presented in Poland's 2040 Energy Policy.

The Strategy assumes both continuation and transformation, which means that Bogdanka will be active as long as there is a demand for thermal coal. Another important factor is that we bet on a bi-product model. According to the Strategy, the planned annual production over 2026-2030 is approx. 8.8 million tonnes, on average, taking into account the commencement of production of coking coal (type 34). And it is worth mentioning that coking coal is on the European list of strategic commodities.

We assume that with selective coal extraction the Company will remain

the leader in terms of efficiency despite a declining demand for thermal coal in Poland.

Simultaneously, in the area of diversification, LW Bogdanka focuses on development initiatives which will constitute key areas of business transformation. Here, we assume a rising share of green projects (production of components for renewable energy generation, development of renewable energy sources) and projects to reclaim post-mining land.

Activities outside our core business will create new jobs. Some miners will gain an opportunity to switch to new jobs emerging in the Company.



**Dariusz Dumkiewicz,**  
Vice President of the Management Board for Development of LW Bogdanka

The update of the Strategy is well in line with Poland's energy policy until 2040. As it reflects the expected demand for thermal coal on the side of power and CHP plants from the Generation Area of Enea Group, it also represents the area strategy of Enea Group until 2030 (under the 2040 framework).

### Sustainable development strategy

The new development strategy includes sustainable development initiatives, which are important to any organization, but for a mining company they are simply crucial. Therefore, as soon as in 2012, a CSR analysis was carried out at Bogdanka that covered both key challenges of sustainable development in the global mining and specific conditions in Poland.

At present, the Company operates in accordance with its Corporate Social Responsibility Strategy for 2018-2021. It was prepared in dialogue with the Company's stakeholders, which covered a series of meetings in 3 locations, focused on 4 thematic areas.

### The sustainable development strategy of LW Bogdanka names four main directions of activities, which include measurable objectives:

#### Ensure the highest work safety level

1. Eliminate severe and fatal accidents
2. Decrease the frequency rate of accidents among LWB employees
3. Decrease the frequency rate of accidents among LWB employees
4. Take actions with a view to decreasing the number of accidents among subcontractors' employees
5. Maintain low level of occupational diseases
6. Eliminate non-compliance with any occupational health and safety procedures
7. Intensify inspections of compliance of documentation with OHS requirements

#### Limit the impact of operations on the safety of local natural environment

1. Protect local biodiversity and reclaim affected areas
2. Reduce consumption of raw materials, materials and energy in all processes in place at the Company
3. Support and/or initiate educational projects on sustainable development, biodiversity and environmental protection

#### Ensure safety and stimulate development of local community

1. Counter-measure the social effects of mining damage
2. Counter-measure negative social phenomena in the local environment
3. Take measures for the development of local community
4. Support education and development in the mining sector

#### Transparent and responsible management practices

1. Build unique competences and securing conditions for professional development of the employees
2. Prioritise ethics as a basis for the management culture
3. Create a culture of dialogue and openness at the workplace
4. Responsible sales practices
5. Support the development of social responsibility in the subsidiaries
6. Extend responsibility onto the supply chain with a view to managing the indirect impact on the environment
7. Highest quality management of corporate social responsibility and relations with the surrounding environment



# 4 Safest mine

## 4.1

### Work safety management

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

aspect: Health and safety

We are one of the safest mines in Poland. This has been achieved thanks to stringent procedures, advanced, and often very innovative, technological solutions and well-prepared personnel. However, we are not going to rest on our laurels. Care for safety has been added to the Development Strategy of LW Bogdanka until 2030 as one of its five pillars. We really want to be the safest mine in Poland.

Bogdanka Group is one of the largest employers in the Lublin region. As at the end of 2020, we had 5,682 employees. We do our best to take care of our employees and their safety. **Our accident frequency rate** has been declining year after year – from 21.4 (per 1000 persons) in 2018 to **16.1 in 2020**. We strive to ensure that our systems and procedures are watertight – to operate as preventive measures. In order to ensure work safety, we pay a lot of attention to prevention and education.

#### Safety above all

GRI 403-1

Occupational safety and health management is carried out at LW Bogdanka via an Integrated OSH Management System implemented under the standards ISO 9001:2015, ISO 14001:2015, PN-N-18001:2004 and OHSAS 18001:2007. The system covers all the employees of LW Bogdanka.

GRI 403-8

Workers covered by the occupational safety and health management system

Number of employees covered by the system	<b>4,907*</b>
Percentage of employees covered by the system	<b>100%</b>
Number of workers who are not employees but whose work and/or place of work is controlled by an organisation covered by the system	<b>2,964**</b>
Percentage of workers who are not employees but whose work and/or place of work is controlled by an organisation covered by the system	<b>100%</b>

\* LW Bogdanka employment data from a report produced by the HR system as at 31 December 2020.

\*\* Monthly report from third party companies.

GRI 403-3

It is the employer who is responsible for the safety and health of its employees and the organization of work stations in accordance with the work safety and health rules is a responsibility of employees' managers. Responsibility for health and safety of employees on every level of management is specified in respective descriptions of duties attached to personal files. The OSH tasks of particular units are defined in the Organizational Rules of the

Company. We ensure quality of work by checking work stations, analyzing occupational risk assessments, carrying out training and seminars and improving OSH management processes. Our employees also participate in work safety consultations and communication through their representatives, which are consulted to agree internal rules.

GRI 403-4

The OSH Commission is responsible for reviewing working conditions, carrying out periodical OSH assessments, giving opinions on measures taken by the employer to prevent accidents at work and occupational diseases, formulating recommendations regarding improvement of working conditions, and cooperating with the employer to ensure the performance of the employer's OSH duties. It is composed of representatives of the employer, including employees of the OSH function and an occupational medicine doctor, as well as representatives of employees, including a Voluntary Work Inspector. The Commission meets at least once a quarter.

### Occupational risk management

An occupational risk assessment sheet is prepared for each work station. It presents all work-related hazards. In addition, workplace hazards are described in the Safety Document, instructions and work performance technology manuals.

The most important risk identified by our Company in the OSH area is the risk of workplace accident (fatal, severe or collective accident). This risk is connected with the risk of failure to ensure appropriate safety level at work, leading to an increased hazard to health during work and a possible development of occupational diseases among the personnel.

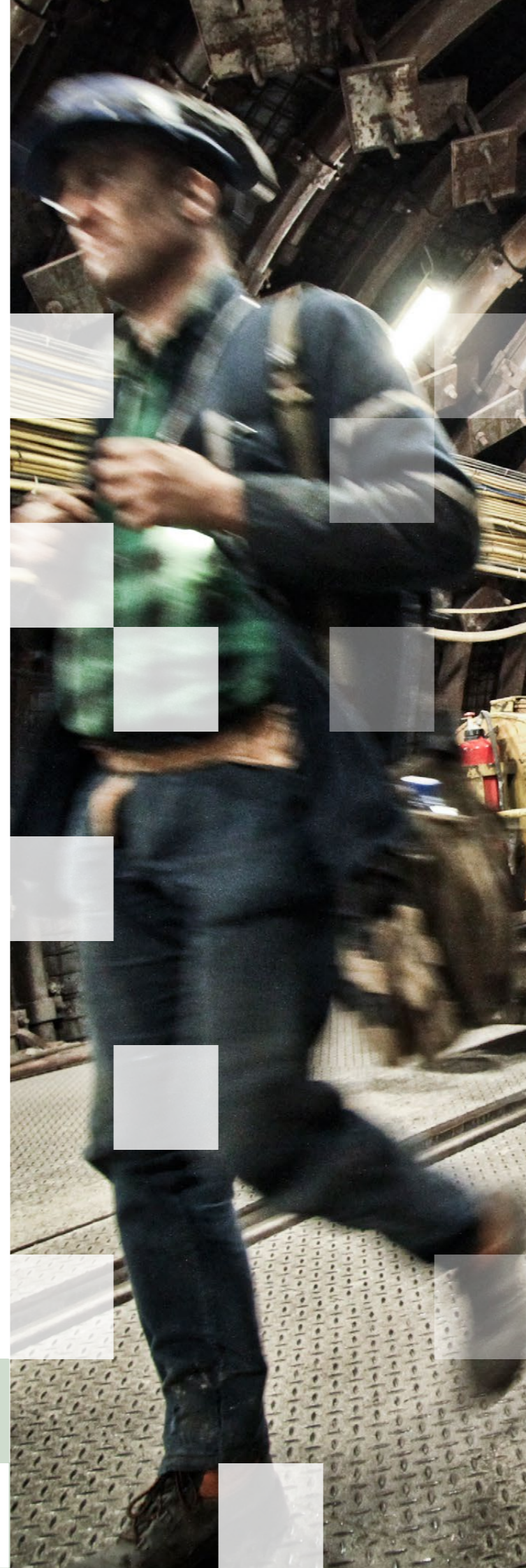
In order to prevent the above risk from materializing, we carry out extensive work station inspections to verify if appropriate working conditions are ensured. We conduct awareness-raising conversations that cover the safe methods of work and possible liability in the case of a workplace accident, failure or near miss situation. Such inspections are focused on employees' compliance with occupational safety regulations, tests of employees' knowledge, assignment of employees only in accordance with their qualifications and authorizations, the appropriate selection of collective and personal protective equipment and fulfilment of applicable requirements arising from applicable occupational safety laws.

### Priority: reduce the number of accidents

Our organization has adopted as one of its OSH priorities reduction in the number of workplace accidents, in particular those occurring during movements through underground workings. A particular focus is on raising the standards related to personal protective equipment, improving communication with personnel and enhancing access to documents that are required at work stations.



In 2020, no severe accident occurred at the Company.



GRI 403-9

### Number of accidents among employees of LW Bogdanka in 2020

Number of all reported employee accidents*	79
of which fatal accidents	0
of which severe accidents	0
of which minor accidents	79
Number of all reported employee accidents*	80
of which fatal accidents	0
of which severe accidents	0
of which minor accidents	80

\* As at 31 December 2020

Notes: A fatal workplace accident is an accident resulting in death within 6 months of its occurrence. A severe workplace accident is an accident that leads to inability to work lasting more than 28 days or an accident leading to injury such as loss of hearing, speech, reproductive ability or a different bodily injury or health disorder which impairs any primary functions of an organism, as well as an incurable or life threatening illness, a permanent mental illness, total or partial inability to work or permanent, severe disfigurement or deformation of the body. A minor accident is an accident resulting in inability to work lasting less than 28 days.



The most frequent causes of employee accidents include tripping, slipping and falling when walking; falling, rolling or sliding objects; or materials and hitting other objects. Among the subcontractors, the most

frequent causes of accidents include tripping, slipping and falling when walking and falling, rolling or sliding objects or materials.

Number of accidents among employees in 2020

	LW Bogdanka	Łęczyńska Energetyka	RG Bogdanka
Employees			
Accident frequency rate*	10.28	0	12.44
Accident severity rate**	1.02	0	1.44
Subcontractors			
Accident frequency rate*	18.73	No data	No data
Accident severity rate**	1.73	No data	No data

\* The accident frequency rate was calculated using the following formula: number of workplace accidents x 1,000,000 / total number of the at-risk hours worked. 2. Total number of at-risk hours, including overtime hours, worked by employees employed under employment contracts for a definite and indefinite period of time.

\*\* The accident severity rate was calculated using the following formula: number of illness absence man-days caused by workplace accidents x 1,000 / total number of the at-risk hours worked. 2. Total number of at-risk hours, including overtime hours, worked by employees employed under employment contracts for a definite and indefinite period of time. 3. Hours worked include overtime hours not used as free time, hours spent for training during working time and hours spent on business trips. Hours worked do not include hours spent for training out of working time or under employment contracts based on an alternate work system (contracts of employment to train in a trade and contracts of employment connected with professional training), absence due to illness or accident at work /on the way to work, absence due to paid leave or days off under the RTT system (reduced working time), absence due to other reasons (family business, strikes, unexcused absence).

GRI 403-10

Occupational disease ratios for LW Bogdanka in 2020

<b>All employees</b>	
Number of deaths as a result of occupational disease	No data
Number of confirmed instances of occupational diseases	3
Main types of occupational diseases	Pneumoconiosis
<b>For all workers who are not employees but whose work and/or place of work is controlled by the organization</b>	
Number of deaths as a result of occupational disease	No data
Number of confirmed instances of occupational diseases	No data
Main types of occupational diseases	No data
<b>Work-related hazards that pose a health risk</b>	
Methods used to identify these threats	In the occupational risk assessment sheet and on the basis of the measurements of factors harmful to health
Threats that contributed to or were the cause of occupational diseases that occurred in the reporting period	Dust – hard coal, crystalline silica – quartz [14808-60-7]; cristobalite [14464-46-1] – it can cause pneumoconiosis
Actions taken to eliminate or reduce these risks, using a hierarchy of controls	Actions taken to eliminate or reduce the risks are included, among other things, in the Safety Document and in the Mine Operations Plan
Employees / groups of employees excluded from this indicator (please specify categories of employees)	Administrative and office workers (jobs with no harmful factors present)

 In 2020, no penalties or other sanctions were imposed on the Company as a result of OSH irregularities.



## OSH: Focus on education

GRI 403-5

All employees of LW Bogdanka must undergo **introductory** and **regular OSH training**. Introductory training is carried out to provide instructions and covers general introductory training (named “general instructions”), provided by the Technical Training Unit, and preliminary on-the-job training (so called “work station instructions”).

General introductory training is provided to all newly hired employees before being allowed to work in the mine, as well as to students, interns and vocational school students partaking in practical vocational training.

And on-the-job training enables participants to learn about factors in the working environment connected with their jobs and about the related occupational risks, methods of protection against the threats which may be caused by these factors, and methods of safe performance of their work. On-the-job training is carried out before a participant is allowed to perform work in a specific position.

The primary aim of regular (periodic) training is to update and enhance knowledge and skills acquired during introductory training and work in the areas of health and safety, natural hazards, work-related hazards and methods of protection against them, as well as procedures in the event of an accident or emergency, and to present new technical and organizational solutions.



### Regular training frequency:

Other surface workers

**once every 3 years**

Underground workers

**once a year**

Surface workers employed in positions which require particularly dangerous work

**once a year**

Those responsible for managing the mine’s surface and underground workers

**once every 5 years**

Engineers and technicians, including designers, machine and other technical equipment constructors, technologists and production organizers

**once every 5 years**

OHS employees

**once every 5 years**

Administrative and office staff

**once every 6 years**

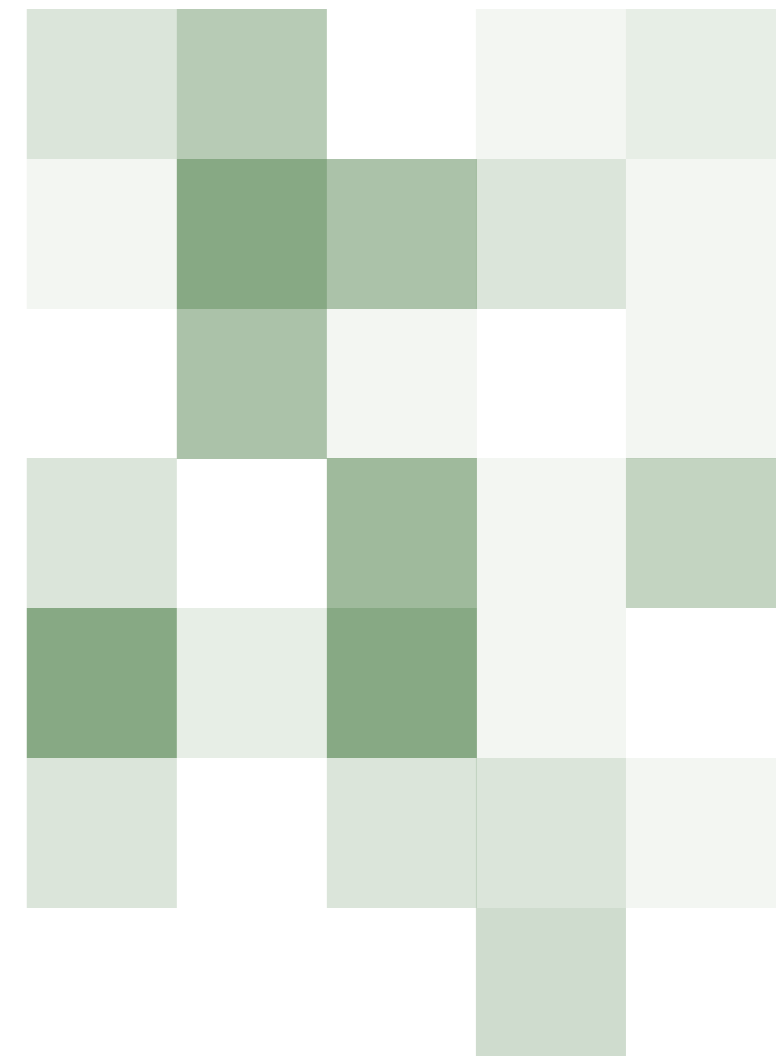
### Training by type

Training type	Employees that must take part in training
Special training courses in line with the program approved by the mining supervisory authority, repeated every 5 years	Mine managers and mining operation supervisors whose duties include matters related to blasting, venting and elimination of hazards connected with coal dust explosion, fire, methane, and operation of shaft hoisting equipment
Mining rescue training	Employees: managers of rescue actions, leaders and members of rescue teams, and mine managers and mining operation supervisors who are not members of rescue teams
Special training courses on the basis of training programs approved by competent mining supervisory authorities	Persons who perform specialized activities in the course of operation of a mine, listed in the Geological and Mining Law: a) blasting specialist, dispatcher of blasting resources, b) shaft signaler, c) hoisting machinery operator, d) hoisting machinery inspector, e) operator of underground locomotives and overhead transport systems, f) inspector of communication, alarm and security systems, g) electrical machinery and equipment fitter – voltage up to 1 kV, h) electrical machinery and equipment fitter – voltage over 1 kV

Training courses to improve the professional skills of employees are carried out internally, by the Technical Training Unit or by third party providers (universities, schools and licensed training providers), using different formats: instructions, guided self-education, e-learning, courses and seminars.

GRI 403-2

In 2020, LW Bogdanka established cooperation with the Medical University of Lublin. Together, we started a series of special first aid training courses. They were dedicated exclusively to employees of the Company. The project was suspended after the outbreak of Covid-19 pandemic.



## Every company in the Group carries out various additional OSH activities

### Łęczyńska Energetyka

The profile of operations of the Łęczyńska Energetyka company includes a broad range of works, including works that are connected with extreme hazards or trigger a particularly high threat to human life and health. Some of those works may only be performed by dedicated personnel having the required licenses and knowledge. Such works include work at height, in wells and manhole shafts, with equipment subject to supervision by the UDT (Office of Technical Inspection), work with the use of a loader or backhoe loader, work in excavations and work involving chemical substances. In order to eliminate threats to which such work is exposed, the following measures are applied: compliance with OSH instructions, use of personal and collective protective equipment, supervision by managers. Employees of the company undergo continuous training to improve their work safety competences. However, and first of all, the company enforces the principle of “zero tolerance” for any infraction of applicable laws and regulations. Other vital factors are the availability of new devices equipment and protective equipment and high commitment of managers to supervision over their personnel.

In 2020, the OSH priorities of the company included activities to reduce the burden exerted by the compressors in the Water Treatment Station, regulate responsibility for persons assigned to another unit, buy new machinery and equipment and upgrade the turning shop. Łęczyńska Energetyka purchased, among other things, equipment that enables safe work in wells and at height, new pumps for chemical substances and some equipment for the turning shop (new tables, shelves and cabinets, as well as anti-fatigue matting). The internal regulations of the company were adjusted to ensure compliance with restrictions and regulations implemented at LW Bogdanka. Materials presenting Covid-19 precautions were distributed to the staff.

According to its plan, in 2012 the company will:

- 1 Upgrade the softening shop, including a re-arrangement of its layout to build a locker room with showers – so that certain work stations can be isolated from the other workers as part of Covid-19 prevention activities;
- 2 Upgrade its storage room and install air conditioning in its office space;
- 3 Allocate funds to finance ongoing upgrades and purchases of new tools and equipment;
- 4 Strictly enforce the rules and regulations implemented by LW Bogdanka as part of its Covid-19 prevention strategy.



### RG Bogdanka

Threats that result in accidents at RG Bogdanka include contact with moving parts of machines and equipment, a rock burst from the roof or a wall, slippage, trip or fall, hit, contact with transported objects, collision, pressing by transport means.

All work-related hazards occurring at RG Bogdanka are included in occupational risk assessment sheets. For every identified hazard, the relevant sheet shows preventive measures used to mitigate or eliminate such risk. Occupational risk assessment sheets also include preventive actions dedicated to each work station.

The OSH priorities of the company include:

- 1 Implementing changes in the organization of work;
- 2 Carry out research and measurements of harmful factors at work stations and inform employees of the results;
- 3 Update and prepare occupational risk assessments for new work stations and distribute them to personnel;
- 4 Conduct ongoing monitoring and checks of employees' OSH knowledge;
- 5 Improve qualifications of employees within their career paths;
- 6 Buy advanced machines and equipment which ensure a higher safety level.

## OSH in a time of pandemic

OSH activities in mines during Covid-19 pandemic were an enormous challenge to companies. However, work in a mine during pandemic was even greater challenge to its workers. Miners cannot work remotely. In Bogdanka Group, we initiated various activities to ensure the highest possible level of safety of our employees:

### LW Bogdanka S.A.

After the outbreak of Covid-19 pandemic, Bogdanka purchased additional monitors and installed them at the gate to disseminate information on how to prevent infection. Monitors installed where workers gather before going underground showed reconstructions of accidents at work and how to correctly carry out rescue activities. We also arranged an OHS awareness and knowledge competition for employees.



The pandemic has been a really hard time for Bogdanka. Our company experiences this in particular by doing everything – around the clock, seven days a week – to secure the health of our employees and the continuity of operations in the mine. We feel solidarity with the community around us. We remain in close cooperation with the Ministry of State Assets and Lublin Province Governor to ensure that our support is received where it is most needed.



**Adam Partyka,**  
Vice President of the Management Board,  
Employee and Social Affairs,  
LW Bogdanka S.A.



### Łęczyńska Energetyka

Materials to inform on Covid-19 prevention were distributed to personnel.

According to its plan, in 2012 the company will:

- » Upgrade the softening shop, including a re-arrangement of its layout to build a locker room with showers – so that certain work stations can be isolated from the other workers as part of Covid-19 prevention activities;
- » Strictly enforce the rules and regulations implemented by LW Bogdanka as part of its Covid-19 prevention strategy.

### RG Bogdanka

In 2020, the company introduced detailed rules how to prevent SARS-CoV-2 infections and procedures for providing information on employees with suspected or confirmed infection. New work organization rules were implemented to regulate work during pandemic and a Continuity of Business Plan was also adopted for RG Bogdanka Sp. z o.o.

The OSH priorities of the company include:

- » Ensuring protective measures to prevent Covid-19 infections;
- » Implementing changes in the organization of work;
- » Carry out research and measurements of harmful factors at work stations and inform employees of the results;
- » Update and prepare occupational risk assessments for new work stations and distribute them to personnel;
- » Conduct ongoing monitoring and checks of employees' OSH knowledge;
- » Improve qualifications of employees within their career paths;
- » Buy advanced machines and equipment which ensure a higher safety level.

For 2021, the company has planned new protective measures to improve its employees' safety and it will also continue its activities to prevent Covid-19 from spreading among its personnel.

# 4.2

## Health care prevention and promotion

Activities in the area of health care prevention and promotion are part of regular measures applied at Bogdanka. In 2020, they were enhanced by information campaigns informing its personnel how to avoid SARS-CoV-2 infection.

### Everyday prevention

GRI 403-6

As part of activities to support good health and ensure access to medical services, we introduced a possibility to use private health care services for employees and their family members. Our employees receive financial aid that covers the cost of the basic package. They may also enroll their family members in the program.

An on-duty doctor is available in the facility every day.

A vital and fixed element of activities to improve safety are monitors installed where workers gather before going underground that show reconstructions of accidents at work and how to correctly carry out rescue activities.

Employees can also take part in preventive actions carried out in the company's facilities. In 2020, as a result of organizational difficulties caused by the pandemic, only one preventive action took place: USG scan instead of flowers.

### USG scan instead of flowers...

...is a preventive action addressed to female employees of LW Bogdanka S.A. arranged to celebrate the Women's Day. In 2020, during that action, a physician was present at the Company for several days and our female employees could select one of the 5 available tests. To increase availability, tests were carried out during working hours. "USG scan instead of flowers" was a good opportunity to draw attention to the need of regular self-testing.

### Prevention in a time of pandemic

GRI 403-6 | GRI 403-7

In 2020, the health and safety area in Bogdanka, as probably in all organizations throughout the world, was dominated by SARS-CoV-2 prevention. A mine is a particularly difficult place to combat a pandemic as work can be neither switched to remote mode nor stopped. Therefore, swift and resolute actions were required.

Bogdanka started its preventive actions very early. The first announcement about the virus threat, prepared using materials from the government's websites, was sent to employees working on a computer as soon as 2 March. The key moment, however was 11 March. On that day, *Regulation No 10 of the Management Board of LW Bogdanka S.A. concerning the special rules of conduct in connection with the coronavirus threat in the mine* was published. It set out that all employees must use special precautions and report any contact with an ill person. In addition, all business trips, in Poland and to other countries,

were suspended and all meetings to be attended by more than 10 persons were cancelled. Meetings with third parties were only allowed if they were absolutely necessary.

Various procedures and safeguards were implemented to enable our employees safety at work and to keep up our operations. The Company urgently established a crisis management staff to analyze and monitor the situation and to closely cooperate with relevant authorities. Working teams reporting to the crisis management staff were responsible for day-to-day management of the situation. The following teams were created: operations continuity team (responsible for the list of key personnel, substitution policy, and mobilization plans), communication team (information for employees), reporting & administration team (consultations with lawyers, everyday monitoring of rates and situation) and financial analysis team (responsible for verification which activities can still be financed). All those activities were consulted, on an ongoing basis, with the Count Sanitary and Epidemiology Station and epidemiologists from the Medical University of Lublin. They followed the guidelines of the World Health Organization and Polish Ministry of Health and Central Sanitary Inspectorate.

However, in the first place we imposed many restrictions to protect our employees, for example one-way human traffic in the pithead and bath buildings, tens of additional wash-hand points or requirement to wear face masks both underground and on the surface. The working hours of underground employees were adjusted to reduce the number of persons in mine-shaft elevators. Temperature measurements were carried out at the gates to the mine and before employees were allowed to board on company buses, also with the use of thermal vision cameras. Mandatory disinfection of equipment was introduced. All employees had unlimited access to various types of disinfectants (including special solutions for underground use). A variety of restrictions were also announced to minimize the risk of airborne infection and the crisis management staff prepared a contingency plan.



Everything has its place and owner in a mine. Every day, a few thousand people go underground and a few hundred more work on the surface. Team work is a standard approach in every mine. Every member of such a team feels responsible for the lives and health of their colleagues and for the safety of operation in the mine. Therefore, miners are trained in and accustomed to following the procedures. Since the outbreak of this pandemic, we had been communicating to our employees that every instance where excavation is stopped (for example due to increased absenteeism) and every failure to keep our units going could result in the loss of access to part of resources and, in consequence, to falling below the planned deposit utilization level. In those days, we were facing difficult geological and mining conditions in some production sectors. And in such a situation, the best way is to keep making progress. I am very pleased that our Crew took all those implemented procedures very seriously and was perfectly aware that they were to protect the lives and health of their loved ones, but also to keep our Company going.







**Sławomir Karlikowski,**  
Chief Engineer, Manager of Mining Supervision in Mining Facility

# 5

## Eco-efficient mine

The operations of our mine have a significant impact on the natural environment. We minimize that impact by reasonable and well-informed management of Bogdanka's influence on both environment and climate.

The fundamental issues of environmental management in our organization are regulated by the LW Bogdanka Integrated Management System Book, which covers, among other things, the following issues:

-  Identification and assessment of environmental aspects
-  Monitoring of key characteristics of environmental aspects
-  Identification of legal and other requirements and assessment of compliance
-  Development of environmental programmes

Operations of LW Bogdanka Group have a significant impact on the environment. Therefore, the Company must hold specific permits and observe legal standards of using the environment detailed in applicable laws (including BAT (Best Available Techniques) requirements).

All reports on the mine's environmental impact, as well as forecasts, are published and available on the websites of various authorities and the Regional Directorate for Environmental Protection. We also publish our sustainable development reports. We pursue a transparent and reliable disclosure policy regarding the mine's environmental impact. However, first of all we strive to ensure that our operations are environmentally safe. Wherever possible, we implement innovative technologies that minimize the environmental impact of our mine. We carry out activities to ensure effective reclamation of land and we take up initiatives to improve the environmental and recreational value of the region in which we operate.

# 5.1

## Environmentally safe operations

We have been managing our mine's impact on the environment and climate for many years. We monitor our consumption of water and reduce its level by using closed-circulation processes. We reduce our waste and prevent mining damage from happening. We strive to reduce energy consumption and emissions in our activities. And all these to ensure that our operations are environmentally safe.



As regards the minimization and management of our environmental impact, our priorities in 2020 were:

Prevent mining damage

Maintain the mining waste recovery method

Increase the efficiency of electricity consumption

In order to achieve our objectives, we completed many activities in 2020 that minimized our environmental impact and were connected with management of our impact in the past. They included:

- 1 Examination of all applications concerning mining damage
- 2 Recovery of mining waste and secure an appropriate amount of waste for the purposes of Ożarów Group
- 3 Analysis of new opportunities to recover mining waste
- 4 Upgrade of lighting to LED standard
- 5 Project “Intersectoral cooperation for sustainable development of LW Bogdanka – prospects, innovation, implementation”.

Our activities were to ensure the full compliance of our operations with applicable standards and legal requirements and also to prevent environmental pollutions.

GRI 307-1

 In 2020, no fines or non-financial sanctions were imposed on the Company for failure to comply with environmental laws or regulations.

The most important policies, standards and procedures that are to guarantee the proper management of environmental issues in 2020 at companies of Bogdanka Group included: Integrated Management System Policy – OSH, quality and environment and related environmental procedures: Identification of environmental programs, Identification of legal and other requirements and Assessment of compliance, identification and assessment of environmental aspects, as well as Monitoring of key characteristics of environmental aspects. Those procedures are updated on an ongoing basis. In addition, in **Energetyka Łęczyńska** a crucial issue was prevention of risk and pollutions that could lead to emergency situations having an adverse impact on the environment.

**Environment – opportunities and risks**

GRI 201-2 GRI 413-2



We minimize the impact our mine exerts on the environment by reasonable and well-informed management of Bogdanka’s influence on both environment and climate. Our activities also include identification of opportunities and risks arising from climate change. We identify those risks and opportunities on a regular basis to be able either prevent or use them.



**Environmental opportunities and risks**

 <p><b>Reduce threats to water environment by using mine water for own purposes</b></p>	<p>At our mine, mine water is processed as it flows and used for own purposes at an utilization rate that already exceeds 30 percent (for example for production of raw coal). There is an opportunity to maintain the trend connected with reduction of threats to water environment by downsizing the amount of waste water (by directing mine waters to a reservoir).</p>
 <p><b>Increase biodiversity</b></p>	<p>As part of our cooperation with the Polish Bird Protection Association to promote biodiversity we will co-finance the construction of water gates to protect bird habitats (aquatic warbler). The Company can increase biological diversity by reinforcing migration corridors of the metapopulation of aquatic warblers in the Lublin province.</p>
 <p><b>Improve the condition of the environment by reducing the amount of stockpiled mining waste</b></p>	<p>Reduction in the amount of stockpiled mining waste produced by our mining operations is likely to result in an improvement of the condition of the environment. For the Company, this can trigger an opportunity to carry out tasks connected with utilization of mining waste under the adopted environmental program.</p>
 <p><b>Larger habitats and increased biodiversity</b></p>	<p>Changes in landscape connected with mining operations can lead to formation of areas where different species settle down. No additional activities of the Company are required. It has only to carry out its activities, including environmental monitoring in accordance with its environmental permits.</p>
 <p><b>Risk of the organization’s failure to adapt itself to new solutions provided for in environmental laws and regulations</b></p>	<p>In the case that more stringent legal standards concerning the mine’s environmental impact are passed, and in particular when some changes of law are introduced in a way that makes it impossible for the mine to ensure compliance within the prescribed time limits, extra financial expenditures can be required to adapt the mine to the new conditions of use of the environment, and a risk of penalties may emerge if such conditions are not met. Such risk can be mitigated by carrying out an ongoing monitoring of planned and implemented legal regulations and decisions issued by environmental authorities.</p>



 <p><b>Risk of improper handling of chemical substances</b></p>	<p>For the Company, failure to comply with legal regulations concerning chemical substance handling can result in penalties. This risk may be mitigated by ensuring that employees have permanent access to and are informed on a regular basis of the rules of safe use of chemical substances, and also by an ongoing and continuous monitoring of laws and regulations applicable to the use of chemical substances.</p>
 <p><b>Risk – threats to water environment</b></p>	<p>The improper use of a mine water reservoir and the improper handling of hazardous substances, solid and liquid waste and leachate can lead to the need to implement organizational changes and to incur financial expenditures to upgrade the infrastructure as required to eliminate such threats. Such risk may be mitigated by an ongoing monitoring of activities in that scope, continuous supervision over and reviews and upgrades of particular systems, as well as ongoing training to raise the awareness and competences of employees.</p>

**Energy intensity reduction**

GRI 103-1

aspect: Energy and emissions

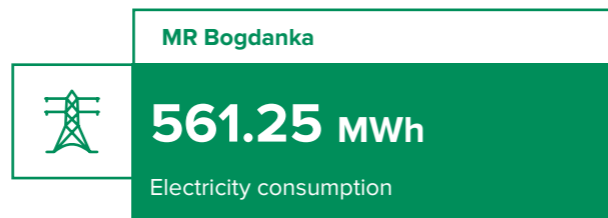
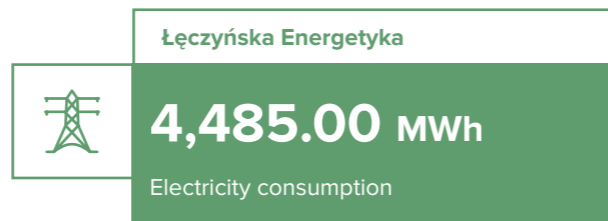
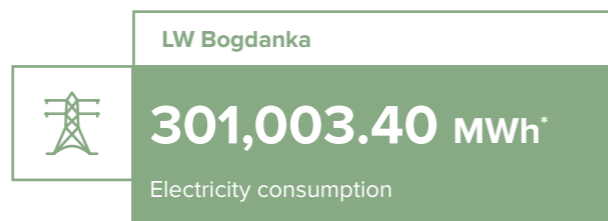
Electricity is required for the safe and uninterrupted operation of the mine. Electricity enables the mine to use its mining machinery, dewatering pumps and venting and air conditioning systems.

GRI 302-3

In 2020, LW Bogdanka's total consumption of electricity was 301,003.40 MWh (electricity used by LW Bogdanka without reinvoiced volumes). The energy intensity ratio for the organization was **39.54 kWh/Mg in 2020** (this ratio includes electricity).

**Electricity consumption in 2020**

GRI 303-1



\* Total electricity consumption of LW Bogdanka without reinvoiced volumes

GRI 103-2 | GRI 103-3

aspect: Energy and emissions

In 2020, LW Bogdanka adopted a decrease in the energy intensity ratio as its main objective with respect to improvement in efficient energy use. It is a big challenge as it has to produce coal from less and less available seams. However, the Company uses world class equipment and advanced technological solutions that consume less electricity (e.g. engines for propulsion systems and main fans, LED lamps, etc.).

In order to reduce its electricity consumption and heat transmission losses, **Łęczyńska Energetyka** replaced insulation on certain sections of the heat transfer grid (savings of 33.068 toe, effects, as confirmed by audits ) and upgrades of thermal insulation of buildings (savings of 78.524 toe, as confirmed by audits). In May 2020, the first photovoltaic system operating as a prosumer was started up. The system is installed on the rooftop of the W3 heat exchanger building in Łęczna. Its nominal power is 20 kW and the electricity it generates should be enough to cover the needs of the facility all year round. In 2021, the company will continue the replacement of thermal insulation of the heat transfer grid and the upgrades of thermal insulation of buildings.

<sup>8</sup> Toe – tonne of oil equivalent



In 2020, as one of its priorities related to its pursuit of increase in efficient energy use, **MR Bogdanka** adopted reduction in energy intensity of its machines, equipment and illumination systems. To this end, the company installed LED lamps in place of fluorescent lights.

In 2021, **LW Bogdanka** will be implementing next projects to reduce its energy consumption. They will include a company energy audit, replacement of worn-out propulsions (engines) with new ones, having a higher energy efficiency, construction of a 3 MW photovoltaic farm and replacement of old lamps with LED lights.

### Reduction of emissions

The operations of the mine are inextricably connected with emissions of dust and gases to air. LW Bogdanka has no chimneys that would emit dust. Emissions of dust and gases to air at our Company arise from fuels burnt in internal combustion engines used at LW Bogdanka and from:

- » Boiler house of Łęczyńska Energetyka, which emits gases to air;
- » Bogdanka (power 57 MW, coal co-burned with biomass);
- » Zawadów (power 0.25 MW, coal and waste wood);
- » Boiler house Pasternik in Łęczna (power 4.0 MW, light fuel oil, a reserve boiler house).

At our mine, the sources of unorganized emissions to air are:

- » Internal combustion engines used in machines, i.e. aboveground and underground locomotives
- » Passenger cars
- » Welding processes
- » Transportation of coal to its destination
- » Mining waste neutralization facility



GRI 305-1 GRI 305-2

	2019	2020
Direct GHG emissions (scope 1) (in tCO <sub>2</sub> e)		
Combustion in mobile sources	9,460.26	4,745.55 ↓
Combustion in stationary sources*	45,423.30	45,420.05 ↓
Indirect GHG emissions (scope 2) (in tCO <sub>2</sub> e)		
Electricity	250,933.38	233,622.13 ↓

\* Gases included in calculations: CO<sub>2</sub>, C<sub>2</sub>H<sub>12</sub>, CO, SO<sub>2</sub>, N<sub>x</sub>O<sub>y</sub>, recalculated into NO<sub>2</sub>

The mining waste neutralization facility can be a source of dust on dry and windy days. To prevent this and to reduce emissions from the stockpile, Bogdanka carries out its remediation. We strive to keep the uncovered part of the stockpile wet. In addition, vegetation is planted and serves as screens.

In 2020, Łęczyńska Energetyka implemented an investment project to replace the insulation of its heat transfer grid. According to audit results, this venture has reduced CO<sub>2</sub> emissions by 171.11 tonnes per year. A second investment project completed by the company was the upgrade of thermal insulation of buildings (K2, softening shop), which cut down CO<sub>2</sub> emissions by 134.29 tonnes per year. The upgrade of thermal insulation of the boiler house building is still in progress and, ultimately, should reduce CO<sub>2</sub> emissions by 242.74 tonnes per year (as confirmed by audit results).

Due to its operations, it is Łęczyńska Energetyka that is responsible in the Group for acquisition of CO<sub>2</sub> emission allowances.

### Activities on the team preparing anti-smog law for the Lublin province

Air quality monitoring analysis shows that in the Lublin province the biggest problem is air pollution, which is significantly higher during the heating season, when additionally meteorological conditions deteriorate. The main reason is emissions from individual heating systems of buildings going beyond the limits. Therefore, the Self-Government of the Lublin Province decided to prepare, in the course of social consultations, a resolution that would enable it to counter the problem and would trigger positive changes in region. From the very beginning, we were actively involved in the process to draft the anti-smog resolution for the Lublin Province. The first meeting of the team for the anti-smog resolution was held on 22 August 2018 at the Office of the Marshal of the Lublin Province, attended by a representative of LW Bogdanka. The resolution, passed on 19 February 2021, and published in the Official Journal of the Lublin Province of 25 February 2021 (OJ Lublin Province 2021.917), provides that obsolete systems, including boilers having its power lower than 1 MW, will have been replaced gradually by 1 January 2030. It contains a list of forbidden fuels and imposes a ban on use of solid-fuel systems in newly-constructed buildings that have access to a heating or gas network.



## Reasonable water management

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

aspect: Water and sewage

GRI 303-1 | GRI 303-2 | GRI 306-5

Pollution of surface waters by waters from coal-getting processes and waters from technological processes leads to unfavorable effects in the environment and may be dangerous to both human health and eco system.

The impact exerted by the Bogdanka mine on waters includes dewatering of the mine (drainage of Carboniferous and Jurassic water bearing layers) and the utilization of mine waters by the Mechanical Coal Processing Plant in the coal treatment process. To neutralize this impact, we build water reservoirs, carry out maintenance of drainage ditches and build water pumping stations where mining damage occurs. We use closed-loop water circulation. Mine waters from our mine are sent to the Treatment Plant and, then, are re-used in the mine for air-conditioning and fire protection purposes. Mine waters are used for coal treatment in the Mechanical Coal Processing Plant and for technological purposes by Łęczyńska Energetyka. Unused mine waters and leachate are discharged to the Iron Trench and then to the Świnka river.

In 2020, the mine started efforts to reduce its consumption of underground waters. The primary objective for 2021 is to keep the rate of utilization of underground waters at the level achieved in 2020.



GRI 303-3

### Total consumption of water by the company in 2020 (in m<sup>3</sup>)

	LW Bogdanka	Łęczyńska Energetyka	MR Bogdanka
Total consumption of water by the company in 2020:	<b>8,811,055</b>	<b>3,171,855</b>	<b>1,397</b>
Water from municipal intakes/mains		<b>90,915</b>	
Surface water (e.g. from the Vistula river)	<b>8,811,055</b>	Not applicable	
Deep water		Not applicable	
Drainage water		Not applicable	
Water from other source (what?)		<b>3,080,940</b> Mine water	<b>1,397</b> Mine water

GRI 303-4



In 2020, water discharged to all location amounted to **6,254,811.28 millions of liters** and was all sent to surface waters.

Potentially hazardous discharged substances include chlorides, sulfates, general suspension, sodium, potassium, copper, iron, nickel and zinc. Therefore, internal quality standards and rules applicable at our Company require regular tests of waters. Waste water discharges are measured. In accordance with the water management license, waste water is subject to quantitative and qualitative tests carried out by an accredited laboratory.

GRI 306-1 | GRI 306-3

In 2020, no planned or unplanned water discharge and no leak occurred in the mine.

We ensure strict compliance with applicable laws and regulations and we handle water resources in accordance with the water management license issued for the main and the laws. Mining damage is eliminated, by rebuilding ditches and by building pump stations and equalizing water reservoirs, in accordance with the Geological and Mining Law and the Building Law, and as agreed with land owners.

Since 2007, Bogdanka has had a tight artificial reservoir for collection of mine waters, having a surface area of 7.58 hectares, to which water is discharged and leaks are directed. After they are pumped to the surface, mine waters are kept in the reservoir for 8-9 days. In this way, suspension is mechanically removed from mine waters and the flow is equalized.

All works to rebuild and maintain drainage ditches, as well to build water pumping stations and water reservoirs, are carried put as agreed with land owners and in full cooperation with administrative and supervisory authorities.

### Environmental investments and their impact on the environment

In 2020, the total amount of environmental capital expenditures of LW Bogdanka was PLN 720,712. The key investment projects included those initiated to meet the legal requirements related to environment management and liquidation of mining damage by way of land dewatering.

For 2021, investment projects are planned that are connected with assurance of continuous production of coal, concentration of the waste dump locations to enable the ultimate recultivation of the heap, compliance with legal requirements related to environment management and liquidation of mining damage by way of land dewatering.

### Damage resulting from land subsidence

GRI 413-2

Bogdanka runs its mining operations in the countryside area that is not extensively urbanized and mainly hosts typical farms. Adverse effects of the mining operations are usually suffered by agricultural producers and their farming activities. The long-term excavation of hard coal using the cave-in method leads to a slow subsidence of land, which can create basins and hollows on the surface, sometimes taking the form of temporary water reservoirs. This may undermine the efficiency of agricultural production in excavation areas.

Every year, LW Bogdanka, as a socially responsible company, pays fair damages claimed by agricultural producers to compensate them for their losses in agricultural land and crops. Nearly 90% of such claims are accepted.

Irrespective of the above, the excavation activities of LW Bogdanka can also adversely affect buildings and road infrastructure in its mining area. Our responsibility in this regard is manifested in activities such as repairs of roads damaged as a result of mining operations, refunds of costs of construction of appropriate safeguards to protect newly-built buildings or, even if less frequently, repairs of existing buildings that have suffered damage caused by our mining activities.

In some extreme cases, LW Bogdanka may be forced to buy a farm, as requested by the owners, due to deteriorating living conditions with no prospect of improvement, resulting in the need to relocate.

### Construction of water reservoirs

Coal mining **also affects groundwater systems.** The rock mass in which mining works are carried out must be continuously drained.

In which mining works are carried out must be continuously drained. If the underground water is not pumped out, the mine may be flooded, exposing both workers and processes to risk. However, drainage has an impact on the hydrogeological conditions.

With relatively high groundwater levels in the vicinity of the mine, wetlands are building up, which may cause local flooding and, in consequence, agricultural losses. Therefore, Bogdanka carries out ongoing works to drain agricultural land in areas affected by mining damage, which involves redevelopment of the drainage network and construction of pumping stations and equalizing reservoirs.



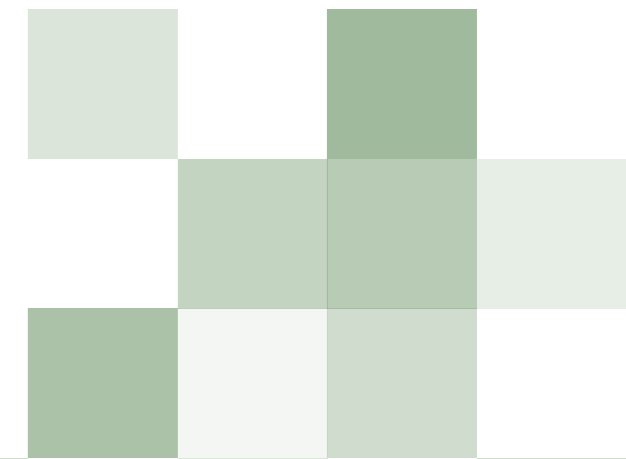
### Project “Soil – agricultural space ...”

In 2020, in partnership with the Institute of Soil Science and Plant Cultivation State Research Institute (“IUNG-PIB”), the most important soil research institution in Poland, we started the project “Soils – agricultural space. Sustainable agriculture in the areas in vicinity of LWB”. The objective of the project is to implement sustainable agricultural activity in the areas around the the Bogdanka mine. The assumed goals are to be achieved by developing and publishing materials being a compendium of knowledge on agricultural activities managed in line with the rules of sustainable agriculture on the areas adjacent to the Bogdanka mine. The brochure, which will present the results of the research carried out by the IUNG-PIB and recommendations formulated by scientists, will particularly focus on the application of modern cultivation techniques, rational use of fertilizers and application of measures and solutions offsetting the effects of agricultural drought.



### Program “Intersectoral cooperation for sustainable development of LW Bogdanka”

In 2020, Bogdanka initiated the program “Intersectoral cooperation for sustainable development of LW Bogdanka”. The goal of the program is to build a portfolio of projects that will be implemented in partnership with stakeholders of the Company – mainly research institutions and environmental organizations – and to jointly develop innovative implementation projects. Those projects should reflect the most recent scientific trends that are based on the sustainable development concept. Bogdanka set key areas of influence which it connected with the stakeholders and specifically defined actions to increase the Company’s environmental efficiency.



# 5.2

## Effective reclamation of land

GRI 103-1

aspect: Effluents and Waste

In mining operations, the main waste is waste rock. It is stored at the post-mining waste treatment site in the form of stockpiles. The remaining waste generated by the mine includes post-extraction materials: oils, lubricants, worn-out elements used to secure the workings, such as ground supports, stirrups or struts, scrap, waste wood, waste oil, waste light sources, conveyor belt offcuts, adhesive and paint packaging, etc. Our goal is to minimize the amount of waste sent to a stockpile, i.e. a mining waste neutralization facility.

### Total volume of and risks related to waste rock, processing waste and sludge

	Total volume (in tonnes)
Waste rock	184,161
Processing waste	4,907,201.5
Sludge	0

The importance of risk connected with a given type of waste should be determined on the basis of risk assessment. The combination of a waste material and the place of its neutralization can generate a specific risk, for example waste rock that produces an acid can leach acid products to water systems.

Waste from the Bogdanka mine is used for **reclamation of brownfields, reclamation of municipal waste landfills and production of cement at the Ożarów Cement Mill**. Part of the post-industrial waste is delivered to authorized recipients. They collect

reusable waste, such as wood, scrap or waste oil, and waste that needs to be disposed of, such as worn-out light sources or adhesive or paint packaging.

GRI 103-2 GRI 103-3

aspect: Effluents and Waste

In our operations, we strive to use solutions that can reduce the volume of unrecyclable waste. In 2020, **LW Bogdanka's** strategy to reduce waste covered purchase of the best available energy saving machines and equipment and materials required to ensure the proper operation of the plant, as well as rational use equipment and materials by employees. We did not create any stock of products that could expire before they are utilized (reagents, adhesives). We take care to ensure the rational management of our deposit.

The key initiatives to minimize waste planned for 2021 include:

- » Rational management of the deposit to reduce mining waste;
- » Reclamation of land in connection with removal of mining damage;
- » Recultivation of the mining waste neutralization facility.

In 2020, **MR Bogdanka** company started to manage its waste via the BDO portal (Databases of products and packaging and waste management). It signed a contract with a waste disposal company under which MR Bogdanka delivers its waste.

GRI 306-2

### Total weight of waste by type and disposal method in 2020 (in tonnes)

	LW Bogdanka	Łęczyńska Energetyka	MR Bogdanka
Hazardous waste:	223.63	0.63	0.50
Non-hazardous waste:	5,107,936.77	2,894.36	152.42
Waste to be reused within the organization in 2020	24,403.64	0	0
Waste to be reused out-side of the organization	2,300,915.96	2,676.47	No data

### Work to restore the original landscape

Reclamation of brownfields and mining damage areas involves activities aimed at the restoration of the original lay of the land by filling pits with post-mining waste, then covering them with a layer of soil, and ultimately using them for agriculture or tree replanting.

Our mine reclaim land on an ongoing basis in the area of the Bogdanka, Nadrybie and Stefanów Fields and around the railway facility in Zawadów.

### Transgressed or reclaimed land\*

	Total volume (in tonnes)
Land transgressed and not yet reclaimed – as at the beginning of the reporting period (hectares)	534.51
Land transgressed during the reporting period (hectares)	0.17
Land reclaimed in the reporting period (hectares)	0
Land transgressed and not yet reclaimed – as at the end of the re-orting period (hectares)	534.69

\* These areas include land that is \* owned \* leased \* managed for the purposes of production or extraction



96%

In 2020, about **96%** of recovered waste was used for land reclamation purposes.

Total production of mining waste at LW Bogdanka was 5,091,360 tonnes, of which 45% were recovered and reused.

The strategy of EkoTrans Bogdanka company for the year 2021 and beyond assumes that it will run activities connected with mining waste management. The Company aims to recover and recycle about 2.7 million tonnes of waste generated by dry and wet coal processing annually.

In addition to reclamation of mining areas, mining waste is also used for **reclamation of municipal landfills**. Mining waste delivered to municipal landfills is used as the final cover on top of municipal waste, among other things because of the bacteria found in the rock (methanotrophs), which eliminate the methane resulting from decay processes.

GRI 413-1



### Regulation of water conditions in the areas in Nadrybie Dwór village

In Nadrybie Dwór, where the land is lowered and flooded as a result of subsidence, and where the land owners' ability to use their plots is considerably reduced, the mine carried out works in 2019 and 2020 to regulate water conditions as part of its activities to eliminate mining damage resulting from coal mining operations.

As the first stage, an equalizing water tank was built, having a total surface area of 1.83 ha, with a causeway across it and walls reinforced with stones. At the second stage, a water pumping station was built that regulates the water level in that area. The entire area about the tank (approx. 4.5 ha) was reclaimed and recovered for agricultural use. The tank has also improved the esthetical and environmental value of the nearby area.



### Land reclamation in Nadrybie Wieś village

The land reclamation concept adopted by Bogdanka was to create a wooded leisure place in the mining area in the commune of Puchaczów. The project covered about 12.34 ha on land owned by the mine. It was purchased because of mining damage.

The project was implemented in stages in 2018 and 2019. Mining waste (about 245,000 tonnes) was used for land profiling and ultimately covered with soil.

One of the key elements of reclamation work was the construction of a fish pond having a surface area of 1.60 ha. It is to protect water resources and be used for agritourism purposes. The new water protects water conditions in that area, improves land use and secures land against local flooding.

The last stage covered biological recultivation, including agrotechnical works, re-planting of trees and bushes and construction of walking paths. Those works have increased the surface of wooded areas in Puchaczów commune.

At present, ongoing reclamation work is continued in this area.

## Research for sustainable development

An important element of activities to neutralize the environmental impact of the mine is our investments in the infrastructure and services for the local community and economy, as well as research and investments for sustainable development.

### Waste rock placement research

Mining operations generate waste. The main waste is waste rock, stored in stockpiles at the mining waste neutralization facility. These dumps disturb the shape of the surrounding landscape and require special measures to offset their adverse impact on the environment. In 2020, we were carrying out a research project in the area of waste rock management. The scenarios being considered included placing the waste rock underground or using it for road construction.

In order to improve quality of production in the Stefanów Field, a screening unit was built to separate waste rock from coal. This has improved the management of waste rock, which is used for liquidation on infrastructure that is no longer necessary, i.e. workings.

### Project Minrescue with GIG

LW Bogdanka and an international consortium of representatives of business and scientific communities from different countries have started a research project to develop new applications of mining waste. The project is known as *Minrescue* (acronym derived from the English title of the project: "From Mining Waste to Valuable Resource: New Concepts for Circular Economy") – so that its name indicates its purpose: "rescue of mines". The idea reflects the concept of circular economy, which means an economy in which a company strives to use the value of all its materials as long as possible to reduce the waste it generates and to receive innovative products and services. The consortium is to prepare, among other things, a detailed list of mining waste and innovative methods of its utilization for production of materials for the mining and civil engineering sectors. The project's budget is EUR 3.1 million and is co-financed by the European Commission.



In 2020, the Company was granted an award for innovation from the Polish Mining Chamber of Industry and Commerce for an "innovative technology of longwall management".

# 5.3

## Improving the environmental and recreational value of the region

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

aspect: Biodiversity

GRI 304-1

We use the resources of the earth. We run our activities in environmentally valuable areas. While remembering all these considerations, we feel obligated to rationally manage our Company's impact on biodiversity and to support projects that are to increase the environmental and recreational value of the region.

### Management of biodiversity impacts

Our operations are carried out in areas that are highly valued for their biodiversity. Bogdanka's fields, i.e. Nadrybie and Stefanów, are situated next to the following environmentally valuable areas:

Natura 2000 site – Uściwierskie Lakes PLH-06009

Natura 2000 site – Polesie PLB-060019

Łęczna Lake District Landscape Park

Polesie Protected Landscape Area

Chełm Protected Landscape Area

In line with our sustainable development strategy and the Development Strategy until 2030, the priority task of LW Bogdanka include activities for climate and environment, such as support of the local natural environment. We have been active in this area for years. We cooperate with environmental organizations and our stakeholders to reconstruct the natural areas in which we operate by implementing programs that can offset the adverse impact of our mine. In 2020, we completed next projects in that area.

GRI 304-4

### Cooperation with the Foundation for Nature

Jointly with the Foundation for Nature, we implemented the project "Rare and Near-Extinct Species in the Lublin Region". The aim of the project was to proactively protect rare synanthropic species of owls and to provide related environmental education for children and youth. In the course of this project, 12 boxes (nesting baskets) for selected owl species were placed around Bogdanka. Educational activities were also carried out, addressed to owners of properties where the boxes were installed and to children and youth from the schools and pre-schools where nesting places already existed or were to be create. Those educational activities were carried out as lectures supported by printed materials, leaflets, bookmarks and coloring books for children. The project was accompanied by the production and promotion of an educational album for children and adults showing 40 rare and near-extinct species from the Lublin region, an art contest for children and an exhibition.

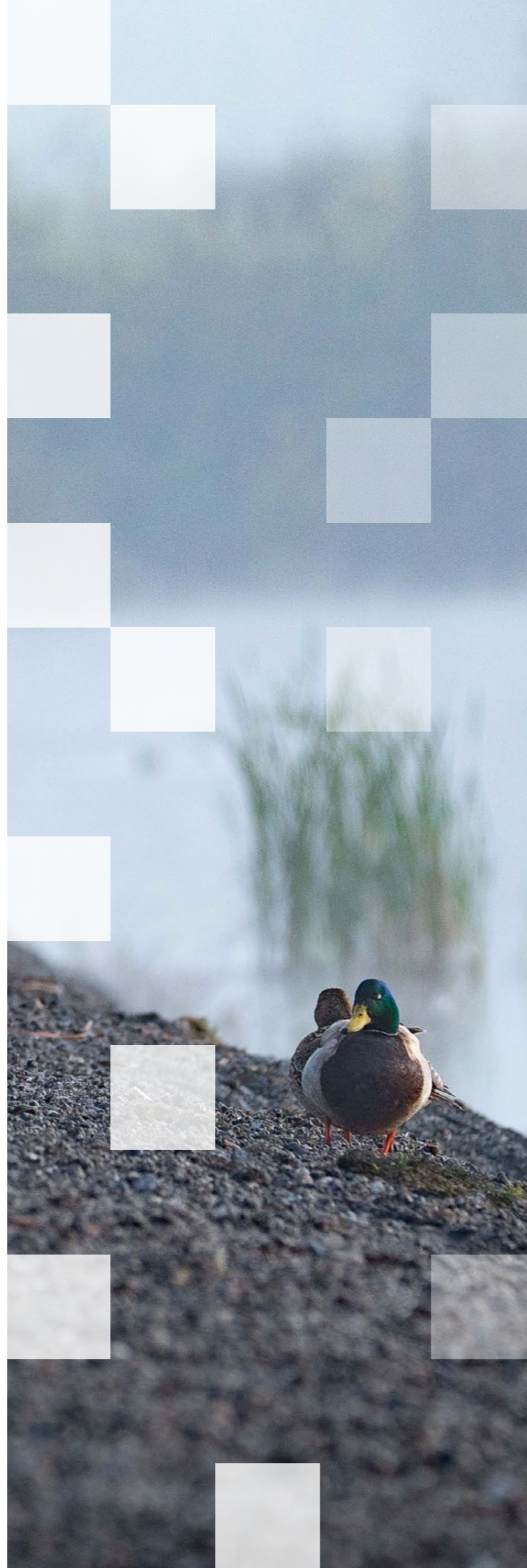
## Cooperation with OTOP

Since 2019, together with OTOP (Polish Society for the Protection of Birds), we have been implementing a project of renaturalization of habitats of the aquatic warbler. The project is to strengthen the south-eastern metapopulation of the aquatic warbler by reconstructing appropriate habitats in areas where this species used to live or may potentially live. Those activities has resulted in improvement of migration corridors of the metapopulation of the aquatic warbler in the Lublin province and in creation and retention of the system of wildlife corridors – stepping stone habitats between the areas inhabited by the aquatic warbler, and, thus, in reinforcement of the south-central and eastern main wildlife corridors. As part of the project, activities were carried out to regulate and stabilize the water level in the region of Krowie Bagno (in Polesie, in the vicinity of the former state-owned farm Krychów) by building three water gates on ditches that drain the disappearing Łaskie Lake and the nearby purple moor-grass meadows. The water gates will stop and accumulated meltwaters and will stop the outflow of water in the spring season and at the beginning of summer. The project is co-financed from the European Union’s Cohesion Fund, as part of the Operational Programme Infrastructure and Environment

**Our goal:**  
To make the region more attractive



Together with representatives of various environmental organizations and our stakeholders, we build partnerships that run activities to improve the natural and recreational value of the entire region.



GRI 413-1

## Aesthetics Program – Town Laboratory

LW Bogdanka, in cooperation with the Łęczna Municipality and the Landscapes Foundation, pursues activities with respect to sustainable development and social participation. In Łęczna, the project “Aesthetics Program Town Laboratory” was launched. It is a platform for dialogue of between citizens and town authorities aiming at development of the town’s green infrastructure. Three working groups were created: Town Greenery, Culture of Space and Functional Greenery, composed of town citizens and representatives of local non-governmental organizations and town authorities. Each group was supported by external experts. For each of those three areas, visions and plans were first created and then implemented. As a result, the project “Relax Corner” was established in Łęczna. In the town-owned area near to the John Paul II avenue, a flower meadow was sown and the Miner Square was revitalized using parts of mining support, among other things, to arrange the first square in Łęczna that is made entirely of recycled components. Those activities had also an educational dimension. The town citizens could learn more about the protection of the environment and climate and about citizenship activities. The project also got town citizens involved in the decision-making process related to development of their municipality.

GRI 304-4

## Revitalization of the Nadrybie Nature Trail

For 6 years, we have been running the Nadrybie Nature Trail in partnership with the Polish Society for the Protection of Birds. The trail is an element of revitalized landscape near to the post-mining water pool of Nadrybie. It is also an interesting educational project situated in a Natura 2000 site (Łęczna Lake District Landscape Park). The trail is more than 2 kilometres long. In this area, educational boards were put to provide information on the species that can be observed nearby. The trail runs close to habitats of: 34 species of butterflies, 26 species of dragonflies, 9 species of amphibians, 4 species of reptiles, 72 species of birds, and 9 species of mammals. In spring, it becomes a feeding area for the white-winged tern, the whiskered tern,

the black tern, and the black-headed gull. In addition, lesser whitethroats, thrush nightingales and aquatic warblers can be heard. Many of the species residing in the area have been added to the Polish Red List.

Because of its high natural attractiveness, the trail attracts many town citizens, youth, children and tourists. And we enrich it by adding new elements every year. In 2020, as part of the revitalization of the trail, we installed new wooden bike stands and new tables.

In 2020, the waste management expenditures of Bogdanka Group amounted to PLN 33,502,300. Charges for the economic use of the environment totaled PLN 545,000. Environment protection costs, such as reclamation and environmental monitoring, amounted to PLN 2,048,100.

## Tests of condition of water in the Świnka river

In 2020, our Company ordered tests of condition of water in the Świnka river. The tests were performed by the Department of Hydrobiology and Protection of Ecosystems at the Faculty of Environmental Biology of the University of Life Sciences in Lublin. As a result, the report “Tests of the biological status of the waters of the Świnka river, in accordance with the reference methods indicated in applicable regulations concerning the form and method of monitoring of uniform parts of surface and underground waters” was prepared. The assessment was carried out twice, in the spring and fall of 2020, in two testing points near Puchaczów. The assessment of the ecological status was carried out under the Regulation of the Minister of the Maritime Economy and Inland Waterways of 11 October 2019 on the classification of the ecological conditions, ecological potential and chemical condition and the method of classification of condition of uniform parts of surface waters and the environmental quality norms for priority substances.

6

Developed  
and safe region

## 6.1

### Support for regional development

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

aspect: Local communities

We have been operating in the Lublin region for 46 years. During that period, LW Bogdanka has become one of the largest organizations and a strategic employer in the region. We believe we are responsible for the local landscape and community. We fix and pay for mining damage and stimulate social development. We want the region in which we operate to become well developed and safe.

#### We fix and pay for mining damage

The operations of our mine have a far-reaching impact on its environment – not only on the economy, labour market or social and cultural life, but also on nature. It is true that Bogdanka runs is coal mining activities in rural areas, which are not extensively urbanized, however such operations inevitably generate noise and and pollutions and result in hydrological imbalances and landscape changes. They can lead to land subsidence and local flooding. And such a situation may trigger dissatisfaction or protests of local community members.

We believe we are responsible for any damage inflicted by our mine. We follow a transparent policy in this regard and we make easy the process of submission of mining damage (e.g. by providing an online form on our website). LW Bogdanka also covers possible losses caused by the operations of the mine and, first of all, manages the risks by ensuring strict compliance with the environmental protection laws and by undertaking own initiatives aimed at reducing its environmental impact (e.g. projects related to the protection of biodiversity in the mine's neighborhood). We offset various inconveniences to local communities resulting from our operations by undertaking different social actions. To avoid damage, we carry out mitigating activities.



Liability of a main for damage inflicted by operations of a mining undertaking is regulated by various laws and regulations, and in particular by the Geological and Mining Law<sup>9</sup> and the Civil Code<sup>10</sup>. As defined in the above regulations, damage inflicted by operations of a mining undertaking means damage for which a causal relationship between such damage and operations of that mining undertaking has been confirmed. The owner may not raise any objection to threats caused by operations of the mining undertaking, provided that it is run in accordance with applicable laws and regulations, however he or she may file a claim for redress of the damage inflicted by such operations.

<sup>9</sup> Act of 9 June 2011 – Geological and Mining Law (Dz. U. [Journal of Laws] No. 163, item 981)

<sup>10</sup> Act of 23 April 1964 – Civil Code (Dz.U. [Journal of Laws] No. 16, item 93, as amended)

Mitigating activities:

- Efficient policy of managing mining damage
- Permanent dialogue with the local community
- Permanent monitoring of the rock mass movements by applying state-of-the-art measurement methods
- Monitoring of environmental aspects via the Integrated System of Quality, Environment and Safety Management
- On-going reclamation of land exposed to adverse impact of the mining activity

All reports of local residents about potential damage are examined as they arise and with due care. The Company covers the losses inflicted by mining operations, including repairs of asphalt and dirt roads and damaged buildings, measures to secure buildings, lost crops (flooded fields) and profits lost by farmers on farming land affected by mining operations.

Any damaged structures, in addition to repair works, are given preventive protection against further operational impacts. The Company also reimburses property owners for costs of adjusting newly constructed structures to the requirements of mining land.

In 2020, affected owners or users of land received relevant compensation for profits they lost on flooded land in the total amount of PLN 518,889 million.

The Mining Damage Department of LW Bogdanka allocated PLN 1,441,240.05 to cover the losses inflicted by mining operations.

A total of 194 settlements were signed to compensate for mining damage.



**We pay the charges for the economic use of the environment**

Mining activity is also associated with charges for the economic use of the environment, for the use of water services and a number of costs connected with mining waste management, post-industrial land remediation, environmental monitoring, and preparation of appraisal reports and other documentation necessary for the proper operation of the mine. The exploitation charge is paid every six months to the communes where exploitation is conducted (60%) and to the National Environmental Protection Fund (40%).

In 2020, no fines for violation of the conditions of the economic use of the environment were imposed on LW Bogdanka.

**We support local activities and social initiatives**

From the very beginning, LW Bogdanka Group has been supporting its immediate surroundings and the local community, inter alia, by subsidizing a range of social initiatives, aimed at the development of the cultural, scientific, educational and health realm, construction of communal infrastructure, and answering other needs of the local community.

**Socially Engaged Bogdanka**

Since August 2019, Bogdanka has been carrying out a program under which its employees can submit social initiatives to contribute the local community. An employee who has prepared an accepted project may receive PLN 3,500 once a year for its implementation. Requests submitted by employees are evaluated by a team established by the Vice President of the Management Board for Employee and Social Affairs. During evaluation, the team takes into account how a given project addresses the needs of external stakeholders of the Company.

In 2020, we completed almost 30 projects and initiatives for the local community. Their beneficiaries were local schools, women's associations and volunteer fire brigades. Associations and foundations improved their work and were able to change their environment more efficiently. Under this program, the Little Prince Children Hospice received ozonators, the 7th



Lublin Cavalry Regiment School Complex in Cyców was provided with educational software and Preliminary School No. 2 in Łęczna acquired phantoms for first aid training. The School Complex in Cyców also received sport equipment, including badminton racquets, hula hoops, tug-of-war ropes and tens of balls.



Bogdanka's Sustainable Development Strategy is not only a document. It is a set of assumptions that are actually implemented and bring about measurable benefits to local communities. It is not only sponsoring or compensation for mining damage, but also activities to support education, to prevent social exclusion, and to promote our commune and our region. Bogdanka is a mine that does not refuse help. It is an organization that knows how to promote local communities and how to cooperate with local authorities. We cooperate in various areas and support different projects, from summer workshops for children to volunteer fire brigades to environmental projects. This is important, first of all, because we are situated near valuable natural resources.



**Andrzej Chabros,**  
Mayor of Ludwin commune



In 2020, Bogdanka spent **PLN 90,000** for projects vital for local communities.



In 2020, LW Bogdanka, as one of 6 companies, was awarded the "Social Leader of Local Business" prize.

### The Solidary Miners Foundation

Since the end of 2013, the Solidary Miners Foundation has been active in our mine. It was established to offer assistance to employees of LW Bogdanka Group and their families, as well as the local community, which is close to the mine both geographically and emotionally. The Foundation carries out a variety of activities in the areas of children's development and health care, and to save children's lives. It supports health care, educational and charity initiatives. It helps ill persons, in particular former miners and their families, and persons awaiting expensive medical procedures or in a difficult life or financial situation. The Foundation supports hospitals and other health care institutions, helps children and young people, care and nurture institutions and other important social institutions, as well as supports victims of accidents and man-made or natural disasters. It offers financial, in-kind or organizational support (e.g. participation in building or repair works). It also buys necessary medical and rehabilitation equipment for persons in a difficult life situation.

The Foundation receives funds from donations, inheritance, bequests, subventions, gifts and subsidies and it also earns income from its promotional campaigns and business activities. Resources are allocated to the most needy persons or institutions. The Foundation provides assistance within its capabilities and on many occasions after an appropriate inquiry.

In 2017, the Foundation was registered as a public benefit organization.



Our Foundation provides support to persons in an extremely difficult situation. Our assistance finds its way to persons out of reach of any other institutions, including persons who cannot or are too ashamed to ask for help. In such cases, the key factors are the knowledge of the local community and the problems faced by our employees and their families and contacts with persons who can present their problems and offer direct support in help delivery process. With the commitment of socially sensitive people, we can pursue the statutory objectives of our Foundation more effectively. I am very proud that since 2021 I have had the opportunity and honor to represent the noble face of business as the President of the Solidary Miners Foundation.



**Adam Pieróg,**  
President of the Solidary Miners Foundation

### Charity support

In 2020, the Company adopted the new Rules of Donations, which describe the aims and priorities for its social involvement and the procedure for applying for financial support. As part of those changes, a grant application form was added. The stakeholders of Bogdanka were presented the new rules on a dedicated webinar.



### New Rules of Donations – key regulations:

A donation may be granted for a **specific initiative** or, in special justified cases, for statutory purposes of the applicant.

In accordance with the Social Commitment Policy, donations may be granted to entities that operate in the **territory of the Lublin province** or pursue social goals to the benefit of local communities in the territory of that province. The Company may waive that geographical requirement in the case of activities that support the mining sector or activities that pursue a particularly important social goal, however such waiver needs to be justified in writing.

Under the Corporate Social Responsibility Strategy, the Company supports activities and social initiatives in the following areas: social affairs and charity, science and education, health care, culture and art, national memory and identity, protection of heritage, protection of the environment and ecology and other purposes considered significant from the perspective of the Company's interest and the needs of its environment.

To obtain a donation, an **application** must be filed in writing or electronically (scan), with handwritten signatures or initials of persons authorized to represent the applicant. A new application form is required. Institutions that have applied for a donation in a letter (without the form) will be asked to file the form.



In 2020, LW Bogdanka granted monetary and in-kind donations for a total amount of PLN 400,000 (this amount does not include the funds donated for purposes connected with Covid-19 pandemic). This support was allocated to the Children' Research Hospital in Lublin, the Good Samaritan Hospice and the Orphanage in Siedliszcze.



Since mid-2019, LW Bogdanka has been a partner of the Orphanages in Kijany. Over that period, we have organized various developmental activities for children and have given them a lot of positive emotions thanks to trips, travels and wonderful meetings, which would not have occurred without our cooperation. As regards the social effects that emerged as a result of our joint initiatives, I would like to mention an improvement of quality of life, an improvement of life security and also an increase in the sense of control among the children. And this was not an one-off event. In 2021, "Orphanage 1" and "Orphanage 2" in Kijany received another round of support. We continue this partnership under the "Development

and Joy" initiative. After the long stagnation caused by the pandemic, our children are happy that they can use the "Joy" area of that project. We have already arranged so awaited integration trips. Bogdanka is the best proof that business can has a good heart.



**Marta Piwońska,**  
Headmistress of Orphanage 1 and Orphanage 2 in Kijany

### The Bogdanka Academy

As part of its sponsoring activities, the Company implements a special programme called the "Bogdanka Academy". It is an initiative focused on multi-dimensional development of various stakeholder groups based on activation, improvement of skills and acquisition of new qualifications.

The Academy promotes the following areas of cooperation:

- » Sports education for children and teenagers;
- » Supporting talented persons from the Lublin Region;
- » Supporting initiatives that are to protect selected social groups from social exclusion (e.g. persons with lesser chances, with disabilities);
- » Participation in educational projects initiated by educational centers (secondary schools, higher schools, dedicated foundations).

Those activities cover children, young people, persons looking for a job and the elderly (so called third age academy).

### Sponsorship activities and socially responsible marketing

Marketing and sponsorship activities pursued by LW Bogdanka in 2020 were significantly affected by the epidemic situation in Poland as a result of detection and spreading of the SARS-Cov-2 virus. Limitations

and restrictions imposed by the government significantly hindered and reduced marketing activity, and the value of the sponsorship budget value for 2020 was reduced by PLN 0.7 million.

The sponsorship activities were carried out on the basis of the Company's Sponsorship Strategy for 2018–2021. The document specifies both the goals of these activities and the areas subject to sponsorship.

### Goals and objectives

The objectives of the marketing and promotional activities in 2020 included:

- » building a positive image of the Company in the Lublin region, in particular in its closest geographic surroundings,
- » strengthening the Company's reputation as an active patron of socially important projects and initiatives,
- » building of social support for the Company's business activities.

The above objectives were pursued using the following tools: sponsorship projects, PR projects, CSR activities as well as activation of projects through organizational support, promotional and advertising activities. Projects were selected, reviewed and settled in terms of how they contributed to accomplishment of the Company's goals.

Our sponsorship activities are focused on:



**Sports sponsorship** – the Company is aware that sports clubs and sport events are key elements if we want to strengthen the sense of community, and that traditions connected with particular events can tighten social bonds. Projects are selected so that sports fans are also key stakeholders of the Company. These are mostly the employees local communities from the areas under our influence.

In 2020, the Company completed 12 projects in the field of sports sponsorship, of which the most important were:

1

**Górnik Łęczna S.A.** (together with the Górnik Łęczna Foundation) – the club taking part in the Fortuna 1st League matches (advanced in the 2019/2020 season) and running the Sports Academy, teaching more than 500 children from Łęczna and the region of Łęczna in four sport disciplines, and a Sports Championship School (having the status of a secondary school – a secondary school with a football profile), the only school of this kind in the Lublin Province. This entity has historical relationships with the mine, the town and the powiat. The team fans are, in majority, the employees of the LW Bogdanka Group.

2

Local motor sports projects, popular and well received on a regional scale, i.e. sponsoring of **Motor Lublin**, the most popular sports club in the Lublin region with the highest media coverage.

3

**MGKS Gwarek Łęczna**, which is an amateur boxing sports club, active only for children and teenagers, representing boxers who have a good success rate in boxing tournaments on national level.

4

**MKS Avia Świdnik** – project covering the sponsorship of senior players team (in the Tauron 1. League matches and training for children and young people at a club with long volleyball tradition.



**Social/cultural sponsorship.** In 2020, the Company completed 16 projects in the field of social and cultural sponsorship, cooperating with known and praised cultural institutions from the Lublin area, including: Cultures Meeting Centre, H. Ch. Andersen Theatre, Musical Theatre. Moreover, the Company once again got involved in a project to promote science: the Lublin Festival of Science.



**Public relations.** The rest of the promotional budget was used in 2020 for connected public relations activities carried out through various communication channels (internet, social media, press, radio, and television). These activities focused on building social support for the Company’s business activities and enabling sponsorship and social projects.

**Promotion and sponsorship expenses of LW BOGDANKA**

Sponsorship and promotion [PLN '000]	2019	2020
Promotion	691.5	637.3
Sports sponsorship	6,441.5	5,958.0
Social/cultural sponsorship	291.4	183.0
<b>Total</b>	<b>7,424.4</b>	<b>6,778.3</b>

**Fight against coronavirus**

In 2020, a significant portion of our support for local communities was dedicated to activities aiming at fight against the coronavirus. We donated PLN 500,000 to hospitals and health care services in the Lublin province. As part of cooperation with the Ministry of State Assets and the Province Governor’s Office in Lublin, we donated funds for purchase of the medical equipment necessary to create a virology laboratory in the province to carry out diagnostic tests for SARS-CoV-2. With the new lab, the number of tests performed locally grew to 400 per day. We also supported hospitals that have been cooperating with us for many years: the Children’s Research Hospital in Lublin and the Public Health Care Centre in Łęczna, and Independent Public Research Hospital No. 1 in Lublin, by providing donations for purchases of face masks and other protective gear for on-duty medical staff. The Company



also donated PLN 20,000 to children from the Siedliszcze Orphanage and PLN 10,000 to the ZOO in Wojciechów, which experienced problems and could not ensure proper care for its animals from all over the world.

PLN 800,000

In total, LW Bogdanka’s support to hospitals and institutions combating the pandemic amounted to PLN 800,000.

## 6.2

### Investments in young miners

Today, the labour market in Poland is the employee’s realm. In connection with the pursued economy decarbonization policy, the mining industry has become rather unattractive for job seekers. In order to ensure the continued inflow of new employees to the Company, we already run our Generation Change Program and cooperate with local vocational schools.

**Generation Change Program**

In 2020, our Company continued the implementation of the Generation Change Program. The Program was started after a risk of significant outflow of employees was identified. The first stage was the Voluntary Redundancy Program (VRP), ended in 2020, the second stage is activities that make it possible to bridge the generation gap in a reasonable and coordinated manner, while spreading this process over time and maintaining the continuity of operational activities. Such activities also include close cooperation with vocational schools and universities.

LW Bogdanka has signed letters of intent for cooperation with:

- » AGH University of Science and Technology in Krakow
- » Mining School in Łęczna
- » Mining School in Ostrów Lubelski
- » Power Engineering and Transport School Complex in Chełm.

For a few year we have had cooperation agreements concerning practical vocational training with several schools and a student internship agreement with a university. Furthermore, we has signed internship agreements with vocational schools in relation to the “Become a Professional – School Today, Success Tomorrow” project, co-financed by the Governor of the Lublin Province. “Become a Professional ...” is an incentive program that is to attract future miners. It was started in Bogdanka in 2018 and has already brought about measurable effects. Because of this program, the Company is discernible to prospective candidates.

To prevent fill up the generation gap, RG Bogdanka company took part n the Educational Fair. It intends to create a contest or Olympiad for pupils in cooperation with school to promote careers in mining. It is also analysis the launch of a vocational training program and a internship program for graduates.

In 2020, Bogdanka continued two projects to fill up the generation gap: the scholarship program for the best students from partner schools and the “Passport for work at LW Bogdanka” program. In order to fill up the gap, we have signed practical professional training agreements with three schools. We have also made two agreements for organization of internships for students and renewed two letters of intent with three schools to award mining students for good grades in technical subjects.

In 2020, practical vocational training agreements were modified to reflect the pandemic situation. The professional internship program was temporarily suspended because of the regulations implemented to contain the Covid-19 pandemic. In total, 66 high school and university students took part in our vocational training and internships. Five people were hired as part of the “Passport for work” program. In 2021, we are going to hire next 12 graduates.

In 2020, the procedures for the recruitment and selection process were enhanced by a manager competence audit for persons selected as a manager’s successors. This is to ensure a better selection of successors and improvement of competences of candidates for managerial positions by preparing their individual development plans.

Moreover, a person in charge of supporting the adaptation process was appointed at the Company, and was also entrusted with taking care of internships.

In 2020, “Passport for work at LW Bogdanka” is:

63	participants of training for vocational school students
3	participants of internships for university student internships
53	scholarships from Bogdanka
5	persons hired under the program

In the future, we will continue practical vocational training agreements. We are also going to sign next agreements under which students from secondary schools and university may take vocational training or internship at our Company. We want to create a consistent policy of cooperation with schools that would cover the entire Group.

### Cooperation with AGH, or “Mining is OK”

Implement and communicate socially responsible actions, demonstrate the importance of the CSR strategy in achieving financial objectives of mining companies, and cooperate in the development of the standards for managing the process of exerting an impact on the local environment, market and employees – these are the objectives of the “Mining is OK” project initiated by the AGH University of Science and Technology. The project has been joined by LW Bogdanka and other companies from the mining sector, cooperating companies, universities and NGOs connected with the sector.

The project was initiated in 2016 during the Underground Exploitation School. Since then, various meetings with representatives of the sector from neighboring countries, including Germany, Ukraine and the Czech Republic, have been arranged within the framework of the project. “Mining is OK” is also a communication platform between individual companies from the mining industry and the society which is a tool for building a positive image of the mining sector in Poland and carrying out appropriate lobbying activities. Even today, the Company cooperates with the “Management” Student Scientific Team of the Faculty of Mining Surveying and Environmental Engineering of the AGH University of Science and Technology to develop the portal [www.odpowiedzialny.com](http://www.odpowiedzialny.com) (formerly: Responsible Coal). This portal provides the most important information about coal, including about correct and harmful combustion process, friendly and harmful products, and about the responsible industry.



## 7

Transparently and  
responsibly managed  
Company

## 7.1

## Ethics and values

We manage our organization and relationships with all groups of stakeholders in accordance with the principles of sustainable development. Our personnel is our most valuable capital, therefore we strive to create friendly workplace and development opportunities. For us, dialogue with stakeholders is something more than just the implementation of the CSR strategy – its aim is to build cooperation that will bring profits, safety and well-being to our employees and suppliers, local communities and our organization.

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

aspect: Ensuring compliance and combating bribery

Ethics and values are of key importance in a modern organization like LW Bogdanka. All employees of the Company are required to act in accordance with its values and high ethical standards.

GRI 102-16

At LW Bogdanka, issues related to ethics and combating bribery are regulated by the following policies and documents:

- » Code of Ethics of LW Bogdanka S.A.,
- » Fraud Prevention and Fraud Risk Management Policy at LW Bogdanka S.A.,
- » Supplier Code of Conduct of LW Bogdanka,
- » Guidelines on Accepting and Handing Gifts at LW Bogdanka S.A.,

The Code of Ethics is the main document regulating ethical issues at the Company. This document, prepared under the direction of the Ethics Ombudsperson, regulates the ethical principles and standards applicable at the Company and is

the main source of knowledge to resolve whether or not a given conduct is ethical and lawful, and in compliance with the rules of the organization. Compliance with the Code of Ethics is monitored on an ongoing basis by the Ethics Ombudsperson, Compliance Policy Department and Internal Audit Department. Ethical conduct (including with respect to combating bribery) is promoted on posters, leaflets, bulleting boards and screens, and the anti-bribery policies and procedures applicable at the organization have been communicated to all the members of the management body and all the employees, as well as to the National Labour Inspectorate.

In 2020, two additional documents were implemented:

- » Infringement Reporting Procedure of LW Bogdanka S.A.
- » Compliance Policy of LW Bogdanka S.A.

The objective of LW Bogdanka's Compliance Policy is to build an efficient system that will ensure a high effectiveness of the compliance management process. And the Infringement Reporting Procedure of LW Bogdanka defines mechanisms that can be used by every employee to report an infringement and to check whether or not a given behavior is ethical, lawful and in accordance with the rules of the organization.

They had to be implemented to adjust the procedures to the applicable regulations arising from the Act of 16 October 2019 on amendments to the Act of 29 July 2005 on the public offering and the conditions governing the introduction of financial instruments into organized trading and on public companies, and the Compliance Implementation Standards adopted by the Warsaw Stock Exchange.

GRI 102-17

In 2020, the Management Board of LW Bogdanka appointed an Ethics Ombudsperson, whose task is to prepare and implement a process connected with the functioning of the compliance management system. The Ethics Ombudsperson is a member of the Compliance Policy Department and monitors, on an ongoing basis, the observance of regulations in force and immediately reacts in case of any irregularities. The COVID-19 situation limited development options of the Department, so some tasks planned for 2020 will be continued in 2021.

Employees may contact the Compliance Policy Department by e-mail or telephone or via [www.lw.com.pl](http://www.lw.com.pl) (Compliance tab). In 2020, the Company received 2 requests for advice on compliance-related matters. Both were answered. The total number of submitted reports concerning ethics and compliance issues at the Company was 21. All were resolved.

GRI 205-2

In order to ensure compliance of employees' conduct and actions with applicable procedures and policies, we organize regular training courses for new members of governing bodies, new employees and new business partners to inform them of the principles, standards and norms of conduct that are required in our organization. All newcomers must read and sign the principles, standards and norms of conduct applicable in the organization.

In addition, training dedicated to anti-bribery policies and procedures were carried out throughout the year for new employees in class and partly remotely, because of the pandemic situation. Due to COVID-19 risk, the full-scope training will be carried out in 2021. Information on the implemented activities was distributed as messages on social media and in the Company's bulletins.

GRI 205-1 GRI 205-3

We continuously review our activities in search of corruption and monitor all submitted reports. In 2020, all units from LW Bogdanka Group were covered by such monitoring. Our analysis revealed no significant corruption risks and no instance of corruption was identified.



In 2020, we continued the implementation of the compliance management systems as required to align the Company to the applicable European regulations, an amendment to the Public Offering Act and the compliance standards of the Warsaw Stock Exchange. We implemented internal regulations concerning infringement reporting procedures and the application of compliance policy at the Company. Compliance management is effected at the Company in three areas: compliance with generally applicable laws, compliance with internal regulations, and compliance with generally accepted ethical standards. In connection with the implementation of the compliance management system, our employees will be required to undergo training in compliance with laws and ethical standards. In 2020, training was difficult to provide due to the Covid-19 pandemic. It was provided mainly remotely, in particular for newly-hired employees.



**Marcin Szewczak, PhD,**  
Compliance Ombudsperson  
of LW Bogdanka S.A.

# 7.2

## Employee commitment and development

GRI 103-3 GRI 103-2

aspect: Employment and employee / management relations

Today, the labour market is mainly the employees' dominium. In order to retain high-profile employees, we strive to offer competitive employment conditions and keep salaries and wages at market levels. We are committed to build a friendly organizational culture.

We follow succession plans and development programs. Our employees have various promotion and development options within the Company. We carry out activities with a view to developing managerial skills among our executives and supervisors. We arrange commitment-building interdisciplinary meetings, using the *design thinking* method, in order to work out improvements and new solutions.

GRI 102-8

### Employees of LW Bogdanka Group – key facts

	LW Bogdanka	MR Bogdanka	RG Bogdanka	Łęczyńska Energetyka	Eko-Trans
Employees under employment contracts (as at 31 December 2019)*, of which:	4,929	77	659	97	2
kobiety	278	3	10	10	0
mężczyźni	4,651	74	649	87	2
II. Individuals providing work to the Company under other than employment contract concluded with the Company – including management board members /managers hired under management contracts, individuals providing work under a civil law contract with the Company, individuals providing work to the Company hired by an employment agency (as at 31 December 2020), including	66	3	14	3	1
women	9	0	4	0	0
Contracts other than employment contract included in point II	management contracts, contracts of mandate	management contracts, contracts of mandate	management contracts, contracts of mandate	management contracts, contracts of mandate	management contracts, contracts of mandate

	LW Bogdanka	MR Bogdanka	RG Bogdanka	Łęczyńska Energetyka	Eko-Trans
Female and male employees under employment contracts by age (as at 31 December 2019) <sup>***</sup>					
under 30 – women	25	2	1	1	0
under 30 – men	660	11	327	8	0
between 30 and 50 – women	125	1	9	7	0
between 30 and 50 – men	3,444	38	303	22	2
above 50 – women	128	0	0	2	0
above 50 – men	547	25	19	57	0
employment contract for an indefinite term – women	219	3	3	9	0
employment contract for an indefinite term – men	3,918	50	105	76	1
other agreements, including probation, definite term (including internships and substitution) – women	59	0	7	1	0
other agreements, including probation, definite term (including internships and substitution) – men	733	24	544	11	1
full time – women	278	3	9	10	0
full time – men	4,651	73	648	85	2
part time – women	0	0	1	0	0
part time – men	0	1	1	2	0
<b>Number of women / Number of men</b>					
Top management (on employment contracts)	0 / 0	0 / 0	0 / 0	0 / 0	0 / 0
Top management (on contracts other than employment contracts, e.g. under management contract) – if applicable in the case of your company	0 / 4	0 / 1	0 / 1	0 / 1	0 / 1
Directors (on employment contracts)	2 / 10	0 / 1	0 / 2	0 / 2	0 / 1
Managers (on contracts other than employment contracts, e.g. under management contract) – if applicable in the case of your company	0 / 0	0 / 0	0 / 0	0 / 0	0 / 0
Individuals in lower managerial positions working under employment contracts	11 / 109	0 / 3	0 / 2	1 / 4	0 / 0
Including chief foremen and underground dispatchers	11 / 176	0 / 3	0 / 2	1 / 4	0 / 0

Other administrative employees not in managerial positions working under employment contracts	176 / 89	3 / 4	10 / 37	6 / 16	0 / 1
Other operational employees not in managerial positions working under employment contracts	89 / 4,376	0 / 66	0 / 608	3 / 65	0 / 0
Including chief foremen and underground dispatchers	89 / 4,443	0 / 66	0 / 608	3 / 65	0 / 0

\* All persons on employment contracts, including temporary suspended employees, i.e. on parental leave, unpaid leave over 30 days and rehabilitation leave.

\*\* Persons providing work under contracts other than employment contracts include, among others, employees providing work as employees of a temporary work agency, employees providing work under civil law contracts (contracts of mandate, task-specific contracts) and managers/members of the management board/experts under so called management contracts.

\*\*\* Headcount as per point I.

GRI 401-1

Total number and percentage of new hires and total number of the employees who left in the reporting period

	LW Bogdanka	MR Bogdanka	RG Bogdanka	Łęczyńska Energetyka	Eko-Trans
Number of new employees on employment contracts in 2020:	133	2	251	0	4
women	17	0	6	0	1
men	116	2	245	0	3
employees under 30	69	1	128	0	1
employees between 30 and 50	61	0	118	0	3
employees above 50	3	1	5	0	0
Number of employees on employment contracts, who left* the Company in 2020:	14	0	3	0	1
women	114	11	218	0	10
men	11	3	102	0	2
employees under 30	55	5	117	0	2
employees between 30 and 50	62	3	2	0	7
employees above 50	3	1	5	0	0

\* "Left" means termination or expiration of an employment contract.

	LW Bogdanka	MR Bogdanka	RG Bogdanka	Łęczyńska Energetyka	Eko-Trans
<b>Employee turnover rate in 2020 for all employees under employment contracts</b>					
Rate	2.59	14.28	33.53	0.00	11.00

The turnover rate calculated using the formula: total number of employees on employment contracts who left in 2020 divided by the number of employees on employment contracts (as at 31 December 2020 in accordance with the data provided by the company in ratio 102-80) and multiplied by 100.

	<b>Employee turnover rate in 2020 for employees on employment contracts by gender</b>				
Women	5.03	0.00	30.00	0.00	10.00
Men	2.45	14.86	33.59	0.00	11.00

The turnover rate for women on employment contracts calculated using the formula: total number of women on employment contracts who left in 2020 divided by the number of women on employment contracts (as at 31 December 2020) and multiplied by 100. A similar approach is applied to calculate this rate for men under employment contract.

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

aspect: Training and education

## Education and development

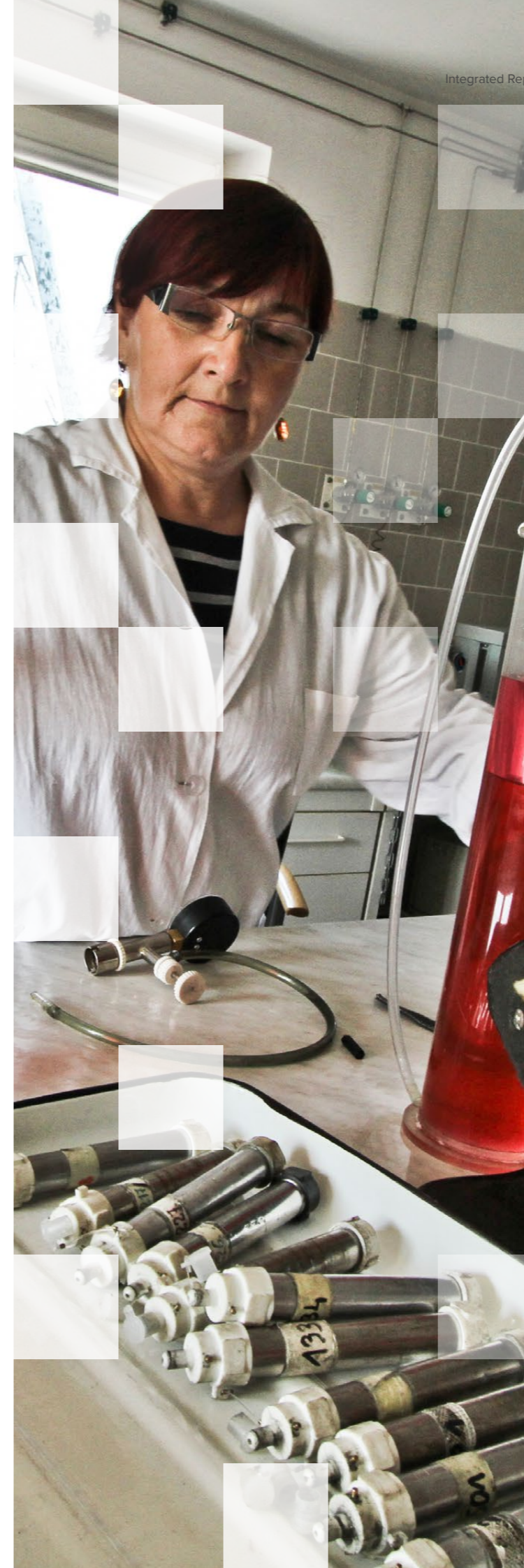
We place great emphasis on development of human capital through continuous improvement of professional qualifications and interpersonal skills and effective motivation.

All our employees have equal access to training and opportunities to improve their qualifications. In 2020, such possibilities were limited by the COVID-19 pandemic, which made it impossible to carry out traditional training and educational activities. This was a threat to development of knowledge and competences in the organization, therefore the Company made attempt to counter this phenomenon by taking training and educational activities using a new formula.

As soon as on 17 March 2020, our organization started carrying out mandatory periodic OSH training online. In the event that an employee was not able to participate in online training, a traditional model

was available, with the sanitary regime being observed. This way, while ensuring employees' safety, we trained 4,418 persons in periodic OSH courses, including 3,795 employees of our Company and 623 employees of third party companies. Onboarding training was provided to 178 employees of our Company. Additionally, we carried out internal online training sessions for 89 people (related to the GDPR, liquidated damages, etc.) and hybrid-model training with the use of training platforms for 168 people (soft skills training). We also used training carried out by external providers (mainly online from April 2020 on). It covered labour law and the new Public Procurement Act.

In order to keep social distance between training participants and, thus, improve safety, **RG Bogdanka** reduced the number of participants in training groups and increased the number of training courses. Online training was also carried out. Because of difficulties to use the training base, especially for practical training, **MR Bogdanka** used online training courses to the extent possible.



GRI 404-1

### Average number of training hours taken by employees in the reporting period\*

Women	3.8
Men	4.6
Top-level managers	25.1
Medium-level managers	4.2
Specialists	4.6
other employees	4.6

\* The average number of training hours per employee is the total number of training hours taken by employees divided by the total number of employees.












### Broad range of benefits

LW Bogdanka Group offers a variety of non-salary benefits to its employees. Those benefits are to increase the motivation of highly-skilled employees to stay with the Group and to develop their professional qualifications.



GRI 401-2

Our additional benefits co-funded by the social benefit fund for full-time employees include:

-  Length-of-service allowance
-  Bonus and a day off on the Miners' Day (Barbórka)
-  Long-service award
-  Medical services, with an option to cover family members on preferential terms
-  Group insurance
-  Right to participate in the Employee Pension Plan
-  Loans from the Employee Aid Fund and repayable or non-repayable aid from the Company Social Benefit Fund
-  Financing of sanatorium treatment
-  Financing of training, professional licenses and certificates and co-financing of university education
-  Co-financing of holidays
-  Co-financing of pre-schools and holidays for children and teenagers

-  Co-financing of sports activities
-  Tickets / season tickets to cinema, theaters, museums and sports events
-  Low-interest housing loans

We did not change the list of benefits during the Covid-19 pandemic. Full-time employees, part-time employees and employees under definite-period contracts have the same rights. Selected benefits are also offered to retired employees.

In addition, because of the Covid-19 pandemic, each company reduced the documentation required to obtain funds from the Company Social Benefit Fund which make it possible to minimize personal contacts.

### Out of concern for the well-being of employees

We consider the well-being of our employees very important. As an organization that is aware of the impact of well-being activities on motivation, we have created a special space for our employees to pursue their spare-time activities – “Active in Bogdanka” program.



### Active in Bogdanka

The program’s aim is to build an organizational culture based on cooperation, dialogue, and commitment of all personnel that will incentivize our employees and make them feel better. For our employees, the program is an opportunity for development and an incentive to accomplish successive goals. Employees can take additional, interesting and useful after-hours activities, develop hobbies and interests, and set new goals. Our Company co-financed 13 active individual employees and 2 employee teams. The areas of interest of the employees awarded in the 2020 edition include environmental protection, science, culture, arts, and sport. The program has become a vital element for implementing the “work life balance” philosophy among our employees.



Natural environment protection is close to my heart. I believe that biodiversity is a value that is worth our effort. I am glad that my employer support me as I develop my interest that are not directly associated with my employee duties. Programs such as Active in Bogdanka are a good incentive to keep up our after-hours activities.



**Jacek Świrszcz,**  
beekeeper, by trade: wireman at the EMW Unit – responsible for ensuring continuity of skip loading operations

### Bogdanka with an “Employee-Friendly Employer” certificate

In 2020, LW Bogdanka awarded an “Employee-Friendly Employer” certificate in a contest organized by the “Solidarność” Independent Self-Governing Trade Union under patronage of the President of the Republic of Poland. The judging panel granted such certificates to 17 employers that, in their business activities, stand out in the areas of respecting the labour law, taking particular care of the stability of employment and compliance with occupation health and safety rules, and creating space for employees to establish or join independent trade unions. Our mine was recognized for “full commitment in the employee-related matters, strict compliance with the labour law, effective implementation of the Employee Pension Plan, as well as establishment of the Solidary Miners Foundation, which supports miners facing difficult life situations and their families”.

# 7.3

## Dialogue with employees

We are absolutely aware that it is our employees who create the value of our organization, therefore we take care of our mutual relations to ensure they are based on respect, dialogue and cooperation. We support our employees who want to join trade unions. Trade unions are our partners in regular dialogue, which, for us, is a means to conceive best solutions for our personnel.

GRI 102-41

We are a highly unionized company, with more than 60% of our employees being union members. In the coal mining sector, trade unions hold a significant position and play an important role in determining staff and payroll policy. We stay in continuous dialogue with trade unions within the framework of regular meetings with our partners. LW Bogdanka Group enjoys constructive cooperation with trade union leaders. Trade unions participate in decision-making to the extent provided for by the law.

As at the end of 2020, six trade union organizations were active at the Group (of which four at LW Bogdanka, associating 3,164 employees, i.e. approx. 64.3% its employees).

The following trade unions operated at LW Bogdanka company:

- » Trade Union of Miners in Poland – **1,561 members**
- » NSZZ "Solidarność" – **1,007 members**
- » "Kadra" Trade Union – **335 members**
- » "Przeróbka" Trade Union of Mechanical Coal Processing Plant Workers in Poland – **347 members**



We belong to the group of Polish employers who have particular respect towards employee-related matters and engage in active dialogue with the unions. We are one of the largest employers in the Lublin Region. The Bogdanka team and the personnel of the companies cooperating with us, together with their families, constitute a community of over 20,000 people who are connected to the mine. This is why we take our role in the region very seriously.



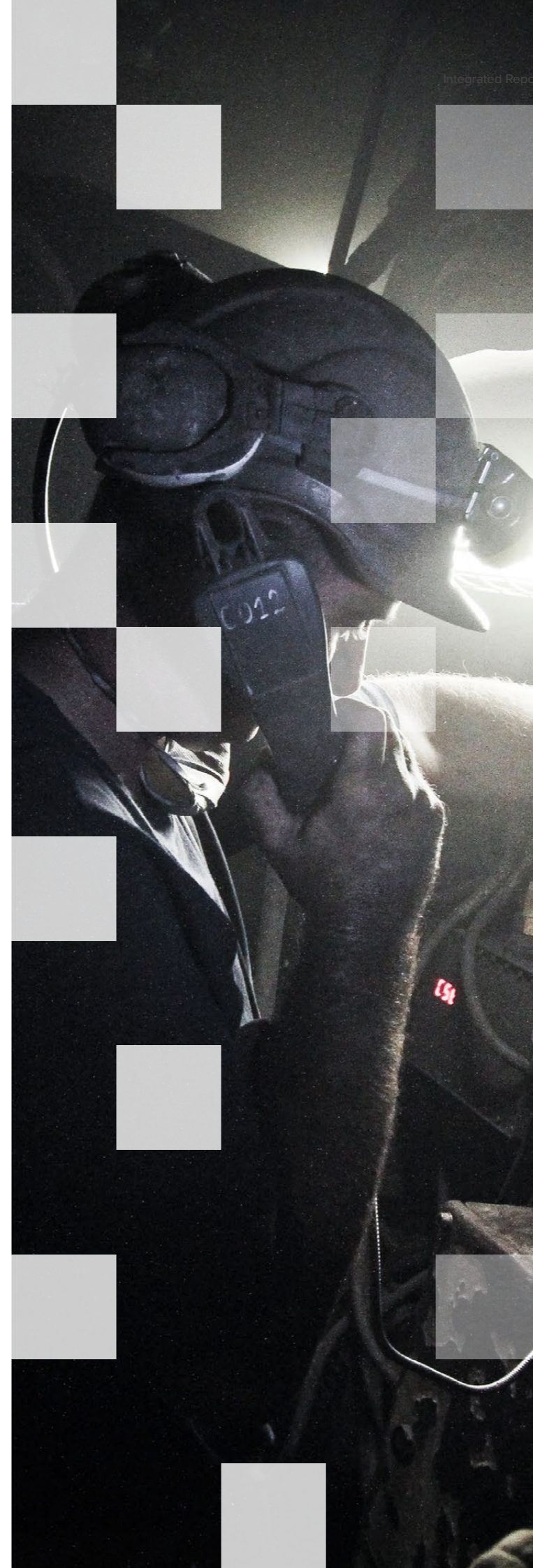
**Adam Partyka,**  
Vice-President of the Management Board,  
Employee and Social Affairs

GRI 402-1

Our organization is a party to a collective bargaining agreement. Employees are notified of changes to the Work Rules and the Collective Bargaining Agreement within the respective time limits provided for in the Labour Code.

### New communication channels

In 2020, which was the time of Covid-19 pandemic, in order to improve communication with our employees and to ensure that they have access to current information on the coronavirus, we made some changes in our internal communication, which mainly used digital channels and tools.



LW Bogdanka used Facebook, where we established a closed group for employees to provide information on the pandemic. The contents available on Facebook were updated every day. The exchange of information was also made via the employee portal and via "Bogdanka NEWS," a paper and online bi-weekly magazine, and the news about pandemic was also published on bulletin boards at entrances to main buildings of the Company and on news screens.

At RG Bogdanka, internal and external meetings were held on online platforms to the extent possible. Blue collar personnel had also access to Employee Services Bureaus. In connection with the COVID-19 pandemic, procedures were modified to handle many issues by e-mail, telephone or videoconference, without the need to appear in person. A dedicated employee portal was launched for both communication with and transmission of data to employees. A remote work system was implemented for administrative personnel. Employees were able to perform a significant part of their duties outside the workplace.

Similar solutions were implemented in the other companies of LW Bogdanka Group.

# 7.4

## Diversity management

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

aspect: Diversity, equal treatment and anti-discrimination measures

Every recruitment process at LW Bogdanka Group is carried out with due regard for the rules of equality regardless of sex, origin, age, beliefs and other diversity-related factors. Due to the specific nature of the sector and the legal requirements, the Group mainly employs men. The structure of its personnel results from employees' individual preferences as to the choice of their career.

At LW Bogdanka, various aspects of diversity are regulated by Diversity Policy, Articles of Association, Work Rules, Code of Ethics, Personnel Policy, and Collective Bargaining Agreement (CBA). The rules for appointing the Management Board and Supervisory Board members are set out in the Company's Articles of Association. When appointing its governing bodies, the Company lays great emphasis on ensuring versatility and diversity (in terms of education, competences, professional experience), but it does not differentiate candidates by sex, age, origin or other factors which do not affect the assessment of their suitability.



In accordance with our diversity policy, we make our personnel-related decisions in accordance with the current needs of our Company, while paying particular attention to the expertise, education and professional experience of candidates.

We apply the principle of diversity to selection of employees to ensure their potential, skills, experience, talent and competence are properly used. The employee recruitment rules are set out by the Personnel Policy. Recruitment is carried out in accordance with the requirements specified for particular jobs. Under the Work Rules, one of the key obligations of the employer is to prevent discrimination at the workplace, especially on the grounds of sex, age, disability, race, religion, nationality, political beliefs, membership in trade unions, ethnic origin, faith and sexual orientation, as well as on the grounds of fixed-term or permanent employment contracts, or full-time or part-time employment. Every employee has equal opportunities of professional development. Under the Collective Bargaining Agreement, we are obliged to ensure equal opportunities and fair pay for work, depending on the type of work, qualifications, hours worked and quality of work.

### Non-discrimination

GRI 406-1

Pursuant to the Code of Ethics, any forms of discrimination, both direct and indirect, abuse or harassment are absolutely inadmissible and unacceptable at LW Bogdanka. In order to prevent adverse events from happening, all employees of the Company are familiarized with the Code of Ethics and managers must take part in training related to discrimination & harassment. Both remuneration system and training system are non-discriminatory towards employees.

In 2020, no cases of discrimination were identified at companies of LW Bogdanka Group.

## Remuneration

GRI 202-1

Remuneration of both women and men is based on the regulations of the Collective Bargaining Agreement. Minimum pay is not a determining factor for employee pay as it is higher than minimum pay. If it is turns out that the amount of pay due to an employee is lower than minimum pay, the employee will receive minimum pay.

Relation of basic pay to minimum pay\* at LW Bogdanka in 2020

Women	3.01
Men	3.38

\* Minimum pay does not depend on sex.

GRI 405-1

Diversity and equal opportunities with respect to access to jobs, including to positions on the management board, equal pay for men and women

	LW Bogdanka			RG Bogdanka			MR Bogdanka			Eko-Trans			Łęczyńska Energetyka		
Breakdown according to structure and age:	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men
<b>Supervisory bodies of the organization</b>															
<b>Management Board</b>															
below 30 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
from 30 to 50 years	3	-	3	1	-	1	-	-	-	-	-	-	-	-	-
over 50 years	1	-	1	-	-	-	1	-	1	1	-	1	1	-	1
<b>Total</b>	<b>4</b>	<b>-</b>	<b>4</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>1</b>
<b>Supervisory Board</b>															
below 30 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
from 30 to 50 years	5	-	5	-	-	-	-	-	-	-	-	-	2	1	1
over 50 years	4	2	2	-	-	-	-	-	-	-	-	-	1	-	1
<b>Total</b>	<b>9</b>	<b>2</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>1</b>	<b>2</b>

	LW Bogdanka			RG Bogdanka			MR Bogdanka			Eko-Trans			Łęczyńska Energetyka		
<b>Categories of employees</b>															
Breakdown according to structure and age:	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men
<b>Top management</b>															
below 30 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
from 30 to 50 years	8	1	7	2	-	2	1	-	1	1	-	1	1	-	1
over 50 years	4	1	3	-	-	-	-	-	-	-	-	-	1	-	1
<b>Total</b>	<b>12</b>	<b>2</b>	<b>10</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>2</b>	<b>-</b>	<b>2</b>
<b>Medium-rank management</b>															
below 30 years	1	-	1	-	-	-	-	-	-	-	-	-	-	-	-
from 30 to 50 years	85	8	77	2	-	2	2	-	2	-	-	-	6	-	6
over 50 years	34	3	31	-	-	-	1	-	1	-	-	-	1	1	-
<b>Total</b>	<b>120</b>	<b>11</b>	<b>109</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>3</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>1</b>	<b>6</b>
<b>Other employees</b>															
below 30 years	684	25	659	315	-	315	11	-	11	-	-	-	9	1	8
from 30 to 50 years	3,426	116	3,310	278	-	278	31	-	31	-	-	-	23	7	-
over 50 years	620	124	496	15	-	15	24	-	24	-	-	-	58	1	-
<b>Total</b>	<b>4,730</b>	<b>265</b>	<b>4,465</b>	<b>608</b>	<b>-</b>	<b>608</b>	<b>66</b>	<b>-</b>	<b>66</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>90</b>	<b>9</b>	<b>8</b>
<b>Summary of employees by company</b>															
	LW Bogdanka			RG Bogdanka			MR Bogdanka			Eko-Trans			Łęczyńska Energetyka		
Total number of employees (102-8)	4,929			659			77			2			97		
Number of women (102-8)	278			10			3			-			10		
Number of men (102-8)	4,651			649			74			2			87		

	LW Bogdanka			RG Bogdanka			MR Bogdanka			Eko-Trans			Łęczyńska Energetyka		
<b>Percentage of employees on management bodies of the organization</b>															
Breakdown according to structure and age:	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men
<b>Management Board</b>															
below 30 years	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
from 30 to 50 years	75%	0	75%	100%	0	100%	0	0	0	0	0	0	0	0	0
over 50 years	25%	0	25%	0	0	0	100%	0	100%	100%	0	100%	100%	0	100%
<b>Total</b>	<b>100%</b>	<b>0</b>	<b>100%</b>	<b>100%</b>	<b>0</b>	<b>100%</b>	<b>100%</b>	<b>0</b>	<b>100%</b>	<b>100%</b>	<b>0</b>	<b>100%</b>	<b>100%</b>	<b>0</b>	<b>100%</b>
<b>Supervisory Board</b>															
below 30 years	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
from 30 to 50 years	56%	0	56%	0	0	0	0	0	0	0	0	0	67%	33%	33%
over 50 years	44%	22%	22%	0	0	0	0	0	0	0	0	0	33%	0	33%
<b>Total</b>	<b>100%</b>	<b>22%</b>	<b>78%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>100%</b>	<b>33%</b>	<b>67%</b>
<b>Percentage of employees in the following categories</b>															
Breakdown according to structure and age:	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men
<b>Top management</b>															
below 30 years	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
from 30 to 50 years	67%	8%	58%	100%	0	100%	100%	0	100%	100%	0	100%	50%	0	50%
over 50 years	33%	8%	25%	0	0	0	0	0	0	0	0	0	50%	0	50%
<b>Total</b>	<b>100%</b>	<b>17%</b>	<b>83%</b>	<b>100%</b>	<b>0</b>	<b>100%</b>	<b>100%</b>	<b>0</b>	<b>100%</b>	<b>100%</b>	<b>0</b>	<b>100%</b>	<b>100%</b>	<b>0</b>	<b>100%</b>
<b>Medium-rank management</b>															
below 30 years	1%	0	1%	0	0	0	0	0	0%	0	0	0	0	0	0
from 30 to 50 years	71%	7%	64%	100%	0	100%	67%	0	67%	0	0	0	86%	0	86%
over 50 years	28%	3%	26%	0	0	0	33%	0	33%	0	0	0	14%	14%	0
<b>Total</b>	<b>100%</b>	<b>9%</b>	<b>91%</b>	<b>100%</b>	<b>0</b>	<b>100%</b>	<b>100%</b>	<b>0</b>	<b>100%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>100%</b>	<b>14%</b>	<b>86%</b>
<b>Other employees</b>															
below 30 years	14%	1%	14%	52%	0	52%	17%	0	17%	0	0	0	10%	1%	9%
from 30 to 50 years	72%	2%	70%	46%	0	46%	47%	0	47%	0	0	0	26%	8%	0
over 50 years	13%	3%	10%	2%	0	2%	36%	0	36%	0	0	0	64%	1%	0
<b>Total</b>	<b>100%</b>	<b>6%</b>	<b>94%</b>	<b>100%</b>	<b>0</b>	<b>100%</b>	<b>100%</b>	<b>0</b>	<b>100%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>100%</b>	<b>10%</b>	<b>9%</b>

# 7.5

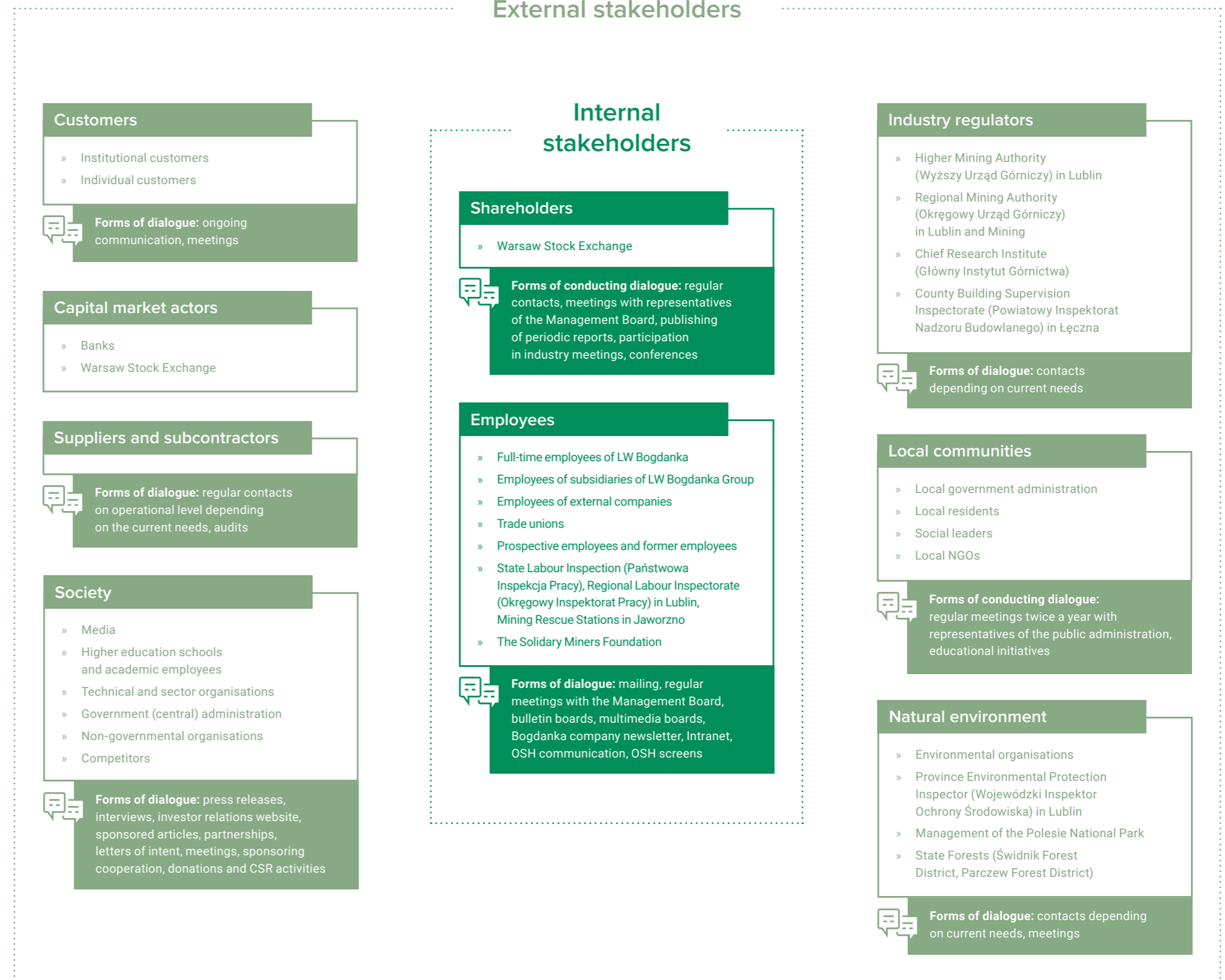
## We take care of good relationships with our stakeholders

Relationships with stakeholders are an important component of social capital of our organization. In our day-to-day business, we pay attention to our commitment to development of long-lasting relationships, based on trust, with both external and internal stakeholders. As a member of the local community, we accept our obligation to cooperate with the social environment and to jointly resolve various problems of the region. Relationships with our stakeholders are based on the reliable exchange of information, constructive dialogue and understanding of mutual expectations and needs. With such an approach, we can effectively resolve problems, prevent conflicts and build a good image of and trust in our organization.

### Identification and dialogue with stakeholders

GRI 102-40 | GRI 102-42 | GRI 102-43

As an organization that applies the principles of sustainable development, we manage our relationships with stakeholders on an continuous basis, using various tools and form of dialogue and cooperation. When we were preparing the Corporate Social Responsibility Strategy for LW Bogdanka for 2018-2021, we also created a map of our stakeholders on the basis of analyses and interviews with managers responsible for relationships with particular stakeholders and with representatives of selected groups of external stakeholders. Every year, as part of the monitoring of the CSR Strategy, we verify the key groups of stakeholders and the approach to management of our relationships with them. For key groups, contacts are regular and direct, and vital issues are consulted as they arise. The frequency of contacts with particular groups of stakeholders is determined on an as-needed basis. In 2020, contacts were significantly trimmed down and modified. Digital channels and tools were used more often.





Action of 2021

**Workshops on reclamation of the Bogdanka stockpile**

We strive to maintain continuous dialogue cooperation with the stakeholders and, thus, we have established strong bonds with the region and its inhabitants. In 2020, we planned activities to invite our social environment to broad-range dialogue on reclamation of post-industrial areas. **In March 2021**, LW Bogdanka, the Mining Chief Research Institute in Katowice (as project leader) and the WSB University in Dąbrowa Górnicza (reclamation experts) organized workshops dedicated to reclamation challenges, directions and tools, with a particular focus on reclamation of post-industrial areas. We invited local stakeholders of Bogdanka – all persons and institutions that may consider this issue particularly important. A reclamation presentation and moderated discussion were to identify the needs and concepts of reclamation of areas that may be deemed interesting for the nearby entities, with special emphasis on the mining waste neutralization facility at Bogdanka.

During the workshops we asked the stakeholders of LW Bogdanka for their opinions which reclamation projects will support the economic development of neighboring communes, local communities and the region, and which one could reinforce the local citizens' commitment to preserve the heritage of the region and the results of reclamation. Workshop participants were also asked which projects connected with recultivation of the stockpile area and its surroundings could support the local labour market and which projects would attract local people to join events organized in connection with that area.

As key projects, workshop participants listed:

- » **Create an economic / investment zone** for businesses
- » **Build the jewel of Lublin region** – a summer and winter sports center, including an igelit ski slope
- » **Appoint a programming council** for the stockpile as a discussion forum and as a place to create new ideas
- » **Set up a coal spa**
- » **Create a rehabilitation services center** for former and retired miners
- » **Build a system of cycle paths** – Bogdanka in the network of regional paths
- » **Use water reservoirs** for fishing
- » **Establish a vineyard** on the south slope, plant greenery on part of the stockpile (medicinal, fodder and ornamental plants)
- » **Return part of the stockpile to wildlife** – arrange a succession lab or apiary
- » **Set up a Lublin hop museum**
- » **Build an environmental education park** which will offer education activities and educational paths for children and teenagers (holiday stays)
- » **Create a proposal for tourists** based on industrial heritage
- » **Preserve and display mining machines, diggers, heapers, as heritage, as in the Lusatia basin**
- » **Miniature park**, with mock-ups of active and retired mines in Poland or Europe
- » **Build an energy storage facility**, using energy produced by photovoltaic panel and gravitational energy
- » **Build an energy-generating facility**, based on renewable energy, which will support tourist activities
- » **Create a product associated** with agriculture, local women's associations, agricultural products



Action of 2021

**Membership in organizations and associations**

GRI 102-12 GRI 102-13

We are a member of many organizations and associations. By participating in various initiatives, we can broaden our knowledge and share and exchange knowledge and experience with other entities.

Organizations and initiatives we participate in:

- Polish Mining Chamber of Industry and Commerce
- Polish Association of Listed Companies
- Association of Individual Investors
- “Together for the Lublin Region” Association in Lublin
- Polish-Ukrainian Chamber of Commerce in Warsaw
- Lublin Region Entrepreneurship Board Association in Lublin
- IEA Coal Industry Advisory Board
- EURACOAL
- “Mining is OK” Initiative
- Responsible Business Forum (FOB) Partnership Program

**LW Bogdanka is a partner of the FOB**

**In the beginning of 2021**, our organization joined the Partnership Program of the Responsible Business Forum (FOB), which gathers 51 strategic partners. FOB strategic partners are companies which may boast specified achievements with respect to corporate social responsibility and want to share their experiences with others. Upon becoming a FOB strategic partner, a company undertakes to support the development of this idea in Poland in the long run.



During the pandemic crisis, during the time of social anxiety and uncertainty, we should develop mutual cooperation and look for space for activities that would improve both quality of human life and condition of our planet. The fact that companies take up the challenge of joint work under the Partnership Program is especially meaningful. The Program is for organizations that implement good CSR practices, but also educate and promote the principles of socially responsible business in Poland.



**Marzena Strzelczak**,  
President and General Director,  
Responsible Business Forum

## 8

## About the Report

## GRI 102-54

This is the eight consecutive report published by LW Bogdanka Group. It has been prepared in accordance with the requirements of the Global Reporting Initiative Standards (GRI Standards) – Core option. It is also the seventh integrated report prepared in accordance with the International Integrated Reporting Framework.

## GRI 102-45

The report covers LW Bogdanka Group, i.e. parent company (LW Bogdanka S.A.) and subsidiaries: Łęczyńska Energetyka Sp. z o.o., RG Bogdanka Sp. z o.o., EkoTrans Sp. z o.o. and MR Bogdanka Sp. z o.o.

## GRI 102-50

The presented data is for the period from 1 January to 31 December 2020. The report also presents certain issues, important to the Company, that occurred after 31 December 2020 but before the final version of the report was prepared, i.e. in the first half of 2021.

## GRI 102-56

This report has not been verified by any external party. Financial data presented in the report are in accordance with the Report of the Management Board on the activities of LW Bogdanka S.A. and LW Bogdanka Group for 2020 and the consolidated financial statements published on 29 March 2021, prepared in accordance with International Financial Reporting Standards, audited by PricewaterhouseCoopers Polska Sp. z o.o. Audyt Sp. k.

## GRI 102-52

Reports of LW Bogdanka Group are published annually.

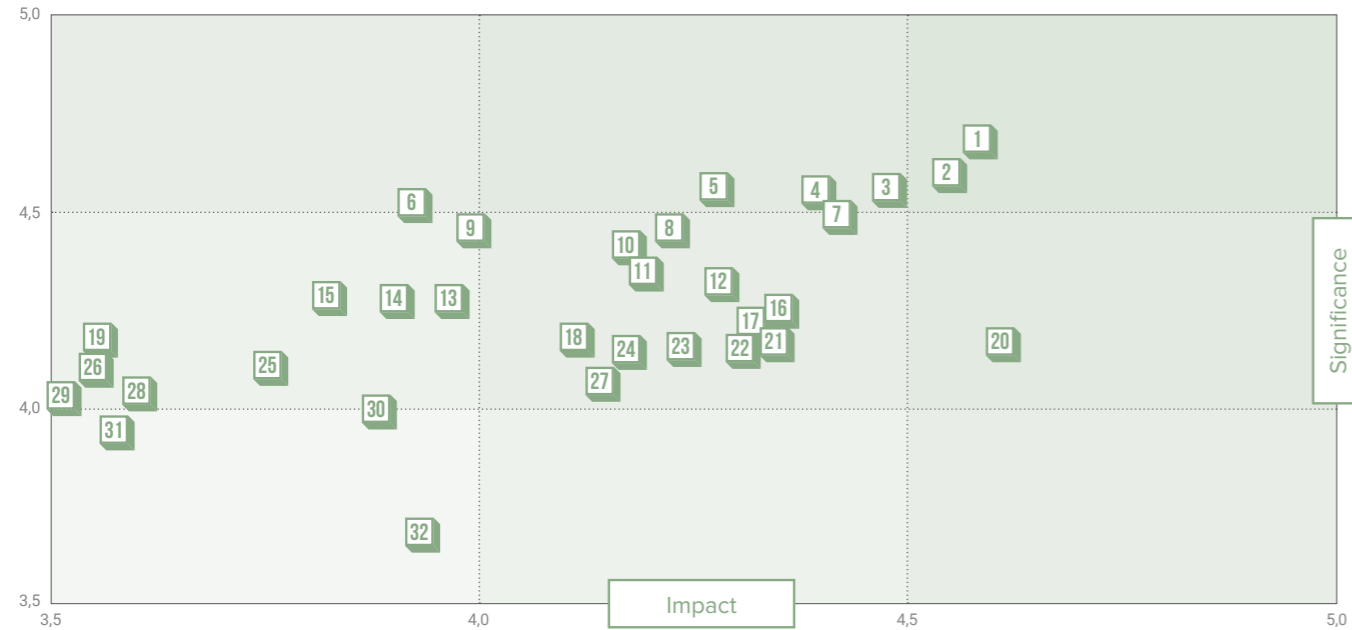
## GRI 102-48 | GRI 102-49 | GRI 102-51

As compared to the previous integrated report, published in July 2020, the report for 2020 contains no significant changes of the scope, reach or applied measurement methods. The report presents key data relating to business activities of the Group. It also discusses the role of Bogdanka in the region and the challenges it faces in the context of the planned energy transition. In addition, it shows the opportunities the Company and the region may gain under the Local Just Transition Plan for the Lublin Province. In this report, we discuss employee-, society – and environment-related matters, as well as the impact of the Covid-19 pandemic on all those issues, which was a key factor affecting activities of businesses in Poland and throughout the world in 2020.

## GRI 102-44 | GRI 102-46

The process to define the key topics to be covered by this report was carried out in stages. The contents of the report were defined based on the results of workshops which were held in 2013 and 2018 as part of work on the Corporate Social Responsibility strategy of the Company for 2018–2021. During the first of the above workshops, issues significant from the perspective of business activities were identified. The other areas considered important to the stakeholders were defined in March 2018 during our dialogue sessions, conducted in accordance with AA 1000SES standard. In addition, for the purposes of this report, the Company verified the list of significant topics by arranging a survey in which 22 persons provided their answers. The stakeholders that took part in the survey indicated the following issues, which they considered crucial for LW Bogdanka Group because of the Group's impact on a given issue and because of significance of such issue to the Group.

The final stage of the process used to identify the issues considered important to ensure the completeness of the report was verification conducted by the project team that produced this report with reference to the business strategy and the CSR strategy of LW Bogdanka Group.



- 1 Gas emissions to air, measuring and reducing carbon footprint
- 2 Impact on biodiversity
- 3 Effluents and Waste
- 4 Impact of produced coal on the environment
- 5 Mining damage
- 6 Occupational health and safety and related norms and policies
- 7 Company and LWB Group's environmental strategy and aims
- 8 Relations with central and local government administration
- 9 Key investment projects
- 10 Water management
- 11 Stakeholder Engagement
- 12 Energy management and energy efficiency
- 13 Innovative business model
- 14 Communication and marketing
- 15 Direct and indirect influence of LWB Group's operations on local economy and development in the region
- 16 Management of climate related risk
- 17 Support for research and science development and implementation
- 18 Raw materials and materials used
- 19 Company's charitable activities and The Solidary Miners Foundation
- 20 Company's strategic perspective in the context of sustainable development
- 21 Approach to driving the development of local community
- 22 Recycling and implementation of processes related to closed circle economy
- 23 Company's business strategy assumptions for development plan and applicable national and European strategies, including the European Green Deal
- 24 Company's financial standing, financial results
- 25 Relations between employees and the employer
- 26 Human rights
- 27 The manner in which the Company manages risk, including economic, social and environmental risk
- 28 Employment
- 29 Diversification of revenue
- 30 Possibility of increasing employees' qualifications and competences
- 31 Diversity and Equal Opportunity
- 32 Corporate governance

GRI 102-47

As a result of the above activities, the key topics were identified, which are reflected in this report:

Topics important to stakeholders with reference showing where they are reflected in the proposed structure:

- 1. Gas emissions to air (chapter 5.1)
- 2. Impact on biodiversity (chapter 5.3)
- 3. Effluents and waste management (chapter 5.1)
- 4. Impact of produced coal on the environment (chapter 5)
- 5. Occupational safety and health (chapter 4.1)
- 6. Relations with central and local government administration (chapter 7.4)
- 7. Environmental strategy (chapter 5)

- 8. Stakeholder engagement (chapter 7.4)
- 9. Energy management and energy efficiency (chapter 5.1)
- 10. Support for research and science development (chapter 3.2)

GRI 102-53

The representative of LW Bogdanka S.A. responsible for contacts in all matters relating to this report is:

**Agata Koszarna**  
 Head of Social Responsibility and Sustainable Development Department  
 tel.: +48 81 462 56 58  
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GRI 102-55

GRI Index

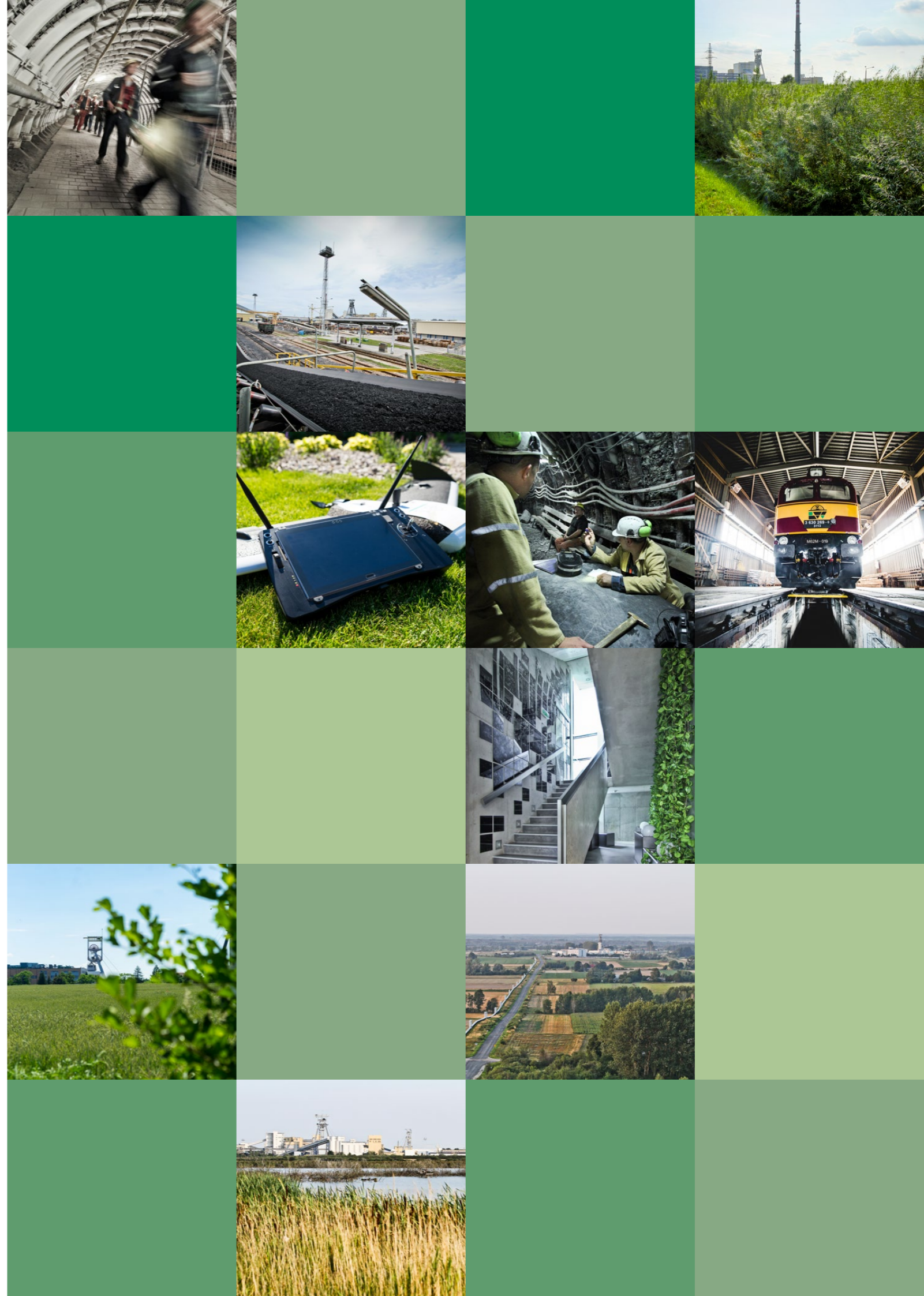
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