

**Cognor Capital Group  
Integrated**

# **REPORT**

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The background of the slide is a dark, industrial scene filled with a dense spray of bright, white sparks. These sparks appear to be emanating from a point of contact, possibly a grinding wheel or a welding torch, creating a dynamic and energetic atmosphere. The sparks are captured in motion, with some appearing as long, thin streaks and others as smaller, more concentrated bursts of light. The overall color palette is dominated by the dark blues and blacks of the background, contrasted sharply by the brilliant white and yellow of the sparks.

## **1. LETTER FROM THE MANAGEMENT BOARD PRESIDENT OF THE COGNOR HOLDING S.A. GROUP**





**Dear Sir/Madam,**

This fourth non-financial report summarizes the achievements of the Cognor Capital Group in the area of sustainable development. This year's report also presents how we create value for stakeholders and how we transformed our capital to achieve results.

This year turned out to be a challenging time, in which, apart from focusing on the set goals, we paid special attention to how to achieve them. The pandemic has changed the way our teams work and how we engage with clients. Despite the challenging times, we continue to move forward with the investments and development which allows us to maintain our position in the competitive market. In light of the changing environmental requirements and the pan-European trend to achieve climate neutrality by 2050, I am pleased that our current business model implementation has been in line with these challenges for years. The industry requires a profound transformation to support Europe in its endeavours. By implementing the tasks of the circular economy we can transform steel scrap into a valuable product. In this report, we discuss our contribution to minimize climate change through our mission and technological solutions.

As a responsible and sustainable entity, we remain committed to reaffirming our contribution to the goals of the United Nations. Thus, we present the eight goals on which we have the greatest influence through the implementation of our business goals.

The report covers the most important issues of our involvement in non-financial areas. I hope the report will provide the detail for you to understand our position on important issues.

**Best Regards,**

President of the Management Board of Cognor Holding S.A.  
Przemysław Sztukowski

## 2. INITIAL INFORMATION REPORT



## 2.1. LEGAL REGULATIONS AND DOCUMENT FRAMEWORK

The report on non-financial information was prepared in accordance with the requirements of Art. 55 of the Act of September 29, 1994 on accounting (Journal of Laws of 2019, item 351), which obliges public interest entities to disclose non-financial data.

The content includes non-financial and financial information on the Cognor Capital Group for the period from January 1, 2020 to December 31, 2020. The document covers all subsidiaries included in the Consolidated Annual Report of the Cognor Capital Group for 2020. The previous report was published in the form of a separate report on non-financial information for 2019 on 31 March 2020. Reports are published annually and documents from previous years are available on the corporate website of the Cognor Group at: <https://cognorholding.eu/relacje-inwestorskie/raporty-gpw/raporty-okresowe/>.

The published report does not contain any significant changes in the scope of the presented data, changes in the business model or methods of measuring key areas compared to the previous year, or any corrections of key information presented in the Report for 2019.

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## 2.2. METHODOLOGY AND ADOPTED GUIDELINES

The report was prepared using the international standard developed by the Global Reporting Initiative in the GRI Standards version of 2016 with updates from 2018. In addition, the report takes into account the guidelines of the International Integrated Reporting Council allowing the data presentation in an integrated manner.

The document also takes into account selected guidelines contained in the Supplement Report of climate-related information issued by the European Commission in Communication No. 2019 /C 209/01 and the recommendations published by the Task Force on Climate-related Financial Disclosures (TCFD) related to environmental issues. Activities supporting the implementation of the Sustainable Development Goals announced by the United Nations in 2015 were also used in the report preparation.

In order to exercise due diligence in the reporting process, the Cognor Capital Group was supported by the independent consulting company Kapitał Intelektualny Sp. z o. o. The document has been internally verified by a project team consisting of the Group's employees.

Work on the publication was carried out in accordance with ten principles specified in the GRI guidelines, including defining the content and quality of the report. Thus, the applied principles relating to the scope: including stakeholders, the context of sustainable development, relevance, completeness and the quality of the presented data: accuracy, balance, transparency, comparability, reliability and timeliness.

The process of defining the content of the report included three stages: identification, prioritization and validation of activities.

No.	STAGE NAME	STAGE GOAL	ACTIONS TAKEN
1	Identification	Indication of all potential aspects and any issues that may be included in the Report. The stage takes into account the context of sustainable development and stakeholders. It includes the impact of actions taken, products offered, internal and external relations.	<p>Identification of significant business issues and areas of sustainable Group development defined during consultations with the Management Board, management staff and professional staff.</p> <p>Indication of the expected topics by stakeholders through quantitative research in the form of an on-line questionnaire.</p> <p>The identification process took into account the trends and guidelines of international standards in the field of corporate social responsibility as well as non-financial and integrated reporting.</p>
2	Prioritization	Determining the significance of individual aspects and any issues identified at the identification stage. The stage covers the	Cascading the key areas identified and assigning weight to the aspects identified through dialogue with stakeholders and the project team.



		materiality principle and involves stakeholders.	This stage included determining the significance of the topics identified in the context of planned changes in reporting issues related to climate-related reporting, the European Green Deal Strategy and the Paris Agreement of 2015.
<b>3</b>	Validation	Selecting a list of key topics, aspects and indicators that should be presented in the report. This stage includes consideration of the completeness principle and stakeholders.	Conducting a validation workshop with the Management Board, the management staff and key employees allowing the definition of the final list of issues to be reported.

During the workshop documents, policies, procedures, regulations and internal materials of the companies belonging to the Capital Group and external publications were analysed. The adopted principles of risk management and individual intangible areas were also analysed, including: employee, social, environmental aspects, respect for human rights, and counteracting corruption and bribery.

Easy navigation of the document and finding information of interest to stakeholders is supported by the GRI index included at the end of the report. In the Index the issues covered in the report correspond with a page number and an indicator of the GRI with a description of the document and the relevant department.

## 2.3. REVISION OF KEY TOPICS

The development of the reports content was preceded by quantitative research among the Cognor Capital Group's stakeholders, whose objective was to identify their expectations in relation to the key areas of non-financial reporting for 2020. Dialogue with stakeholders was conducted with the use of computer application enabling the collection of survey data and statistical analysis. As part of the study, stakeholders made their own proposals on issues they believed should be developed in the report. The dialogue with stakeholders including the survey was conducted in November 2020 by an independent consultant named Kapitał Intelktualny Sp. z o. o.

The questionnaire was conducted on a sample of 132 respondents representing various stakeholder groups of the COGNOR Group, including employees, contractors, representatives of the management staff, social partners, institutional investors, and other stakeholders.

This table contains results of the dialogue with the stakeholders of the COGNOR Group in relation to the key areas of non-financial reporting for 2020. The results show the importance of key aspects in six non-financial areas of the Group's operations:

- economic area,
- strategic area,
- social area,
- employee area,
- environmental area,
- ethical area.

The data is classified by importance (high, very high) and location of the impact (inside the Group, outside the Group). The severity issues matrix is provided below.

IMPORTANT ASPECTS OF THE REPORTING	IMPORTANCE OF ASPECT		IMPACT OF ASPECT	
	HIGH	VERY HIGH	WITHIN THE GROUP	OUTSIDE THE GROUP
<b><u>ECONOMIC ASPECTS</u></b>				
Implemented initiatives on Research & Development and innovation	■		■	■
Increasing efficiency by adapting the challenges related to the technological revolution in the enterprise, e.g. automation or robotization	■		■	■
Extending the offer and increasing the Customer Base	■		■	■
<b><u>STRATEGIC ASPECTS</u></b>				
Opportunities and threats related to the implementation of the adopted business strategy	■		■	■
Impact of COVID-19 pandemic on the future economic and financial results of the COGNOR Group	■		■	■
<b><u>SOCIAL ASPECTS</u></b>				
Implemented rules of responsible and transparent supply chain,	■		■	■
Solutions ensuring confidentiality and data security,	■		■	■

Customer satisfaction and solutions to improve user satisfaction.

■ ■ ■

#### **EMPLOYMENT ASPECTS**

Activities affecting safety and comfort in the workplace,

■ ■ ■

Activities contributing to grassroots initiatives influencing the development of a friendly organizational culture,

■ ■ ■

Opportunities to participate in the work of leaders and implement their own initiatives

■ ■ ■

Developing competences and delivering highly specialized training for employees, courses and postgraduate studies,

■ ■ ■

Activities influencing the communication quality and strengthening relations among colleagues,

■ ■ ■

Taking actions to strengthen employees' sense of belonging to the organization.

■ ■ ■

#### **ENVIRONMENTAL ASPECTS**

Investments in research and development which contribute to reducing the negative impact on the environment.

■ ■ ■

#### **ETHICAL ASPECTS**

Solutions ensuring equal treatment of candidates during the recruitment process,

■ ■ ■

Activities allowing all employees to have equal access to training and competence development,

■ ■ ■

Activities contributing to building an ethical work culture and preventing discrimination,

■ ■ ■

Improving the purchasing practices for suppliers that ensure transparent rules of cooperation,

■ ■ ■

Activities contributing to building an organizational culture based on respect and mutual trust among the employees, co-workers and superiors,

■ ■ ■

Compliance with regulations and methods of control and audit.

■ ■ ■



### 3. COGNOR GROUP BUSINESS MODEL



### 3.1. FUNCTIONING STRUCTURE OF THE COGNOR GROUP

Cognor Holding S.A. is the leading company in the Capital Group (Cognor, Group, Company, Firm) operating in Poland, which sells its products on the local market and abroad. The core business of the Group is the production of steel scrap (semi-finished products, billets) and metallurgical final products) which are manufactured from steel scrap (primarily attained in-house). As a consequence, we are a vertically integrated producer. Other activities that do not have a significant impact on the Group's results include the production of non-ferrous metal products, purchase of non-ferrous metal scrap, transport services, sheet metal roof forming and property development activities.

Cognor is a leading producer of quality steel and is the only Polish manufacturer of stainless steel, steel armour plate (including Rosomak wheeled armoured vehicle) and heat-steel products. We have a significant share in the market of smooth bars, square bars, flat bars, angles, ribbed bars and alloy steel bars. Thanks to the extensive specialization of its plants, the Group executes orders of a wide range of products, including both basic and alloy steels, and also in the field of atypical genre.

The Group's operations are defined by four areas:

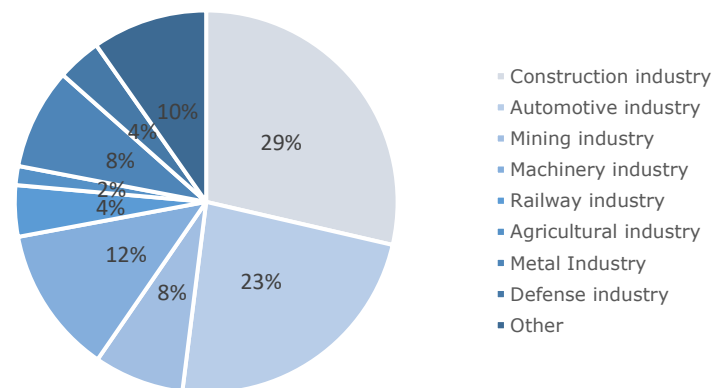
- Raw material division – covering the purchasing, processing, treatment and sales of steel scrap;
- Production division – covering the processing of steel scrap into billets and billets into steel products; sales of these products; processing of coloured scrap into final products and sales of these products;
- Sales division – covering product sales (steel products, steel scrap, steel billets, coloured scrap and other products);
- Other areas – covering holding activities conducted by the company, financing activities, property development activity, and recovery of materials.

Thanks to many years of experience, the Group is widely recognized both on the Polish market and the European market as a whole. It is managed by highly qualified and experienced staff with comprehensive knowledge and extensive industry experience. Thus, the Group most often accurately identifies market trends, which allows it to maintain good relations with clients, and thus a high volume of turnover. The Group sells products that are further used in the following industries, among others: construction, automotive, machinery and defence. Outside Poland, the products are sold to Germany, Switzerland, Czech Republic, Hungary, Slovakia, Italy, Great Britain, Austria, Lithuania and France.

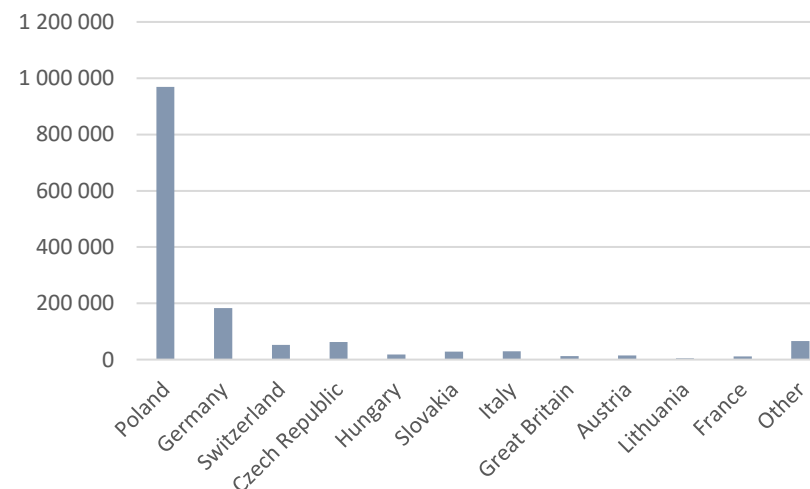
No.	Industry sales segments	COGNOR CAPITAL GROUP 2020		COGNOR CAPITAL GROUP 2019	
		/ data in thous. PLN /	/percentage/	/ data in thous. PLN /	/percentage/
1	Construction industry	414 857	28.61%	450 972	28.71%
2	Automotive industry	338 970	23.38%	372 452	23.71%
3	Mining industry	110 341	7.61%	97 347	6.20%
4	Machinery industry	180 763	12.47%	174 756	11.13%
5	Railway industry	62 831	4.33%	58 464	3.72%
6	Agricultural industry	23 277	1.61%	19 720	1.26%
7	Metal Industry	123 619	8.53%	111 715	7.11%
8	Defence industry	54 041	3.73%	85 453	5.44%
9	Other	141 188	9.73%	199 790	12.72%

No.	Geographical sales segments	COGNOR CAPITAL GROUP 2020		COGNOR CAPITAL GROUP 2019	
		/ data in thous. PLN /	/percentage/	/ data in thous. PLN /	/percentage/
1	Poland	968 711	66.81%	1 083 676	68.99%
2	Germany	182 668	12.60%	219 723	13.99%
3	Switzerland	52 290	3.61%	57 560	3.66%
4	Czech Republic	62 079	4.28%	62 428	3.97%
5	Hungary	17 980	1.24%	13 390	0.85%
6	Slovakia	28 392	1.96%	13 635	0.87%
7	Italy	29 999	2.07%	34 986	2.23%
8	Great Britain	12 050	0.83%	12 931	0.82%
9	Austria	15 001	1.03%	12 515	0.80%
10	Lithuania	3 982	0.27%	5 384	0.34%
11	France	11 330	0.78%	11 028	0.70%
12	Other	65 405	4.52%	43 413	2.78%

COGNOR CAPITAL GROUP 2020



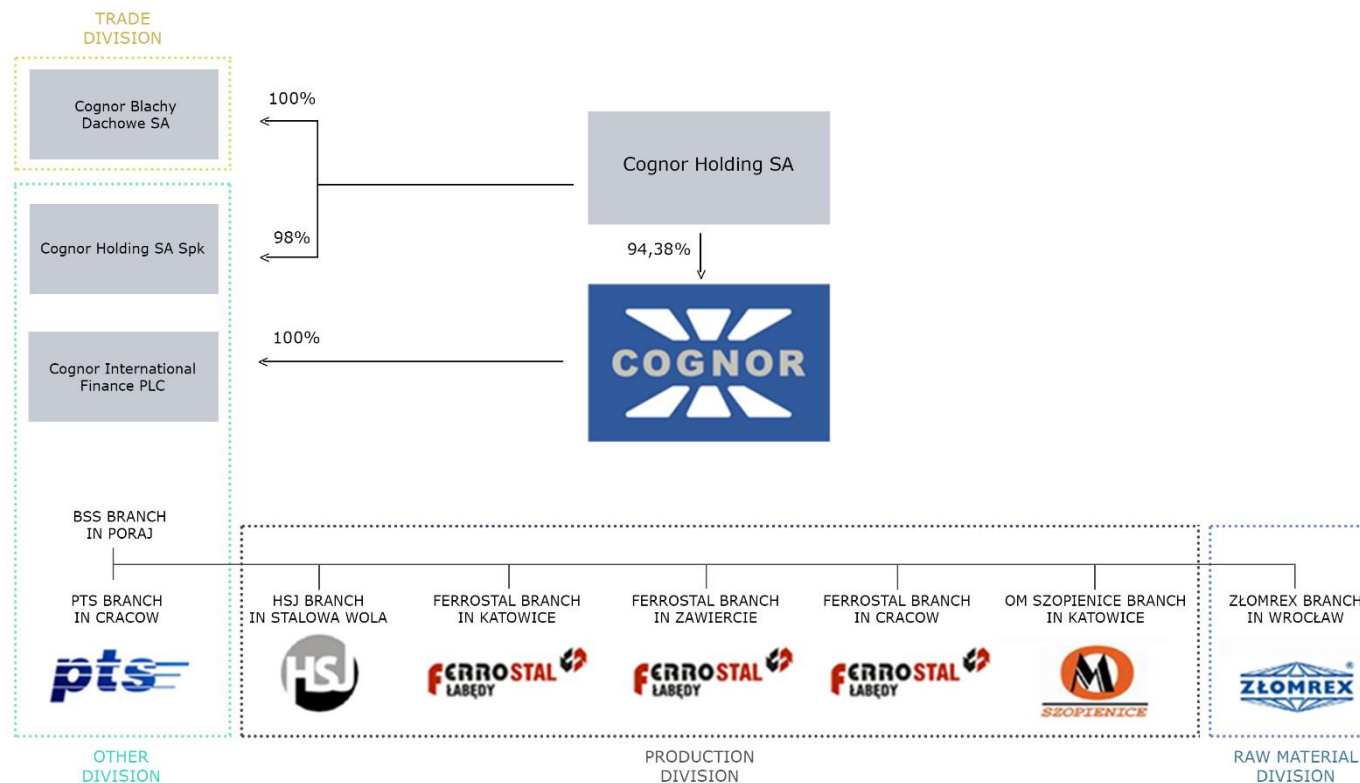
COGNOR CAPITAL GROUP 2020



According to the sectoral division used by the Warsaw Stock Exchange, Cognor Holding S.A. is classified in the iron and steel industry. As the dominant entity, it creates the Cognor Group together with its 4 subsidiaries. One of the subsidiaries - Cognor S.A. - has 8 separate






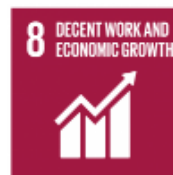
branches of its structure, constituting different plants. The Stalowa Wola branch includes a steel mill, long products rolling mill and two rolling mills of flat products. The Gliwice branch is a steel plant and there are rolling mills in Zawiercie and Cracow. The Wrocław branch deals with obtaining and trading of scrap metal. The Katowice branch produces bronze and brass shafts and sleeves, as well as zinc die-casting alloys. The PTS branch in Cracow deals with transport services. The graph below illustrates which divisions the particular entities are active in.



## 3.2. SUSTAINABLE DEVELOPMENT AND GOALS OF THE UN

The social responsibility of Cognor Capital Group is implemented in the form of the supply of quality products, assurances and a safe working team environment, while ensuring safe working conditions for the team, introducing environmentally and climate-friendly solutions, as well as transparent and ethical dealing with co-operators as well as supporting the local community in terms of donations and sponsorship activities. The afore-mentioned patterns of behaviour are similar to the assumptions made in 2015 by the United Nations, which published a list of 17 Sustainable Development Goals and 169 related tasks. The distinguished goals, together with the adopted tasks are interdependent, indivisible and ensure a balance between the three areas of sustainable development, namely economic, social and environmental areas. Cognor Capital Group expresses its approval of the initiative by implementing 8 goals. The directions indicated by the United Nations are related to the values that guide the Cognor Capital Group in its daily activities. Therefore, the Group's contribution to the implementation of specific sustainable development goals is presented below.

UN GOALS	COGNOR CAPITAL GROUP ACTIONS
	<ul style="list-style-type: none"> <li>○ Conducting accident prevention activities,</li> <li>○ Systemic approach to health and safety,</li> <li>○ Support for employees during the COVID-19 pandemic.</li> </ul>
	<ul style="list-style-type: none"> <li>○ Promoting professional development,</li> <li>○ Employee training and development,</li> <li>○ Spreading public awareness of environmental responsibility.</li> </ul>
	<ul style="list-style-type: none"> <li>○ Respecting employee rights,</li> <li>○ Taking actions that promote human dignity and contribute to level of satisfaction via cooperation in the organization,</li> <li>○ Transparent rules for employee salary, access to development, training and promotions.</li> </ul>



- Stable jobs,
- Employing the local community,
- Continuing to operate in times of pandemic COVID-19 contributing to the functioning of the economy as a whole.



- Introducing new products that meet customer expectations,
- Usage of modern solutions supporting the process efficiency,
- IT solutions for on-line meetings.



- Applying the principles of the Code of Ethics in the Group,
- Equality between women and men,
- Transparent employment rules.



- High quality of products,
- Certificates confirming product parameters,
- Safety of clients and contractors,
- Customer satisfaction surveys.



- Raw materials used for the production of steel products derived from recycling.
- Technological solutions that reduce greenhouse gas emissions per ton of finished products,
- Monitoring of emissions to air,
- Reforestation of land.



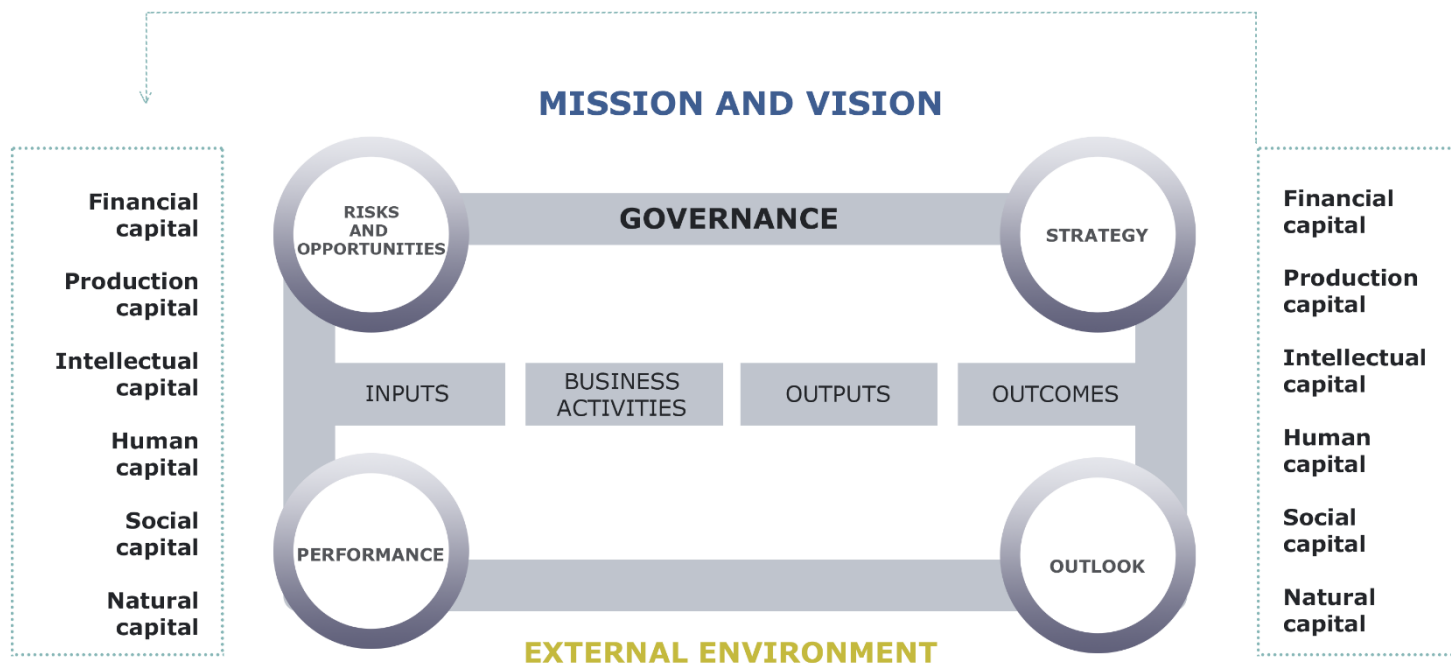
### 3.3. VALUE CREATION MODEL AND GROUP CAPITAL

Providing value not only includes meeting rigorous quality standards and customer expectations, but also includes indirect activities aimed at the environment. These include initiatives that support the local community, promote the right attitudes among the inhabitants of the regions, while also having a positive impact on the environment and taking into account the interests of suppliers and co-operators. Value creation takes place in the very centre of the organization, which is created by employees through daily work, but also by the ongoing process improvement, innovation and research and development activities.



Therefore, it is worth emphasizing that the Cognor Capital Group creates value at each of the stages, the implementation of which takes place in accordance with the applicable law and with respect to the principles of sustainable development. The proper use of the potential and capital enables our group to achieve a measurable value that is appreciated by individual groups of stakeholders. The adopted business model enables effective actions that take into account both the risks and market opportunities.

Assets at the disposal of the Cognor Capital Group are engaged in the implementation of business processes in order to achieve results. Therefore, the six capitals are used to create value for stakeholders by achieving the basic business goals. During the course of structured business processes, individual capitals are transformed into end products that are used by customers, employees, shareholders and society.



FINANCIAL CAPITAL		
Key capital data	Results achieved	Capital performance management
<ul style="list-style-type: none"> <li>Fixed assets: 514 518 PLN</li> <li>Equity capital: 307 014 PLN</li> <li>Sales revenue: 1 733 221 PLN</li> </ul>	<ul style="list-style-type: none"> <li>Growing income,</li> <li>Flexible financing model,</li> <li>New sales markets that reduce financial risks.</li> </ul>	<ul style="list-style-type: none"> <li>Financial stability achieved through cost-optimization and process improvement,</li> <li>Work on operational effectiveness and efficiency.</li> </ul>

PRODUCTION CAPITAL		
Key capital data	Results achieved	Capital performance management
<ul style="list-style-type: none"> <li>Own steel mills and rolling mills,</li> <li>Smelting departments equipped with electric furnaces,</li> <li>Foundry branch equipped with a COS line with a two-core and single-core system and a conventional ingot casting line,</li> <li>Finishing department equipped with a grinder for grinding ingots,</li> <li>Laboratory chemical and physical metallurgy, Non-metallic Materials Research Laboratory and the Laboratory of Water and Wastewater.</li> </ul>	<ul style="list-style-type: none"> <li>A growing number of orders and finished products manufactured,</li> <li>Product development by introducing new products,</li> <li>The product offer is directed to various industries.</li> </ul>	<ul style="list-style-type: none"> <li>Work on the quality of the offered products,</li> <li>Introducing solutions that affect production efficiency.</li> </ul>

HUMAN CAPITAL		
Key capital data	Results achieved	Capital performance management
<ul style="list-style-type: none"> <li>▪ Diversity of employees and selection of competences,</li> <li>▪ An organizational culture based on loyalty, qualifications and experience,</li> <li>▪ High health and safety standards,</li> <li>▪ Infrastructural solutions that influence safe working conditions.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Nearly 2,000 employees,</li> <li>▪ Cooperation with local organizations,</li> <li>▪ Increasing employee awareness of the rules affecting safe working conditions,</li> <li>▪ No fatalities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Improving health and safety management processes,</li> <li>▪ Transparent employment conditions,</li> <li>▪ Development of employee competences.</li> </ul>

INTELLECTUAL CAPITAL		
Key capital data	Results achieved	Capital performance management
<ul style="list-style-type: none"> <li>▪ R&amp;D activities related to the improvement of alloy parameters,</li> <li>▪ Expanding the range of products that meet customer expectations,</li> <li>▪ Increasingly rarer competences and skills of employees characteristic of the steel industry.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Entering new sales markets,</li> <li>▪ Introducing non-standard dimensions of products.</li> </ul>	<ul style="list-style-type: none"> <li>▪ New customers and supported markets,</li> <li>▪ Loyal customers,</li> <li>▪ Achieving satisfactory alloy strength parameters.</li> </ul>



SOCIAL CAPITAL		
Key capital data	Results achieved	Capital performance management
<ul style="list-style-type: none"> <li>▪ Responsibility for the quality and safety of products,</li> <li>▪ Taking care of relations with the local society and local authorities,</li> <li>▪ Transparent cooperation with contractors,</li> <li>▪ Supporting the local community and promoting an active lifestyle.</li> <li>▪ Equal opportunities in the workplace.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Charitable support for the families of local communities in need,</li> <li>▪ Customer satisfaction with the cooperation up to date,</li> <li>▪ Sponsorship in the field of sport,</li> <li>▪ Introduced IT solutions supporting relations with contractors.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Compliance with ethical principles,</li> <li>▪ Effective implementation of GDPR principles,</li> <li>▪ Transparent conditions of recruitment and employment with respect for human rights.</li> </ul>

NATURAL CAPITAL		
Key capital data	Results achieved	Capital performance management
<ul style="list-style-type: none"> <li>▪ Selection of raw materials from reliable sources obtained responsibly,</li> <li>▪ Modernization of the machinery park which reduces electricity consumption,</li> <li>▪ Recycling of manufactured products,</li> <li>▪ Introducing solutions positively influencing the natural environment and climate.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Raw materials used that come from recycling,</li> <li>▪ Monitoring of legal changes in the field of emission allowance trading,</li> <li>▪ Installing a dust collector to remove larger dust particles from contaminated air discharged from melting and casting furnaces.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Responsible management of natural resources,</li> <li>▪ Supporting the principles of the Circular Economy,</li> <li>▪ Reducing greenhouse gas emissions.</li> </ul>

### 3.4. SUPPLY CHAIN AND INTRA-GROUP RELATIONS

#### Raw materials

Recycled steel scrap is the main raw material that is used in the production of finished products. For the most part, it is raw material from the domestic market, obtained through a diversified supplier base.

#### Acquiring the raw material

The scrap is acquired through its own scrap collection network consisting of 14 branches located throughout Poland, as well as a network of cooperating local scrap collection points. The Group's scrap suppliers also include companies that are the primary sources of this raw material, such as industrial plants and scrap collection points, which serve as scrap collection points, to which industrial scrap collection entities can deliver the obtained raw material. The Group's branches are equipped with specialist equipment necessary to purchase, process and ship scrap metal.

The Złomrex Branch in Wrocław is mainly responsible for obtaining the raw material, which performs basic processing of the raw material in the form of slices or processing on the press.

#### Raw material transport

Most of the obtained scrap is delivered directly by suppliers to the Group's mills. The remaining scrap is transported to the branches with its internal transport fleet for processing, refining and shipping to the steelworks by internal or outsourced transport.

Due to the specific nature of its activity, the PTS branch in Cracow supports logistic processes within the Cognor Group (road transport of semi-finished and metallurgical products).

#### Raw material storage

The acquired scrap is stored in the Group's locations until it is sold to customers or used in steelworks for the production of semi-finished products and final products. The Group maintains a stock of scrap that is able to satisfy the production capacity for a period of approximately 2 to 3



weeks. This allows Cognor to maintain production continuity with efficient inventory management in production planning.

### **Acquisition of other production raw materials**

Ferroalloys, electrodes, refractory materials and other raw materials for production are purchased from a number of suppliers from Poland and abroad on the basis of one-off contracts, which are agreed each time before the purchase transaction or long-term contract with the associated stability of supply and the agreed terms and conditions.

### **Production process**

In the production process, the Group uses EAF (Electric Arc Furnace) technology, which consists of fusing scrap using a high-power arc. According to the World Steel Association data, in 2016, 25.7% of global crude steel production was executed using the technology used by the Group. For the remaining steel in the production scope, producers use BOF (Basic Oxygen Furnace) technology. This involves the production of steel using a converter furnace, where pig iron is produced using a blast furnace from iron ore and coking coal products. Pig iron is an iron alloy with a high proportion of coal with a small (up to 30%) addition of steel scrap added.

EAF is a more modern and efficient technology (it has a favourable energy balance - i.e., energy costs are lower due to the lower weight of the load) than BOF technology and at the same time much less of a burden on the natural environment, thus its significance on the global market has shown dynamic growth in recent years.

The production stage based on EAF technology takes place at the Ferrostal Łabędy Branch in Gliwice and at the HSJ Branch in Stalowa Wola. On the other hand, the Ferrostal Łabędy Branch in Cracow and the Ferrostal Łabędy Branch in Zawiercie have rolling mills, which produce hot-rolled long steel products. The production part is also handled by the OM Szopienice Branch in Katowice, which is a manufacturer of bronze semi-finished products sold on the domestic and foreign markets, as well as galvanizing mortars sold on the domestic market.

### **Sales**

The Group's sales are carried out on the domestic and foreign markets, primarily in Europe, where products are mainly delivered to entities operating in the construction and automotive industries. The leading products are finned rods for concrete reinforcement and quality steel bars (SQ rods).

### 3.5. RELATIONS WITH STAKEHOLDERS AND ENVIRONMENT

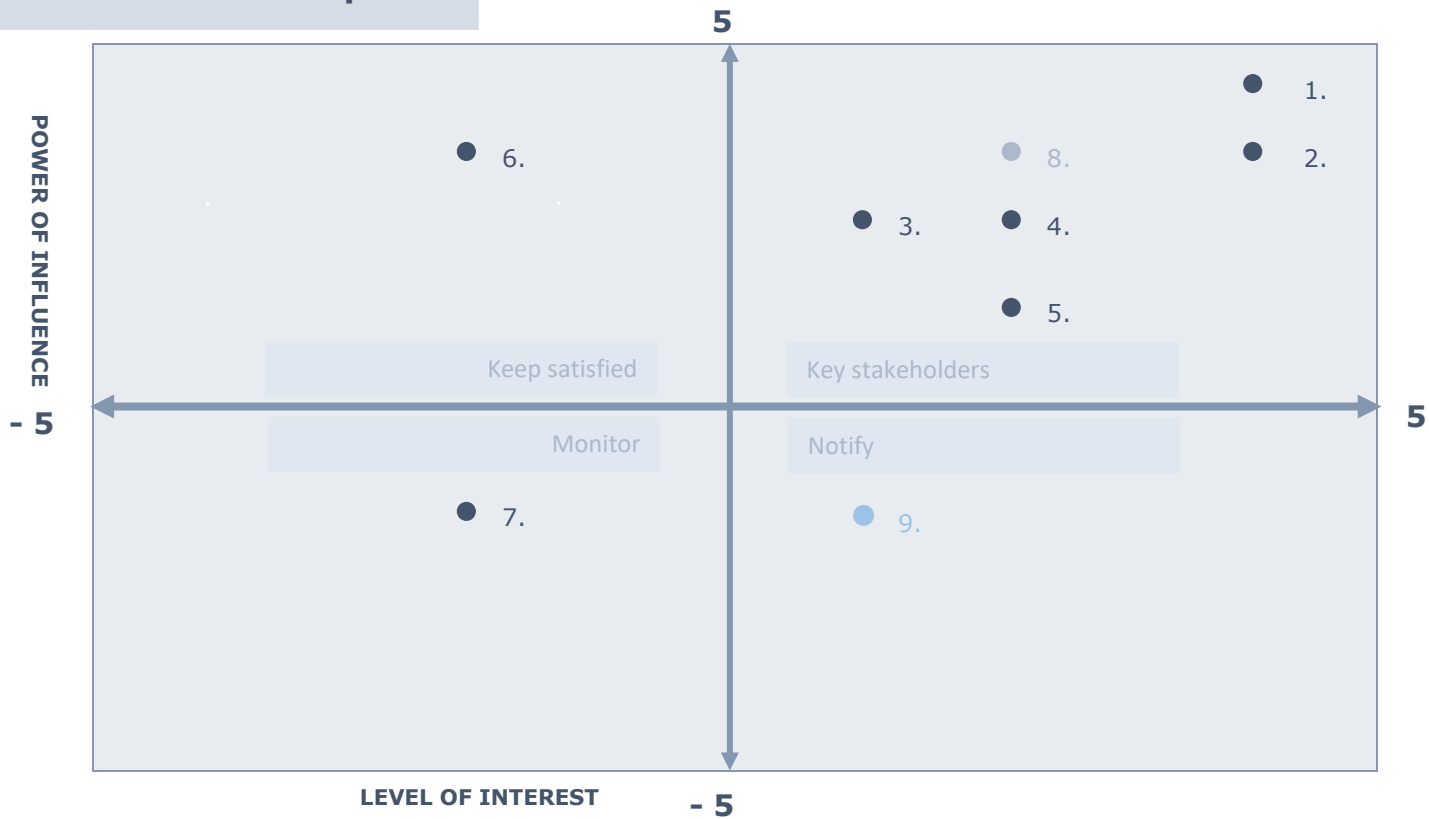
Building positive relationships with stakeholders based on trust and mutual openness is the foundation of the dialogue with the internal and external environment. The Cognor Capital Group strives to take into account the important social and economic issues. Cooperation in this area is the basis for achieving success and has the dimension of the conscious creation and support of partnership attitudes. In addition, it is the core of responsible business and plays a key role in expressing the values. A wide range of communication with many groups of stakeholders facilitates obtaining valuable information and knowledge that guides the development of the organization.

In 2020, the group of stakeholders was verified, indicating their mutual dependencies and areas of interaction. The classification was made in accordance with the recognized method proposed by G. Johns and K. Scholes, which differentiates the stakeholders in terms of the level of interest and exerted influence on the Cognor Capital Group.





## Stakeholder map

Type of influence:

- Positive
- Neutral
- Negative

Stakeholder groups

- 1. Investors
- 2. Suppliers
- 3. Employees
- 4. Clients
- 5. Environment
- 6. Media
- 7. Society and local community
- 8. Regulators
- 9. Competition

The main sources of communication with the Group's stakeholders include direct communication, the company website [www.cognor.eu](http://www.cognor.eu), investor relations stand, current and periodical reports published, investor presentations, conference calls, lectures, market share and industry events.

MAP OF STAKEHOLDERS OF COGNOR	
<b>EMPLOYEES</b>	/potential employees, full-time employees, former employees, employees of subcontractors and suppliers, trade unions, the National Labour Inspectorate, the Regional Labour Inspectorate and other supervisory institutions/.
<b>INVESTORS</b>	/shareholders, strategic, institutional and individual investors, the Warsaw Stock Exchange, brokerage houses, banks/.
<b>CLIENTS</b>	/institutional and individual clients, business partners, key suppliers, subcontractors/.
<b>SUPPLIERS</b>	/institutional and individual clients, business partners/.
<b>SOCIETY AND LOCAL COMMUNITY</b>	/local communities, inhabitants and social leaders, media, universities and academics, technical and industry organizations, local self-government administration, government administration, local non-governmental organizations/.
<b>NATURAL ENVIRONMENT</b>	/ecological organizations, environmental protection institutions, Ministry of Environmental Protection, Agenda of the Ministry of Environmental Protection, Provincial Inspectorate for Environmental Protection/.
<b>REGULATORS</b>	/public administration, regulators from outside Poland: European Union, European Commission /.
<b>COMPETITION</b>	/ companies and organizations with a similar business profile /.
<b>MEDIA</b>	/ entities informing stakeholders about obtained results, plans and actions /.

### 3.5.1. ORGANIZATIONS AND ASSOCIATIONS

The Cognor Group takes care of the development and expansion of the competences of individual units through participation in field organizations that facilitate the exchange of experience and mutual knowledge in the field of solutions used in the industry.

A list of organizations to which individual Group entities belong has been provided below:

<b>Chamber of Commerce and Industry of Scrap Economy</b>	<p>The Chamber of Commerce and Industry of Scrap Economy brings scrap companies from all over Poland together, including leaders in the industry, by taking care of their interests and good image on the economic market. In addition, the Chamber undertakes actions to support the dynamic development of recycling and has become an active partner in the field of environmental protection. The Chamber's aims are to represent the interests of the scrap industry in the face of legislative, executive and other organizations. At the same time, the Chamber provides information in the field of applicable regulations in the area of economy, environmental protection, work safety, standards and norms. The organization promotes ethics, good merchant customs and counteracts unfair competition, while also conducting seminars, training and conferences in the afore-mentioned areas.</p>
<b>Club of Polish Research Laboratories POLLAB</b>	<p>The Club of Polish Research Laboratories is the largest voluntary and independent organization in Europe that integrates the environment of research laboratories, modelling, certification and companies interested in quality management. In addition, through its activities, it supports the conformity assessment system and offers substantive cooperation. The aim of the Club is mutual cooperation and exchange of experience in the field of practical implementation and improvement of management systems, provisions of standards and legal regulations, as well as the requirements of an accreditation unit. The adopted goals are implemented by the organization of symposia, conferences, seminars and specialist trainings. At the same time, the Club, by publishing information and training materials and issuing bulletins, reaches all members interested in current information.</p>
<b>Metallurgical Chamber of Commerce and Industry</b>	<p>The Metallurgical Chamber of Commerce and Industry associates steel producers and processors, industries related to metallurgy, as well as service institutions, design offices, research institutes and commercial companies. The Chamber is the only organized organization representing the steel industry in Poland, acting as a bridge between the member entities and the government and regional authorities. At the same time, the Chamber carries out publishing and training activities. The Chamber includes expert teams, forums for directors and problem committees. The Chamber's goal is, among others, to organize and assess in order to achieve common economic benefits during the course of cooperation between members in the scope of their business activity. In addition, the Chamber deals with the examination and analysis of supply and disposal markets and the organization of assistance to Chamber members in solving economic, organizational and legal problems related to taking up and running their business.</p>

As part of its activities, the Cognor Group conducts philanthropic activities and supports initiatives that protect human life. In this respect, since 2011, they have regularly supported the Zbigniew Religa Foundation for Cardiac Surgery Development in terms of financial resources.

A photograph of a large industrial machine, possibly a laser cutting or welding system, in a factory setting. The machine is yellow and black, with a bright orange glow emanating from its central processing area. The background shows a concrete wall and a window with multiple panes. The text "4. BUSINESS STRATEGY" is overlaid on the left side of the image.

## 4. BUSINESS STRATEGY



## 4.1. PLANS AND STRATEGIC OBJECTIVES

The priority in the Cognor Capital Group's Strategy is to build shareholder value by maximizing profitability, while striving to build dividend capacity in line with the principles of sustainable development. The Group's mission is to meet the customers' requirements while maintaining the highest quality standards and professional service.

The Group's strategy elements include, among others:

- striving to increase flexibility in the range of the offered products and the possibility of adapting them to the current market needs by improving technologies and increasing production capacity in the desired areas.
- cost optimization based on organizational and investment activities.
- active capital structure management to reduce debt servicing costs and improve the balance sheet structure.

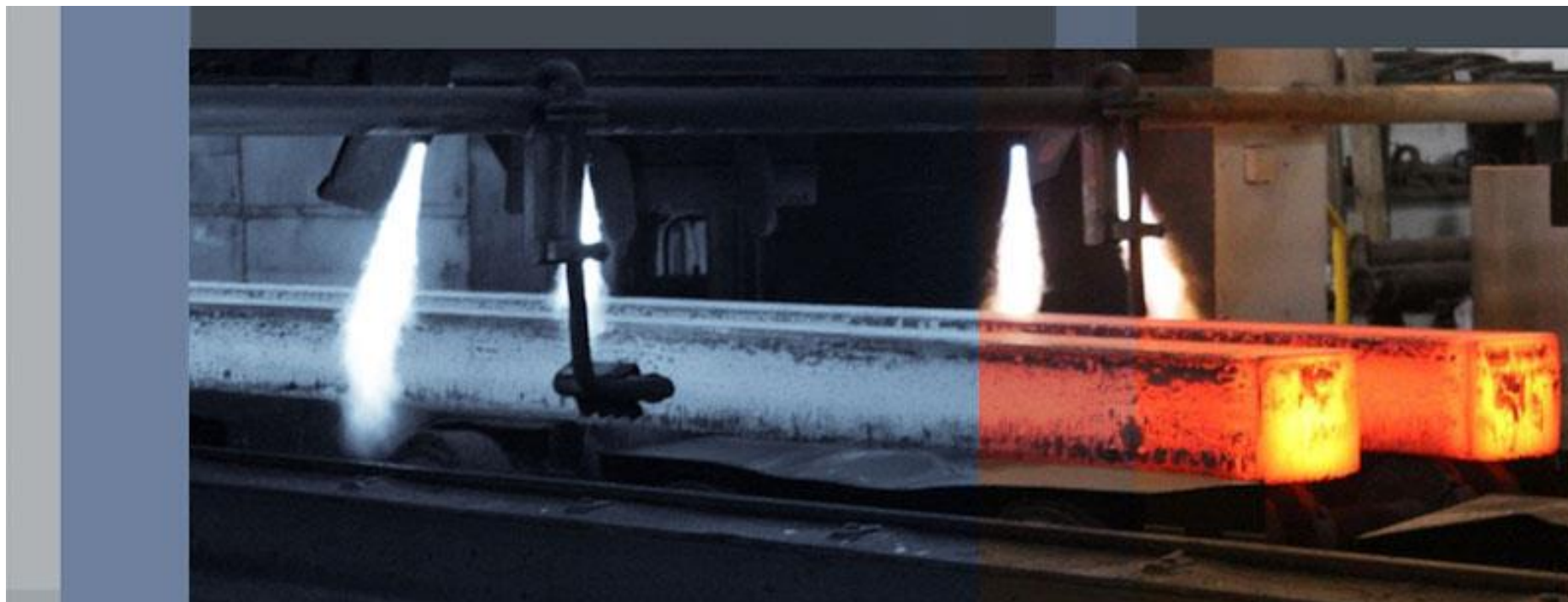
Among the competitive advantages, one can distinguish many years of experience in the steel industry, as well as our vertical integration and a strong presence in the selected market segments, flexibility in the range of the offered assortment and the ability to adapt the offer to the current needs of clients, while also the ability to offer short series and the use of environmentally friendly steel smelting technology.

The Group strives to achieve process and organizational innovations, thereby monitoring the levels of key performance indicators related to the generated costs and the achieved productivity in its plants. The implementation of these goals is favoured by the undertaken investments, which first and foremost encompassed the modernization of fixed assets, thus allowing a constant reduction of the process costs. The implemented activities enable the Group to improve the technology and increase the economies of scale effect, which contributes to the reduction of fixed costs.

Innovations implemented in the period covered by the report resulted in the expansion of the range of the Group which focuses on investments in the machinery park infrastructure to achieve better-quality products and also as a strategic approach to minimize the impact on the natural environment. The climate impact of activities is playing an increasingly important role for investors and clients. Therefore, the Group, in wanting to be a competitive entity in the future, is already investing in solutions that reduce its impact on the climate. This is due to the expected future significance of the carbon footprint amount generated in the entire value chain, and thus more expensive financing for entities that do not meet certain standards. Moreover, investors and clients are already paying attention to how the companies are going to meet the restrictive expectations. In connection with the aforesaid issues, the Cognor Capital Group continues its activities in this area. In March 2020, the project, which started in 2017 at the Cognor Ferrostal Łabędy Branch in Gliwice, was completed, the purpose of which was to develop an economically rational and ecologically beneficial innovative technology for producing steel in an EAF electric arc furnace based on the recycling of ferrous waste (including scale) with a total value of PLN 17.4 million. In addition, last year the KG system

was sealed by installing a dryer / heater, which will reduce heat losses, reduce consumption of utilities and shorten the heating and drying time of ceramic materials to 16 hours. The anticipated savings in gas consumption were approximately 330,000.00 Nm<sup>3</sup> / year. For the years 2020-2021, as part of the modernization of the EAF furnace node, an addition to the existing system of a second dedusting line for exhaust gas from the furnace is planned.

In 2021, the Group plans to install new devices within the EAF electric arc furnace at the Cognor Ferrostal branch in Gliwice. As part of the investment, a reactive power compensation station equipped with an external transformer will be built. The expansion of the existing dedusting installation (FES) will begin, which envisages the construction of a second dedusting line. The electrical building of the dedusting plant and the PLC automation system will also be expanded. It is expected that through the implementation of the investment, the nominal production capacity of the steel plant in Gliwice will increase from 385,000 Mg / year up to 555 thousand. Mg / year. In the scale of the entire Group, the investment should increase steel production from approx. 700,000 Mg / year to about 900,000 Mg / year. It is worth noting that there will also be an adequate increase in the amount of processed waste, i.e. steel scrap. At the same time, the Cognor Ferrostal Branch in Cracow is going to modernize the rolling line by replacing rolling equipment. The main technological line will remain unchanged, the existing two rolling strands (right and left) will be connected, and the new devices will ensure a more efficient, safe and fully automated



process of rolling and packing products. The reconstruction will allow for repeated achievement of a full theoretical production capacity at the level of 75Mg / h. In addition, the existing pusher furnace will be modernized under the project. New and more efficient burners will be installed in the heating zone, in which there will be a new recuperation system that will reduce heat losses.

The Cognor Group has been cooperating with many scientific institutions for many years, including the AGH University of Science and Technology in Cracow, the Institute of Ferrous Metallurgy in Gliwice, the Silesian University of Technology in Katowice, and the Institute of Refractory Materials in Gliwice. The Group uses programs administered by the National Centre for Research and Development, in particular under the INNOSTAL sector program.

The group cooperates with, among others, the automotive and defence sectors, where strict quality standards apply.

## 4.2. DEVELOPMENT DIRECTIONS OF THE GROUP

According to the forecasts of the World Steel Association, global steel demand is expected to increase to almost 1.8 billion tons in 2021, which would mean an increase of 4% compared to their forecasts for 2020. The data for November 2020 was already optimistic, when world steel production reached 158.3 million tons and was almost 7 % higher than the year before.

When analysing the market of steel products, it should be emphasized that it is characterized by high fluctuation in the area of prices of metallurgical products and raw materials as well as the demand for individual assortments. The Group's strategy assumes mitigating the aforesaid risks through high flexibility in the range of offered products, which enables the Group's offer to be adapted to the current market expectations.

In the coming years, we should expect a tightening European Union climate policy which will result in CO<sub>2</sub> emission limit reductions. This will lead to an increase in the cost of purchasing emission allowances which will have a direct impact on the increase in steel production costs and the position of the Group's competitors using BOF technology. The Group takes into account the changes that may be introduced as a result of the ongoing work on the directive of the European Parliament and of the Council on the greenhouse gas emission allowance trading scheme in the European Union. The purpose of the changes is to define such a shape of the allowance trading system in the years 2021-2030 (the so-called "fourth trading period") that will allow the reduction of greenhouse gas emissions in the European Union by at least 40% compared to the levels from 1990 to 2030. It is predicted that the price of CO<sub>2</sub> emission allowances could rise from EUR 15 in 2020 to EUR 35 in 2030, at the current price of around EUR 5. (source: *Commentary of the Polish Electricity Association on the proposed reform of the EU ETS of February 21, 2017* - <http://www.pkee.pl/pl/publikacje,3,stanowiska,-p.2>).

## 4.3. KEY PERFORMANCE INDICATORS

No.	Indicator Name	I.U.	Value 2020	Value 2019
1	EBITDA to a ton of sold semi-finished products and steel products	PLN/Mg	159,11	145,71
2	Number of semi-finished and steel products per employee	Mg/person	455,91	423,24
3	The cost of employee wages to a ton of sold semi-finished products and steel products	PLN/Mg	167,39	177,39
4	Ratio of depreciation to wages	%	30.29	31.59
5	Percentage of complaints to production volume	%	0.28	0.27
6	Electricity consumption per ton of crude steel production	kWh/Mg	584,56	558,37
8	Gas consumption per ton of crude steel production	m <sup>3</sup> /Mg	59,76	57,44
9	Oxygen consumption per ton of crude steel production	m <sup>3</sup> /Mg	53,52	51,23
10	The sum of R & D expenses related to sales revenues	%	0.82	0.36
11	Ratio of investment outlays and repairs to depreciation	%	273.01	309.36



## 5. ORGANIZATIONAL CULTURE MANAGEMENT AND CORPORATE GOVERNANCE



## 5.1. MANAGEMENT AND SUPERVISORY BODIES

The General Meeting, the Supervisory Board and the Management Board are the main bodies of Cognor Holding S.A. In addition, the company operates an Audit Committee. The functioning of the afore-mentioned bodies is regulated by the Code of Commercial Companies, the Company's Articles of Association, the Regulations of the Supervisory Board and the Management Board, as well as the corporate governance rules introduced by the Warsaw Stock Exchange S.A. in the form of "Best Practices of WSE Listed Companies".

The Management Board of COGNOR Holding S.A. directs the company's operations, manages its assets, represents the company externally in courts, authorities and third parties and carries out all corporate affairs of the company, except those reserved by law or the Company's Articles of Association to the exclusive competence of the Supervisory Board or the General Meeting of Shareholders. The mode of operation of the Management Board, as well as matters that may be entrusted to its individual members are defined in detail in the Regulations of the Management Board. As of December 31, 2020, the Management Board of the Company has been represented by four people. All Board Members are obliged and authorized to jointly manage the affairs of the Company.

THE MEMBERS OF THE MANAGEMENT BOARD			
FORENAME AND SURNAME	JOB TITLE	DATE OF TAKING UP POSITION IN CURRENT TERM OF OFFICE	DATE OF EXPIRY OF THE CURRENT TERM OF OFFICE
<b>Przemysław Sztuczowski</b>	President of the Management Board	19 May 2016	19 May 2021
<b>Przemysław Grzesiak</b>	Vice-President of the Management Board	19 May 2016	19 May 2021
<b>Krzysztof Zoła</b>	Member of the Management Board	19 May 2016	19 May 2021
<b>Dominik Barszcz</b>	Member of the Board	19 May 2016	19 May 2021

Current information on the Members of the Management Board of the Company can be found at: <https://cognorholding.eu/o-nas/grupa-cognor/cognor-holding/zarzad/>.

The Supervisory Board has continuous supervision over the activities of COGNOR Holding S.A. in all areas of the Company's operations. The Supervisory Board adopts resolutions on matters provided by the Code of Commercial Companies and the Company's Articles of Association. The detailed course of action of the Supervisory Board is defined in the Regulations of the Supervisory Board.

As of December 31, 2020, the Supervisory Board of the Company consists of five members. All members of the Supervisory Board meet the independent criteria set out in the Code of Best Practices for WSE Listed Companies and the Act on Certified Auditors.

MEMBERS OF THE SUPERVISORY BOARD			
FORENAME AND SURNAME	JOB TITLE	DATE OF TAKING UP POSITION IN CURRENT TERM OF OFFICE	DATE OF EXPIRY OF THE CURRENT TERM OF OFFICE
<b>Hubert Janiszewski</b>	Chairman of the Supervisory Board	29 June 2016	29 June 2021
<b>Piotr Freyberg</b>	Deputy Chairman of the Supervisory Board	29 June 2016	29 June 2021
<b>Marek Rocki</b>	Member of the Supervisory Board	29 June 2016	29 June 2021
<b>Jerzy Kak</b>	Member of the Supervisory Board	29 June 2016	29 June 2021
<b>Zbigniew Łapiński</b>	Secretary of the Supervisory Board	29 June 2016	29 June 2021

Current information on the Members of the Supervisory Board of the Company can be found at: <https://cognorholding.eu/o-nas/grupa-cognor/cognor-holding/rada-nadzorcza/>.

## 5.2. SYSTEMS SUPPORTING MANAGEMENT DECISIONS

The Cognor Capital Group management is carried out through the policies and procedures implemented that set goals and directions. In addition, the implemented solutions ensure compliance with the highest standards of quality, health and safety at work and environmental protection to meet the requirements and expectations of stakeholders. The Cognor Capital Group Management System, in certain divisions, is based on the following standards, among others: ISO 9001: 2015, ISO 14001: 2015, ISO 50001: 2018, AQAP 2110. These standards are the main factor for management decisions related to operational activities. This makes rational management possible which affects the achievement of economic and financial results and business goals.

The table below lists the main systems and certificates of the Cognor Capital Group Divisions:

Cognor Capital Group Branch	System / certificate name	Certified (Yes / No)	Date of		Name of the certification institute
			certification	recertification	
COGNOR S.A HSJ Branch in Stalowa Wola	Quality management system in accordance with ISO 9001:2015	Yes	13.09.2018	12.09.2021	RINA
COGNOR S.A HSJ Branch in Stalowa Wola	Quality management system in accordance with IATF 16949:2016	Yes	13.09.2018	12.09.2021	RINA
COGNOR S.A HSJ Branch in Stalowa Wola	Environmental management system in accordance with the standard ISO 14001:2015	Yes	23.09.2019	22.09.2022	TUV NORD
COGNOR S.A HSJ Branch in Stalowa Wola	Energy management system in accordance with the standard ISO 50001:2018	Yes	23.09.2019	22.09.2022	TUV NORD
COGNOR S.A HSJ Branch in Stalowa Wola	Internal Control System (meets the requirements set out in Art.11.2 of the Act of November 29, 2000 on foreign trade in goods, technologies and services of strategic importance for security, as well as for the maintenance of international peace and security)	Yes	12.06.2020	11.06.2023	CCJ
COGNOR S.A HSJ Branch in Stalowa Wola	Quality management system in accordance with AQAP 2110	Yes	12.06.2020	11.06.2023	CCJ
Cognor S.A. Ferrostal Łabędy branch in Cracow	ISO 9001	Yes	1999	9.05.2022	TUV Rheinland
Cognor S.A. Ferrostal Łabędy branch in Cracow	ISO 14001	Yes	2004	9.05.2022	TUV Rheinland
Cognor S.A. Ferrostal Łabędy branch in Cracow	PN-N-18001	Yes	2006	30.01.2021 (transition to ISO 45001)	TUV Rheinland
Cognor S.A. Ferrostal Łabędy branch in Gliwice	Management System by PN-EN ISO 14001:2015	Yes	16-07-2019	15-07-2022	TUV NORD Polska Sp. z o.o.



Cognor S.A. Ferrostal Łabędy branch in Gliwice	Management System by PN-EN ISO 9001:2015	Yes	1999	14-07-2020	TUV NORD Polska Sp. z o.o.
Cognor S.A. Ferrostal Łabędy branch in Gliwice	Approval for marine steel DNV-GL	Yes	1999	18-06-2018	DNV-GL
Cognor S.A. Ferrostal Łabędy branch in Gliwice	Approval for marine steel LRS	Yes	1999	29-03-2020	Lloyds Register
Cognor S.A. Ferrostal Łabędy branch in Gliwice	Quality Assurance System of the material manufacturer according to the Directive 2014/68/UE	Yes	1999	31-05-2023	TUV Rheinland
COGNOR SA Ferrostal Łabędy branch in Zawiercie	ISO 14001:2015	YES	16.07.2019	15.07.2022	TUV NORDE
COGNOR SA Ferrostal Łabędy branch in Zawiercie	Certificate of Conformity Factory Production Control	Yes	Indefinitely	Annual audit February 2021	ZETOM KATOWICE
COGNOR SA Ferrostal Łabędy branch in Zawiercie	Certificate DNV-GL	Yes	12.12.2018	31.12.2021	GNV-GL
COGNOR S.A. O / OM Szopienice in Katowice	ISO 9001:2015	Yes	25.11.2003	16.11.2018	POLSKI REJESTR STATKÓW S.A.

## 5.3. NON-FINANCIAL RISK MONITORING AND MANAGEMENT

The Cognor Capital Group risk management strategy ensures the Group is able to fully identify, measure and take it consciously. The Group takes actions and implements procedures aimed at minimizing the risks while optimizing profitability.

The organizational structure of the Group reduces the risk of negative impacts on society and the environment. Unit managers effectively identify and take preventive actions as they monitor risks in their area. The identified risks are analysed and presented to the Management Board of the Group, together with a proposed action to be taken. The Code of Ethics, which has been developed and adopted, includes,

among others, the principles of sustainable development which the Group follows. In addition, there are a number of other internal standards on the basis of which the Company operates and which are oriented towards risk management issues, including Regulations for Personal Data Protection in the Cognor Group, Occupational Health and Safety Policy and Anti-Bullying Policy, Financial Risk Protection Policy and Dividend Policy.

The document includes non-financial risks in the environmental field, climate, social, employee and ethical issues, including respect for human rights, while also counteracting corruption and bribery. The non-financial risks listed below, along with a description of how to counteract them and the assessment of materiality, are described in more detail in individual chapters of the report. Thus, the key non-financial risks include:

#### ENVIRONMENTAL ASPECT

- Failure of dust extraction systems resulting in increased emission of pollutants into the atmosphere.
- Pollution of the earth's surface.
- Noise emission during the product straightening, collection and packaging processes.
- Waste generation in the production process.
- Failure to comply with legal requirements.

#### THE CLIMATE ASPECT

- Too high CO<sub>2</sub> emission from the billet heating process in the push-out furnace.
- Emission of dust and gas pollutants arising in the process of billet heating and production.

#### SOCIAL ASPECT

- Failure to meet the declared quality of products.
- Loss of clients' data.

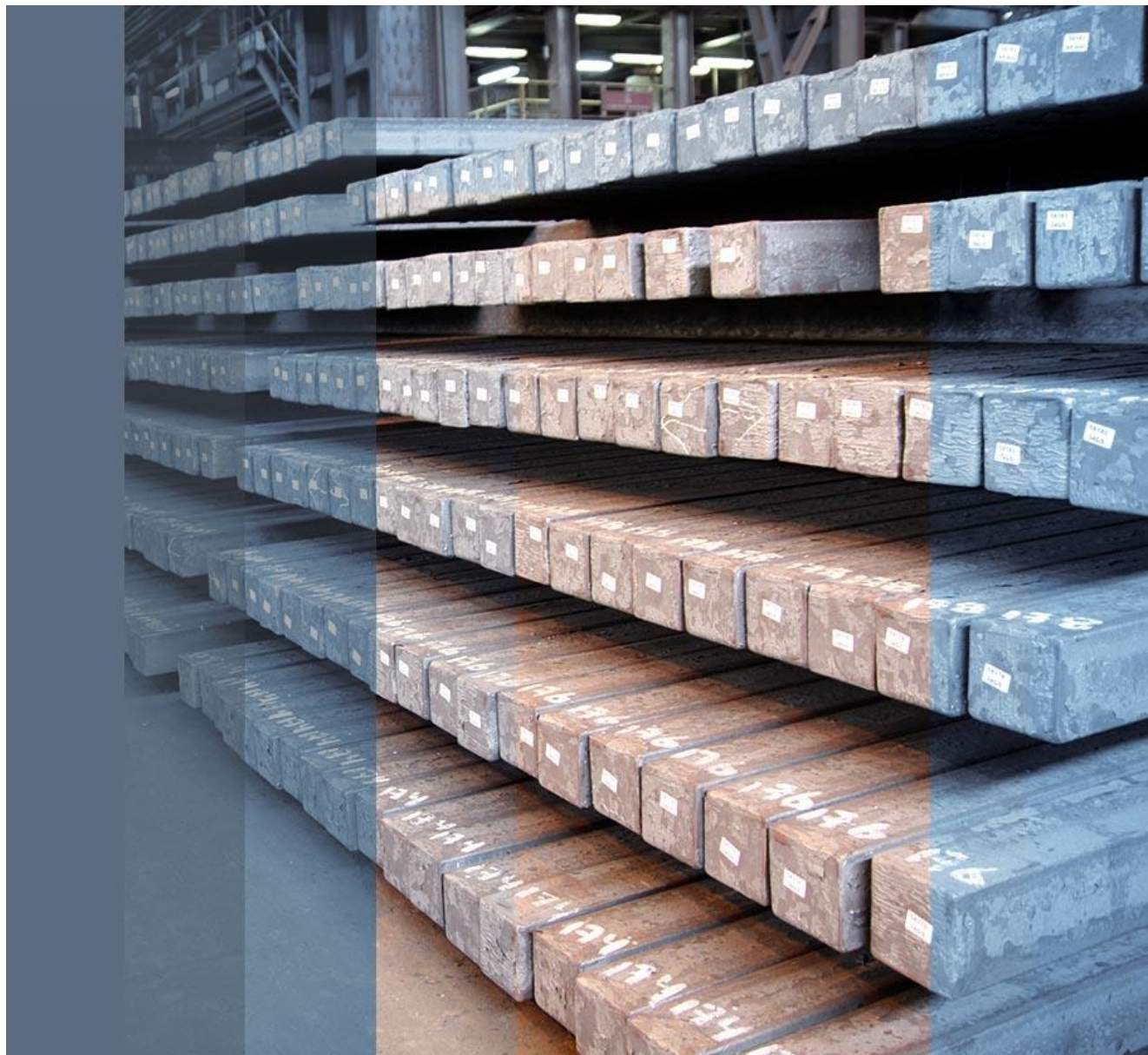
#### EMPLOYEE ASPECT

- An outbreak of COVID-19 infections.

- Lack of job candidates with appropriate qualifications.
- Non-compliance with the principle of equal opportunities for all employees of the Branch.
- High staff turnover.

#### OSH ASPECT

- An accident or an occupational illness.
- Cuts caused by sharp and protruding elements of scrap, elements of machines and devices.
- Slipping and falling.
- Being crushed or hit by falling objects.
- Being hit by moving objects.
- Electric shock.







## 6. ENVIRONMENTAL ASPECTS



## 6.1. DESCRIPTION OF ENVIRONMENTAL ISSUES

Care for the natural environment and sustainable activities are part of the Cognor Capital Group genesis. It is worth noting that the products delivered to clients are mostly made of waste materials - steel scrap. Annually, as a result of the production processes carried out, almost 800,000 Mg of steel scrap is recycled.

The Group monitors the changing legal conditions related to the use of the environment and the climate. Therefore, it is a participant in thematic conferences and follows information on the monitoring of CO<sub>2</sub> emissions on industry portals and the current legal requirements for emissions trading. Last year, we participated in the consultation process as part of the European Union legislative procedure aimed at developing a new mechanism to protect against the so-called carbon footprint export. In this respect, we issued opinions on the proposed tools to prevent this phenomenon. Regarding everyday operational life, we monitor the amount of emissions into the air in accordance with the established limits per Branch. Moreover, twice a year, dust and gas emissions are tested by independent accredited laboratories. Annual emissions are calculated based on the indicators obtained as a result of the measurement and the operating time of the installation. The amount of CO<sub>2</sub> emissions is calculated in accordance with legal regulations and the CO<sub>2</sub> emission monitoring plan, based on the mass balance of raw materials used in the process and gas consumption. At the same time, preventive actions are carried out to control emissions into the environment through regular inspections, reviews of installations and the implementation of ongoing repairs. In order to prevent uncontrolled failures, simulations of crisis situations are carried out once a year in order to identify possible difficulties that may occur in real-life situations. The Group tries to counteract climate change and balance its activities by reforesting the areas based on the decisions issued by the governing authority.

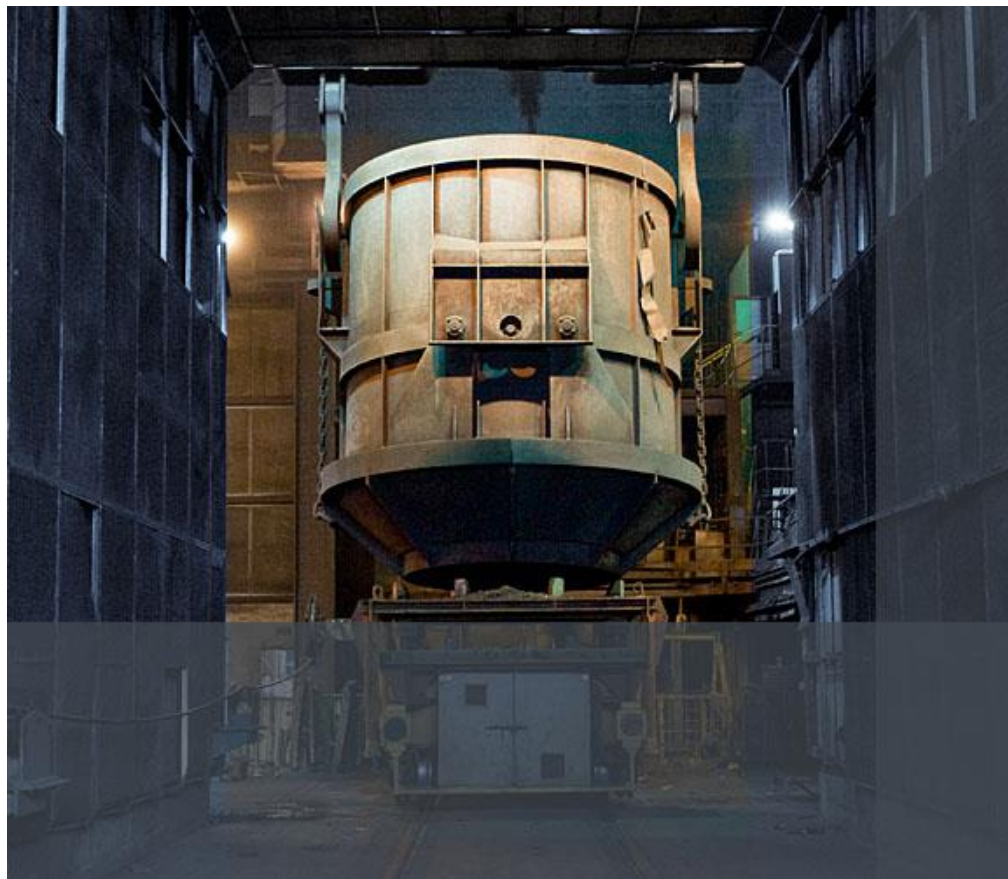
The overriding goal of the activities listed below is to improve processes to minimize negative impacts. The awareness of global climate challenges allows the Capital Group to build well-thought-out solutions that will contribute to future climate neutrality. The Cognor Capital Group focuses its attention on the reduction of dust-pollutant emissions from installations and above all CO<sub>2</sub> emissions. For this reason, all modernization work is aimed at reducing the emissions per ton of finished products. The effective reduction of greenhouse gas emissions to the atmosphere takes place through the implemented principles of sustainable development, which include the following:

- better use of energy and reduction of losses,
- rational use of raw materials and products,
- optimization of waste management,
- optimization of product and raw materials transport, including waste used in production,
- GHG emissions monitoring during emission measurements on emitters.

## ENVIRONMENTAL PROJECTS AND TECHNOLOGIES

The Cognor Capital Group, together with the BIOSYSTEM Packaging Recovery Organization, became involved in pro-ecological activities as part of an educational campaign, which was carried out among the inhabitants of municipalities, as well as in educational institutions and offices. The campaign referred to the proper handling of packaging waste and the selective disposal of municipal waste generated in households. Training courses, conferences and environmental events along with posters, brochures and leaflets were organized during the campaign, through which it was possible to provide proven ecological solutions. A company magazine entitled "Bioinformator" was issued containing information on current legal regulations in waste management, the principles of selective waste disposal and responsible consumption. The Cognor Capital Group also conducts information activities among its clients. A newsletter provides knowledge about the latest changes in the environmental industry. Similar initiatives took place in schools and playschools, where the educational program entitled **"PAN SPRZĄTALSKI"** was implemented to help students understand the key principles of selective household waste disposal.

As part of Cognor's environmental investment, the arc furnace (EAF) at the Ferrostal Łabędy branch in Gliwice is scheduled for replacement in 2021. The project will install new devices within the EAF arc furnace, build a reactive power compensation station with an external transformer, expand the dedusting installation (FES) by including the second line of the dedusting plant along with the extension of the electric building and PLC automation system. As a result of the investment, the plant will increase production volume by approx. 45% to approx. 640,000. Mg / year and the amount of processed waste will increase adequately, especially steel scrap.



In 2020, new infrastructural and technological solutions were also introduced at the Szopienice Branch in Katowice. The additions of pilot line construction implemented were part of R&D work aimed at developing an innovative technology for recycling low-quality post-production

waste from copper and its alloys. The implementation of the line in 2021 will allow the use of up to 100% of the share of low-quality waste in the input structure. The OKZ 3 x 3 type straight-through dust collector was also installed in the dedusting system upstream of the E1 Emitter. This allows removal of larger dust particles from polluted air discharged from melting and casting furnaces.

## 6.2. ENVIRONMENTAL DUE DILIGENCE POLICIES AND PROCEDURES APPLIED

THE MOST IMPORTANT POLICIES, PROCEDURES, INSTRUCTIONS AND OTHER DOCUMENTS IN THE ENVIRONMENTAL ASPECT IMPLEMENTED IN BRANCHES OF THE COGNOR CAPITAL GROUP	
Cognor S.A. Ferrostal Łabędy branch in Cracow	1) Quality, Environment and Health and Safety Policy in Cognor S.A. Ferrostal Łabędy branch in Cracow
Cognor S.A. Ferrostal Łabędy branch in Gliwice	1) Quality and Environmental Policy 2) System Procedures: <ul style="list-style-type: none"> <li>▪ PS:6.1-01 Environmental aspects;</li> <li>▪ PS:8.1-01 Environmental Protection;</li> <li>▪ PS: 9.2-01 Internal quality audits;</li> <li>▪ PS: 9.3-01 Management review.</li> </ul> 3) Work procedures: <ul style="list-style-type: none"> <li>▪ PP: 8.1-01.01 ordinance no. PM-01 of the General Director on monitoring CO2 emissions</li> <li>▪ PP:8.1-01.02 Procedure PM-02 Supervision over the implementation of the CO2 emission monitoring plan in Cognor S.A. Ferrostal Łabędy branch in Gliwice</li> </ul>
Cognor SA Ferrostal Łabędy branch in Zawiercie	1) Quality and Environmental Policy
HSJ branch in Stalowa Wola	1) Integrated Management System Policy - according to the requirements of ISO 14001: 2015 2) Analysis of risks and opportunities " analysis of risks and opportunities generated by the HSJ Branch and its processes 3) KUP 14001 - Environmental aspects, conformity assessment 4) Environmental aspects, conformity assessment 5) List of applicable legal requirements for the HSJ Branch in the field of the environment 6) Process Identification Card No. 15: Environment and Energy 7) IS / 3.18 / HRE / HSJ - Handling of waste generated at COGNOR S.A. HSJ branch in Stalowa Wola 8) Procedures for the CO2 Emission Monitoring System

## 6.3. ENVIRONMENTAL RESULTS ACHIEVED

### GRI 301-1: MATERIALS USED BY WEIGHT OR VOLUME

COGNOR CAPITAL GROUP					
No.	Consumption of selected, key materials due to the type of business activity	2020		2019	
		IU	Quantity	IU	Quantity
1	Steel scrap	Mg	760 611,488	Mg	753 606,993
2	Iron molybdenum	Mg	114,898	Mg	112,489
3	Iron manganese	Mg	4 314,506	Mg	5 027,977
4	Iron silicon	Mg	2 445,686	Mg	2 513,944
5	Iron chrome	Mg	2 319,717	Mg	2 163,287
6	Iron titanium	Mg	13,933	Mg	24,648
7	Iron silicon manganese	Mg	4 332,776	Mg	4 585,706
8	Iron vanadium	Mg	43,843	Mg	60,061
9	Iron niobium	Mg	1,591	Mg	1,181
10	Aluminium	Mg	785,530	Mg	797,749
11	Nickel	Mg	164,151	Mg	134,625
12	Cored wires	Mg	255,232	Mg	235,500
13	Calcium	Mg	35 239,975	Mg	35 920,550
14	Fluorite	Mg	825,297	Mg	813,698

<b>15</b>	Dolomite	Mg	32,630	Mg	5,870
<b>16</b>	Bauxite	Mg	189,210	Mg	199,890
<b>17</b>	Silicon carbide	Mg	466,426	Mg	437,440
<b>18</b>	Slag refining	Mg	1 226,202	Mg	1 184,883
<b>19</b>	Zinc	Mg	1 390,824	Mg	2 122,585
<b>20</b>	Copper phosphorus	Mg	13,916	Mg	14,087
<b>21</b>	Tin	Mg	0,000	Mg	1,000
<b>22</b>	Bismuth	Mg	4,867	Mg	6,795
<b>23</b>	Natural gas	m3	37 199 302,000	m3	37 202 341,17
<b>24</b>	Hard coal (carburizer + frother)	Mg	6,030	Mg	9,030
<b>25</b>	Coking coal	Mg	5,000	Mg	0,0
<b>26</b>	Diesel	m3	2 818,007	m3	3 022,92
<b>27</b>	Gasoline	m3	139,066	m3	150,259
<b>28</b>	LPG	m3	4 690,047	m3	8 268,939
<b>29</b>	Non-ferrous scrap - waste	Mg	4 560,463	Mg	2 961,308

#### GRI 301-2: RECYCLED INPUT MATERIALS USED

COGNOR CAPITAL GROUP					
No.	Consumption of key raw materials due to the type of business activity	2020		2019	
		IU	Quantity	IU	Quantity
<b>1</b>	Steel scrap	Mg	760 611,488	Mg	753 606,993
<b>2</b>	Non-ferrous scrap - waste	Mg	4 560,463	Mg	2 961,308



## GRI 302-1: ENERGY CONSUMPTION WITHIN THE ORGANIZATION

COGNOR CAPITAL GROUP					
No.	Self-generated energy consumption	2020		2019	
		type of energy and unit	Quantity	type of energy and unit	Quantity
1	Self-generated from non-renewable raw materials	Electricity [MWh]	0	Electricity [MWh]	0
		Heat [kJ]	1 570 920 418	Heat [kJ]	1 742 994 286
		Steam [kJ]	80 354 000	Steam [kJ]	46 868 000
		Cooling [kJ]	0	Cooling [kJ]	0
		Other	22 771 355	Other	22 923 117
2	Self-generated from renewable resources	Electricity [MWh]	0	Electricity [MWh]	0
		Heat [kJ]	0	Heat [kJ]	0
		Steam [kJ]	0	Steam [kJ]	0
		Cooling [kJ]	0	Cooling [kJ]	0
		Other	0	Other	0

## GRI 302-2: ENERGY CONSUMPTION OUTSIDE OF THE ORGANIZATION

COGNOR CAPITAL GROUP					
No.	Energy consumption from outside	2020		2019	
		IU	Quantity	IU	Quantity
1	Energy purchased from outside	MWh	449 759,85	MWh	380 205,18

### GRI 303-3: WATER WITHDRAWAL

COGNOR CAPITAL GROUP					
No.	Water consumption	2020		2019	
		IU	Quantity	IU	Quantity
1	surface taken from own water supply	m3	0,00	m3	0,00
2	groundwater taken from own water supply	m3	123 008,00	m3	295 146,00
3	collected from rainfall	m3	0,00	m3	0,00
4	purchased from the water supply network, surface water and groundwater supply	m3	2 158 553	m3	7 403 234,89
5	fresh water	m3	2 281 561,00	m3	7 698 380,89
6	salt water	m3	0,00	m3	0,00

### GRI 305-1: CARBON DIOXIDE EMISSIONS

COGNOR CAPITAL GROUP				
EU ETS* Installation	KPRU* Number	2020		
		emission allowance [Mg]	Emission [Mg]	Surplus/(Deficit) [Mg]
Steelworks (Cognor S.A. HSJ Branch in Stalowa Wola)	PL-0660-05	21 783	37 193	(15 410)
Rolling Mill (Cognor S.A. HSJ Branch in Stalowa Wola)	PI-0914-08	27 372	25 810	1 562

Installation of electrostatic plant (Cognor S.A., Ferrostal Łabędy branch in Gliwice)	PL-0689-05	20 428	33 029	(32 980)
Cognor S.A. Ferrostal Łabędy branch in Cracow	PL-0949-08	10 566	19 817	(19 782)
EU-100-5022254-0-24 (COGNOR S.A. Ferrostal Łabędy Branch in Zawiercie)	PL-1018-13	11 052	estimated 8 250	(estimated 5 539)

COGNOR CAPITAL GROUP 2020				
EU ETS* Installation	KPRU* Number	emission allowance [Mg]	Emission [Mg]	Surplus/(Deficit) [Mg]
Steelworks (Cognor S.A. HSJ Branch in Stalowa Wola)	PL-0660-05	22 242	36 220	(13 978)
Rolling Mill (Cognor S.A. HSJ Branch in Stalowa Wola)	PI-0914-08	27 948	25 916	2 032
Installation of electrostatic plant (Cognor S.A., Ferrostal Łabędy branch in Gliwice)	PL-0689-05	20 858	35 435	49
Cognor S.A. Ferrostal Łabędy branch in Cracow	PL-0949-08	10 789	19 540	35
EU-100-5022254-0-24 (COGNOR S.A. Ferrostal Łabędy Branch in Zawiercie)	PL-1018-13	11 284	8 360	2 711

## GRI 305-7: SIGNIFICANT AIR EMISSIONS

COGNOR CAPITAL GROUP					
No.	Emission	2020		2019	
		IU	Quantity	IU	Quantity
1	CO2	Mg	124 430,803	Mg	125 568,403
2	CO	Mg	1 373,459	Mg	1 267,170
3	CH4	Mg	0,000	Mg	0,000
4	SOX / SO2	Mg	94,802	Mg	65,544
5	NOX / NO2	Mg	192,389	Mg	176,371
6	H2S	Mg	0,000	Mg	0,000
7	Total dusts	Mg	193,190	Mg	194,866
8	Total hydrocarbons	Mg	10,975	Mg	1,328

## PROPRIETARY INDICATOR 1: TOTAL AMOUNT OF WASTEWATER

COGNOR CAPITAL GROUP					
No.	Wastewater	2020		2019	
		IU	Quantity	IU	Quantity
1	Domestic wastewater	m3	19 627	m3	9 181
2	Urban wastewater	m3	115 694	m3	107 469

<b>3</b>	Industrial	m3	1 594 425	m3	1 308 389
<b>4</b>	Other - rainwater	m3	64 668	m3	64 668

### GRI 306-3: WASTE GENERATED BY THE ORGANIZATION AND HANDLING

COGNOR CAPITAL GROUP 2020					
No.	Other waste, excluding municipal waste	Recovered		Disposed [Mg]	Stored [Mg]
		Recycling [Mg]	Other recovery processes [Mg]		
1	Hazardous waste	41,367	0,982	4,760	0,000
2	Others (not hazardous)	203 877,933	133,019	5,020	2,300

COGNOR CAPITAL GROUP 2019					
No.	Other waste, excluding municipal waste	Recovered		Disposed [Mg]	Stored [Mg]
		Recycling [Mg]	Other recovery processes [Mg]		
1	Hazardous waste	55,359	2,915	7,465	0,000
2	Others (not hazardous)	195 837,513	178,068	11,478	0,000



## PROPRIETARY INDICATOR 2: EVENTS WITH ENVIRONMENTAL IMPACT

COGNOR CAPITAL GROUP			
No.	Type of leakage	2020	2019
		Total amount and volume of leakages recorded	Total amount and volume of leakages recorded
1	oil spills (into soil or water)	0	0
2	fuel leakages (into soil or water)	0	0
3	waste spills (into soil or water)	0	0
4	chemical spills (into soil or water)	0	0
5	other leaks	0	0

## GRI 307-1: NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

COGNOR CAPITAL GROUP			
No.	Environmental penalties	2020	2019
1	amount of environmental penalties imposed on the organization	1 000	0

## 6.4. ENVIRONMENTAL RISKS AND MANAGEMENT

ENVIRONMENTAL ASPECT		
Risk Importance: low ■■■, medium, ■■■, high ■■■		
NON-FINANCIAL RISK	RISK MANAGEMENT	RISK IMPORTANCE
<b>Failure of dust extraction systems resulting in increased emission of pollutants to the atmosphere</b>  Due to the production type related to the melting of non-ferrous metal scrap, including bronze shavings at a temperature of approx. 1200 ° C, there is a risk of burning the bag filter.	<ul style="list-style-type: none"> <li>each batch control of chips delivered for the chip production in terms of their degree of oiliness (chips above 2% of oiliness are not accepted for production).</li> <li>regular inspection of the bag filter condition by maintenance services.</li> </ul>	■■■
<b>Ground surface contamination.</b> contamination of the ground surface as a result of: spilling liquid agents or scattering chips (during unloading after delivery / when transporting to the hall) or as a result of leakage during equipment failure, etc.	<ul style="list-style-type: none"> <li>careful unloading of delivered canisters / barrels with liquid agents and safe unloading of chips,</li> <li>regular inspection and service of machines, devices, and company cars.</li> </ul>	■■■
<b>Noise emission in the process of product straightening, collection and packaging.</b>  Exceeding the permissible level of noise emission to the environment from the site of the plant and workplaces.	Verified laboratories are selected to conduct noise emission tests, both at workplaces and environment, and when required by law, laboratories with accreditation. Warning boards are placed in locations where excessive noise occurs and employees performing activities in these areas are obliged to use personal protective equipment. Automation of the end section with the installation of a straightener in the rolling line is planned during the planned modernization of the plant. One of the main goals is to minimize the negative impact of noise on workers and the environment. Until the modernization is carried out, employees are familiarized with the dangers of working in a place with increased noise levels and the need to use personal protective equipment.	■■■
<b>Waste formation in the production process.</b>	Ongoing control of generated waste amount in relation to the amount specified in the applicable norms.	■■■

Exceeding the allowed limits in the permit for the production of waste.

No overruns.

Waste is transferred to eligible recipients for further management, mainly recycling. The main waste produced in the plant is steel scrap, this waste is mainly transferred to clients belonging to the Cognor group (Ferrostał Łabędy Branch in Gliwice, Złomrex in Wrocław) for reprocessing of the steel. The rolling scale is handed over to authorized recipients for reuse. The largest amount of hazardous waste, dirty cleaning cloths (15 02 02 \*) is handed over to an authorized recipient for disposal. The plant does not independently conduct educational and information campaigns. On its behalf, the bio system packaging recovery organization is responsible for this task.

#### **Failure to comply with legal requirements.**

Failure to fulfil obligations resulting from legal regulations and requirements

The plant keeps track of the emerging legal regulations in environmental protection - possession of a license to the Wolters Kluwer Environmental Protection Law portal, which allows for emission control for compliance with legal requirements and possible updating of decisions, if necessary.



#### **CLIMATE ASPECT**

#### **Too high CO2 emission from the billet heating process in the push-out furnace.**

Incorrectly calculated CO2 emissions, non-compliance with the legal requirements for the Emissions Trading System.

Double ongoing verification of input data to the Annual Report on CO2 emissions by both the person supervising the process from the maintenance level and the person creating a document. Additionally, all data is checked by an independent verifier. The plant is classified as a plant with low CO2 emissions, therefore it is possible to settle the amount of emissions only on the basis of gas consumption. Low emissions per ton of production can only be achieved if the idle time of the rolling train is minimized. When analysing the amount of CO2 emissions in relation to production, it can be concluded that the indicator remains at a constant level. The current legal requirements of emissions trading can be found on websites devoted to monitoring CO2 emissions and by participating in conferences.



#### **Emission of dust and gas pollutants arising in the process of billet heating and production.**

Accredited laboratories are selected to carry out dust and gas emissions tests, in accordance with the applicable law. The emission factors are verified at the stage of



measurements for compliance with the values specified in the permit.

Installation time data is obtained from two independent sources, the Production and Maintenance Department. An independent person checks the correctness of the data entered into the emissions calculation sheet

The efficiency of the installation is checked during regular inspections and, if necessary, repaired in order to avoid uncontrolled emissions to the environment.

Low emissions per ton of production can only be achieved if the idle time of the rolling train is minimized.

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The background of the slide is a composite of industrial images. The top half shows a close-up of machinery with white steam or smoke rising from it. The bottom half is split into two panels: the left panel shows a large industrial machine with a glowing blue-white light source at the bottom left, and the right panel shows a bright orange-yellow molten metal stream being processed by machinery.

## 7. SOCIAL ASPECTS

## 7.1. DESCRIPTION OF SOCIAL ASPECTS

The Cognor Capital Group is aware of its responsibility in social aspects and takes responsibility for its products on offer, customer safety and minimizing the side effects of activities among the local community. One of the important elements influencing the perception of the Cognor brand is client satisfaction with our services and provided products. Customer opinions are of great importance in shaping the policy of product development, improvement and launching of new products. Customer satisfaction is treated as the key parameter of product quality assessment. Therefore, individual companies of the Capital Group regularly conduct research in this area. The results make it possible to know the expectations of recipients and provide feedback that cannot be obtained within the Company. All reports and comments received from clients are analysed and discussed during meetings of the management board and main management. As a result, new products were launched in the Ferrostal Łabędy Branch in Gliwice, i.e. the UPN 50 channel section. This allowed Cognor to meet the needs of customers, expand offerings and enter new markets, including the automotive sector. However, as a result of a similar study, non-standard dimensions of products were launched at the HSJ Branch in Stalowa Wola.

Customer opinions are of great importance in shaping the policy of product development, improvement and launching of new products. Long-term partnerships with contractors are possible when mutual expectations are met. Therefore, in the Ferrostal Łabędy Branch in Gliwice, in order to build good relations with clients, a B2B system has been implemented to handle orders. The client can log in to the B2B platform to track the execution of the order, and download sales documents including certificates, shipping documents and sales invoices.

### RESPONSIBILITY FOR THE PRODUCT AND CUSTOMER SAFETY

An important factor in cooperation with clients is product standards specifying product parameters and quality certificates. An example of having this type of documents is the Ferrostal Łabędy branch in Gliwice, which ensures the safe use of the offered products through EN-PN standards, ZETOM, IBDiM, ITB approvals and other quality certificates. In order to meet the restrictive standards in terms of specific product quality parameters, some of its products are subject to complete control by the Cognor Capital Group. This applies in particular to products manufactured at the HSJ Branch in Stalowa Wola, which is equipped with a modern line for metallographic testing of products. As part of the line, 100% inspection of products is carried out, which facilitates the determination of the grain size, depth of decarburization, the degree of steel contamination with non-metallic inclusions, structure banding and the intensity of Widmannstätten structure. In addition, the Group has its own laboratories and other equipment to test the level of quality at every stage of production.



In addition to the qualitative elements, the security of data storage and customer information is of key importance. Therefore, contractor data and information about this is encrypted. E-mail correspondence between the company and clients is secured with a digital signature issued by Certum Digital Identification CA SHA2. Along with cyber-security, the health and safety of clients during face-to-face meetings are also important. Despite the preferred personal contact with contractors, due to the COVID-19 pandemic, the aforesaid practice was limited to online contact.

### IMPACT ON THE SOCIAL ENVIRONMENT

The Cognor Capital Group also sees sustainable activities in the raw materials from which the products are manufactured. Taking into account the expectations of society in terms of living in a healthy environment, it should be emphasized that the Cognor Capital Group contributes to the fulfilment of the indicated expectations. The metallurgical products offered resulting from the processing of batch scrap allow for the implementation of multiple recycling processes. The method of steel production enables the reduction of the impact of products on the natural environment and contributes to the objectives of the Circular Economy. Moreover, since all the products offered are fully recyclable, they also contribute to the improvement of the environment and the climate.



The Cognor Capital Group also influences the local community by conducting charity campaigns. In 2020, on behalf of the HSJ Branch in Stalowa Wola, the inhabitants of the region received Christmas support addressed to the people most in need. In-kind assistance was organized for the families most in need. In addition, initiatives are also taken to support local services. The HSJ branch in Stalowa Wola, in cooperation with the County Headquarters of the State Fire Service, organized fire drills on the premises of the plant as a form of improvement, the purpose of which was to prepare firefighters to conduct rescue operations and extinguish fires. An important place in

social initiatives is the involvement of the Group in activities to promote sports activity. The PTS branch in Cracow is a sponsor for the local association known as "Nowy Hutnik 2020" and the AZS AWF Sports Club. It also supports the Academic Association of Sport of AWF.

## 7.2. SOCIAL POLICIES AND APPLIED PROCEDURES

The variety of social issues in terms of relations with clients, the local community and activities supporting its inhabitants require different internal regulations. Documents that protect the health of contractors deserve attention. Thus, they include the **SARS-Cov-2 pandemic prevention policy at Cognor Holding SA**. This policy is an extension and update of the Resolutions of the Management Board of COGNOR S.A. of March 11, 2020 on counteracting the Covid-19 coronavirus and pursues the following goals:

- ensuring the safety of COGNOR S.A. employees and other cooperating companies,
- reducing the number of contacts to reduce the risk of infection (remote work),
- rigorous control checks at the entrance or entry to the premises of the COGNOR S.A. Group,
- actions in relation to employees reporting symptoms of infection, monitoring of the so-called increased risk.
- implementation of the information circulation about the threat of a pandemic consisting of daily reporting from all group companies and preparation of a collective report for the attention of the Management Board of COGNOR HOLDING S.A.

Taking action in social aspects is also specified in the **Code of Ethics** according to which the following issues are implemented:

- safety and health of workers,
- proper interpersonal relations,
- effective communication and cooperation between individual groups of employees,
- indications regarding political and social activity,
- protection and security of personal data,
- principles of environmental protection, namely the "green policy",
- obligations to protect classified information and company secrets,
- responsible handling of gifts, entertainment and other benefits.

Documents regulating the issues of product quality assurance and the improvement of related processes are implemented at the level of individual companies belonging to the Cognor Capital Group. The table below lists the most important of them.

#### THE MOST IMPORTANT POLICIES, PROCEDURES, INSTRUCTIONS AND OTHER DOCUMENTS IN THE SOCIAL ASPECT IMPLEMENTED IN BRANCHES OF THE COGNOR CAPITAL GROUP

Cognor S.A. Ferrostal Łabędy branch in Cracow	1) Quality management system in accordance with ISO 9001:2015
Cognor S.A. Ferrostal Łabędy branch in Gliwice	1) Management System according to PN-EN ISO 9001:2015 2) Quality Assurance System of the material manufacturer according to Directive 2014/68 / EU
Cognor SA Ferrostal Łabędy branch in Zawiercie	1) Certificate of Conformity of the Factory Production Control 2) DNV-GL certificate
Cognor S.A. HSJ branch in Stalowa Wola	1) Quality management system in accordance with ISO 9001: 2015 2) Quality management system in accordance with IATF 16949: 2016 3) Quality management system in accordance with AQAP 2110
OM Szopienice Branch in Katowice	1) Quality management system in accordance with ISO 9001: 2015
Złomrex Branch in Wrocław	1) Policy of implementing the principles of GDPR

## 7.3. SOCIAL RESULTS ACHIEVED

### PROPRIETARY INDICATOR 3: VALUE OF SUPPORT GRANTED

COGNOR CAPITAL GROUP		
No.	Category	2020
		Value
1	Value of donations:	17 000 PLN
2	Value of sponsorship support in sport:	58 589 PLN



#### PROPRIETARY INDICATOR 4: NUMBER OF SOCIAL PROGRAMMES AND BENEFICIARIES

COGNOR CAPITAL GROUP		
No.	Category	2020
		Value
1	Number of beneficiaries of social programs:	4
2	Number of newly implemented social projects:	1
3	Number of social projects continued:	3

#### PROPRIETARY INDICATOR 5: CUSTOMER SATISFACTION

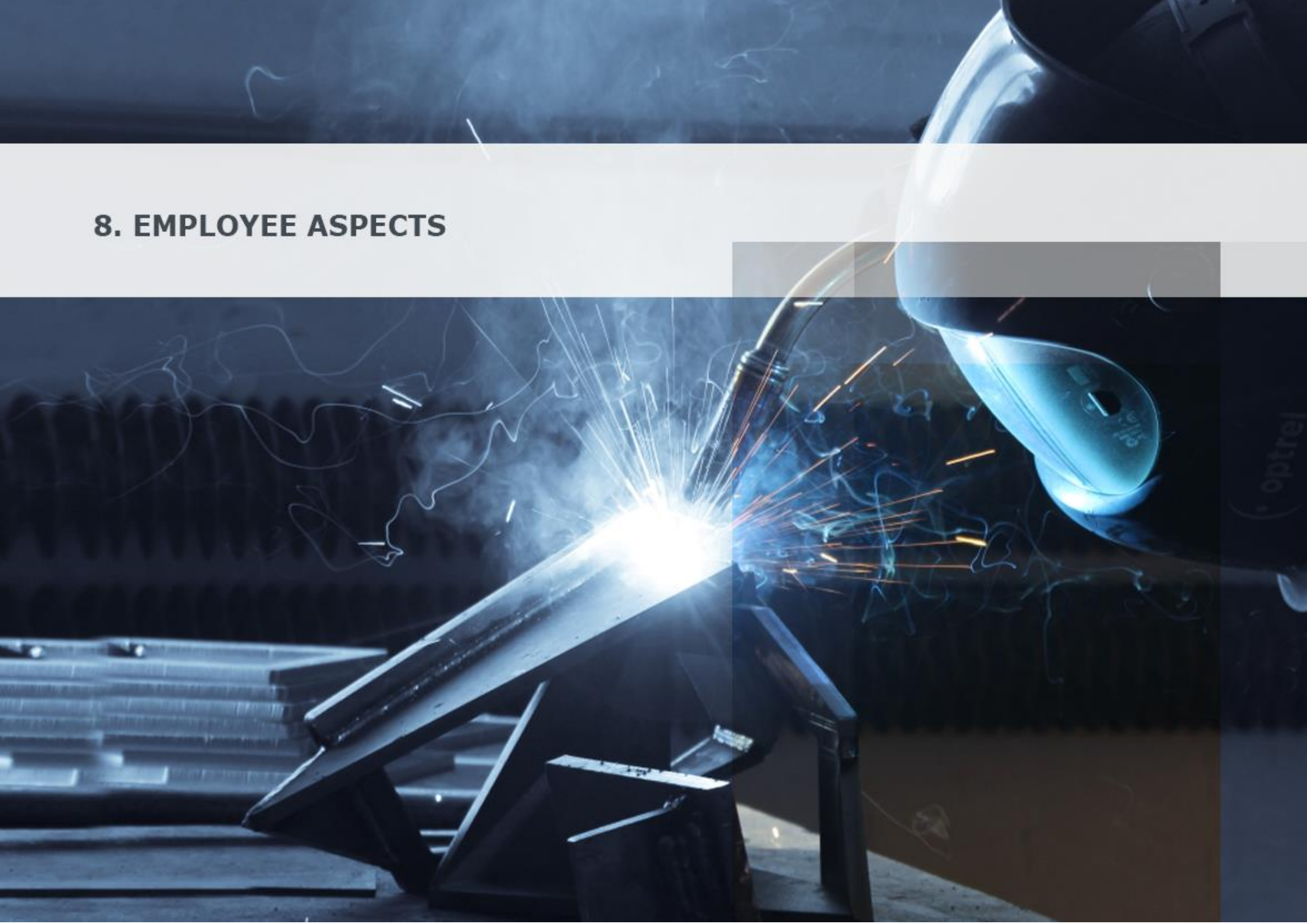
COGNOR CAPITAL GROUP		
No.	Category	2020
		Value
1	Client Satisfaction Index *	4,4

\* The results of the study include the OMS Szopienice Branch in Katowice

## 7.4. SOCIAL RISKS AND MANAGEMENT METHODS

SOCIAL ASPECT		
Risk Importance: low ■■■, medium, ■■■, high ■■■		
NON-FINANCIAL RISK	RISK MANAGEMENT	RISK IMPORTANCE
<b>Failure to meet the declared quality of products.</b> The materialization of risk may result in the loss of clients and a negative opinion about products on the market.	Compliance with the implemented principles of ISO 9001: 2015 quality systems and other documents relating to the improvement of product quality.	■■■
<b>Loss of customer data.</b> The materialization of risk may result in the loss of customer confidence.	Applying the principles of the GDPR policy and proceeding in accordance with the established regulations of data encryption.	■■■

## 8. EMPLOYEE ASPECTS



## 8.1. DESCRIPTION OF EMPLOYEE RELATIONS

The employee aspects play an important role in the daily management of the Cognor Capital Group. Creating professional development opportunities, increasing competences and providing highly specialized training for employees are elements that are treated with priority. Applying the principles of equal opportunities and terms of employment in the same positions, regardless of age, sex, nationality, religion and political views are the result of the practical use of the Capital Group's Code of Ethics.

### RECRUITMENT AND EMPLOYEE SELECTION

Transparent terms of cooperation among the parties allow for the development of mutual relations based on honesty and trust. Therefore, the recruitment process takes into account both employees who want to change their job position within the Capital Group and candidates from outside the Group's structure. The recruitment process is carried out in an open manner and with respect to the principles of equal access to information for potential candidates. Announcements are placed on generally available recruitment portals, the employee recommendation program and in labour offices. The submitted applications are verified by specialized departments in terms of meeting the competency requirements necessary for a particular position. Candidates subscribing to the profile stipulated are invited to preliminary interviews to clarify mutual expectations and obligations related to the tasks in the position for which the recruitment is in progress. After a mutual positive decision, the employee undergoes initial training, during which, in addition to getting acquainted with the principles of occupational health and safety, he/she is informed about the principles of the Code of Ethics, including employee rights and obligations, personal data protection, while also respect for human rights.

### MOTIVATION AND BENEFITS

During the introduction of new employees into the organization, they are provided with all the materials that enable them to become familiar with the job specifics. In addition, mentoring by a long-term employee is provided, who watches over the proper performance of the work. In order to maintain motivation among new and long-term employees, individual Companies and Divisions of the Capital Group offer their employees financial and non-financial benefits. The most common forms of motivation include:

- multisport cards,
- Warta / PZU insurance,
- holidays from Social benefits fund,



- additional Christmas bonuses,
- additional benefits,
- jubilee awards,
- a medical package for the employee and family members,
- the ability to implement your own initiatives and projects,
- possibility of remote work,
- flexible working time,
- access to training and development,
- management insurance against the risk of liability for damage caused as part of the function performed.

## DEVELOPMENT AND TRAINING

Acquiring new knowledge and professional development for employees increases the quality of services offered and client relations. Training and improving the competences of the staff is treated as an investment in resources. With the consent of the supervisor, in accordance with the principle of equality, employees are referred to external units for various types of training in order to improve their professional qualifications. The subject of the training programs is determined by management needs and employee interest and are approved by the Branch management. The training programs for employees are selected based on references and experience in a specific topic. In 2020, the Cognor Team participated in training in several areas including accounting, ISO, OHS, labour law, English at a specialist level and courses aimed at updating current knowledge.

## COMPETENCY ASSESSMENT

Employee evaluations are performed on a quarterly or monthly basis by the immediate superior. The performed assessment focuses on employee development and identifies areas of improvement and the steps required to achieve them. A development plan is created that can be monitored with the employee as they continue in their assigned roles. The evaluation interview conducted by the supervisor helps to identify the employee's aspirations and development expectations. It also provides the employees with an opportunity to understand the different career paths available and how they can achieve their goals through promotion and education.

## COVID-19 PANDEMIC RESPONSE

Employee safety practices and work conditions need to be adapted to the industry and global circumstances. Due to the 2020 COVID-19 pandemic, employees were required to work remotely, if their duties allowed so. In addition, flexible working time rules have been introduced to allow employees to perform tasks at times that do not interfere with household duties, such as distance learning and childcare. It is worth



emphasizing that employees were allowed to submit their own initiatives and proposals for better work organization. Employees whose work cannot be performed remotely were provided access to personal protective equipment.

## Best practices during the COVID-19 pandemic

### PTS branch in Cracow

- purchase of computers with software to enable remote work while ensuring continuity of work in the office,
- equipping employees with headsets and USB network cards,
- shared printers as part of remote work.

### Cognor Holding SA Spk

- limiting contacts among employees and thus minimizing the stress associated with the risk of contracting SARS-CoV-2 virus by introducing the possibility of working remotely.
- providing the necessary tools for remote work, including laptops with access to the system and e-mail correspondence, while also mobile phones.

### Ferrostal Łabędy branch in Cracow

- providing employees with protective masks, gloves and disinfecting liquids, measuring body temperature, keeping an appropriate distance.

### Ferrostal Łabędy branch in Gliwice

- training, an information and poster campaign, the possibility of testing for coronavirus at the employer's expense.
- introduction of internal regulations specifying methods of counteracting and preventing the coronavirus COVID 19 based on the Management Board Resolution of March 11, 2020

### Ferrostal Łabędy branch in Zawiercie

- possibility of working remotely,
- isolating office staff from production workers and introducing contact by e-mail correspondence and telephone
- the use of document boxes for employee to limit contact with employees.

**Observe hygiene, use of protective masks and systematic disinfection of premises.**

## 8.2. SAFE WORKING CONDITIONS

Ensuring safe and hygienic working conditions during business processes is crucial for employees. The Cognor Capital Group engages its employees and subcontractors to meet specific recommendations and regulations. Effective security management is in line with the current goals and undertaken activities facilitating the effective adaptation to real technical and technological solutions.

It is important for the entire Cognor Capital Group to eliminate accidents at work and the occurrence of occupational illnesses. Therefore, preventive measures are taken to increase the awareness of possible threats and ways to avoid them. One main focus is education, including periodic training for blue-collar workers. During the training, employees are taught about the occupational risk related to their activities. During daily briefings, the management of the Branches discuss, remind and inform employees about possible threats and methods of elimination. The Capital Group Branches also conducts ongoing inspections of workplaces for occupational safety, ergonomics and regular health, safety and fire protection audits. Health and safety issues are also discussed at meetings with management staff. In order to ensure the highest level of safety, the occupational risk assessment is regularly updated at each of the workstations and the appropriate type of individual protection measures are performed. It is also important to monitor devices and machines and perform regular inspections and maintenance. Employees are also trained on how to operate machines and devices to ensure their correct and safe use. In 2020, in order to ensure safe working conditions, initial training was conducted for 153 employees, periodic training for 411 employees, while also mainly on-the-job training for 114 employees. Work safety issues were discussed and consulted during 242 OHS meetings with the technical and operational service.

It is worth noting that the Cognor Capital Group also implements infrastructural and technological solutions that directly affect working conditions and comfort. As an example, a new rolling mill is being rebuilt in the **Ferrostal Łabędy Branch in Cracow**, which has been operating in its current form since the beginning of the 1960s. For this reason, the design solutions of that time prevail, both in the area of processes and technology. The ongoing investment aims to automate many very cumbersome and monotonous processes. Thus, manual straightening, cutting and binding of product packages will be automated. Currently, these activities are carried out manually by introducing angles, bars, flat bars into the straightener rolls, which then require re-forming and binding of the products into packages. These processes are classified as subject to accident risk and generate excessive noise. The implementation of the aforesaid plans will significantly increase the safety of the staff. In addition, it is planned to introduce overhead cranes with an electromagnet, which will improve the loading process and improve its safe implementation. The manual handling of the crane hook that is necessary when loading products onto trucks causes the risk of hand injuries, will be eliminated. It will be possible to perform loading without the participation of employees, moving them beyond the immediate danger zone.

Another example is to equip a repair shop located in the **PTS Branch in Cracow** with a wheel replacement device, which reduces the risk of an accident involving the fall of a disassembled wheel on an employee's leg. The solution used in the **Ferrostal Łabędy Branch in Gliwice** was to construct protective barriers on the crane road, which protects employees against falling from a height. At the same time,

a fire water intake station was built in the **Ferrostal Branch in Zawiercie**, thus increasing the possibility of counteracting a threat in the event of a possible fire. In addition, the emergency lighting in the office building and in the halls was modernized, which translates to the increased fire safety at the factory premises. The authorizations in the field of safe working conditions were also carried out at the **Branch Office in Szopienice in Katowice** by introducing radio control over the crane, thus enabling the elimination of the activity at height.

It is worth highlighting that the introduction of good practices influences the improvement of safe working conditions. An example of this is the weekly reviews of working conditions in all positions which take place at the Ferrostal Łabędy Branch in Cracow. The review is carried out by the rolling mill's operational director, who, after finding any irregularities, identifies dangerous working methods and introduces corrective actions. An example of an identified irregularity was an accident related to the operation of a cold cut shear, after analysis of which corrective actions were taken to eliminate the possibility of a similar accident being repeated in the future. Therefore, the following solutions were applied:

- modification of shields on cold shears and the possibility of disassembly when replacing knives,
- installation of an additional electric valve, thus securing the supply of compressed air to the distributor controlling the pressure flap of the shears,



- installation of electronic curtains securing the shears cutting area,
- creation of a separate station for cutting wire rod used for tying receiving packages.

Other examples are the solutions introduced in the Złomrex Branch in Wrocław, aimed at ensuring safe work performed with the use of ladders. Due to an accident at work, during which an employee fell from a ladder, the following initiatives were taken to improve health and safety in this area:

- implementation of safe work instructions on a leaning ladder,
- inspection of ladders in terms of compliance with the standard and technical condition,
- training all employees in terms of safe work on a ladder,
- removing all ladders that did not meet the standards and technically good conditions.

## 8.3. EMPLOYEE POLICIES AND PROCEDURES

The Cognor Capital Group complies with all employee rights resulting from the **Labour Code** and respects the applicable legal regulations. The applicable laws and regulations take place at the level of the departments that introduce them to their organizational culture. Employee aspects are regulated by internal policies and procedures that have been implemented in individual departments due to their distinctiveness in the business profile. The Group's branches adjust the regulations to the needs resulting from the implemented processes determined by the products and services offered. The diversity of branches means that some areas are managed in a decentralized manner. Nevertheless, the basic and key document that determines the functioning of the branches and the entire Capital Group is the Capital Group's **Code of Ethics**, whose compliance is mandatory for all employees. In addition, in order to efficiently manage the indicated area, the key documents are as follows: **Work Regulations, Remuneration Regulations, Company Social Benefits Fund Regulations, Periodic Assessment Regulations, Employee Recommendation Program, Anti-bullying Procedure and Remote Work Regulations**. The documents are implemented in the branches of the Capital Group. Moreover, the Cognor S.A. Ferrostal Łabędy branch in Cracow has an Integrated Management System according to ISO 9001, ISO 14001, PN-N 18001 standards, which regulate the functioning of the HR Department, among others.



## Description of key regulations implemented in the employee aspect in the Cognor Capital Group Branches:

- 1) **Capital Group Code of Ethics** - covers the observance of human rights and counteracting corruption and bribery.
- 2) **Work Regulations** - organization and working conditions, working time systems and schedules as well as the adopted settlement periods, counteracting discrimination in employment.
- 3) **Wage Regulations** - definition of obligatory and optional salary components, work-related benefits.
- 4) **Company Social Benefits Fund Regulations** - the rules of conducting social activity and the conditions of using services and benefits from the fund by eligible persons.
- 5) **Regulations of periodic assessments** - the purposes of conducting periodic employee appraisals, rules of evaluation, appraisal procedure and appeal procedure.
- 6) **Employee recommendation program** - the program is aimed at the recommendations by the current employees of people interested in taking up employment at the positions indicated by the employer.
- 7) **Anti-Bullying procedure** - the procedure expresses a definitive lack of acceptance of the employer with regard to the bullying phenomenon and guarantees every employee the right to report the occurrence of this phenomenon and to have the complaint considered by an impartial Anti-Bullying Commission.
- 8) **Remote work regulations** - the conditions for assigning employees to remote work, the way of performing it and reporting on the results, requirements related to the principles of safety and hygiene when performing remote work.

### THE MOST IMPORTANT POLICIES, PROCEDURES, INSTRUCTIONS AND OTHER DOCUMENTS OF THE EMPLOYEE ASPECT IMPLEMENTED IN BRANCHES OF THE COGNOR CAPITAL GROUP

Cognor S.A. Ferrostał Łabędy branch in Cracow	<ol style="list-style-type: none"> <li>1) Work Regulations Cracow October 2018</li> <li>2) Salary Regulations Cracow October 2018</li> <li>3) Integrated management system according to ISO 9001, ISO 14001, PN-N 18001, <ul style="list-style-type: none"> <li>▪ [PQS.7] [III] Review of quality, environmental, health and safety management systems</li> <li>▪ [PQS.5] [III] Developing, introducing changes and disseminating procedures</li> <li>▪ PQS.1] [V] Training, awareness, competences</li> </ul> </li> <li>4) Occupational Risk Assessment Card</li> </ol>
Cognor S.A. Ferrostał Łabędy branch in Gliwice	<ol style="list-style-type: none"> <li>1) the Labour Code</li> <li>2) Salary Regulations</li> <li>3) Work Regulations</li> <li>4) Internal procedures</li> </ol>
Cognor SA Ferrostał Łabędy branch in Zawiercie	<ol style="list-style-type: none"> <li>1) Quality and Environment Policy</li> <li>2) Personal Data Protection Security Policy</li> <li>3) IT Systems Management Manual</li> </ol>
PST branch in Cracow	<ol style="list-style-type: none"> <li>1) Work Regulations</li> <li>2) Salary Regulations</li> <li>3) Company Social Benefits Fund Regulations</li> <li>4) Regulations of periodic assessments</li> <li>5) Employee referral program</li> <li>6) Anti-bullying procedure</li> </ol>



	7) Remote work regulations
Branch Office in Szopienice in Katowice	1) Employee Salary Regulations 2) Employee Work Regulations
Złomrex branch in Wrocław	1) Employee safety policy during a pandemic 2) Employee investment policy

## 8.4. HEALTH AND SAFETY POLICIES AND PROCEDURES

The Cognor Capital Group is very concerned about the safety of its employees. Demanding working conditions impose the obligation to implement solutions and regulations that directly and indirectly affect the health of the staff. Due to the variety of processes carried out in the Branches belonging to the Capital Group, most of the regulations in this area are introduced separately. The complexity of the activities carried out in branches requires an individual approach to work safety. The conduct code of health and safety at work is maintained in the established system of documents, procedures and management instructions. The most important documents include the **Safety Policy, the Occupational Health and Safety Monitoring Procedure and the Occupational Risk Assessment Procedure**.

The Cognor S.A. Ferrostal Łabędy branch in Cracow has an **Integrated Quality, Environment, Health and Safety Management System**, which is subject to an annual verification audit and renewal audit. At the same time, **ISO 45001: 2018** is currently being implemented in the branch, which replaced the PN-18001 and OHSAS standards.

### Key health and safety regulations implemented at the Cognor Capital Group branches:

- 1) **Procedure for Monitoring Occupational Health and Safety** - the procedure regulates proper safety management, ongoing observation of the health and safety status, monitoring compliance with the policy, general and specific objectives, assessment of compliance with legislation and legal provisions and conducting analyses of the causes of accidents at work.
- 2) **Occupational risk assessment procedure** - the aim is to establish uniform assessment principles for all positions and to conduct a coherent preventive policy covering technique, work organization, working conditions and factors related to the working environment.
- 3) **Accident procedure** - the procedure defines the procedure for accidents and incidents at work and the rules for their registration, record and reporting.
- 4) **Procedure for transferring an employee to another work position** - the procedure describes what activities, training and documentation should be provided when transferring an employee to another work position.
- 5) **The procedure "Assessing health and safety of any planned changes in the technological process, changes in the design of devices"** - the procedure requires an OHS assessment during each change in the technological process, introduction of a new machine, device and any modifications.

**THE MOST IMPORTANT POLICIES, PROCEDURES, INSTRUCTIONS AND OTHER DOCUMENTS OF OSH ASPECT IMPLEMENTED IN BRANCHES OF THE COGNOR CAPITAL GROUP**

Cognor S.A. Ferrostal Łabędy branch in Cracow	<ol style="list-style-type: none"> <li>1) Integrated Quality, Environment, Health and Safety Management System</li> <li>2) Security Policy</li> <li>3) Procedure for monitoring occupational health and safety</li> <li>4) Procedure of occupational risk assessment</li> </ol>
Cognor S.A. Ferrostal Łabędy branch in Gliwice	<ol style="list-style-type: none"> <li>1) General health and safety instructions for employees of Ferrostal Łabędy</li> <li>2) Occupational health and safety instructions</li> <li>3) Procedure for the development of occupational risk</li> <li>4) Health and safety rules applicable to contractors on the premises of Ferrostal Łabędy</li> <li>5) Information boards on work clothes and personal protective equipment</li> </ol>
Cognor SA Ferrostal Łabędy branch in Zawiercie	<ol style="list-style-type: none"> <li>1) Workplace instructions and manuals for machines and devices</li> </ol>
PST branch in Cracow	<ol style="list-style-type: none"> <li>1) General Health and Safety Instructions</li> <li>2) Instructions for determining the causes and circumstances of accidents at work</li> <li>3) OHS training instruction</li> <li>4) Instructions for identification of and risks of occupational risk assessment</li> <li>5) Health and safety instructions at workplaces</li> </ol>
Złomrex branch in Wrocław	<ol style="list-style-type: none"> <li>1) Accident procedure</li> <li>2) Procedure for transferring an employee to another position</li> <li>3) Safe working instructions</li> <li>4) Regulations on the allocation of work clothes, personal protective equipment and the equivalent payment for washing clothes,</li> <li>5) Procedure "Unloading scrap from the container"</li> <li>6) Procedure "Assessing for occupational health and safety any planned changes within the technological process, changes in the design of devices"</li> <li>7) Employer's management on health and safety training</li> <li>8) Fire Safety Instructions</li> <li>9) List of particularly dangerous tasks</li> </ol>

## 8.5. OBTAINING EMPLOYEE AND OHS RESULTS

### GRI 102-8: INFORMATION ON EMPLOYEES AND OTHER WORKERS

#### Number of employees hired on contract basis by gender and type of employment

COGNOR CAPITAL GROUP							
No.	Employees by type of employment	2020			2019		
		Women	Men	Total	Women	Men	Total
1	Employees with permanent contracts	250	1 392	1 642	282	1 376	1 658
2	Employees with temporary contracts	48	246	294	43	306	349
3	<b>Total</b>	<b>298</b>	<b>1 638</b>	<b>1 936</b>	<b>325</b>	<b>1 682</b>	<b>2 007</b>

#### Number of employees hired on contract basis by gender and working time

COGNOR CAPITAL GROUP							
No.	Employees by working time	2020			2019		
		Women	Men	Total	Women	Men	Total
1	Full-time employees	277	1 611	1 888	308	1 662	1 970
2	Part-time employees	21	27	48	17	20	37
3	<b>Total</b>	<b>298</b>	<b>1 638</b>	<b>1 936</b>	<b>325</b>	<b>1 682</b>	<b>2 007</b>

### Number of employees hired on contract basis by gender and region

COGNOR CAPITAL GROUP							
No.	Employees by region	2020			2019		
		Women	Men	Total	Women	Men	Total
<b>1</b>	Poland	298	1 638	1 936	325	1 682	2 007
<b>2</b>	Europe	0	0	0	0	0	0
<b>3</b>	other countries	0	0	0	0	0	0
<b>4</b>	<b>Total</b>	<b>298</b>	<b>1 638</b>	<b>1 936</b>	<b>325</b>	<b>1 682</b>	<b>2 007</b>

### Number of employees per type of contract by gender

COGNOR CAPITAL GROUP							
No.	Employees by type of contract	2020			2019		
		Women	Men	Total	Women	Men	Total
<b>1</b>	employment contract	298	1 638	1 936	325	1 682	2 007
<b>2</b>	agency agreement	2	8	10	0	4	4
<b>3</b>	management contract	1	12	13	1	13	13

**GRI 401-1: TOTAL NUMBER AND RATE OF NEW EMPLOYEE RECRUITMENT AND TURNOVER DURING THE REPORTING PERIOD, BY AGE GROUP, GENDER AND REGION.**

COGNOR CAPITAL GROUP							
No.	Number of new employees hired	2020			2019		
		Women	Men	Total	Women	Men	Total
<b>1</b>	Up to 24 years old	3	36	39	3	23	26
<b>2</b>	25-34	10	54	64	8	31	39
<b>3</b>	35-44	16	66	82	9	39	48
<b>4</b>	45-55	16	51	67	7	42	49
<b>5</b>	Over 55 years old	6	20	26	2	20	22
<b>6</b>	Total	51	227	278	29	155	184
<b>7</b>	Percentage of new employees hired	17.1%	13.9%	14.4 %	8.9 %	9.2 %	9.2 %

COGNOR CAPITAL GROUP							
No.	Number of employee departures	2020			2019		
		Women	Men	Total	Women	Men	Total
<b>1</b>	Up to 24 years old	0	10	10	0	31	31
<b>2</b>	25-34	6	51	57	9	53	62
<b>3</b>	35-44	12	55	67	6	68	74
<b>4</b>	45-55	11	37	48	9	48	57
<b>5</b>	Over 55 years old	18	69	87	7	54	61
<b>6</b>	Total	47	222	269	31	254	285
<b>7</b>	Percentage of employee departures	15.8 %	13.6 %	13.9 %	9.5 %	15.1 %	14.2 %



## GRI 102-41: COLLECTIVE BARGAINING AGREEMENTS

COGNOR CAPITAL GROUP			
No.	Collective agreements	2020	
		2019	
1	percentage of employees by collective agreements	58.9 %	66.4 %

## GRI 401-3: TOTAL NUMBER OF EMPLOYEES THAT RETURNED TO WORK IN THE REPORTING PERIOD AFTER PARENTAL LEAVE ENDED, BY GENDER.

COGNOR CAPITAL GROUP							
No.	Return to work and employment retention	2020			2019		
		Women	Men	Total	Women	Men	Total
1	Number of employees who took parental leave	21	8	29	21	11	32
2	Number of employees who returned from parental leave	6	8	14	12	11	23
3	Number of employees still working one year after their return from parental leave	8	6	14	1	1	2

4	Return to work rate	28.6 %	100.0 %	48.3 %	57.1 %	100.0 %	71.9 %
5	Employment retention rate	66.6 %	54.5 %	60.9 %	12.5 %	8.3 %	10.0 %

# **GRI 404-1: AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE BY GENDER, AND BY EMPLOYEE CATEGORY**

## **Average hours of training per year per employee by gender**

COGNOR CAPITAL GROUP							
No.	Training	2020			2019		
		Women	Men	Total	Women	Men	Total
<b>1</b>	Number of employees participating in training	140	945	1 085	174	1 252	1 426
<b>2</b>	Total number of training hours provided to employees	2 077	10 601	12 678	4 031	33 463	37 494
<b>3</b>	Average hours of training per employee	15	11	12	23	27	26

## **Average hours of training per year per employee by employee category**

COGNOR CAPITAL GROUP							
No.	Training	2020			2019		
		Managerial positions	Other positions	Total	Managerial positions	Other positions	Total
<b>1</b>	Number of employees participating in training	42	1 043	1 085	47	1 379	1 426
<b>2</b>	Total number of training hours provided to employees	2 210	10 468	12 678	3 202	34 292	37 494
<b>3</b>	Average hours of training per employee	53	10	12	68	25	26

**GRI 404-3: PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS BY AGE GROUP AND CATEGORY OF EMPLOYEES**

COGNOR CAPITAL GROUP							
No.	Percentage of employees receiving interim evaluations	2020			2019		
		Women	Men	Total	Women	Men	Total
<b>1</b>	Managerial positions	13.8 %	6.9 %	8.6 %	9.4 %	8.0 %	8.4 %
<b>2</b>	Other positions	44.6 %	46.8 %	46.5 %	43.3 %	51.2 %	50.0 %
<b>3</b>	Total	41.6 %	44.7 %	44.2 %	40.0 %	48.9 %	47.5 %

**GRI 405-1: DIVERSITY OF GOVERNANCE BODIES**

**Supervisory Board by gender and age category**

COGNOR CAPITAL GROUP							
No.	Percentage of the Supervisory Board	2020			2019		
		Women	Men	Total	Women	Men	Total
<b>1</b>	Up to 30 years old	0.0	0.0	0.0	0.0	0.0	0.0
<b>2</b>	31 to 50 years old	0.0	0.0	0.0	0.0	0.0	0.0
<b>3</b>	Over 51 years old	0.0	100.0 %	100.0 %	0.0	100.0 %	100.0 %

### Management Board by gender and age category

COGNOR CAPITAL GROUP							
No.	Percentage of the Management Board	2020			2019		
		Women	Men	Total	Women	Men	Total
1	Up to 30 years old	0.0	0.0	0.0	0.0	0.0	0.0
2	31 to 50 years old	0.0	50.0 %	50.0 %	0.0	50.0 %	50.0 %
3	Over 51 years old	0.0	50.0 %	50.0 %	0.0	50.0 %	50.0 %

### PROPRIETARY INDICATOR 6: EQUAL PAY

COGNOR CAPITAL GROUP			
No.	Employee salaries in relation to the average wages in the sector	2020	
		Average wages in Group	The ratio of the average wages in the Group to the average wages in the sector
1	5 399,00	6 147,64	113.9 %

COGNOR CAPITAL GROUP			
No.	Employee salaries in relation to the average wages in the sector	2019	
		Average wages in Group	The ratio of the average wages in the Group to the average wages in the sector
1	5 152,78	6 018,40	116.8 %

## GRI 403-9: WORK-RELATED INJURIES

COGNOR CAPITAL GROUP							
No.	Work-related injuries to employees	2020			2019		
		Women	Men	Total	Women	Men	Total
<b>1</b>	The total number of injuries at work, including:	0	12	12	1	39	40
	- fatal accidents	0	0	0	0	0	0
	- severe accidents	0	0	0	0	3	3
	- minor accidents	0	12	12	1	36	37
<b>2</b>	Total number of people injured	0	12	12	1	39	40
<b>3</b>	Number of days of incapacity related to accidents at work	0	612	612	78	1 452	1 530

<b>4</b>	<b>Accident frequency rate</b>	<b>0.0</b>	<b>6.2</b>	<b>6.2</b>	<b>0.5</b>	<b>19.4</b>	<b>19.9</b>
<b>5</b>	<b>Accident severity rate</b>	<b>0.0</b>	<b>51.0</b>	<b>51.0</b>	<b>78.0</b>	<b>37.2</b>	<b>38.3</b>

COGNOR CAPITAL GROUP							
No.	Work-related injuries to subcontractors	2020			2019		
		Women	Men	Total	Women	Men	Total
<b>1</b>	The total number of injuries at work, including:	1	16	17	0	17	17
	- fatal accidents	0	0	0	0	0	0
	- severe accidents	0	0	0	0	0	0
	- minor accidents	1	16	17	0	17	17
<b>2</b>	Total number of people injured	1	16	17	0	17	17



<b>3</b>	Number of days of incapacity related to accidents at work	36	831	867	0	1 063	1 063
<b>4</b>	<b>Accident frequency rate</b>	<b>3.7</b>	<b>58.8</b>	<b>62.5</b>	<b>0.0</b>	<b>60.9</b>	<b>60.9</b>
<b>5</b>	<b>Accident severity rate</b>	<b>36.0</b>	<b>51.9</b>	<b>51.0</b>	<b>0.0</b>	<b>62.5</b>	<b>62.5</b>

#### GRI 403-10: WORK-RELATED ILL HEALTH

COGNOR CAPITAL GROUP							
No.	Occupational illnesses	2020			2019		
		Women	Men	Total	Women	Men	Total
<b>1</b>	Occupational illnesses, including:						
	- occupational hearing impairment,	0	0	0	0	0	0
	- vibration syndrome,	0	0	0	0	0	0
	- pneumoconiosis,	0	0	0	0	0	0
	- other	0	0	0	0	0	0

## 8.6. LABOUR RISKS AND MANAGEMENT IN TERMS OF EMPLOYMENT AND HEALTH AND SAFETY

EMPLOYEE ASPECTS		
Risk Importance: low ■■■, medium, ■■■, high ■■■■		
NON-FINANCIAL RISK	RISK MANAGEMENT	RISK IMPORTANCE
<b>Outbreak of COVID-19 infection.</b>  The materialization of the risk may result in a lack of work continuity or stoppage of the branch's work	Raising employee awareness (campaign promoting safe work), availability of personal protective equipment, enabling remote work.	■■■
<b>Lack of job candidates with appropriate qualifications.</b>  In positions that require appropriate qualifications and experience, there may be shortages in employment, which increases the burden on current employees and reduces work efficiency.	Implementation of the apprenticeship and internship program for students and graduates of local schools, employee referral program, wide access to training for employees.	■■■
<b>Failure to observe the principle of equal opportunities for all employees of the branch.</b>  If the risk materialized, it could reduce job satisfaction and the opportunities and skills of some employees were not used.	Counteracting the risk takes place through the elimination of all non-substantive criteria during the recruitment process by the participation of a representative of the HR department.	■■■
<b>High employee turnover.</b>  Possibility of employee turnover resulting from the actions of competition on the labour market.	Enabling employees to participate in professional development by building appropriate training programs and maintaining a friendly atmosphere in the workplace and taking care of good communication in the company.	■■■

## OSH ASPECT

Risk Importance: low ■■■, medium, ■■■, high ■■■

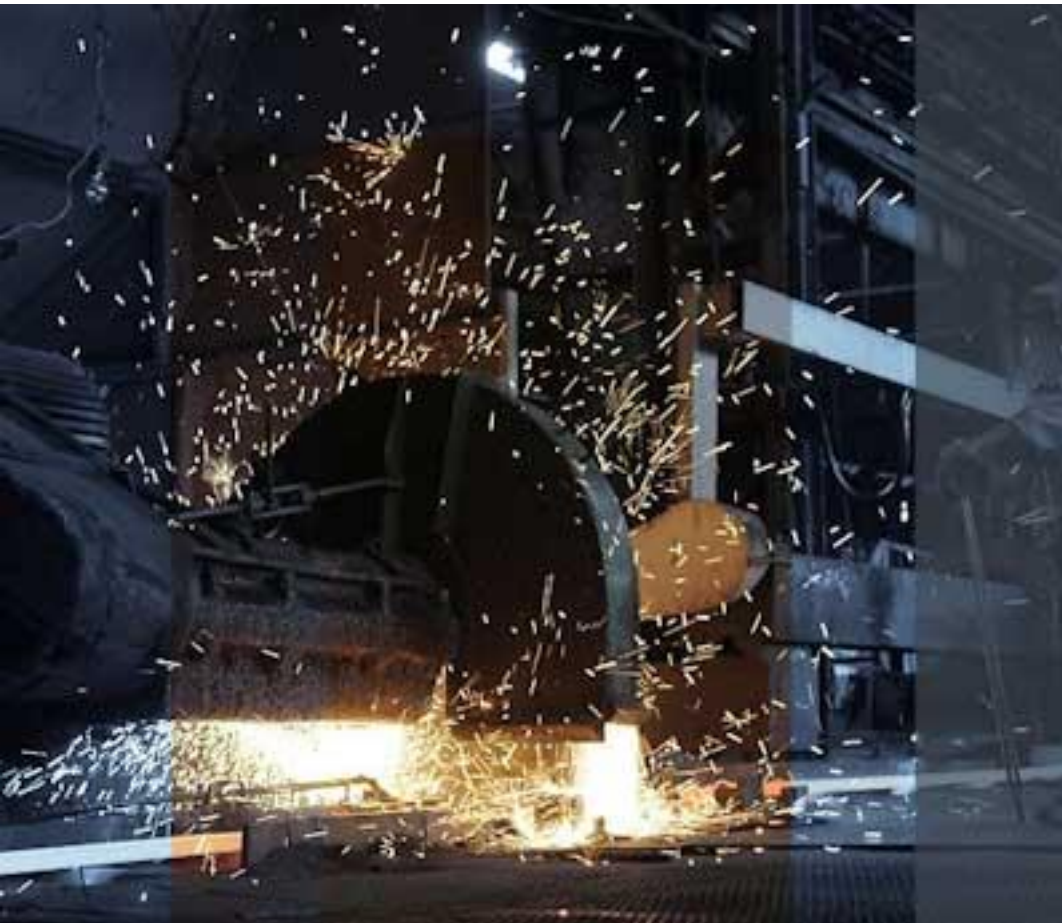
NON-FINANCIAL RISK	RISK MANAGEMENT	RISK IMPORTANCE
<b>The occurrence of an accident or contracting an occupational illness.</b>	Instructing employees by indicating safe work performance, observing the safety rules included in the OHS instructions. Providing employees with personal protective equipment. Compliance with health and safety regulations and rules	■■■
<b>Injury from sharp and protruding elements of scrap metal, elements of machines and devices.</b>	Use of personal protective equipment - work clothes, anti-cut gloves, shoes with an anti-puncture sole - in accordance with the rules of allocation of clothing and personal protective equipment, appropriate storage of materials in accordance with the implemented storage and storage instructions, safe transport of materials in accordance with the transport instructions, compliance with OHS instructions for machines and devices implemented in the unit.	■■■
<b>Slipping and falling.</b>  Risk of limb injuries, cuts, head and spine injuries.	Current maintenance of hardened surface of the yard, maintenance of order in the work zones, storage area in accordance with the storage instructions, maintenance of order on communication routes in accordance with the transport instructions, use of work shoes with non-slip soles in accordance with the rules of allocating clothing and personal protective equipment,	■■■
<b>Being crushed, hit by falling objects.</b>  Risk of injuries, crushing of the head, spine, limbs by falling objects while operating a loader or crane in the workplace.	Machines (loader, crane) maintained in good technical condition, approved for operation by the Office of Technical Inspection, machine operators trained and qualified in their operation, safety instructions when working with handling machines, inspection and maintenance in good technical condition of slings, grippers, proper organization of the crane's workstation, decree concerning the obligation to wear protective helmets and reflective vests.	■■■
<b>Being hit by moving objects.</b>  Risk of injuries, crushing of the head, spine, limbs due to the employee being hit by equipment (crane, loader, HDS, forklift truck, car).	Compliance with transport instructions, sound and light signals in handling devices, an order regarding the obligation to wear protective helmets and reflective vests on the square, the use of protective footwear with toe protection against impact in accordance with the rules for the allocation of personal protective equipment, ongoing maintenance of an even and hardened surface of the square.	■■■
<b>Electric shock.</b>  Electric shock when operating electrical installations or electrically powered devices	Regular inspections and maintenance of electrical installations in branches by authorized people, regular checks of electrical equipment and power tools by authorized people, compliance with the instructions for safe operation of electrically powered devices.	■■■

## 9. ETHICAL ASPECTS





## 9.1. DESCRIPTION OF ETHICAL ASPECTS



Ethical aspects, which include the observance of human rights and counteracting corruption and bribery are a key element of the Cognor Capital Group in its business relations and the organization's culture. Therefore, the applicable legal regulations are complied with and the actions taken in a manner that is free of any manifestations of corruption. The Group respects human rights, which is confirmed by its provision of dignified and safe working conditions, high quality of the products offered and responsible use of environmental resources. The Cognor Capital Group's Code of Ethics clearly defines internal policies to follow the afore-mentioned ethics which apply to all employees. In addition, due to the demanding industry, working conditions, the Group is also bound by the Metallurgist's Honorary Code.

The implementation of the Code of Ethics and other documents regulating this area are supervised by the Compliance Officer appointed for this purpose. Their task is to monitor and implement solutions to improve the functioning of this area in the Cognor Capital Group. The priority is to prevent corruption in the entire organization, and above all in two spheres of the Group's activity, i.e. Scrap Trade and Trade in Products. To this end, initiatives and decisive steps are taken to identify the potentially most vulnerable areas in terms of the violation of the rules and to implement preventive solutions. The main issue is the cyclical training sessions covering the Scrap Hall and traders, commercial departments of the Cognor HSJ Branch in Stalowa Wola and the Cognor Ferrostal Łąbędy Branch. The topics include organizational culture, the role of whistle-blowers, so called "Red flags", or signals that may indicate corruption. In addition, any irregularities related to the implementation

of the internal procedures are discussed in detail. Apart from training, the preventive measures also include controls of compliance with procedures and good practices. Explanatory proceedings are conducted where there are indications of possible corruption and bribery. The register of gifts is described and provided to suppliers and customers.



## COMPLIANCE CONTROL

The established principles in the **Code of Ethics** facilitate managing corruption and bribery prevention by creating a kind of "constitution", which is the starting point for various training, control and preventive activities. Employees from every department are aware of the "zero tolerance" principle applicable in the disciplinary policy. The implemented recompensation policy effectively promotes the diligent, professional and ethical performance of duties.

Two types of inspections are carried out in the Cognor Capital Group within this area. The first one is the current control, which consists of monitoring work and its compliance with the applicable procedures and recommendations of superiors. The second type is a retrospective control which is a substitute control performed at the end. An example of this is the acceptance of scrap metal or receipt of goods by the client. This control is supported by talking to selected scrap suppliers and recipients of goods.

If there is reasonable suspicion of corruption or bribery, investigations shall be initiated. Requests in this case shall be submitted by the superior of the department in consultation with the Compliance Officer. Decisions to initiate are taken by the President of COGNOR HOLDING S.A.

### Training topics:

- 1) The Code of Ethics as an important instrument for building the organizational culture of the Cognor Group.
- 2) Compensation, order penalty or maybe disciplinary dismissal. How to hold an employee accountable?
- 3) Operation methods of suppliers and clients in cases of corruption and bribery based on previous experience.

## EFFECTIVE SOLUTIONS IN THE IMPLEMENTATION OF HUMAN RIGHTS PRINCIPLES

The respect of human rights is equally important. Monthly training is conducted by the top management of all branches and companies of Cognor S.A to promote employee rights, counteracting discrimination, bullying and harassment. During the meetings, current problems in the field of corporate culture, compliance with employee rights, prevention of discrimination and bullying, personal data protection and security policy are discussed. These trainings are an opportunity to discuss various cases indicating the possible occurrence of threats in the afore-mentioned areas. Anti-discrimination procedures and programs are carried out at the level of Cognor Holding S.A. branches and companies. Each of these entities, in accordance with the document that is prepared and approved, adequately responds to the potential incidents of discrimination threats.

While implementing the standards of the Code of Ethics, all employees of the Cognor Group from positions ranging from foreman to top management were trained. These trainings were conducted in the form of lectures and presentations based on the prepared handouts. They included the full spectrum of issues related to employee rights, the prevention and counteracting of discrimination, bullying, harassment as well as manifestations of pathology in relations between employees, e.g. gossip, stalking, etc. in the area of security policy and ICT security systems instructions. Training of the top management, staff and selected groups of employees is conducted systematically on a monthly basis. In a situation where various current problems occur, such training is organized ad hoc.

In accordance with the established training strategy, all functional employees take part in them, i.e. from the so-called leaders, foremen, shift managers, department managers, boards of divisions and companies. Systematic training is also provided to employees of the hall, scrap yards and sales departments. As for the remaining employees, training groups are created depending on the current needs, e.g. the risk of coronavirus.



## 9.2. APPLIED POLICIES AND ETHICAL PROCEDURES

Acting in a transparent and responsible manner, the Cognor Capital Group applies the implemented principles of the Code of Ethics, which take precedence over other regulations. The document supports business operations based on the highest recognized standards. The Code of Ethics is a tool that allows the dissemination of desired behaviours and counteracting any manifestations that do not comply with the adopted values and also improves the quality of organizational culture in the Cognor Capital Group. The Code of Ethics prohibits ethnic, racial and religious discrimination and condemns cases of violation of the dignity of an employee, including any form of bullying, sexual harassment, humiliation, intimidation, using the position for personal gain and spreading rumours, initiating conflicts and slander. The Code obliges the managerial staff to develop a proper work culture and the desired relationships among colleagues. Employees can count on support in difficult situations and maintaining efforts to resolve conflicts and disputes.

### **The Code of Ethics regulates the following issues:**

- a) Occupational safety and employee health.
- b) Human relationships.
- c) Communication and cooperation.
- d) Political and social activities.
- e) Protection and security of personal data.
- f) Environmental protection.
- g) Protection of classified information and business secrets.
- h) Responsible handling of gifts, invitations and other benefits.
- i) Reporting any irregularities in the COGNOR group (suspected corruption, violation of the law and internal procedures, violation of employee rights, harassment, bullying and conflicts of interest).

### **THE MOST IMPORTANT POLICIES, PROCEDURES, INSTRUCTIONS AND OTHER ETHICAL DOCUMENTS IMPLEMENTED IN THE COGNOR CAPITAL GROUP**

- 1) Code of Ethics.
- 2) Honorary Code of the Metallurgist.
- 3) Resolution No. 2 of November 29, 2019 of the Management Board of Cognor Holding S.A. on the appointment of a Compliance Officer and assigning tasks and responsibilities.
- 4) Resolution No. 1 of November 29, 2019 on the adoption of the "Procedure for anonymous reporting of violations of law".
- 5) Order of 30 August 2017 from the President of Cognor Holding S.A. on immediate notification to the Management Board about events which are reasonably suspected, inter alia committing a corruption offence.

## 9.3. ETHICAL RESULTS ACHIEVED

### GRI 205-1: EXPOSURE TO CORRUPTION

COGNOR CAPITAL GROUP		
No.	Category	2020
		Number
1	Number of companies assessed in terms of the risk of corruption	5

### GRI 205-3: NOTIFICATIONS OF CORRUPTION

COGNOR CAPITAL GROUP		
No.	Category	2020
		Number
1	Total number of confirmed cases of corruption	0

## GRI 412-2: TRAINING RELATED TO HUMAN RIGHTS

COGNOR CAPITAL GROUP		
No.	Category	2020
		Number
1	Total number of hours devoted to training in human rights policies or procedures that incorporate human rights aspects that are important to the business.	13,5
2	Number of employees who have been trained in human rights policies or procedures that address human rights aspects that are important to their business.	280
3	Percentage of employees trained in human rights policies or procedures that address human rights aspects that are important to their business.	14.5 %

## GRI 406-1: CASES OF DISCRIMINATION

COGNOR CAPITAL GROUP		
No.	Category	2020
		Number
1	Total number of confirmed incidents of discrimination (in the workplace)	0

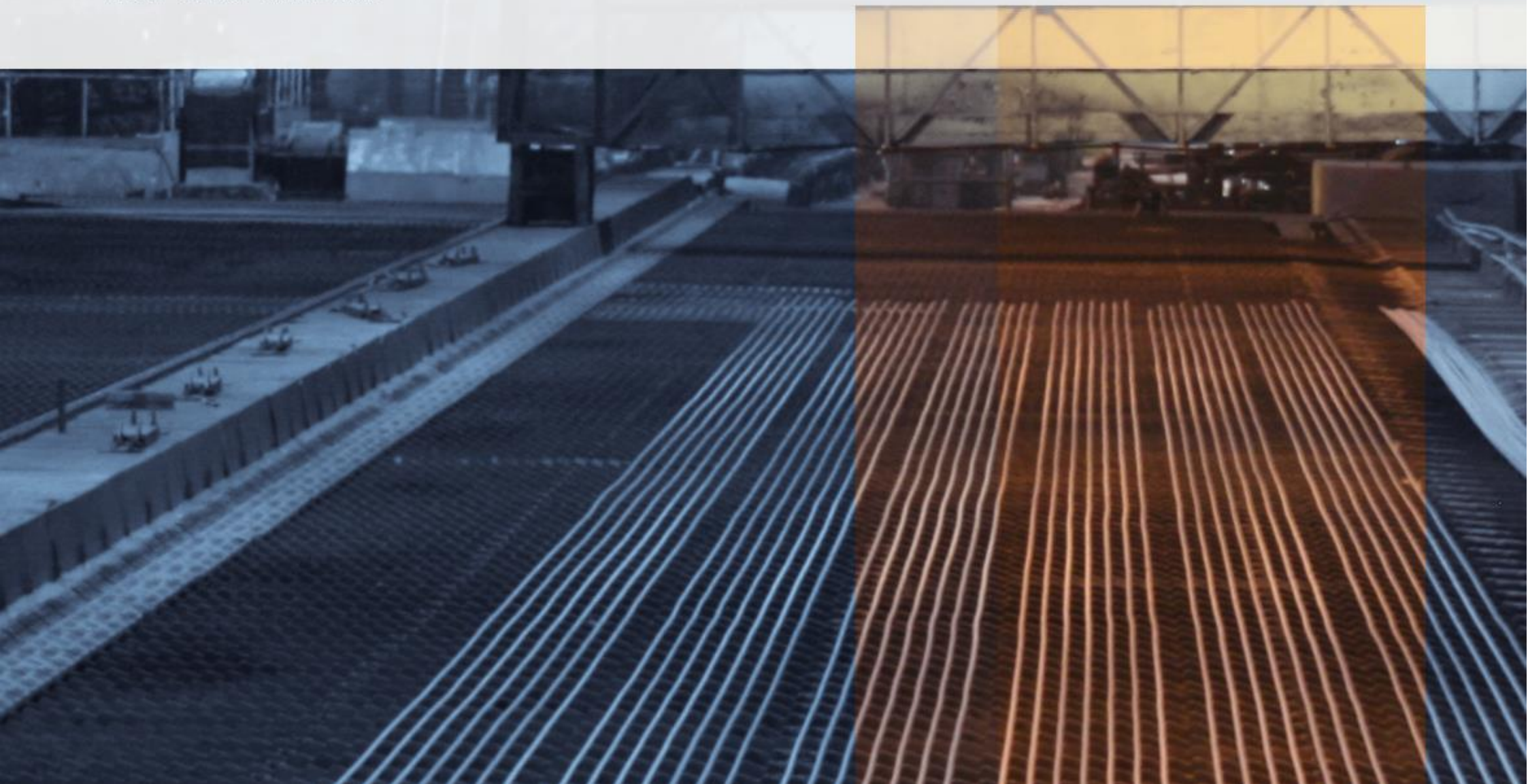


## 9.4. ETHICAL RISKS AND MANAGEMENT

ETHICAL ASPECT		
Risk Importance: low ■■■, medium, ■■■, high ■■■		
NON-FINANCIAL RISK	RISK MANAGEMENT RISK	IMPORTANCE
<b>Corruption and bribery in the group of scrap hall classifiers.</b>  Corruption and bribery in the group of scrap hall classifiers. Attempts of corruption on the part of scrap suppliers consist of mainly the promise of a financial benefit for classifiers to accept lower quality scrap than indicated in the delivery documents.	Training, control of compliance with implemented procedures and carrying out verification procedures in cases of suspected violation of procedures.	■■■
<b>Threat mainly consisting of bribery on the part of employees of commercial departments, as well as accepting illegal gifts and benefits in contacts with recipients of products.</b>  Treating traders as a potentially easy target of various corruption operations by recipients of finished goods from Ironworks is a tradition. First of all, it relates to giving gifts, invitations to refreshments and pressure to get the lowest possible price for the purchased goods.	Training in merchant ethics and control of compliance with procedures and good practices.	■■■



## 10. GRI INDEX



GRI Standard	GRI Disclosure	Page in the Report	Comment / Description
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<b>Organization al profile</b>			
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<b>GRI 102-4</b>	Location of operations	pp. 14-15	FUNCTIONING STRUCTURE OF THE COGNOR GROUP
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<b>GRI 102-6</b>	Markets served	pp. 13-14	FUNCTIONING STRUCTURE OF THE COGNOR GROUP
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<b>GRI 102-43</b>	Approach to stakeholder engagement	pp. 25-27	RELATIONS WITH STAKEHOLDERS AND ENVIRONMENT
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