

Cognor Capital Group
Integrated
REPORT



TABLE OF CONTENTS

1. LETTER FROM THE MANAGEMENT BOARD PRESIDENT OF THE COGNOR HOLDING S.A. GROUP	4
2. INITIAL INFORMATION REPORT	6
2.1. LEGAL REGULATIONS AND DOCUMENT FRAMEWORK.....	7
2.2. METHODOLOGY AND ADOPTED GUIDELINES	8
2.3. REVISION OF KEY TOPICS.....	9
3. COGNOR GROUP BUSINESS MODEL.....	13
3.1. FUNCTIONING STRUCTURE OF THE COGNOR GROUP.....	14
3.2. SUSTAINABLE DEVELOPMENT AND GOALS OF THE UN.....	17
3.3. VALUE CREATION MODEL AND GROUP CAPITAL.....	19
3.4. SUPPLY CHAIN AND INTRA-GROUP RELATIONS.....	23
3.5. RELATIONS WITH STAKEHOLDERS AND ENVIRONMENT	25
3.5.1. ORGANIZATIONS AND ASSOCIATIONS.....	28
4. BUSINESS STRATEGY	29
4.1. PLANS AND STRATEGIC OBJECTIVES	30
4.2. DEVELOPMENT DIRECTIONS OF THE GROUP.....	31
4.3. KEY PERFORMANCE INDICATORS.....	32
5. ORGANIZATIONAL CULTURE MANAGEMENT AND CORPORATE GOVERNANCE.....	33
5.1. MANAGEMENT AND SUPERVISORY BODIES	34
5.2. SYSTEMS SUPPORTING MANAGEMENT DECISIONS.....	35
5.3. NON-FINANCIAL RISK MONITORING AND MANAGEMENT	37
6. ENVIRONMENTAL ASPECTS.....	40
6.1. DESCRIPTION OF ENVIRONMENTAL ISSUES	41

6.2. ENVIRONMENTAL DUE DILIGENCE POLICIES AND PROCEDURES APPLIED.....	44
6.3. COMPLIANCE WITH THE REGULATION ON ESTABLISHING A FRAMEWORK TO FACILITATE SUSTAINABLE INVESTMENT.....	45
6.4. ENVIRONMENTAL RESULTS ACHIEVED	51
6.5. ENVIRONMENTAL RISKS AND MANAGEMENT	59
7. SOCIAL ASPECTS	62
7.1. DESCRIPTION OF SOCIAL ASPECTS.....	63
7.2. SOCIAL POLICIES AND APPLIED PROCEDURES	65
7.3. SOCIAL RESULTS ACHIEVED	67
7.4. SOCIAL RISKS AND MANAGEMENT METHODS	68
8. EMPLOYEE ASPECTS.....	69
8.1. DESCRIPTION OF EMPLOYEE RELATIONS	70
8.2. SAFE WORKING CONDITIONS	73
8.3. EMPLOYEE POLICIES AND PROCEDURES.....	76
8.4. HEALTH AND SAFETY POLICIES AND PROCEDURES	78
8.5. OBTAINING EMPLOYEE AND OHS RESULTS	80
8.6. LABOUR RISKS AND MANAGEMENT IN TERMS OF EMPLOYMENT AND HEALTH AND SAFETY.....	88
9. ETHICAL ASPECTS	92
9.1. DESCRIPTION OF ETHICAL ASPECTS.....	93
9.2. APPLIED POLICIES AND ETHICAL PROCEDURES	96
9.3. ETHICAL RESULTS ACHIEVED	97
9.4. ETHICAL RISKS AND MANAGEMENT	99
10. GRI INDEX.....	101

The background of the slide is a dark, industrial scene filled with a dense spray of bright, white sparks. These sparks appear to be coming from a welding or grinding process, creating a dynamic and energetic atmosphere. The sparks are concentrated in the lower half of the image, with some trailing upwards. A horizontal grey bar is positioned across the middle of the image, containing the text.

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



Dear Sir/Madam,

I am pleased to present the sixth non-financial report of the Cognor Capital Group where important financial and non-financial results of our organization have been summarised. This year's edition has been expanded to include key performance indicators and qualitative information that demonstrate the level of our operations carried out in an environmentally sustainable manner. In the report, we focus on good practices that affect the implementation of selected United Nations Sustainable Development Goals, as well as identifying climate risks, ways to counteract them and investments that have a positive impact on climate aspects.

As part of our commitment to combating climate change, we have set an ambitious goal of achieving climate neutrality by 2050, in line with the European Green Deal. Our business model has been in line with the challenges posed by Europe in the field of environmental protection for years and we are glad

the regulations introduced by it support our activities. In this report, we present our efforts, including the organizational and technological changes we are making to achieve this ambitious goal.

One of the key elements of management is ESG, which is an integral part of our approach to sustainable development. In the report, we present calculations of our environmentally sustainable activities based on taxonomy calculations.

The past year was exceptionally successful for the Capital Group, which allowed us to achieve our main business goals. The growing demand for steel allows us to achieve good economic and financial results. Thanks to a mature organizational culture, organization of work and ensuring safe sanitary conditions, we managed to maintain the continuity of production and provide our customers with an impeccable reputation as a reliable business partner. Nevertheless, the conflict in Ukraine is an uncertainty that can have both positive and negative effects on business processes.

I cordially invite you to read the report, which presents the most important aspects of our involvement in non-financial areas. The achieved results motivate us to create value for our stakeholders.

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 (2c) of the Act of September 29, 1994 on accounting, which implements the guidelines of the Directives of the European Parliament and of the Council No. 2014/95/EU and 2013/34/EU, which oblige public interest entities to disclose non-financial data.

The content presented in the Report includes non-financial and financial information on the Cognor Capital Group for the period from January 1, 2022 to December 31, 2022. The document covers all subsidiaries included in the Consolidated Annual Report of the Cognor Capital Group for 2022. The previous non-financial report of the Group was published in the form of a separate report on non-financial information for 2021 on 28 March 2022. 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 2021.

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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 on “core” level. 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.
3	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 2022. 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 2022 by an independent consultant named Kapitał Intelktualny Sp. z o. o.

The questionnaire was conducted on a sample of 131 respondents representing various stakeholder groups of the COGNOR Group, including employees, contractors, representatives of the management staff, social partners, institutional investors, and other stakeholders.

The results of the dialogue with the COGNOR Group's stakeholders with regard to the key areas of non-financial reporting for 2022 provide conclusions as to the significance of key aspects in three non-financial areas of the Group's operations:

- the Environmental (E) area,
- the Social (S) area,
- the Corporate Governance (G).

In 2022, the COGNOR Group analysed the expectations of internal and external stakeholders for the second time. 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 presented in the tables below.

IMPORTANT ASPECTS OF THE REPORTING <u>INTERNAL STAKEHOLDERS</u>	IMPORTANCE OF ASPECT		IMPACT OF ASPECT	
	HIGH	VERY HIGH	WITHIN THE GROUP	OUTSIDE THE GROUP
THE ENVIRONMENTAL (E) AREA				
Actions taken to mitigate the impact on climate change	▪		▪	▪
Implemented solutions to reduce greenhouse gas emissions	▪		▪	▪
Applied methods of water resources management	▪		▪	▪
Activities implemented in the area of rational fuel consumption and energy		▪	▪	▪
Solutions supporting the reduction of the amount of generated waste and pollution		▪	▪	▪
Optimization of processes aimed at implementing the principles of circular economy in the organization	▪		▪	▪
Adopted practices to reduce impacts on biodiversity	▪		▪	▪
THE SOCIAL (S) AREA				
Ensuring diversity of employment in the company's organizational structure	▪		▪	▪
Prevention of events that increase the risk of loss of health and lives of employees		▪	▪	▪
Improving the competence and qualifications of employees		▪	▪	▪
Solutions to promote human rights compliance and combat discrimination		▪	▪	▪

Relations with local communities	■	■	■
Customer satisfaction and comfort-enhancing solutions and user safety		■	■
Implemented responsible and transparent supply chain policies		■	■
THE CORPORATE GOVERNANCE (G)			
Compliance with regulations and legal requirements		■	■
Mechanisms for reporting violations and providing security to whistleblowers	■	■	■
Sustainable development management		■	■
Assessment of the impact of risks on the organization's operations and ways of mitigating them		■	■
Principles and procedures for informing about the adopted ethical standards and transparency of activities within the organization		■	■
Anti-corruption policies and due diligence procedures applied by business partners		■	■
Applied personal data protection policies and cybersecurity		■	■

IMPORTANT ASPECTS OF THE REPORTING <u>EXTERNAL STAKEHOLDERS</u>	IMPORTANCE OF ASPECT		IMPACT OF ASPECT	
	HIGH	VERY HIGH	WEWNĄTRZ GRUPY	HIGH
THE ENVIRONMENTAL (E) AREA				
Actions taken to mitigate the impact on climate change	■		■	■
Implemented solutions to reduce greenhouse gas emissions	■		■	■
Applied methods of water resources management		■	■	■
Activities implemented in the area of rational fuel consumption and energy	■		■	■
Solutions supporting the reduction of the amount of generated waste and pollution		■	■	■

Optimization of processes aimed at implementing the principles of circular economy in the organization	▪	▪	▪
Adopted practices to reduce impacts on biodiversity	▪	▪	▪
THE SOCIAL (S) AREA			
Prevention of events that increase the risk of loss of health and lives of employees	▪	▪	▪
Improving the competence and qualifications of employees	▪	▪	▪
Solutions to promote human rights compliance and combat discrimination	▪	▪	▪
Relations with local communities	▪	▪	▪
Customer satisfaction and comfort-enhancing solutions and user safety	▪	▪	▪
Implemented responsible and transparent supply chain policies	▪	▪	▪
THE CORPORATE GOVERNANCE (G)			
Compliance with regulations and legal requirements	▪	▪	▪
Mechanisms for reporting violations and providing security to whistleblowers	▪	▪	▪
Sustainable development management	▪	▪	▪
Assessment of the impact of risks on the organization's operations and ways of mitigating them	▪	▪	▪
Principles and procedures for informing about the adopted ethical standards and transparency of activities within the organization	▪	▪	▪
Anti-corruption policies and due diligence procedures applied by business partners	▪	▪	▪
Applied personal data protection policies and cybersecurity	▪	▪	▪

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 on the Polish market and exporting its products 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.

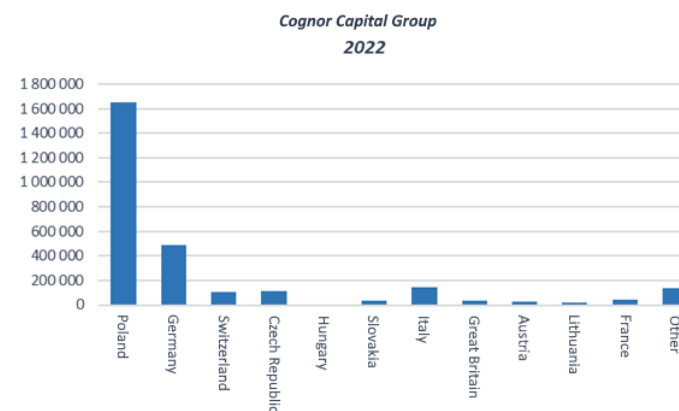
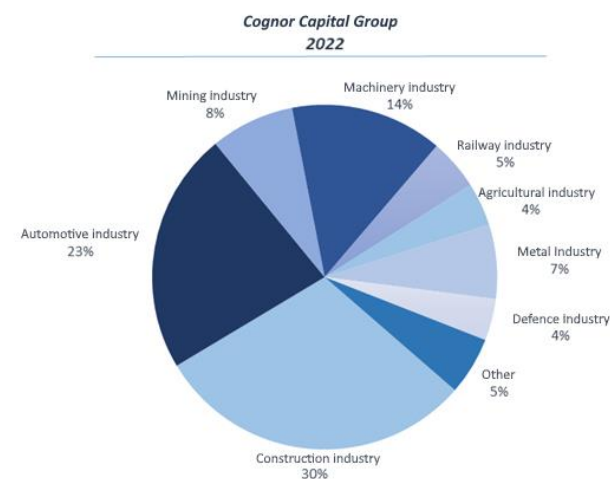
The Group's operations are defined by four areas:

- 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.

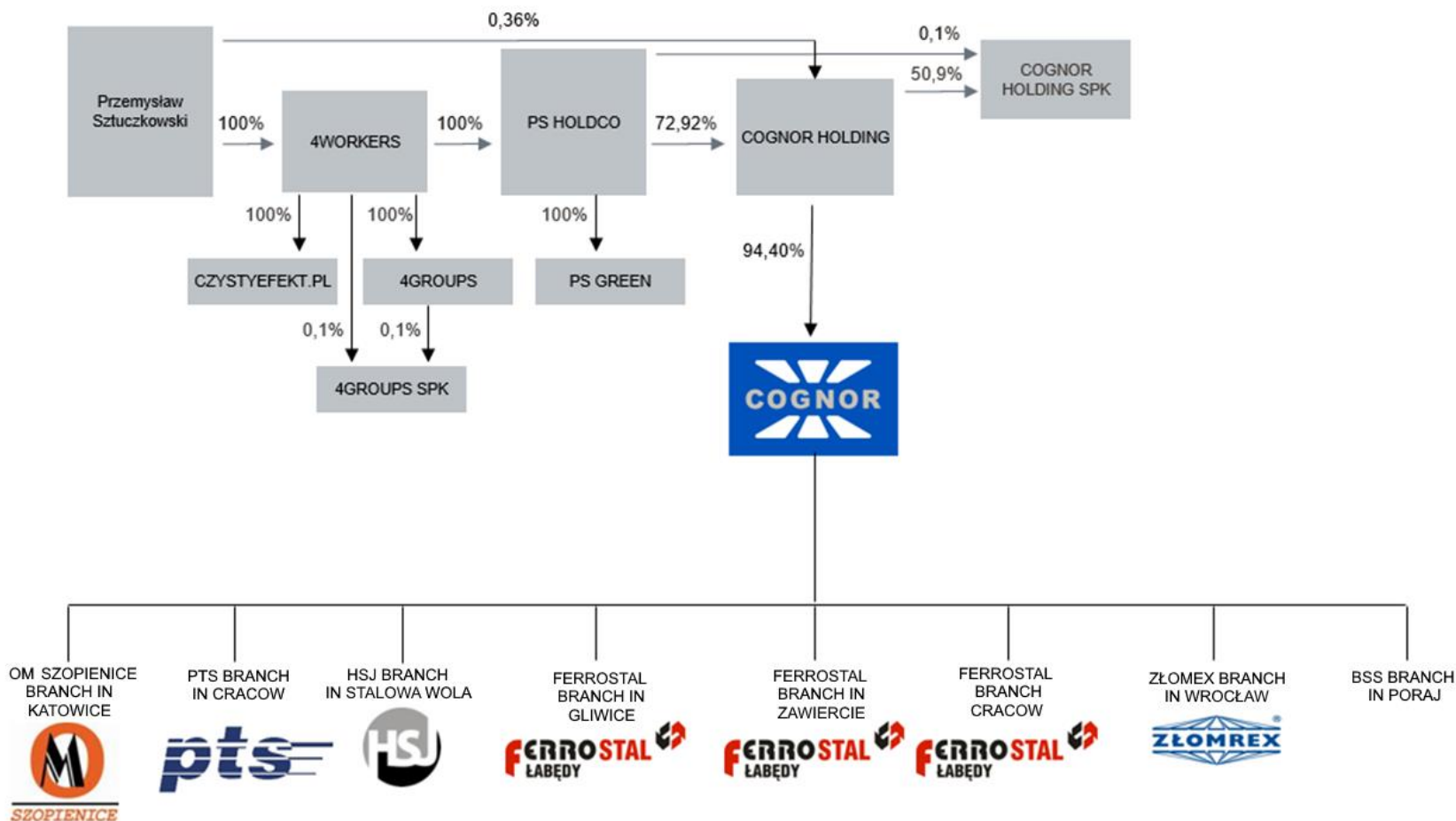
No.	Industry sales segments	COGNOR CAPITAL GROUP 2022		COGNOR CAPITAL GROUP 2021	
		/ data in thous. PLN /	/percentage/	/ data in thous. PLN /	/percentage/
1	Construction industry	848 315	30,02%	967 462	41,75%
2	Automotive industry	640 880	22,68%	395 091	17,05%
3	Mining industry	222 495	7,87%	181 874	7,85%
4	Machinery industry	403 885	14,29%	275 138	11,87%
5	Railway industry	134 993	4,78%	84 505	3,65%
6	Agricultural industry	114 425	4,05%	60 588	2,61%
7	Metal Industry	196 641	6,96%	169 062	7,30%
8	Defence industry	110 422	3,91%	90 317	3,90%
9	Other	153 581	5,44%	93 399	4,03%

No.	Geographical sales segments	COGNOR CAPITAL GROUP 2022		COGNOR CAPITAL GROUP 2021	
		/ data in thous. PLN /	/percentage/	/ data in thous. PLN /	/percentage/
1	Poland	1 650 304	58,40%	1 612 727	69,59%
2	Germany	489 859	17,34%	333 161	14,38%
3	Switzerland	106 732	3,78%	51 071	2,20%
4	Czech Republic	116 678	4,13%	60 063	2,59%
5	Hungary	24 716	0,87%	11 678	0,50%
6	Slovakia	37 819	1,34%	28 565	1,23%
7	Italy	142 015	5,03%	82 647	3,57%
8	Great Britain	34 592	1,22%	8 010	0,35%
9	Austria	31 230	1,11%	18 613	0,80%
10	Lithuania	17 560	0,62%	8 181	0,35%
11	France	39 562	1,40%	24 889	1,07%
12	Other	134 570	4,76%	77 830	3,36%






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 3 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"> ○ Conducting accident prevention activities, ○ Systemic approach to health and safety,
	<ul style="list-style-type: none"> ○ Promoting professional development, ○ Employee training and development, ○ Spreading public awareness of environmental responsibility.
	<ul style="list-style-type: none"> ○ Respecting employee rights, ○ Taking actions that promote human dignity and contribute to level of satisfaction via cooperation in the organization, ○ Transparent rules for employee salary, access to development, training and promotions. ○ Gender equality ○ Transparent hiring policies.



- Stable jobs,
- Employing the local community,



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



- Equality between women and men,
- Transparent employment rules.



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



- Use of recycled raw materials in the production of steel products,
- Reducing greenhouse gas emissions associated with production processes,
- Monitoring of air emissions,
- Reduction of electricity consumption through the implementation of energy-efficient solutions,
- Supporting environmental protection and revitalization projects.

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"> Fixed assets: 740 355 k PLN Equity capital: 1 228 431 k PLN Sales revenue: 3 666 690 k PLN 	<ul style="list-style-type: none"> Growing income, Flexible financing model, New sales markets that reduce financial risks. 	<ul style="list-style-type: none"> Financial stability achieved through cost-optimization and process improvement, Work on operational effectiveness and efficiency.

PRODUCTION CAPITAL

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

HUMAN CAPITAL

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

INTELLECTUAL CAPITAL

Key capital data	Results achieved	Capital performance management
<ul style="list-style-type: none"> R&D activities related to the improvement of alloy parameters, 	<ul style="list-style-type: none"> Entering new sales markets, Introducing non-standard dimensions of products. 	<ul style="list-style-type: none"> New customers and supported markets, Loyal customers, Achieving satisfactory alloy strength parameters.

- Expanding the range of products that meet customer expectations,
- Increasingly rarer competences and skills of employees characteristic of the steel industry.

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

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

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 2020, 32.3% 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).

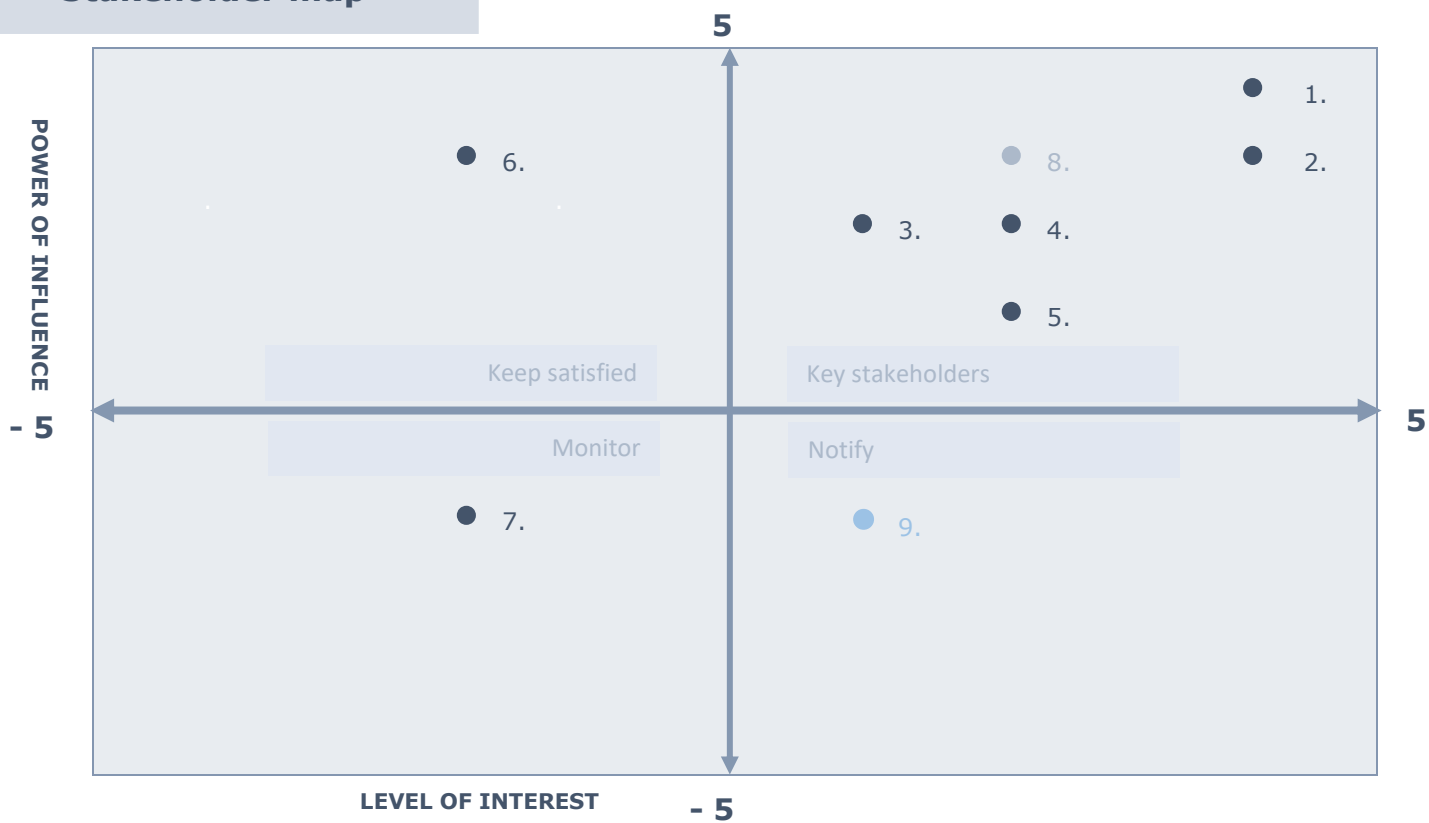
3.5. RELATIONS WITH STAKEHOLDERS AND ENVIRONMENT

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 order to identify groups of stakeholders, the Capital Group uses a methodology that defines their characteristics and impact on individual areas of the organization's activities. 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, investor relations stand, current and periodical reports published, investor presentations, conference calls, lectures, market share and industry events.

MAP OF STAKEHOLDERS OF COGNOR	
EMPLOYEES	/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/.
INVESTORS	/shareholders, strategic, institutional and individual investors, the Warsaw Stock Exchange, brokerage houses, banks/.
CLIENTS	/institutional and individual clients, business partners, key suppliers, subcontractors/.
SUPPLIERS	/institutional and individual clients, business partners/.
SOCIETY AND LOCAL COMMUNITY	/local communities, inhabitants and social leaders, media, universities and academics, technical and industry organizations, local self-government administration, government administration, local non-governmental organizations/.
NATURAL ENVIRONMENT	/ecological organizations, environmental protection institutions, Ministry of Environmental Protection, Agenda of the Ministry of Environmental Protection, Provincial Inspectorate for Environmental Protection/.
REGULATORS	/public administration, regulators from outside Poland: European Union, European Commission /.
COMPETITION	/ companies and organizations with a similar business profile /.
MEDIA	/ 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:

Chamber of Commerce and Industry of Scrap Economy	<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>
Club of Polish Research Laboratories POLLAB	<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>
Metallurgical Chamber of Commerce and Industry	<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 area, indicating high temperature or laser activity. The background shows a concrete wall and some structural elements.

4. BUSINESS STRATEGY

4.1. PLANS AND STRATEGIC OBJECTIVES

The priority in the Cognor Capital Group's Strategy is to build value for all shareholders 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.

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.

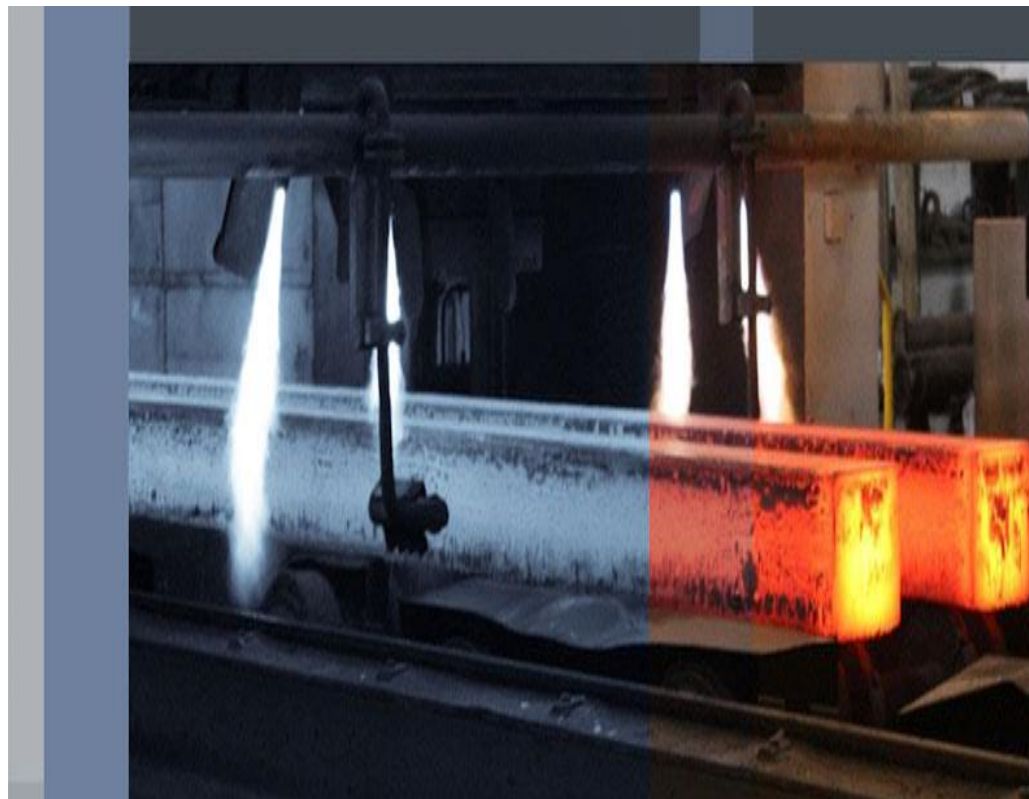
The group cooperates with, among others, the automotive and defence sectors, where strict quality standards apply.

4.2. DEVELOPMENT DIRECTIONS OF THE GROUP

According to the forecasts of the World Steel Association - WorldSteel, it is forecast that in 2022 the global demand for steel will increase by 2.7% compared to 2021, to 1.92 billion tonnes.

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 CO₂ 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 1999 to 2030. It is predicted that the price of CO2 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 2022	Value 2021
1	EBITDA to a ton of sold semi-finished products and steel products	PLN/Mg	1 288,73	594,42
2	Number of semi-finished and steel products per employee	Mg/person	391,06	453,87
3	The cost of employee wages to a ton of sold semi-finished products and steel products	PLN/Mg	281,05	195,92
4	Ratio of depreciation to wages	%	19,53	27,76
5	Percentage of complaints to production volume	%	0,17	0,29
6	Electricity consumption per ton of crude steel production	kWh/Mg	575,13	586,24
8	Gas consumption per ton of crude steel production	m ³ /Mg	59,55	59,39
9	Oxygen consumption per ton of crude steel production	m ³ /Mg	52,20	53,40
10	Ratio of capital expenditures and repairs to depreciation	%	728,51	339,41

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 in 2021".

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, 2022, 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
Przemysław Sztuczkowski	President of the Management Board	9 March 2021	9 March 2026
Przemysław Grzesiak	Vice-President of the Management Board	9 March 2021	9 March 2026
Krzysztof Zoła	Member of the Management Board	9 March 2021	9 March 2026
Dominik Barszcz	Member of the Management Board	9 March 2021	9 March 2026

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, 2022, 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
Hubert Janiszewski	Chairman of the Supervisory Board	30 June 2021	30 June 2026
Piotr Freyberg	Deputy Chairman of the Supervisory Board	30 June 2021	30 June 2026
Jacek Welc	Member of the Supervisory Board	30 June 2022	30 June 2026
Stanisław Dzienniak	Member of the Supervisory Board	23 November 2022	30 June 2026
Zbigniew Łapiński	Secretary of the Supervisory Board	30 June 2021	30 June 2026

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	09.09.2021	08.09.2024	RINA

COGNOR S.A HSJ Branch in Stalowa Wola	Quality management system in accordance with IATF 16949:2016	Yes	09.09.2021	08.09.2024	CISQ AUTOMOTIVE
COGNOR S.A HSJ Branch in Stalowa Wola	Environmental management system in accordance with the standard ISO 14001:2015	Yes	23.09.2022	22.09.2025	TUV NORD
COGNOR S.A HSJ Branch in Stalowa Wola	Energy management system in accordance with the standard ISO 50001:2018	Yes	23.09.2022	22.09.2025	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	CENTRUM CERTYFIKACJI JAKOŚCI
COGNOR S.A HSJ Branch in Stalowa Wola	Quality management system in accordance with AQAP 2110	Yes	12.06.2020	11.06.2023	CENTRUM CERTYFIKACJI JAKOŚCI
COGNOR S.A HSJ Branch in Stalowa Wola	DNV-GL certificate	Yes	25.08.2022	30.06.2025	DNV
COGNOR S.A HSJ Branch in Stalowa Wola	UKCA certificate	Yes	08.06.2022	23.03.2025	HPi-CEproof
Cognor S.A. Ferrostal Łabędy branch in Cracow	ISO 9001	Yes	1999	9.05.2025	TUV Rheinland
Cognor S.A. Ferrostal Łabędy branch in Cracow	ISO 14001	Yes	2004	9.05.2025	TUV Rheinland
Cognor S.A. Ferrostal Łabędy branch in Cracow	ISO 45001	Yes	2021	30.03.2024	TUV Rheinland
Cognor S.A. Ferrostal Łabędy branch in Gliwice	Management System by PN-EN ISO 14001:2015	Yes	16.07.2022	15.07.2025	TUV NORD Polska Sp. z o.o.

Cognor S.A. Ferrostal Łabędy branch in Gliwice	Management System by PN-EN ISO 9001:2015	Yes	16.07.2022	15-07-2025	TUV NORD Polska Sp. z o.o.
Cognor S.A. Ferrostal Łabędy branch in Gliwice	Approval for marine steel DNV-GL	Yes	02.08.2021	30-06-2024	DNV
Cognor S.A. Ferrostal Łabędy branch in Gliwice	Approval for marine steel LRS	Yes	29.03.2020	28.03.2023	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	01.06.2020	31-05-2023	TUV Rheinland
COGNOR SA Ferrostal Łabędy branch in Zawiercie	Management System according to PN-EN ISO 14001:2015	Yes	16.07.2022	15.07.2025	Polska Sp. z o.o.
COGNOR SA Ferrostal Łabędy branch in Zawiercie	Certificate of Conformity Factory Production Control	Yes	Indefinitely audited once a year February 2022	Annual audit February 2023	ZETOM Katowice
COGNOR SA Ferrostal Łabędy branch in Zawiercie	Certificate DNV	Yes	28.12.2021	31.12.2024	GNV
COGNOR S.A. O / OM Szopienice in Katowice	ISO 9001:2015	Yes	25.11.2003	13-14.01.2022	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, principles that are oriented towards risk management, including Regulations for the Protection of Personal Data in the Cognor Group, Occupational Health and Safety Policy and Anti-Bullying Policy, Financial Risk Protection Policy and Dividend Policy.

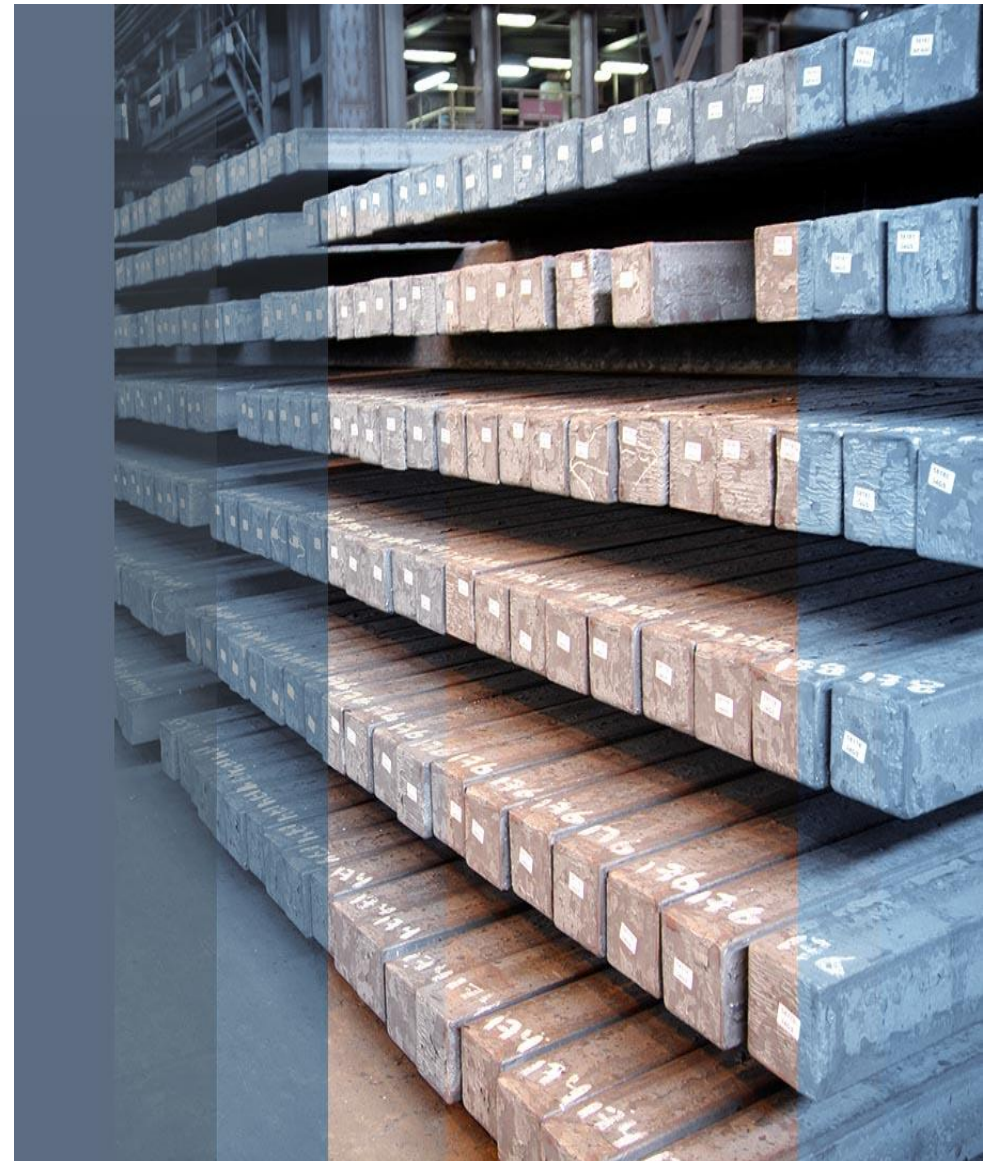
The document includes non-financial risks in the environmental field, climate, social, employee and ethical issues, including respect for human rights, while also counteracting corruption and bribery. The non-financial risks listed below, along with a description of how to counteract them and the assessment 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,
- Environmental pollution as a result of a road transport incident, e.g., an accident or breakdown.

THE CLIMATE ASPECT

- Too high CO₂ 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,



- The risk of using fossil fuels and thus the emission of pollutants into the air,
- Increased energy consumption in the summer due to the need for air conditioning,
- Increase in electricity consumption per production unit (increase in indirect greenhouse gas emissions - scope 2),
- Increase in emissions due to increased transport / supply of raw materials and materials,

SOCIAL ASPECT

- Selection of inferior quality materials,
- Plant closure as a result of the spread of the COVID-19 epidemic,
- Failure to meet the declared quality of products,
- Loss of clients' data.

EMPLOYEE ASPECT

- Difficulties in finding qualified employees,
- An outbreak of COVID-19 infection,
- A visible generation gap resulting in a staff shortage,
- Departures of employees to other companies.
- Lack of candidates with specific qualifications and experience,
- Feeling of alienation and burnout caused by the need to work remotely,
- Pressure on wage increases due to inflation and the employee market,
- Non-compliance with the principle of equal opportunities for all employees,
- High staff turnover.

OSH ASPECT

- Occurrence of a biological factor - SARS-CoV-2 virus,
- An accident or an occupational illness,
- Risk of absenteeism of key employees caused by accidents at work,
- Injury from sharp and protruding elements of scrap, elements of machines and devices,
- Slip and fall,
- Being crushed or hit by falling objects,
- Being hit by moving objects,
- Electric shock.



6. ENVIRONMENTAL ASPECTS



6.1. DESCRIPTION OF ENVIRONMENTAL ISSUES

Functioning in harmony with the environment is possible through the implementation of thoughtful and modern solutions. The Cognor Capital Group activates various initiatives that allow it to operate in accordance with the principles of climate neutrality and the adopted environmental guidelines.

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, 700,000 Mg of steel scrap is recycled.

Monitoring the legal conditions changes relating to the use of the environment and the implemented climate guidelines is an expression of the Capital Group's commitment to shaping the natural well-being and, consequently, the quality of life of the environmental society. Therefore, the organization is a participant in thematic conferences and follows information on the monitoring of CO₂ emissions on industry portals and the current legal requirements for emissions trading. We monitor the volume of air emissions in accordance with the decisions issued for the Division. This builds our knowledge and, as a learning organization, we conduct risk analyses for all occurring processes such as steelmaking, rolling mill, sales of purchase products including scrap, human resources management, repair management, laboratory. 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 CO₂ emissions is calculated in accordance with legal regulations and the CO₂ 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. No tree cutting activities were carried out in 2022.

Attention to achieving the goals in the area of the environment is carried out through the implementation of solutions to improve processes to minimize negative impacts. The awareness of global climate challenges allows the Group to build well-thought-out solutions that will contribute to the achievement of the climate goals adopted by the European Union. The Cognor Capital Group focuses its attention on the reduction of dust-pollutant emissions from installations and above all CO₂ 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:

- rational use of energy and reduction of losses,
- reasonable 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.

Other branches can also boast of achieving better results, showed by the implementation of the assumed quantitative and qualitative goals. A good example is the OM Szopienice Branch in Katowice and the Ferrostal Łabędy Branch in Gliwice, where the following goals have been realized:

- In the Branch of OM Szopienice in Katowice, the education of employees was continued and greater involvement in activities conducive to environmental protection was achieved. As part of the implementation of the above objective, the staff was trained in the functioning of the Waste Database and in the correctness and monitoring of waste submitted for management
- The Ferrostal Łabędy Branch in Gliwice achieved the objective related to the protection of natural resources by reducing electricity consumption.

ENVIRONMENTAL PROJECTS AND TECHNOLOGIES

The Cognor Capital Group, together with the BIOSYSTEM Packaging Recovery Organization, cyclically implements pro-ecological activities as part of an educational campaign, which is carried out among the inhabitants of municipalities, as well as in educational institutions and offices. As part of the campaign, "**RECYCLING DAYS**" are organized to provide the most important information about

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 are organized during the campaign, through which it is possible to provide proven ecological solutions. A company magazine entitled "Bioinformator" is 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 are taking place in schools and playschools, where the educational program entitled "**PAN SPRZĄTALSKI**" is implemented. During the classes, the key principles of selective household waste disposal are discussed in a friendly way.

In 2022, the Ferrostal Łabędy Branch in Gliwice replaced the arc furnace (EAF), which is an environmental investment. As part of the investment, new devices were installed in the area of the EAF furnace, the building of the reactive power compensation station was built together with an external transformer, and the dust collection system (FES) was expanded, consisting in the construction of the second line of the dust collection system along with the expansion of the electrical dust collection building and the PLC automation system. As a result of the investment in the plant, the production volume will increase by approx. 10%, to approx. 550,000 tonnes. Mg/year, thus the amount of processed waste, primarily steel scrap, will increase adequately.

It is worth noting that in 2023, the installation of photovoltaic panels with a capacity of 49.5 kW is planned at the Ferrostal Łabędy Branch in Gliwice. A similar project will also be implemented next year at the HSJ Branch in Stalowa Wola. The subject of the investment is the installation of a 10MW photovoltaic panel system on the free spaces of the roofs of the Stalownia and Rolling Mills. Investments in renewable emission sources are an expression of the company's awareness of how to act in a sustainable manner. Certainly, the choice of energy source is one of the key steps towards achieving this goal. Photovoltaic panels make it possible to generate electricity without emitting harmful greenhouse gases, which is becoming crucial in the era of current challenges.

In the past year, the HSJ Branch carried out a number of investments that have a positive impact on the natural environment: The most important include:

1. Increasing the efficiency of the clean water circulation pumps - the investment consisted in modernizing the clean water circulation system of the COS device in order to increase the efficiency of the pumps. The modernization carried out included the replacement of two low-efficiency electric motors with modern, high-class motors controlled by inverters. This resulted in a significant reduction in electricity consumption and CO2 emissions. This investment allowed us to obtain Energy Efficiency Certificates and White Certificates. Modernization works have already been completed.
2. Replacement of the dust extraction fan motors - the investment in question was aimed at replacing four motors of the dust extraction system at the Stalownia Plant. The new engines are characterized by high efficiency, which allowed for a significant reduction in electricity consumption and CO2 emissions to the atmosphere. As a result of this investment, Energy Efficiency Certificates and White Certificates were also obtained. Modernization works have already been completed.
3. Activities related to the implementation of the decisions of the Marshal of the Podkarpackie Voivodeship - the purpose of the investment is to implement the decision of the Marshal of the Podkarpackie Voivodeship regarding the reduction of fugitive emissions. The implementation of the investment includes several stages, including: reconstruction of the arc furnace hood and ladle furnace hood, modernization of the slag extinguishing and lance cutting installations, and modernization and repair of the ground in the Steelworks Hall. The investment is currently under implementation.

4. Change of the power supply system of the D5 electric furnace to the Q-One system - the investment is aimed at replacing the current power supply system of the electric arc furnace with the innovative Q-One system. This system is based on advanced power electronics technology that can cope with irregular loads and provides a power factor close to 1. The installation of the system will reduce the electricity consumption used to power the furnace by 8% and reduce the consumption of electrodes and refractories by 15%. As a result, the investment will contribute to reducing CO2 emissions into the atmosphere, obtaining Energy Efficiency Certificates and White Certificates. Currently, the investment is under implementation.

New infrastructural and technological solutions with a dimension of innovative activities were also introduced in 2022 at the **OM Szopienice Branch in Katowice**. In 2022, industrial research and construction of a pilot line to recycle low-quality post-production waste from copper and its alloys was completed. With this innovative solution, it is possible to use up to 100% of low-quality waste in the batch structure. Such a measure has a positive impact on the environment by reducing the waste of raw materials and reducing the amount of waste that ends up in landfills.

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	<ol style="list-style-type: none"> 1) Quality and Environmental Policy 2) System Procedures: <ul style="list-style-type: none"> ▪ PS:6.1-01 Environmental aspects; ▪ PS:8.1-01 Environmental Protection; ▪ PS: 9.2-01 Internal quality audits; ▪ PS: 9.3-01 Management review. 3) Work procedures: <ul style="list-style-type: none"> ▪ PP: 8.1-01.01 ordinance no. PM-01 of the General Director on monitoring CO2 emissions ▪ 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
Cognor SA Ferrostal Łabędy branch in Zawiercie	<ol style="list-style-type: none"> 1) Quality and Environmental Policy 2) Quality Book, WB_ Edition VII-2019 3) Emergency plan 4) System Procedures: <ul style="list-style-type: none"> ▪ PS 6.1-01 Environmental aspects; ▪ PS-WB-06 Process control; ▪ PS-WB-09 Sampling for laboratory tests.

Cognor SA HSJ branch in Stalowa Wola	<ol style="list-style-type: none"> 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) Environmental aspects for the HSJ Branch 6) List of applicable legal requirements for the HSJ Branch in the field of the environment 7) Process Identification Card No. 15: Environment and Energy 8) IS / 3.18 / HRE / HSJ - Handling of waste generated at COGNOR S.A. HSJ branch in Stalowa Wola 9) Procedures for the CO2 Emission Monitoring System
Cognor SA, OM Szopienice Branch in Katowice	<ol style="list-style-type: none"> 1) Ecological Policy of the Branch Office in Katowice Szopienice
Cognor SA Złomrex branch	<ol style="list-style-type: none"> 1) Instructions on the storage of waste 2) Waste turnover procedure
Cognor SA PTS branch in Cracow	<ol style="list-style-type: none"> 1) Policy of quality, environment and occupational health and safety of Cognor S.A. Ferrostał Łabędy branch in Cracow 2) System Procedures: <ul style="list-style-type: none"> ▪ PS .1 Identification and access to legal and other requirements ▪ PS.2 Identification of environmental aspects ▪ PS.3 Internal and external communication ▪ PS.4 Environmental goals and tasks, and environmental management programs ▪ PS.5 Operational control ▪ PS.6 Disaster preparedness and response ▪ PS.7 Waste management ▪ PS.8 Monitoring and environmental measurements

6.3. COMPLIANCE WITH THE REGULATION ON ESTABLISHING A FRAMEWORK TO FACILITATE SUSTAINABLE INVESTMENT

In 2022, the Cognor Capital Group for the second time carried out an analysis of activities in the field of assessing the level of activities carried out in an environmentally sustainable manner. The results of the work were published in the presented tables including the key performance indicator regarding the proportion of turnover (income), capital expenditure and operating expenditure related to the conducted activity, as well as qualitative information. The calculation was made on the basis of:

- Regulation (EU) 2020/852 of The European Parliament and Of The Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088
- Rozporządzenie Delegowane Komisji (UE) 2021/2139 z dnia 4 czerwca 2021 r. uzupełniające rozporządzenie Parlamentu Europejskiego i Rady (UE) 2020/852 poprzez ustanowienie technicznych kryteriów kwalifikacji służących określeniu warunków, na jakich dana działalność gospodarcza kwalifikuje się jako wnosząca istotny wkład w łagodzenie zmian klimatu lub w adaptację do zmian klimatu, a także określeniu, czy ta działalność gospodarcza nie wyrządza poważnych szkód względem żadnego z pozostałych celów środowiskowych.
- Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation
- Commission Delegated Regulation (EU) 2022/1214 of March 9, 2022 amending Delegated Regulation (EU) 2021/2139 with respect to economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 with respect to public disclosure of specific information with respect to those economic activities.

The Group determined the NACE sectors in which its activities are located and verified whether these sectors were included in the taxonomy in order to allocate revenues, capital expenditures (CapEx) and operating expenses (OpEx) to the identified activities in all Group companies. Activities eligible for taxonomy classification have been defined as a result of a comprehensive review of the Cognor Capital Group's operations, with the participation of managers and field experts. In the case of activities classified as systematics, but insignificant from the point of view of the amount of revenues, capital expenditures and operating expenses, the Group did not include this part of the activity in the calculated ratios.

The key performance indicators were calculated in accordance with the methodology described in Annexes 1 and 2 of the Disclosure Regulation. In order to calculate the percentage of turnover, capital expenditure and operating expenditure eligible for the taxonomy, the following rules were adopted:

- in the case of turnover, the ratio of revenues related to eligible activities was calculated as the ratio of the sum of revenues from activities qualifying for taxonomy to the total revenues disclosed in the consolidated financial statements of the Cognor Capital Group for 2022.

(K PLN)

Description	2022
Income from qualified activities	2 808 525
Consolidated income	3 666 690
Percentage of revenues from qualified activities	76,6 %
Percentage of revenues from non-qualified activities	23,4 %

- in the case of capital expenditure, the expenditure ratio related to eligible activities was calculated as the ratio of the sum of capital expenditure qualified for taxonomy to the total expenditure disclosed in the consolidated financial statements of the Cognor Capital Group for 2022. The capital expenditure included in the calculated ratio relates to an increase in tangible fixed assets and the value of intangible assets during a given financial year before depreciation, amortization and any revaluation, including those resulting from revaluation and impairment, for a given financial year, excluding changes in fair value and increases in tangible fixed assets and intangible assets, resulting from business combinations.

(K PLN)

Description	2022
Capital expenditures related to qualified activities	118 921
Consolidated capital expenditures	198 170
Percentage of capital expenditures related to qualified activities	60,0 %
The percentage of capital expenditures related to non-qualified activities	40,0 %

- in the case of operating expenses, the operating expenses ratio related to qualified activities was calculated as the ratio of the total operating expenses eligible for taxonomy to the total operating expenses disclosed in the consolidated financial statements of the Cognor Capital Group for 2022. In accordance with the definition of the Disclosure Regulation, operating expenses include direct, non-capitalized costs related to research and development, building renovation activities, short-term leasing, maintenance and repair, and any other direct expenses related to the day-to-day servicing of an item of property, plant and equipment by an enterprise or a third party outsourced to the activities necessary to ensure the ongoing and the efficient functioning of these assets.

(K PLN)

Description	2022
Operating expenses related to qualified activities	2 293 493
Consolidated Operating Expenses	2 625 046
Percentage of operating expenses related to qualified activities	87,4 %
Percentage of operating expenses related to non- qualified activities	12,6 %

In accordance with the Technical Qualification Criteria, the Group reviewed all the activities indicated in the Taxonomy in relation to the environmental objectives defined in it in order to determine which of them significantly contribute to climate change mitigation or adaptation to climate change. In addition, each activity has been verified to ensure that it does not cause serious damage to other environmental objectives. It was also established whether it is a transformative or supportive activity. In addition, it was verified whether the indicated activities are carried out in a manner ensuring compliance with the minimum guarantees in the field of procedures applied by the company to ensure compliance with the OECD Guidelines for Multinational Enterprises and the UN Guidelines on Business and Human Rights, including the principles and rights set out in the eight basic conventions indicated in Declaration of the International Labor Organization on Fundamental Principles and Rights at Work, and on the Principles and Rights of the International Charter of Human Rights.

The assessment of the compliance of revenues, capital expenditures and operating expenses of the Cognor Capital Group with the Taxonomy of environmentally sustainable activities is presented in the tables below.

COGNOR GROUP TURNOVER FROM SUSTAINABLE ENVIRONMENTAL OPERATIONS																				
Economic activities	Code(s)	Absolute turnover	Proportion of turnover	Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')						Minimum safeguards	Taxonomy – aligned proportion of turnover, year N	Taxonomy – aligned proportion of turnover, year N+1	Category (enabling activity)	Category (transitional activity)
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems					
		currency	%	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E
A	TAXONOMY - ELIGIBLE ACTIVITIES																			
A.1	Environmentally sustainable activities (Taxonomy-aligned)																			
	Production of pig iron, ferroalloys, cast iron and steel as well as metallurgical products	C24.10	2 762 568	75,3%	100,0%	0,0%	0,0%	0,0%	0,0%	Y	Y	Y	not applicable	Y	Y	Y	75,3%	73,5%		T

	Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		2 762 568	75,3%	75,3%	0.0%	0.0%	0.0%	0.0%	0.0%							75,3%	73,5%		75,3%
A.2	Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy – aligned activities)																			
	Construction works associated with constructing residential and non-residential buildings	32 326	0,9%	0,0%	32 326	0.0%	0.0%	0.0%	0.0%	0.0%	N	N	N	N	N	N	Y	0.0%	0,0%	
	Road transport of goods	8 253	0,2%	0,0%	8 253	0.0%	0.0%	0.0%	0.0%	0.0%	N	Y	not applicable	Y	Y	not applicable	Y	0.0%	0,0%	
	Other passenger land transport	5 378	0,2%	0,0%	5 378	0.0%	0.0%	0.0%	0.0%	0.0%	N	Y	not applicable	Y	Y	not applicable	Y	0.0%	0,0%	
	Turnover of Taxonomy but not environmentally sustainable activities (not Taxonomy - aligned activities) (A.2)	45 957	1,3%	0,0%	45 957	0.0%	0.0%	0.0%	0.0%	0.0%								0.0%	0,0%	
	Total (A.1 + A.2)		2 808 525	76,6%	75,3%	0.0%	0.0%	0.0%	0.0%	0.0%								75,3%	73,5%	75,3%
B	TAXONOMY - NON-ELIGIBLE ACTIVITIES																			
	Turnover of Taxonomy-non-eligible activities (B)		858 165	23,4%																
	Total (A + B)		3 666 690	100,0%																

CAPEX OF THE COGNOR GROUP RELATED TO OUTLAYS ON ENVIRONMENTALLY SUSTAINABLE INVESTMENTS

Economic activities	Codes	Absolute Capex	Proportion of Capex	Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum safeguards	Taxonomy – aligned proportion of Capex, year N	Taxonomy – aligned proportion of Capex, year N+1	Category (enabling activity)	Category (transitional activity)
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems		%	%	E	T
		Currency	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%		
A	TAXONOMY ELIGIBLE ACTIVITIES																			
A.1	Environmentally sustainable activities (Taxonomy-aligned)																			
	Capital expenditure on the production of pig iron, ferroalloys, cast iron and steel as	C24.10	118 257	59,7%	100,0%	0.0%	0.0%	0.0%	0.0%	0.0%	Y	Y	Y	not applicable	Y	Y	Y	59,7%	36,7%	T

	well as metallurgical products																		
	Capital expenditure related to environmentally sustainable activities (Taxonomy-aligned) (A.1)		118 257	59,7%	59,7%	0.0%	0.0%	0.0%	0.0%	0.0%							59,7%	36,7%	59,7%
A.2	Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																		
	Capital expenditure on road transport of goods	H49.41	664	0,3%	0,0%	0.0%	0.0%	0.0%	0.0%	0.0%	N	Y	not applicable	Y	Y	not applicable	Y	0,0%	0,0%
	Capital expenditure related to Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy – aligned activities) (A.2)		664	0,3%	0,0%	0.0%	0.0%	0.0%	0.0%	0.0%							0,0%		
	Total (A.1 + A.2)		118 921	60,0%	59,7%	0.0%	0.0%	0.0%	0.0%	0.0%							59,7%	36,7%	59,7%
B	TAXONOMY -NON-ELIGIBLE ACTIVITIES																		
	Capital expenditure on Taxonomy-non-eligible economic activities (B)		79 249	40,0%															
	Total (A + B)		198 170	100,0%															

OPEX OF COGNOR GROUP RELATED TO OPERATING COSTS OF SUSTAINABLE ACTIVITY

Economic activities	Code(s)	Absolute OpEx	Proportion of OpEx	Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum safeguards	Taxonomy – aligned proportion of OpEx, Year N	Taxonomy – aligned proportion of OpEx, Year N+1	Category (enabling activity)	Category (transitional activity)
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems					
		Currency	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T	
A	TAXONOMY ELIGIBLE ACTIVITIES																			
A.1	Environmentally sustainable activities (Taxonomy-aligned)																			
	Capital expenditure related to the production of pig iron, ferro-alloys, cast iron and steel as well as metallurgical products	C24.10	2 255 578	85,9%	100,0%	0.0%	0.0%	0.0%	0.0%	0.0%	Y	Y	Y	not applicable	Y	Y	Y	85,9%	77,5%	T

	Capital expenditure related to the environmentally sustainable activities (Taxonomy-aligned) (A.1)		2 255 578	85,9%	85,9%	0.0%	0.0%	0.0%	0.0%	0.0%							85,9%	77,5%		85,9%
A.2	Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
	Capital expenditure related to construction works related to the erection of residential and non-residential buildings	F41.20	25 439	1,0%	0,0%	0.0%	0.0%	0.0%	0.0%	0.0%	N	N	N	N	N	N	Y		0,0%	
	Capital expenditure related to road transport of goods	H49.41	8 119	0,3%	0,0%	0.0%	0.0%	0.0%	0.0%	0.0%	N	Y	not applicable	Y	Y	not applicable	Y		0,0%	
	Capital expenditure related to inland passenger transportation	H49.39	4 357	0,2%	0,0%	0.0%	0.0%	0.0%	0.0%	0.0%	N	Y	not applicable	Y	Y	not applicable	Y		0,0%	
	Capital expenditure Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		37 915	1,5%	0,0%	0.0%	0.0%	0.0%	0.0%	0.0%								0,0%	0,0%	
	Total (A.1+A.2)		2 293 493	87,4%	85,9%	0.0%	0.0%	0.0%	0.0%	0.0%								85,9%	77,5%	85,9%
B	TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
	Capital expenditure on Taxonomy-non-eligible activities (B)		331 553	12,6%																
	Total (A + B)		2 625 046	100,0%																

6.4. 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	2022		2021	
		IU	Quantity	IU	Quantity
1	Steel scrap	Mg	662 173,458	Mg	786 289,319
2	Iron molybdenum	Mg	96,858	Mg	114,602

3	Iron manganese	Mg	4 179,709	Mg	4 534,676
4	Iron silicon	Mg	2 127,156	Mg	2 433,129
5	Iron chrome	Mg	2 462,017	Mg	2 379,087
6	Iron titanium	Mg	11,586	Mg	0,000
7	Iron silicon manganese	Mg	3 789,588	Mg	4 875,274
8	Iron vanadium	Mg	64,189	Mg	43,118
9	Iron niobium	Mg	4,416	Mg	4,354
10	Aluminium	Mg	1 047,804	Mg	1 055,926
11	Nickel	Mg	115,479	Mg	158,034
12	Cored wires	Mg	284,932	Mg	309,228
13	Calcium	Mg	33 101,953	Mg	40 248,521
14	Fluorite	Mg	647,924	Mg	799,128
15	Dolomite	Mg	97,500	Mg	15,790
16	Bauxite	Mg	23,200	Mg	75,000
17	Silicon carbide	Mg	383,090	Mg	485,157
18	Slag refining	Mg	1 066,365	Mg	1 281,389
19	Zinc	Mg	1 305,155	Mg	1 564,878
20	Copper phosphorus	Mg	0,000	Mg	10,202
21	Tin	Mg	0,805	Mg	0,000
22	Bismuth	Mg	3,595	Mg	5,139
23	Natural gas	m3	33 753 030,000	m3	38 967 137,500
24	Hard coal (carburizer + frother)	Mg	4 409,700	Mg	8 880,649
25	Coking coal	Mg	26,560	Mg	0,000

26	Diesel	m3	1 389 788,013	m3	1 512 973,985
27	Gasoline	m3	95 438,767	m3	88 250,228
28	LPG	m3	12 139,079	m3	16 396,098

GRI 301-2: RECYCLED INPUT MATERIALS USED

COGNOR CAPITAL GROUP					
No.	Consumption of key raw materials due to the type of business activity	2022		2021	
		IU	Quantity	IU	Quantity
1	Steel scrap	Mg	662 173,458	Mg	786 289,319

GRI 302-1: ENERGY CONSUMPTION WITHIN THE ORGANIZATION

COGNOR CAPITAL GROUP					
No.	Self-generated energy consumption	2022		2021	
		type of energy and unit	Quantity	type of energy and unit	Quantity
1	Self-generated from non-renewable raw materials	Electricity [MWh]	21 063	Electricity [MWh]	31 633
		Heat [MJ]	32 294 856	Heat [MJ]	31 903 977
		Steam [MJ]	43 547 000	Steam [MJ]	41 618 000
		Cooling [kJ]	0	Cooling [kJ]	0
		Other	0	Other	0
2		Electricity [MWh]	0	Electricity [MWh]	0

	Self-generated from renewable resources	Heat [MJ]	0	Heat [MJ]	0
		Steam [MJ]	0	Steam [MJ]	0
		Cooling [MJ]	0	Cooling [MJ]	0
		Other	0	Other	0

GRI 302-2: ENERGY CONSUMPTION OUTSIDE OF THE ORGANIZATION

COGNOR CAPITAL GROUP					
No.	Energy consumption from outside	2022		2021	
		IU	Quantity	IU	Quantity
1	Energy purchased from outside	MWh	364 065,83	MWh	602 661,90

GRI 303-3: WATER WITHDRAWAL

COGNOR CAPITAL GROUP					
No.	Water consumption	2022		2021	
		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	121 854,00	m3	146 039,00
3	collected from rainfall	m3	0,00	m3	0,00
4	purchased from the water supply network, surface water and groundwater supply	m3	1 334 074,75	m3	1 528 372,75

5	fresh water	m3	1 455 928,75	m3	1 674 411,75
6	salt water	m3	0,00	m3	0,00

GRI 305-1: CARBON DIOXIDE EMISSIONS

COGNOR CAPITAL GROUP 2022				
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	26 479	38 828	(12 349)
Rolling Mill (Cognor S.A. HSJ Branch in Stalowa Wola)	PL-0914-08	22 442	26 260	(3 818)
Installation of electrostatic plant (Cognor S.A., Ferrostal Łabędy branch in Gliwice)	PL-0659-05	26 581	24 372	2 209
Cognor S.A. Ferrostal Łabędy branch in Cracow	PL-0959-08	15 112	14 400	712
EU-100-5022254-0-24 (COGNOR S.A. Ferrostal Łabędy Branch in Zawiercie)	PL-1018-13	6 168	7 439	1 271

COGNOR CAPITAL GROUP 2021				
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	28 067	37 262	(9 195)

Rolling Mill (Cognor S.A. HSJ Branch in Stalowa Wola)	PL-0914-08	22 442	26 438	(3 996)
Installation of electrostatic plant (Cognor S.A., Ferrostal Łabędy branch in Gliwice)	PL-0659-05	26 581	31 542	(4 961)
Cognor S.A. Ferrostal Łabędy branch in Cracow	PL-0949-08	15 112	20 890	(5 778)
EU-100-5022254-0-24 (COGNOR S.A. Ferrostal Łabędy Branch in Zawiercie)	PL-1018-13	6 168	estimated 9 275	(estimated 3 107)

GRI 305-7: SIGNIFICANT AIR EMISSIONS

COGNOR CAPITAL GROUP					
No.	Emission	2022		2021	
		IU	Quantity	IU	Quantity
1	CO2	Mg	111 299,008	Mg	125 408,003
2	CO	Mg	1 570,296	Mg	1 619,334
3	CH4	Mg	0,000	Mg	0,000
4	SOX / SO2	Mg	62,736	Mg	75,529
5	NOX / NO2	Mg	191,117	Mg	191,587
6	H2S	Mg	0,000	Mg	0,000
7	Total dusts	Mg	214,456	Mg	201,324
8	Total hydrocarbons	Mg	0,086	Mg	0,111

PROPRIETARY INDICATOR 1: TOTAL AMOUNT OF WASTEWATER

COGNOR CAPITAL GROUP					
No.	Wastewater	2022		2021	
		IU	Quantity	IU	Quantity
1	Domestic wastewater	m3	21 219	m3	20 582
2	Urban wastewater	m3	306 510	m3	199 247
3	Industrial	m3	896 705	m3	1 223 582
4	Other - rainwater	m3	14 519	m3	64 668

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

COGNOR CAPITAL GROUP					
2022					
No.	Other waste, excluding municipal waste	Recovered		Disposed [Mg]	Stored [Mg]
		Recycling [Mg]	Other recovery processes [Mg]		
1	Hazardous waste	32,040	3,940	9,821	0,000
2	Others (not hazardous)	198 416,007	74 438,118	2 429,357	0,000

COGNOR CAPITAL GROUP					
2022					
No.	Other waste, excluding municipal waste	Recovered		Disposed [Mg]	Stored [Mg]
		Recycling [Mg]	Other recovery processes [Mg]		

1	Hazardous waste	36,366	4,292	8,229	0,000
2	Others (not hazardous)	118 950,926	89 146,583	2 262,405	0,000

PROPRIETARY INDICATOR 2: EVENTS WITH ENVIRONMENTAL IMPACT

COGNOR CAPITAL GROUP			
No.	Type of leakage	2022	2021
		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	2022	2021
1	amount of environmental penalties imposed on the organization	3 293,00	0,00

6.5. ENVIRONMENTAL RISKS AND MANAGEMENT

ENVIRONMENTAL ASPECT		
Risk Importance: low ■■■, medium, ■■■, high ■■■		
NON-FINANCIAL RISK	RISK MANAGEMENT	RISK IMPORTANCE
Failure of dust extraction systems resulting in increased emission of pollutants to the atmosphere 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"> 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). regular inspection of the bag filter condition by maintenance services. 	■■■
Ground surface contamination. 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"> careful unloading of delivered canisters / barrels with liquid agents and safe unloading of chips, regular inspection and service of machines, devices, and company cars. 	■■■
Noise emission in the process of product straightening, collection and packaging. 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.	■■■
Waste formation in the production process. Exceeding the allowed limits in the permit for the production of waste.	Ongoing control of generated waste amount in relation to the amount specified in the applicable norms. No overruns.	■■■

	<p>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 (Ferrosal Łabędy Branch in Gliwice, Złomrex in Wrocław) for reprocessing of the steel. The rolling scale is handed over to authorized recipients for reuse.</p> <p>The largest amount of hazardous waste, dirty cleaning cloths (15 02 02 *) is handed over to an authorized recipient for disposal.</p> <p>The plant does not independently conduct educational and information campaigns. On its behalf, the bio system packaging recovery organization is responsible for this task.</p>	
<p>Failure to comply with legal requirements.</p> <p>Failure to fulfil obligations resulting from legal regulations and requirements</p>	<p>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.</p>	■ ■ ■
<p>Environmental pollution as a result of an incident in road transport, e.g., an accident or breakdown.</p> <p>During transport, as a result of inattention and lack of due diligence of road users, an event may occur with negative consequences for the environment, e.g., leakage of fuel, oil, etc</p>	<p>Systematic training for drivers in the field of road safety rules and safe driving techniques</p>	■ ■ ■
CLIMATE ASPECT		
<p>Too high CO2 emission from the billet heating process in the push-out furnace.</p> <p>Incorrectly calculated CO2 emissions, non-compliance with the legal requirements for the Emissions Trading System.</p>	<p>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.</p> <p>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.</p>	■ ■ ■

	<p>When analysing the amount of CO2 emissions in relation to production, it can be concluded that the indicator remains at a constant level.</p> <p>The current legal requirements of emissions trading can be found on websites devoted to monitoring CO2 emissions and by participating in conferences.</p>
<p>Emission of dust and gas pollutants arising in the process of billet heating and production.</p>	<p>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.</p> <p>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</p> <p>The efficiency of the installation is checked during regular inspections and, if necessary, repaired in order to avoid uncontrolled emissions to the environment.</p> <p>Low emissions per ton of production can only be achieved if the idle time of the rolling train is minimized.</p>
<p>The risk of using fossil fuels and thus the emission of pollutants into the air.</p> <p>Increased energy use in the summer due to the need to use air conditioning.</p>	<p>Investments reducing media consumption and the implementation of ISO 50001.</p> <p>Constant monitoring of energy consumption in the buildings of the Branch, raising employees' awareness of energy saving. Implementation of good practices such as closing windows when air conditioners are operating, not setting too low temperature, periodic breaks in the operation of devices.</p>
<p>Increase in electricity consumption per production unit (increase in indirect greenhouse gas emissions - scope 2).</p> <p>In the event of ineffective use of the capacity of melting furnaces (e.g., lack of full load), the demand for electricity will increase, which will result in an increase in energy consumption per production unit and, consequently, an increase in greenhouse gas emissions by the energy producer.</p>	<p>Organization of production taking into account the optimization resources use.</p>
<p>Increase in emissions due to increased transport / supply of raw materials and materials.</p> <p>As a result of transporting the supplied raw materials by cars with a lower load capacity or transporting them in smaller batches, it will be necessary to increase the frequency of deliveries, and therefore there will be an increase in emissions from fuel combustion in car engines.</p>	<p>Optimization of deliveries: maximum use of the load capacity of the means of transport and the use of the same means of transport to deliver the cargo to a specific place with the simultaneous collection of another cargo on the way back (elimination of empty shipments).</p>

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 vertical panels. The left panel shows a large industrial machine with a glowing blue-white light source at the bottom left, possibly a welding or cutting process. The right panel shows a bright orange-red molten metal stream being poured into a mold, with a yellow hard hat visible in the bottom right corner.

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 minimizing the effects of activities among the local community, supporting it, as well as caring for the community within the organization - employees. 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 study covers, among others: aspects such as: quality of products, timeliness, method of dealing with complaints, cooperation with the sales department, price conditions, the width of the offered assortment. 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. Analysis of research results allow us to improve the quality of our products, increasing customer satisfaction and loyalty. Also noteworthy is the cooperation with the Faculty of Management of the Czestochowa University of Technology consisting in the verification of broadly understood security under the program entitled "Evaluation of the effectiveness of the implementation of the security policy in the branches and companies of the Cognor group - opinions of employees." The research consists in cyclical employee surveys, followed by an analysis and assessment of the effectiveness of the implemented policies regarding the protection of personal data and ICT security. Mr. Marek Lewandowski - the Inspector of Personal Data Protection and the Security Officer of the COGNOR group are responsible for the course of cooperation.

From the academic year 2021-2022, the COGNOR Group started as well cooperation with the University of Humanities and Life Sciences - Faculty of Security in Czestochowa. The purpose of this cooperation is student internships and assistance for students writing bachelor's and master's theses in the field of Safety Policy in Steelworks. Currently, one student is doing such an internship.

In the context of further cooperation initiatives with science, the initiative entitled "Industry in Fact and Image" from December 2021 should be cited. implemented with the AGH University of Science and Technology in Krakow. The aim of the project is, among other things, to compile historical, technical and photographic documentation of metallurgy, iron and steel in Poland. Since the beginning of the cooperation, a detailed photographic and descriptive documentation of all the most important metallurgical facilities of COGNOR S.A. has been created. The materials are published in the Metallurgical Magazine and thematic online galleries.

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.



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.

Additional activities in this social area are initiatives with universities educating staff for the metallurgy industry. Undertaking cooperation aimed at supporting social initiatives directed at promoting the profession of a steelworker. Thus, the Cognor Group is an active co-host of various initiatives organized by universities conducting educational activities in the areas of the Group's activity. The main thematic aspect of the above initiatives is the promotion of metallurgy, care for tradition, as well as the promotion of the profession among students and graduates of universities with a profile of metrology and safety.

Also worth mentioning are the initiatives aimed at supporting those most in need, e.g., residents of hospitals for the disabled and animal shelters.

The Cognor Group also influences the local community by carrying out charitable and philanthropic actions. In 2022, it carried out a social project for residents of the Toszek Psychiatric Hospital, which houses 25 children from pathological backgrounds. Support of PLN 3,000 was provided for in-kind and financial assistance involving the organization of Christmas

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. Despite the end of the pandemic, documents that protect the health of contractors and employees 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	2022	2021
		Value	Value
1	Value of donations:	112 900 PLN	1 091 700 PLN
2	Value of sponsorship support in sport:	14 131 PLN	0 PLN

PROPRIETARY INDICATOR 4: NUMBER OF SOCIAL PROGRAMMES AND BENEFICIARIES

COGNOR CAPITAL GROUP			
No.	Category	2022	2021
		Value	Value
1	Number of beneficiaries of social programs:	28	2
2	Number of newly implemented social projects:	2	2
3	Number of social projects continued:	2	0

PROPRIETARY INDICATOR 5: CUSTOMER SATISFACTION

COGNOR CAPITAL GROUP			
No.	Category	2022	2021
		Value	Value

1 Client Satisfaction Index *

4,6

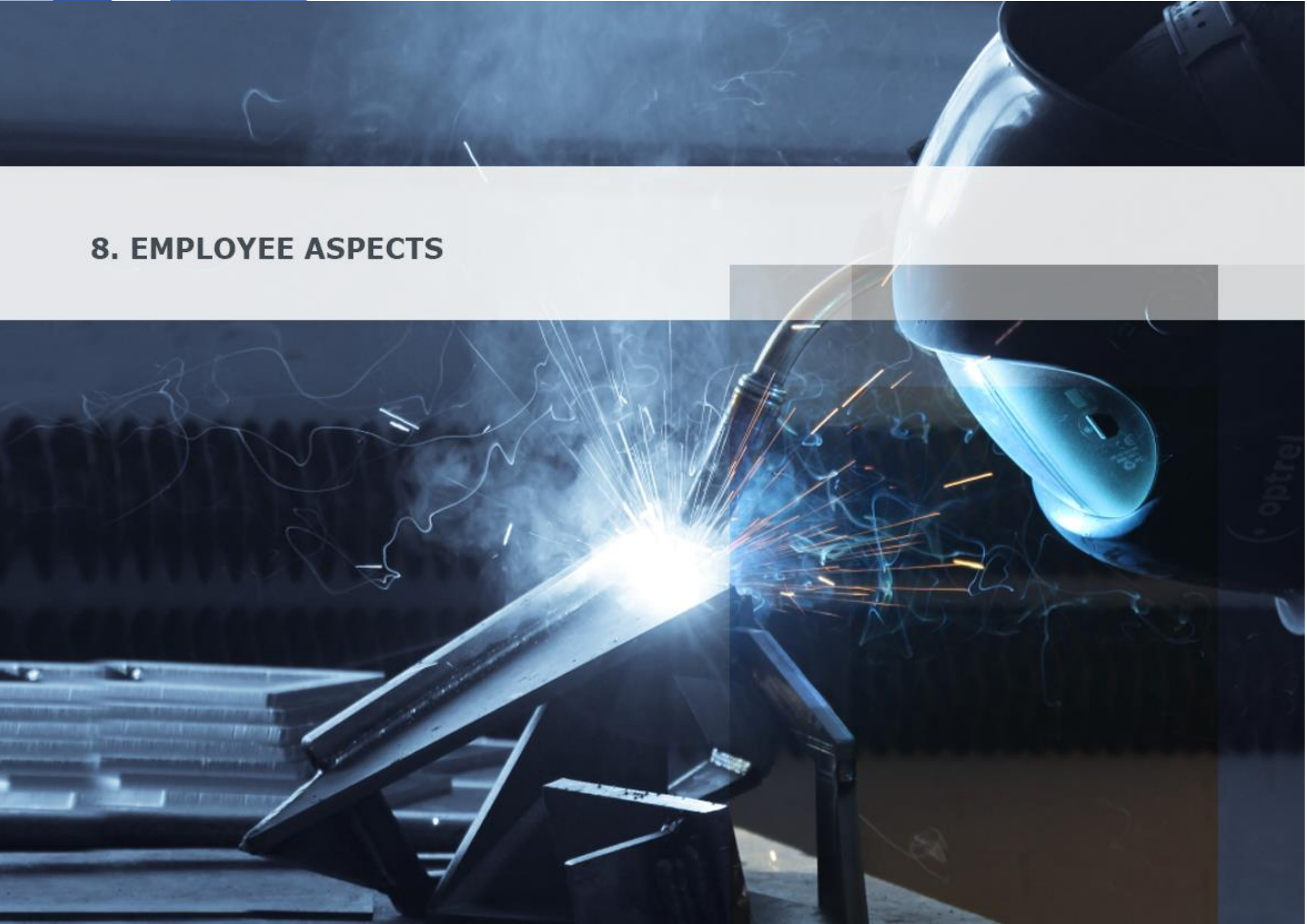
4,6

* the results of the customer satisfaction survey cover the OM Szopienice Branch in Katowice and monitor such satisfaction indicators as: product quality, timeliness, complaint handling, cooperation with the sales department, price conditions or the breadth of the range offered

7.4. SOCIAL RISKS AND MANAGEMENT METHODS

SOCIAL ASPECT		
Risk Importance: low ■■■, medium, ■■■, high ■■■		
NON-FINANCIAL RISK	RISK MANAGEMENT	RISK IMPORTANCE
Selection of inferior quality materials The risk is identified in the purchasing area, where there may be purchases of lower-quality materials that do not meet specific requirements.	Launching a path for approving and reviewing purchases with the use of the WORKFLOW IT system.	
Plant closure as a result of the spread of the COVID-19 pandemic	1. Mandatory temperature measurement at the entrance to the premises. 2. Where possible, starting remote work. 3. Provision of additional personal protection measures 4. Provision of disinfectants. 5. Additional training in the field of prevention, containment and management in the case of confirmed COVID infection.	
Failure to meet the declared quality of products. 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.	■■■
Loss of customer data. 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 key component of the GK Cognor of intangible resources is human capital, which determines the effectiveness of the process of creating value for stakeholders. Thus, employees enjoy special attention from the management board, which translates into a significant share of highly specialized training, resulting in an increase in qualifications and competences. The application of the principles of equal opportunities and employment conditions in the same positions, regardless of age, gender, nationality, religion and political views, is the result of the dedicated implementation of the Capital Group's Code of Ethics. The open culture of the organization creates mutual trust and commitment of employees at all levels of the organization. This is the strength of the organization ensuring the retention of loyal staff, minimizing the costs of possible renewal of human capital in the process of recruitment, selection and implementation of employees at the workplace. It is also conducive to building a friendly and innovative climate for sharing knowledge and strengthening the learning process in response to the market turbulences we are currently dealing with. The Cognor Capital Group strives to codify the key knowledge that will allow in the future to ensure the maintenance of a competitive advantage on the market in the strategic layer, and to ensure the continuity of processes, in particular in production, in the operational layer. Initiatives aimed at reducing stress, affecting the mental comfort of employees and ensuring good relations among co-workers, are also significant. In particular, the post-pandemic period, great importance is attached to maintaining interpersonal ties and reducing online contacts in favour of direct relationships. The experience from the past period made it possible to strengthen the efficiency of the implementation of operational tasks by popularizing remote communication, eliminating the costs of transport and travel time.

RECRUITMENT AND EMPLOYEE SELECTION

Transparent working conditions between 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 position within the Capital Group and candidates from outside the structure of the Group. The recruitment process is carried out in an open manner and respecting the principles of equal access to information for potential candidates for employees. Advertisements are placed on publicly available recruitment portals, employee referral programs and in Labour Offices. Submitted applications are selected and verified by specialized personnel departments in terms of meeting the qualification and competence requirements required for a given position. Selected candidates who match the defined job profile are invited to interviews to clarify mutual expectations as well as duties and responsibilities related to the tasks at the job being the subject of the recruitment process.

IMPLEMENTATION ON THE WORKSTATION

Therefore, much attention is paid to the process of adapting the employee to new working conditions. In order to effectively adapt to the new environment of the organization, informing new team members about the adopted values and ethical principles in the organization is

strengthened. The indicated goal is achieved by appointing an experienced supervisor for the newly hired person and by examining satisfaction with the implementation at the workplace. In 2022, the satisfaction rate among recruited employees was 93%.

MOTIVATION AND BENEFITS

During the induction of a new employee into the organization, relevant materials and tools are provided to familiarize the new employee with the specifics of the position. In addition, the mentorship of a long-term employee of the company is provided, who monitors the proper performance of the tasks specified in the position. In order to ensure motivation and commitment among new and long-serving employees, individual Group Companies and Divisions provide financial and non-financial benefits. The most common forms of employee package and additional gratification include:

- Multisport cards (safety-compliant training and a wide database of online training materials),
- life insurance on preferential terms negotiated by the employer,
- holidays from Social benefits fund,
- co-financing the purchase of corrective glasses,
- 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.
- purchase of lunch vouchers for employees working outdoors in the autumn and winter period, general access to fruit, tea, coffee and milk

DEVELOPMENT AND TRAINING

Acquiring new areas of knowledge and professional development of employees translates into the quality of services offered and, consequently, trust among customers, who value the competencies of employees translating into the quality of Cognor Capital Group's products and services. The analysis of competency gaps is consistently levelled through dedicated training, both internal and external. 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.

WORK EVALUATION

Periodic evaluation is carried out on a quarterly or monthly basis, which is carried out by the immediate supervisor. The evaluation carried out is objective in nature, which makes it possible to identify areas for improvement and determine the way to achieve them. Based on the result obtained, a development plan is defined, as well as the further career path of the employee during which his achievements are monitored. Conclusions from the interview are the basis for identifying the employee's aspirations, but also allow the identification of barriers that prevent the full use of the employee's potential in building the company's value. The joint development of solutions that bind the effectiveness of work and build commitment is an iterative process aimed at achieving high maturity of the organization.



8.2. SAFE WORKING CONDITIONS

It is crucial for our company to ensure healthy and safe working conditions, especially in positions where the risk of accidents or damage to health is high. Achieving excellence is possible with the commitment of the Cognor Group's employees and subcontractor companies to comply with specific recommendations and regulations for working in high-risk conditions. Effective safety management is in line with current goals and measures taken to effectively adapt to actual technical and technological solutions.

In the entire Cognor Capital Group, it is important to eliminate accidents at work and occupational diseases. Therefore, preventive actions are taken to increase awareness of possible threats and ways of counteracting them. These educational initiatives include periodic training for blue-collar workers. During training employees are provided details about occupational risks potentially occurring during their activities and practices that allow for effective reduction of accidents. In addition, during daily briefings, the branch management discusses and informs about potential threats and effective methods of elimination. In the branches of the Capital Group, ongoing work safety and ergonomics inspections are carried out at workstations, as well as regular health and safety and fire protection audits. OHS issues are also discussed at meetings with the managerial staff. In order to ensure the highest level of safety, the occupational risk assessment for each workstation is regularly updated and the proper selection of personal protective equipment is carried out along with ongoing monitoring of their condition. The above activities are not related to the control of the condition of devices and machines as well as cyclical inspections, repairs, and maintenance. In addition, employees are trained in the use of machines and devices to ensure their proper and safe use. In order to protect the health and life of employees, the branches have concluded contracts for the provision of medical services with specialized entities. In connection with the above, preliminary, periodic and control medical examinations are carried out. In 2022, in order to ensure safe working conditions, initial training was conducted for 247 employees, periodic training for 971 employees, first aid training for 32 and other, mainly on-the-job training for 106 employees. Work safety issues were discussed and consulted during 199 health and safety meetings with the technical and operational service. No persons from outside are allowed to enter the production area before undergoing OHS training on the premises. External contractors are also prohibited from undertaking any work without current health and safety training and additional training in safety rules at the plant.

"Farm Review" - Introduced in 2019 as a good practice. It takes place every Monday of the month. It includes a health and safety review of all workstations. The plant has high hopes for the improvement of working conditions with the start in December 2022. – Modernization of the rolling mill, the purpose of which is, among others; elimination of burdensome, accident-generating, manual tying operations (collection baskets and product straightening baskets (straighteners)). These processes are also a source of burdensome excessive noise. Automation of the above-mentioned processes will contribute to a radical improvement in safety conditions at the final section of the rolling line and for dispatch

In this regard, it should be noted that the **PTS Branch in Krakow** has implemented investments aimed at fuller automation of processes to increase work safety. In addition, partial elimination of sources of nuisance noise was made. The reconstruction of the rolling mill has been designed in such a way as to eliminate the risk of accidents in the workplaces with the greatest risk in the first place. This mainly applies to stations with manual handling of loading with the use of overhead cranes. The introduction of overhead cranes with an electromagnet streamlines the loading process and at the same time eliminates the direct participation of employees outside the immediate danger zone. Accident prevention is related to the systematic review of workplaces in terms of meeting health and safety requirements.

Continuous improvement of the organization in terms of safe working conditions is also carried out at **OM Szopienice Branch in Katowice** in the form of an innovative line of continuous horizontal casting of bronze shafts and sleeves, which is equipped with a loading car. Due to the functionality of the loading car, the automation of the production process was increased, which also contributed to the relief of employees during the loading of materials. At the same time, the location of the TRAFO station was changed in order to reduce the risk resulting from free access to it by employees. Separating the station outside the production hall will significantly improve the safety of crew members. As a result of regular training of employees in the field of safety, implementation of safe work instructions for machines, devices and processes, ongoing risk assessment at workstations and minimizing it, adaptation of appropriate personal protective equipment, regular inspections of machines and devices in the field of safety and regular audits in the field of health and safety , PPOŻ and OŚ, we maintain the continuity of production processes.

The **Złomrex branch in Wrocław** continued investment of new generation of loader, which is equipped with air-conditioned and soundproofed cabins, which significantly improved the comfort of the operators' work. Moreover, works related to levelling the surface of particular branches were continued in order to increase the safety of employees operating forklifts, cars, cranes and loaders.

It is worth highlighting that the introduction of good practices influences the improvement of safe working conditions. An example is the daily checks in production halls aimed at verifying work safety and exercising control over the work performed and the operation of electrical equipment and devices. Social Labour Inspections operate in the Branches, analysing current threats and implementing solutions developed as part of internal consultations to improve work safety. In each situation when there is an increase in the risk to health or life at work, employees are obliged to report disturbing events to the Inspector of the Social Labour Inspectorate, who forwards the information to the Head of the Department. In addition, there are health and safety committees operating in the Branches, which perform advisory functions on the most important issues. In the event of an accident at work, the procedure of appointing a post-accident team is launched, which investigates the accident and completes the accident register. Its causes are analysed so that corrective actions can be introduced. The implementation of conclusions from the post-accident analysis as well as regular training significantly reduce the accident rate. In the past year, the most important causes of accidents were: non-compliance with operating instructions, lack of professional experience in troubleshooting, and improper handling of the material factor.

After the occurrence of the above-mentioned causes of accidents, corrective actions were taken to eliminate them in the future. Thus, activities enabling the enforcement and observance of health and safety regulations, in particular safe working methods, were launched, and compliance with the provisions of the Working Instructions was specified as an absolute condition. Direct supervision was obligated to eliminate dangerous methods of work and employees to refrain from dangerous methods of work. Moreover, the employees were acquainted with the circumstances and causes of accidents at work as well as with conclusions and preventive recommendations included in accident protocols.

Other examples are the solutions introduced in the **Złomrex Branch in Wrocław**, aimed at ensuring safe work performed with the use of a wheel loader. Due to an accident at work, during which the employee suffered an injury caused by the loader tipping over, the following initiatives were taken to improve health and safety in this area

- reminding of the safe work instructions when operating wheel loaders. In particular, discussion of the weight balance principle,
- levelling the surface of the squares that may cause imbalance of loaders during movement.



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. Implementation of applicable laws and regulations is decentralized and takes place at the level of branches, which 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 above activities are aimed at tailoring the procedures to the needs and maturity of the organization's culture. The Group's branches adapt regulations to business processes determined by the technology used, products and services offered. The variety of branches means that some areas are managed in a decentralized way. 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 regarding 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. Ferrostal Łabędy branch in Cracow	<ol style="list-style-type: none"> 1) Work Regulations Cracow October 2018 2) Salary Regulations Cracow October 2018 3) Integrated management system according to ISO 9001, ISO 14001, PN-N 18001, <ul style="list-style-type: none"> ▪ [PQS.7] [III] Review of quality, environmental, health and safety management systems ▪ [PQS.5] [III] Developing, introducing changes and disseminating procedures ▪ PQS.1] [V] Training, awareness, competences 4) Occupational Risk Assessment Card
Cognor S.A. Ferrostal Łabędy branch in Gliwice	<ol style="list-style-type: none"> 1) the Labour Code 2) Salary Regulations 3) Work Regulations 4) Internal procedures
Cognor SA Ferrostal Łabędy branch in Zawiercie	<ol style="list-style-type: none"> 1) Quality and Environment Policy 2) Personal Data Protection Security Policy 3) IT Systems Management Manual
Cognor S.A. PST branch in Cracow	<ol style="list-style-type: none"> 1) Work Regulations 2) Salary Regulations 3) Company Social Benefits Fund Regulations 4) Regulations of periodic assessments 5) Employee referral program 6) Anti-bullying procedure 7) Remote work regulations
Cognor S.A. Branch Office in Szopienice in Katowice	<ol style="list-style-type: none"> 1) Employee Salary Regulations 2) Employee Work Regulations
Cognor S.A. Złomrex branch in Wrocław	<ol style="list-style-type: none"> 1) Employee safety policy during a pandemic 2) Employee investment policy
Cognor S.A. HSJ branch in Stalowa Wola	<ol style="list-style-type: none"> 1) Instructions for introducing a new employee

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

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	2022			2021		
		Women	Men	Total	Women	Men	Total
1	Employees with permanent contracts	249	1 379	1 628	247	1 396	1 643
2	Employees with temporary contracts	54	235	289	61	232	293
3	Total	303	1 614	1 917	308	1 628	1 936

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

COGNOR CAPITAL GROUP							
No.	Employees by working time	2022			2021		
		Women	Men	Total	Women	Men	Total
1	Full-time employees	286	1 596	1 882	287	1 507	1 794
2	Part-time employees	17	18	35	21	121	142
3	Total	303	1 614	1 917	308	1 628	1 936

Number of employees hired on contract basis by gender and region

COGNOR CAPITAL GROUP							
No.	Employees by region	2022			2021		
		Women	Men	Total	Women	Men	Total
1	Poland	303	1 614	1 917	308	1 628	1 936
2	Europe	0	0	0	0	0	0
3	other countries	0	0	0	0	0	0
4	Total	303	1 614	1 917	308	1 628	1 936

Number of employees per type of contract by gender

COGNOR CAPITAL GROUP							
No.	Employees by type of contract	2022			2021		
		Women	Men	Total	Women	Men	Total
1	employment contract	303	1 614	1 917	308	1 628	1 936
2	agency agreement	2	1	3	0	0	0
3	management contract	1	11	12	1	12	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	2022			2021		
		Women	Men	Total	Women	Men	Total

1	Up to 24 years old	2	28	30	3	30	33
2	25-34	13	65	78	11	78	89
3	35-44	6	38	44	11	66	77
4	45-55	3	28	31	10	36	46
5	Over 55 years old	0	17	17	10	19	29
6	Total	24	176	200	45	229	274

7	Percentage of new employees hired	7,9%	10,9%	10,4%	14,6%	14,1%	14,2%
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COGNOR CAPITAL GROUP							
No.	Number of employee departures	2022			2021		
		Women	Men	Total	Women	Men	Total
1	Up to 24 years old	0	21	21	4	20	24
2	25-34	5	54	59	8	57	65
3	35-44	5	43	48	4	50	54
4	45-55	4	31	35	8	35	43
5	Over 55 years old	6	52	58	15	58	73
6	Total	20	201	221	39	220	259

7	Percentage of employee departures	6,6%	12,5%	11,5%	12,7%	13,5%	13,4%
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GRI 102-41: COLLECTIVE BARGAINING AGREEMENTS

COGNOR CAPITAL GROUP			
No.	Collective agreements	2022	
		2021	
1	percentage of employees by collective agreements	59,8%	
		58,9 %	

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	2022			2021		
		Women	Men	Total	Women	Men	Total
1	Number of employees who took parental leave	11	6	17	17	13	30
2	Number of employees who returned from parental leave	4	5	9	11	13	24
3	Number of employees still working one year after their return from parental leave	4	4	8	7	8	15
4	Return to work rate	36,4 %	83,3 %	52,9 %	64,7 %	100,0 %	80,0 %
5	Employment retention rate	36,4 %	30,8 %	33,3 %	58,3 %	61,5 %	60,0 %

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	2022			2021		
		Women	Men	Total	Women	Men	Total
1	Number of employees participating in training	130	1 078	1 208	136	1 071	1 207
2	Total number of training hours provided to employees	2 302	18 566	20 868	2 350	13 592	15 942
3	Average hours of training per employee	18	17	17	17	13	13

Average hours of training per year per employee-by-employee category

COGNOR CAPITAL GROUP							
No.	Training	2022			2021		
		Managerial positions	Other positions	Total	Managerial positions	Other positions	Total
1	Number of employees participating in training	55	1 153	1 208	68	1 139	1 207
2	Total number of training hours provided to employees	1 481	19 386	20 868	2 557	13 385	15 942
3	Average hours of training per employee	27	17	17	38	12	13

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	2022			2021		
		Women	Men	Total	Women	Men	Total
1	Managerial positions	27,6	29,5	29,1	6,9 %	3,4 %	4,3 %
2	Other positions	45,3	62,7	60,1	41,6 %	47,3 %	46,4 %
3	Total	43,6	60,9	58,2	38,3 %	45,0 %	43,9 %

GRI 405-1: DIVERSITY OF GOVERNANCE BODIES

Supervisory Board by gender and age category

COGNOR CAPITAL GROUP							
No.	Percentage of the Supervisory Board	2022			2021		
		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%	20,0%	20,0%	0,0%	0,0%	0,0%
3	Over 51 years old	0,0%	80,0%	80,0%	0,0%	100,0%	100,0%

Management Board by gender and age category

COGNOR CAPITAL GROUP							
No.	Percentage of the Management Board	2022			2021		

		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	2022	
	Average wages in the sector	Average wages in Group	The ratio of the average wages in the Group to the average wages in the sector
1	6 620,69	8 691,53	131,3 %

COGNOR CAPITAL GROUP			
No.	Employee salaries in relation to the average wages in the sector	2021	
	Average wages in the sector	Average wages in Group	The ratio of the average wages in the Group to the average wages in the sector
1	5 874,05	7 241,21	123,3 %

GRI 403-9: WORK-RELATED INJURIES

COGNOR CAPITAL GROUP							
No.	Work-related injuries to employees	2022			2021		
		Women	Men	Total	Women	Men	Total

1	The total number of injuries at work, including: - fatal accidents - severe accidents - minor accidents	1 0 0 1	27 0 2 25	28 0 2 26	2 0 0 2	31 0 1 30	33 0 1 32
2	Total number of people injured	1	27	28	2	31	33
3	Number of days of incapacity related to accidents at work	48	1 433	1 481	304	3 111	3 415

4	Accident frequency rate	0,5	14,1	14,6	1,0	16,0	17,0
5	Accident severity rate	48,0	53,1	52,9	152,0	100,4	103,5

COGNOR CAPITAL GROUP							
No.	Work-related injuries to subcontractors	2022			2021		
		Women	Men	Total	Women	Men	Total
1	The total number of injuries at work, including: - fatal accidents - severe accidents - minor accidents	0 0 0 0	26 0 0 26	26 0 0 26	0 0 0 0	19 0 0 19	19 0 0 19
2	Total number of people injured	0	26	26	0	19	19
3	Number of days of incapacity related to accidents at work	0	1 390	1 390	0	1 240	1 240
4	Accident frequency rate	0,0	98,1	98,1	0,0	71,4	71,4
5	Accident severity rate	0,0	53,5	53,5	0,0	65,3	65,3

GRI 403-10: WORK-RELATED ILL HEALTH

COGNOR CAPITAL GROUP							
No.	Occupational illnesses	2022			2021		
		Women	Men	Total	Women	Men	Total
1	Occupational illnesses, including:						
	- occupational hearing impairment,	0	1	1	0	1	1
	- vibration syndrome,	0	1	1	0	1	1
	- 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
Difficulties in finding qualified employees.	Organizing and financing courses for employees to improve their professional qualifications and employing workers insufficiently qualified for training. Guaranteeing free medical care and social packages.	■■■

Outbreak of COVID-19 infection.

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.

■■■

A visible generation gap resulting in a staff shortage.

Employing workers with specialized or related education and conducting professional development in the areas that require it.

■■■

Departures of employees to other companies.

Providing financial benefits (in the form of bonuses, holiday packages) and non-financial benefits (multisport, additional insurance).

■■■

Lack of job candidates with appropriate qualifications and experience.

The existing shortages in employment result in an increase in the load of responsibilities of the current employees and a reduction in work efficiency.

Counteracting the risk through a program of apprenticeships and internships for students and graduates of local vocational and secondary schools, employee referral program, wide access to training for employees, including online courses carried out remotely.

■■■

Feeling of alienation and burnout caused by the need to work remotely.

Organizing joint meetings, conferences, on-line workshops. Enable employees to report signs of mental discomfort in order to find a way to alleviate its effects.

■■■

Pressure to increase wages in connection with inflation and the employee market.

Undertaking wage talks and negotiations with employee representatives. Seeking consensus, establishing additional, non-wage methods of motivating and methods of improving job satisfaction.

■■■

Failure to observe the principle of equal opportunities for all employees of the branch.

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.

■■■

High employee turnover.

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

Occurrence of a biological factor - SARS-CoV-2 virus

The risk may occur among employees of all age groups due to the contacts among colleagues during the performed duties.

- 1) Implementation of the results of the risk assessment related to exposure to a harmful biological factor - SARS-CoV-2 virus.
- 2) Disinfection of offices, bathrooms, cafeterias, changing rooms, etc. after each work shift.
- 3) Limiting the arrivals of external companies and business trips of employees in the country and abroad.
- 4) Implementation of work in a remote mode, the so-called home- office.
- 5) The use of personal protective equipment such as: masks, gloves and limiting the contacts between employees with each other through the use of plexiglass barrier.

The occurrence of an accident or contracting an occupational illness.

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



Absenteeism Risk of key employees caused by accidents at work

Additional health and safety training courses are conducted at the Capital Group in order to reduce the risk. Preventive actions also increasing employees' awareness of potential dangers affecting the health and life of crew members.



Injury from sharp and protruding elements of scrap metal, elements of machines and devices.

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.



Slipping and falling.

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,



Being crushed, hit by falling objects.

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,



Being hit by moving objects.

Risk of injuries, crushing of the head, spine, limbs due to the employee being hit by equipment (crane, loader, HDS, forklift truck, car).

grippers, proper organization of the crane's workstation, decree concerning the obligation to wear protective helmets and reflective vests.

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.



Electric shock.

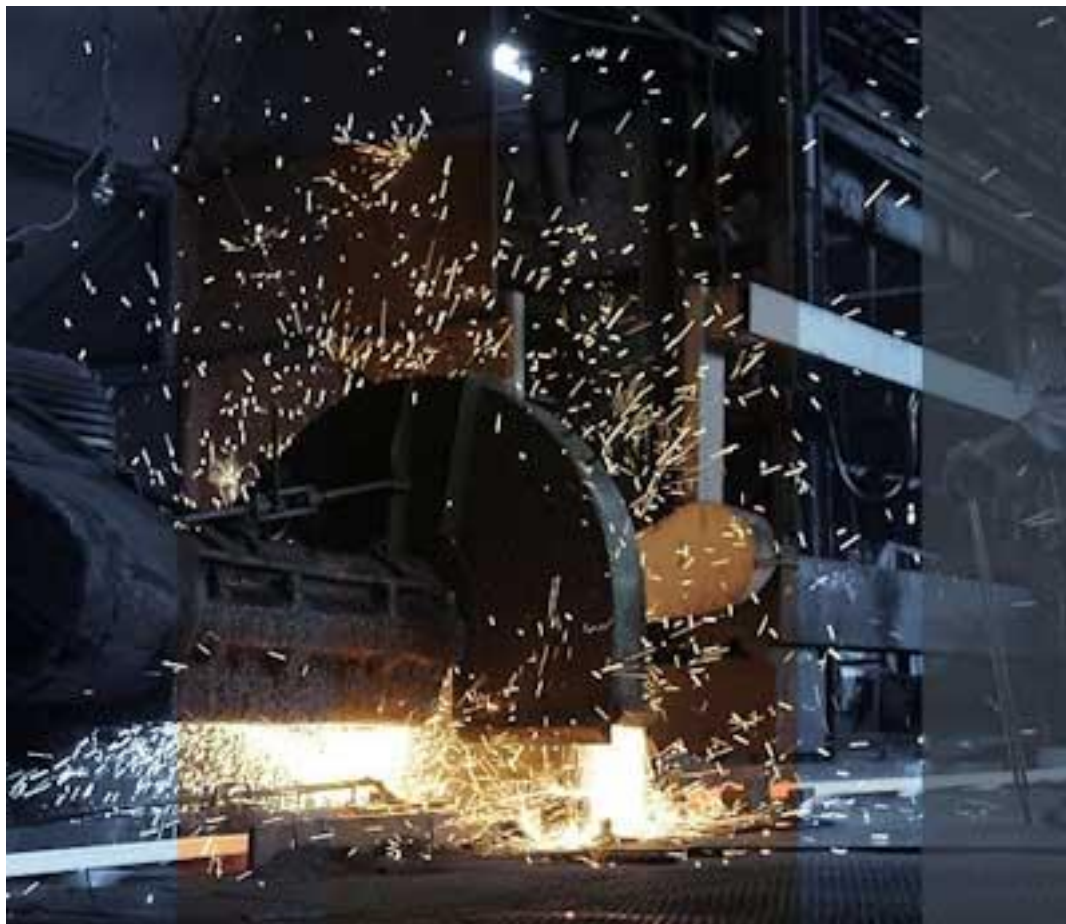
Electric shock when operating electrical installations or electrically powered devices

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 and bribery (Cognor Capital Group Code of Ethics, points 12-13) in the entire

organization, and above all in two spheres of the Group's activity, i.e., Scrap Trade and Trade in Products. The above-mentioned areas of activity are confirmed by past practices and analyses of ongoing preliminary investigations. Thus, the work of the Security Officer/Compliance Officer - in this area - focuses on three dimensions: improvement of implemented procedures and ongoing monitoring of the process of scrap metal and product trading, meetings and workshops discussing violations of existing procedures in the area of corruption and bribery, and presenting conclusions and recommendations, to the management, trade unions and representatives of the workforce in order to improve the functioning of the procedure to prevent corruption and bribery. Regardless of the above activities, training courses are conducted periodically, covering a group of classifiers - the Scrap Hall and the Sales Departments of the Cognor HSJ Branch in

Stalowa Wola and the Cognor Ferrostal Łabędy Branch. The subject matter also covers issues in the field of organizational culture, the role of whistle-blowers, so called "Red flags", or signals that may indicate corruption.

At the beginning of 2022, an update of the internal reporting regulations of Cognor S.A. was implemented, along with the attached model documents. The update strengthens the protection of Whistle-blowers and other persons involved in disclosing violations of the implemented anti-corruption and bribery procedure. The above document is compliant with Directive (EU) 2019/1937 of the European Parliament and of the Council on the protection of persons reporting violations of the law, in particular by protecting the identity of the Whistle-blower and counteracting retaliatory behaviour.

At Cognor Holding S.A. there is an implemented procedure for anonymous reporting of violations of the law. This is the detailed rules for reporting information on irregularities by the employees of the Group, containing the rules of confidentiality and follow-up actions taken after receiving the report. For whistle-blowers, the most important section of this procedure is paragraph 4 How to protect the reporting employee. As part of the information campaign, a message was distributed to the employees of Cognor Holding S.A. in which practical guidelines for internal notifications were included and training of staff, trade union activists and selected groups of employees was conducted based on the outline / presentations Whistle-blower: snitch or hero.

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.

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.

The Code of Ethics in force guarantees protection of privacy, tolerance and non-acceptance of racial or religious discrimination. Following the code, a procedure for preventing and counteracting any form of mobbing, harassment, humiliation and intimidation as well as spreading rumours and initiating conflicts is implemented. In cases where such threats are reported, internal explanatory proceedings are initiated

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 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	2022 Number	2021 Number
1	Number of companies assessed in terms of the risk of corruption	4	3

GRI 205-3: NOTIFICATIONS OF CORRUPTION

COGNOR CAPITAL GROUP			
No.	Category	2022 Number	2021 Number
1	Total number of confirmed cases of corruption	0	0

GRI 412-2: TRAINING RELATED TO HUMAN RIGHTS

No.	Category	COGNOR CAPITAL GROUP	
		2022	2021
		Number	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.	46	3
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.	684	860
3	Percentage of employees trained in human rights policies or procedures that address human rights aspects that are important to their business.	35,7 %	44,5 %

GRI 406-1: CASES OF DISCRIMINATION

No.	Category	COGNOR CAPITAL GROUP	
		2022	2021
		Number	Number
1	Total number of confirmed incidents of discrimination (in the workplace)	0	0

9.4. ETHICAL RISKS AND MANAGEMENT

ETHICAL ASPECT		
Risk Importance: low ■■■, medium, ■■■, high ■■■		
NON-FINANCIAL RISK	RISK MANAGEMENT RISK	IMPORTANCE
Increased risk of corruption due to soaring raw material prices and demand for steel products.	Implementation of an appropriate HR and wage policy. Conducting educational and information activities, which through the increase of knowledge in this area constitute a barrier to corruption and bribery. Any reasonable suspicion of the possibility of corruption, fraud or acting to the detriment of the company's interests is discussed with the concerned group of employees. The conclusions of such a meeting are reflected in the modified procedures and instructions.	■■■
Choosing a supplier without taking into account the accepted rules of fair competition.	Developing transparent and precise criteria for selecting suppliers and constant, ongoing monitoring of their compliance.	■■■
Unfairly influencing customer decisions by offering, promising or granting personal benefits.	Identification, disclosure and punishment of all manifestations and attempts to exert an unfair influence on the customer's decisions.	■■■
Purchase of materials at prices higher than those accepted on the market	The risk is identified in the area of purchasing. In order to limit the possibility of its occurrence, the LOGINTRADE purchasing platform was introduced through which inquiries and collected feedback from the market are issued.	■■■
Corruption and bribery in the group of scrap hall classifiers.		■■■
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.	
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.	Training in merchant ethics and control of compliance with procedures and good practices.	■■■



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.

10. GRI INDEX

GRI Standard	GRI Disclosure	Page in the Report	Comment / Description
<u>Profile indicators</u>			
Organizational profile			
GRI 102-1	Name of the organization	p. 7	LEGAL REGULATIONS AND DOCUMENT FRAMEWORK
GRI 102-2	Activities, brands, products, and services	p. 14-16	FUNCTIONING STRUCTURE OF THE COGNOR GROUP
GRI 102-3	Location of headquarters	pp. 7,14-16	LEGAL REGULATIONS AND DOCUMENT FRAMEWORK FUNCTIONING STRUCTURE OF THE COGNOR GROUP
GRI 102-4	Location of operations	pp. 14-16	FUNCTIONING STRUCTURE OF THE COGNOR GROUP
GRI 102-5	Ownership and legal form	pp. 7, 14	LEGAL REGULATIONS AND DOCUMENT FRAMEWORK FUNCTIONING STRUCTURE OF THE COGNOR GROUP
GRI 102-6	Markets served	pp. 16	FUNCTIONING STRUCTURE OF THE COGNOR GROUP
GRI 102-7	Scale of the organization	p. 16	FUNCTIONING STRUCTURE OF THE COGNOR GROUP
GRI 102-8	Information on employees and other workers	pp. 80-81	OBTAINING EMPLOYEE AND OHS RESULTS
GRI 102-9	Supply chain	pp. 20-22, 23-24	VALUE CREATION MODEL AND GROUP CAPITAL, SUPPLY CHAIN AND INTRA-GROUP RELATIONS
GRI 102-10	Significant changes to the organization and its supply chain	p. 7	LEGAL REGULATIONS AND DOCUMENT FRAMEWORK
GRI 102-11	Precautionary principle or approach	pp. 35-37, 37-39, 59-62, 69, 89-92, 100	SYSTEMS SUPPORTING MANAGEMENT DECISIONS, NON-FINANCIAL RISK

			MONITORING AND MANAGEMENT, ENVIRONMENTAL DUE DILIGENCE POLICIES AND PROCEDURES APPLIED, SOCIAL POLICIES AND APPLIED PROCEDURES, EMPLOYEE POLICIES AND PROCEDURES, HEALTH AND SAFETY POLICIES AND PROCEDURES, APPLIED POLICIES AND ETHICAL PROCEDURES
GRI 102-12	External initiatives	pp. 17-18	SUSTAINABLE DEVELOPMENT AND GOALS OF THE UN
GRI 102-13	Membership of associations	p. 28	ORGANIZATIONS AND ASSOCIATIONS
Strategy			
GRI 102-14	Statement from senior decision-makers	p. 5	LETTER FROM THE MANAGEMENT BOARD PRESIDENT OF THE COGNOR HOLDING S.A. GROUP
GRI 102-15	Key impacts, risks, and opportunities	pp. 37-39, 30-31	NON-FINANCIAL RISK MONITORING AND MANAGEMENT, PLANS AND STRATEGIC OBJECTIVES
Ethics			
GRI 102-16	Values, principles, standards, and norms of behaviour	pp. 94-97	DESCRIPTION OF ETHICAL ASPECTS
GRI 102-17	Mechanisms for advice and concerns about ethics	pp. 97	APPLIED POLICIES AND ETHICAL PROCEDURES
Governance			
GRI 102-18	Governance structure	pp. 34-35	MANAGEMENT AND SUPERVISORY BODIES
GRI 102-22	Composition of the highest governance body and its committees	pp. 34-35	MANAGEMENT AND SUPERVISORY BODIES
Stakeholder engagement			
GRI 102-40	List of stakeholder groups	pp. 25-27	RELATIONS WITH STAKEHOLDERS AND ENVIRONMENT

GRI 102-41	Collective bargaining agreements	p. 82-83	OBTAINING EMPLOYEE AND OHS RESULTS
GRI 102-42	Identifying and selecting stakeholders	pp. 25-27	RELATIONS WITH STAKEHOLDERS AND ENVIRONMENT
GRI 102-43	Approach to stakeholder engagement	pp. 25-27	RELATIONS WITH STAKEHOLDERS AND ENVIRONMENT
GRI 102-44	Key topics and concerns raised	pp. 9-12, 25-27	REVISION OF KEY TOPICS, RELATIONS WITH STAKEHOLDERS AND ENVIRONMENT
Reporting practice			
GRI 102-45	Entities included in the consolidated financial statements	p. 7	LEGAL REGULATIONS AND DOCUMENT FRAMEWORK
GRI 102-46	Defining report content and topic boundaries	pp. 8-9, 9-12	METHODOLOGY AND ADOPTED GUIDELINES, REVISION OF KEY TOPICS
GRI 102-47	A list of the material topics identified in the process for defining report content	pp. 9-12	REVISION OF KEY TOPICS
GRI 102-48	The effect of any restatements of information given in previous reports, and the reasons for such restatements	p. 7	LEGAL REGULATIONS AND DOCUMENT FRAMEWORK
GRI 102-49	Significant changes from previous reporting periods in the list of material topics and topic boundaries.	p. 7	LEGAL REGULATIONS AND DOCUMENT FRAMEWORK
GRI 102-50	Reporting period	p. 7	LEGAL REGULATIONS AND DOCUMENT FRAMEWORK
GRI 102-51	Date of most recent report	p. 7	LEGAL REGULATIONS AND DOCUMENT FRAMEWORK
GRI 102-52	Reporting cycle	p. 7	LEGAL REGULATIONS AND DOCUMENT FRAMEWORK
GRI 102-53	Contact point for questions regarding the report	p. 7	LEGAL REGULATIONS AND DOCUMENT FRAMEWORK
GRI 102-54	Claims of reporting in accordance with the GRI Standards	p. 8	METHODOLOGY AND ADOPTED GUIDELINES

GRI 102-55	GRI content index	pp. 102-107	GRI INDEX
GRI 102-56	External assurance	p. 8-9	METHODOLOGY AND ADOPTED GUIDELINES
Management Approach			
GRI 103-1	Explanation of the material topic and its boundary	pp. 41-44, 64-66, 71-76	DESCRIPTION OF ENVIRONMENTAL ISSUES, DESCRIPTION OF SOCIAL ASPECTS, DESCRIPTION OF EMPLOYEE RELATIONS
GRI 103-2	The management approach and its components	pp. 37-39, 41-44, 64-66, 71-76	NON-FINANCIAL RISK MONITORING AND MANAGEMENT, DESCRIPTION OF ENVIRONMENTAL ISSUES, DESCRIPTION OF SOCIAL ASPECTS, DESCRIPTION OF EMPLOYEE RELATIONS
GRI 103-3	Evaluation of the management approach	pp. 41-44, 64-66, 71-76	DESCRIPTION OF ENVIRONMENTAL ISSUES, DESCRIPTION OF SOCIAL ASPECTS, DESCRIPTION OF EMPLOYEE RELATIONS
Anti-corruption			
GRI 205-1	Total number and percentage of operations assessed for risks related to corruption	p. 98	ETHICAL RESULTS ACHIEVED
GRI 205-3	Confirmed incidents of corruption and actions taken	p. 98	ETHICAL RESULTS ACHIEVED
Environmental			
GRI 301-1	Materials used by weight or volume	pp. 51-53	ENVIRONMENTAL RESULTS ACHIEVED
GRI 301-2	Recycled input materials used	p. 53	ENVIRONMENTAL RESULTS ACHIEVED
GRI 302-1	Energy consumption within the organization	p. 53-54	ENVIRONMENTAL RESULTS ACHIEVED
GRI 302-2	Energy consumption outside of the organization	p. 54	ENVIRONMENTAL RESULTS ACHIEVED
GRI 303-3	Water withdrawal	p. 54-55	ENVIRONMENTAL RESULTS ACHIEVED

GRI 305-1	Carbon dioxide emissions	pp. 55-56	ENVIRONMENTAL RESULTS ACHIEVED
GRI 305-7	Significant air emissions	p. 56	ENVIRONMENTAL RESULTS ACHIEVED
GRI 306-2	Management of significant waste-related impacts	pp. 23-25, 41-44	SUPPLY CHAIN AND INTRA-GROUP RELATIONS, DESCRIPTION OF ENVIRONMENTAL ISSUES
Proprietary Indicator 1	Total amount of wastewater	p. 57	ENVIRONMENTAL RESULTS ACHIEVED
GRI 306-3	Waste generated by the organization and handling	p. 57-58	ENVIRONMENTAL RESULTS ACHIEVED
Proprietary Indicator 2	Events with environmental impact	p. 58	ENVIRONMENTAL RESULTS ACHIEVED
GRI 307-1	Non-compliance with environmental laws and regulations	p. 58	ENVIRONMENTAL RESULTS ACHIEVED
Employment			
GRI 401-1	Total number and rate of new employee recruitments and turnover during the reporting period, by age group, gender and region.	p. 81-82	OBTAINING EMPLOYEE AND OHS RESULTS
GRI 401-2	Benefits which are standard for full-time employees of the organization but are not provided to temporary or part-time employees, by significant locations of operation.	pp. 71-72	DESCRIPTION OF EMPLOYEE RELATIONS
GRI 401-3	Total number of employees that returned to work in the reporting period after parental leave ended, by gender.	p. 83	OBTAINING EMPLOYEE AND OHS RESULTS
GRI 403-2	Types of injury and rates of injury, occupational illnesses, lost days, and absenteeism, and number of work-related fatalities	p. 73-75	SAFE WORKING CONDITIONS
GRI 403-8	Workers covered by an occupational health and safety management system	pp. 73-75	SAFE WORKING CONDITIONS

GRI 403-9	Work-related injuries	pp. 86-87	OBTAINING EMPLOYEE AND OHS RESULTS
GRI 403-10	Work-related ill health	p. 88	OBTAINING EMPLOYEE AND OHS RESULTS
GRI 404-1	Average hours of training per year per employee by gender, and by employee category	p. 84	OBTAINING EMPLOYEE AND OHS RESULTS
GRI 404-3	Percentage of employees receiving regular performance and career development reviews by age group and category of employees	p. 85	OBTAINING EMPLOYEE AND OHS RESULTS
GRI 405-1	Diversity of governance bodies and employees	p. 85	OBTAINING EMPLOYEE AND OHS RESULTS
Proprietary Indicator 6	Equal pay	p. 86	OBTAINING EMPLOYEE AND OHS RESULTS
Diversity and equal opportunity			
GRI 406-1	Total number of discrimination (incidents of discrimination) and corrective actions taken	p. 98	ETHICAL RESULTS ACHIEVED
GRI 412-2	Employee training on human rights policies or procedures	p. 98	ETHICAL RESULTS ACHIEVED
Social Aspects			
Proprietary Indicator 3	Value of support granted	p. 67	SOCIAL RESULTS ACHIEVED
Proprietary Indicator 4	Number of social programmes and beneficiaries	p. 67	SOCIAL RESULTS ACHIEVED
Proprietary Indicator 5	Customer satisfaction	p. 67-68	SOCIAL RESULTS ACHIEVED
GRI 418-1	Confidentiality and security of customer data	p. 68	DESCRIPTION OF SOCIAL ASPECTS