

Report of the Management Board of Grupa Kęty S.A. on the operations of the Company and
the Capital Group in 2020

26 March 2021 |

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1. LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD

GRI 102-14

Dear Stakeholders,

Year 2020 will surely be remembered by everyone as the year of COVID-19 pandemic. We faced many problems, which not only presented a great challenge to us but also raised very serious worries about the safety and life of people, the availability of jobs, and further operation of companies.

Although Grupa Kęty operated with full capacity in 2020, it was not free of the pandemic. We recorded nearly 300 confirmed cases of infection among the employees of the Capital Group, we faced the quarantine of employees and periodical absences. At the same time, we strived despite many obstacles to continue production and deliveries. Our major objective in that time was to protect the employees and provide them with maximum safety. Therefore, within our internal procedures we implemented actions to provide the employees with hands disinfectants, sanitization of workplaces, common office parts and production halls, as well as division of organisational units into safety zones in order limit contacts among the employees to the absolute minimum. We also implemented remote work solutions as far as possible.

Thanks to the great engagement and devotion of our employees we managed to cope with the challenges, fulfilling our monthly plans and budget assumptions step by step. I would like to express my gratitude to all of the employees for their efforts and express my greatest respect.

Our small contribution in the fight of the pandemic was the donation of PLN 660,000 as an aid to the hospitals and medical units in our region, as well as a number of actions to support the health service staff in their devoted work.

Despite many threats and hindrances, 2020 was for us a record year with regard to profit. Sales amounted to PLN 3.533 billion (growth by 10%), EBITDA amounted to approximately PLN 672.4 million (growth by 29%), and net profit reached about PLN 430.2 million (growth by 45%). Why did it happen? From the perspective of time, it may be stated that it all resulted from the actions we had implemented in the recent years to strengthen and improve our organisation, which has learned to react to the varying market circumstances and has become a group of companies effectively and efficiently operating in Poland and abroad. Thanks to that characteristic we were able to avail of the opportunities occurring on the market, particularly in the Flexible Packaging Segment, where due to the limitation of product imports from other continents to Europe, we managed to effectively improve our sales and the margins generated. We have estimated that one-off effect of the lockdown in the Flexible Packaging Segment amounted to PLN 66 million as regards sales revenue, PLN 60 million for EBITDA and EBIT, and PLN 51 million for net profit, which has significantly affected the generated financial results of the Segment and the Capital Group.

The other two segments have also availed of their business opportunities. Aluprof, representing the Aluminium Systems Segment, improved its position as a European supplier of high quality aluminium systems for construction and is one of the leaders in the sector of aluminium systems in Europe. Aluprof is now a European brand known in 55 countries of the world, where the company supplies modern aluminium window-and-door systems, façade systems as well as roller shutters and gates. In 2020, Aluprof improved its sales revenue to PLN 1.6 billion (growth by 10%), including PLN 626 million from exports (growth by 14%).

Very good results were also recorded by the Extruded Products Segment, holding a strong position in the European aluminium processing sector. The Segment reached nearly PLN 1.3 billion sales (growth by 2%), including PLN 616 million from foreign sales (growth by 7%). The Segment has 13 engineering lines for manufacturing extruded products, including the billet production as well as profiles machining and surface treatment plants. The offered services comprise: anodising, coating, welding and complete fabrication of extruded products. Such production capacity enables the supply of various branches of industry with aluminium profiles and components, and these include the most progressive ones, such as construction, automotive, transport, railway, electrical engineering, defence, household equipment, advertising, and tourism industries.

Throughout the time of pandemic we had worked intensively on the Strategy 2021–2025, which we announced on 16 December 2020. The Strategy is based on strong foundations originating from the effective performance of the previous strategic plans, and specifically those of 2015–2020. All of the assumptions of the previous Strategy have been exceeded: sales revenue was higher by PLN 176 million (growth by 54%); EBITDA was higher by PLN 158 million (growth by 31%), and net profit was higher by as much as PLN 167 million (growth by 64%). Thanks to the performance of the investment programme, the Capital Group avails of modern machinery and may, therefore, offer high quality products practically all around the world.

In the new Strategy 2025, Grupa Kęty focuses on organic development, and expects sales and profit growths exceeding the assumed development rate of markets in each of the segments. We have estimated that sales revenue shall grow compared to 2020* by PLN 1.2 billion and will reach PLN 4.6 billion in 2025. The ambitious sales and product goals as well as high effectiveness will help all the Capital Group segments to increase the economic results again in the coming 5 years. Compared to 2020* EBITDA shall grow by 29%, to PLN 787 million, and net profit by 24%, to PLN 470 million in 2025.

**The growth rates refer to the adjusted results of the year, due to the reasons described in Chapter 4. 'Annual Projections and Development Strategy' of this report.*

Within the assumed Strategy, we have made a decision on monitoring the market environment of the Flexible Packaging Segment, which may lead to updating the strategy for the segment and launching new development projects, also those of acquisition nature. At the same time, taking into account the observed processes of market consolidation in that area, and the strong position of the Segment, Grupa Kęty decided to carry out the process of estimation of the FPS market value by way of verification of the possible interest among the potential investors.

The successful Strategy 2015–2020 made Grupa Kęty not only one of the most state-of-the-art manufacturing companies in Poland but also improved its image as a dividend-paying company. In 2020 we paid out a record dividend to our shareholders, amounting to PLN 34.99 per share. In the current Strategy, we have assumed the average annual pay-out at the level of 85% of consolidated net profit generated in the preceding years, which means that in the years 2021–2025, the amount of about PLN 1.7 billion will be paid out as dividend.

Dear Stakeholders,

The modern world poses great challenges with regard to environmental protection, natural resources or impact on the climate. The challenges refer to all, however, the broadly understood business or production companies have a measurable influence on the issues. In 2020, when preparing the Strategy, for the first time ever we have parametrised and presented the commitment in the ESG area (Environmental, Social and Corporate Governance) in the form of sustainable development goals, which comprises the impact on the environment, safety and development of the Company employees, responsibility within the supply chain and engagement in local communities among the key elements of the Strategy performance.

In 2020, the Company prepared itself to report financial statements in the ESEF standard, which improves comparability and utility of financial information. The use of the iXBRL standard shall facilitate the use the information disclosed by the Company by the investors and analysts, which will further translate into improving the transparency of the EU capital markets.

Finally, I would like to refer to the current situation. Despite the lapse of time, we have still been operating in the COVID-19 pandemic conditions and suffering the risks related to new virus strains. Every day, the Management Board concentrates on ensuring the performance of strategic goals, bearing in mind the maximum protection of our employees. We believe that the Capital Group shall follow the path of dynamic development set out by the Strategy.

Yours faithfully,

Dariusz Mańko
President of the Management Board

2. DESCRIPTION OF THE COMPANY AND THE GRUPA KĘTY S.A. CAPITAL GROUP

2.1. The Company and the Capital Group business profile

GRI 102-1; GRI 102-2; GRI 102-3; GRI 102-5

Grupa Kęty S.A. (the Company) may boast of over 65 years of experience in aluminium processing. From 1953 to 1992 it operated as a state-owned company under the name Zakłady Metali Lekkich 'Kęty' ['Kęty' Light Metals Plant]. In the same year it was transformed into a sole-shareholder company of the State Treasury. In 1995, the Company privatisation process was carried out by way of sale of the majority stake of shares to financial investors and introducing the Company shares to the Warsaw Stock Exchange. The first quoting took place on 16 January 1996. In 2001, the name of the Company was changed to Grupa Kęty S.A. The Company is registered at the address: 32-650 Kęty, ul. Kościuszki 111.

Grupa Kęty S.A. is the parent company for the Capital Group (the Capital Group, the Kęty Capital Group, or Grupa Kęty) composed of three business segments operating in the following areas:

- **EXTRUDED PRODUCTS SEGMENT (EPS)** dealing with the production and sales of aluminium components used in construction, automotive business, household equipment manufacturing, machinery industry, electrical engineering, interior design, sports and recreational equipment, and many other sectors;
- **ALUMINIUM SYSTEMS SEGMENT (ASS)** dealing with designing and production of architectural systems and external aluminium roller shutters, including façade and window-and-door systems, internal structures, as well as balcony and terrace structural systems;
- **FLEXIBLE PACKAGING SEGMENT (FPS)** dealing with the production of printed flexible packaging and unprinted BOPP polypropylene films for food, pharmaceuticals, cosmetics and personal hygiene sectors, as well as for animal food packing and many others.

2.2. Guiding values in our day-to-day work

The Corporate Social Responsibility (CSR) Policy is our response to the challenges related to sustainable development, not only in economic and market terms, but also as regards social and ecological aspects.



We declare that within our operations we have made and will continue to make efforts to ensure the creation of a better society, retaining balance and protecting the environment. We believe that the long-term success of Grupa Kęty depends on its cooperation with a broadly-defined group of stakeholders. We place particular emphasis on activities beneficial to the Group employees and their families as well as local communities. We operate in line with the adopted Code of Ethics and corporate governance principles, whereas partnership is the basic value we believe in. We are aware that we impact the environment in a direct and indirect way. Therefore, we operate such as to reduce that influence to minimum. A detailed description of sustainable development measures is available in the chapter entitled 'NON-FINANCIAL INFORMATION STATEMENT'.




2.3. Company and Capital Group management structure

GRI 102-5, GRI 102-10, GRI 102-45

Grupa Kęty S.A. is the parent company of the Capital Group. Apart from the holding functions, the Company has a plant manufacturing extruded products operating within the Extruded Products Segment. In 2020 the organisational structure of Grupa Kęty S.A. has changed significantly. The current structure of the Company is presented in the chart below:

Management Board of Grupa Kęty S.A.			
President of the Management Board General Director	Member of the Management Board Deputy General Director	Member of the Management Board	Member of the Management Board Financial Director
<p>Management of the General Director's Division, including:</p> <ul style="list-style-type: none"> - Internal Audit Department - CSR - HR <p>Supervision of the Flexible Packaging Segment</p>	<p>Management of the Extruded Products Segment</p>	<p>Management of the Aluminium Systems Segment</p>	<p>Management of the Financial Director's Division, including:</p> <ul style="list-style-type: none"> - IT - Investor Relations - Capital Investments - Risk Management - Controlling <p>Supervision of Dekret CR – the centre of common services for the Capital Group as regards keeping books of account and payroll matters</p>

The Kęty Capital Group consists of 24 companies and runs business in 3 business segments. Each segment has a leading company, the name of which is at the same time the main brand by which the products of the particular segment are recognised on the market. Each segment has in its structures the services necessary to carry out business in the area of both production and trade. Some of the specialised functions have been concentrated in competence centres providing services to all the segments of the Kęty Capital Group. These include in particular: bookkeeping, IT services, organisation of financing, supervision of the acquisition processes, supervision of the risk management policy, internal audit, and coordination of processes related to corporate social responsibility and sustainable development. In 2020 the Capital Group underwent significant changes. The current structure of the Capital Group is presented in the chart below:

Grupa Kęty S.A. Capital Group structure			
Extruded Products Segment	Aluminium Systems Segment	Flexible Packaging Segment	Other companies
 <p>Grupa Kęty S.A. Aluform Sp. z o.o. Alupol LLC (Ukraine) Aluminium Kety EMMI (Slovenia) Aluminium Kety Deutschland (Germany) Grupa Kety Italia (Italy) Aluminium Kety CSE (Czech Republic)</p>	 <p>Aluprof S.A. Romb S.A. Aluprof System Ukraina (Ukraine) Aluprof System Romania (Romania) Aluprof System Czech (Czech Republic) Aluprof System USA (USA) Aluprof UK (UK) Aluprof Belgium (Belgium) Aluprof Deutschland (Germany) Aluprof Netherlands (Netherlands) Aluprof Hungary (Hungary) Marius Hansen Facader (Denmark) Aluprof Serwis Sp. z o.o.</p>	 <p>Alupol Packaging S.A. Alupol Packaging Kety Sp. z o.o. Alupol Films Sp. z o.o.</p>	<p>Dekret Centrum Rachunkowe [accounting centre]</p>

3. OPERATIONS OF THE COMPANY AND THE CAPITAL GROUP IN 2020

3.1. Selected separate and consolidated financial data

GRI 102-7, GRI 201-1, 103 – 1,2,3 Management approach to the economic performance aspect

Separate data of Grupa Kęty S.A. Items of the statements of profit or loss, comprehensive income, and cash flows	PLN '000		EUR '000	
	2020	2019	2020	2019
Net sales revenue	1,149,226	1,122,610	256,856	260,963
Profit (loss) on operating activities	314,858	221,957	70,372	51,596
Gross profit (loss)	306,058	212,512	68,405	49,401
Net profit (loss)	296,153	205,499	66,191	47,770
Total net income (loss)	296,524	210,174	66,274	48,857
Net cash flow from operating activities	361,730	316,761	80,848	73,635
Net cash flow from investing activities	-46,338	-71,631	-10,357	-16,651
Net cash flow from financing activities	-312,814	-254,340	-69,915	-59,124
Total net cash flows	2,578	-9,210	576	-2,141
Earnings (loss) per share (in PLN/EUR)	30.84	21.50	6.89	5.00
Diluted earnings (loss) per share (in PLN/EUR)	30.79	21.46	6.88	4.99
Balance sheet items	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Total assets	1,181,494	1,167,525	256,023	274,163
Liabilities and provisions for liabilities	530,501	493,443	114,956	115,872
Long-term liabilities	282,987	272,098	61,322	63,895
Short-term liabilities	247,514	221,345	53,635	51,977
Equity	650,993	674,082	141,066	158,291
Share capital	67,973	67,825	14,729	15,927
Number of shares	9,629,357	9,569,947	9,629,357	9,569,947
Book value per share (in PLN/EUR)	67.61	70.44	14.65	16.54
Diluted book value per share (in PLN/EUR)	67.54	70.36	14.64	16.52
Consolidated data	PLN '000	EUR '000		
Items of the statements of profit or loss, comprehensive income, and cash flows	2020	2019	2020	2019
Net sales revenue	3,533,340	3,203,665	789,714	744,727
Profit (loss) on operating activities	525,825	385,471	117,524	89,607
Gross profit (loss)	505,234	364,281	112,922	84,681
Net profit (loss)	430,518	295,908	96,222	68,787
Net profit (loss) attributable to owners of the parent	430,181	295,367	96,147	68,661
Total net income (loss)	430,946	305,246	96,318	70,958
Total net income (loss) attributable to owners of the parent	430,609	304,705	96,243	70,832
Net cash flow from operating activities	636,620	562,827	142,287	130,835
Net cash flow from investing activities	-143,871	-243,846	-32,156	-56,685
Net cash flow from financing activities	-446,023	-316,070	-99,688	-73,474
Total net cash flows	46,726	2,911	10,443	677
Earnings (loss) per share (in PLN/EUR)	44.80	30.90	10.01	7.18
Diluted earnings (loss) per share (in PLN/EUR)	44.72	30.85	10.00	7.17
Balance sheet items	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Total assets	2,888,884	2,775,586	626,004	651,776
Liabilities and provisions for liabilities	1,301,948	1,299,449	282,124	305,142
Long-term liabilities	564,954	559,781	122,422	131,450
Short-term liabilities	736,994	739,668	159,702	173,692
Equity attributable to owners of the parent	1,586,274	1,474,805	343,736	346,320

Share capital	67,973	67,825	14,729	15,927
Number of shares	9,629,357	9,569,947	9,629,357	9,569,947
Book value per share (in PLN/EUR)	164.73	154.11	35.70	36.19
Diluted book value per share (in PLN/EUR)	164.58	153.93	35.66	36.15

The above financial figures for 2020 and 2019 were translated into EUR as follows:

- assets and liabilities – at the mean exchange rate of the National Bank of Poland (NBP) as at 31 December 2020 – 4.6148 PLN/EUR, and as at 31 December 2019 – 4.2585 PLN/EUR;
- the items of the statements of profit or loss, comprehensive income, and cash flows – at the exchange rate being the arithmetic mean of the exchange rates of the NBP for the last two days of each month of 2020 – 4.4742 PLN/EUR, and of 2019 – 4.3018 PLN/EUR.

3.2. Discussion of basic economic and financial values disclosed in the annual financial statements

2020 was a year of great uncertainty resulting from the world Covid-19 pandemic and the related sanitary limitations introduced by the governments of the particular countries. Moreover, all employers had to cope with the necessity of changing labour organisation, such as to ensure safety to their employees and customers.

Despite the disturbance, the companies of the Capital Group generated a record level of consolidated sales and profit. Sales revenue grew by 6% for domestic customers and as much as 15% for foreign customers. Thanks to higher growth rate, the share of foreign sales was close to that of domestic sales, and only 1 p.p. differs the two categories. The total consolidated sales was by 10% higher than that generated in 2019 and amounted to PLN 3.533 million in 2020.

Thanks to high sales revenue and the related high level of production capacity utilisation (nearly 90%), the Capital Group attained 36% higher profit on operating activities, i.e. PLN 526 million, and 46% higher net profit, i.e. PLN 430 million.

The main items of the statement of profit or loss are presented below.

PLN '000	2020	2019	Change
Sales, of which:	3,533,340	3,203,665	10%
<i>Poland</i>	<i>1,798,384</i>	<i>1,692,668</i>	6%
<i>Other countries</i>	<i>1,734,956</i>	<i>1,510,997</i>	15%
EBITDA (net operating profit plus depreciation and amortisation)	672,418	523,121	29%
Net profit on operating activities	525,825	385,471	36%
Profit before tax	505,234	364,281	39%
Net profit attributable to owners of the parent	430,181	295,367	46%
EBITDA margin (net profit on operating activities + depreciation)/sales)	19.0%	16.3%	
Operating margin (net profit on operating activities/sales)	14.9%	12.0%	
ROA – return on assets (net profit attributable to owners of the parent/total assets)	14.9%	10.6%	
ROE – return on equity (net profit attributable to owners of the parent/equity attributable to owners of the parent)	27.1%	20.0%	

Thanks to high profit, the main return ratios grew significantly, including ROE, which reached over 27%.

In the opinion of the Management Board, the consolidated balance sheet presents a safe structure of equity/liabilities.

ASSETS PLN '000	31.12.2020	31.12.2019 (restated)	Structure 2020	Structure 2019
I. Non-current assets, of which:	1,671,676	1,677,409	58%	60%
Property, plant and equipment	1,451,189	1,436,057	50%	52%
Deferred tax assets	112,000	115,102	4%	4%
II. Current assets, of which:	1,217,208	1,098,177	42%	40%
Inventories	516,591	448,810	18%	16%
Trade and other receivables	541,020	537,151	19%	19%
Cash and cash equivalents	151,170	103,592	5%	4%
Total assets	2,888,884	2,775,586	100%	100%
EQUITY/LIABILITIES PLN '000	31.12.2020	31.12.2019 (restated)	Structure 2020	Structure 2019
I. Equity, of which:	1,586,936	1,476,137	55%	53%
Share capital	67,973	67,825	2%	2%
Share premium	53,979	38,018	2%	1%
Retained earnings	1,461,558	1,369,869	51%	49%
Equity attributable to owners of the parent	1,586,274	1,474,805	55%	53%
II. Long-term liabilities, of which:	564,954	559,781	20%	20%
Loan payables	440,086	437,360	15%	16%
III. Short-term liabilities, of which:	736,994	739,668	26%	27%
Loan payables	272,771	369,583	9%	13%
Trade payables and other liabilities	352,802	294,749	12%	11%
Total equity/liabilities	2,888,884	2,775,586	100%	100%

The major companies of the Capital Group are production enterprises which continuously invest in their development. Therefore, property, plant and equipment represent a significant item of assets amounting to PLN 1,451 million as at 31 December 2020. As at the balance-sheet date they accounted for 50% of total assets (drop by 2 p.p. y/y).

The value of current assets as at 31 December 2020 was PLN 1,217 million and represented roughly 42% of total assets (growth by 2 p.p. y/y, mainly due to higher inventories and cash).

On the equity/liabilities side, the largest item is equity amounting to PLN 1,587 million, which represents 55% of total equity/liabilities (growth by 2 p.p. y/y).

Thanks to high cash flows on operating activities, which amounted to PLN 636.6 million in 2020, the share of loans (both long and short-term ones) dropped from 29% to 24% of total equity/liabilities. Net debt at the end of 2020 equalled PLN 561.7 million, which means a drop by 20% compared to the end of 2019.

Basic liquidity and debt ratios

	2020	2019
Current liquidity ratio (current assets/short-term liabilities)	1.7	1.5
Quick liquidity ratio ((current assets - inventories)/short-term liabilities)	1.0	0.9
Debt/equity ratio (total liabilities/equity attributable to owners of the parent)	0.8	0.9
Net debt/EBITDA ratio ((total loan payables - cash)/(net profit on operating activities + depreciation))	0.8	1.3

The Management Board positively assesses the financial results generated in 2020 in all material respects. The levels of consolidated profit on operating activities and net profit in 2020 were record ones in the history of the Capital Group and enabled exceeding the 2020 objectives set out in the Strategy 2015–2020. In the opinion of the Management Board, the current financial potential of the Capital Group, the profitability generated and safe debt and liquidity ratios indicate high capacity to pay the assumed liabilities. The Management Board has been currently monitoring the liquidity and debt standing, and in the event of a major deterioration of the ratios, they

shall react adequately to the reasons and consequences of the existing situation. In order to limit the possible risk of lack of liquidity, the Capital Group companies undertake a series of actions limiting the risk level. These include, among other things:

- development and current analysing of the performance of short-term and long-term financial plans;
- analysis and adjustment of the level of expenditures to the ability to cover them;
- current monitoring of the level of the particular components of current assets, and particularly inventories and receivables;
- maintenance of liquidity buffer within the available credit limits;
- transfer of some of the risk related to lack of payment for the goods sold, by way of taking out insurance policies.

Alternative Performance Measures

In this Report, there are used the terms 'EBITDA', 'EBIT' and 'net debt', which have not been defined in the IFRS accounting standards and, therefore, represent an alternative measurement of results in accordance with the ESMA Guidelines on Alternative Performance Measures (ESMA/2015/1415). In that respect, the Company defines the said terms as follows:

The 'EBITDA' parameter applied in the Report represents the total net profit on operating activities (an item of the statement of profit or loss for the respective reporting year) and depreciation (an item of the statement of profit or loss for the respective reporting year). The 'EBITDA' parameter is a measure presenting the capability of the Company to generate cash on basic activities. The 'EBITDA' parameter calculated in accordance with the above mentioned guidelines, as regards the comparative data for 2019 disclosed in this Report, would amount to PLN 523.1 million;

The 'EBIT' parameter applied in the Report is equivalent to net profit on operating activities (an item of the statement of profit or loss for the respective reporting year). The 'EBIT' parameter calculated in accordance with the above mentioned guidelines, as regards the comparative data for 2019 disclosed this Report, would amount to PLN 385.5 million;

The 'net debt' parameter applied in the Report represents the total of long-term loan payables (an item of the balance-sheet Equity and Liabilities) and short-term loan payables (an item of the balance-sheet Equity and Liabilities), less the value of cash and cash equivalents (an item of the balance-sheet Assets). The 'net debt' ratio presents the value of debt in consideration of the cash available, which may be allocated to the debt repayment. The 'net debt' parameter calculated in accordance with the above mentioned guidelines, as regards the comparative data for 2019 disclosed this Report, would amount to PLN 703.4 million.

The presentation of the aforesaid parameters in the Report by the Company results from their general application in financial analysis and valuation of the Issuer's Capital Group by the Company stakeholders.

3.3. Major agreements concluded in 2020

14 July – acceptance of the borrowing terms and conditions proposed by Powszechna Kasa Oszczędności Bank Polski S.A. (hereinafter referred to as the Lender) and signing by the Issuer and its subsidiaries: Alupol Packaging S.A., Aluprof S.A., Alupol Packaging Kęty Sp. z o.o., and Romb S.A. (hereinafter referred to as the Borrowers) of an annex to the agreement on overdraft facility in the current account and foreign currency accounts, pursuant to which:

- the amount of the total debt limit was increased for PLN 50 million, to PLN 130 million;
- the term of agreement as well as the term for drawing and repayment of the overdraft was extended by July 2022.

The overdraft amount represents a joint credit limit of the Borrowers, which is intended for the financing of their current operations and is an element of a process of re-financing of the debt of the Issuer's Capital Group. In accordance with the terms and conditions of the agreement, the companies are jointly and severally liable for the said debt. The overdraft is secured with blank promissory notes and promissory note declarations of the Borrowers.

15 October – acceptance of the terms and conditions presented by Bank POLSKA KASA OPIEKI S.A. (hereinafter referred to as the Bank) as regards amendment of a credit limit agreement concluded with the Bank, about which the Issuer informed in the current reports No. 32/2018 of 29 October 2018 and No. 29/2019 of 29 October 2019 (hereinafter referred to as the Agreement), and signing of an annex to the Agreement. Pursuant to the annex, the period for which the credit limit had been rendered available by the Bank to all Borrowers was amended, and the deadline postponed to 31 October 2021.

13 November – acceptance of the terms and conditions presented by BNP Paribas Bank Polska Spółka Akcyjna (hereinafter referred to as the Bank) as regards amendment of a multipurpose credit facility agreement concluded with the Bank, about which the Issuer informed in the current report No. 29/2018 of 26 June 2018 (hereinafter referred to as the Agreement), and signing of an annex to the Agreement.

Based on the annex the facility maturity date was extended to 24 months counting from the date of signing the annex to the Agreement, whereas on 30 November 2020 the credit limit amount available to all the Borrowers was supposed to be increased to PLN 400,000,000, unless the Issuer would file a written instruction by 26 November 2020 on resignation from the limit increase. The Company filed the resignation.

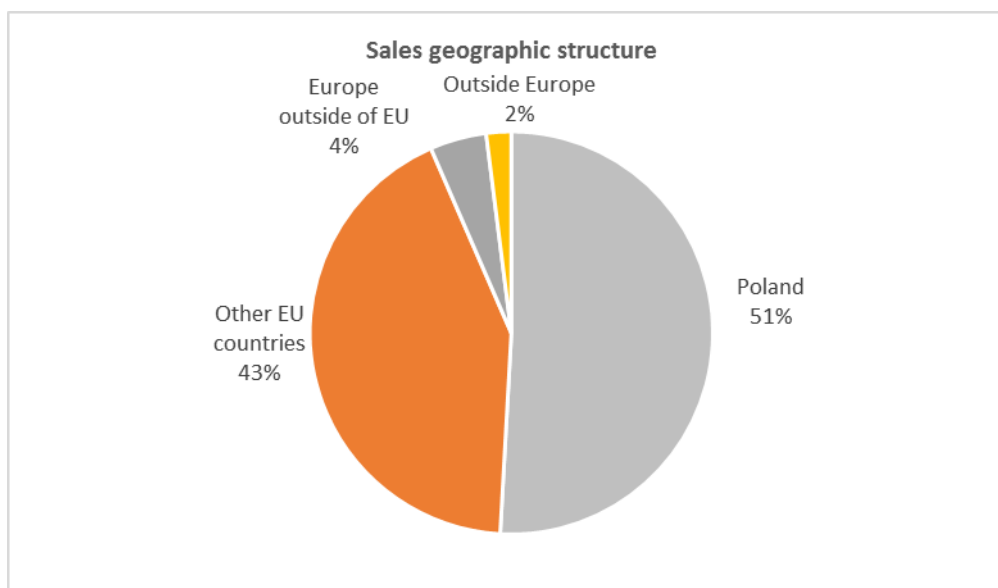
3.4. Description of internal and external factors and events, including those of exceptional nature, which significantly affect the operations, the financial statements and the development perspectives of the Company and the Capital Group

3.4.1 External factors

MARKET ECONOMIC CONDITIONS GRI 102-15; GRI 102-4; GRI 102-6

The Group companies are exposed to trends fluctuations occurring both in the Polish economy, which is the recipient of roughly 51% of the sales (53% in 2019), and in the economies of other European countries, which receive about 47% of the Group total sales (45% in 2019). The remaining 2% (2% in 2019) is generated on markets outside Europe, mainly in the USA. The sales revenue of the Capital Group is diversified among a number of customers, whereas the share of none of the customer exceeds 5% of the consolidated sales.

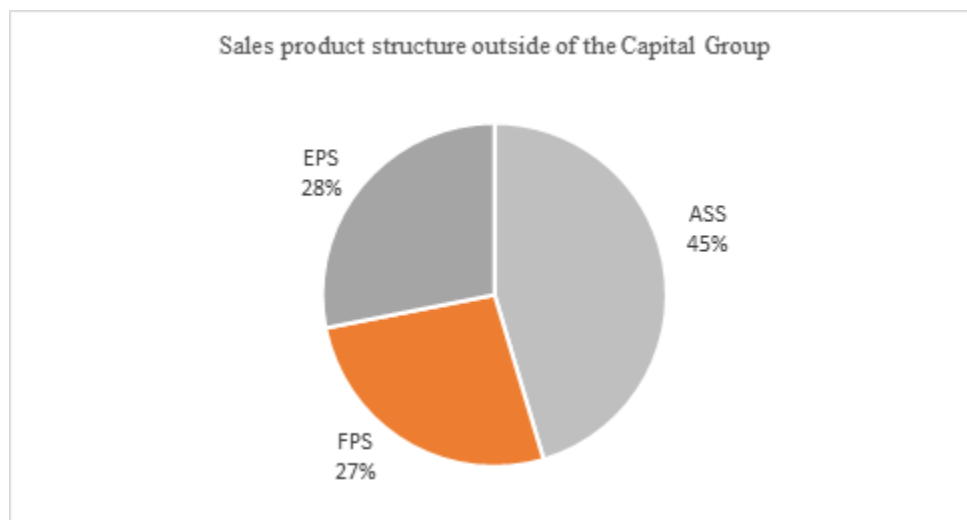
In 2020 sales to EU countries was growing very fast and resulted in a roughly 15% growth compared to the preceding year. Also on the domestic market a stable growth of revenue was observed, which exceeded 6%. The highest growth rate, both on the domestic market and the markets of other EU countries, was generated by the Flexible Packaging Segment, i.e. the growth of revenue by 11% and 30%, respectively. The sales of the Aluminium Systems Segments grew at the rate of 7% in Poland and 10% on other EU markets, whereas the domestic sales of the Extruded Products Segment was by 2% lower than in the preceding year, and on the other EU markets the growth equalled 10%.



Source: Company own materials.

Analysing the product sales structure, a significant share of the Aluminium Systems Segment may be observed (façade systems, door-and-window systems, as well as external aluminium roller shutters), the sales of which is realised mainly in the construction business. The share of the Segment was identical as in 2019 – 45%. The Extruded Products Segment manufactures aluminium profiles, pipes and bars for customers in many sectors,

however, the leading share belongs to the construction, transport and automotive industries. The share of the Segment in sales outside of the Capital Group dropped from 30% in 2019 to 28% in 2020. On the other hand, the Flexible Packaging Segment recorded a growth of 2 p.p. compared to 2019, and in 2020 the share of the Segment sales outside of the Capital Group amounted to 27%. The Segment offers its products mainly to the food sector (plastic laminates and films, either printed or not printed). Therefore all factors affecting the economic situation in the construction business (availability of loans, level of investments), the automotive and transport sector (number of vehicles sold, share of aluminium elements in the vehicles) as well as the food sector (consumption and type of packaging applied by food manufacturers) have a significant effect on the sales of the Capital Group.



Source: Company own materials.

RAW MATERIALS AVAILABILITY

The basic raw materials used by the Capital Group include primary aluminium, aluminium scrap as well as semi-finished products based on aluminium (sheet aluminium and aluminium foil and tape as well as billets made from aluminium and its alloys). In aggregate, they account for ca. 48% of all raw materials and production materials. The main suppliers of aluminium are companies located in the Netherlands and Switzerland, whereas semi-products are imported mainly from the suppliers in Norway, Germany, Spain, Belgium and China. In the production of flexible packaging, the Group also uses various types of films and plastics granulates (polyethylene, polypropylene), printing paper, paints, adhesives and binders, which jointly represent 30% of all purchased materials. The main suppliers of raw-materials to manufacture packaging are the companies in Poland, Germany, China, Italy, France, Austria and the Czech Republic. The list of basic materials is supplemented with accessories for the production of aluminium systems, with 15% share. The main suppliers of those elements are mainly companies in Poland, Germany and China. In order to maintain high production quality, the purchasing policy is based on cooperation with selected suppliers who guarantee an adequate level of deliveries, simultaneous diversification (which ensures competitiveness), as well as the application of ethical standards binding at the Group. The value of purchases from the individual suppliers does not exceed 10% of consolidated sales revenue.

In 2020, despite the market turbulence related to Covid-19 pandemic, the companies of the Capital Group, thanks to their fast reactions to the signals of potential disturbance in supplies, did not suffer any major problems in basic materials supplies.

CUSTOMS POLICY

On 12 October 2020, the European Commission imposed penal customs duties ranging from 30% to 48% on extruded products imported to Europe from China. The customs duties result from the Commission proceedings with regard to illegal market practices by the Chinese manufacturers and are of temporary nature, i.e. by the time of the investigation completion, which is planned for April 2021. If the investigation confirms the legitimacy of the claims, penal customs duties may apply for the period of 5 years, which may have a potentially positive impact on the level of orders to be received by the European manufacturers, including the Extruded Products Segment of Grupa Kęty S.A.

In 2020, the customs duty imposed on Chinese products, owing to a short-term of binding, did not have a major effect on the sales level of the Extruded Products Segment.

The customs policy of the specific countries in relation to the products offered by the Kęty Capital Group or its customers may affect sales indirectly. Further, the possible customs duties imposed by the European Commission on raw materials and semi-products acquired by the Capital Group companies outside of the European Union may have a negative impact on costs.

EXCHANGE RATES

According to estimates, in the period covered by this report, approximately 43% of the Capital Group sales were generated in PLN, whereas 54% was sales denominated in EUR, and the remaining 3% in USD, GBP, UHR, DEK and CZK. As regards costs, ca. 46% of expenses were incurred in PLN, 46% in EUR, 7% in USD, and about 1% in other currencies (GBP, UHR, CZK and DEK). Consequently, changes in the PLN exchange rates to EUR and USD affect the results generated. This refers both to the profitability of exports and competitiveness on the domestic market compared to imported products. The companies of the Kęty Capital Group take measures to mitigate FX risk by entering into currency forward transactions or maintaining a part of their debt in foreign currencies.

COMPETITION

Since the 1990s, a steady increase in competition has been observed due to the attractiveness of the Polish market and the vicinity of the markets of Central and Eastern Europe. Companies take measures aimed at the expansion of their production capacities or their product offer. Moreover, products from Far and Middle East are sold on the European markets, which presents a competition for the local manufacturers. The companies compete mainly with price and supply relatively simple products, which do not require major processing or complicated and precise logistics. In the opinion of the Management Board, the main competitors in the particular business segments, with their manufacturing plants in Central Europe, are:

Extruded Products Segment	Hydro Aluminium, Yawal and Final (Yawal Group), Eurometal, Cortizo, Kaye Aluminium, Extral Aluminium, Aliplast, Albatros
Aluminium Systems Segment	Sapa Building System, Schuco, Ponzio, Yawal, Aliplast, Blyweert, Heroal, Alukon, Reynaers,
Flexible Packaging Segment	Amtor, Constantia Packaging, Mondi Packaging, Amerplast, Fuji Seal Polska, Schur Flexibles Poland, Wipak, Flexpol, Poligal

Source: Company own materials.

In Q.1, 2020, with regard to disturbances in logistic chains in the Middle and Far East countries owing to the restrictions caused by the pandemic, the import of a series of products from that direction to Europe was limited, which resulted in lower competition level and temporary growth of margins in the second and third quarters of the year. The highest impact of that factor at the Capital Group was recorded in the Flexible Packaging Segment.

ACCESS TO EXTERNAL SOURCES OF FINANCE

The companies of the Kęty Capital Group perform investment programmes and extend their scale of operations in accordance with the assumed strategy, also availing of external finance. It means that even if cash is generated from operating activities the restrictions in access to third-party finance may have a significant impact on further development opportunities and dividend paid out by Grupa Kęty S.A. The interest rates related to external debt affect the value of finance costs and, thus, the generated net results.

In 2020, the main banks financing the current activities and investment projects of the Group were: Bank BNP Paribas S.A., PKO BP S.A., and Pekao S.A. Moreover, the Capital Group companies cooperated with other banks in individual projects, including mBank S.A., Societe Generale S.A., and ING Bank Polska S.A. All the major banks signed in 2020 annexes extending the period of finance for the Capital Group for at least the subsequent 12 months.

POLITICAL AND ECONOMIC SITUATION IN UKRAINE

The Kęty Capital Group has two companies in Ukraine: Alupol Ukraina LLC – a manufacturing company operating within the Extruded Products Segment, and Aluprof System LLC – a commercial company operating within the Aluminium Systems Segment. Year 2020 watched a gradual improvement of situation on the Ukrainian market. This translated into higher sales by the companies of the Capital Group located there. In the Extruded Products Segment 9% growth of volume and 4% growth of sales revenue were observed, whereas in the Aluminium Systems Segment – over 40% growth of revenue compared to 2019.

The possible destabilization of the political and economic situation in Ukraine may result in the exposure of the said assets to the risk, which exceeds the usual economic risk. The Management Board analyses the standing of the companies on an ongoing basis.

NECESSITY TO ADJUST THE POLISH ECONOMY TO THE ASSUMPTIONS OF THE EU POLICY REGARDING CLIMATE CHANGE

On 28 November 2018, the European Commission presented a long-term strategic vision of a well prospering, modern, competitive and climate neutral economy by the year 2050. Therefore, Poland as one of the member states should implement actions to follow the vision. The actions may be related to some additional investments at the Group, or incurring additional costs. Detailed information on the Capital Group activities with regard to climate change prevention as well as the parameters planned for 2020 and achieved in that year may be found in Section 5 of this Report entitled 'Non-financial Information Statement'.

CHANGES IN LAW

The Capital Group is obliged to abide by a large and continuously growing number of legal regulations, including personal data protection, environmental protection, waste management, corruption prevention, money laundering prevention, and many others, which results in higher costs related to the monitoring of the areas and higher risk of sanctions in the event of possible breaches. In 2020, there were no sanctions imposed on the Capital Group companies, which could have a major impact on the companies activities or their financial results.

3.4.2 Internal factors

GRI 102-15

INVESTMENTS IN THE DEVELOPMENT OF TECHNOLOGIES AND THE SALES NETWORK

The operation of the Group on a highly competitive market calls for constant meeting of the requirements imposed by the competitors and the customers. The Kęty Capital Group invests in the development of technologies, introduction of new products, potential increase, as well as distribution and sales network expansion. The gradual performance of strategic plans, assuming development in all key areas, guarantees the maintenance of high competitive level. Detailed information regarding investment and R&D activities of the Capital Group in 2020 may be found in Section 3.7 of this Report entitled 'Investment and R&D Projects'.

STAFF QUALIFICATIONS AND HEADCOUNT STRUCTURE

Business success depends on the effective work of the whole team, including management staff and their ability to retain and motivate highly qualified employees. The loss of services provided by such qualified and experienced people may bring a significant adverse impact on the operation of the Capital Group. Therefore, the Group has been continuously adjusting the personnel policy to market changes in order to attract and maintain adequate staff. Detailed information regarding the HR policy, staff development, headcount and employment structure in 2020 may be found in Section 5 of this Report entitled 'Non-financial Information Statement'.

OPERATING EFFECTIVENESS

High operating profitability, translating into stable and high cash flows on operating activities, guarantees ongoing development of the Capital Group. Continuous improvement of production and sales processes as well as cost effectiveness contribute to high efficiency of operations and the achieved economic results.

3.4.3 Events of exceptional nature which significantly affect the operations and the financial statements in 2020

SARS-COV-2 VIRUS PANDEMIC

The pandemic announced in March 2020 resulted in the necessity of adjusting a series of organisational solutions in order to ensure safety to the employees of the Capital Group. Additionally, owing to high uncertainty in the first months of the pandemic, a decision was made on temporary suspension of some of the investment projects. During the year, the manufacturing operations in the particular companies of the Group were carried out practically without any disturbances. The sole interruption in the operation of manufacturing plants referred to AK EMMI (Slovenia), a company within the Extruded Products Segments (two weeks). Apart from that, the activities of the commercial companies of the Aluminium Systems Segment in Romania, the UK and the Netherlands were limited for two or three weeks. Owing to a slight negative effect of the pandemic on the operations of the Company, in the second half of the year, the Management Board made a decision on re-starting the suspended investment projects.

The limitations introduced by a series of European countries, as well as operating problems at the suppliers, resulted in lower imports to Europe of some products from the Middle and Far East, which translated into a temporary growth of margins and volumes generated by the European manufacturers. The highest impact of that factor at the Capital Group was recorded in the Flexible Packaging Segment.

3.5. Operating activities at the business segments

GRI 102-2; GRI 102-4; GRI 102-6; GRI 102-7; GRI 102-9

3.5.1 Extruded Products Segment

The Extruded Products Segment, with its parent company Grupa Kęty S.A., is considered to be one of the Poland's largest manufacturers of extruded products with about 30% market share. The estimated share in the European market is ca. 3%, which places the Segment at the bottom of the top ten largest players list. The production potential of the companies of the Grupa Kęty includes 13 extrusion presses with the total production capacity of approximately 92 thousand tonnes, in three locations: Kęty, Tychy and Borodianka near Kiev (Ukraine), and two profile prefabrication plants in Kęty and Slovenska Bistrica (Slovenia). The main sectors supplied by the Segment are: construction and interior design, transport and automotive, electrical engineering, mechanical engineering, household equipment, with the basic foreign markets being: Germany, Italy, the Czech Republic, Austria, Hungary, the UK, and Slovenia.

In 2020 the Segment generated record sales in volume. As much as 85,000 tons of products were sold (growth by 11% y/y). As regards value, revenue amounted to PLN 1,280 million and was higher by 2% y/y, mainly due to the lower aluminium prices on the world's markets (average aluminium price in 2020, expressed in PLN was by ca. 3% lower y/y). The value of exports was PLN 615 million, which was by 7% higher than in 2019. The economic situation in Europe was subject to serious change owing to the pandemic, depending on the sector or region. The highest resistance to the commotion was observed in the construction business, whereas the automotive business, after a very weak first half of the year, started to systematically catch up in the second part of the year. Despite that, it has been estimated that the market for the extruded products in Europe shrunk by roughly 10%, which even better emphasises the results of the Extruded Product Segment.

3.5.2 Aluminium Systems Segment

Aluprof S.A. is counted among the leaders of the domestic market. It is estimated that as many as 7 out of 10 modern buildings being built in Poland incorporate façade systems supplied by Aluprof. Aluprof S.A. has 5 plants in Poland and 10 divisions in Europe and in the USA. The activities of the Segment focus mainly on the export market, as well as more intensive communication with architects, investors and contractors. According to the Management Board estimations, the Segment has roughly 2–2.5% of share in the European market and counts among the top ten of aluminium system solutions suppliers for the construction business. The main foreign markets of the Segment are: Germany, the UK, the Czech Republic, Belgium, Hungary, Romania, the USA, Slovakia and the Netherlands.

In 2020, the consolidated revenue of the Segment reached PLN 1,605 million and was higher by 10% y/y. Growth of sales on foreign markets was twice as high as the growth of sales on the domestic market, and amounted to 14%. The double-digit sales growth rate was possible due to consistent efforts on the particular markets, a growing number of customers satisfied with the collaboration, gradual expansion of the product range both as regards architectural systems and roller-shutter systems, as well as offering finished products tailored to meet individual customer requirements.

3.5.3 Flexible Packaging Segment

The Flexible Packaging Segment is a leader on the flexible packaging market in Poland, with a share exceeding 20%, and significant manufacturer of packaging in Europe with market share of roughly 1%. The Segment is also one of the leading manufacturers of BOPP transparent, white, pearl, matte and metallised films on the domestic market, with roughly 5% share. The Flexible Packaging Segment has a broad portfolio of recipients, with leading domestic manufacturers and several international food concerns, including: Nestlé, AB Foods, Unilever, Koninklijke Douwe Egberts, Orkla Foods, McCormick, Brüggem, Dr. Oetker, Perfetti van Melle, Aryzta, and Meier Verpackung. Most of the packaging is dedicated to the sector of food concentrates, however, sales to confectionery, fat, dairy, meat, bakery, pharmaceutical and chemical industries have been growing from year to year.

2020 was another record year with regard to the results of the Alupol Packaging Group companies. Thanks to over 30% growth y/y as regards sales volume, the Segment generated PLN 938 million sales revenue (about 19% growth y/y). The most visible was the growth of sales on foreign markets, with over 27% increase y/y compared to about 12% increase y/y on the domestic market. The largest export markets of the Segment are: the Netherlands, Germany, Hungary, the Czech Republic, Ukraine, Switzerland, and the UK.

In that Segment, the consequences of the pandemic were most visible and resulted in temporary reduction of the level of imports to Europe of some products from the Middle and Far East, which translated into a temporary growth of margins generated by the European manufacturers. According to Alupol Packaging Management Board estimations, the above situation contributed to higher return on operating activities of the Flexible Packaging Segment by about PLN 60 million, mainly in the second and third quarters of 2020.

The major issue as regards the market situation in the future is adjustment of the Segment products to market requirements, namely limitation of the use of hardly recyclable multilayer laminates. The latest investments of the Segment in homogeneous plastic films perfectly fit the aforesaid market trends.

3.5.4 Financial results of the segments

Figures for 12 months ended on 31 December 2020 (PLN '000)

Operating segments	FPS	EPS	ASS	Other	Eliminations	Total
Statement of profit or loss						
Sales	937,669	1,279,941	1,605,066	17,748	(307,084)	3,533,340
- outside the Group	937,599	992,857	1,601,046	293	0	3,531,795
- to related parties	70	287,084	4,020	17,455	(307,084)	1,545
Write-downs of inventories	(1,565)	(2,123)	(2,144)	0	0	(5,832)
Write-downs of receivables	61	548	(5,928)	0	(1)	(5,320)
Write-downs of property, plant and equipment, and intangible assets	0	264	144	0	0	408
Operating profit (EBIT)	196,120	106,497	238,161	243,477	(258,430)	525,825
Depreciation	32,750	65,542	45,206	3,048	47	146,593
EBITDA	228,870	172,039	283,367	246,525	(258,383)	672,418
Interest income	889	258	455	8	0	1,610
Interest costs	(4,671)	(6,521)	(4,296)	(390)	0	(15,878)
Profit before tax	188,783	99,630	233,882	241,422	(258,483)	505,234
Income tax	(14,233)	(20,314)	(44,478)	4,139	170	(74,716)
Net profit	174,550	79,316	189,404	245,561	(258,313)	430,518
Balance sheet						
Total assets	1,003,602	1,061,520	970,360	375,824	(522,422)	2,888,884
Liabilities	287,505	526,640	508,062	84,165	(104,424)	1,301,948
Other data						
Expenditures on property, plant and equipment	37,278	55,109	58,386	1,275	0	152,048

Figures for 12 months ended on 31 December 2019 (PLN '000)

Operating segments	FPS	EPS	ASS	Other	Eliminations	Total
Statement of profit or loss						
Sales	785,347	1,251,184	1,462,668	17,132	(312,666)	3,203,665
- outside the Group	785,273	958,311	1,459,425	286	0	3,203,295
- to related parties	74	292,873	3,243	16,846	(312,666)	370
Write-downs of inventories	(163)	(330)	(218)	0	0	(711)
Write-downs of receivables	(158)	(447)	(2,513)	0	(4)	(3,122)
Write-downs of property, plant and equipment, and intangible assets	0	330	(113)	0	0	217
Operating profit (EBIT)	118,095	86,258	198,431	167,260	(184,573)	385,471
Depreciation	29,468	65,958	39,017	3,162	45	137,650
EBITDA	147,563	152,216	237,448	170,422	(184,528)	523,121
Interest income	159	259	604	104	0	1,126
Interest costs	(5,092)	(7,168)	(5,535)	(825)	0	(18,620)
Profit before tax	112,278	78,643	192,009	165,790	(184,439)	364,281
Income tax	(17,934)	(16,563)	(37,299)	3,049	374	(68,373)
Net profit	94,344	62,080	154,710	168,839	(184,065)	295,908
Balance sheet						
Total assets	980,751	973,371	886,072	363,449	(428,057)	2,775,586
Liabilities	355,181	456,508	464,374	116,523	(93,137)	1,299,449
Other data						
Expenditures on property, plant and equipment	96,258	83,603	69,320	1,996	0	251,177

The 'Eliminations' item covers the elimination of inter-segment transactions and consolidation adjustments. In the statement of profit or loss it is mainly related to the sale of aluminium profiles by the EPS to the ASS, and elimination of dividends paid among the Capital Group companies. As regards assets and equity/liabilities, the eliminations refer mainly to inter-segment settlements on account of the aforesaid titles. All of the transactions are concluded on arm's length basis.

3.6. Loans and contingent liabilities

LOANS TERM STRUCTURE (PLN '000)

Maturity date	31.12.2020	31.12.2019
Short-term	272,771	369,583
From 1 to 2 years	308,111	411,325
From 2 to 5 years	44,276	22,955
More than 5 years	87,699	3,080
Total	712,857	806,943

LONG-TERM LOANS (PLN '000)

Lender	Loan currency	Security	31.12.2020	31.12.2019
Bank PKO BP	PLN	First capped mortgage on real properties of Grupa Kęty S.A. and Aluform Sp. z o.o., up to PLN 312 million, along with the assignment of rights under the property insurance policies. Registered pledge on fixed assets within the group of plant and equipment of the value of PLN 57 million, along with the assignment of rights under the assets insurance policy. Joint and several liability of Grupa Kęty S.A. and Aluform Sp. z o.o., plus blank promissory notes of Grupa Kęty S.A. and Aluform Sp. z o.o. and promissory note declaration.	119,157	135,025
BNP PARIBAS	PLN/EUR	Joint and several liability of the following companies: Grupa Kęty S.A. (up to PLN 330 million), Alupol Packaging S.A. (up to PLN 38.5 million), Aluprof S.A. (up to PLN 85.5 million), ROMB S.A. (up to PLN 28.6 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 49.5 million), Alupol Films Sp. z o.o. (up to PLN 60.5 million), plus blank promissory notes and promissory note declarations of the aforementioned companies.	124,537	107,803
Bank PKO BP	PLN/EUR	Joint and several liability of the following companies: Grupa Kęty S.A. (up to PLN 100 million), Alupol Packaging S.A. (up to PLN 25 million), Aluprof S.A. (up to PLN 60 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 30 million), ROMB S.A. (up to PLN 25 million), plus blank promissory notes and promissory note declarations.	38,605	0
BNP PARIBAS	PLN	Civil law security bond up to the amount of PLN 120 million, contractual mortgage up to PLN 120 million, entered on the first position on the property owned by Alupol Films sp. z o.o.	11,551	69,506
mBank	EUR	Contractual mortgage, registered pledge for the total value of the property and fixed assets owned by Alupol Packaging Kęty Sp. o.o., up to the amount of PLN 108 million.	87,671	81,065
Bank PEKAO	PLN	Blank promissory note and promissory note declaration, mortgage on real properties up to the amount of PLN 85 million, registered pledge on property, plant and equipment, along with the assignment of rights under the security assets insurance policy.	0	28,333
BNP PARIBAS	PLN	Joint mortgage up to PLN 48 million, along with the assignment of rights under the insurance policy; declaration on submission to enforcement.	0	99
ING Bank Polska	PLN	Security: contractual mortgage up to PLN 96 million, plus declaration on submission to enforcement.	58,565	15,529
Total			440,086	437,360

SHORT-TERM LOANS (PLN '000)

Lender	Loan currency	Security	31.12.2020	31.12.2019
PKO BP	PLN	First capped mortgage on real properties of Grupa Kęty S.A. and Aluform Sp. z o.o., up to PLN 312 million, along with the assignment of rights under the property insurance policies. Registered pledge on fixed assets within the group of plant and equipment of the value of PLN 57 million, along with the assignment of rights under the assets insurance policy. Joint and several liability of Grupa Kęty S.A. and Aluform Sp. z o.o., plus blank promissory notes of Grupa Kęty S.A. and Aluform Sp. z o.o. and promissory note declaration.	66,028	46,490
BNP PARIBAS	PLN, EUR	Joint and several liability of the following companies: Grupa Kęty S.A. (up to PLN 330 million), Alupol Packaging S.A. (up to PLN 38.5 million), Aluprof S.A. (up to PLN 85.5 million), ROMB S.A. (up to PLN 28.6 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 49.5 million), Alupol Films Sp. z o.o. (up to PLN 60.5 million), plus blank promissory notes and promissory note declarations of the aforementioned companies.	0	8,612
ING Bank Polska	EUR, PLN	Joint and several liability of Grupa Kęty S.A. and Aluprof S.A.	37,282	50,593
PEKAO	PLN, EUR, USD	Joint and several liability of the following companies: Grupa Kęty S.A. (up to PLN 330 million), Alupol Packaging S.A. (up to PLN 66 million), Aluprof S.A. (up to PLN 176 million), Aluform Sp. z o.o. (up to PLN 32.5 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 49.5 million), Alupol Films Sp. z o.o. (up to PLN 66 million), and Aluminium Kęty EMMI d.o.o. (up to PLN 55 million), plus blank promissory notes and promissory note declarations of the aforementioned companies.	131,617	208,954
Societe Generale	EUR, PLN	Civil law security bond.	11,743	23,545
PKO BP	PLN	Joint and several liability of the following companies: Grupa Kęty S.A. (up to PLN 100 million), Alupol Packaging S.A. (up to PLN 25 million), Aluprof S.A. (up to PLN 60 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 30 million), ROMB S.A. (up to PLN 25 million), plus blank promissory notes and promissory note declarations.	0	3,231
BNP PARIBAS	PLN	Short-term part of long-term loans – the same collaterals as in the case of the respective long-term loans.	23,311	23,163
mBank	EUR	Joint and several liability up to PLN 12 million of the following companies: Alupol Films Sp. z o.o. Alupol Packaging Kęty Sp. z o.o.	2,790	4,995
Total			272,771	369,583

The Company loans bear interest at variable rates determined on arm's length basis in reference to WIBOR/EURIBOR/LIBOR plus the bank margin or fixed interest rate.

In 2020 and 2019, the Company complied with all credit/loan covenants.

CONTINGENT LIABILITIES (PLN '000)

Title	31.12.2020	31.12.2019
Bank performance bonds for construction contracts, as provided by the ASS	13,150	14,383
Insurance performance bonds for construction contracts, as provided by the ASS	2,219	2,175

Subsidies in the period of conditions fulfilment	5,847	5,401
Total	21,216	21,959

Construction-related guarantees refer to the proper performance of construction service contracts, and their validity dates depend on the terms and conditions of the particular contracts.

More information about the subsidy conditions fulfilment is provided in note 34 of the financial statements.

Apart from the liabilities listed above in Section 3.6 of this Report, the Capital Group companies, including Grupa Kęty S.A. did not grant any guarantees, loans or security bonds to business entities or other institutions or organisations from outside of the Capital Group.

3.7. Investment and R&D projects

3.7.1 Investment projects

For the Kęty Capital Group, investment projects have been drivers of engineering development and, thus, have become an asset in the form of competitive advantage. Within the Strategy 2015–2020, the Capital Group spent roughly PLN 1.1 billion on investment projects, which has significantly contributed to exceeding the set out strategic objectives. Capital expenditures of the Grupa Kęty S.A. Capital Group on the purchase of property, plant and equipment, and intangible assets in the period of 12 months of 2020 and of 2019 were as follows:

(PLN million)	2020	2019
Total expenditure:	145.6	245.6
including Grupa Kęty S.A.	46,5	71.8

With regard to the pandemic development since March 2020, the Management Board of the Company implemented actions aimed at optimising capital expenditure postponing some projects in the Extruded Products and Aluminium Systems Segments. In those Segments, there were carried out only those projects in the first half of the year which were essential for the maintenance of production capacity. At the beginning of the second half of 2020, owing to the limited impact of the pandemic on the operations of the Capital Group, the suspended investment projects were re-started. The investment plan was performed without such limitations at the Flexible Packaging Segment.

The largest investment projects in 2020 included:

EXTRUDED PRODUCTS SEGMENT

The main investment tasks consisted in the development of production capacity with regard to aluminium components area and expenditures on current maintenance of machines and infrastructure. In 2020, the Segment did not invest in the development of production capacity in the extrusion area.

FLEXIBLE PACKAGING SEGMENT

The main investment project of the Segment was launching of a modern line for polyethylene film blow-out and replacement of the worn-out rotogravure printing line with a flexographic printing line, in compliance with the current market trends. Both lines were put into use in 2020.

ALUMINIUM SYSTEMS SEGMENT

In 2020 the largest value investment project of the Segment was the construction of a production and warehouse hall in Opole (manufacturing of external aluminium roller shutters) of the area of about 13,000 m². The total value of expenditure on the hall construction in 2020 and 2021 shall amount to PLN 28 million. The project is to be completed in August 2021. The other investment tasks comprise a series of projects of lower value, mainly related to the modernisation of warehouse infrastructure, purchase of machines, equipment and the essential means of transport.

In 2021, in compliance with the assumed projection, the Capital Group plans to spend PLN 284 million on investment projects. The projects will be financed, similarly as in the preceding years, from the Company own funds and from bank loans. Considering the stable financial standing, safe debt and liquidity ratios, the Management Board does not expect any problems in attracting finance for the performance of the investment plan.

3.7.2 Research and development projects

The Capital Group strategy in the area of its products and services consists in offering high quality products, which are often designed for individual orders and tailored to customers' needs. Therefore, the priority is to invest in people and state-of-the-art technology, which translates into attracting a growing customer base both in Poland and abroad. The R&D activities, innovation and continuous improvement of machinery are factors which drive the success of the organisation and the development of its core operating segments, based on dialogue with the existing and potential customers.

The **Research and Development Centre within the Extruded Products Segment** carries out R&D projects aimed at introducing new technologies in production, in order to extend the product offer and improve the quality of products in response to the advanced customer requirements. The research projects include, for example:

- optimisation of the production process of billets made of 6060 alloy, highly suitable for fast profiles extrusion, which will enable the development of a technology of profiles manufacturing from billets of lower alloy components content, with maintained strength parameters;
- development of a technology for manufacturing drawn bars from 6082 alloy with mechanical properties strictly determined by the customer requirements, which will enable the extension of the assortment of extruded and drawn products from hard alloys;
- a separate group comprises projects for the automotive sector, including mainly work on the systems managing the consequences of car crashes (crash management systems), The aim of the projects is to provide the established car manufacturers of the premium class with profiles manufactured by the EPS, which fulfil the requirements for passive safety systems forming part of a car body structure. At the moment, the Centre and its automotive partners engage in several projects aimed at developing a series of solutions for new car models in premium class, which will enter serial production in the coming years.

Responding to the market expectations, the **Aluminium Systems Segment** developed and prepared for implementation new products intended for system sales and dedicated to civil engineering, as well as developed and modernised the selected existing solutions. The main development projects included:

- development, testing and production implementation of new curtain wall systems, which apart from the capacity to withstand significant wind loads, high thermal performance and water tightness, will enable compensation of the building structure movements, which is currently one of the main requirements posed to the modern façades on high-rise buildings;
- within the systems development solutions, sliding systems and openable windows were created and successfully tested in 'hurricane' conditions, which will enable their installation in the world regions where such extreme phenomena occur;
- in cooperation with one of the universities of technology, a state-of-the-art structural solution was tested, which will greatly improve the load capacity of mullion and transom curtain wall systems;
- a system for integration of Venetian blinds with mullion and transom curtain wall systems by Aluprof was developed to create one, cohesive external blinds system. After positive completion of the type tests required by EN standards, the products will be introduced into system distribution;
- current development and modification of the selected façade and window-and-door systems, including those fire-resistant ones, are carried out;
- obtained were further approvals for the selected systems to be sold on the Polish, European and American markets;
- a new system of external glass sliding door with fashionable opening function was developed, which apart from the functional and utility characteristics is distinguished by very high thermal insulation parameters;
- there were carried out intensive R&D works with regard to external and internal fire-rated systems, including walls, doors and windows of various opening functions, as well as works related to obtaining marketing authorisations for the products in accordance with the European standards and individual national standards.

Thanks to the long-term process of organic investments, the related engineering progress, and increase of its production capacity, the **Flexible Packaging Segment** extends its portfolio for new, innovative products and improves its market position.

Following the trends observed on the packaging market, the FPS cooperates with its customers and carries out many projects aimed at the development of thinner, more homogeneous and recyclable laminates. New solutions in flexible packaging are based mainly on the use of polypropylene and polyethylene films in laminates. The

currently implemented new PPB™ films based on polypropylene are produced in the blown film extrusion process. They may be used as a mono-film or as a component of homogeneous two-layer laminates, where the second layer is made of BOPP film manufactured at Alupol Films in Oświęcim. The BOPP/PPB laminates reflect very good mechanical parameters, much better than the BOPP/BOPP laminates. Thanks to these properties, among other things, they may be used in packing many types of food, e.g. instant foods, seasonings, coffee, fresh meat, cold cuts, bread, etc. The laminates comply, at the same time, with the guidelines of the 'European strategy for closed-circuit plastics'. There have also been developed packaging based on coated papers with heat-bonding and barrier properties as well as laminates with HBF9™ barrier films.

All of the proposed solutions guarantee food safety and may be printed either with the rotogravure or flexographic techniques. Due to the specific properties of the PPB™ and HBF9™, the 3-, 4- and 5-layer laminates available on the market, containing aluminium, plastic and paper, may be replaced with 2- or 3-layer laminates of lower basis weight and more homogeneous structure. This means that the laminates require less material than the ones applied so far, which contributes greatly to reducing the quantity of plastics introduced to the market and reduces the impact on natural environment.

4. ANNUAL PROJECTIONS AND DEVELOPMENT STRATEGY

Four pillars of the Strategy of the Kęty Capital Group for the years 2021–2025 ('Strategy'), as published on 16 December 2020, compliant with the Mission, Vision and Values of the Group, include:

- growth of the Group revenue beyond the growth rate on the markets in which it operates;
- high operating profitability;
- performance of development projects;
- environmental and social responsibility.

When working on the Strategy, the main market, environmental and regulatory trends affecting the particular Segments of the Capital Group were analysed, the pace of market development estimated and the optimal development scenario, in the opinion of the Company Management Board, for each of the Segments determined. The basic conclusion during the work was a confirmation that the Capital Group Segments operate on attractive and prospective markets, whereas the potential generated during the performance of Strategy 2015–2020 enables further organic development.

Taking into account the above, the Company Management Board assumed operating and financial results as well as, for the first time ever, parametrised and presented the commitment in the ESG area (Environmental, Social and Corporate Governance) in the form of sustainable development goals, which comprises the impact on the environment, safety and development of the Company employees, responsibility within the supply chain and engagement in local communities among the key elements of the Strategy performance.

The **Strategy of the Extruded Products Segment** assumes systematic increase of share in the European market through:

- doubling the sales of processed products, i.e. components for the automotive and transport sectors;
- selective expansion on the target European markets (intensified sales and marketing activities);
- systematic increase of production capacity to the level of about 110,000 tons in 2025, which enables higher flexibility in customer service.

The estimated average annual pace of market development in the period 2021–2025 was determined at the level of ca. 2%, whereas the Segment plans to generate 4.8% increase by quantity and 6.3% increase by value. One of the Segment priorities is the maintenance of high level operating profitability with growing revenues, thanks to utilisation of its production capacity and a continuous efficiency improvement process. Assumed has been the generation of over 10% EBITDA growth per employee in the period of the Strategy performance. About 43% of the whole capital expenditure budget of the Segment, amounting to PLN 504 million, will be spent on development projects. The rest of the budget will be spent on current maintenance of infrastructure and production potential.

Owing to high market share in Poland, the sales development of the **Aluminium Systems Segment** within the Strategy horizon is based mainly on:

- intensified foreign sales, particularly on the British and American markets;
- extension of the offer for new products, e.g. internal or fire-resistant partition structures;
- investment in activities which extend the chain of the created value;

- extension of product offer as well as technical and sales support focusing on individual construction business.

The average annual market growth rate was estimated at the level of about 3% (by value). It is, however, the ambition of the Segment to generate roughly 6%, which includes over 9% on foreign markets and ca. 4% in Poland. The Aluminium Systems Segment shall strive to maintain high operating profitability thanks to systematic improvement of operations effectiveness. EBITDA per employee will increase by 6% in the Strategy period. Development projects will constitute a majority in the Segment budget. They will represent approximately 61% of the PLN 424 million allocated to projects in the Strategy period. Replacement projects will be worth PLN 166 million.

Owing to a series of changes in the market environment, the **Flexible Packaging Segment** has based its Strategy on the existing production potential. Capital expenditures have been optimised to PLN 82 million in the Strategy period. That will ensure maintenance of flexibility as well as efficient utilisation of plant and machinery. Despite the above, sales goals, considering the adjustment of the base year (2020) due to one-off positive effect of the world's economy lockdown (*), are equally ambitious as in the other Segments. It has been assumed that the average annual sales growth will be 4.4% in the Strategy period compared to 2% market growth. Over 10% EBITDA growth per employee is assumed for the period of the Strategy performance.

(*) The aforesaid one-off positive effect of the lockdown resulted from breaking the supply chains from Middle and Far East, mainly in the second and third quarters of 2020, which has brought about a significant limitation of imports from those directions, with simultaneous benefit to the European manufacturers, including FPS. In that period it was possible to generate outstanding results of operation. The effect was estimated as PLN 66 million of sales revenue, PLN 60 million of EBITDA, and PLN 51 million of net profit.

Apart from sales and financial objectives, the Capital Group Segments have determined a series of tasks and parameters within the ESG area, which are to be implemented and monitored in the Strategy period. These include:

- reduction by 15% of the value of greenhouse gas emissions per production unit (scope 1 and 2)⁽¹⁾;
- increase to 75% of the share of aluminium scrap in the products made of soft alloys, extruded from low-emission LOW CARBON KETY billets⁽²⁾;
- growth of the share of the manufactured packaging films and laminates fit for recycling by 5%⁽²⁾;
- growth of the share of aluminium systems in certified, energy-saving, passive projects by 20%⁽²⁾;
- reduction of the Total Recordable Incident Rate (TRIR)⁽³⁾ to less than 1 in the area of occupational health and safety⁽²⁾;
- improvement of the status of an attractive employer measured by the reduced year over year staff rotation ratio by 5%;
- performance of 150 projects for local communities within the 'Together with the Group' voluntary actions and grants programme⁽²⁾;
- sharing the generated profit with shareholders in accordance with the dividend policy;
- covering qualified suppliers with the provisions of the Suppliers Code of Conduct⁽²⁾.

(1) Base year 2016, scope 1+2 (direct and indirect emission).

(2) Base year 2020.

(3) Total Recordable Incident Rate is defined as the number of injuries per 100 workers at a respective employer during a one-year period.

PROJECTED FINANCIAL RESULTS IN THE STRATEGY PERIOD

The Company Management Board estimates that as a result of accomplishment of the operating tasks, the consolidated revenue will increase by PLN 1.2 billion by 2025, reaching the level of PLN 4.6 billion, EBITDA will grow by PLN 191 million, to PLN 787 million, and net profit will grow by PLN 104 million, reaching the level of PLN 470 million in 2025⁽²⁾.

The table below comprises the main financial objectives assumed for 2025.

Consolidated data (PLN million)	2020	2020 ⁽¹⁾ adjusted	2025	Change (%) 2025 / 2020
Sales revenue, of which:	3,533	3,467	4,637	+34%
<i>EPS</i>	1,280	1,280	1,725	+35%

ASS	1,605	1,605	2,128	+33%
FPS ⁽¹⁾	938	872	1,070	+23%
EBITDA ⁽²⁾	672	612	787	+29%
EBIT ⁽³⁾	526	466	598	+28%
Net profit	430	379	470	+24%

- (1) For comparability purposes data have been adjusted for one-off positive effect of the lockdown generated by the FPS in the period from March to October 2020, resulting from lower plastic film imports from Middle and Far East to Europe, in the amount estimated at PLN 66 million of sales revenue, PLN 60 million of EBITDA and EBIT, and PLN 51 million of net profit (calculated based on the effective tax rate for 2020).
- (2) EBITDA – operating profit plus depreciation and amortisation.
- (3) EBIT – operating profit.

The above financial results projection for 2025 has not been audited by a statutory auditor and has been prepared based on a series of assumptions, expectations and forecasts and is, therefore, subject to the risk of uncertainty and may change due to both external and internal factors. The Company is going to carry out regular reviews of the presented projections and introduce possible adjustments in justified cases.

Below presented are some selected assumptions, expectations and forecasts assumed in the financial projections for the Strategy period:

- during the Strategy period the business conditions will not change significantly, specifically as regards legal, tax and administrative regulations;
- no extraordinary one-off events will occur, which could not have been foreseen as at the date of this Strategy publication;
- the situation related to SARS-CoV-2 coronavirus spreading will not significantly affect the operating activities of the particular segments;
- the dividend paid out will comply with the policy assumed in this Strategy;
- capital expenditure will comply with the plan assumed in this Strategy;
- the Strategy does not include any major acquisition or divestment processes;
- macroeconomic assumptions:
 - average annual GDP growth rate in Poland/in the Euro zone in the Strategy period: ca. 4.9%/6.0% in 2021, and ca. 3.7%/1.6% in the years 2022–2025;
 - annual inflation (Poland): 1.5% in 2021 and 2.1% in the years 2022–2025⁽¹⁾
 - average aluminium price: 1,900 USD/ton;
 - PLN/USD mean exchange rate: 3.69;
 - PLN/EUR mean exchange rate: 4.35;
 - USD/EUR mean exchange rate: 1.18.

- (1) Owing to the assumption of fixed raw materials prices and foreign exchange rates, revenue is presented at fixed prices, and the impact of inflation is limited to the selected items of operating costs (other than raw materials).

DEBT LEVEL, INVESTMENT PLANS AND THEIR FINANCING

PLN million	Accumulated data for 2021–2025
Cash flow from operating activities	2,849
Cash flow from investing activities	-1,064
Dividends paid out	-1,719
	Balance as at the end of 2025
Net debt	640

The planned accumulated capital expenditure in the Strategy period will amount to PLN 1,064 million, out of which PLN 512 million will be allocated to development projects serving systematic improvement of processes as well as development of new technologies and products in accordance with the operating tasks assumed by the Capital Group Segments.

The capital expenditure plan will be financed from own cash flow from operating activities and from bank loans, whereas safe level of financial ratios shall be maintained during the Strategy period. The planned level of net debt at the end of 2025 is estimated as PLN 640 million. The financial ratios shall be kept at safe level, as follows:

- net debt to EBITDA x 0.8,
- net debt to equity 34%.

DIVIDEND POLICY

The Strategy assumes maintenance of stable dividend policy in the years 2021–2025, in accordance with which 60–100% of consolidated net profit generated in the preceding year shall be paid out to the shareholders. In the Strategy it has been assumed that the average annual payout will amount to 85% of consolidated net profit generated in the preceding year. Moreover, the assumption is that in the years 2021–2025 dividend of about PLN 1.7 billion will be paid out, which means a growth of about PLN 0.5 billion compared to the period of 2016–2020. In reference to one share, the amount is going to be about PLN 180, which will provide the shareholders with the average 7% return on shares.

When preparing the recommendation for the General Meeting with regard to the amount of dividend allocated to payout, the Company Management Board shall consider, among other things, the current and expected financial standing of the Capital Group, the amount of dividends to be received by the Company from its subsidiaries, and the value of the actual capital expenditure to be incurred in the year of the dividend payout.

OTHER MAJOR ELEMENTS OF THE STRATEGY

The Strategy assumes organic development of the Grupa Kęty S.A. Capital Group Segments at the rate exceeding the estimated growth rates of the particular markets.

Safe financial ratios and the assumed high cash flow from operating activities in the Strategy period will enable to avail of the possible acquisition opportunities in the area related to be basic scope of the Capital Group activities, which is manufacturing of aluminium-based products and systems.

The Strategy of organic development of the Flexible Packaging Segment, with regard to the market and regulatory changes observed, does not cover for any projects extending the production capacity. The situation shall be monitored, which may result in an update of the Segment plans and launching of development projects, also with regard to acquisitions. At the same time, taking into account the observed processes of market consolidation in that area, and the strong position of the Segment, Grupa Kęty plans to carry out the process of estimation of the Segment market value by way of verification of the possible interest of the potential investors. Following that process, depending on its effects as well as the economic and financial situation, further decisions may be made as regards recommendation for continuing the Segment strategy or update of the Capital Group Strategy, which includes divestment.

2021 FINANCIAL RESULTS PROJECTION

The table below comprises the projection of financial results for the year 2021, which is the first year of the implementation of the 2021–2025 Strategy presented above.

Consolidated data (PLN million)	2020	2020 ⁽¹⁾ adjusted	2021	Change (%) 2021 / 2020
Sales revenue, of which:	3,533	3,467	3,620	+4%
<i>EPS</i>	1,280	1,280	1,311	+2%
<i>ASS</i>	1,605	1,605	1,644	+2%
<i>FPS⁽¹⁾</i>	938	872	947	+9%
EBITDA ⁽²⁾	672	612	624	+2%
EBIT ⁽³⁾	526	466	474	+2%
Net profit	430	379	369	-3%

- (1) For comparability purposes data have been adjusted for one-off positive effect generated by the FPS during the pandemic (interrupted supplies from Middle and Far East to Europe) in the amount estimated at PLN 66 million of

sales revenue, PLN 60 million of EBITDA and EBIT, PLN 51 million of net profit (calculated based on the effective tax rate for 2020).

- (2) EBITDA – operating profit plus depreciation and amortisation.
- (3) EBIT – operating profit.

Capital expenditure planned for 2021 shall amount to PLN 284 million.

Net debt at the end of 2021 will be PLN 780 million.

The financial ratios shall be kept at safe level, as follows:

- net debt to EBITDA x 1.2,
- net debt to equity 50%.

The above financial results projection for 2021, which is cohesive with the Strategy till the year 2025 presented above, has not been audited by a statutory auditor and has been prepared based on a series of assumptions, expectations and forecasts and is, therefore, subject to the risk of uncertainty and may change due to both external and internal factors.

5. NON-FINANCIAL INFORMATION STATEMENT

5.1. About the statement

GRI 102.26, GRI 102-10, GRI 102-46, GRI 102-47, GRI 103-1, GRI 102-48, GRI 102-49, GRI 102-50, GRI 102-51, GRI 102-52, GRI 102-53, GRI 102 54, GRI 102-55

This Non-financial Information Statement ('Statement') has been prepared already for the sixth time. In preparing it, the Company was inspired by the GRI STANDARDS guidelines. The previous such disclosure was published in March 2020. The organisation reports a broader scope of data: the selected GRI indicators were supplemented with carbon footprint indicators and sustainable development indicators within the Strategy 2021-2025. Also the reporting area changed, by way of inclusion of foreign companies in this Statement. Now, all companies of the Capital Group are covered with the process of non-financial information disclosure.

Owing to the changed method of data presentation, i.e. from the breakdown into segments (in the years 2015-2019) to disclosure from the perspective of the Capital Group and Grupa Kęty S.A. (starting from the year 2020), the indicators for the Capital Group in reference to 2019 are not available. In order to maintain the transparency of data, which is a priority for us, we have provided explanation in the comments to the particular indicators.

The Company reports such information on annual basis, hence, the information contained herein refers to the calendar year 2020. The Company has not made any adjustments of the information presented in the previous statement.

When preparing the statement, the Company applied selected indicators proposed in the GRI STANDARDS. The statement was drawn up in collaboration with the internal project team, which featured many employees responsible for the particular aspects discussed in the statement, including HR, environmental protection, investor relations, CSR, sales, production, procurement, etc. The person supervising the process of preparing the Statement, as well as a contact person in relation to the Statement, is Ms Monika Sobczak, CSR Director at Grupa Kęty S.A.

In the current Statement we present our approach and description of policies applied in reference to social, employment, and natural environment issues, as well as corruption prevention and description of major risks related to the operations of the Capital Group of Grupa Kęty S.A.

In the Statement, we present our activities in 2020 and focus strongly on the newly announced Strategy 2021-2025, which is a lodestar for us as with regard to non-financial activities of the Company and the Capital Group for the subsequent 5 years.

Working with an external adviser as well as internal and external consultants contributed to the revision and update of major aspects in compliance with the challenges of sustainable development in the 21st century.

In the new Strategy, we refer to the major aspects of ESG (Environmental, Social and Corporate Governance).

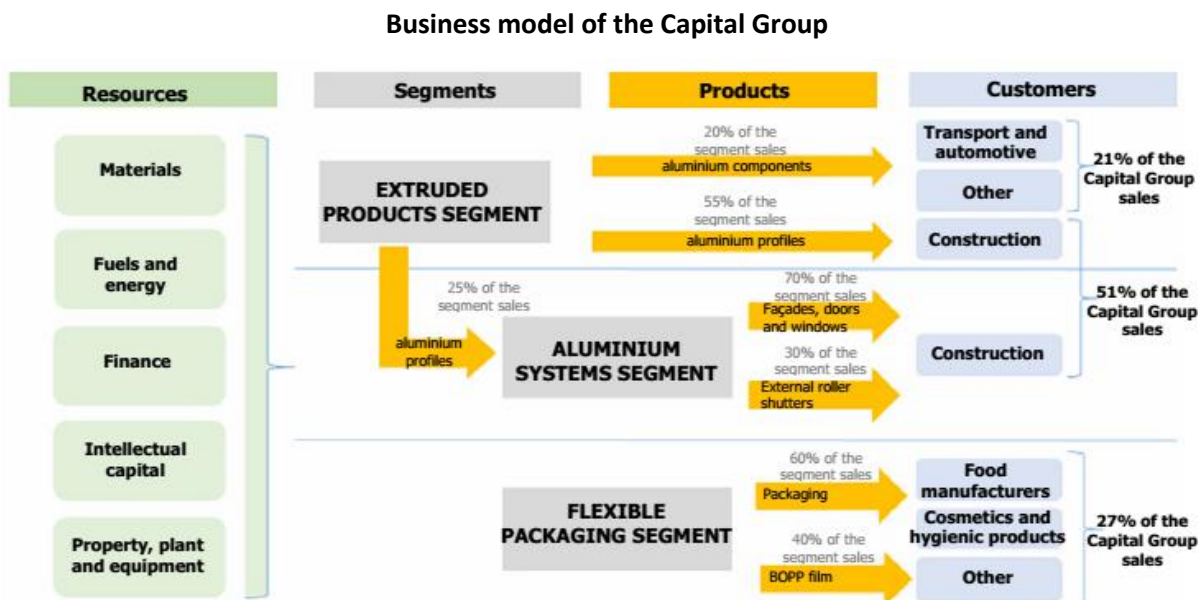
- E – for ENVIRONMENT – comprises ENVIRONMENTAL PROTECTION AND PREVENTION OF CLIMATE CHANGE, and specifically:
 - greenhouse gas emissions limitation;
 - development of the recycling processes and effective waste management in all areas of the organisation's operation;
 - innovativeness and development of products, services and processes compliant with the climate change challenges.
- S – for SOCIAL ENGAGEMENT – comprises in particular:
 - care for occupational health and safety;
 - employment attractiveness based on the image of an innovative sector and attraction of talents;
 - support of local communities;
 - care for the people threatened with social exclusion;
 - development of the idea of educating through sport, as a tool to extend the physical activity of children and youths and to prevent obesity – the 21st century disease.
- G – for GOVERNANCE – comprises in particular:
 - responsibility within the supply chain;
 - development of business and allocation of the generated profit among a broad group of stakeholders.

In the prior statements as well as in this Statement, we have referred our impact solely to the areas inside the Company. In the subsequent years, we wish to build the culture of co-responsibility for business practices with regard to occupational health and safety, human rights, ethics in business, care for the employees and local communities, and care for the natural environment at all stages of our operations.

The non-financial information area is managed by the Steering Committee for Sustainable Development and Corporate Social Responsibility, consisting of the Management Board of Grupa Kęty S.A., the Presidents of the Business Segments, the CSR Director and the Business Ethics Ombudsman.

The Statement has not been audited by an independent auditor.

5.2. Business model of the Capital Group



GRI 102-15

The business model of the Capital Group has been adjusted to the current market situation, however, in the opinion of the Management Board it is not going to change significantly in the event of the possible climate changes. This results from the fact that the Capital Group companies operate in areas which support the climate protection activities and circular economy. Both the Extruded Products Segment and the Aluminium Systems Segment found their offers on modern solutions based on aluminium, support carbon footprint reduction (reduction of emission by way of reducing the weight of vehicles and improving energy efficiency of buildings),

and also work for the increased waste recovery and re-use. As regards the Flexible Packaging Segment, thanks to the reduction of packaging weight and simplification of their structure, the recycling capacity is improved, which supports the strive for reducing the quantity of solid pollutants in the form of plastics and hardly-recyclable laminates.

This means that the strive for transformation of the European economy to the zero-emission model, may become a chance for development of the particular companies of the Capital Group. The opportunity results from the possible higher demand for aluminium elements in the automotive and transport sector (Extruded Products Segment) or architectural solutions (façade, door-and-window, and roller shutter systems), which support the energy efficiency of buildings.

Considering the data published by the European Commission regarding the construction sector, stating that buildings are responsible for about 40% of energy consumption and 36% of CO₂ emission in the European Union, and that roughly 35% of buildings in the EU are over 50 years old and nearly 75% of buildings are not energy efficient, it may be assumed that the idea of ecological building and the growing number of the existing buildings refurbishment process may potentially lead to significant energy savings, possibly reducing the total energy consumption in the EUR by 5-6% and CO₂ emission by ca. 5%.

New ecological buildings and increased renovation of the existing buildings will have a significant impact on human health and well-being.

We have observed demand on environmentally and user-friendly buildings, which are energy efficient, passive, durable and resistant to variable climate conditions – strong winds, intensive rainfalls, strong sunlight or droughts, and these factors represent a potential for the Aluminium Systems Segment.

Another area is the production of flexible packaging, which is now undergoing very important market changes resulting from the pressure on environmental protection, costs savings, food safety, as well as legislative changes. The strive to lower the impact on climate change results in the necessity of introducing new forms of laminates to the market, i.e. mono-structures characterised with lower weight and higher homogeneity. Packaging made of polypropylene or polyethylene films developed by Alupol Packaging are fit for recycling and fulfil the basic assumption of circular economy. Despite the observed pressure on plastic packaging, the position of such type of packaging is not threatened, which will continue at least in the coming few years owing to the fact that plastic-film-based packaging protect the packed food as no other packaging, extending the food shelf-life. That creates an opportunity for further development of the Flexible Packaging Segment.

5.3. Risk management in reference to social, occupational, and environmental issues, as well as respect for human rights and corruption prevention

The basic risks in non-financial area and their impact, as well as the measures used to mitigate the particular risks are presented in the table below.

Risk	Description	Potential impact	Risk-mitigating measures
Risk of extraordinary events caused by climate changes	The assets and the employees of the company may be exposed to a series of events of unforeseeable nature caused by growing climate changes, such as floods, extended heatwaves, droughts, whirlwinds, etc.	<ul style="list-style-type: none"> - loss of assets - higher costs of operation - temporary production suspension 	<ul style="list-style-type: none"> - transfer of a portion of risk to the insurer - diversification of the location of production plants
Risk of losing key employees	The success of the organisation depends on its employees. Therefore, the ability to retain skilled employees on key positions in all corporate areas is important for both current activities and growth prospects.	<ul style="list-style-type: none"> - higher costs resulting from lower work efficiency of new employees - additional costs of recruiting and training new employees 	<ul style="list-style-type: none"> - periodic assessment and evaluation of the respective positions and suitable remuneration policy - HR policy, including resource planning, development and training policy, competence management system, incentive system
Risk related to non-adjustment of the organisation to zero-emission economy	Missing or insufficient actions adjusting the companies of the Capital Group to the standards and regulations aimed at a shift to zero-emission economy	<ul style="list-style-type: none"> - loss of a portion of sales - necessity of incurring additional capital expenditures - higher costs of production 	<ul style="list-style-type: none"> - implementation of a system for monitoring direct and indirect greenhouse gas emissions and carbon footprint - actions aimed at greenhouse gas emission reduction and lowering of the products carbon footprint - analysis of the possibility to offset a part of own emissions - monitoring of legal regulations changes and analysis of the consequences of their introduction
Corruption risk	Accepting personal or material benefits by an employee or a group of employees. Proposing personal or material benefits in exchange for a decision or action beneficial to the company	<ul style="list-style-type: none"> - legal sanctions, including fines - higher costs of purchase - loss of customers or suppliers 	<ul style="list-style-type: none"> - internal procedures, including anti-corruption policy and purchasing procedures - internal controls and audits - opening of whistleblowing channels

Reputation risk related to a failure to respect human rights	Infringement of human rights within the organisation or the supply chain	<ul style="list-style-type: none"> - legal sanctions, including fines - loss of customers or suppliers 	<ul style="list-style-type: none"> - internal procedures, including the code of ethics, and policy of dignity at work - internal controls and audits - opening of whistleblowing channels - introduction of regulations in the supply chain enabling audits of the practices applied by the suppliers with regard to respecting human rights
Risk of direct and indirect emission of greenhouse gases and legal changes related to emission levels	The operation of the Group companies is related to a significant demand for electric energy and energy-intensive products. The necessity to change the source of energy used in the process of aluminium melting and heat treatment (natural gas) may result in higher costs of purchase owing to the use of mainly purchased heat originating from fossil fuels.	<ul style="list-style-type: none"> - inclusion in the European Emissions Trading System (EU ETS) may result in the costs of adjusting systems or purchasing CO₂ emission allowances on the market (lower production profitability) - administrative decisions limiting the scope of production - reputation risk 	<ul style="list-style-type: none"> - control of emissions and optimisation of natural gas combustion processes - implemented formal procedures of supervision of the greenhouse gases emission aspects - supervision and monitoring of the Capital Group emission sources - periodical tests of emission to air
Risk of emission to water, soil and air of any pollutants originating from the infrastructure, production and warehouse processes, or hazardous waste management	In the production process of the Group companies there are used hazardous substances and mixtures, which generates the risk of uncontrolled spill.	<ul style="list-style-type: none"> - administrative penalties - order to stop the production process - reputation risk 	<ul style="list-style-type: none"> - supervision of the legal requirements regarding failure prevention, or hazardous substances management - training in EHS and fire-safety in accordance with the schedule - supervision of infrastructure, particularly as regards efficiency maintenance of utilities systems, including air conditioning, as well as machines and plant using hazardous substances - current identification and assessment of the conditions of applying and approving for use of hazardous substances and mixtures - preparing workstations, machines, equipment and infrastructure in a manner which limits the possibility of a failure to the maximum - keeping equipment and employees in permanent readiness to react to emergency situations - determination and implementation of the principles of acting in crisis situations

5.4. Supply chain characteristics

GRI 102-9, GRI 204-1, 103 – 1,2,3 Management approach to the procurement practices aspect

Primary aluminium, aluminium scrap as well as semi-finished products based on aluminium (sheet aluminium and aluminium tape as well as billets made from aluminium and its alloys) are the basic raw materials used by the Capital Group. In the production of flexible packaging, the Group also uses various types of films and plastics granulates (polyethylene, polypropylene), printing paper, paints, adhesives and binders. The list of basic raw materials is supplemented with accessories and semi-products for the production of aluminium systems: fittings, weather strips, glazing, etc. Due to the necessity of maintaining high quality of production, the purchasing policy of the Group is based on cooperation with selected suppliers who guarantee proper standards. At the same time, diversification of suppliers has been assumed in order to secure supplies and maintain their competitiveness. Being aware of its impact on the environment, the Company has been trying, in the first place, to use the services of local or national suppliers. Unfortunately, due to the nature of the industry, it is possible only to a limited extent (aluminium scrap, paints, lacquers, thinners, granulate for plastic film production, and some accessories for systems production). Despite that, in 2020 the share of the purchases of materials originating from domestic suppliers grew to 36% from 34% in 2019, the suppliers from the other European countries represented about 57%, whereas roughly 7% were the supplies from other continents.

Owing to the fact that the supply chain is a major element impacting both the effects of the Group operations and its perception, one of the objectives set out in the Strategy for the years 2021–2025 is covering qualified suppliers with a set of rules, entitled the ‘Code of Conduct for the Suppliers of the Grupa KĘTY S.A. Capital Group’, which we all want to abide by, willing to cooperate in the spirit of respect and mutual trust.

5.5. Corporate Social Responsibility

GRI 102-12; GRI 102-13; GRI 102-14; GRI 102-26

‘We declare that within the Company operations we have made and will continue to make efforts to ensure the creation of a better society, retaining balance and protecting the environment.’ This is an excerpt from the Corporate Social Responsibility Policy of the Grupa Kęty S.A. Capital Group, which has been setting out the direction of our community involvement. The Corporate Social Responsibility Policy, respecting, promoting and developing the 10 Principles of the UN Global Compact, to which we are a signatory, as well as other CSR standards and processes determine the framework and horizons of our actions.

The Corporate Social Responsibility area, owing to its broad scope and our priority approach to the sustainable development affairs, is managed by the division of the CSR Director, whereas strategic decisions are made at the meetings of the Steering Committee for Sustainable Development and Corporate Social Responsibility.

Year 2020 brought about an unexpected and unforeseen social and economic situation, with regard to COVID-19 pandemic.

The Capital Group of Grupa Kęty S.A. focused on priority securing of the health and safety of its employees, protection of workplaces and proper functioning of the company.

At all companies, within internal activities, a series of security procedures and preventive measures were applied. Remote working solutions were introduced as far as possible. All employees were provided with hands disinfectants, workplaces sanitization agents, and protective masks. Also temperature measurement was made available, spraying of disinfectants in the common office parts and production halls were introduced, as well as division of organisational units into safety zones in order limit contacts among the employees to the absolute minimum.

These measures were introduced with the thought of employees protection. The Capital Group maintained workplaces without financial limitations for the employees, increasing headcount by 2% compared to the year 2019 (as at the end of 2020 and 2019).

The group engaged in supporting healthcare services in fighting coronavirus. The Capital Group of Grupa Kęty S.A. donated PLN 660,000 to the local hospitals and emergency service (including PLN 260,000 donated by Grupa KĘTY S.A.). Moreover, Aluporof S.A. manufactured and donated over 10,000 visors.


In 2020, we prepared and published the Strategy for the years 2021–2025, in which, for the first time ever, the Company parametrised and presented its commitment in the Environmental, Social and Corporate Governance (ESG) area in the form of sustainable development goals, which comprises the impact on the environment, safety and development of the employees, responsibility within the supply chain and engagement in local communities among the key elements of the strategy performance.

Preparing ourselves to such approach and including some major aspects in the new strategy, we had analysed the previous directions of the Capital Group engagement, verifying their effectiveness, and qualified them to the specific sustainable development goals. We had taken into account new challenges, including those related to climate changes, respecting human rights, and responsibility within the supply chain. We had focused on the expectations of the employees, one of the leading stakeholders of our organisation. We had analysed our impacts and risk, and strived to follow towards the Mission, Vision and Values, which are of paramount importance to us.

Taking into account the business specifics of the Kęty Capital Group, and the consequently followed path of the assumed CSR Policy, the focus on 10 principles of the Global Compact of which Grupa Kęty S.A. is a signatory, as well as segment consultations, we have selected and declared engagement and activities for the support of sustainable development goals.




We set out specific quantitative and qualitative objectives for ourselves, to be achieved within the Strategy period. Each of them is presented separately in the dedicated chapters.




ENVIRONMENTAL PROTECTION AND CLIMATE CHANGE PREVENTION


Our ambition is to strive for climate neutrality in 2050.




Reduction by 15% of the value of greenhouse gas emissions per production unit (scope 1 and 2; base year 2016)




Increase **to 75% of the share** of aluminium scrap in the products made of soft alloys, extruded from low-emission LOW CARBON KETY billets



Growth of the share of the manufactured packaging films and laminates fit for recycling by 5%



Growth of the share of aluminium systems in certified, energy-saving, passive projects by 20%




SOCIAL ENGAGEMENT

Our ambition is to strive for elimination of serious or fatal accidents and creating a safe working environment (zero accidents)



We have an ambition to support local communities

We have an ambition to create and develop a team of engaged and professional employees

		
Reduction of the Total Recordable Incident Rate (TRIR), defined as the number of injuries per 100 workers, to less than 1 in the area of occupational health and safety	Performance of 150 projects for local communities within the 'Together with the Group' voluntary actions and grants programme	Decrease of the staff rotation level by 5% year over year



RESPONSIBLE BUSINESS

<p>We hope to develop business and share the generated profit with a broad group of stakeholders</p> 	<p>Our ambition is to respect human rights, prevent corruption and carry out a responsible environmental policy within the broad chain of supply</p> 
<p>We wish to maintain stable dividend policy by the year 2025 (at the level of 60–100% of consolidated net profit)</p>	<p>Our objective by 2025 is to cover 100% of suppliers with the principles resulting from the Suppliers Code of Conduct</p>

5.6. Stakeholders

GRI 102-40; GRI 102-42; GRI 102-43; GRI 102-44

Each organisation with aware approach to management is focused on broad dialogue and feedback from the stakeholders as regards its actions, investments made, or products marketed. Our organisation focuses on main stakeholders: employees, customers, suppliers, shareholders and supervisory authorities, namely the groups which have the greatest impact on the creation of the business value of the organisation. The table below presents the individual groups of stakeholders and the method of communicating with them:

Stakeholders map of Grupa Kęty S.A.	Communication method	Frequency (minimum)	Key topics raised by stakeholders
Employees	Intranet, <i>Aluway Express</i> newsletter, notice boards, periodical meetings with managers, team-building meetings	On an ongoing basis	Safety at work, payroll policy, additional processes and supporting programmes, social projects
Customers	Face-to-face meetings, newsletters, telephone calls, trade fairs	On an ongoing basis	Quality of products and services, product innovation, R&D activities, production safety, social projects
Shareholders and potential shareholders	Face-to-face meetings, General Meetings, stock-exchange disclosures, website: www.grupakety.com	Annually or more frequently, as needed by the particular groups of stakeholders	Dividend policy, corporate governance, development strategy, current activities of the company
Suppliers	Face-to-face meetings, telephone calls, trade fairs	On an ongoing basis	Transparent terms of cooperation, codes of ethics
Supervisory Board	Face-to-face meetings, stock-exchange disclosures	On a quarterly basis	Risk management, corporate governance, development strategy, company current activities
Polish Financial Supervision Authority	Announcements, face-to-face meetings	On an ongoing basis	Compliance with legal regulations

Warsaw Stock Exchange	Announcements, face-to-face meetings	On an ongoing basis	Compliance with legal regulations, corporate governance principles
Local authorities	Face-to-face meetings	Once in 6 months	Supporting local initiatives, development of the local labour market
Local communities	Participation in local sports and social events, face-to-face meetings, e.g. with the educators from children's homes	Annually or more frequently, as needed by the particular groups of stakeholders	Supporting local initiatives, support for children from children's homes, sports development
Issuers organisations	Participation in the works of the Polish Association of Listed Companies	On an ongoing basis	Corporate governance principles
Business organisations	Membership of and engagement in selected business organisations	On an ongoing basis	Engagement in joint projects
Mass media	Press conferences, face-to-face meetings	On an ongoing basis	Current activities of the company, company strategy
Competitors	Trade fairs, industry meetings	On an ongoing basis	Market conditions, business environment, business issues
In-house trade unions	Face-to-face meetings	Once in 6 months or more frequently, as needed by the stakeholders	Working conditions, current activities of the company, company strategy

Running business compliant with the current activities of the Capital Group companies is based on constant, broadly understood dialogue. The dialogue is simply the day-to-day life of the organisation – everyday work, business and team-building meetings, telephone calls. Our business plans, new products, development plans of our organisation and our impact on local communities and environment are confronted with the stakeholders' expectations. Stakeholders, among other groups of people, affect the company development directives. This happens by changes in legal requirements, the needs of new employee generations, or challenges posed by the care for climate issues. Processes are constantly adjusted to the challenges the business faces in the 21st century. We strive for introducing climate-friendly solutions, caring for the business culture and strongly emphasising human rights in the contemporary world.

The Grupa Kęty S.A. Capital Group maintains high standards of communication. For years now, the Company has been perceived by market participants as a recognised brand and a credible partner. The Company's social activities are reported on external portals such as www.grupakety.com/odpowiedzialny_biznes; www.dzicipodbeskidzia.pl; and on the Facebook page of the 'Grupa Kęty for the Children of the Podbeskidzie Region' Foundation. Grupa Kęty has a Facebook account, a LinkedIn account and a dedicated Youtube channel. Ongoing communication with the employees is maintained through meetings, the Intranet, newsletters and notice boards.

The Company actively supports and engages in local initiatives together with other companies and the local community, creating the future of the region. Each year, the reporting process is consulted on an ongoing basis with the selected groups of stakeholders.

An important process was the development of the Strategy for the years 2021–2025. Engaged in preparing it was a broad group of stakeholders, including employees, local communities (by way of consultations), and supervisory authorities.

5.7. Professionalism and Ethics

GRI 102-16, GRI 102-17, GRI 103-2, GRI 103-1,2,3 as regards 'Labour Practices Grievance Mechanisms' and 'Human Rights Grievance Mechanisms',

GRI 205-2, GRI 415-1, GC Principles 1, 2, 3, 5, 7, 8, 10

The Capital Group of Grupa Kęty S.A. runs business in accordance with the highest ethical standards, following a developed system of values based on professionalism, ethics and mutual respect.

The ethical processes at our organisation have been constantly developed. The changing business culture, increased standards with regard to respecting human rights or corruption prevention obliged the Capital Group of Grupa Kęty S.A. to apply even higher diligence with regard to building professional and ethical business.

The ethical issues fall within the competence of the CSR area. The Business Ethics Ombudsman and the CSR Director submit to the Steering Committee for Sustainable Development and Corporate Social Responsibility their proposals of actions for the popularisation of the Code of Ethics and corporate culture, based on ethics and respect for the generally assumed values, as well as initiate and participate in the process of creating training schemes in the areas related to ethics and the organisational culture of the Capital Group of Grupa KĘTY S.A.

The ethical processes monitoring structure remained virtually unchanged as compared to 2019. In 2019, Business Ethics Committees operated within the business segments (appointed by Grupa Kęty S.A., Aluprof S.A., Alupol Packaging S.A.) as well as the Business Ethics Ombudsman on the Capital Group Level, making it the total of 16 people.

The work of Business Ethics Ombudsman at the Grupa KĘTY S.A. Capital Group as well as participation in the work of the Business Ethics Committees are functions performed free of charge for the sake of the employees.

In 2020, the Company revised the Code of Ethics document, i.e. the Principles of Business Ethics and Conduct at the Capital Group of Grupa Kęty S.A., which along with the detailed policies including Anti-bribery Policy, Conflict of Interest Prevention Policy, Dignity at Work Policy, and Diversity Policy, is a superior document of the Company regulating the ethical issues and, at the same time, a collection of values and moral standards followed by our organisation and our employees.

In effect, the Business Ethics Committee By-law was updated, as well as the Code of Ethics provisions with regard to contractors verification.

Continuing the ongoing process of ethical education, on International Anti-Corruption Day (9 December), the company prepared an original training in legal liability and documents binding at the organisation. The training was directed to the managerial staff and other participants of corruption-sensitive processes. In 2020, 29 employees took part in the training. Owing to the time of launching (December 2020), the final number of people trained in that regard will be disclosed in the report for 2021.

In the new Strategy for the years 2021–2025, prepared and announced in 2020, we had put great emphasis on the environmental and climate-change prevention aspects. ‘We assume full responsibility for the influence of our actions on the environment. We abide by the ecological limitations imposed by legal regulations. We concentrate on searching for solutions, which eliminate the negative impact at its source. We invest in research and development as well as searching for environmentally-friendly technologies’, this is one of the clauses of our Code of Ethics. In Chapter 5.10, we present our commitments and actions taken for the protection of the natural environment.

In the new Strategy, we had also put emphasis on a broader impact of the Grupa Kęty S.A. Capital Group within the responsibility in the supply chain. The organisation has commenced work on the document entitled the ‘Code of Conduct for the Suppliers of the Grupa KĘTY S.A. Capital Group’. The code specifies the most significant requirements for the suppliers of the Capital Group of Grupa Kęty S.A. with regard to running ethical and honest activities, ensuring safe and hygienic working conditions, respecting human rights, assuming liability for the quality of products and for the natural environment.

The provisions of the Code of Ethics binding at the Capital Group reflect a method for reporting official breaches and a possibility to share any doubts regarding behaviour – messages may be submitted through a number of channels: directly to the Business Ethics Ombudsman, in the form of a letter, or e-mail sent to a special e-mail address – all these channels are listed in the Code of Ethics. The Company does not operate any separate helplines or hotlines, but there is an electronic channel enabling direct contact between the employees and the appointed Member of the Management Board.

In 2020 the Business Ethics Ombudsman received no reports on the Code of Ethics violations with regard to human rights infringement.

The Code of Ethics clearly defines and governs the organisation’s approach to the participation in public life, namely: ‘We maintain transparent relations with local government officials and representatives of the political stage, free from corruption and improper pressures’. In 2020, the Company did not make any donations to political parties.

5.8. The Company and its employees

GRI 103-1,2,3 as regards 'Employment'

HUMAN RESOURCES POLICY

The Capital Group of Grupa Kęty S.A. has implemented a joint model of human resources managing, defined in the HR Policy, and supplemented by conduct procedures and rules.

Key elements for the performance of business objectives are the knowledge, skills and experience of the employees. So, the way to success leads through preparing an interesting offer for the candidates, employing people with adequate competences, and subsequently providing the employees with safe, good and competitive working conditions and development opportunities.

The recruitment processes are carried out in a transparent manner, by way of precise determination of requirements with regard to competence, forwarding the offer to the employees, which contributes to development within the organisation, as well as compliance with high ethical standards, including respect for equal treatment in employment. The purpose of recruitment is the employment of highly qualified people, not only at the specific moment but also within the future perspective. This means, among other things, that we invite to our organisation people with extensive professional experience but also candidates interested in intensive development. We spend time and resources for both parties to achieve success.

The basic form of employment at the Group companies are employment contracts, among which over 80% is represented by contracts for unlimited term.

Providing the employees with competitive employment conditions requires implementation of various actions or initiatives, and searching for solutions that meet the employees' needs. This is particularly important with regard to ensuring continuity of knowledge and experience among key employees.

The basis for that is remuneration. The value depends on the job valuation and is specified in pay ranges disclosed in the Remuneration Rules or Collective Bargaining Agreements. Every year we carry out a pay-scale review based on market reports in that regard.

Individual remuneration is granted adequately to the scope of duties, responsibility, skills and the results achieved. Those who manage teams of people avail of incentive and bonus fund as well as other forms of award. The companies also maintain the Corporate Social Benefits Funds, within which various form of support are provided. Striving for the attractiveness of the work offer, we have introduced additional benefits. The scope of the benefits is differentiated depending on the company, but generally includes medical care, pension schemes, multisport cards, lunch vouchers. This year, one of the companies introduced additional holiday leave days as a function of the years of service at the Group.

Jobs are designed such as to prompt the professional development path. Moreover, companies offer the possibility of promotion in other departments or divisions, or at other companies of the Group.

Regardless of the differences in operating activities, all companies follow the universal principles, which define the nature of relationship between the employer and the employee. These include respect for diversity, ensuring equal opportunities, and mutual respect. The principles are included in the Code of Ethics and are reflected in the definition of each process.

In the Strategy for the years 2021–2025, considering the priority of providing safe workplaces as well as development of the employees and the organisation, the Capital Group assumed commitments and specific objectives in that regard.

The effects of our actions with regard to building safe work environment will be measured with the Total Recordable Incident Rate (TRIR), i.e. the number of injuries per 100 workers. By 2025, we wish to reach the level below 1 at all companies of the Group. In 2020, the average for the Group companies was 0.9. At four companies, we had recorded results exceeding the assumed level and, therefore, the most intensive work related to limiting the risk of accidents will be carried out there.

Further, we wish to measure the effects of our work within the broadly understood HR policy with the staff rotation ratio (i.e. the number of employees leaving the company to the average headcount), reducing it by 5% y/y.

In 2020, the average for the Capital Group was 5.3. At many companies rotation is recorded at natural level, which means that many leaves are related to retirement (retirement or disability benefits). Our activities are focused mainly at two companies in Poland and two foreign companies, where the ratio exceeded 10 in 2020.

GRI 103-1,2,3 as regards 'Non-discrimination'; GRI 405-1, GRI 405-2, GRI 406-1; GRI 103 -1,2,3 as regards 'Diversity and Equal Opportunity'

DIVERSITY POLICY – ENSURING EQUAL OPPORTUNITIES

The companies of the Capital Group comply with the commitments set out in the Diversity Policy and the Policy of Dignity at Work. The declarations included therein are reflected in the performance of all processes in the human resources management area.

The most important element of the Policies is respect reflected in mutual relations and respect for diversity.

Such activities are to raise the feeling of safety in the place of work, both in physical and mental dimensions, ensuring equal opportunities and prevention of unwanted phenomena, such as discrimination with regard to gender, age, disability, health, race, nationality, ethnic origin, religion, denomination, atheism, political views, trade union affiliation, sexual orientation, gender identity, family status, lifestyle, the form, scope and basis of employment, other types of cooperation or other discriminatory grounds.

One of the areas which is subject to analysis in the context of respecting diversity is a report on the management staff with a breakdown into gender, age and seniority.

2020	executives, including Management Board	women	men	up to 40 years	41–50 years	over 50 years	seniority at the Group up to 10 years	seniority at the Group of 11–20 years	seniority at the Group over 20 years
Capital Group	87	14	73	14	52	21	32	37	18
including									
companies located in Poland	64	9	55	10	39	15	19	30	15
other locations	23	5	18	4	13	6	13	7	3
Grupa Kęty S.A.	21	3	18	1	17	3	5	10	6
2019	executives, including Management Board	women	men	up to 40 years	41–50 years	over 50 years	seniority at the Group up to 10 years	seniority at the Group of 11–20 years	seniority at the Group over 20 years
Grupa Kęty S.A.	23	3	20	3	19	1	4	8	11

At the Group companies, the remuneration of the employees within the particular professional groups are verified with the provisions of internal rules and benchmarked against the market data. Also analysed is the average level of remuneration of women, in relation to the average remuneration of men, in the context of 6 professional groups. As specified in the reports drawn up, the remuneration of women represents the average of 84% of the remuneration of men. We have tested the selected cases and, mostly, the differences result from the size of the respective company, the scope of responsibility or the number of subordinated employees, as well as seniority.

The structure of remuneration shall be monitored by the Group companies in the context of ensuring equal opportunities and prevention of discrimination, among other things.

	Group of jobs	Deviation rate in 2019	Deviation rate in 2020
Capital Group	executive officer	no data	69%
	director	no data	80%
	manager	no data	99%
	specialist	no data	79%
	foreman	no data	94%
	production area, worker	no data	86%
including			
companies located in Poland	executive officer	no data	61%
	director	no data	95%
	manager	no data	99%
	specialist	no data	79%

	foreman	no data	94%
	production area, worker	no data	87%
other locations			
	executive officer	no data	85%
	director	no data	55%
	manager	no data	98%
	specialist	no data	77%
	foreman	no data	90%
	production area, worker	no data	82%
Grupa Kęty S.A.			
	executive officer	0%	0%
	director	83%	80%
	manager	87%	86%
	specialist	82%	80%
	foreman	0%	0%
	production area, worker	86%	85%

Grupa Kęty S.A. has not developed or applied any diversity policy with regard to the Company managing and supervisory bodies. The Company has not ensured a balanced proportion of men and women within the Management and Supervisory Boards. The four-person Management Board consists of men only. In the six-person Supervisory Board of the 11th term, i.e. starting from 20 August 2020, there is one woman.

The Members of the Management Board were appointed by the Supervisory Board, whereas two members were selected at the request of the President of the Management Board, and one of the Members of the Management Board was selected directly by the Supervisory Board (following the amendment of the Company Articles of Association).

The Supervisory Board Members were appointed by the General Meeting from among the candidates proposed by the Company shareholders.

To the best knowledge of the Company Management Board, the appointment of the Management and Supervisory Board Members was based on their subject-matter knowledge, competencies and experience, and has not been discriminating in any manner with regard to gender, type of education or age.

In 2020 there were no cases of the Code of Ethics violation reported at the Capital Group, particularly with regard to dignity at work.

GRI 102-8

As at the end of December 2020, the headcount on the basis of employment contracts at the Capital Group companies equalled 5,322 people (except for replacement contracts, specific work contracts, agency contracts or other – complete data in the table below). This means 2% growth compared to 2019.

There are 595 people employed by foreign companies, which means 7% less than in the preceding year. Whereas, at the companies located in Poland the headcount increased by 4%, i.e. from 4,559 to 4,727.

Among those employed based on employment contracts 29% was represented by women in December 2020. Most of the contracts are signed for unlimited term (81%), 17% are contracts for limited term, and 2% are contracts for trial period.

The first contract signed with the company has a 3-month trial term. Owing to the fact that in such a short period it is difficult to assess the skills and potential of an employee, we have planned to extend the trial term and, therefore, specific term contracts are signed. Specific-term contracts do not exceed the maximum time of work provided by law, i.e. 33 months.

Owing to the production profile of the Group companies, 72% of people are working on blue-collar positions, and 25% of people on white-collar positions. The management staff represents 3%.

The headcount broken down by gender, age, type of position or employment contract is presented in the following tables.

Headcount by gender

2020	Gender	trial period contracts	permanent contracts	limited period contracts	replacement contract	specific task contracts	agency contracts	other contracts	TOTAL	
Capital Group	Total	131	890	4,301	0	1	16	7	5,346	
	Women	45	316	1,193	0	0	4	3	1,561	
	Men	86	574	3,108	0	1	12	4	3,785	
	including									
	companies located in Poland	Total	127	879	3,721	0	1	11	6	4,745
	Women	44	314	975	0	0	3	2	1,338	
	Men	83	565	2,746	0	1	8	4	3,407	
	other locations	Total	4	11	580	0	0	5	1	601
	Women	1	2	218	0	0	1	1	223	
	Men	3	9	362	0	0	4	0	378	
	Grupa Kęty S.A.	Total	6	142	1,205	0	1	0	0	1,354
	Women	1	48	297	0	0	0	0	0	346
Men	5	94	908	0	1	0	0	0	1,008	

2019	Gender	trial period contracts	permanent contracts	limited period contracts	replacement contract	specific task contracts	agency contracts	other contracts	TOTAL
Grupa Kęty S.A.	Total	1	192	1,175	0	0	2	0	1,370
Women	0	68	278	0	0	0	1	0	347
Men	1	124	897	0	0	0	1	0	1,023

Headcount by type of position

2020		women	men	trial period contracts	permanent contracts	limited period contracts	replacement contract	specific task contracts	agency contracts	other contracts	temporary employees
Capital Group	total	1554	3768	131	890	4301	0	0	17	7	326
	management staff	39	146	1	4	180	0	0	7	6	0
	other white-collar staff	608	717	27	164	1,134	0	0	7	1	2
	blue-collar workers	907	2,905	103	722	2,987	0	0	3	0	324
including											
companies located in Poland	total	1,333	3,394	127	879	3,721	0	0	12	6	306
	management staff	29	118	1	1	145	0	0	2	6	0
	other white-collar staff	544	608	24	157	971	0	0	7	0	0
	blue-collar workers	760	2,668	102	721	2,605	0	0	3	0	306
other locations	total	221	374	4	11	580	0	0	5	1	20
	management staff	10	28	0	3	35	0	0	5	0	0
	other white-collar staff	64	109	3	7	163	0	0	0	1	2
	blue-collar workers	147	237	1	1	382	0	0	0	0	18
Grupa Kęty S.A.	total	346	1,007	6	142	1,205	0	0	1	0	0
	management	8	39	0	0	47	0	0	0	0	0

		staff									
		other white-collar staff	blue-collar workers	trial period contracts	permanent contracts	limited period contracts	replacement contract	specific task contracts	mandate contracts	other contracts	temporary employees
2019		123	172	1	25	269	0	0	0	0	0
		215	796	5	117	889	0	0	1	0	0
	Grupa Kęty S.A.	total	346	1,022	1	192	1,175	0	0	2	0
	management staff	8	40	0	0	48	0	0	0	0	0
	other white-collar staff	123	175	0	33	265	0	0	2	0	0
	blue-collar workers	215	807	1	159	862	0	0	0	0	0

Headcount by age

2020		age group	men	women	blue-collar workers	white-collar staff	men	women	blue-collar workers	white-collar staff
Capital Group	total	3,768	1,554	3,821	1,501	71%	29%	72%	28%	
	up to 30 years	805	309	857	257	15%	6%	16%	5%	
	30–50 years	2,228	969	2,167	1,030	42%	18%	41%	19%	
	more than 50 years	735	276	797	214	14%	5%	15%	4%	
including companies located in Poland	total	3,394	1,333	3,428	1,299	72%	28%	73%	27%	
	up to 30 years	751	285	796	240	16%	6%	17%	5%	
	30–50 years	2,003	830	1,936	897	42%	18%	41%	19%	
	more than 50 years	640	218	696	162	14%	5%	15%	3%	
other locations	total	374	221	393	202	63%	37%	66%	34%	
	up to 30 years	54	24	61	17	9%	4%	10%	3%	
	30–50 years	225	139	231	133	38%	23%	39%	22%	
	more than 50 years	95	58	101	52	16%	10%	17%	9%	
Grupa Kęty S.A.	total	1,007	346	1,011	342	74%	26%	75%	25%	
	up to 30 years	164	47	173	38	12%	3%	13%	3%	
	30–50 years	614	232	596	250	45%	17%	44%	18%	
	more than 50 years	229	67	242	54	17%	5%	18%	4%	
2019		age group	men	women	blue-collar workers	white-collar staff	men	women	blue-collar workers	white-collar staff
Grupa Kęty S.A.	total	1,022	346	1,022	346	75%	25%	75%	25%	
	up to 30 years	179	51	191	39	13%	4%	14%	3%	
	30–50 years	626	231	604	253	46%	17%	44%	18%	
	more than 50 years	217	64	227	54	16%	5%	17%	4%	

60% of employees were aged between 30 and 50. Employees aged up to 30 years represent 21% of headcount, whereas employees over 50 years of age – 19% of headcount.

Within the age structure, the largest group of man are aged between 30 and 50. The lowest number is recorded for women aged over 50 years, i.e. 5%.

GRI 401-1, GRI 531-1

In 2020, the companies of the Group were joined by 654 people, including 31% of women.

Each employee brings new knowledge to the organisation, as well as a different point of view and experience. Thanks to that there is a possibility to view the pending processes from another perspective, stepping out of routine and improving work. In our Strategy we included the ambition to build a professional and engaged team of employees and create an image of an attractive employer within the sector, and to concentrate on searching for and attracting talents to the organisation. Each employee is treated individually and with due care. Human resources represent an extraordinary asset of our organisation.

In the discussed period, 505 employees left the Company. Among that group 30% were aged up to 30 years, and 7% were aged above 60.

We wish to measure the broadly understood HR policy and, what follows, the perception of the Capital Group on the labour market, by the rotation ratio reduction by 5% y/y, as assumed in the Strategy. We expect that the measures implemented with regard to ensuring decent working conditions will enable us to build the common success of the organisation.

New employees by gender and age

2020	gender	up to 30 years	31-40 years	41-50 years	51-60 years	over 60 years
Capital Group	total	310	172	128	35	9
	women	89	52	47	12	2
	men	221	120	81	23	7
including companies located in Poland	total	298	156	118	29	9
	women	86	47	43	10	2
	men	212	109	75	19	7
other locations	total	12	16	10	6	0
	women	3	5	4	2	0
	men	9	11	6	4	0
Grupa Kęty S.A.	total	27	8	7	1	1
	women	8	2	2	0	1
	men	19	6	5	1	0

2019	gender	up to 30 years	31-40 years	41-50 years	51-60 years	over 60 years
Grupa Kęty S.A.	total	23	23	10	3	0
	women	9	12	5	1	0
	men	14	11	5	2	0

Employees with whom employment contacts were terminated, broken down by gender

2020	gender	up to 30 years	31-40 years	41-50 years	51-60 years	over 60 years	
Capital Group	total	198	123	100	38	46	
	women	52	34	40	18	8	
	men	146	89	60	20	38	
including companies located in Poland	total	179	108	82	22	43	
	women	44	27	29	10	6	
	men	135	81	53	12	37	
other locations	total	19	15	18	16	3	
	women	8	7	11	8	2	
	men	11	8	7	8	1	
Grupa Kęty S.A.	total	10	8	11	6	15	
	women	2	3	3	1	3	
	men	8	5	8	5	12	
2019	gender	up to 30 years	31-40 years	41-50 years	51-60 years	over 60 years	
	Grupa Kęty S.A.	total	33	31	10	7	16
		women	4	10	1	4	4
men		29	21	9	3	12	

GRI 401-2

Twelve companies of the Capital Group offer additional pension plans to their employees within the so called third pillar. In Poland it is the ‘Pogodna Przyszłość’ plan, which covers all employees with at least one year of service. In 2020, 40% of employees availed of the plan within the said 12 companies.

At 10 companies there are additional pension funds. In the second half of 2019, the companies in Poland launched a new pension plan, based on the Act on Employee Capital Plans (PPK) passed by the Parliament on 4 October 2018 and binding since 1 January 2019. The payments to the PPK account come from the employer, the employee, and the state. As at 31 December 2020, 38% of the employees of the companies that implemented the plan availed of the PPK accounts.

2020	Number of eligible employees	Number of insured employees	Percent of insured to total headcount
Capital Group			
Employee Pension Schemes (e.g. PPE)		2,147	40%
Employee Capital Plans (PPK)	5,035	1,912	38%
including			
<i>companies located in Poland</i>			
Employee Pension Schemes (e.g. PPE)		2,092	44%
Employee Capital Plans (PPK)	4,687	1,687	36%
<i>other locations</i>			
Employee Pension Schemes (e.g. PPE)		55	9%
Employee Capital Plans (PPK)	348	225	38%
Grupa Kęty S.A.			
Employee Pension Schemes (e.g. PPE)		1,133	89%
Employee Capital Plans (PPK)	1,345	614	45%
2019	Number of eligible employees	Number of insured employees	Percent of insured to total headcount
Grupa Kęty S.A.			
Employee Pension Schemes (e.g. PPE)		1,181	86%
Employee Capital Plans (PPK)	1,368	594	43%

GRI 102-41

Regulations applicable to work rules, remuneration, incentive fund, and corporate social benefits fund describe in detail the conditions that must be met to obtain the respective benefits at the Capital Group. Only Grupa Kęty S.A. has its Corporate Collective Bargaining Agreement, which applies to all employees of the Company, i.e. 100% of its workforce. The Agreement is a form of cooperation between the employer and trade unions, which represents the employees’ interests.

GRI 402-1

Pursuant to the Trade Unions Act, the employer informs trade unions about any matters falling within their powers, in accordance with the deadlines laid down in the Act.

GRI 404-1, GRI 103-1,2,3 as regards ‘Training and Education’

DEVELOPMENT OF THE ORGANISATION’S INTELLECTUAL POTENTIAL

In raising qualifications the employees are supported with courses, training schemes and instructions. Many of them are aimed at the improvement of occupational health and safety or are a condition for the proper performance of work, other enable the extension of knowledge and skills needed in the fulfilment of the employees’ own professional ambitions. For the purpose of implementation of the assumed strategies, courses and training schemes are available to all the employees or only to those at specific positions. This is organised in various forms: external and internal training courses, either in traditional lecture or workshop form, or by way of e-learning. The subjects cover engineering issues as well as soft skills. In 2020, with regard to the health and safety of the employees, many training courses were cancelled or postponed, particularly those in the form of conferences or external speciality training. This is the reason for the difference in the number of hours per employee compared to 2019.

Staff development is also supported with the process of periodical assessment. Owing to the necessity of limiting contacts due to the pandemic, the assessment meetings were not held in 2020.

Number of trained employees by gender

2020	gender	training participants	training hours	number of training hours per employee	
Capital Group	total	4,300	27,932	5.2	
	women	1,092	7,098	4.6	
	men	3,208	20,835	5.5	
	including companies located in Poland	total	3,199	22,968	4.9
	women	668	4,957	3.7	
	men	2,531	18,012	5.3	
other locations	total	1,101	4,964	8.3	
	women	424	2,141	9.7	
	men	677	2,823	7.5	
Grupa Kęty S.A.	total	710	10,050	7.4	
	women	166	1,966	5.7	
	men	544	8,084	8.0	
2019	gender	training participants	training hours	number of training hours per employee	
Grupa Kęty S.A.	total	399	8,467	21.2	
	women	92	1,410	15.3	
	men	307	7,057	23.0	

The area of employee development is regulated by procedures such as Staff Development, Training, Competence Management System, Periodical Assessment, Language Competence or Management by Objectives. In practice, it is a broader scope, because each day spent at the company contributes to gaining experience and knowledge, not only in a systematic way, but in the form of daily contacts and exchange of thoughts.

GRI 403-9, GRI 103-1,2,3 as regards 'Occupational Health and Safety'

OCCUPATIONAL HEALTH AND SAFETY

The companies of the Capital Group of Grupa Kęty S.A. have implemented OHS policies compliant with the legal regulations, adequately to the conditions present at the plants, as well as the principles resulting from industry standards.

In the area of safety, preventive measures are of key importance, as they contribute to risk mitigation. These include instructions and the principles of performance and supervision of works, training and instruction for the employees, suggestions systems, and actions aimed at hazards identification and risk assessment. Safety is also monitored in the form of audits.

The area management systems at the Capital Group companies comply with the regulations binding in the respective country. At the companies located in Poland, there are appointed persons responsible for the system or for the particular areas. Teams are appointed to analyse the situation and incidents on a current basis and to identify hazards.

Team managers are responsible for the organisation of workplaces in accordance with the regulations, considering protection of employees against accidents at work or occupational diseases, and enforcement of OHS principles abiding by the employees.

Efficient management of the area is possible thanks to procedures defining the paths of conduct in the particular situation, as well as assigning accountability.

As regards safety procedures, many changes and new flow charts were implemented in 2020 due to the hazards resulting from the pandemic. There were appointed special crisis teams, and expenditures on OHS measures increased. Also regulated were the principles of attendance at internal and external meetings. Door knobs, rails or, in need, the whole rooms have been disinfected on a current basis.

External contacts, such as recruitment, training, language courses, except for the situations where that is not possible, have been transferred to communication platforms.

Before the pandemic occurrence, remote work had been used at the company, but in 2020 the scale of the work was definitely increased.

Grupa Kęty S.A. has appointed a team of OHS specialists responsible for monitoring the work environment. In addition, the managers of the particular organisational units appoint teams under their leadership composed of the Corporate OHS Officer, Employee Representative, Shift Foreman and other specialists, as appropriate, who:

- identify hazards that the employees and contract workers as well as visitors and other people in the workplace may face in a particular job or in a given area of the Company;

- indicate the sources of hazards and the possible effects of such hazards;
- estimate the occupational risk;
- suggest preventative measures aimed at reducing or eradicating occupational risks.

As a result of such measures, the occupational risk for a given job is assessed.

All of the Company employees are subject to the activities of teams responsible for safety at work.

Accidents at work – persons injured by age groups

2020	age group	number of people
Capital Group	total	51
	up to 30 years	9
	30–50 years	34
	more than 50 years	8
including		
companies located in Poland	total	45
	up to 30 years	8
	30–50 years	29
	more than 50 years	8
other locations	total	6
	up to 30 years	1
	30–50 years	5
	more than 50 years	0
Grupa Kęty S.A.	total	8
	up to 30 years	2
	30–50 years	4
	more than 50 years	2
2019	age group	number of people
Grupa Kęty S.A.	total	17
	up to 30 years	2
	30–50 years	9
	more than 50 years	6

Accidents at work – persons injured by gender

2020	gender	number of people
Capital Group	total	51
	women	12
	men	39
including		
companies located in Poland	total	45
	women	8
	men	37
other locations	total	6
	women	4
	men	2
Grupa Kęty S.A.	total	8
	women	1
	men	7
2019	gender	number of people
Grupa Kęty S.A.	total	17
	women	4
	men	13

In 2020, 51 people were injured in accidents at work, including 12 women and 39 men. The injuries included mainly flesh wounds and in 11 cases bones were broken.

Each accident was analysed in detail, and subsequently measures were implemented to prevent similar situations in the future.

In its Strategy for the years 2021–2025, the Capital Group assumed health and safety of the employees as one of the priorities of sustainable development.

The effectiveness of actions in that regard will be measured with the Total Recordable Incident Rate (TRIR), i.e. the number of injuries per 100 workers. Our objective is to decrease the rate below 1 as regards occupational health and safety.

In 2020, no occupational diseases were reported at the Capital Group companies. An occupational disease is one entered in the list of occupational diseases if, as a result of the working conditions evaluation, it may be indisputably confirmed or assumed with high probability that the disease had been caused by factors harmful to human health occurring in the work environment or in relation to the way work is performed, i.e. 'occupational exposure'.

GRI 403-5

Number of OHS training hours

2020		Number of training hours for employees (employment contract staff)	Is training available to other people whose work is controlled by the organisation?	of which training free-of-charge for the employees	of which training within working hours	of which the number of compulsory training for the employees
Capital Group	total	7,993	depending on the company	7,989	7,982	5,988
	Compulsory training courses	7,566	depending on the company	7,564	7,557	5,588
	Additional training courses	427	depending on the company	425	425	400
including companies located in Poland	total	6,842	Yes	6,842	6,842	4,866
	Compulsory training courses	6,442	Yes	6,442	6,442	4,466
	Additional training courses	400	Yes	400	400	400
other locations	total	1,151	depending on the company	1,147	1,140	1,122
	Compulsory training courses	1,124	depending on the company	1,122	1,115	1,122
	Additional training courses	27	depending on the company	25	25	0
Grupa Kęty S.A.	total	2,688	Yes	2,688	2,688	2,688
	Compulsory training courses	2,688	Yes	2,688	2,688	2,688
	Additional training courses	-----	-----	-----	-----	-----
2019		Number of training hours for employees (employment contract staff)	Is training available to other people whose work is controlled by the organisation?	of which training free-of-charge for the employee	of which training within working hours	of which the number of compulsory training for the employees
Grupa Kęty S.A.	total	6,677	Yes	6,677	Yes	6,677
	Compulsory training courses	5,681	Yes	5,681	Yes	5,681
	Additional training courses	996	Yes	996	Yes	996

Except for the compulsory forms of caring for the health and safety of the employees, all of the Polish companies of the Capital Group offer their employees a special additional medical insurance programme under the name 'Opieka medyczna S'. Over 3,100 people have joined the programme, which accounts for about 65% of all employees in Poland. The insurance is co-financed by the employer in roughly 70% on the average, depending on the package selected by employees. The programme has been implemented as a part of the Corporate Social Responsibility Policy, which states that employees' health and safety are the guiding values of the Company.

5.9. Social engagement

GRI 413-1, GRI 103-1,2,3 as regards 'Local Communities'

Owing to the pandemic, the activities of the Group in that regard were limited in 2020. Within the internal measures, we focused on the employees' health protection and adjustment of work to the sanitary conditions requirements and, in consequence, protection of workplaces.

In the area of internal engagement, the organisation supported medical services in fighting Covid-19 pandemic, donating money and assets to the hospitals and emergency service in the places where the plants of the Capital Group of Grupa Kęty S.A. are located.

Preparing the Strategy for the years 2021–2025, the company had analysed the prior social engagement and introduced parameters for the major aspects.

Following the analysis of the prior directions of social engagement of the Capital Group, we made an aware decision on continuing actions in the selected areas. Seeing the measurable effects of our engagement, we will focus our efforts and resources on:

Supporting local communities – mainly by social and voluntary programmes.

Voluntary work is an important element of the corporate culture of the Grupa Kęty S.A. Capital Group. It integrates the employees around valuable initiatives and encourages them to undertake joint charitable activities. For many years now, the organisation has run the 'Together with the GROUP' programme – a combination of engagement and voluntary work of our employees with financial support of the company, which brings wonderful results to the local community. Despite the pandemic, we managed to carry out another, 6th edition of the 'Together for the Earth' initiative. There were 30 local projects performed devoted to environmental protection. Grupa Kęty S.A. allocated PLN 45,000 on the performance of the initiatives.

Actions for the benefit of local communities fall under one of the nine indicators of sustainable development within the Strategy 2021–2025. We wish to measure them by way of the performance of projects under the 'Together with the Group' programme.

We have assumed a quantitative objective of 150 projects in the years 2021–2025.

Care for the people threatened with social exclusion – mainly by way of the activities of the 'Grupa Kęty for the Children of the Podbeskidzie Region' Foundation.

This is a response of the organisation to the problems of children and youths threatened with social exclusion, as defined in the region. The Foundation's objective is to cooperate with and to take care of children from children's homes and special educational establishments, for example by implementation of the 'To ensure a better start' action, namely helping the children to get education, expertise and qualifications, which, in consequence, will give them a better start in their independent adult lives. The idea behind the activities of the Foundation is to gradually abandon state-run children's homes and propagate the concept of foster families. In 2020, the activities of the Foundation focused on supporting the children's homes during the pandemic, i.e. providing them with visors, disinfectants and laptops for remote learning. The Foundation spent PLN 264,000 on statutory activities.

Propagation of the idea of educating through sport – sports means discipline, fair play, principles, and consequence – all values we care for in business. Sports also means a perfect tool for cooperation and employee engagement. For many years now, the Grupa Kęty Capital Group has been investing in and developing 'the idea of educating through sport'. By way of engaging the organisation in various sports events in the region, we cope with the challenge of the 21st century, namely encouraging young people to actively spend their leisure time and fight obesity – the modern-age disease. Caring for the health of the future generations, the Group has officially adopted the following objectives in its Corporate Social Responsibility Policy:

We take an active approach to sport – apart from the local communities the events are actively attended by the employees of the Grupa Kęty S.A. Capital Group and their families as well as the children under the charge of the 'Grupa Kęty for the Children of the Podbeskidzie Region' Foundation.

Year 2020 practically eliminated group sports activities, however, the company supported all of the forms of individual running with an application, encouraging the employees to participate and to be active during the pandemic.

5.10. The Group for the World – environmental policy

ENVIRONMENTAL POLICY

The 21st century poses great challenges with regard to environmental protection, natural resources or impact on the climate. The challenges refer to all, however, the broadly understood business or production companies availing of the natural resources should first of all modify their impact, considering the influence on the environment in their decision-making processes. Responding to the challenges, the Capital Group of Grupa Kęty S.A. implemented common standards and principles of conduct for all the Group companies as regards low-emission, effective use of production resources and strive for climate neutrality in the perspective of 2050.

The prepared *Climate Policy* is an extension of the *Environmental Policy* binding for a number of years. Within the Policy we have committed to full accountability for the impact on the environment and climate change, undertaking actions and initiatives for environmental protection, also in reference to the entities remaining within the scope of our impact. First of all, we assumed measurable goals to be fulfilled by the year 2025:

- reduction by 15% of the value of greenhouse gas emissions per production unit (scope 1 and 2, base year 2016);
- increase to 75% of the share of aluminium scrap in the products made of soft alloys, extruded from low-emission LOW CARBON KETY billets;
- growth of the share of the manufactured packaging films and laminates fit for recycling by 5% (base year 2020);
- growth of the share of products in certified, energy-saving, passive projects by 20% (base year 2020).

The new goals serve the implementation of solutions neutral to the environment, limitation of the carbon footprint of the products, and facilitation of their re-use, as well as increase of recycled materials in the manufacturing processes. Thanks to that, the goals comply with the vision of climate-neutral future presented by the European Commission in its green paper entitled ‘A 2030 Framework for Climate and Energy Policies’ or the concept of circular economy, in which products should remain in turnover as long as possible.

In order to present and lend credence to our activities, Grupa Kęty S.A. joined the Aluminium Stewardship Initiative (ASI) in 2020. The global organisation deals with standards setting and certification for sustainable development, and associates the largest producers in the aluminium sector. The organisation concentrates on environmental issues within the whole cycle of aluminium manufacturing and using. Granting the membership required a detailed verification of our company. The goal of Grupa Kęty S.A. is to obtain a certificate for the ‘ASI Performance Standard’. The standard defines 59 requirements within three sustainable development pillars – governance, environment and social issues. The standard imposes high requirements not only for production practices but also for the procurement of raw materials and product management. Owing to the fact that sustainable development is a key element of the strategy of Grupa Kęty S.A., the certification in accordance with the latest sector standards will be another stage for the objective achievement.

ENVIRONMENTAL ASPECTS MANAGEMENT

In this Statement, the total of 17 environmental indicators have been presented, including those which represent measures of the Group Strategy goals by the year 2025. The process of defining the reporting areas comprised the prioritisation of environmental aspects identified within the framework of the management system based on the ISO 14001:2015 standard implemented at the Capital Group companies. The system covers all elements of the company activities which may affect environment. The analysis of the importance of a given aspect to stakeholders and of its environmental impact was the basis for priority assignment. In 2020, we focused on the issues related to climate change. The calculation of carbon footprint and the intensity of greenhouse gas emission contributed to a change in approach and extension of the reporting scope for the 305-2, 305-3, and 305-4 indicators, i.e. consideration of emission in scope 2 and calculation of the intensity of greenhouse gas emission per product, within scope 3.

The following GRI indicators have been presented in the Statement: 202-11, 103-2, 103-3, 301-1, 301-2, 302-1, 303-2, 303-3, 305-1, 305-2, 305-3, 305-4, 305-7, 306-1, 306-2, 307-1, as they best refer to the activities of the Group and its impact on the environment. The indicators apply to those components on which the particular companies of the Capital Group may have a significant impact, such as atmosphere, water, earth, materials and energy. Moreover, specific product indicators characteristic to the particular segments have been considered, i.e. aluminium scrap share in products, share of the manufactured packaging films and laminates fit for recycling, and share of products in the performance of certified, energy-saving, passive projects. The product goals serve

the implementation of solutions which are neutral to the environment, limit the carbon footprint of products and enable products re-use.

We are aware that we impact the environment but operate such as to limit the impact to the minimum.

Management of the environmental risk ^{GRI 102-11}

The Capital Group companies are committed to ensure and maintain a high level of safety of their processes. The goal is to effectively minimise environmental risks. For that purpose the risk management system has been implemented at the companies, as well as monitoring of major environmental aspects within the ISO 14001 standard. It is of paramount importance to properly maintain infrastructure based on predictive and preventive measures as well as to carry out the programme of internal audits. The Capital Group companies constantly monitor and assess environmental risks, taking measures referred to in the control procedures for processes which are material. In addition, measures aimed at eliminating the potential hazards have been implemented.

Within the 102-11 indicator, the number of environmental aspects subject to control in 2020 have been presented, as well as the number of preventive actions taken. The number of new aspects at Grupa Kęty S.A. has slightly increased, but the number of the necessary preventive actions dropped by 10%.

Capital Group	Unit	2019	2020	Change y/y
Number of controlled environmental aspects	pcs	no data	468	
Number of preventive environmental measures	pcs	no data	113	
including:				
<i>companies located in Poland</i>				
Number of controlled environmental aspects	pcs	no data	455	
Number of preventive environmental measures	pcs	no data	97	
<i>other locations</i>				
Number of controlled environmental aspects	pcs	no data	13	
Number of preventive environmental measures	pcs	no data	16	
Grupa Kęty S.A.	Unit	2019	2020	Change y/y
Number of controlled environmental aspects	pcs	78	81	3
Number of preventive environmental measures	pcs	40	36	-4

ENVIRONMENTAL IMPACT

Direct greenhouse gas emissions ^{GRI 305-1, GRI 103-1,2,3 as regards 'Emissions'}

Observing the surrounding world, we see not only challenges we will have to cope with in the nearest future but also opportunities. We determine, therefore, ambitious goals for the Capital Group companies, the performance of which will express our social and environmental engagement. Undoubtedly, the greatest challenge will be prevention of climate change. When developing the Climate Policy, Grupa Kęty prepared a detailed analysis of the carbon footprint of their products and the whole organisation. We considered greenhouse gas emissions caused directly and indirectly by the manufacturing of products, not only stack emissions but also those related to the manufacturing of utilities purchased by the company, raw materials, or even semi-products and waste. Greenhouse gases (GHG), which we had considered next to carbon dioxide, include also ozone, nitrogen monoxide, and industrial gases used in cooling equipment. The substances emission had been expressed as carbon dioxide equivalent (CO₂e)*. Additionally, we ordered with the Bureau Veritas the verification of the selected companies and products, which confirmed low carbon footprint value of the manufactured products, e.g. the aluminium billets of soft alloys manufactured at the plant in Kęty. The carbon footprint calculation within the scale of the Capital Group has been carried out in compliance with the GHG Protocol Product Life Cycle Accounting and Reporting Standard.

Below presented are the direct greenhouse gas emissions under the 305-1 indicator (scope 1).

Direct emissions are those originating from the combustion of natural gas in buildings and systems, fuels in vehicle motors, and release of cooling agents and ozone in the process of packaging lamination. The value of emission is presented in metric tons, as an equivalent of CO₂.

Capital Group	Unit	2019	2020	Change y/y
CO ₂ emission		no data	38,880	
including:				
<i>companies located in Poland</i>				
CO ₂ emission	Mg of CO ₂ e/year		35,111	
<i>other locations</i>				
CO ₂ emission	Mg of CO ₂ e/year		3,769	

Grupa Kęty S.A.	Unit	2019	2020	Change y/y
CO ₂ emission	Mg of CO ₂ e/year	15,996	18,561	14%
GK SA production	Mg	99,507	110,790	10%
CO ₂ e emission per ton	Mg of CO ₂ e/Mg	0.161	0.168	4%

* Carbon dioxide equivalent (CO₂e) – is a universal unit serving the measurement of greenhouse gas emissions, which reflects the varied global-warming potential. It determines the concentration of carbon dioxide, which when emitted to the atmosphere would have an effect identical as the respective concentration of the compared greenhouse gas.

The total level of direct greenhouse gas emissions is relatively low due to the nature of the in-house processes and the thermal efficiency of devices. The Capital Group companies are not subject to the EU Emissions Trading System. The greenhouse gas emitted by the systems at the EPS, ASS, and FPS is mainly carbon dioxide originating from the processes of natural gas combustion in heaters and industrial furnaces, thermal oxidisers, boilers and radiators. The value of direct GHG emissions per product increased at Grupa Kęty S.A. by 4% y/y. This is related to the launching of a new extrusion-press line as well as natural gas furnaces for thermal finishing of products. At the same time, old presses and electric furnaces were removed, which finally translated into the reduction of the total GHG emissions by as much as 7.9%, as regards scope 1 and 2.

Carbon footprint and the intensity of greenhouse gas emission (scope 1 and 2) GRI 305-2; GRI 305-4

Grupa Kęty decided to calculate and reduce carbon footprint also in reference to indirect emissions related to the energy consumed (scope 2). The emissions are generated outside of the Group companies and refer to the stage of production of the electric and thermal energy purchased by the companies. As regards the 305-2 indicator, total direct and indirect emissions were taken into account (scope 1 and 2). The 305-4 indicator reflects the intensity of emission by way of reference to production.

The total carbon footprint of the Capital Group in 2020 amounted to 190,100 tons of CO₂e including the emissions of Grupa Kęty S.A. of 82,300 tons of CO₂e. Direct emissions represent approximately 20% of that value. The average carbon footprint for the Group converted into a ton of production amounted to 0.65 Mg of CO₂e/Mg. The carbon footprint of extruded and drawn products in that regard is 0.74 Mg of CO₂e/Mg. The carbon footprint of the manufactured construction systems is lower and amounts to 0.43 Mg of CO₂e/Mg, whereas that of flexible packaging is 0.73 Mg of CO₂e/Mg. The intensity of GHG emissions under scope 1 and 2 has been significantly reduced year over year. This results mainly from the improvement of energy efficiency and removal of obsolete systems. It finally contributed to the reduction of the indicator by over 7% y/y.

Capital Group	Unit	2019	2020	Change y/y
GHG emission (scope 1 and 2).	Mg of CO ₂ e	no data	190,122	
Production	Mg	no data	292,273	
Carbon footprint per ton of production	Mg of CO ₂ e/Mg	no data	0.65	
including:				
<i>companies located in Poland</i>				
GHG emission (scope 1 and 2).	Mg of CO ₂ e	no data	185,990	
Production	Mg	no data	285,230	
Carbon footprint per ton of production	Mg of CO ₂ e/Mg	no data	0.65	
<i>other locations</i>				
GHG emission (scope 1 and 2).	Mg of CO ₂ e	no data	4,132	
Production	Mg	no data	7,043	
Carbon footprint	Mg of CO ₂ e/Mg	no data	0.59	
Grupa Kęty S.A.	Unit	2019	2020	Change y/y
GHG emission (scope 1 and 2).	Mg of CO ₂ e	79,206	82,370	4%
Production	Mg	99,507	110,790	10%
Carbon footprint per ton of production	Mg of CO ₂ e/Mg	0.80	0.74	-7%

Other indirect greenhouse gas emissions (considering scope 3) GRI 305-3

Apart from the monitoring of direct and indirect GHG emissions related to the consumption of energy, in 2020 we also verified the carbon footprint of the selected products considering all 3 scopes. That referred to aluminium billets of high content of recycled materials, as well as façade systems and window-and-door systems of Aluprof S.A. Apart from scope 1 and 2 emissions, in the calculation also the emissions related to extraction, initial processing and transport of the purchased raw materials were considered. The calculation was carried out in accordance with the GHG Protocol Product Life Cycle Accounting and Reporting Standard, and further

verified by the leading company of Bureau Veritas, based on the ISO 14064-3 standard: Greenhouse gases – Specification with guidance for the verification and validation of greenhouse gas statements.

The carbon footprint of the LOW CARBON KETY billets manufactured in Kęty amounted to 2.8 t of CO₂e/t. Just to compare, the production of 1 ton of primary aluminium in the world causes the emission of 16.7 t of CO₂e on the average. The low-emission characteristics of the billets was possible to achieve thanks to the high share of aluminium scrap in the remelting charge. The Kęty plant recycles not only aluminium waste manufactured by all the Capital Group production companies, but also waste purchased on the market. By recovering aluminium, the plant saves a lot of energy needed to produce primary aluminium from bauxite ores, thus limiting air and water pollution.

Below presented are the GHG emission levels per ton of product, as verified by a licensed auditor. The particular stages of the product life cycle (cradle to gate) as well as gross emissions related to the purchase and processing of raw materials, production of primary raw materials, and waste management were taken into account. The value of GHG emissions (scope 1, 2, and 3) is disclosed in metric tons of CO₂ equivalent.

Grupa Kęty S.A.	Unit	2020
LOW CARBON KETY aluminium billets	Mg of CO ₂ e/Mg	2.792

Our objective by 2025 is to lower the intensity of GHG emissions by at least 15%, as regards the manufacturing of products under scope 1 and 2. The long-term objective is to arrive at climate neutrality by the year 2050, based on the existing and newly developed engineering solutions. We plan a major increase in the share of aluminium scrap in the products made of soft alloys, extruded from the billets cast at the Kęty plant. We will extend the offer of aluminium building systems fulfilling the requirements of environmentally-friendly, passive buildings. In the packaging segment, we will increase the production of packaging films and laminates fit for recycling.

In the coming years we wish to better avail of the competitive advantage provided by aluminium, owing to the fact that no other material is better fit for recycling. The metal does not degrade, thanks to which it may be recycled many times, without losing properties. Thus, it perfectly fits the climate balance goals as well as the circular economy concept.

Therefore, we perceive the new challenges and environmental goals not only as a burden but as a chance for development.

NO_x, SO_x and other significant air emissions by compound type and weight ^{GRI 305-7}

As part of their environmental impact audits, the Capital Group companies periodically measure emissions from the systems. The monitoring proved that the standards set out by law and administrative decisions have been kept. The total emissions level is well below the allowed limits. Apart from carbon dioxide, the EPS emits sulphur dioxide, nitrogen oxides, carbon monoxide, dust and small amounts of inorganic compounds to air. The source of emission are the processes of natural gas combustion and chemical treatment of aluminium elements. The main pollutants emitted by the ASS include sulphur dioxide, nitrogen oxides, carbon monoxide, dust, sulphuric acid, hydrogen chloride, fluorine, inorganic acids and aliphatic hydrocarbons. The FPS companies emit volatile organic compounds (VOC) to air, originating from the processes of printing, coating and lamination of packaging, as well as dust and gases from natural gas combustion in engineering and heating plants, plus sulphuric acid and chromium compounds from the electroplating line.

As referred to the production size, the value of most emission indicators was lower. What is more, despite a major growth of production, the nominal value of a number of compounds emitted to air dropped compared to 2019. This refers mainly to the sulphur dioxide, organic acids and metal hydroxides emitted by the EPS, dust and ozone emitted by the FPS, as well as sulphur dioxide, halogens, methyl chloride, and methyl ethyl ketone (MEK) emitted by the ASS.

For the purpose of further emissions to air reduction, we plan to optimise processes, particularly by way of adjusting burners, boilers and afterburners, removal of some equipment and their replacement with new ones with lower emission characteristics.

Capital Group <i>companies located in Poland</i>	Unit	2019	2020	Change y/y
Total dust	Mg p.a.	no data	4.59	
SO ₂	Mg p.a.	no data	1.89	
NO ₂	Mg p.a.	no data	34.67	
CO	Mg p.a.	no data	12.38	

Fluorine	Mg p.a.	no data	0.12
Chlorine	Mg p.a.	no data	0.01
Inorganic acids	Mg p.a.	no data	14.77
Metal hydroxides	Mg p.a.	no data	1.60
VOCs	Mg p.a.	no data	87.75
Ozone	Mg p.a.	no data	3.31
Halogens	Mg p.a.	no data	1.65
Hydrogen chloride	Mg p.a.	no data	5.56
Aliphatic hydrocarbons	Mg p.a.	no data	1.38
Aromatic hydrocarbons	Mg p.a.	no data	0.10
Methyl chloride	Mg p.a.	no data	0.53
Methyl ethyl ketone	Mg p.a.	no data	0.36
Acetone	Mg p.a.	no data	0.82
<i>other locations</i>			
Total dust	Mg p.a.	no data	3.05
SO ₂	Mg p.a.	no data	0.00
NO ₂	Mg p.a.	no data	4.84
CO	Mg p.a.	no data	2.78

Grupa Kęty S.A.	Unit	2019	2020	Change y/y
Total dust	Mg p.a.	1.63	1.77	8%
SO ₂	Mg p.a.	1.66	1.62	-2%
NO ₂	Mg p.a.	12.48	15.19	18%
CO	Mg p.a.	6.75	9.65	30%
Fluorine	Mg p.a.	0.14	0.12	-17%
Chlorine	Mg p.a.	0.00	0.01	12%
Inorganic acids	Mg p.a.	1.41	1.35	-4%
Metal hydroxides	Mg p.a.	1.74	1.58	-10%

Materials consumption *GRI 301-1, GRI 103-1,2,3 as regards 'Materials'*

Below reported is the total weight of basic materials used in the production processes carried out by the Capital Group companies. In each of the segments, emphasis has been placed on the effective use of raw materials. Actions have been taken to cooperate with those suppliers who are guided by the sustainable development idea. As regards our products, we apply a product life cycle approach, focusing on the search for new ecological applications. In that area, we conduct our own research and collaborate with scientific centres. The control of raw materials consumption takes place in accordance with the ISO 9001 and ISO 14001 standard requirements. Due to the specific nature of the Group production segments, the list of materials consumed is highly diverse.

Major raw materials used by the EPS in the production of profiles include aluminium, alloy components, and aluminium scrap. From them, the Segment manufactures billets, which are the input material for the profiles extrusion process. The remelting process uses aluminium scrap originating from the plant and purchased from the market. The materials supplied to the plant are checked for contaminants.

The basic raw materials used by the ASS include: aluminium, steel, zinc alloy, chemical agents for the treatment of aluminium, glass, separators, plastic pellets and powder coatings. These materials are used by the ASS plants to manufacture window-and-door systems, façade systems, roller shutter profiles and boxes, roller-shutters, gates and accessories for PVC, wood and aluminium joinery.

The raw materials used by the FPS include: granulated plastic, aluminium foils, paper, plastic films, paints, lacquers, adhesives and solvents. These materials are used to manufacture multi-layer plastic films, including high-barrier films, single- and multi-layer flexible laminates, including printed or coated ones. Before purchase, raw materials are verified for compliance with legal requirements for materials and products intended for contact with food.

The objective of the companies of the Grupa Kęty S.A. Capital Group is to minimise the consumption of primary raw materials per ton of product sold, and increase the share of recycled materials in products. Compared to 2019 we increased the mass of aluminium scrap used by over 13%. This is a confirmation of the turn towards circular economy.

Materials consumption by type and weight

Capital Group	Unit	2019	2020	Change y/y
Aluminium	Mg	no data	13,729	
External aluminium scrap	Mg	no data	10,940	
External aluminium billets, of which	Mg	no data	75,809	
<i>companies located in Poland</i>	Mg	no data	72,554	
<i>other locations</i>	Mg	no data	3,255	
Paints, lacquers, adhesives	Mg	no data	7,379	
Aluminium foil	Mg	no data	4,126	
PP, PET, PVC films	Mg	no data	4,427	
PP, PET plastic granulates	Mg	no data	72,925	
Paper	Mg	no data	10,818	
Other external aluminium semi-products, of which	Mg	no data	20,423	
<i>companies located in Poland</i>	Mg	no data	18,753	
<i>other locations</i>	Mg	no data	1,670	
Powder coatings	Mg	no data	1,167	
Other plastic granulates	Mg	no data	1,442	
Chemical substances	Mg	no data	2,691	
Glass	Mg	no data	1,064	
Steel	Mg	no data	6,121	
Separators	Mg	no data	2,024	
Grupa Kęty S.A.	Unit	2019	2020	Change y/y
Aluminium	Mg	13,765	13,729	0%
Aluminium scrap	Mg	10,602	10,940	3%
External aluminium billets	Mg	63,011	72,554	13%

Implementation of the 'circular economy' idea GRI 301-2

Grupa Kęty S.A. has in place the aluminium recovery process. Recycled is aluminium waste produced by the production plants as well as waste purchased from the market. The waste is a component of raw materials for the production of aluminium billets, which are further used in the manufacturing of extruded profiles. The plant selectively collects the particular grades of scrap and, as a result, it does not apply in the remelting process any fluxing agents that are harmful to the environment. The process is subject to strict requirements regarding the quality of the purchased scrap. As a result, there is no contaminated aluminium in the remelting process and no hazardous substances which could pose a risk to the environment are emitted to air. By recovering aluminium, the plant saves a lot of the energy needed to produce primary aluminium from bauxite ores, as the smelting process is highly energy-consuming. Owing to that, air and water pollution is reduced as well. The GRI 301-2 indicator refers to the average share of aluminium scrap in the production of both soft and hard alloys. In 2020, the mass of scrap used in the melting process was maintained at a high level of over 70%.

The FPS and ASS plants do not carry out directly the processes of waste recovery or recycling. As regards those segments, very important is the offering of products on the markets with a very high share of recycled or recyclable materials.

On the market served by the ASS, there has been observed a systematic growth of awareness regarding climate changes and the necessity of building in a sustainable manner based on environmentally- and human-friendly materials, which comply with the idea of circular economy (i.e. materials fit for recycling), where aluminium perfectly fulfils that role. Aluprof products possess Environmental Product Declarations (EPDs) as well as Cradle-to-Cradle Certificates, which confirm the highest quality of environmental responsibility.

The FPS, on the other hand, as a leader in flexible packaging in Poland and Europe, develops production of plastic packaging which is uniform but thinner and comprise less printing compared to the current standards, which will make them easier to recycle. The objective of the FPS companies is to increase the sales of films and laminates fit for recycling, i.e. consisting of one type of material or one group of plastics. We have concentrated on higher sales of BOPP film as well as PP-based and polyolefines-based laminates. We have also planned to implement the production of BPPB films and paper-based weldable laminates. In 2020 the share of

manufactured recyclable films and laminates significantly increased in reference to the total packaging production.

Capital Group	Unit	2019	2020	Change y/y
companies located in Poland				
POST-consumer aluminium scrap recycling	%	no data	3	
PRE-consumer aluminium scrap recycling	%	no data	58	
Own aluminium scrap recycling	%	no data	10	
Total quantity of recycled materials used in the manufacturing of products	%	no data	70	
Percentage share of systems in green projects	%	no data	31	
Percentage share of recyclable films and laminates (mass)	%	no data	66	
Percentage share of recyclable films and laminates (surface)	%	no data	15	
Grupa Kęty S.A.				
POST-consumer aluminium scrap recycling	%	4	3	-62%
PRE-consumer aluminium scrap recycling	%	61	58	-5%
Own aluminium scrap recycling	%	8	10	16%
Total quantity of recycled materials used in the manufacturing of products	%	73	70	-4%

Energy efficiency GRI 302-1; GRI 103 – 1,2,3 as regards 'Energy'

Energy efficiency of the production systems is a priority at the Group companies. In order to ensure energy efficiency, the Company has implemented a special system of technical and organisational solutions in accordance with the ISO 14001 and ISO 50001 standards. The consumption of energy is subject to planning and monitoring. The particular business units must report their actual energy consumption, and – when the planned volumes are exceeded – the growth cause analysis is carried out. Consumption monitoring involves measurements at utilities supply and distribution points. The readings form basis for the costs allocation to the particular sources of their origin. Consumption is measured at Grupa Kęty S.A. with the use of a dedicated system which ensures control of all utility consuming devices. Data concerning their operation are transmitted to the central management point, which ensures immediate response to or correction of any deviations. In addition, as part of the environment management system, the Group has implemented the utilities saving programme and performs energy efficiency audits. Electricity is used, for example, to power production and auxiliary devices and also to illuminate halls and rooms. Natural gas is used in the processes of heat treatment and to heat rooms. The thermal energy purchased is used to heat rooms.

In 2020 the EPS carried out a series of activities contributing to lowering energy consumption, including pumps replacement with energy-saving ones, supply through inverters, replacement of old transformers with new ones, replacement at some of the buildings of energy-consuming metal-halide lamps and fluorescent lamps with energy-saving LED lamps, modernisation of the compressor heat recovery system. This translated into a significant drop in electric and thermal energy consumed per product, i.e. by 9% and 14%, respectively, compared to 2019.

The activities of the FPS included room monitoring introduction, switching off the lights and reducing temperature for the time of absence (heaters, air handler units, air-conditioning at halls and offices), optimised operation of catalytic afterburners, installation of time-delay switches and movement sensors, purchase of new high-efficiency heaters and thermostats. The activities contributed to lower electric and thermal energy consumption indicator, by 6% and as much as 29%, respectively, compared to 2019.

At the ASS, apart from the solutions related to optimisation, in one of the plants old boilers and gas radiators were replaced with more efficient ones. The actions resulted in a drop of electric energy consumption by 12% and natural gas by 4% compared to 2019.

Our objective is to further increase energy performance and, what follows, limiting the carbon footprint under scope 2.

Energy consumption by main energy sources

Capital Group	Unit	2019	2020	Change y/y
Electricity	GJ	no data	637,493	
Natural gas	GJ	no data	634,166	
Heat	GJ	no data	76,528	
including:				
companies located in Poland				
Electricity	GJ	no data	624,049	
Natural gas	GJ	no data	612,824	
Heat	GJ	no data	76,284	
other locations				
Electricity	GJ	no data	13,444	
Natural gas	GJ	no data	21,342	
Heat	GJ	no data	244	
Grupa Kęty S.A.	Unit	2019	2020	Change y/y
Electricity	GJ	245,978	250,815	2%
Electricity per ton	GJ/Mg	2.5	2.3	-9%
Natural gas	GJ	279,295	326,425	14%
Natural gas per ton	GJ/Mg	2.8	2.9	5%
Heat	GJ	47,152	46,062	-2%
Heat per ton	GJ/Mg	0.5	0.4	-14%

Water consumption GRI 303-1, GRI 103 – 1,2,3 as regards 'Water'

Grupa KĘTY S.A. withdraws water from its own water intakes, i.e. from a well and from ground drainage. The well is a source of drinking water for the plant and for the employee amenities. In addition, the water is used for fire safety purposes. Water for the production processes originates mainly from ground drainage at the plant and is collected by way of a drainage system. Water resources are used pursuant to the possessed water permit. Analyses of the impact of water withdrawal confirm that the respective activities do not significantly affect the availability of water resources or functioning of protected areas. The quantity of water withdrawn is kept well below the prescribed limits. Owing to the processes of chemical and thermal treatment of aluminium, the deficit of water resources is probably one of the potentially major risks, which may result in higher costs of production. Therefore, we have implemented and plan to implement measures aiming at better use of water resources. Of key importance was the implementation of the intake of water for production purposes from ground drainage, thanks to which we have limited the consumption of underground water. The pipes of the drainage system laid on at the plant lead to a special water intake. Earlier, the water drained was lost irrecoverably. Moreover, water recirculation system was developed. Water in the systems is heated during the heating processes related to aluminium melting and processing, and afterwards the water is cooled and returned to production. In this way, the plant saves approximately 4 million m³ of water per year. We are also experienced in storm water utilisation, as collected from the roofs of buildings, which we also direct to the closed-circuit water system. In 2020 we also made a decision to use water from our well for the drinking purposes of all employees. As a consequence, we resigned from the purchasing of water in plastic bottles. At the plant, there are installed distributors with water filters, where the water may be heated, cooled, or saturated with gas. Moreover, the use of water from our own intake has limited the costs of disposal and utilisation of plastic packaging. Currently, we have been working on the strategy of water management in the subsequent years. It will comprise particularly the technical and operating assessment of the system, the economic analysis of the optimal water management as well as implementation of new engineering systems and tools. Right now, we have concentrated on improved water recycling. We see potential in recycling storm water by way of modifying the current drainage system. The use of storm water will help satisfy the needs related to the future production of the plant and avoid the negative consequences of climate change.

The ASS and the FPS plants do not have their own water intakes. Water is purchased from third-party suppliers on the basis of appropriate agreements. Water is used for engineering and social purposes. Water consumption is monitored within the ISO 14001 system procedures.

The common goal of all the Group companies is to further optimise and limit water consumption and to re-use water in engineering processes.

The total water consumption per source is presented in the table below.

Capital Group	Unit	2019	2020	Change y/y
Underground water	m ³	no data	346,942	
Ground drainage	m ³	no data	433,043	
Municipal water supply system	m ³	no data	190,243	
including:				
companies located in Poland				
Underground water	m ³	no data	346,942	
Ground drainage	m ³	no data	433,043	
Municipal water supply system	m ³	no data	166,167	
other locations				
Underground water	m ³	no data	0	
Ground drainage	m ³	no data	0	
Municipal water supply system	m ³	no data	24,076	
Grupa Kęty S.A.	Unit	2019	2020	Change y/y
Underground water	m ³	257,747	346,942	26%
Ground drainage	m ³	360,078	433,043	17%
Municipal water supply system	m ³	0	0	

Water reuse GRI 303-3

With regard to the nature of production, water reuse in large quantities refers to the EPS and the FPS companies. For that purpose closed-circuits have been applied to recycle water from production processes and limit the use of environment in that regard. The effect is achieved by cooling and recirculation of water in heating processes. Closed-circuit systems allow for substantial savings in terms of water consumption. Only for the purpose of maintaining the quality of products, some of the water is discharged periodically and supplemented with fresh water. In order to increase the total volume of recycled water, the EPS introduced a common draining of the roofs of the Billets and Soft Alloys Plant halls, which is connected to circulation water return sump. During rainfall water from the roof supplements the evaporated water and refreshes water in the closed-circuit. Additionally, the system of water supplementation and discharge has been automated. Compared to 2019, the total volume of re-used water increased by 18% at the EPS.

Our objective is to maintain or increase the share of water re-used for production processes in closed-circuits compared to the total volume of water consumed. Moreover, we plan to lower the quantity of water supplementing the closed-circuit. From the analysis carried out by the FPS, it appears that there is a possibility of limiting water consumption in the process of polypropylene film production by replacing semi-closed circuits with completely closed ones.

Volume of water recycled and reused

Capital Group	Unit	2019	2020	Change y/y
Volume of recycled water	m ³ thousands	no data	30,937	
including:				
companies located in Poland				
Volume of recycled water	m ³ thousands	no data	19,401	
other locations				
Volume of recycled water	m ³ thousands	no data	11,536	
Grupa Kęty S.A.	Unit	2019	2020	Change y/y
Volume of recycled water	m ³ thousands	3,294	4,049	19%

Total effluent discharge by destination GRI 306-1, GRI 103-1,2,3 as regards 'Effluents and Waste'

At the EPS, only Grupa Kęty S.A. discharges treated wastewater directly to the Sola River. Wastewater from the chemical treatment of aluminium elements is first neutralised in pre-treatment systems designed specifically for that purpose. The Company possesses permits required under the Water Law and limits are fully observed. The effect of organic impact results, among other things, from providing the system with separate neutralisation stations, as well as application of technical and organisational solutions that ensure the appropriate quality of

produced wastewater, such as a multi-stage washing process, microprocessor-based control of reagents dosing, bath recovery, or mutual neutralisation of acidic and alkaline wastewater.

At the ASS, wastewater is discharged directly to surface waters only by ROMB S.A. The other companies discharge wastewater to the sewage systems of third-party companies, after pre-treatment at in-house neutralisation stations. At ROMB S.A., wastewater from the electroplating shop and from the processes of steel and aluminium elements cleaning is discharged, after treatment, to the Głomia River. At ALUPROF S.A. plants in Bielsko-Biała and Opole wastewater is discharged to the sewage systems of third-party companies, whereas at the Goleszów plant, it is discharged to a retention basin and afterwards collected by a specialised company. Likewise, the FPS companies discharge wastewater to sewage systems of third-party companies, based on appropriate agreements.

All plants possess the legally required water permits. The quality of wastewater is monitored, and the limits set out in the permits kept.

The objective for all companies of the Capital Group is to maintain wastewater parameters at the lowest possible level, and optimise production processes with regard to water consumption limitation.

Capital Group	Unit	2019	2020	Change y/y
To public sewage system	m ³ thousands p.a.	no data	167	
including effluent from the chemical treatment of aluminium	m ³ thousands p.a.	no data	69	
To surface waters	m ³ thousands p.a.	no data	849	
including effluent from the chemical treatment of aluminium	m ³ thousands p.a.	no data	531	
including:		no data		
<i>companies located in Poland</i>		no data		
To public sewage system	m ³ thousands p.a.	no data	145	
including effluent from the chemical treatment Aluminium	m ³ thousands p.a.	no data	69	
To surface waters	m ³ thousands p.a.	no data	849	
including effluent from the chemical treatment Aluminium	m ³ thousands p.a.	no data	531	
<i>other locations</i>		no data		
To public sewage system	m ³ thousands p.a.	no data	22	
To surface waters	m ³ thousands p.a.	no data	no data	
Grupa Kęty S.A.	Unit	2019	2020	Change y/y
To public sewage system	m ³ thousands p.a.	24	19	-25%
To surface waters	m ³ thousands p.a.	749	815	8%
including effluent from the chemical treatment of aluminium	m ³ thousands p.a.	477	504	5%

Waste management GRI 306-2

Waste produced by the Capital Group is managed in accordance with the EU and Polish regulations, ensuring safety for the environment. Waste is collected selectively. Waste storage areas are separated from the ground, and waste is kept in special hermetic containers. The Company keeps quantitative and qualitative records. BDO system is used to monitor waste management. Waste which is not managed in-house is handed over to companies with the required licences. Waste management processes are monitored within the implemented environmental management system, in accordance with the ISO 14001 standard.

Aluminium scrap is the typical waste produced by the EPS. It is a valuable material for the production of aluminium profiles. For that reason, the Capital Group recycles it and, as a result, aluminium scrap is transformed into billets being the input material in the extrusion process. The Company manages 100% of aluminium waste produced by the Capital Group, and also processes waste originating from the market.

The main waste produced by the ASS includes the remains from aluminium processing, sludge from sewage treatment and waste coating powders.

Characteristic waste produced in the process of packaging manufacturing at the FPS includes multi-material laminates, paper, aluminium foil, plastics, waste paints, lacquers and adhesives.

Compared to 2019 the quantity of waste produced was considerably reduced per product, and at the EPS the drop was over 11%, at the ASS – nearly 10%, and the FPS – as much as 29%.

Produced waste and waste management

Capital Group	Unit	2019	2020	Change y/y
Produced hazardous waste	Mg	no data	7,285	
Produced non-hazardous waste	Mg	no data	45,025	
Total produced waste	Mg	no data	52,104	
Waste recovered	Mg	no data	47,175	
Neutralised waste	Mg	no data	4,880	
including:				
companies located in Poland				
Produced hazardous waste	Mg	no data	7,045	
Produced non-hazardous waste	Mg	no data	42,289	
Total produced waste	Mg	no data	49,129	
Waste recovered	Mg	no data	45,073	
Neutralised waste	Mg	no data	4,057	
other locations				
Produced hazardous waste	Mg	no data	239	
Produced non-hazardous waste	Mg	no data	2,736	
Total produced waste	Mg	no data	2,975	
Waste recovered	Mg	no data	2,102	
Neutralised waste	Mg	no data	823	
Grupa Kęty S.A.	Unit	2019	2020	Change y/y
Produced hazardous waste	Mg	2,959	3,545	17%
Produced non-hazardous waste	Mg	32,987	29,215	-13%
Total produced waste	Mg	35,946	32,555	-10%
Waste recovered	Mg	33,671	29,712	-13%
Waste neutralised	Mg	2,275	2,843	20%
Total produced waste per ton	Mg/Mg	0.36	0.29	-23%

Environmental compliance GRI 307-1, GRI 103-1,2,3 as regards 'Environmental Compliance'

The Group companies comply with all applicable laws and regulations. The results of audits performed in 2020 by the Environmental Protection Inspectorate and by independent auditors from accredited supervision units as part of the ISO 14001 system confirmed the compliance. The environment quality measurements and analyses carried out by the companies are an additional confirmation of compliance with the standards. On account of pollutants emission, the plants pay regularly and timely any charges required by law and file reports to the respective authorities. In 2020, none of the Capital Group companies paid any fines for excessive use of the environment.

Following the 'polluter-pays principle', the companies of the Capital Group pay fees on the use of the environment, which is a sort of equivalent for pollutants emission. Below presented are the values of fees or emissions to air, water withdrawal, and wastewater discharge.

Capital Group	Unit	2019	2020	Change y/y
Total fees, of which:	PLN	no data	949,999	
Air emissions charges	PLN	no data	211,984	
Water withdrawal charges	PLN	no data	215,909	
Wastewater charges	PLN	no data	47,107	
Total environmental charges	PLN	no data	475,000	
including:				

companies located in Poland

Total fees, of which:	PLN	no data	907,038
Air emissions charges	PLN	no data	211,002
Water withdrawal charges	PLN	no data	201,334
Wastewater charges	PLN	no data	41,183
Total environmental charges	PLN	no data	453,519

other locations

Total fees, of which:	PLN	no data	42,962
Air emissions charges	PLN	no data	982
Water withdrawal charges	PLN	no data	14,575
Wastewater charges	PLN	no data	5,924
Total environmental charges	PLN	no data	21,481

Grupa Kęty S.A.	Unit	2019	2020	Change y/y
Total fees, of which:	PLN	436,858	543,884	24%
Air emissions charges	PLN	24,017	31,537	24%
Water withdrawal charges	PLN	146,555	201,334	27%
Wastewater charges	PLN	47,857	39,071	-22%
Total environmental charges	PLN	218,429	271,942	20%

The permanent objective of the Capital Group companies is to operate fully in compliance with the legal regulations regarding environmental protection, as well as the adequacy and efficiency of the actions implemented. The environmental policy and the environmental goals comply with the strategic direction, specifically emphasising the issued related to climate change prevention and circular economy.

Environmental protection spending *GRI 103-2*

The Kęty Capital Group companies keep complete records of environmental protection costs. ‘Green accounting’ is a model of allocating environmental costs within corporate accounting, which enables the assessment of the costs structure and changes over time. The sources of data for the financial evaluation of environmental activities are as follows: expenditure on eco-investment projects, costs of the maintenance and operation of protection devices, costs of waste disposal and emission purification, legally required environmental charges. The accounting is a tool facilitating the decision-making process in the area of environmental activities, investment projects and organisational measures. The investment priority is to regularly upgrade the machinery and improve the environmental management system, which goes beyond the legal requirements.

In 2020 environmental charges grew significantly compared to the preceding year. This resulted mainly from changes on the waste market, as well as a considerable price increase for recycling and utilisation of industrial waste.

Capital Group	Unit	2019	2020	Change y/y
Total environmental costs, of which:	PLN	no data	18,504,822	
<i>Protection of ambient air and climate</i>	PLN	no data	2,164,105	
<i>Wastewater management</i>	PLN	no data	5,974,159	
<i>Waste management</i>	PLN	no data	8,298,786	
<i>Protection of soil as well as surface and underground water</i>	PLN	no data	1,578,646	
<i>Other costs</i>	PLN	no data	503,045	
including:	PLN			
companies located in Poland	PLN			
Total environmental costs	PLN	no data	18,441,447	
<i>Protection of ambient air and climate</i>	PLN	no data	2,163,469	
<i>Wastewater management</i>	PLN	no data	5,953,117	
<i>Waste management</i>	PLN	no data	8,264,575	
<i>Protection of soil as well as surface and underground water</i>	PLN	no data	1,577,736	

<i>Other costs</i>	PLN	no data	482,550
<i>other locations</i>	PLN		
Total environmental costs	PLN	no data	63,375
<i>Protection of ambient air and climate</i>	PLN	no data	636
<i>Wastewater management</i>	PLN	no data	21,042
<i>Waste management</i>	PLN	no data	34,210
<i>Protection of soil as well as surface and underground water</i>	PLN	no data	910
<i>Other costs</i>	PLN	no data	20,495

Grupa Kęty S.A.	Unit	2019	2020	Change y/y
Total environmental costs	PLN	7,145,218	9,104,192	22%
<i>Protection of ambient air and climate</i>	PLN	954,335	1,015,361	6%
<i>Wastewater management</i>	PLN	3,340,891	4,262,318	22%
<i>Waste management</i>	PLN	1,313,885	2,126,494	38%
<i>Protection of soil as well as surface and underground water</i>	PLN	1,493,043	1,566,871	5%
<i>Other costs</i>	PLN	43,064	133,148	68%

Environmental impact grievances *GRI 103-2*

In 2020, none of the Capital Group companies received any complaints in relation to the use of the environment. The proper level of impact by the companies in 2020 has been confirmed by the authorities competent with regard to environmental protection control. The open information policy implemented by the Company, including the publication of annual environmental reports, helped to increase the stakeholders' awareness of the nature and extent of the Company impact on the environment.

Capital Group	Unit	2019	2020
Grievances	pcs	1	0
including:			
<i>companies located in Poland</i>			
Grievances	pcs	1	0
<i>other locations</i>			
Grievances	pcs	0	0
Grupa Kęty S.A.	Unit	2019	2020
Grievances	pcs	0	0

Environmental education

The Capital Group of Grupa Kęty S.A., as a Global Compact signatory, attempts to respect and actively promote 10 principles. Consequently, for many years the Group has been implementing actions under Principle 8 – 'Undertaking initiatives to promote environmental responsibility'. In 2020, complying with the pandemic limitations, the following projects were performed: 'Let's Clean the Beskids', 'Letters to the Earth' (educational programme for children), 'Bike HELPS' (an ecological voluntary sports initiative), and 'Green Hand' (environmental education programme). In all of the events Grupa Kęty S.A. has been a partner providing financial support and actively engaging its employees to work for the environment.

5.11. GRI indicators table

INDICATOR AND ITS DESCRIPTION	PAGE NUMBER IN THE MANAGEMENT BOARD REPORT	GLOBAL COMPACT PRINCIPLES	PN-ISO 26000 KEY AREAS	SIN
STRATEGY AND ANALYSIS				
102-14 CEO or equivalent senior position statement on the relevance of sustainability to the organisation and the organisation's strategy	4-5; 30-31			
102-15 Description of key impacts, risks, and opportunities	12-15; 29-30; 63			G.3.1; G.3.2

ORGANISATIONAL PROFILE				
102-1 Name of the organisation	6			
102-2 Primary brands, products, and services	6; 16-17			
102-3 Location of the organisation's headquarters	6			
102-4 Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	12-15; 84-85			
102-5 The nature of ownership and legal form	6-7; 63-64			
102-6 Markets served, including geographic breakdown, sectors served, and types of customers and beneficiaries	12-13; 16-17; 84-85			
102-7 Scale of the organisation	8-11; 16-17			
102-8 Total number of employees and workforce by employment type, employment contract type, region, and gender	38-40	Principle 1		S.2.1
102-41 Percentage of total employees covered by collective bargaining agreements	42			
102-9 Description of the organisation's supply/value chain	30			
102-10 Any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	7; 26-27; 63-64			
102-11 Report whether and how the precautionary approach or principle is addressed by the organisation	48	Principle 8		
102-12 Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	30-31			G.2.2
102-13 Memberships of associations (such as industry associations) and/or national or international advocacy organisations	30-31			
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
102-45 The organisational structure of the organisation, including main departments, subsidiaries, related parties and joint ventures, indicating which of them are not covered by the report	7			
102-46 Process for defining the report content and the aspect boundaries. The implementation of the reporting principles for defining the report content	26-27			
102-47 All the material aspects identified in the process for defining the report content	26-27			
103-1 Aspect boundary within the organisation for each material aspect	26-27			
103-1 Aspect boundary outside the organisation for each material aspect	26-27			
102-48 Effect of any restatements of information provided in previous reports, and the reasons for such restatements	26-27			
102-49 Significant changes from previous reporting periods in the scope and aspect boundaries	26-27			
STAKEHOLDER ENGAGEMENT				
102-40 A list of stakeholder groups engaged by the organisation	32-34			
102-42 Basis for identification and selection of stakeholders with whom to engage	32-34			
102-43 Organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	32-34			
102-44 Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded, including through its reporting, indicating the stakeholder groups that raised each of the key topics and concerns	32-34			
REPORT PROFILE				
102-50 Reporting period	26-27			
102-51 Date of most recent previous report	26-27			
102-52 Reporting cycle	26-27			
102-53 Contact point	26-27			
102-54				
a) Reporting option the organisation has chosen	26-27			
b) Table indicating the place of standard information in the report	59-62			
c) Reference to the external assurance report, if the report has been externally assured	26-27			

102-55 Organisation's policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, the scope and basis of any external assurance provided and the relationship between the organisation and the assurance providers	26-27			
GOVERNANCE				
102-18 Governance structure of the organisation, including committees of the highest governance body, indicating any committees responsible for decision-making on economic, environmental and social impacts	69-81			
102-19 The process of delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	67-68			
102-26 The highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	26-27; 67-68		Governance	
102-35 The remuneration policies for the highest governance body and senior executives	86-87			
ETHICS AND INTEGRITY				
102-16 Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	34-35	Principles 1, 2, 3, 5, 7, 8, 10	Fair operating practices Labour practices Human rights	G.4.1; G.4.5; G.4.6; S.3.4;
102-17 The internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines	34-35			G.4.1; G.4.5; G.4.6; S.3.4;
102-17 The internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	34-35			G.4.1; G.4.5; G.4.6; S.3.4; S.10.2
ECONOMIC INDICATORS				
Economic performance				
201-1 Direct economic value generated and distributed	8-11			
103-1,2,3 Management approach to the economic performance aspect	8-11			
Procurement practices				
204-1 Proportion of spending on local suppliers at significant locations of operation	30			
103-1,2,3 Management approach to the procurement practices aspect	30			
ENVIRONMENTAL INDICATORS				
Materials				
301-1 Materials used by weight or volume	51			E.1.1
301-2 Percentage of materials used that are recycled input materials	52		Environment/ Sustainable use of resources	E.1.1
103-1,2,3 Management approach to the materials aspect	51			
Energy				
302-1 Energy consumption within the organisation, by primary energy sources	52-53			E.2.1
103-1,2,3 Management approach to the energy aspect	52-53			
Water				
303-1 Total water withdrawal by source	53-54			E.3.1
303-3 Percentage and total volume of water recycled and reused	54-55		Environment/ Sustainable use of resources	E.3.2
103-1,2,3 Management approach to the water aspect	53-54			
Emissions				
305-1 Direct greenhouse gas emissions by weight	47-48			E.5.1
305-2 Indirect greenhouse gas emissions (scope 2)	48-49			
305-3 Other indirect greenhouse gas emissions (scope 3)	49-50			
305-4 Intensity of greenhouse gas emissions	48-49			

305-7 NO _x , SO _x and other significant air emissions by compound type and weight	50			E.5.2
103-1,2,3 Management approach to the emissions aspect	47-48		Environment/ Pollution prevention	
Effluents and waste				
306-1 Total effluent discharge by quality and destination	55			
306-2 Total weight of waste by type and disposal method	56			E.6.2
103-1,2,3 Management approach to the effluents and waste aspect	55			
Environmental compliance				
307-1 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	56-57			E.7.4
103-1,2,3 Management approach to the environmental compliance aspect	56-57			
Overall				
103-2 Total environmental protection expenditures and investments by type	57-58			
Environmental grievance mechanisms				
103-2 Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	58			E.7.3
SOCIAL INDICATORS				
Labour practices and decent work				
Employment				S.2.2; S.2.3
401-1 Total number and rates of new employee hires and employee turnover by age group, gender, and region	40-41		Labour practices/ Employment and employment relationships	S.2.15
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	41-42			
103-1,2,3 Management approach to the employment aspect	35-36	Principle 1		
Labour – Management relations				
402-1 Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	42		Labour practices/ Social dialogue	
Occupational health and safety				
403-9 Rate of injuries	43-44			
403-5 Rate of employee training in OHS	44-45			
103-1,2,3 Management approach to the OHS aspect	43-44		Labour practices/ Health and safety at work	
Training and education				
404-1 Average hours of training per year per employee by employee category	42			
103-1,2,3 Management approach to the training and education aspect	42		Labour practices/ Human development and training in the workplace	S.6.2
Diversity and equal opportunity				
405-1 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	36-38; 69			S.2.9
103-1,2,3 Management approach to the diversity and equal opportunity aspect	36-38; 81-82	Principles 1, 6	Human rights/ Discrimination and vulnerable groups	
Equal remuneration for women and men				
405-2 Ratio of basic salary and remuneration of women to men by employee category	36-38	Principles 1, 6		
Labour practices grievance mechanisms				
103-2 Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	34-35	Principles 2, 6		
103-1,2,3 Management approach to the labour practices grievance mechanisms aspect	34-35	Principles 2, 6		
Human Rights				
Non-discrimination				

406-1 Total number of incidents of discrimination and corrective actions taken	36-38	Principles 1, 6		
103-1,2,3 Management approach to the non-discrimination aspect	36-38	Principles 1, 6	Human rights/ Discrimination and vulnerable groups Human rights/ Due diligence Human rights/ Fundamental principles and rights at work	
Human rights grievance mechanisms				
103-2 Number of grievances about human rights violation filed, addressed, and resolved through formal grievance mechanisms	34-35	Principles 2, 6		
103-1,2,3 Management approach to the human rights grievance mechanisms aspect	34-35	Principles 2, 6		
Impact on the society				S.9.3
Local communities				
413-1 Percentage of operations with implemented local community engagement, impact assessments, and development programmes	45-46	Principles 1, 8		
103-1,2,3 Management approach to the local communities aspect.	45-46	Principles 1, 8	Community involvement and development/ Community involvement/ Education and culture/ Employment creation and skills development	
Anti-Corruption				
205-2 Communication and training on anti-corruption policies and procedures within the organisation	34-35	Principle 10		
Public policy				
415-1 Total monetary value of financial and in-kind political contributions made by the organisation by country and recipient/beneficiary	35	Principle 10		

6. RISK MANAGEMENT

The body supervising the risk management process at the Capital Group is the Risk Management Committee, consisting of the Members of the Management Board of Grupa Kęty S.A. The operating activities related to risk management are performed by the Treasury and Risk Management Director, as well as by the Risk Teams at the particular segments of the Capital Group. The activities of all bodies and units with regard to risk management are regulated by the ‘ERM Risk Management Policy’.

The basic financial and economic risk which are not included in Section 5 of this Report entitled ‘Non-financial Information Statement’, as well as their impact and the tools applied to mitigate the particular risks, are presented in the below table.

GRI 102-15

Risk	Description	Potential impact	Risk-mitigating measures
Currency risk	The Group companies export products and services and purchase imported materials. In addition, the prices of some sales and purchases made in Poland are tied to foreign exchange rates.	- decline in exchange rates applicable to currencies in which export is made results in lower profitability - increase in exchange rates of the export currencies results in higher costs of materials	- ‘natural hedge’ measures - forward and futures contracts - debt currency structure management
Risk related to rapid changes in the prices of basic materials	Aluminium is the most important material of the Capital Group. Other crucial materials include raw materials for the Flexible Packaging Segment, such as BOPP and PE granulate or plastics.	- increase in the prices of key materials results in lower return on sales of those products for which fixed prices have been established	- ‘natural hedge’ measures (pricing formulas) - forward and futures contracts - contracts based on fixed delivery prices
Extraordinary events risk (fire, flood, terrorism, epidemic, military actions, etc.)	The assets and the employees of the company are exposed to a series of events of unforeseeable nature, which are either related to the carried out operations (e.g. fire), or are not related to it at all (e.g. acts of terrorism, acts of war, epidemic).	- loss of assets - loss of profit - declining sales	- transfer of a portion of risk to the insurer - diversification of the locations of production plants - investments in fire-fighting systems - training courses in fire safety
Liquidity risk	Liquidity risk may result from the loss of	- problems with supplies of basic	- diversification of the sources of funding in

	creditworthiness and the associated withdrawal of funding by certain banks, rapid growth in the demand for working capital, for example due to a soar of materials prices, deterioration of the term structure of receivables, etc.	materials or their higher cost - higher costs of finance resulting from the need to acquire new sources	terms of entities and products and maintaining liquidity buffers in the event of sudden increases in material prices - transfer of a portion of the trade credit risk to the insurer
Interest rate risk	All major Group companies take advantage of both working capital and investment capital finance. All loan agreements are based on variable rates, therefore, a significant increase in interest rates will adversely affect the costs of finance.	- higher costs of finance	- applying interest rate risk mitigation procedures depending on the level of debt of a particular company
Risk of economic downturn on the main markets	Approximately 58% of consolidated sales are made to the construction industry, which means that a significant economic downturn in that business will adversely affect the Group performance.	- lower sales and thereby lower margins resulting from low level of production capacity utilisation	- geographical diversification (exports growth) - product diversification – sales growth in industries not related to construction (automotive, food)
Non-compliance risk	The legal environment of the Company related to the Company business and operation on the capital market is subject to major changes, which brings about a risk of the possible failure to apply legal changes in the operations of the Company.	- legal sanctions, including fines - damaged reputation	- internal procedures, including internal control and internal audit

Details concerning risk management are presented in note 37 to the consolidated financial statements of the Grupa Kęty S.A. Capital Group for 2020.

Details concerning derivative financial instruments are presented in note 38 to the consolidated financial statements of the Grupa Kęty S.A. Capital Group for 2020.

7. GRUPA KĘTY S.A. ON THE CAPITAL MARKET

GRI 102-5, GRI 102-10

SHARES AND SHAREHOLDERS

The Company shares have been quoted on the Warsaw Stock Exchange since 16 January 1996. At present, the shares are quoted as part of the mWIG40 index. As at 31 December 2020, there were the total of 9,629,357 shares of Grupa Kęty S.A. issued, of the nominal value of PLN 2.50 each. The list of shareholders with more than 5% of shares as at 31 December 2020 and 31 December 2019 is as follows:

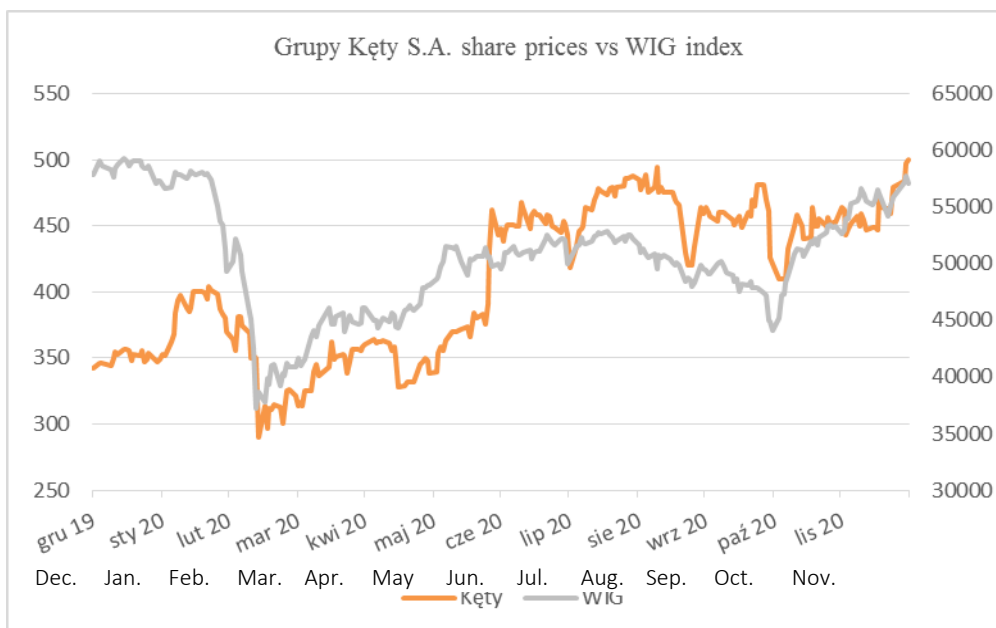
	Number of shares as at 31.12.2020	Percentage of capital	Number of shares as at 31.12.2019	Percentage of capital
Nationale Nederlanden OFE	1,858,073	19.30%	1,829,832	19.12%
OFE AVIVA Santander	1,297,681	13.48%	1,735,302	18.13%
OFE PZU ŻŁOTA JESIEŃ	847,272	8.80%	943,654	9.86%
AEGON PTE	692,995	7.20%	694,474	7.26%
MetLife OFE	542,834	5.64%	534,584	5.58%
PTE Allianz Polska	503,871	5.23%	489,576	5.12%
Others	3,886,631	40.36%	3,342,525	34.93%
Total	9,629,357	100.00%	9,569,947	100.00%

After the balance-sheet date, there were no material changes in the structure of shareholders with more than 5% of shares represented at the Company General Meeting. Furthermore, the Management Board did not have any information about any agreement, including any agreement concluded after the balance-sheet date, as a result of which significant changes in the shareholding structure of Grupa Kęty S.A. might have occurred.

SHARE QUOTATIONS AT WARSAW STOCK EXCHANGE

In 2020 (on the basis of closing prices):

- the average share price amounted to PLN 408.50 (increase by 24% as compared to the preceding year);
- the lowest price amounted to PLN 290 (on 13 March) and the highest price equalled PLN 500 (on 30 December);
- the price change throughout the year (between 30 December 2019 and 31 December 2020) equalled +46%; in the same period, the WIG index dropped by 1% and the mWIG40 index grew by 2%;
- the average turnover per session in 2020 amounted to PLN 2.6 million, as compared to PLN 0.6 million in 2019.



COMMUNICATION WITH THE CAPITAL MARKET PARTICIPANTS

The information policy of Grupa Kęty S.A. is based on open relations with the existing and potential shareholders with due observance of the fundamental principles governing equal access to information. The Company communicates through:

- current and interim reports,
- face-to-face individual and group meetings,
- electronic tools (corporate website, profiles in social media, online broadcasts of corporate events).

As part of current reporting, the Company announces annual financial projections for a given year and objectives of long-term strategies. In addition, it is the only company which discloses preliminary results forecasts for a given quarter one month prior to the publication of the official quarterly statements. The current calendar of corporate events may be found on the corporate website at: <https://www.grupakety.com/pl/87,kalendarz.html>

Information about the Company and its prospects is also available in reports and recommendations published by leading brokerage houses. The list of analysts who regularly publish reports about the Company is available on the corporate website at: <http://www.grupakety.com/pl/36,analiticy.html>

DIVIDEND POLICY

Since 2001, the Company has paid dividend on a regular basis. The present dividend policy provides for the payment of dividend amounting to 60–100% of consolidated net profit of Grupa Kęty S.A.

The Management Board has assumed that the payment of dividend during the implementation period of the 'Strategy 2021–2025' will amount to the average of 85% of Grupa Kęty S.A. consolidated net profit. When determining the recommended dividend, the Management Board will take into account, among other things:

- the Capital Group net debt to consolidated EBITDA ratio calculated as at the last balance-sheet date of the previous financial year with the maximum level of 2.0;
- time shifts applicable to the dividends receivable from the subsidiaries, which affect the maximum level of the recommended dividend;
- the value of potential and feasible acquisitions;
- the value of actual capital expenditure to be incurred in the year of dividend payment.

8. CORPORATE GOVERNANCE STATEMENT

8.1. A collection of corporate governance principles and scope of their application

In 2020, Grupa Kęty S.A. complied with a collection of corporate governance principles annexed to the Resolution No. 26/1413/2015 of the Warsaw Stock Exchange Board dated 13 October 2015 – the ‘Best Practice for GPW Listed Companies 2016’ (hereinafter referred to as the ‘Best Practice’).

The collection of corporate governance principles is available on the Warsaw Stock Exchange website at: <https://www.gpw.pl/dobre-praktyki>, and on the website of Grupa Kęty S.A. at: www.grupakety.com/pl/11.lad-korporacyjny.html.

The information on Grupa Kęty S.A. compliance with the recommendations and principles provided for in the ‘Best Practice 2016’ is available on the website of Grupa Kęty S.A. at: www.grupakety.com/pl/11.lad-korporacyjny.html.

In 2020, Grupa Kęty S.A. complied with all of the principles and recommendations provided for in the ‘Best Practice’ collection, except for Recommendation IV.R.2, which has not been fully complied with:

Recommendation IV.R.2: If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

- 1) *live broadcast of the general meeting;*
- 2) *real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting;*
- 3) *exercise of the right to vote during a general meeting either in person or through a plenipotentiary.*

Grupa Kęty S.A. provides live broadcasts of its General Meetings in accordance with clause 1 of the recommendation and displays the respective recordings on the corporate website at: www.grupakety.com/pl/77.transmisje.html

At the same time, clauses 2 and 3 of the recommendation have not been fulfilled due to the shareholding structure, the absence of any shareholder notifications regarding their expectations as to conducting the general meetings with the use of electronic communications means, and no possibility to provide technical infrastructure necessary for the general meetings to proceed efficiently using electronic communication means and to ensure proper security of electronic communications during the general meetings of Grupa Kęty S.A.

In the event of a change in the actual or legal circumstances or the expectations of shareholders in that regard, the Company does not exclude the possibility of full compliance with the recommendation.

8.2. Major shareholders

The shares of Grupa Kęty S.A. have been quoted on Warsaw Stock Exchange since 16 January 1996. As at 31 December 2020, there were the total of 9,629,357 shares of Grupa Kęty S.A. issued, of the nominal value of PLN 2.50 each. As at the date of this document publication the Company shares were quoted as part of the mWIG40 index.

A list of the Company shareholders with over 5% share in the total number of votes at the AGM as at 31 December 2020 and 31 December 2019 is presented in the table below.

	Number of shares as at 31.12.2020	Percentage of capital	Number of shares as at 31.12.2019	Percentage of capital
Nationale Nederlanden OFE	1,858,073	19.30%	1,829,832	19.12%
OFE AVIVA Santander	1,297,681	13.48%	1,735,302	18.13%
OFE PZU ZŁOTA JESIEŃ	847,272	8.80%	943,654	9.86%

AEGON PTE	692,995	7.20%	694,474	7.26%
MetLife OFE	542,834	5.64%	534,584	5.58%
PTE Allianz Polska	503,871	5.23%	489,576	5.12%
Others	3,886,631	40.36%	3,342,525	34.93%
Total	9,629,357	100.00%	9,569,947	100.00%

*Balance as at 31 December 2020 (based on the Open Pension Funds [OFE] annual reports)

8.3. Management Board

In 2020 there were no changes in the membership of the Management Board of Grupa Kęty S.A. As at 31 December 2020, the Management Board of Grupa Kęty S.A. was composed of:

- Dariusz Mańko – President of the Management Board,
- Rafał Warpechowski – Member of the Management Board,
- Piotr Wysocki – Member of the Management Board,
- Tomasz Grela – Member of the Management Board,

The division of competencies and responsibility among the particular members of the Company Management Board is presented in the chart below.

President of the Management Board	Member of the Management Board (in charge of financial affairs)	Member of the Management Board (in charge of the Extruded Products Segment)	Member of the Management Board (in charge of the Aluminium Systems Segment)
Dariusz Mańko	Rafał Warpechowski	Piotr Wysocki	Tomasz Grela
Directing the Management Board work	Finance and accounting	Supervision and implementation of all strategic and operational affairs at the Extruded Products Segment	Supervision and implementation of all strategic and operational affairs at the Aluminium Systems Segment
Coordination of the segments operation	Management reporting	Cooperation with other segments	Cooperation with other segments
Sustainable development and corporate social responsibility	IT		
Human resources policy	Risk management policy		
Internal audit	Investor relations		
Legal service	Capital investments and restructuring		
Communication			
Supervision of all strategic and operational affairs at the Flexible Packaging Segment			

Detailed information about the particular members of the Management Board, including their qualifications and experience, is presented on the corporate website at: www.grupakety.com/pl/10,zarzad-i-rada-nadzorcza.html

Competences of the Management Board and information on the method of the Board appointment and operation GRI 102-19, GRI 102-26

The Management Board consists of two to five Members, including the President of the Management Board. The President of the Management Board and other Members of the Board are appointed and recalled by the Supervisory Board. The term of office of the Management Board Members is three years. The Management Board Members are appointed for a joint term of office. If the membership of the Management Board no longer complies with the requirements of the Articles, the Supervisory Board shall immediately pass a resolution on changing the membership of the Management Board.

The Management Board runs the affairs of the Company and represents it. The Company is represented by two Members of the Management Board or one Member of the Management Board jointly with a proxy. Any matters related to running the affairs of the Company, which have not been reserved by the Articles or by law for the General Meeting or the Supervisory Board, fall within the competencies of the Management Board.

The methods of the Management Board operation are determined in detail in the Management Board By-law. The By-law is passed by the Management Board and approved by the Supervisory Board. Acting by the Management Board Members as members of the management boards or supervisory boards of companies outside of the Capital Group requires consent of the Supervisory Board.

The resolutions of the Management Board are passed with absolute majority of votes. In the event of an equal number of votes for and against a resolution, decisive is the vote of the President of the Management Board. The following matters require a resolution of the Management Board:

- a) receiving and presenting annual reports on the operations of the Company and the Capital Group, financial statements, and consolidated financial statements of the Capital Group to the General Meeting;
- b) presenting motions to the General Meeting, along with the opinion of the Supervisory Board, in the following matters:
 - resolutions regarding profit distribution or loss coverage;
 - change of the Company line of business;
 - amendment of the Articles;
 - share capital increase or decrease if the increase or decrease takes place in the manner requiring a resolution of the General Meeting;
 - merger, split or transformation of the Company;
 - winding-up and liquidation of the Company;
 - issue of share-convertible bonds;
 - sale or lease of the enterprise or its organised part, or encumbering thereof with a limited right in property;
 - disposing of interest or shares vested in the Company of the value exceeding PLN 100,000,000 (say: one hundred million zlotys), including by encumbering them, except for disposal for the benefit of the companies within the Capital Group;
 - any provisions related to claims for damages incurred at the moment of founding the company, or management or supervision of the Company;
 - determination of the date of acquiring the right to dividend and dividend payout date;
 - passing resolutions regarding the Company shares redemption;
- c) convening ordinary or extraordinary General Meetings:
 - on the Management Board's own initiative;
 - at a written request of the Supervisory Board;
 - at a written request of the shareholders representing at least one twentieth of the share capital;
- d) division of duties among the Management Board members;
- e) establishment of the Company organisational regulations and organizational structure;
- f) creation or closure of branches, departments, plants and other separated business units of the Company;
- g) granting and recalling of proxy rights and powers of attorney;
- h) establishment of the Company work regulations and rules applicable to the corporate payroll, awards and bonus systems as well as the Corporate Social Benefits Fund;
- i) approval of consolidated budgets, the Company budgets, and strategy of the Capital Group;
- j) granting donations;
- k) making decisions on group redundancies;
- l) disposing of and putting into use the Company assets of the net book value or market value exceeding PLN 200,000.00 (say: two hundred thousand zlotys), except for disposing of and putting into use any assets for the benefit of the companies of the Capital Group or within the ordinary course of business of

- the Company; as well as liquidation of property, plant and equipment of the initial value exceeding PLN 10,000.00 (say: ten thousand zlotys), except for the computer sets and laptops;
- m) taking out cash liabilities in the value exceeding PLN 12,500,000.00 (say: twelve million five hundred thousand zlotys);
 - n) taking out cash liabilities in the value exceeding PLN 1,000,000.00 (say: one million zlotys), in relation to activities which have not been listed in § 14.3 of the Articles, except for liabilities included in the Company budget and liabilities taken out within the ordinary course of business of the Company;
 - o) taking out cash liabilities in one-off value exceeding PLN 200,000.00 (say: two hundred thousand zlotys), under the agreements on providing advisory services to the Company, except for liabilities under the advisory agreements signed with the companies of the Capital Group;
 - p) any other matters requiring the consent of the Supervisory Board under § 14.3 of the Articles;
 - q) referring to the Supervisory Board with a request for opinion in any matter determined by the Management Board;
 - r) entering into significant transactions within the meaning of the Act on Public Offering, except for transactions for which the Act on Public Offering excludes the duty of obtaining the consent of the Supervisory Board or the General Meeting;
 - s) undertaking activities related to internal audit, whereas resolutions in the matters listed below are passed upon prior approval of the Supervisory Board in the respective matter:
 - approval of the Internal Audit Rules,
 - approval of the Annual Internal Audit Plan in reference to risk analysis,
 - approval of the Long-term Internal Audit Plan,
 - approval of the Internal Audit budget and plan of resources,
 - ordering an ad hoc audit task,
 - appointment and recall of the Internal Audit Director,
 - approval of remuneration or any other compensation for the Internal Audit Director which does not result from internal rules or other procedures binding at the Company;
 - t) approval of the Management Board assessment of the effectiveness of internal audit functioning at the Company, along with a respective report, and presenting it to the Supervisory Board.

A resolution of the Management Board may also be required for matters other than listed above, as proposed by the Management Board Members.

The managing persons have no right to decide on the issue or redemption of shares but only to initiate actions in that regard.

In 2020 the Management Board of the Company held 50 meetings.

The principles of the Management Board operation are regulated by the Code of Commercial Companies. The detailed methods of the Management Board operation are determined in the Company Articles and the Management Board By-law, passed by the Management Board and approved by the Supervisory Board, available on the corporate website at: www.grupakety.com/pl/18,dokumenty-spolki.html

8.4. Supervisory Board and Supervisory Board Committees

Membership of the Supervisory Board and information on changes introduced GRI 102-18 GRI 405-1

As at 31 December 2020, the Supervisory Board of Grupa Kęty S.A. consisted of:

- Mr Piotr Stępnik – Chairman of the Supervisory Board and independent Member of the Supervisory Board,
- Mr Piotr Kaczmarek – Deputy Chairman of the Supervisory Board and independent Member of the Supervisory Board,
- Mr Wojciech Golak – an independent Member of the Supervisory Board,
- Mr Paweł Niedziółka – an independent Member of the Supervisory Board,
- Mr Przemysław Rasz – an independent Member of the Supervisory Board,
- Ms Agnieszka Zalewska – Member of the Supervisory Board.

In reference to the lapse of term of the Company Supervisory Board, the Annual General Meeting held on 20 August 2020 appointed the Supervisory Board for a new, joint term, consisting of: Wojciech Golak, Piotr Kaczmarek, Paweł Niedziółka, Przemysław Rasz, Piotr Stępnik, Agnieszka Zalewska. After the Annual General Meeting session, on 20 August the Supervisory Board of the 11th term appointed Chairman of the Supervisory Board, i.e. Mr Piotr Stępnik, and Deputy Chairman of the Supervisory Board, i.e. Mr Piotr Kaczmarek.

As at 31 December 2020, the Supervisory Board of Grupa Kęty S.A. consisted of:

- Mr Piotr Stępniaak – Chairman of the Supervisory Board and independent Member of the Supervisory Board,
- Mr Piotr Kaczmarek – Deputy Chairman of the Supervisory Board and independent Member of the Supervisory Board,
- Mr Wojciech Golak – an independent Member of the Supervisory Board,
- Mr Paweł Niedziółka – an independent Member of the Supervisory Board,
- Mr Przemysław Rasz – an independent Member of the Supervisory Board,
- Ms Agnieszka Zalewska – Member of the Supervisory Board.

Detailed information about the particular members of the Supervisory Board, including their qualifications and experience, is presented on the corporate website at: www.grupakety.com/pl/10,zarzad-i-rada-nadzorcza.html

Competences of the Supervisory Board and information on the method of the Board appointment and operation

The Supervisory Board is composed of five or six Members appointed and dismissed by the General Meeting. The term of office of the Supervisory Board is three years. The Supervisory Board Members are appointed for a joint term of office. The General Meeting may dismiss any Member of the Supervisory Board at any time. The membership of the Supervisory Board should comply with the legal regulations providing for the requirement of appointing independent members of the Supervisory Board.

The Supervisory Board elects the Chairman, the Deputy Chairman and, if needed, the Secretary of the Supervisory Board from among its members. The Chairman of the Supervisory Board convenes and chairs the Supervisory Board meetings and manages its works. If the Chairman is not able to perform his or her duties or is absent, the Deputy Chairman performs the Chairman's duties.

The Supervisory Board meetings are held at least once in each quarter. The Supervisory Board fulfils its tasks and exercises its rights by passing resolutions at meetings, and through control and advisory activities. The resolutions are passed with a simple majority of votes. In the case of an equal number of votes cast for and against a resolution, the casting vote is exercised by the Supervisory Board Chairman. Resolutions are passed in open voting, except for personnel matters which shall be decided in secret voting. Resolutions may be passed if all Board Members have been invited.

The Supervisory Board's responsibilities include in particular:

- 1) evaluation of the Company financial statements and the Management Board reports on the Company operations;
- 2) assessment of the Management Board motions concerning profit distribution or loss coverage;
- 3) submitting written reports on the results of the actions referred to in items 1) and 2) above to the General Meeting;
- 4) submitting assessments regarding the Company standing and other opinions to the General Meeting, particularly in reference to the Company sponsoring and charity activities and fulfilment of disclosure obligations by the Company;
- 5) presenting reports on the Supervisory Board activities to the General Meeting;
- 6) appointment and dismissal of the Management Board Members and determining the principles of their remuneration in accordance with the Remuneration Policy binding at the Company.
- 7) suspending the individual or all Management Board members in their duties because of important reasons;
- 8) delegating members of the Supervisory Board to temporarily perform the duties of the Management Board members who are incapable of discharging their duties;
- 9) approval of the Management Board By-law;
- 10) approval of consolidated budgets, Company budgets, and strategy of the Capital Group;
- 11) electing the statutory auditor to audit the Company financial statements;
- 12) determination of the value of remuneration of the Supervisory Board Members delegated to temporary performance of duties of a Management Board Member, in accordance with the Remuneration Policy binding at the Company.
- 13) presentation to the General Meeting of recommendations and requests regarding amendments to the Remuneration Policy binding at the Company, within the meaning of the Act of 29 July 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised

Trading, and on Public Companies, plus introduction of more detail into the Remuneration Policy binding at the Company, upon approval of the General Meeting.

- 14) preparing an annual Remuneration Report, as provided by the Act of 29 July 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies.

In addition, the Management Board shall obtain the consent of the Supervisory Board before performing any of the following acts by the Company:

- 1) disposing of and putting into use the Company assets of the value exceeding PLN 50,000,000 (say: fifty million zlotys), except for disposing of and putting into use any assets for the benefit of the companies of the Capital Group or within the ordinary course of business;
- 2) activities, as a result of which the financial debt limit of the Capital Group will be exceeded jointly for more than PLN 50,000,000 (say: fifty million zlotys) or further increase of the excess level;
- 3) activities, as a result of which the off-balance-sheet debt of the Capital Group will be exceeded jointly for more than PLN 50,000,000 (say: fifty million zlotys) or further increase of the excess level;
- 4) taking out cash liabilities in the value exceeding PLN 1,000,000 (say: one million zlotys), under the agreements on providing advisory services to the Company, except for taking out liabilities under advisory agreements signed with the companies of the Capital Group;
- 5) taking out cash liabilities in the value exceeding PLN 12,500,000 (say: twelve and a half million zlotys), in relation to activities which have not been listed in this § 14.3, except for liabilities provided for in the Company budget and liabilities taken out within the Company ordinary course of business;
- 6) creating and joining companies, an taking up or acquiring interest or shares);
- 7) disposing of the interest or shares vested in the Company of the value exceeding PLN 10,000,000 (say: ten million zlotys), including by encumbering them, except for managing for the benefit of the companies within the Capital Group;
- 8) granting finance by the Company based on lending agreements or other activities of similar nature for the amount exceeding PLN 1,000,000 (say: one million) to companies from outside of the Capital Group, except for the cases specified in the approved Company budget, and except for finance granted within the ordinary course of business;
- 9) exercising the right of vote on shares or interest of the Company in key companies in the matters related to granting a consent for:
 - a) disposing of and putting into use the Company assets of the value exceeding PLN 20,000,000 (say: twenty million zlotys), except for disposing of and putting into use any assets for the benefit of the companies of the Capital Group or within the ordinary course of business of the key company;
 - b) activities, as a result of which the financial debt limit of the Capital Group will be exceeded jointly for more than PLN 50,000,000 (say: fifty million zlotys) or further increase of the excess level;
 - c) activities, as a result of which the off-balance-sheet debt of the Capital Group will be exceeded jointly for more than PLN 50,000,000 (say: fifty million zlotys) or further increase of the excess level;
 - d) creating and joining companies, an taking up or acquiring interest or shares);
 - e) disposing of the interest or shares vested in the Company of the value exceeding PLN 10,000,000 (say: ten million zlotys), including by encumbering them, except for managing for the benefit of the companies within the Capital Group;
- 10) conclusion of an agreement with a member of the Supervisory Board;
- 11) conclusion of a major agreement with a shareholder of the Company who holds at least 5% (say: five percent) of the total number of votes in the General Meeting;
- 12) opening or closing a branch.

In 2020 the Supervisory Board of the Company held 10 meetings.

The principles of the Supervisory Board operation are regulated by the Code of Commercial Companies. The detailed methods of the Supervisory Board operation are determined in the Company Articles and the Supervisory Board By-law, passed by the Supervisory Board, available on the corporate website at: www.grupakety.com/pl/18.dokumenty-spolki.html.

The Supervisory Board is a collective body, however, it has delegated some of its powers to the specific committees described below.

COMMITTEES OF THE SUPERVISORY BOARD

The following committees of the Supervisory Board operate at Grupa Kęty S.A.:

- Audit Committee,
- Nomination and Remuneration Committee.

The committees are appointed to make the current work of the Supervisory Board more efficient by preparing, on a current basis, draft decisions of the Supervisory Board concerning its own motions or the motions submitted by the Management Board for examination. The committee members are appointed by virtue of a resolution passed by the Supervisory Board, from among the Supervisory Board Members, and perform their functions until their resignation has been accepted or until their dismissal, in accordance with the appointment procedure. The committee members do not receive any additional remuneration for their work in the committees.

AUDIT COMMITTEE

Membership of the Audit Committee and information on changes introduced

As at 1 January 2020, the Audit Committee of the Supervisory Board of Grupa Kęty S.A. consisted of:

- Mr Piotr Stępiak – Chairman of the Audit Committee,
- Mr Bartosz Kazimierczuk – Member of the Audit Committee,
- Mr Piotr Kaczmarek – Member of the Audit Committee,
- Mr Paweł Niedziółka – Member of the Audit Committee,
- Mr Szczepan Strublewski – Member of the Audit Committee,
- Mr Wojciech Włodarczyk – Member of the Audit Committee.

In reference to the lapse of term of the Company Supervisory Board, the Annual General Meeting held on 20 August 2020 appointed the Supervisory Board for a new, joint term of 3 years. After the Annual General Meeting session, on 20 August 2020 the Supervisory Board of the 11th term appointed the Audit Committee of the Supervisory Board of Grupa Kęty S.A. consisting of: Wojciech Golak, Piotr Kaczmarek, Paweł Niedziółka, Przemysław Rasz, Piotr Stępiak, Agnieszka Zalewska. The Members of the Audit Committee selected the Audit Committee Chairman from among themselves, i.e. Mr Piotr Kaczmarek.

As at 31 January 2020, the Audit Committee of the Supervisory Board of Grupa Kęty S.A. consisted of:

- Mr Piotr Kaczmarek – Chairman of the Audit Committee,
- Mr Wojciech Golak – Member of the Audit Committee,
- Mr Paweł Niedziółka – Member of the Audit Committee,
- Mr Przemysław Rasz – Member of the Audit Committee,
- Mr Piotr Stępiak – Member of the Audit Committee,
- Ms Agnieszka Zalewska – Member of the Audit Committee.

- **Mr Piotr Kaczmarek – Chairman of the Audit Committee**

Mr Piotr Kaczmarek fulfils the statutory independence criteria and possesses knowledge in accounting and auditing financial statements, as well as the sector of Grupa Kęty S.A. operation, as referred to in the Act on Statutory Auditors [...].

Mr Piotr Kaczmarek is highly experienced in seating at Audit Committees of stock-listed companies, including as Chairman of the Audit Committees (Robyg S.A., Grupa Kętzy S.A., Ferro S.A., Harper Hygienics S.A, Erbud S.A., VRG S.A.). He has also worked for more than a decade as a financial analyst, and was awarded the CFA (Chartered Financial Analyst) title and a securities broker licence. Since 2017, Mr Piotr Kaczmarek has acted as a Member of the Supervisory Board and Audit Committee of the Capital Group of Grupa Kęty S.A., which contributed to extending his knowledge of the sector in which the Company operates.

- **Mr Wojciech Golak – Member of the Audit Committee**

Mr Wojciech Golak fulfils the statutory independence criteria and possesses knowledge in accounting and auditing financial statements, as referred to in the Act on Statutory Auditors [...]. According to the information provided by Mr Golak, he does not have the knowledge of the sector in which Grupa Kęty S.A. operates.

Since 2018, Mr Wojciech Golak has acted as a Member of the Audit Committee of Robyg S.A. He completed a post-graduate course in banking run by the Collegium of Management and Finance of the SGH Warsaw School of Economics. He also acted as a representative and receiver of KBC Securities N.V. (joint stock company) Branch in Poland.

- **Mr Paweł Niedziółka – Member of the Committee**

Mr Paweł Niedziółka fulfils the statutory independence criteria and possesses knowledge in accounting and auditing financial statements, as well as the sector of Grupa Kęty S.A. operation, as referred to in the Act on Statutory Auditors [...].

Mr Paweł Niedziółka has over 20 years of experience in analyses and risk management with regard to financing business companies and structuring of bank financing. He heads the Financial Risk Management Department at the Institute of Banking of the SGH Warsaw School of Economics, and manages the Structural Financing Team at Bank Millennium S.A. where he manages the Financial Risk Management Department and sits at the Audit Committee of the company (previously, he was associated with Credit Lyonnais Bank Polska and Bankgesellschaft Berlin).

Mr Paweł Niedziółka has been acting as a Member of the Supervisory Board of Grupa Kęty S.A. since 2014, which contributed to extending his knowledge of the sector in which the Company operates.

- **Mr Przemysław Rasz – Member of the Audit Committee**

Mr Przemysław Rasz fulfils the statutory independence criteria and possesses knowledge in accounting and auditing financial statements, as well as the sector of Grupa Kęty S.A. operation, as referred to in the Act on Statutory Auditors [...].

Mr Przemysław Rasz has a master's degree in engineering. He graduated from a dual programme by the Poznań University of Technology (MSc. Eng.) and the University of Economics in Poznań (Management and Organisation). He also completed a post-graduate course in Business Value Management at the SGH Warsaw School of Economics.

In 2008–2018, Mr Przemysław Rasz chaired Supervisory Board of 8 large commercial and production companies in Central and Eastern Europe (Poland, Slovakia, Czech Republic, Romania, Bulgaria, Hungary, Russia). He also acted as the owner's representative at several Polish and European companies (the total value of equity of ca. EUR 120 million), and Vice President of an European Corporation with equity of about EUR 900 million, where he was responsible for business and financial risk, as well as corporate and accounting compliance. He participated actively in 9 acquisition processes, including as a Project Manager in Poland, Czech Republic, Hungary, Austria and Germany. On the European level, he was responsible for the process as well as business and financial integration (the largest transaction amounted to EUR 1.1 billion) Moreover, he participated in 9 professional due diligence programmes for the purpose of acquisition, including 7 times as the Lead Manager, and once as a member of a 4-person Corporate Steering Committee.

Mr Przemysław Rasz has acted for more than 20 years as the President of the Management Board of a Polish capital group in the construction sector, of the revenue of roughly PLN 300–500 million, where he was responsible for approving the work of the Management Board in the particular reporting years in accordance with the binding accounting standards. In the years 1996–2002, he was President of a company quoted at the main trading floor of the Warsaw Stock Exchange.

For over 28 years he has worked in Polish, European and American civil engineering companies dealing with production, trade and contract performance. He has also managed companies of the construction sector. Further, he served two terms as a Member of the Board of Construction Materials of the Minister/Chief Building Supervision Inspector; two terms as a Member of the Scientific Council

of Building Technology Institute in Warsaw; two terms as a Member of the Building Design Chamber in Warsaw; four terms as a Deputy Chairman of the Board of the Polish Chamber of Commerce and Industry for the Construction Business; and two terms as the Chairman of the Construction Committee (KIG) in Warsaw.

- **Mr Piotr Stępniaak – Member of the Audit Committee**

Mr Piotr Stępniaak fulfils the statutory independence criteria and possesses knowledge in accounting and auditing financial statements, as well as the sector of Grupa Kęty S.A. operation, as referred to in the Act on Statutory Auditors [...].

Mr Piotr Stępniaak has many years of experience in management and supervision, gained also at the highest levels of organisations (for example as a CEO or Supervisory Board Chairman), at many Polish and foreign companies. The professional experience of Mr Piotr Stępniaak covers but is not limited to financial institutions related to (i) banking (e.g. Lukas Bank S.A. or Getin Group companies) or (ii) assets management (e.g. Skarbiec Group). During his professional career Mr Piotr Stępniaak has taken part in many investment processes, which included due diligence studies of Polish, Russian, Ukrainian and Belarusian companies (Getin Group). Additionally, at Getin Group, Mr Piotr Stępniaak dealt with ownership supervision of the Group companies.

Mr Piotr Stępniaak has chaired several Audit Committees of public companies (including Kruk S.A., VRG S.A., Prime Car Management S.A., Skarbiec Holding S.A., Magellan S.A.). At the present moment, he chairs the Audit Committee of Asseco Business Solutions S.A.

He also possesses theoretical expertise in accounting or financial audit within the meaning of Article 129.1 sentence 2 of the Act, which he gained by getting a Double Major B.A. degree in Management and Economics with Financial Accounting and an EMBA degree (Executive Master in Business Administration).

Mr Piotr Stępniaak has been acting as a Member of the Supervisory Board of Grupa Kęty S.A. since 2017, which contributed to extending his knowledge of the sector in which the Company operates.

- **Ms Agnieszka Zalewska – Member of the Audit Committee**

Ms Agnieszka Zalewska is highly experienced in management, including with regard to legal matters, corporate supervision, and coordination of management processes at companies. She has participated in the performance of strategic and investment projects at companies. She is experienced in the power engineering sector and in financial institutions. According to her declaration, she does not fulfil the independence criteria set out in Article 129.3 of the Act, and does not possess knowledge and skills in accounting or auditing financial statements, within the meaning of Article 129.1 sentence two of the Act, or knowledge and skills in the sector in which the Company operates, within the meaning of Article 129.5 of the Act.

Detailed information about the particular members of the Audit Committee of the Supervisory Board of Grupa Kęty S.A., including their qualifications and experience, is presented on the corporate website at: www.grupakety.com/pl/10,zarząd-i-rada-nadzorcza.html.

Competences of the Audit Committee and information on the method of the Committee appointment and operation

The Audit Committee consists of at least three Members appointed by the Supervisory Board for its term of office from among its members. The Committee Members appointed by the Supervisory Board elect one of them as the Chairman of the Committee. At least one Committee Member possesses knowledge and qualifications in accounting or auditing financial statements. Most of the Audit Committee Members, including the Chairman, are independent within the meaning of Annex II to the Recommendations and fulfil the independent criteria specified in Article 129.3 of the Act and the 'The Best Practice for GPW Listed Companies 2016'. The Audit Committee Members possess knowledge and qualifications related to the industry in which the Company operates. This condition is deemed fulfilled if at least one Committee Member has the knowledge and qualifications related to that industry, or individual Members – within certain areas – have the knowledge and qualifications related to that industry. A Committee Member may be dismissed from the Committee at any time by virtue of a Supervisory Board resolution.

The Committee meetings are opened and chaired by the Committee Chairman or in his absence by another member of the Committee indicated by the Chairman. The Committee decisions are made in the form of resolutions. The resolutions are passed with an absolute majority of votes. In the event of an equal number of votes for and against a resolution, decisive is the vote of the Chairman, and in his absence – of the other person chairing the Committee meeting, as specified in § 9.1 of the Committee By-law. For the validity of the Committee resolutions proper invitation of all of the Committee Members to the Committee meeting is required, or consent to holding a meeting of the Committee without formal convening, in accordance with § 8.7 of the Committee By-law, as well as the presence of at least half of the Committee Members at the Committee meeting. The Committee resolutions do not bound the Supervisory Board.

The tasks of the Committee include supporting of the Supervisory Board in the performance of its control and supervisory duties, as well as performance of tasks specified in the generally binding laws, and specifically as regards the:

- 1) monitoring of the financial reporting process, which includes but is not limited to:
 - verification of financial statements as to the correctness and completeness of the information provided therein;
 - providing opinions to the principles of preparing financial statements and the accounting policy at the Company;
 - analysing the reports on the audit of financial statements;
- 2) monitoring the effectiveness of internal control systems, risk management systems and internal audit, also with regard to financial reporting, which includes but is not limited to:
 - assessment of the effectiveness of the particular elements of the systems, including those related to financial reporting and safety of the applied information technologies, and presenting recommendations in that regard to the Supervisory Board;
 - analysis of the detected irregularities in the internal control systems and presentation of recommendations in that regard to the Supervisory Board;
 - examining reports and recommendations issued by the external regulatory or control authorities, applicable to the compliance of the Company activities with the legal regulations as well as schedules of removing the irregularities detected;
- 3) monitoring the performance of financial audit activities, in particular carrying out of audits by an audit firm, taking into account any findings and conclusions of the Polish Agency of Audit Supervision arising from the audits carried out at an audit firm, which includes but is not limited to:
 - recommending to the Supervisory Board of the selection of an audit firm to carry out the audit or review of the Company financial statements;
 - providing opinions on the proposed terms of contract with an audit firm with regard to carrying out the audit or review, including the value and limit of remuneration;
 - assessing the type and scope of services ordered with an audit firm and the remuneration paid on that account, or other considerations for the benefit of the audit firm, with regard to the risk of a conflict of interest occurrence;
 - presenting to the Supervisory Board the conclusions and recommendations resulting from the report on the audit of the financial statements of the Company prepared by an audit firm;
 - expressing opinions regarding the activities undertaken by the Company Management Board in relation to the reservations to the financial statements reported by an audit firm or otherwise reported comments with regard to the correctness of the financial statements or the accounting principles of the Company;
 - assessing and providing opinions with regard to the information provided by the audit firm performing the financial audit activities at the Company in reference to major issues related to the activities, including major irregularities in the internal audit system at the Company as refers to the financial reporting;
- 4) controlling and monitoring the independence of the statutory auditor and the audit firm;
- 5) informing the Supervisory Board about the audit results and explaining how the audit contributed to the fairness of the Company financial reporting, and about the role of the Committee in the auditing process;
- 6) assessing the independence of the statutory auditor and giving consent to the provision by them of the permitted non-audit services to the Company;
- 7) developing a policy of selection of the audit firm to carry out the audit of the Company financial statements;
- 8) developing a policy on the provision of the permitted non-audit services by the audit firm to carry out the audit, the entities related to that audit firm or a member of the audit firm's network;

- 9) determining the procedure of selection of the audit firm to carry out the audit of the Company financial statements;
- 10) presenting recommendations to the Supervisory Board with regard to the selection of an audit firm;
- 11) presenting recommendations to ensure the integrity of the Company financial reporting process;
- 12) preparing opinions within the competencies of the Supervisory Board, providing that the generally binding laws and the internal regulations of the Company permit that;
- 13) performing other tasks resulting from the generally binding laws or tasks entrusted by the Supervisory Board pursuant to Section 2;
- 14) by way of a resolution, the Supervisory Board may entrust the Committee with the performance of activities other than those specified in Section 1, subject that it does not prejudice the generally binding laws.

In 2020, the audit firm carrying out the audit of the financial statements of the Company provided the permitted non-audit services in the area of the Risk Management System at the Grupa Kęty S.A. Capital Group. The basis for the services provided was the approval by the Supervisory Board and the Management Board of the Company in that regard.

The detailed methods of the Audit Committee operation are determined in the Company Articles and the By-law of the Audit Committee of the Supervisory Board of Grupa Kęty S.A., passed by the Supervisory Board, available on the corporate website at: www.grupakety.com/pl/18,dokumenty-spolki.html.

Main assumptions of the policy of selection of the audit firm to carry out the audit of the financial statements of Grupa Kęty S.A.

In accordance with the applicable law, Grupa Kęty S.A. shall have its separate and consolidated financial statements reviewed and audited by an audit firm. The selection of an entity authorised to audit the Company financial statements should be carried out on the basis of the following principles.

1. The entity authorised to audit financial statements shall be selected in a tender procedure by the Supervisory Board of Grupa Kęty S.A., on the basis of a recommendation by the Audit Committee of the Supervisory Board. The decision on the selection is taken in the form of a resolution of the Supervisory Board.
2. When selecting a firm authorised to audit the financial statements, the Supervisory Board of Grupa Kęty S.A. follows the binding Policy and Procedure of an audit firm selection.
3. When selecting the entity authorised to audit the financial statements, the Supervisory Board of Grupa Kęty S.A. focuses on the prior experience of the audit firm in auditing financial statements of companies with the profile of operation similar to those of the Grupa Kęty S.A. Capital Group.
4. The selection is made taking into account the principles of impartiality and independence of the audit firm as well as analysis of the projects carried out by the firm at the Company, going beyond the audit of the financial statements, in order to avoid a conflict of interest (preserving impartiality and independence).

The policy and procedure of Grupa Kęty S.A. with regard to the selection of an audit firm to carry out the audit of statutory financial statements are available on the corporate website at: www.grupakety.com/pl/68,regulawyboru-podmiotu-uprawnionego-do-badania-sprawozdan-finansowych.html.

Main assumptions of the policy on the provision of permitted non-audit services by the audit firm carrying out the audit, the entities related to that audit firm or a member of the audit firm's network

1. The Company does not order any prohibited non-audit services in the following periods:
 - a. in the period from the commencement of the respective audited period to the issue of the audit report; and
 - b. in the reporting year directly preceding the period referred to in letter a), in reference to the services listed in Section 3 letter e).
2. The Company may order non-audit services, other than the prohibited non-audit services, subject to their approval by the Audit Committee and after carrying out of the respective assessment of threats and assuring independence in compliance with Article 22b of Directive 2006/43/EC.
3. Prohibited non-audit services are understood to be the services listed below, in accordance with the **REGULATION (EU) No 537/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**:
 - a. tax services relating to:

- i. preparation of tax forms;
- ii. payroll tax;
- iii. customs duties;
- iv. identification of public subsidies and tax incentives unless support from the statutory auditor or the audit firm in respect of such services is required by law;
- v. support regarding tax inspections by tax authorities unless support from the statutory auditor or the audit firm in respect of such inspections is required by law;
- vi. calculation of direct and indirect tax and deferred tax;
- vii. provision of tax advice;
- b. services that involve playing any part in the management or decision-making of the audited entity;
- c. bookkeeping and preparing accounting records and financial statements;
- d. payroll services;
- e. designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems;
- f. valuation services, including valuations performed in connection with actuarial services or litigation support services;
- g. legal services, with respect to:
 - i. the provision of general counsel;
 - ii. negotiating on behalf of the audited entity; and
 - iii. acting in an advocacy role in the resolution of litigation;
- h. services related to the audited entity's internal audit function;
- i. services linked to the financing, capital structure and allocation, and investment strategy of the audited entity, except providing assurance services in relation to the financial statements, such as the issuing of comfort letters in connection with prospectuses issued by the audited entity;
- j. promoting, dealing in, or underwriting shares in the audited entity;
- k. human resources services, with respect to:
 - i. management in a position to exert significant influence over the preparation of the accounting records or financial statements which are the subject of the statutory audit, where such services involve:
 - searching for or seeking out candidates for such position; or
 - undertaking reference checks of candidates for such positions;
 - ii. structuring the organisation design; and
 - iii. cost control.

In 2020 the Audit Committee of the Supervisory Board of Grupa Kęty S.A. held 7 meetings.

The policy of Grupa Kęty S.A. with regard to providing the permitted non-audit services by the audit firm carrying out the audit, by entities related to that audit firm and by a member of the audit firm's network is available on the corporate website at: www.grupakety.com/pl/68,regula-wyboru-podmiotu-uprawnionego-dobadania-sprawozdan-finansowych.html.

NOMINATION AND REMUNERATION COMMITTEE

Membership of the Nomination and Remuneration Committee and information on changes introduced

As at 1 January 2020, the Nomination and Remuneration Committee of the Supervisory Board of Grupa Kęty S.A. consisted of:

- Mr Paweł Niedziółka – Chairman of the Nomination and Remuneration Committee,
- Mr Bartosz Kazimierzuk – Member of the Nomination and Remuneration Committee,
- Mr Wojciech Włodarczyk – Member of the Nomination and Remuneration Committee.

In reference to the lapse of term of the Company Supervisory Board, the Annual General Meeting held on 20 August 2020 appointed the Supervisory Board for a new, joint term of 3 years. After the Annual General Meeting session, on 20 August 2020 the Supervisory Board of the 11th term appointed the Nomination and Remuneration Committee of the Supervisory Board of Grupa Kęty S.A. consisting of: Wojciech Golak, Piotr Kaczmarek, Paweł Niedziółka, Przemysław Rasz, Piotr Stępiak, Agnieszka Zalewska. The Members of the Nomination and Remuneration Committee selected the Committee Chairman from among themselves, i.e. Mr Piotr Stępiak.

As at 31 December 2020, the Nomination and Remuneration Committee of the Supervisory Board of Grupa Kęty S.A. consisted of:

- Mr Piotr Stępniaak – Chairman of the Nomination and Remuneration Committee,
- Mr Wojciech Golak – Member of the Nomination and Remuneration Committee,
- Mr Piotr Kaczmarek – Member of the Nomination and Remuneration Committee,
- Mr Paweł Niedziółka – Member of the Nomination and Remuneration Committee,
- Mr Przemysław Rasz – Member of the Nomination and Remuneration Committee,
- Ms Agnieszka Zalewska – Member of the Nomination and Remuneration Committee.

In 2020, the Nomination and Remuneration Committee acted pursuant to the Code of Commercial Companies, as well as the Company Articles of Association and the Nomination and Remuneration Committee By-law. The activities of the Nomination and Remuneration Committee in 2020 focused on the following issues:

- verification of the calculation of the annual bonus for the Members of the Management Board of Grupa Kęty S.A. for 2019 and submission of the related recommendation to the Supervisory Board;
- assessment of the value of basic remuneration of the Management Board Members compared to market data (also in the context of relationship to variable remuneration), which resulted in recommending to the Supervisory Board an increase of the basic remuneration;
- review of the bonus and incentive system and recommendation to the Supervisory Board of the system amendment;
- analysis of the proposed Management Options Plan for the years 2020–2028 and recommending the same to the Supervisory Board;
- discussion on the Remuneration Policy of the Capital Group of Grupa KĘTY S.A., the Nomination and Remuneration Committee By-law and assumptions for the new bonus and incentive system.

Competences of the Nomination and Remuneration Committee and information on the method of the Committee appointment and operation

The Remuneration Committee of Grupa Kęty S.A. was established by way of Resolution No. VI/4/05 of the Supervisory Board of 19 May 2005. By way of Resolution No. X/11/19 of 5 June 2019, the Supervisory Board changed the name of the Remuneration Committee into the Nomination and Remuneration Committee and passed the Committee By-law.

1. The basic competencies of the Committee include but are not limited to:
 - a) As regards the Management Board Members nominations:
 - carrying out recruitment procedures with the aim to find candidates to act as the Management Board Members;
 - presenting recommendations to the Supervisory Board in reference to a candidate or candidates to act as the Management Board Members;
 - presenting recommendations to the Supervisory Board in reference to the structure, size and membership of the Management Board.
 - b) As regards remuneration:
 - analysing the Management Board Members remuneration system, which includes analysing all of the components of the remuneration due and paid to the Management Board Members, as well as carrying out a comparative analysis in reference to other entities operating on the market of similar scale and profile of operation (if available), and presenting recommendations in that regard to the Supervisory Board;
 - if the General Meeting authorises the Supervisory Board to specify the elements of the Remuneration Policy with more detail in accordance with the binding laws
 - presenting recommendations and proposals of the detailed scope to the Supervisory Board;
 - presenting recommendations and proposals to the Supervisory Board in reference to the data and information included in the annual report on remuneration prepared by the Supervisory Board in accordance with the applicable laws;
 - presenting recommendations and proposals to the Supervisory Board in reference to amending the Remuneration Policy or the principles of remuneration and the terms of employment specified for the particular Management Board Members;
 - if the Company has implemented an incentive scheme (e.g. Management Options Plan) – carrying out an analysis and presenting recommendations and proposals to the Supervisory Board in reference to the scheme assumptions and terms.

2. The Committee shall cooperate with external auditors employed by the Company as regards assessment of the remuneration paid to the Management Board Members.
3. When performing their functions, the Committee may not trespass the competencies granted to the Supervisory Board.
4. Without prejudice to the generally binding laws, and in consideration of the scope of tasks of the Committee, as set out in the Committee By-law, the Committee may – without intermediation of the Supervisory Board – claim the provision of information and explanations or submission of documents needed for the performance of their tasks.
5. The Management Board or other persons indicated by the Management Board provide the Committee with access to documents and technical means needed for the performance of their tasks.

The Committee consists of at least three Members appointed for the term of the Supervisory Board. The Committee Members are appointed by virtue of a resolution passed by the Supervisory Board, from among the Supervisory Board Members, and perform their functions until their resignation has been accepted or until their dismissal, in accordance with the appointment procedure. The Committee appoints a Chairman of the Committee from among the Committee Members, by way of a resolution. The Committee Members do not receive, either directly or indirectly, any additional remuneration for their membership in the Committee.

In 2020 the Nomination and Remuneration Committee held 6 meetings.

The detailed methods of the Nomination and Remuneration Committee operation are determined in the Company Articles and the By-law of the Nomination and Remuneration Committee of the Supervisory Board of Grupa Kęty S.A., passed by the Supervisory Board, which are available on the corporate website at: <http://www.grupakety.com/pl/18,dokumenty-spolki.html>.

8.5. General Meeting and rights of the shareholders

The methods of Grupa Kęty S.A. General Meeting operation and the basic rights of the General Meeting are regulated by the Company Articles of Association and the General Meeting By-law. The documents are available on the corporate website at: <http://www.grupakety.com/pl/18,dokumenty-spolki.html>.

General Meetings are held at the registered office of the Company in Bielsko-Biała or in Warsaw. They are convened by the Management Board on the basis of an announcement published on the corporate website, in the manner specified for current information disclosure, in accordance with the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies. A General Meeting may also be convened by the Supervisory Board or shareholders representing at least half of the share capital. The shareholders representing at least 5% of the share capital may request the convening of a General Meeting and including certain items in the agenda of the Meeting.

A General Meeting is valid regardless of the number of the shares represented at it. In accordance with the approved By-law of the General Meeting of Grupa Kęty S.A., the session of the General Meeting is opened by an authorised person, in accordance with the Articles provisions. The person opening the General Meeting orders the selection of the General Meeting Chairman from among the participants. Every participant is entitled to report into the minutes one candidate for the function of the General Meeting Chairman. The persons reported are entered in the list of candidates, providing that they agree to stand as candidates.

The selection of the General Meeting Chairman takes place in secret voting by way of voting for each of the candidates separately. The Chairman is the person with the largest number of votes cast. If more than one candidate receive the equal largest number of votes, the person opening the General Meeting orders supplementary voting for the candidates with the equal largest number of votes. The Chairman is the person with the largest number of votes cast in the supplementary voting.

After having selected the Chairman of the General Meeting, the person opening the General Meeting hands over the conducting of the General Meeting to the Chairman of the General Meeting, who verifies the correctness of preparing the list of attendance at the General Meeting and in the absence of reservations signs the same, and confirms the correctness of convening the General Meeting as well as its capacity to pass resolutions in the matters included in the agenda of the meeting, based on the submitted documents related to the convening of the General Meeting, the attendance list and the original powers of attorney, and also the possible motions filed in that regard by a person entitled to vote, orders the acceptance of the agenda, and orders voting on the selection of the vote-counting committee, if they deem the commission appointment needed. In the absence of grounds for

determining the correctness of convening the Meeting or capacity to pass resolutions, the Chairman of the General Meeting closes the Meeting session.

During a session the duties and rights of the Chairman include caring for the compliance of the course of proceedings with the provisions of the Code of Commercial Companies, the Articles and the By-law, giving the floor and asking questions to the participants, as well as the persons identified in § 6.2 of the General Meeting By-law, taking the floor away from the participants, ordering voting on removing from the meeting room any persons which grossly breach the law, the provisions of the Articles, the provisions of the By-law or good manners, ordering breaks during the meeting, cooperation with the notary public taking down the minutes from the General Meeting, ordering voting on the resolutions of the General Meeting, determining the correctness of the course of voting and the voting results, taking a stand with regard to the motions reported by the participants and, when such need is determined, ordering voting in the subject-matter of the motions, introducing into the agenda any matters of organisational nature, solving doubts as to the interpretation of the provisions of the General Meeting By-law.

Due to the fact that the Company is stock listed, only the shareholders who had obtained their status at 16 days prior to the date of the General Meeting at the latest may participate in it and exercise their voting rights. Furthermore, the Members of the Management and Supervisory Boards, the Company auditor and other persons invited by the governing body convening the General Meeting, including the representatives of media, may participate in the Meeting, unless, at the request of a participant filed before proceeding to the discussion over the issues included in the agenda, the General Meeting decides otherwise with a simple majority of votes.

The list of shareholders entitled to participate in the General Meeting, signed by the Management Board, and including the names and surnames or business names of the entitled persons or companies, their addresses (addresses of registered offices), the number of their shares and votes, is available at the registered office/on the premises of the Company Management Board three business days prior to the General Meeting.

Pursuant to the Company Articles of Association, the General Meeting of Grupa Kęty S.A. By-law as well as the legal regulations, the Company shareholders may, specifically:

- participate in the General Meeting and exercise their voting rights in person or through plenipotentiaries;
- run for the position of the General Meeting Chairman or propose one candidate for the position to be included in the minutes;
- report draft resolutions on matters included in the agenda but not related to organisational matters;
- submit proposals of amendments and supplements to draft resolutions included in the General Meeting agenda by the time of closing the discussion on the items of the agenda concerning the draft resolutions to which such proposals pertain;
- take the floor and ask questions concerning each item on the agenda;
- demand secret voting;
- demand inclusion in the minutes of their objections and other statements;
- demand information from the Company Management Board concerning the items on the General Meeting agenda in the case of and subject to exceptions provided for in legal regulations;
- demand the list of shareholders to be e-mailed to them free of charge, indicating the e-mail address to which such a list should be sent. A shareholder may examine the list of shareholders on the Management Board's premises and demand a copy of the list, paying the costs of its preparation;
- examine the books of minutes of the General Meeting and request copies of resolutions certified by the Management Board;
- appeal against resolutions of the General Meeting in the cases provided for in legal regulations.

The participants attending the General Meeting confirm their presence with their own signature in the attendance list laid out in the meeting room and collect the voting sheets. The representatives and attorneys, before entry into the attendance list, submit to the minutes the documents which undoubtedly prove their legal authorisation to representation in the General Meeting, unless the power of attorney has been granted in electronic form, and they sign the attendance list legibly with their full name and surname, next to the surname or name of the principal. The attendance list must include specifically: the name and surname or company name of each participant, determination of the document based on which the identity of the participant has been confirmed, and in the case of representatives and attorneys of the participants, additionally specified should be: the name and surname or company name of the participant replaced by the representative or the attorney, and the source of representation (e.g. attorney, statutory representative), identification of the basis on which the participant is entitled to participate in the General Meeting (e.g. shareholder, pledgee), the number of shares held by the participant and the number of votes vested in the respective participant.

The attendance list is laid out throughout the term of the General Meeting, until the Meeting session is closed. The persons preparing the attendance list are obliged to include therein any changes in the membership and the number of the represented shares before each voting. The attendance list is signed by the participants and by the Chairman of the General Meeting.

The course of the General Meeting is recorded in the minutes by a notary public, and the minutes must include specifically a statement on the correctness of convening the General Meeting and its capacity to pass resolutions in the matters covered by the agenda, the text of the resolutions passed, as well as the number of votes cast for each resolution and the reported reservations. The minutes are signed by the Chairman of the General Meeting and the notary public. An excerpt from the minutes together with the evidence of convening the General Meeting and the documents referred to in § 12.2 of the By-law are attached by the Management Board to the book of minutes. The book of minutes includes the minutes of the vote-counting committee from the results of voting, if the committee has been appointed, as well as the voting sheets, if the voting has been carried out with the use of the voting sheets.

The resolutions of a General Meeting are passed with the majority of votes, as set out in the Articles of Association and the Code of Commercial Companies. The voting is carried out with the use of a vote counting system ensuring that the number of votes cast is equivalent to the number of votes possessed, as well as eliminating – in the event of secret voting – the possibility of identifying the method of casting votes by the particular persons authorised to vote. The voting is open. Secret voting is ordered during the elections and with regard to motions regarding dismissal of the members of the Company governing bodies, bringing them to justice as well as with respect to personal issues. Secret voting is also ordered when at least one shareholder present or represented at the General Meeting so requests.

After discussing all the matters included in the agenda, the Chairman announces the closing of the General Meeting. The proceedings of the General Meeting are broadcast live and recorded, and further uploaded to the website of Grupa Kęty S.A. to be watched at a chosen time.

In 2020 there was held one General Meeting, i.e. the Annual General Meeting on 20 August 2020, which passed 31 resolutions. Detailed information on General Meetings, and the resolutions passed are available on the corporate website at: <http://www.grupakety.com/pl/38,wza.html>.

8.6. Amendments to the Company Articles of Association

Any amendment to the Articles of Association requires a resolution of the General Meeting passed with the majority of 3/4 of votes, and the amendment must be entered in the National Court Register (Article 430 of the Code of Commercial Companies). Reporting of the amendment to the Articles is the responsibility of the Company Management Board. The Management Board is obliged to report an amendment to the Articles within three months of the adoption of the respective resolution.

Information on the issued securities and limitations in the exercise of the right of vote

a) Holders of securities with special control powers

The Company has not issued any securities with special control powers. The Company Articles of Association do not provide for any powers in that regard. The shares of Grupa Kęty S.A. are ordinary bearer shares. Each share entitles its holder to one vote at the General Meeting.

b) Indication of any limitations with regard to the exercise of the right of vote

The Company has not introduced any special limitations on the exercise of the right of vote. The Company Articles of Association do not provide for any limitations in that regard.

c) Restrictions on the transfer of securities ownership rights

The transfer of ownership rights with regard to the securities issued by the Company is not restricted. The Company Articles of Association do not provide for any limitations in that regard.

8.7. Diversity Policy with regard to the managing and supervisory bodies of Grupa Kęty S.A.

GRI 103-1,2,3 as regards 'Diversity and Equal Opportunity'

Grupa Kęty S.A. has not developed or applied any diversity policy with regard to the Company managing and supervisory bodies. The Company has not ensured a balanced proportion of men and women within the Management and Supervisory Boards. The four-person Management Board consists of men only. In the

six-person Supervisory Board of the 11th term, i.e. starting from 20 August 2020, there is one woman. The Members of the Management Board were appointed by the Supervisory Board, whereas two members were selected at the request of the President of the Management Board, and one of the Members of the Management Board was selected directly by the Supervisory Board (following the amendment of the Company Articles of Association). The Supervisory Board Members have been appointed by the General Meeting from among the candidates proposed by the Company shareholders. To the best knowledge of the Company Management Board, the appointment of the Management and Supervisory Board Members has been based on their subject-matter knowledge, competencies and experience, and has not been discriminating in any manner with regard to gender, type of education or age.

A Diversity Policy is binding at the Company and the Capital Group with regard to all of their employees, which supplements the guidelines provided for in the Code of Ethics, whereas the basic element of the Diversity Policy is to prevent any forms of employees or contractors discrimination because of their sex, age, disability, health, race, nationality, ethnic origin, religion, denomination, atheism, political views, trade union affiliation, psycho-sexual orientation, gender identity, family status, lifestyle, the form, scope and basis of employment or other discriminatory grounds.

8.8. Internal control and risk management systems in the process of financial statements preparation

The Management Board of Grupa Kęty S.A. is responsible for the development and implementation of appropriate, effective and efficient internal control and risk management systems in relation to the process of preparing financial statements. The Financial Division, supervised by the Member of the Management Board of Grupa Kęty S.A. acting as the Financial Director, is responsible for the preparation of financial statements, interim financial reporting and provision of management information.

The Supervisory Board supervises the operation of the internal control system, evaluating its relevance, effectiveness and efficiency through the Audit Committee and the Internal Audit Department, whose objective is to systematically review and monitor the control mechanisms, and identify risk in the areas of operation of the Capital Group of Grupa Kęty S.A., and to indicate irregularities and departures as regards both the particular processes and the binding legal and internal regulations. As regards the identified irregularities and departures, recommendations are defined, which are subject to monitoring by internal auditors.

The basis for the internal audit function operation through a separate Internal Audit Department are the binding Organisational Rules of Grupa Kęty S.A., the internal regulations, and the International Standards of Internal Audit Professional Practice published by the Institute of Internal Auditors.

The financial statements are prepared in cooperation with Dekret Centrum Rachunkowe sp. z o.o., a wholly-owned subsidiary of Grupa Kęty S.A. Dekret employs accounting specialists whose knowledge is supported with the required certificates and education as well as adequate experience.

Grupa Kęty S.A. adopted the Accounting Policy conforming to the International Financial Reporting Standards, the chart of accounts and reporting databases, having regard for the format and detailed nature of the financial figures presented in financial statements.

The aim of the internal control system within the process of preparing financial statements is to ensure accurate, complete and correct accounting for all business transactions in a given period. The system is based on the division of duties, the approval of transactions and data on multiple levels, and verification of correctness of the obtained information.

Additionally, in accordance with the binding legal regulations, the Company has its financial statements audited (annual statements) or reviewed (semi-annual statements) by an independent statutory auditor. The statutory auditor is selected by the Supervisory Board from among the established audit firms, based on the Audit Committee recommendations. Within the audit work, the statutory auditor provides an independent assessment of the fairness and correctness of separate and consolidated financial statements and takes into account the efficiency of the internal control and risk management systems.

The process of preparing financial statements comprises control mechanisms of technical nature (numerical and logical control formulas) and substantive nature (the analysis of control reports outcomes). The following risks have been identified in the process of preparing financial statements:

- erroneous input data;
- faulty data presentation;
- application of erroneous estimates;
- missing IT systems integration.

The risks are mitigated by:

- maintenance of a uniform system of data mapping from the source systems to financial statements, which ensures the proper presentation of data;
- periodical reviews conducted by internal specialists, with the main purpose to confront their knowledge with the financial figures and detect any possible improper presentations of data and erroneous input data;
- making estimates based on the best knowledge of the Management Board, including also with the assistance of independent advisers (e.g. licensed actuaries or property appraisers), if needed;
- auditing the annual separate and consolidated financial statements as well as reviewing the semi-annual separate and consolidated financial statements of the Company and the Capital Group by an independent auditor, for the purpose of detecting the possible major irregularities, including omissions in the process of financial reporting;
- use of an integrated in-house IT system (ensuring complete data integration), which is subject to control in accordance with the Company security procedures binding for that system;
- application of uniform principles in the reporting process of the Capital Group companies, and compliance with the uniform chart of accounts binding at the Group.

Observance of the respective laws and regulations (compliance-related tasks)

The organisational structures of Grupa Kęty S.A. enable the coordination of measures aimed at ensuring compliance with the respective laws and regulations, both at the business segments and at the Capital Group level. The structures comprise the selected departments of Grupa Kęty S.A. responsible for separate areas, the corresponding structures at the subsidiaries, the Group procedures system called OrangeBook as well as the defined competencies and responsibilities of each area.

The OrangeBook – being an established system of guidelines – enables the Capital Group companies to take advantage of the common knowledge and apply a proper approach to any matters related to legal requirements and conducting business.

9. OTHER REPORT ELEMENTS

9.1. Information on the Employee Share Plan control system

The share-based incentive plans are approved at Grupa Kęty S.A. by the General Meeting and supervised by the Company Supervisory Board.

9.2. Description of the allocation of the issue proceeds by the issuer

By way of exercising the rights under the Employee Share Plan the eligible employees acquired the total of 59,410 G and H series shares assigned to the 2012 and 2015 plans. Among that number, 58,960 shares had been admitted to trading at the Warsaw Stock Exchange by the end of 2020. Detailed information is provided in the table below. The related proceeds were allocated to the financing of the current operations of the Company.

Shares	Issue price	Number	Value (PLN '000)
G series shares – 2012 plan	117.10	10,500	1,229.6
H series shares – 2015 plan	304.24	48,910	14,880.4
TOTAL	-	59,410	16,109.9

9.3. Information on shares repurchase

In the period covered with the Report the Company did not repurchase any of its shares.

9.4. Information on agreements known to the issuer (including agreements concluded after the balance-sheet date), which may result in future changes in the proportions of the shares held by the existing shareholders and bondholders

At present, the Group has two share options plans open for the management staff, based on the issue of shares as part of contingent capital, i.e. the plan adopted by the General Meeting in 2015 (H series shares) and the plan adopted in 2020 (I series shares). The right to acquire shares is vested in the eligible person following the satisfaction of the plan conditions. The maximum number of shares to be acquired by the eligible persons is now 23,605 (H series shares under the 2015 plan). For those shares the conditions of taking them up, as specified in the plan, have already been fulfilled. As regards 90,000 I series shares under the 2020 plan, the fulfilment of condition will be verified upon the approval of financial statements for 2022 by the Annual General Meeting.

On 2 March 2021, information was published that the Council of Ministers passed a bill on amending some acts in relation to the transfer of funds from Open Pension Funds (OFE) to individual pension accounts (IKE). In accordance with the passed bill, the act is to come into force on 1 June 2021, whereas the transformation of OFE into specialised open investment funds will take place on 28 January 2022.

Each person insured will be given choice – the default option will be the transfer of funds from OKE to IKE, and the alternative will be filing a declaration with regard to transfer of the funds to the Social Security Institution (ZUS).

Owing to the fact that the main shareholders of the company (with approximately 70% share) are the Polish Open Pension Funds, as a result of the reform – and particularly as a result of a major share of transfers to ZUS – the shareholding structure of the Company may change considerably.

Apart from the information disclosed above, the Company is not aware of any other agreements which may result in future changes in the proportions of the shares held by the existing shareholders.

9.5. List of companies within the Capital Group of Grupa Kęty S.A.

GRI 102-4, GRI 102-6

Grupa Kęty S.A., as the parent company of the Capital Group, and the parent company of the Extruded Products Segment (EPS), holds shares and interest in the following companies:

Company name	Registered office	Core business	Percentage of share capital as at 31.12.2020	Date of control take-over
Aluform Sp. z o.o.	Tychy, Poland	Manufacture of products extruded from aluminium	100.00%	06/2009
Grupa Kety Italia SRL	Milan, Italy	Trade in EPS products	100.00%	05/2014
Aluprof S.A.	Bielsko-Biała, Poland	Production of aluminium joinery and roller-shutter systems	100.00%	06/1998
Alupol Packaging S.A.	Tychy, Poland	Production of flexible packaging	100.00%	04/1998
Dekret Centrum Rachunkowe Sp. z o.o.	Kęty, Poland	Accounting and bookkeeping services	100.00%	09/1999

Aluprof S.A., a 100% subsidiary of Grupa Kęty S.A. and the parent company of the Aluminium Systems Segment (ASS), holds shares and interest in the following companies:

Company name	Registered office	Core business	Percentage of share capital as at 31.12.2020	Date of control take-over
Aluprof Hungary Kft.	Dunakeszi, Hungary	Trade in ASS products	100.00%	07/2000
Aluprof Deutschland GmbH	Schwanewede, Germany	Trade in ASS products	100.00%	02/2005
Aluprof System Romania SRL	Bucharest, Romania	Trade in ASS products	100.00%	05/2005
Aluprof System Czech s.r.o.	Ostrava, Czech Republic	Trade in ASS products	100.00%	05/2005
Aluprof UK Ltd.	Altrincham, UK	Trade in ASS products	100.00%	05/2006
ROMB S.A.	Złotów, Poland	Production of fittings and accessories for building systems	100.00%	04/2007
Aluprof System Ukraina Sp. z o.o.	Kiev, Ukraine	Trade in ASS products	100.00%	11/2009
Aluprof Serwis Sp. z o.o.	Bielsko-Biała, Poland	Scientific research and development works	100.00%	01/2012

Marius Hansen Facader A/S under liquidation	Viborg, Denmark	Trade in ASS products	100.00%	6/2014
Aluprof System USA Inc	Wilmington, USA	Trade in ASS products	100.00%	7/2014
Aluprof Belgium N.V.	Dendermonde, Belgium	Trade in ASS products	100.00%	6/2015
Aluprof Netherlands B.V.	Rotterdam, Netherlands	Trade in ASS products	55.00%	4/2017

Aluform Sp. z o.o., a 100% subsidiary of Grupa Kęty S.A., holds shares and interest in the following companies:

Company name	Registered office	Core business	Percentage of share capital as at 31.12.2020	Date of control take-over
Alupol LLC	Borodianka, Ukraine	Manufacture of products extruded from aluminium	100.00%	12/2004
Aluminium Kety EMMI d.o.o.	Slovenska Bistrica, Slovenia	Processing of aluminium profiles	100.00%	06/2016
Aluminium Kety Deutschland GmbH	Dortmund, Germany	Trade in EPS products	100.00%	06/2016
Aluminium Kety CSE s.r.l.	Ostrava, Czech Republic	Trade in EPS products	100.00%	07/2017

Alupol Packaging S.A., a 100% subsidiary of Grupa Kęty S.A. and the parent company of the Flexible Packaging Segment (FPS), holds shares and interest in the following companies:

Company name	Registered office	Core business	Percentage of share capital as at 31.12.2020	Date of control take-over
Alupol Packaging Kęty Sp. z o.o.	Kęty, Poland	Production of flexible packaging	100.00%	05/2009

Alupol Packaging Kęty Sp. z o.o., a 100% subsidiary of Alupol Packaging S.A., holds shares and interest in the following companies:

Company name	Registered office	Core business	Percentage of share capital as at 31.12.2020	Date of control take-over
Alupol Films Sp. z o.o.	Oświęcim, Poland	Production of flexible packaging	100.00%	12/2014

Investments in associates

In 2014, the subsidiary Aluprof System USA, Inc with its registered office in the USA entered into a joint venture agreement with two US partners and a new company was established for that purpose, i.e. Aluprof USA, LLC with its registered office in New York. The company share capital is USD 220,000, whereas Grupa Kęty S.A., through its subsidiary Aluprof System USA, Inc., took up 45.5% of shares in the company of the initial value of USD 100,100. The shares take-up was financed with own funds.

In the consolidated financial statements of the Capital Group, the company is recognised using the equity method. The Group presents net operating profit, as the nature of the investment complies with its business profile.

Other information

Apart from the aforesaid ones, neither Grupa Kęty S.A. nor the companies of the Capital Group have other capital investments of major value.

The managing and supervising persons of Grupa Kęty S.A. do not possess any shares or interest in companies associated with Grupa Kęty S.A.

In 2020, Grupa Kęty S.A. and the companies of the Capital Group did not carry out any capital investments of major value.

9.6. Information on important court litigations, arbitration proceedings or administrative proceedings with regard to liabilities or receivables of the Company or its subsidiary

As at the last day of the reporting period, or on the date of preparing this report, neither Grupa Kęty S.A. nor the subsidiaries of Grupa Kęty S.A. were parties to any proceedings pending at court, competent arbitration tribunal or public administration authority, with regard to liabilities or receivables which would have a major impact on the operations or the financial results generated by the Company or its subsidiaries.

9.7. Clarification of differences between the financial result disclosed in the report and previously published projections for the year

The 2020 financial results do not significantly differ from the 2020 projection adjustment published on 19 November 2020.

9.8. Information on agreement with the entity auditing the financial statements

On 29 January 2020, the Supervisory Board of Grupa Kęty S.A. selected Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością Sp.k. with its registered office in Warsaw (registered under number 130; court ID [KRS] 0000481039) as the entity to audit the separate financial statements of Grupa Kęty S.A. and the consolidated financial statements of the Grupa Kęty S.A. Capital Group for 2020, as recommended by the Audit Committee.

The agreement with Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością Sp.k. with its registered office in Warsaw was signed by the Management Board of Grupa Kęty S.A. on 16 June 2020 in the form of Annex No. 3 to the Agreement of 16 May 2016.

The table below presents the auditor's remuneration in 2020 and 2019.

	2020	2019
Remuneration for the audit of annual separate and consolidated financial statements	100	96
Remuneration for the audit of financial statements of subsidiaries	225	209
Remuneration for semi-annual reviews	50	20
Remuneration for open training	0	8
Total	375	333

Grupa Kęty S.A. availed of the services Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością Sp.k. with its registered office in Warsaw in the four preceding reporting years (2016–2019) in the same scope.

The services provided did not affect the independence of the audit firm from the parent company and the Group companies.

9.9. Remuneration of the managing and supervising persons

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The table below contains the information on the remuneration of the Supervisory Board Members in the reporting period, and the number of shares of Grupa Kęty S.A. held by them.

	Number of Grupa Kęty S.A. shares held as at 31.12.2020	Remuneration in the period from 1.01.2020 to 31.12.2020
Paweł Niedziółka	0	PLN 154,000
Piotr Kaczmarek	0	PLN 144,000
Przemysław Rasz	0	PLN 47,000
Piotr Stępnik	0	PLN 154,000
Agnieszka Zalewska	0	PLN 47,000
Wojciech Golak	0	PLN 47,000

Moreover, the former Members of the Supervisory Board whose mandate expired on the date of the Annual General Meeting of the Company (i.e. on 20 August 2020), received the following remuneration for the period of

fulfilment of their functions in 2020: Mr Szczepan Strublewski – PLN 128,000; Mr Wojciech Włodarczyk – PLN 84,000; Mr Bartosz Kazimierczuk – PLN 85,000.

The Supervisory Board Members are not eligible to participate in incentive plans based on the issue of the Company shares.

The remuneration paid out to the Management Board Members for the reporting period covered with this report amounted to, respectively:

PLN '000	Fixed (basic) remuneration*	Variable remuneration**	In-kind benefits***	Remuneration from other companies of the Capital Group****	Total
Dariusz Mańko	1,081	2,177	6	-	3,264
Piotr Wysocki	636	746	7	12	1,401
Tomasz Grela	180	640	-	751	1,571
Rafał Warpechowski	649	327	5	-	981

* Fixed remuneration comprises: 1) basic remuneration under employment contract; 2) remuneration granted by resolutions of the Supervisory Board.

** Variable remuneration comprises an incentive paid in the respective year for the performance of tasks in the preceding year.

*** In-kind benefits comprise: 1) St. Nicholas' Day gift from the Company Social Benefits Fund; 2) car fuel flat-rate allowance; 3) Employee Pension Scheme (PPE) premium; 4) health-care premium.

**** The remuneration from other companies of the Capital Group comprises: 1) basic remuneration under employment contract; 2) remuneration granted by resolutions of the Supervisory Board; 3) variable remuneration; 4) sick-leave allowance; 5) in-kind benefits.

Moreover, within 12 months ended 31 December 2020, a provision was established for the potential incentives for the Management Board Members in reference to 2020, to be paid out in 2021, in the total amount of PLN 7,392,000, including the incentive provision for: Dariusz Mańko – PLN 2,601,200; Rafał Warpechowski – PLN 1,560,700; Piotr Wysocki – 1,515,400; Tomasz Grela – PLN 1,509,200.

Additionally, in the period of 12 months of 2020, the incentives and bonuses due for 2019 were paid to the former Members of the Management Board of Grupa Kęty S.A., as follows: Mr Adam Piela – PLN 544,000; Mr Rafał Lechowicz – PLN 279,000.

In accordance with the declarations made as at the last day of the reporting period, the persons managing the Company held 238,796 ordinary bearer shares of Grupa Kęty S.A., including: Dariusz Mańko 166,393 shares (increase by 6,675 shares since 31 December 2019), Rafał Warpechowski 0 shares (no changes), Piotr Wysocki 51,335 shares (increase by 6,900 shares since 31 December 2019), Tomasz Grela 21,068 shares (increase by 4,200 shares since 31 December 2019).

In addition, within the incentive plan adopted at the General Meeting on 23 April 2015, the Management Board Members were eligible to acquire 6,930 M series bonds with the pre-emptive right to take up H series ordinary bearer shares, and in that number: Dariusz Mańko – 2,970 bonds, Piotr Wysocki – 1,980 bonds, and Tomasz Grela – 1,980 bonds.

Within the incentive plan adopted at the General Meeting on 20 August 2020, the Management Board Members are eligible to acquire 30,000 N series bonds with the pre-emptive right to take up H series ordinary bearer shares, and in that number: Dariusz Mańko – 9,000 bonds, Rafał Warpechowski – 7,000 bonds, Piotr Wysocki – 7,000 bonds, and Tomasz Grela – 7,000 bonds, providing that the plan conditions are fulfilled. The fulfilment will be verified upon the approval of financial statements for 2022 by the Annual General Meeting.

There are no agreements between Grupa Kęty S.A. and the managing persons which would provide for any compensation in the case of their resignation or dismissal from their positions for no important reason or where their dismissal would be related to the Issuer's merger by acquisition, except for the conditions included in the terms of notice or non-competition agreements.

Grupa Kęty S.A. does not run any special pension schemes for the members of the managing and supervising bodies, which would result in the origination of additional liabilities on the part of the Company. The Management Board Members are subject to the General Pension Scheme. Details regarding liabilities related to retirement benefits may be found in note 24 entitled 'Employee Benefits' of the consolidated financial statements for 2020.

9.10. Information on intercompany transactions on other than arm's length basis principle

All intercompany transactions are concluded on arm's length basis.

Neither Grupa Kęty S.A. nor the other companies of the Capital Group entered into any major intercompany transactions, except those referred to in notes 13 and 36 of the consolidated financial statements for 2020.

9.11. Post-balance-sheet events

On 9 February 2021, the Management Board of Grupa Kęty S.A. (the Company or the Issuer) made a decision on selecting the company of Rothschild & Co Polska spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw as the advisor of the Company (hereinafter referred to as the Advisor) in the process of identifying the interest among potential investors in acquiring the Flexible Packaging Segment of the Capital Group of Grupa KĘTY S.A., and in the event of taking such a decision by the Issuer, in the process of selling that segment of operations. On 9 February 2021, the Supervisory Board of the Company expressed its consent to the conclusion of an agreement with the Advisor.

The Flexible Packaging Segment covers the companies of Alupol Packaging S.A. (a 100% subsidiary of the Issuer), Alupol Packaging Kęty Sp. z o.o. (a 100% subsidiary of Alupol Packaging S.A.) and Alupol Films Sp. z o.o. (a 100% subsidiary of Alupol Packaging Kęty Sp. z o.o.).

The above event is an element of the process carried out under Section V of the Development Strategy of Grupa Kęty S.A. Capital Group for the years 2021–2025, about which the Management Board of Grupa Kęty S.A. informed in the current report No. 36/2020 of 16 December 2020.

Dariusz Mańko

President of the Management Board

Rafał Warpechowski

Member of the Management Board

Piotr Wysocki

Member of the Management Board

Tomasz Grela

Member of the Management Board

Kęty, 26 March 2021