

Resolution No. 38/2022 of the Management Board of Grupa KĘTY S.A.
of 24 March 2022

Pursuant to § 4.3.a) of the Company Management Board By-law, it is resolved as follows:

1. To accept and present to the Supervisory Board and the Annual General Meeting the Report of the Management Board of Grupa KĘTY S.A. on the Operations of the Company and the Capital Group in 2021, as attached to this Resolution.
2. The Resolution comes into force on 24 March 2022.
3. There were 4 votes cast "for" the Resolution:
 - President of the Management Board – Dariusz Mańko
 - Member of the Management Board – Piotr Wysocki,
 - Member of the Management Board – Tomasz Grela,
 - Member of the Management Board – Rafał Warpechowski.

Signatures of the Management Board Members:

1. Dariusz Mańko

2. Piotr Wysocki

3. Tomasz Grela

4. Rafał Warpechowski



Report of the Management Board of Grupa Kęty S.A. on the operations of the Company and the Capital Group in 2021

24 March 2022 |

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1. LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD

GRI 102-14

Dear Stakeholders,

The two recent years of operation in the time of COVID-19 pandemic were highly requiring, lacking stability and foreseeability. As soon as we thought we were at the end of the road, the conflict in Ukraine unexpectedly erupted. Owing to the security of our staff, immediately after the aggression had commenced we made a decision on temporary suspension of the operating activities at our two companies: Alupol LLC in Borodianka near Kiev (within the Extruded Products Segment), and Aluprof Systema Ukraina TOV in Kiev (within the Aluminium Systems Segment). The suspension of production at the Ukrainian plants shall not affect customer service in other countries. Sympathising with the Ukrainian Nation, we made a decision on abandoning cooperation with contractors in Russia and Belarus. Simultaneously, we have been engaging in helping our Ukrainian employee by ensuring safety to them and their families, as well as actions to support humanitarian aid to the Ukrainian citizens.

The tight environment of 2021 brought great challenges but, at the same time, opportunities to those who were able to adjust to the undergoing changes fast enough. I am happy and proud presenting this report to you, as a confirmation that Grupa Kęty managed to cope with the challenge.

The financial results for 2021 reflected record values again, confirming the strong position of the Capital Group of Grupa Kęty S.A. It is an effect of many factors, including accurate investment decisions, diversification of suppliers and quick acting in the conditions of changing environment.

Sales revenue amounted to PLN 4,598 million (+30% y/y), EBITDA equalled PLN 900 million (+34% y/y), and net profit reached PLN 595 million (+38% y/y).

The Extruded Products Segment holding a strong position in the European aluminium processing industry sold 95,000 tons of products in 2021 (+11% y/y), replying to the high demand and generating in effect PLN 1,818 million sales revenue (+42% y/y), including PLN 866 million on foreign sales (+41% y/y), mainly on the German and Italian markets, as well as the markets of Central and Eastern Europe.

The Aluminium Systems Segment increased its sales revenue to PLN 1,995 million (+24% y/y), including PLN 801 million from exports (+28% y/y). In the discussed period, sales volume increased by 15% y/y, and that refers to aluminium systems (18% y/y) and roller-shutter systems (11% y/y). Thus, the Segment strengthened the position of one of the aluminium systems sector leaders in Europe.

The Flexible Packaging Segment, generating revenue at the level of PLN 1,170 million (+25% y/y), including PLN 622 million of revenue on foreign sales (+26% y/y), and improved its position among the largest manufactures of BOPP films and flexible packaging in Europe.

Behind those achievements stand over 5,000 people employed at 24 companies of the Capital Group in Poland and abroad. I wish to thank each and every of them for the work done and the engagement in daily duties and activities.

Very good operating results of the Segments have prompted us to update the investment plan presented in the Strategy of the Grupa KĘTY S.A. Capital Group for the years 2021–2025. In 2021, the Supervisory Board issued a positive opinion on increasing expenditures in that period for PLN 256 million, to the total amount of PLN 1.3 billion, out of which roughly 50% will be allocated to development projects.

As a result of the update, the capital expenditures of the Extruded Products Segment will grow by PLN 188 million, to PLN 692 million. Additional funds will be allocated to the extension of the production capacity at Grupa KĘTY S.A. through construction of a production and warehouse hall complete with infrastructure, as well as purchase of a 40 MN press line, plus extension of the production capacity of Aluminium Kety Emmi by way of construction of a production line to manufacture components of aluminium profiles, mainly for the automotive market.

Capital expenditures at the Aluminium Systems Segment will be increased by PLN 68 million, to PLN 492 million. The funds will be allocated to the construction of a production and warehouse hall complete with

infrastructure, comprising the complete production process of coating, crimping and storing aluminium profiles, as well as other elements of the offered systems.

We have estimated that the changes in the investment plan will enable increase in the sales revenue projected for the year 2025 in the 2021–2025 Strategy by PLN 506 million, to PLN 5,143 million, and EBITDA profit by PLN 77 million, to PLN 864 million.

In 2021 we checked the interest of investors in the Flexible Packaging Segment. The offers we received have confirmed the valuation of the Segment but have not guaranteed our shareholders a premium over the value generated by the Segment within the Capital Group, specifically considering the costs related to the transaction conclusion.

Year 2021 was generous as regards prizes and awards, which is a token of esteem for the financial achievements of the Company and the Capital Group of Grupa Kęty S.A, the competencies of the managers, and the methods of communication with the capital market.

Grupa Kęty took the third position (higher by 7 positions compared to the preceding year) in the prestigious ranking of the Stock Exchange Company of the Year. Also in the sub-ranking of Investor Relations the Company took the third position, as well as the fourth position in the sub-ranking of the Management Board Competence.

The latter have been additionally confirmed by the prestigious TOP 30 Stock Exchange Managers ranking. The experts cooperating with Martis CONSULTING have analysed the CEOs of the largest companies listed on the Warsaw Stock Exchange, and the model estimating the value of the managers comprised: the growth rate of share prices, the growth rate of EBITDA, and the expert assessment of the managerial competencies. **I found myself among the TOP 10 highest valued CEOs of the Polish companies – I am honoured by that and I wish to thank for the distinction. The award is due to a large group of my colleagues together with whom I have been building and managing the Grupa Kęty.**

Grupa Kęty has also become a laureate of the ‘Poland’s Best Employers 2021’ ranking, which is a list of 300 companies operating in Poland with outstanding achievements in HR, honoured with the title of the Best Employer. Grupa Kęty took the fifth position in the sector category and joined the top five in the general ranking of the Climate Strategies Benchmark, initiated and carried out by GO Responsible together with the UNEP/GRID Warsaw Centre. It is an honour for us, because the ranking covered the companies of WIG20 and mWIG40, and the reporting data were analysed with regard to 14 different areas.

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 the 2021 report we present sustainable development goals, which comprise 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 2021 we consequently followed the path set out by our Corporate Social Responsibility Policy as well as respected and developed within our processes 10 Global Compact principles to which we are a signatory. We carefully observed the market and reacted to the changing formal and legal environment, adjusting our organisation to the new reality. Being aware of the challenges in front of us, I wish to inform that our organisation joined the partnership for the performance of the goals of the 2030 Agenda for Sustainable Development.

We are at the beginning of a new, probably difficult road, but we feel prepared to it. We have been expecting normalisation, end of war and pandemic, and everything that disturbs the functioning of families, companies or the whole countries – then we will all be able to fully enjoy the results of our Company.

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

GRI 102-16

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 chapter 5. NON-FINANCIAL INFORMATION STATEMENT.

2.3. Company and Capital Group management structure

GRI 102-5; GRI 102-10; GRI 102-18; 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 2021 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 Capital Group of Grupa Kęty S.A. consists of 24 companies and runs business in three 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 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. All companies of the Capital Group are covered with the consolidated financial statements. In 2021 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) Glassprof Sp. z o.o.</p>	 <p>Alupol Packaging S.A. Alupol Packaging Kęty Sp. z o.o. Alupol Films Sp. z o.o.</p>	<p>Dekret Centrum Rachunkowe [accounting centre]</p>

3. ACTIVITIES OF THE COMPANY AND THE CAPITAL GROUP

3.1 Selected separate and consolidated financial data

GRI 102-7; GRI 201-1; 103-1,2,3 Management approach as regards 'Economic Performance'

Separate data of Grupa Kęty S.A. Items of the statements of profit or loss, comprehensive income, and cash flows	PLN '000		EUR '000	
	2021	2020	2021	2020
Net sales	1,645,923	1,149,226	359,568	256,856
Profit (loss) on operating activities	558,632	314,858	122,039	70,372
Gross profit (loss)	553,606	306,058	120,941	68,405
Net profit (loss)	523,171	296,153	114,292	66,191
Total net income (loss)	522,949	296,524	114,243	66,274
Net cash flow from operating activities	404,465	361,730	88,359	80,848
Net cash flow from investing activities	-56,479	-46,338	-12,338	-10,357
Net cash flow from financing activities	-351,398	-312,814	-76,766	-69,915
Total net cash flows	-3,412	2,578	-745	576
Earnings (loss) per share (in PLN/EUR)	54.24	30.84	11.85	6.89
Diluted earnings (loss) per share (in PLN/EUR)	54.12	30.79	11.82	6.88
Balance sheet items	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Total assets	1,460,402	1,181,494	317,520	256,023
Liabilities and provisions for liabilities	706,948	530,501	153,704	114,956
Long-term liabilities	269,404	282,987	58,574	61,322
Short-term liabilities	437,544	247,514	95,131	53,635
Equity	753,454	650,993	163,816	141,066
Share capital	68,025	67,973	14,790	14,729
Number of shares	9,650,152	9,629,357	9,650,152	9,629,357
Book value per share (in PLN/EUR)	78.08	67.61	16.98	14.65
Diluted book value per share (in PLN/EUR)	78.07	67.54	16.97	14.64

Consolidated data Items of the statements of profit or loss, comprehensive income, and cash flows	PLN '000		EUR '000	
	2021	2020	2021	2020
Net sales	4,597,575	3,533,340	1,004,386	789,714
Profit (loss) on operating activities	746,048	525,825	162,982	117,524
Gross profit (loss)	732,905	505,234	160,110	112,922
Net profit (loss)	595,368	430,518	130,064	96,222
Net profit (loss) attributable to owners of the parent	594,638	430,181	129,905	96,147
Total net income (loss)	603,354	430,946	131,809	96,318
Total net income (loss) attributable to owners of the parent	730	337	159	75
Net cash flow from operating activities	369,003	636,620	80,612	142,287
Net cash flow from investing activities	-217,122	-143,871	-47,432	-32,156
Net cash flow from financing activities	-199,299	-446,023	-43,539	-99,688
Total net cash flows	-47,418	46,726	-10,359	10,443
Earnings (loss) per share (in PLN/EUR)	61.65	44.80	13.47	10.01
Diluted earnings (loss) per share (in PLN/EUR)	61.51	44.72	13.44	10.00
Balance sheet items	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Total assets	3,526,815	2,888,884	766,799	626,004
Liabilities and provisions for liabilities	1,757,372	1,301,948	382,087	282,124
Long-term liabilities	548,313	564,954	119,214	122,422
Short-term liabilities	1,209,059	736,994	262,873	159,702
Equity attributable to owners of the parent	1,768,390	1,586,274	384,483	343,736
Share capital	68,025	67,973	14,790	14,729
Number of shares	9,650,152	9,629,357	9,650,152	9,629,357
Book value per share (in PLN/EUR)	183.25	164.73	39.84	35.70
Diluted book value per share (in PLN/EUR)	183.24	164.58	39.84	35.66

The above financial figures for 2021 and 2020 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 2021 – 4.5994 PLN/EUR; and as at 31 December 2020 – 4.6148 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 2021 – 4.5775 PLN/EUR, and of 2020 – 4.4742 PLN/EUR.

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

2021 was a year of great uncertainty resulting from the successive waves of the world Covid-19 pandemic and the related sanitary limitations introduced by the governments of the particular countries. Unlike in the preceding year, when a drop in the prices of most materials on the world's markets had been observed, in 2021 there were recorded spectacular growths in stock exchange quotations, fuelled by the information on limitations in product or logistic problems.

On the other hand, Europe watched a significant growth in demand for aluminium-based products, contributed to by both short-term factors (e.g. growth of interest in tourist equipment), and long-term ones (climate policy and the resulting measures aimed at lowering the weight of vehicles or supporting green building).

In such variable environment, the companies of the Grupa Kęty S.A. Capital Group generated a record level of consolidated sales and profit. Sales revenue to domestic customers grew by 28% and by 32% to customers in other countries. 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 were by 30% higher than that generated in 2020 and amounted to PLN 4,597,575,000.

Thanks to high sales and the related high level of production capacity utilisation (over 90%), which ensured high effectiveness, and also thanks to the effective trade and purchasing policy, the Capital Group attained 42% higher profit on operating activities, i.e. PLN 746,048,000, and 38% higher net profit attributable to owners of the parent, i.e. PLN 594,638,000.

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

PLN '000	2021	2020	Change
Sales, of which:	4,597,575	3,533,340	30%
<i>Poland</i>	<i>2,309,480</i>	<i>1,798,384</i>	28%
<i>Other countries</i>	<i>2,288,095</i>	<i>1,734,956</i>	32%
EBITDA (net operating profit plus depreciation and amortisation)	899,694	672,418	34%
Net profit on operating activities	746,048	525,825	42%
Profit before tax	732,905	505,234	45%
Net profit attributable to owners of the parent	594,638	430,181	38%
 EBITDA margin (net profit on operating activities + depreciation)/sales)	19.6%	18.9%	
Operating margin (net profit on operating activities/sales)	16.2%	14.8%	
ROA – return on assets (net profit attributable to owners of the parent/total assets)	16.9%	14.9%	
ROE – return on equity (net profit attributable to owners of the parent/equity attributable to owners of the parent)	33.6%	27.1%	

Thanks to high profit, the main return ratios grew significantly, including ROE, which reached nearly 34%.

ASSETS PLN '000	31.12.2021	31.12.2020	Structure 2021	Structure 2020
I. Non-current assets, of which:	1,722,788	1,671,676	49%	58%
Property, plant and equipment	1,460,925	1,451,189	42%	50%
II. Current assets, of which:	1,804,027	1,217,208	51%	42%
Inventories	900,685	516,591	26%	18%
Trade and other receivables	789,505	541,020	22%	19%
Cash and cash equivalents	103,810	151,170	3%	5%
Total assets	3,526,815	2,888,884	100%	100%

EQUITY/LIABILITIES PLN '000	31.12.2021	31.12.2020	Structure 2021	Structure 2020
I. Equity, of which:	1,769,443	1,586,936	50%	55%
Share capital	68,025	67,973	2%	2%
Retained earnings	1,628,957	1,461,558	46%	51%
Equity attributable to owners of the parent	1,768,390	1,586,274	50%	55%
II. Long-term liabilities, of which:	548,313	564,954	16%	20%
Loan payables	421,733	437,360	12%	15%
Lease liabilities	17,090	19,868	0%	1%
III. Short-term liabilities, of which:	1,209,059	736,994	34%	26%
Loan payables	535,041	272,771	15%	9%
Lease liabilities	4,854	4,679	0%	0%
Trade payables and other liabilities	526,093	352,802	15%	12%
Total equity/liabilities	3,526,815	2,888,884	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 1,460,925,000 as at 31 December 2021. As at the balance-sheet date they accounted for 42% of total assets (drop by 8 p.p. y/y).

The value of current assets as at 31 December 2021 was PLN 1,804,027,000 and represented roughly 50% of total assets (growth by 8 p.p. y/y, mainly due to higher inventories and receivables, resulting from the growing prices of raw materials and higher sales).

On the equity/liabilities side, the largest item is equity amounting to PLN 1,769,443,000, which represents 50% of total equity/liabilities (drop by 5 p.p. y/y). The second largest item are short-term liabilities, which represented 34% of the total equity/liabilities as at 31 December 2021 (increase by 8 p.p. y/y). The increase results mainly from the demand for financing the growing value of current assets.

Thanks to high cash flows on operating activities, which amounted to PLN 369,003,000 in 2021, the share of loans (both long- and short-term ones) grew by only 3 p.p., from 24% to 27% of total equity/liabilities. Net debt at the end of 2021 equalled PLN 899,101,000, which means a drop by 54% compared to the end of 2020.

Basic liquidity and debt ratios in 2020 and 2021

	2021	2020
Current liquidity ratio (current assets/short-term liabilities)	1.5	1.7
Quick liquidity ratio (current assets - inventories)/short-term liabilities)	0.7	1.0
Debt/equity ratio (total liabilities/equity attributable to owners of the parent)	1.0	0.8
Net debt/EBITDA ratio [(total loan payables and right-of-use assets - cash)/(net profit on operating activities + depreciation)]	1.1	1.1

The Management Board positively assesses the financial results generated in 2021 in all material respects. The levels of consolidated profit on operating activities and net profit in 2021 were record ones in the history of the Capital Group and enabled exceeding the 2021 objectives set out in the Strategy 2021–2025. In the opinion of the Management Board, the current financial potential of the Capital Group, the profitability generated as well as 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' 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 profit on operating activities (an item of the profit and loss account for the respective reporting period) and depreciation (an item of the profit and loss account for the respective reporting period). The 'EBITDA' parameter is a measure presenting the capability of the Company to generate cash on basic activities. The 'EBITDA' ratio calculated in accordance with the above mentioned guidelines would amount to PLN 672.4 million in the consolidated financial statements for 2020.

The 'net debt' parameter applied in the report represents the total of long-term loan payables and long-term lease liabilities (items of the balance-sheet equity/liabilities), plus short-term loan payables and short-term lease liabilities (items of the balance-sheet equity/liabilities), less the value of cash and cash equivalents (an item of the balance-sheet assets). The 'net debt' ratio presents the value of bank loans and other interest-bearing liabilities, in consideration of the cash available, which may be allocated to the debt repayment. In the consolidated financial statements for 2020, the 'net debt' ratio calculated in accordance with the above mentioned guidelines would amount to PLN 586 million as at 31 December 2020.

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 2021

25 November – acceptance of the bank proposed terms amending the multipurpose credit facility agreement concluded with BNP Paribas Bank Polska Spółka Akcyjna and signing an annex to the agreement together with the other borrowers. Pursuant to the annex, the maturity date of the credit has been postponed to 19 November 2023.

25 November – acceptance of the bank proposed terms amending the overdraft in the current account and foreign currency accounts agreement concluded with Powszechna Kasa Oszczędności Bank Polski S.A. and signing an annex to the agreement together with the other borrowers.

Pursuant to the annex, the amount of the total debt limit has been increased for PLN 50 million, to PLN 180 million.

8 November – acceptance of the bank proposed terms amending the credit limit agreement concluded with Bank POLSKA KASA OPIEKI S.A. and signing an annex to the agreement together with the other borrowers.

Pursuant to the annex, the amount of the total debt limit has been increased for PLN 50 million, to PLN 350 million.

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

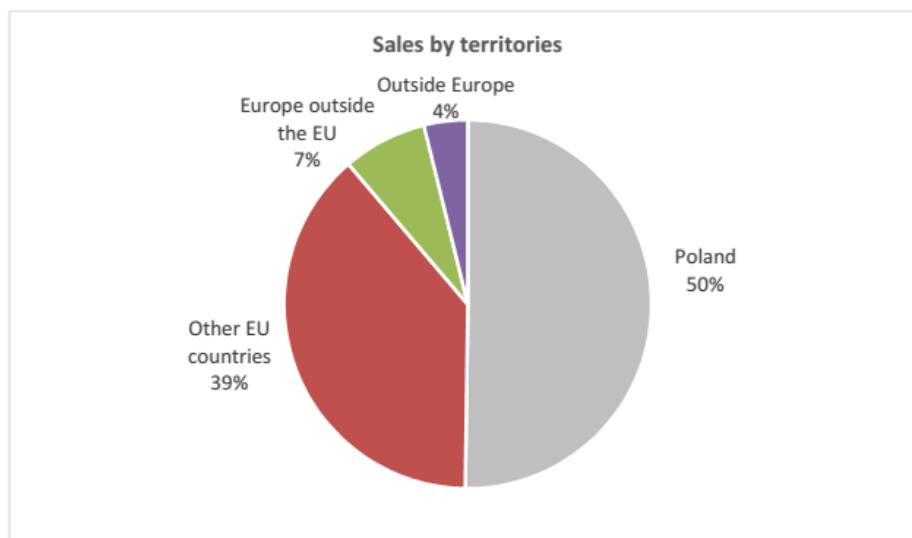
3.4.1 External factors

MARKET ECONOMIC CONDITIONS

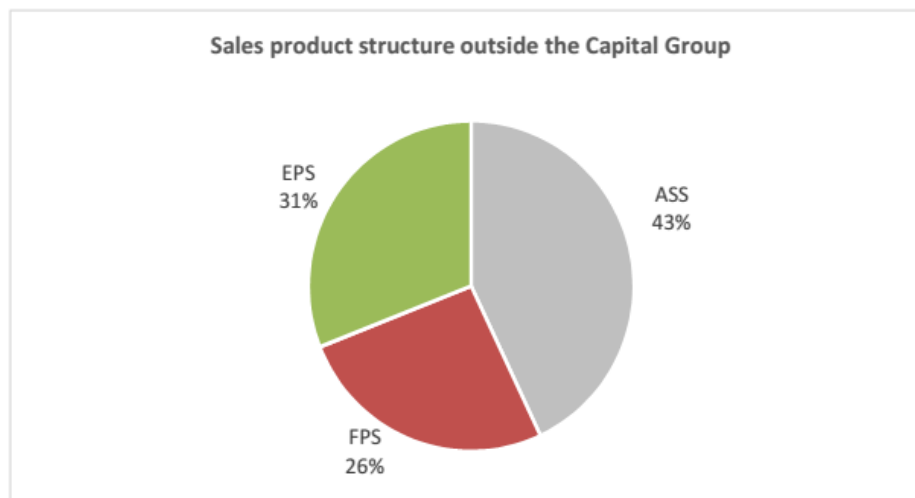
GRI 102-6; GRI 102-15

The Group companies are exposed to trends fluctuations occurring both in the Polish economy, which is the recipient of roughly 50% of the sales, and in the economies of other European countries, which receive about 46% of the Group total sales. The remaining 4% 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 2021, sales were developing fast, practically in all directions. The fastest development pace was recorded in the European countries outside of the EU (mainly the UK and Ukraine), with over 100% growth of sales. In the EU countries 17% growth was recorded, while in the domestic market the growth reached 28%,



Analysing the product sales structure, a significant 43% 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. In 2021, owing to the growing volumes and aluminium prices, the share of the Extruded Products Segment Sales in the total sales of the Capital Group grew by 3 p.p. The 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 Flexible Packaging Segment recorded a share close to that of the preceding year. 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 of aluminium and its alloys). In aggregate, they account for about 50% 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 2021, 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 duties result from the proceedings of the Commission, and stating from April 2021 they shall be binding for the period of 5 years, which may have a potentially positive effect on the level of orders to be received by the European manufacturers, including the Extruded Products Segment of Grupa Kęty S.A.

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 42% of the Capital Group sales were generated in PLN, whereas 55% were sales denominated in EUR, and the remaining 3% in USD, GBP, UHR, and DEK. As regards costs, ca. 45% of expenses were incurred in PLN, roughly 45% in EUR, 9% in USD, and about 1% in other currencies (GBP, UHR, 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.

COMPETITORS

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 creates 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 Europe, are:

Extruded Products Segment	Hydro Aluminium, Yawal oraz Final (grupa Yawal), 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.

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 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 2021, 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. and ING Bank Polska S.A. All the major banks signed in 2021 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 2021 watched a gradual improvement of situation on the Ukrainian market. This translated into higher sales by the companies of the Capital Group located there.

Unfortunately, in the second part of the year political tension related to the conflict between the government in Kiev and two separatist republics of Luhansk and Donetsk in the west of the country, which engage in military actions in order to get independent of Ukraine, had been growing. The possible conflict escalation may have an

negative impact on the economic standing of the country and, in consequence, may expose the assets to a risk exceeding the normal economic risk. The Management Board has been analysing 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 2021 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 those related to 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 2021, there were no sanctions imposed on the Capital Group companies that 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 2021 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 operations 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 2021 may be found in Section 5 of this Report – 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 2021

SARS-COV-2 VIRUS PANDEMIC

The state of pandemic announced in March 2020 has not been revoked by the end of the period covered with this report. Despite successive waves of higher number of infections within the year, production at the particular companies of the Capital Group was practically undisturbed.

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 temporary shortages in the access to some semi-products. An example of such situation was lower availability of semi-conductors, which had a major effect on the level of vehicles manufacturing, and that translated into lower orders for aluminium profiles filed by the sector with the Extruded Products Segment. Owing to a major increase in the orders from other sectors, that did not bring a negative impact on the level of Segment production capacity utilisation. Further, a temporary positive effect of the aforesaid logistics problems was observed by the Flexible Packaging Segment, which thanks to securing its materials base was able to operate without any obstacles, generating high level of profitability in the period of the greatest turbulence on the raw materials markets (February to May).

3.5 Operating activities at the business segments

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

3.5.1 Extruded Products Segment

Segment characteristics. The Extruded Products Segment, represented by the corporate brand of Grupa Kęty S.A., manufactures aluminium profiles and components. It is a leader of the sector in Poland, with market share estimated at about 25%. It also has a strong position in the European aluminium industry. The Segment is based in Kęty, but its plants and sales offices are also located in other places in Poland and abroad. In Ukraine there is a modern press shop – Alupol LLC, and in Slovenia – AK EMMI which provides advanced machining and surface treatment of aluminium profiles. Moreover, the Segment runs business through three foreign offices, in Germany, the Czech Republic and in Italy. The production capacity of the Extruded Products Segment is now 96,000 tons a year, and comprises also other processes apart from extrusion, which is the main activity of the company. The Segment has 13 engineering lines for extrusion, including a billet production plant, as well as profiles machining and surface treatment plants. The offer comprises also: anodising, coating, welding and complete fabrication of extruded products. The production capacity of the Segment enables the supply of various branches of industry with aluminium profiles and components, including building and construction business, as well as automotive, transport, railway, electrical engineering, defence, household equipment, advertising, and tourism industries.

Market environment. The Polish aluminium industry is on very high level. The production of extruded Products has been growing from year to year, plants invest in modern technologies and extend their production capacities. Our country belongs to the top European leaders in manufacturing extruded products. In Poland there are 9 press shops, availing of the total of 40 presses. According to estimates, the production capacity of aluminium profiles extrusion in Poland reaches the total of about 345,000 tons a year, out of which 88,000 in the Extruded Products Segment. The extrusion capacity of the Segment puts it at the top position among the domestic press shops, and within the top ten of the largest profiles manufacturers in Europe.

In 2021, demand for extruded products in Europe was very high, although the sector coped with a limited availability of billets, shortages in production capacity and major increase both in the price of materials (billets and alloy additions), and the price of energy. Hindrances and bottlenecks were also enhanced by blockades and restrictions related to the pandemic.

Achievements in 2021. By way of focused concepts and activities regarding sales policy, as well as development of new technologies and reasonable investments, the Segment generated satisfactory profitability in 2020. Sales revenue of the Sector grew to PLN 1,818 million (growth by 42%). A broad assortment of products and differentiated customer base helped the Company to cope in the difficult market conditions of 2021. The Segment has availed of a strong demand on the increased share of processed and high-margin product in the product portfolio, and also has developed cooperation with end users, with particular emphasis on buyers with advanced cooperation standards and quality requirements. The Segment has focused on innovative solutions and environmental aspects. Similarly as in the recent years, a major factor developing sales in 2021 was supporting export markets, particularly those largest ones for the EPS, as well as maximum utilisation of the potential of foreign trading companies (Germany, the Czech Republic, Italy). Therefore, export sales share grew to 40% in 2021.

3.5.2 Aluminium Systems Segment

Segment characteristics. Aluprof SA – a leading company of the Segment, is one of the major manufacturers of aluminium systems for the construction business in the world, and one of the most innovative companies in that sector of industry. Aluprof supplies aluminium systems for the production of windows, doors, façades and sun protection solutions, which apart from the high level of functionality and aesthetics comply with high safety requirements and are characterised with fire-protection features. The company portfolio includes also individual architectural systems, and solutions for energy-saving and passive buildings. The share in the market of aluminium systems for the production of windows, doors and façades in Poland reaches 42%, and 60% as regards roller-shutter systems. Aluprof S.A. has 5 plants in Poland and 10 divisions in Europe and in the USA.

Market environment. In 2021 the Segment underwent a lot of sudden changes due to the pandemic and the challenges that had to be coped with, both as regards the care for the staff health, and overcoming the consequences of the pandemic. On the one hand, there was a particularly good economic situation in the building sector, reflected in the continuing demand, including the demand for aluminium products, and, on the other hand, there were problems with supplies of various materials, which resulted in their limited availability as well as uncertainty of deliveries, even those that had been previously contracted, and dynamic growth of prices of aluminium and other materials, semi-products or products, such as granulates, separators, cartons, wood and steel, important in our production. At the peak moment (October 2021), the prices of aluminium were higher by over 100% compared to those at the beginning of the pandemic (April 2020). Owing to the situation that resulted

from the increase of materials prices, including aluminium, Aluprof and other companies operating in the Segment in Poland and abroad were forced to announce as many as three price increases for their products. Problems with the availability of components for windows production, elongated lead times and fast growing prices are the main challenges for the Polish companies in the window and door joinery sector in 2021. Otherwise than in 2020, the problem was not the lack of demand but the possibility to satisfy it. Even despite the growing prices customers did not resign from buying windows (which resulted from good economic situation and accumulated demand shifted from 2020).

Achievements in 2021. Year 2021 was the first one of the five-year Strategy for Aluprof implementation. The objective is not only further development and strengthening of position on the particular markets, but mainly even greater care for the environment and prevention of climate changes. One of the company goals by 2025 is to increase by 20% the share of Aluprof solutions in BREEAM or LEED certified buildings. The certificates are awarded to the cutting edge buildings, which thanks to the applied solutions are model examples of green building. At the same time, the company wishes to reduce its carbon footprint by 15% and has already significantly limited emissions. As regards operations, the Aluminium Systems Segment has increased its sales revenue to PLN 1,995 million (+24% y/y), including PLN 801 million from exports (+28% y/y). Thus, the Segment strengthened the position of one of the aluminium systems sector leaders in Europe.

3.5.3 Flexible Packaging Segment

Segment characteristics. The Flexible Packaging Segment is represented by Alupol Packaging S.A. in Tychy and its subsidiaries, Alupol Packaging Kęty and Alupol Films. The Segment is a leader in packaging manufacturing in Poland, with the estimated market share of over 20%, as well as a recognised packaging manufacturer in Europe. At the same time, the FPS is the largest Polish manufacturer of easily recyclable polypropylene films, with the maximum production capacity of 80,000 tons a year, and over 5% share in the BOPP films market in Europe. Thanks to the optimisation of the second BOPP films manufacturing line launched in 2019, Alupol Films has significantly extended its production capacity, whereas the broad portfolio of the manufactured films, attraction of new customers and consequent strengthening of the brand on foreign markets has enabled major sales increase. This is particularly important for the strategy of the FPS, consisting in income sources diversification and value-added chain extension. The films manufactured at the Oświęcim plant are partially used and refined (printing, lamination, cutting) by Alupol Packaging S.A. and Alupol Packaging Kęty Sp. z o.o. Moreover, polypropylene films are a recyclable material, which is important in the achievement of the objective to replace packaging with such that comply with the circular economy concept.

The flexible packaging recipients comprise foreign concerns as well as established Polish and European companies. These include, among others: Nestlé, AB Foods, Upfield, McCormick, Koninklijke Douwe Egberts, Brüggem, Dr. Oetker, Aryzta, Orkla Foods, Perfetti van Melle, and also Prymat, Maspex, Tarczyński, Mlekovita, Mokate, Foodcare, Animex, Bakalland, Serpol Cosmetics, Sokołów, Koral, Mlekpól, and Woseba. The manufactured packaging is dedicated mainly to the food concentrates sector, but there are also major recipients in the confectionery, fat, dairy, meat, pharmaceutical and chemical industries. Further, the main recipients of polypropylene films comprise the following European companies: Sylvaphane Holland B.V., Uniflex, Delo, Laszlopak, and Perfon.

Market environment. The market of packaging in Poland is one of the fastest developing sectors of economy and the fastest growing packaging market in the European Union. It is the effect of the presence of foreign strategic investors who represent large concerns, as well as major investments carried out in the recent years. Not only all major international concerns, such as Amcor, Mondi, Constantia, Huhtamaki, or Schur Flexibles, are active in the flexible packaging segment in Poland, but also many small and medium-sized companies with Polish origin, such as KB Folie, Drukpol, Supravis Group, Marpol, Ergis, and Bogucki Folie.

The sector of packaging in the whole European Union has been currently coping with many problems – mainly materials sourcing. The Segment purchases aluminium foil mainly from Asia, and supplements its needs with supplies from the European companies. Plastic granulates are purchased in Europe, Asia and Africa, while paper is purchased on the European market. Problems with materials originate mainly from broken delivery chains and strong demand, which result in price increases. These refer to practically all raw materials for the production of packaging intended for food industry. Problematic is not only the materials shortage and higher prices, but also additional costs of abiding by the new legal regulations. This is an effect of the European environmental policy and implementation of the circular economy model. Higher prices of materials, higher environmental awareness of the consumers, as well as new legal regulations put the packaging segments in face of big challenges and huge investments, if the companies wish to remain on the fast-changing market.

In 2021, similarly as in the earlier years, the packaging sector was strongly affected by the environmental protection trends within the world's economy. Despite the absence of unequivocal regulations and guidelines defining packaging fit for recycling, the FPS concentrates on ecological improvement of the manufactured plastic laminates (thinner structure, higher homogeneity, smaller printed area), while still guaranteeing the safety of the packed products. Intensive work on creating more environment-neutral solutions and their implementation

at the customers is related to making many tests and adjusting the packing lines to the specifics of new laminates.

The long-term strategy for the Flexible Packaging Segment has been prepared in the period of major transformations on the packaging market, where expectations have been changing dynamically as a result of ecological pressures, focus on cost reduction and food safety, as well as legislative changes. The strive for sustainable development is forced by the necessity of creating and marketing new forms of laminates, i.e. mono-structures characterised with lower weight and higher materials homogeneity. Despite the observed pressure on plastic packaging and replacing them, where possible, with packaging based on refined paper, the position of the former seems not to be threatened, as flexible, plastic-film-based packaging protect packed food as no other packaging, extending the food shelf-life. The FPS is well prepared for operation in such market environment and has been gradually improving its position on the BOPP films market in the region, as well as building brand on the foreign markets by way of active establishing new business relations.

Achievements in 2021. In 2021, the Flexible Packaging Segment generated record results, reaching sales revenue of PLN 1,170 million (growth by +25%), of which PLN 621.7 million (growth by +26%) was represented by export sales. Higher sales resulted from the optimal utilisation of production capacity and the growing operating effectiveness. The record results were also contributed to by problems with materials owing to the broken supply chains from the Middle and Far East, as well as changing costs. Very dynamic activities of the FPS in attracting alternative materials enabled the generation of above-average results on operations. At the same time, export sales exceeded 53% of the total sales, which also contributed to the improvement of results. The largest export markets are the Western and Central European countries, such as: Germany (19.6%), the Netherlands (17.7%), Italy (8.4%), Hungary (6.8%).

3.5.4 Financial results of the segments

Figures for 12 months ended on 31 December 2021 (PLN '000)

Operating segments	FPS	EPS	ASS	Other	Eliminations	Total
Statement of profit or loss						
Sales	1,170,148	1,818,415	1,994,850	19,670	(405,508)	4,597,575
- outside of the Group	1,170,030	1,434,769	1,992,215	312	0	4,597,326
- to related parties	118	383,646	2,635	19,358	(405,508)	249
Dividends	0	0	0	398,048	(398,048)	0
Write-downs of inventories	1,576	(1,080)	(5,707)	0	0	(5,211)
Write-downs of receivables	186	(1,253)	1,337	0	0	270
Write-downs of property, plant and equipment, and intangible assets	21	(1,288)	(3)	0	0	(1,270)
Profit on operating activities	254,780	217,217	301,123	380,446	(407,518)	746,048
Depreciation	33,353	68,621	48,373	3,220	79	153,646
EBITDA	288,133	285,838	349,496	383,666	(407,439)	899,694
Interest income	58	123	1,628	5	0	1,814
Interest costs and discounts	(2,814)	(4,762)	(4,878)	(386)	0	(12,840)
Profit before tax	251,327	213,664	296,955	378,475	(407,516)	732,905
Income tax	(48,643)	(41,353)	(56,160)	6,771	1,848	(137,537)
Net profit	202,684	172,311	240,795	385,246	(405,668)	595,368
Balance sheet						
Total assets	1,086,344	1,215,301	1,262,926	465,693	(503,449)	3,526,815
Liabilities	325,708	708,746	773,966	108,229	(159,277)	1,757,372
Other data						
Expenditures on property, plant and equipment	8,159	66,920	99,083	1,315	0	175,477

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 of 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
Dividends	0	0	0	278,519	(278,519)	0
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
Profit on operating activities	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 and discounts	(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

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	31.12.2021	31.12.2020
Short-term	535,041	272,771
1-2 years	317,883	308,111
2-5 years	103,850	44,276
Over 5 years	0	87,699
Total	956,774	712,857

LONG-TERM LOANS (PLN '000)

Lender	Loan currency	Security	31.12.2021	31.12.2020
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 up to the amount of PLN 57 million, along with the assignment of rights under the property 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.	53,191	119,157
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 85.8 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.	256,270	124,537
Bank PKO BP	PLN/EUR	Joint and several liability of the following companies: Grupa Kęty S.A. (up to PLN 150 million), Alupol Packaging S.A. (up to PLN 40 million), Aluprof S.A. (up to PLN 30 million), Alupol Packaging Kęty Sp. z o.o.	0	38,605

		(up to PLN 40 million), ROMB S.A. (up to PLN 25 million), plus blank promissory notes and promissory note declarations.		
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.	0	11,551
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.	67,994	87,671
ING Bank Polska	PLN	Security: contractual mortgage up to PLN 96 million, plus declaration on submission to enforcement.	44,278	58,565
Total			421,733	440,086

SHORT-TERM LOANS (PLN '000)

Lender	Loan currency	Security	31.12.2021	31.12.2020
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.	65,966	66,028
Bank PKO BP	PLN/EUR	Joint and several liability of the following companies: Grupa Kęty S.A. (up to PLN 150 million), Alupol Packaging S.A. (up to PLN 40 million), Aluprof S.A. (up to PLN 30 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 40 million), ROMB S.A. (up to PLN 25 million), plus blank promissory notes and promissory note declarations.	153,944	0
ING Polska	EUR, PLN	Joint and several liability of Grupa Kęty S.A. and Aluprof S.A.	57,481	37,282
PEKAO	PLN, EUR, USD	Joint and several liability of the following companies: Grupa Kęty S.A. (up to PLN 350 million), Alupol Packaging S.A. (up to PLN 40 million), Aluprof S.A. (up to PLN 180 million), Aluform Sp. z o.o. (up to PLN 30 million), Alupol Packaging Kęty Sp. z o.o. (up to PLN 40 million), Alupol Films Sp. z o.o. (up to PLN 30 million), and Aluminium Kęty EMMI d.o.o. (up to PLN 50 million), Glassprof sp. z o.o. (up to PLN 2.5 million), Aluprof System UK LTD (up to PLN 10 million), plus blank promissory notes and promissory note declarations of the aforementioned companies.	234,742	131,617
Societe Generale	EUR, PLN	Civil law security bond.	0	11,743
BNP PARIBAS	PLN	Short-term part of long-term loans – the same collaterals as in the case of the respective long-term loans.	11,968	23,311
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.	10,940	2,790
Total			535,041	272,771

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 2021 and 2020, the Company complied with all credit/loan covenants.

CONTINGENT LIABILITIES (PLN '000)

Title	31.12.2021	31.12.2020
Bank performance bonds for construction contracts, as provided by the ASS	14,069	13,150
Insurance performance bonds for construction contracts, as provided by the ASS	1,785	2,219
Subsidies in the period of conditions fulfilment	5,847	5,847
Total	21,701	21,216

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 2021-2025 Strategy, the Capital Group declared spending approximately PLN 1.3 billion on capital investments. Capital expenditures of the Grupa Kęty S.A. Capital Group on the purchase of property, plant and equipment, and intangible assets in 2021 and 2020 were as follows:

(PLN '000)	2021	2020
Total expenditure:	218,521	145,555
including Grupa Kęty S.A.	56,807	46,541

The largest investment projects in 2021 included:

EXTRUDED PRODUCTS SEGMENT

The main investment tasks consisted in the development of production capacity with regard to aluminium profiles and components production. Following the investment plan updated in July 2021, the Segment commenced the project of building a new production hall at the Kęty plant, and installing there two new presses of 20 MN and 40 MN capacity.

FLEXIBLE PACKAGING SEGMENT

In 2021 the Segment performed solely replacement projects and those improving production effectiveness.

ALUMINIUM SYSTEMS SEGMENT

In 2021 the largest value investment project of the Segment was the completion of 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 expenditures on the hall construction in 2020 and 2021 amounted to PLN 28 million. The other investment tasks comprise a series of projects of lower value, mainly related to the modernisation of warehouse infrastructure, purchase of machines (including a modern line for fire glass production), equipment and the essential means of transport.

In 2022, in compliance with the assumed projection, the Capital Group plans to spend PLN 497 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 present financial standing, safe debt and liquidity ratios, the Management Board does not expect currently 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 that 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:

- optimal time of grade 6060 billets homogenisation, which will enabled the process yield improvement and ensured a larger number of in-house billets produced;
- extension of the possibility of extruding grade 7075 round bars supersaturated at the water spray bath of press 2800, and acceleration of the speed of extruding the selected products;
- work on the systems managing the consequences of car crashes (crash management systems). The aim of the project is to provide the established car manufacturers with EPS-produced profiles, 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 and launch of distribution of an innovative system of internal frameless glass walls with single or double glazing and doors. The system is characterised with fast and easy prefabrication. A comprehensive research for such type of system has been completed;
- production launch of frameless glass sliding balcony doors with manual or automatic control;
- modernisation and development work for a series of window-and-door systems, to improve their utility characteristics, which includes significant thermal performance;
- production implementation of new curtain wall systems, dedicated for example to prestigious buildings in the Silesian region and in the UK;
- construction works for the integration of façade and window systems with roller-shutter systems and screens offered by the Segment;
- implementation of a state-of-the-art structural solution which will greatly improve the load capacity of mullion-and-transom curtain walls. The solution is dedicated mainly to buildings where the selected façade elements require application of very large and heavy glazing;
- construction and design work related to new garden pergola solutions, fitted with lamella and light control systems.

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

The main objective of research and development works in 2021 comprised researching of new laminate structures, which following the packaging market trends fulfil the assumptions and goals of the 'European strategy for closed-circuit plastics'.

In cooperation with its customers the FPS 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 PPBTM 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/PPBTM laminates reflect very good mechanical and barrier 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. At the same time, the laminates are fit for recycling. In that regard the OPP/PPBTM laminate was awarded with the Made for Recycling certificate, confirmed by research carried out at the German Fraunhofer Institute, in compliance with the BIFA Umweltinstitut GmbH methodology.

There has also been developed packaging based on refined and coated papers with heat-bonding and barrier properties. One of such activities was modernisation of a tandem extrusion machine at Alupol Packaging Kęty,

thanks to which production of laminates based on paper coated with barrier plastic is now possible. This eliminates aluminium foil from laminates, with simultaneous maintenance of similar barrier properties as provided by the products to date. The new-technology laminate has been tested with regard to fitness for recycling, and a positive result confirmed with a certificate was achieved.

All the proposed solutions guarantee food safety and may be printed either with the rotogravure or flexographic techniques. Due to the specific properties of the PPBTM and HBF9TM, 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 FORECASTS 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 by 2025;
- selective expansion on the target European markets (intensified sales and marketing activities);
- systematic increase of production capacity to the level of about 125,000 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 9% 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 58% of the whole capital expenditure budget of the Segment for the years 2021–2025, amounting to PLN 692 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 the 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 9%. 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 66% of the PLN 492 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 the 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 2021–2025 Strategy period. These include:

- reduction by 15% of the value of greenhouse gas emissions per production unit (Scopes 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, Scopes 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 1.6 billion by 2025, reaching the level of PLN 5.1 billion, EBITDA will grow by PLN 252 million, to PLN 864 million, and net profit will grow by PLN 129 million, reaching the level of PLN 508 million in 2025⁽²⁾.

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

Consolidated data (PLN million)	2020 base year	2020 ⁽¹⁾ adjusted	2021	2025P	Change (%) 2025 / 2020 ⁽¹⁾
Sales revenue, of which:	3,533	3,467	4,598	5,143	+48%
<i>EPS</i>	1,280	1,280	1,818	2,072	+62%
<i>ASS</i>	1,605	1,605	1,995	2,306	+44%
<i>FPS</i> ⁽¹⁾	938	872	1,170	1,070	+23%
EBITDA ⁽²⁾	672	612	900	864	+41%
Net profit on operating activities	526	466	746	650	+39%
Net profit	430	379	595	508	+34%

(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.

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.

Below presented are some selected assumptions, expectations and forecasts made 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
 - 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

DEBT LEVEL, INVESTMENT PLANS AND THEIR FINANCING

PLN million	Accumulated data for 2021–2025
Cash flow from operating activities	2,927
Cash flow from investing activities	-1,321
Dividends paid out	-2,002
	Balance as at the end of 2025
Net debt	919

The planned accumulated capital expenditure in the Strategy period will amount to **PLN 1 0321 million**, out of which PLN 768 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 919 million. The financial ratios shall be kept at safe level, as follows:

- net debt to EBITDA x 1.1,
- net debt to equity 48%.

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 2.0 billion will be paid out, which means a growth of about PLN 0.8 billion compared to the period of 2016-2020. In reference to one share, the amount is going to be about PLN 200, which will provide the shareholders with the average 7% return on shares (with the price per share of PLN 585).

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.

2022 FINANCIAL RESULTS FORECAST

The table below comprises the forecast of financial results for the year 2022.

Consolidated data (PLN million)	2021	2022	Change (%)
Sales revenue, of which:	4,598	5,415	18%
<i>EPS</i>	1,818	2,353	29%
<i>ASS</i>	1,995	2,351	18%
<i>FPS</i>	1,170	1,189	2%
EBITDA	900	823	-9%
Net profit on operating activities	746	653	-12%
Net profit	595	549	-8%

Capital expenditure planned for 2022 shall amount to PLN 497 million.

Net debt at the end of 2022 will be PLN 1,331 million. The net debt forecast covers for the payment of dividend amounting to 85% of the consolidated net profit for the year 2021, which complies with the dividend policy binding at the company.

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

- net debt to EBITDA x 1.7,
- net debt to equity 74%.

The above financial results forecast for 2022, 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 102-10; GRI 102-46; GRI 102-47; GRI 102-48; GRI 102-49; GRI 102-50; GRI 102-51; GRI 102-52; GRI 102-53; GRI 102-54; GRI 103-1

The Statement refers to the reporting year lasting from 1 January to 31 December 2021. Grupa Kęty S.A. has been preparing non-financial information since 2016. The Company reports on annual basis. The Statement for 2020 was published in March 2021.

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

The Company has not made any adjustments of the information presented in the previous Statement.

The main scope of the disclosed data has not changed since 2020, however, this Statement is presented in compliance with a new structure. The document was prepared based on the selected GRI Standards indicators.

The Statement was drawn up in collaboration with the internal project team, which featured many employees responsible for the particular aspects discussed in the report, including HR, environmental protection, investor relations, CSR, sales, production, procurement, etc. We have adjusted the scope of the Statement to the key issues raised by the stakeholders, as well as the analysis of importance carried out on the occasion of creating the ESG 2021-2025 strategy.

The table below presents the issues identified at the Group and included in the Statement, which are of specific importance from the perspective of our organisation in the environmental, social, and management areas, considering the significance and impact of the given aspect.

Major aspects	Aspect significance		Aspect impact	
	high	medium	in-house	external
Environment				
Greenhouse gas emissions limitation	x	Not identified	x	x
Development of the recycling processes and effective waste management in all areas of the organisation's operation	x		x	x
Innovativeness and development of products, services and processes compliant with the climate change challenges	x		x	x
Social				
Care for occupational health and safety	x	Not identified	x	
Employment attractiveness based on the image of an innovative sector and attraction of talents	x		x	x
Support of local communities	x		x	x
Care for the people threatened with social exclusion	x		x	x
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	x		x	x
Governance				
Responsibility within the supply chain	x	Not identified	x	x
Development of business and allocation of the generated profit among a broad group of stakeholders	x		x	x

The person supervising the process of preparing the Statement as well as a contact person is Ms Monika Sobczak, CSR Director (msobczak@grupakety.com). The Statement has not been audited by an independent auditor.

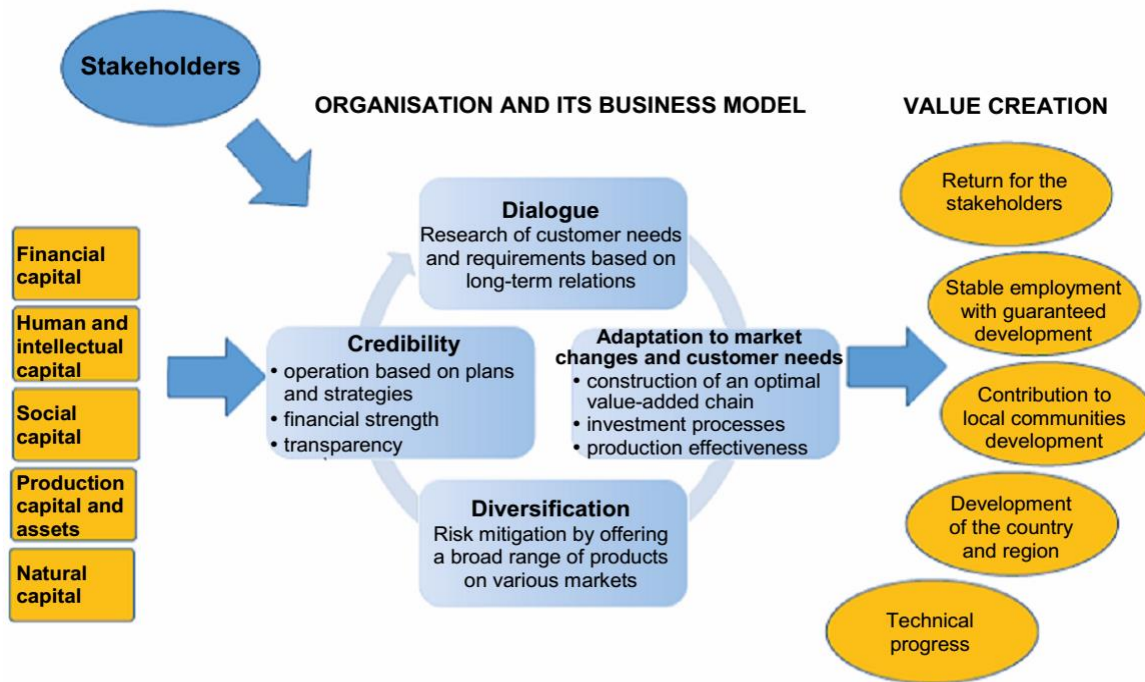
5.2 Business model of the Capital Group

GRI 102-15; GRI 103-1,2,3 Management approach as regards 'Product innovativeness in response to climate changes'

The business model is based on the basic principle of the fastest possible reaction to customer needs. The principle is particularly important for the Extruded Products Segment and the Flexible Packaging Segment, which carry 100% of production activities based on specific orders, and the competitive advantage results from the ability of proper customer needs identification, fast reaction to market changes, high effectiveness of the production process, as well as accurate investment decisions.

Slightly different are the activities of the Aluminium Systems Segment, which has its own product portfolio comprising a number of aluminium joinery systems as well as external aluminium roller-shutters. Nevertheless, also in that Segment the basic advantage results from the proper identification of customer needs and market situation, as well as adequate product offer adjustment.

The Segments operate based on the available capitals – financial, human, intellectual, production, social and natural – and are assisted and influenced by a number of stakeholder groups. Thanks to effective utilisation of the capitals, value is created for the respective stakeholders.



The business model of the Capital Group has been adjusted to the current market situation and, 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 have founded their offers on modern solutions based on aluminium, supported carbon footprint reduction (reduction of emission by way of reducing the weight of vehicles and improving energy efficiency of buildings), and also worked 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.

We have observed demand on environment- and user-friendly buildings, which are energy efficient, passive, durable and resistant to variable climate conditions, such as violent winds, intensive rainfalls, strong sunlight or droughts. Therefore, we also see a potential for the Aluminium Systems Segment development in that area.

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. It may be concluded that flexible plastic-film-based packaging protect packed food as no other packaging, extending the food shelf-life, which translates into lower emissions in the whole product life-cycle. That creates an opportunity for further development of the Flexible Packaging Segment.

5.3 Strategy

Detailed description of the 2021–2025 Strategy assumptions may be found in Chapter 4 ‘Annual forecasts and development strategy’.

An integral part of the Capital Group Strategy are commitments related to the ESG area in the form of sustainable development goals, which comprise 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. Preparing the strategy and analysing our impact, we wanted to respond to the key issues raised by the stakeholders, including but not limited to occupational health and safety,

dividend policy, risk management, support to local initiatives, development of the local labour market, and activities for the environment.

Below presented are **our main assumptions in the particular ESG areas:**

Environmental area

- 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.

Social area

- Caring for occupational health and safety.
- Creation of the image of an attractive employer and innovative sector, and attraction of talents.
- Support to local communities.
- Acting for the benefit of people threatened with social exclusion.
- Development of the idea of educating through sport as a tool to encourage young people to be physically active and to prevent obesity.

Management area

- Focus on the Company vision and values.
- Sharing the generated profit with a broad group of stakeholders.
- Respect for human rights, corruption prevention and carrying out a responsible environmental policy within the broad chain of supply.

Performing the Strategy in the ESG area, we plan to achieve 9 major goals. The chart below presents the results generated in 2021 in reference to the performance effectiveness indicators we had selected.

Indicators	Unit	Indicator calculation formula	Description of the measurement method	2025 objective	2021 performance (absolute value)
Environmental					
Reduction of the intensity of greenhouse gas emissions	[Mg CO ₂ e/Mg]	[(GHG emissions Scope 1) plus (GHG emissions Scope 2)]/ Production size	<ol style="list-style-type: none"> The indicator covers the following emissions: <ul style="list-style-type: none"> - Scope 1, i.e. direct GHG emissions controlled by the Company, covering specifically fuel consumption for process purposes, heating buildings, combustion by vehicles, as well as fugitive emissions related to the operation of cooling systems; - Scope 2, i.e. indirect GHG emissions which result from the electric energy, heat or steam used to supply or heat buildings, which have been purchased from external suppliers. Base year: 2016 Calculation method compliant with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, Revised Edition. The indicator covers the domestic companies of the Capital Group. In case of a major change in the Group structure, there are possible adjustments in the calculation of the indicator pro rata to the changes. Value of emission reported in metric tons, as an equivalent of CO₂e. 	-15%	-17%
Share of aluminium scrap in the products extruded from low-emission LOW CARBON KETY billets	[%]	(aluminium scrap weight)/ (weight of product)	<ol style="list-style-type: none"> The scrap covers: post-consumer scrap, pre-consumer scrap, and home scrap LOW CARBON KETY billets manufactured at the Z melting and casting line in the Kety plant of grade 6000 alloys 	75%	68%
Increase in the number of Aluprof-systems-constructed buildings with environmentally-friendly certificates	[%]	Number of Aluprof-systems-constructed buildings in the databases of certified buildings in Poland and abroad.	The database of buildings certified by the Polish Green Building Association [Polski Związek Budownictwa Ekologicznego] (buildings classified based on buildings multi-criteria environmental assessment systems: Breeam, Leed, DGNB, HQE), plus foreign databases.	+20%	+13%

Growth of the share of the manufactured packaging films and laminates fit for recycling	[%]	(number of metres square of films and laminates fit for recycling)/ (total number of metres squares of films and laminates)	Films and laminates fit for recycling specified based on structure analysis. Total quantity of films and laminates [m ²] based on sales report.	+5%	+1,3%
Social					
Improvement of occupational health and safety – Total Recordable Incident Rate (TRIR)	number	Number of injuries / time worked x 200,000	The number of injuries per 100 workers. The constant of 200,000 is calculated as follows: 100 employees work 40 hours a day 50 weeks a year.	<1	1,2
Staff rotation	[%]	Number of employees leaving the company / average headcount	The number of employees covers those employed on an employment contracts.	-5% r/r	-4% r/r
Performance of social initiatives within the ‘Together with the Group’ programme	project	Number of projects in the given year	Individual projects within the subsequent editions of the ‘Together with the Group’ grant programme	150	31
Management					
Consequent dividend policy	[%]	Value of dividend paid / value of consolidated net profit attributable to owners of the parent	1. The value of dividend passed by the Annual General Meeting 2. Consolidated net profit attributable to owners of the parent published in the consolidated annual financial statements for the year to which the dividend refers	60-100%	100%
Engagement of suppliers in the sustainable development of the Capital Group	[%]	Certified suppliers / list of suppliers	List of suppliers – accepted group of strategic suppliers, defined for each business segment of the Capital Group	100%	50%

Most of the main objectives have been achieved, in compliance with the five-year Strategy period. Exception is the higher than expected level of staff rotation. The effects of our work within the broadly understood HR policy are measured with the staff rotation ratio (i.e. the number of employees leaving the company to the average headcount), and reducing it by 5% y/y. In 2021 the average for the Capital Group was 11.5%, which means that we have not achieved the planned result of 11.37%. This is, however, a slight, only 1% deviation from the assumptions, which does not have a significant impact on the achievement of long-term objectives in that area. In 2022 we plan activities to improve the competitiveness of the companies on local markets, which will affect the aforesaid level of staff rotation.

For some objectives, the progress is faster than expected – for example, in the first year of the Strategy implementation we managed to accelerate the process of engaging suppliers. It was possible thanks to intensive work in that period. Additionally, the number of environmentally certified buildings in the Aluprof brand portfolio grew. It is a clear confirmation that the building industry of which the ASS is a part, has perceived the systematic growth in the investor’s awareness as regards ecology, change of climate and the need to build in a sustainable manner, based on environmentally- and human-friendly materials. Aluprof products comply with the idea of circular economy (i.e. materials fit for recycling), where aluminium perfectly fulfils that role.

One of the objectives, particularly important from the point of view of influencing climate change, is the reduction of greenhouse gases emission, and it has been achieved in compliance with the assumptions, which mobilises us to make internal decisions regarding the objective update.

5.4 Information on economic activities aligned with the EU taxonomy

Pursuant to the Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and Commission Delegated Regulation (EU) 2021/2178, Grupa KETY S.A. has been presenting the proportion of the turnover, capital expenditure (CapEx) or operating expenditure (OpEx) applicable to the business activities qualifying under the taxonomy. The below specification, compliant with the guidelines of the Commission Delegated Regulation (EU) 2021/2178, has been prepared in a simplified manner, i.e. without the application of the technical screening criteria based on which there is determined a percentage of the category related to environmentally sustainable activities.

Identification of the areas of activities aligned with the taxonomy

Following the analysis of the particular areas of operation of the Capital Group Segments, one area has been identified, as qualifying to be compliant with the description of activities presented in Annexes I or II of the Commission Delegated Regulation (EU) 2021/2139 establishing the technical screening criteria, and compliant with the assumed significance criterion. The activities refer to item 3.5. Manufacture of energy-efficiency improving equipment for buildings, including windows, doors, façades and external roller-shutters, by the Aluminium Systems Segment.

The applied accounting principles

The turnover percentage has been calculated based on the total consolidated revenue of the Capital Group in 2021, disclosed in the consolidated financial statements in the item 'Revenue from contracts with customers' and described in note 12.1. In the numerator, the revenue from activities qualifying under the taxonomy have been applied, i.e. manufacture of energy-efficiency improving equipment for buildings, including windows, doors, façades and external roller-shutters, by the Aluminium Systems Segment.

Capital expenditure (CapEx) has been calculated based on the capital expenditure of the Capital Group described in note 17 'Property, plant and equipment' of the consolidated financial statements. In the numerator, the part of capital expenditure on activities qualifying under the taxonomy and incurred by the Aluminium Systems Segment have been applied.

Operating expenditure (OpEx) has been calculated based on direct, non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of property, plant and equipment. In the numerator, the part of operating expenditure on activities qualifying under the taxonomy and incurred by the Aluminium Systems Segment have been applied.

Principles applied in KPIs calculation

In the calculation of the KPIs, the definitions provided in Annex I to the Commission Delegated Regulation (EU) 2021/2178 have been used.

The indicators have been calculated following the principle of avoiding double counting, i.e. the particular types of activities of the Capital Group have been assigned solely to one type of qualifying activities. A similar principle has been applied to the indicators describing capital and operating expenditure. In case a specific activity generating revenue in 2021 has been assigned to any of the taxonomy-aligned activities, the capital and operating expenditure related to those activities have been assigned solely to those activities.

The significance level of a turnover KPI has been assumed at 0.25% of the turnover generated by the Capital Group in 2021.

Key Performance Indicators

The table below presents the 2021 KPIs of the Capital Group of Grupa Kęty S.A.

Indicators	Taxonomy-aligned (value in PLN '000)	Taxonomy-aligned (%)	Not taxonomy-aligned (value in PLN '000)	Not taxonomy-aligned (%)	Total (value in PLN '000)
Turnover (revenue)	1,151,373	25%	3,446,202	75%	4,597,575
Capital expenditure	61,960	35%	113,517	65%	175,477
Operating expenditure	10,100	18%	44,771	82%	54,871

5.5 Corporate Social Responsibility

5.5.1 The UN social goals of sustainable development in the operations of the Group

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

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 declaration, which is a quotation from the Corporate Social Responsibility Policy of the Grupa Kęty S.A. Capital Group, has been setting out the direction of our social engagement.

The pillars of the Policy are:

- Occupational health and safety;
- Employment attractiveness based on the image of an innovative sector, and attraction of talents;
- Support to local communities;
- Care for the people threatened with social exclusion ('Grupa Kęty for the Children of the Podbeskidzie Region' Foundation);

- Development of the idea of educating through sport as a tool to encourage young people to be physically active and to prevent obesity – the 21st century disease.

We are a signatory of the UN Global Compact and the 2030 Agenda, i.e. the world development strategy until 2030, comprising 17 Sustainable Development Goals, which was adopted by the UN member states in 2015.

Within our CSR activities, we have been supporting and developing the selected UN Sustainable Development Goals by way of the following initiatives:



Goal 3. Good Health and Well-being

Ensure healthy lives and promote well-being for all at all ages

- The Capital Group of Grupa Kęty S.A. treats the health and safety of its employees and their families as a priority. Among other activities, we have provided our employees and their families with a broad access to health care services thanks to the ‘Opieka medyczna S’ medical insurance programme. In 2021 the insurance covered 3,340 employees, which represents 68% of the domestic companies staff.
- Through the propagation of the idea of educating through sport we enable participation in many sports events, thus promoting a healthy lifestyle.
- In 2021, Grupa Kęty was a partner of the ‘I Care for the Child’ social project focusing on caring for the mental health of children and youths.
- Also in 2021 there was held an art competition for children entitled ‘Health first!’ within the whole Capital Group of Grupa Kęty S.A. Every year, the competition enjoys a great interest and the theme is always related to an aspect important for the Group. Owing to the pandemic, the 2021 theme was healthy lifestyle expressed as eating habits and physical activity, which greatly affect the natural immunity. Over 1,600 works were received.



Goal 4. Quality Education

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

- The Capital Group of Grupa Kęty S.A. cares for the educational aspects by way of providing a great variety of expert training courses in the particular areas of its operation, which includes education for sustainable building and broad environmental awareness campaigns.
- We also care for the development of our employees ensuring access to basic and optional training, language courses financed by the employer, or higher education subsidies. Within the Group, over PLN 1 million was allocated to that purpose.
- Operating through the ‘Grupa Kęty for the Children of the Podbeskidzie Region’ Foundation, we try to prevent social exclusion in education by way of financing additional courses in sciences or foreign languages for children at children’s homes, as well as other speciality courses ensuring ‘a better start’ for the children and youths. In 2021, PLN 480,000 was assigned to the statutory goals of the Foundation.



Goal 8. Decent Work and Economic Growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

- We follow the Code of Ethics and the Dignity at Work Policy. Abiding by the documents serves raising 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.



Goal 10. Reduced Inequalities

Reduce inequality within and among countries

- As a signatory of the Global Compact we have attempted to promote and develop within our activities the ten fundamental rules relating to human rights, labour standards, environmental protection, and corruption prevention, which is a real response to inequalities.
- Being a large organisation operating on the European and world markets, employing nearly six thousand people of various nationalities, we care for common policies and standards.
- For us, reduction of inequality within countries also means acting for the people threatened with social exclusion, which is the priority function of the ‘Grupa Kęty for the Children of the Podbeskidzie Region’ Foundation. In 2021, PLN 480,000 was assigned to the statutory goals of the Foundation.

5.5.2 Stakeholders

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

The Capital Group of Grupa Kęty S.A. maintains high standards of communication. **For many years, the Company has enjoyed renown and credibility among market participants, which in 2021 was confirmed by taking the third position in the prestigious ranking of the Best GPW Listed Companies under the name ‘The Stock Exchange Company of the Year’,** organised by Puls Biznesu (last year the company occupied the 10th position). Grupa Kęty also took a very high, third position in the sub-ranking of ‘Investor Relations’, and the fourth position in the sub-ranking of the ‘Management Board Competence’.

Our business plans, new products, development plans of the organisation and our impact on local communities and environment have been confronted with the stakeholders’ expectations. Each year, the non-financial reporting process is consulted on an ongoing basis with the selected groups of stakeholders. Engaged are mainly our employees – the team editing the contents and consulting the major issues to be reported, but also external stakeholders, such as local governments with whom we develop the engagement of our organisation and try to reply to the real needs of the local communities.

Stakeholders, among other groups of people, affect the Group development directions. 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 social and environmental activities are communicated by the Company through:

- external portals: www.grupakety.com/zrownowazony_biznes, and www.dziecipodbeskidzia.pl;
- social networking portals: the Facebook account of Grupa Kęty and the ‘Grupa Kęty for the Children of the Podbeskidzie Region’ Foundation, and the LinkedIn account;
- dedicated Youtube channel;
- meetings, the Intranet, newsletters and notice boards serving the daily contacts with the employees.

The Company also has a real influence on creating the future of the region, by active support and engagement in local communities, through the ‘Together with the Group’ social programme.

The table below presents the stakeholders of the Capital Group of Grupa Kęty S.A. with regard to the cooperation potential and impact. Such approach enable us to define the leading groups of stakeholders, which means those who have the greatest impact on the creation of the organisation’s business value and focus on the key issues raised by them.

	Impact tendency		
		High	Low
Cooperation potential	High	Employees and potential employees Customers Shareholders and potential shareholders Supervisory Board In-house trade unions Suppliers Issuers organisations Warsaw Stock Exchange Regulators	Local communities Local governments
	Low	Sector organisations Issuers organisations Competitors Polish Financial Supervision Authority	Universities Mass media

Our ESG strategy is a reply to the key issues raised by the stakeholders, such as OHS, remuneration policy, social initiatives, quality of products and services, product innovativeness, dividend policy, environmental actions, corporate governance principles, development strategy, current activities of the Company, transparent cooperation conditions, Company strategy, codes of ethics, risk management, compliance with law, support to local initiatives, development of the local labour market, support to children in children's homes, and development of sports.

The key issues raised by the stakeholders result from the consequently carried dialogue, for example during quarterly conferences for investors, business meetings within the organisation, employee assessment procedures, regular meetings with labour unions, external business meetings, or participation in important meetings on the local government level. The issues are discussed, for example, in the meetings of the Sustainable Development and Social Responsibility Committee, the Management Board, and the Risk Management Committee. Some of the issues are implemented into the Company operations on a daily basis, while other require long-term decisions.

5.5.3 Employees

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

The major asset of the organisation are employees, who bring to life every business process thanks to their knowledge, skills and experience. **Human resources represent and extraordinary asset of the organisation** Our Strategy is based on building long-term relations, based on mutual respect. 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.

In 2021, Grupa Kęty became a laureate of the 'Poland's Best Employers 2021' ranking by 'Forbes'. It is a list of 300 companies operating in Poland with outstanding achievements in HR, honoured with the title of the Best Employer. The research covered roughly 1,800 companies employing at least 250 people in Poland. The Ranking of '300 Poland's Best Employers' is based on the same principles as in the Western European or the American 'Forbes'.

Grupa Kęty S.A. took the 193th position in the general ranking and the 5th position in the sector ranking. We treat the ranking as a distinction of our activities as well as the potential and challenge for further development in employee areas. Another example of esteem for the activities in the workforce area is the title of the 'Reliable Employer of the Year' obtained by Aluprof S.A. in 2021.

One of our pillars is to build an image of an attractive employer in an innovative sector, by acquiring talents and building a stable and engaged team. Particularly important for us is the first contact with the potential employee. We need to avail of the meeting opportunity to convince the candidates to join one of our teams. The recruitment processes at the Group companies are carried out in a transparent manner, by way of precise determination of requirements with regard to competence, but also by 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.

Emphasising the high standard of the recruitment processes carried out, in 2021 Aluprof joined the Coalition for Friendly Recruitment, with the aim to promote good practices in that regard. Further companies plan to join the project in 2022.

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 in an organisation and maintaining 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 forms of support are provided. Striving for the attractiveness of the work offer, we have introduced additional benefits. Locally, at the

particular companies, their scope differs. These include: medical care, pension schemes, Multisport cards, lunch vouchers, or 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.

HEADCOUNT

GRI 102-8

As at the end of December 2021, the headcount on the basis of employment contracts at the Capital Group companies equalled 5,555 people (except for specific work contracts, agency contracts or other – complete data in the table below). This means 4% growth compared to 2020.

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

There are 595 people employed by foreign companies, which means 10% more than in the preceding year. Whereas, at the companies located in Poland the headcount increased by 4%, i.e. from 4,727 to 4,900.

Among those employed based on employment contracts 30% was represented by women in December 2021. Most of the contracts are signed for unlimited term (82%), 15% 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. For comparison purposes, also data referring to the preceding reporting year (2020) are provided.

Headcount in 2021, by gender

2021	Gender	trial period contracts	permanent contracts	unlimited term contracts	replacement contract	specific task contracts	mandate contracts	other contracts	TOTAL
Capital Group	Total	135	859	4,560	1	1	12	5	5,572
	Women	34	314	1,298	1	0	4	2	1,653
	Men	101	545	3,261	0	1	8	3	3,919
including									
companies located in Poland	Total	131	799	3,969	1	1	7	5	4,913
	Women	32	288	1,075	1	0	3	2	1,401
	Men	99	511	2,894	0	1	4	3	3,512
other locations	Total	4	60	591	0	0	5	0	659
	Women	2	26	223	0	0	1	0	252
	Men	2	34	368	0	0	4	0	407
Grupa Kęty S.A.	Total	21	112	1,259	0	0	1	0	1,393
	Women	2	30	321	0	0	1	0	354
	Men	19	82	938	0	0	0	0	1,039

Headcount in 2020, by gender

2020	Gender	trial period contracts	permanent contracts	unlimited term contracts	replacement contract	specific task contracts	mandate 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	346
	Men	5	94	908	0	1	0	0	1,008

Headcount in 2021, by type of position

2021		Women	Men	trial period contracts	permanent contracts	unlimited term contracts	replacement contract	specific task contracts	mandate contracts	other contracts	temporary employees
Capital Group	Total	1,646	3,909	135	860	4,559	1	1	12	5	291
	management staff	38	149	1	5	181	0	1	7	4	0
	other white-collar staff	640	739	24	160	1,149	1	0	4	1	0
	blue-collar workers	968	3,021	110	694	3,185	0	0	2	0	291
including											
companies located in Poland	Total	1,395	3,505	131	800	3,968	1	1	7	5	276
	management staff	28	122	1	2	147	0	1	2	4	0
	other white-collar staff	569	618	22	151	1,013	1	0	4	1	0
	blue-collar workers	798	2,765	108	646	2,809	0	0	2	0	276
other locations	Total	251	404	4	60	591	0	0	5	0	15
	management staff	10	27	0	3	34	0	0	5	0	0
	other white-collar staff	71	121	2	9	181	0	0	0	0	0
	blue-collar workers	170	256	2	48	376	0	0	0	0	15
Grupa Kęty S.A.	Total	352	1,040	21	112	1,259	0	0	1	0	0
	management staff	6	39	0	0	45	0	0	0	0	0
	other white-collar staff	122	175	3	12	282	0	0	1	0	0
	blue-collar workers	224	826	18	100	932	0	0	0	0	0

Headcount in 2020, by type of position

2021		Women	Men	trial period contracts	permanent contracts	unlimited term contracts	replacement contract	specific task contracts	mandate contracts	other contracts	temporary employees
Capital Group	Total	1,554	3,768	131	890	4,301	0	0	17	7	326
	management staff	39	146	1	4	180	0	0	7	6	0
	other white-	608	717	27	164	1,134	0	0	7	1	2

	collar staff										
	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 staff	8	39	0	0	47	0	0	0	0	0
	other white-collar staff	123	172	1	25	269	0	0	0	0	0
	blue-collar workers	215	796	5	117	889	0	0	1	0	0

Headcount in 2021, by age

2021	Age group	men	women	blue-collar workers	white-collar staff	men	women	blue-collar workers	white-collar staff
Capital Group	Total	3,817	1,738	3,850	1,705	69%	31%	69%	31%
	below 30	777	340	833	284	14%	6%	15%	5%
	30–50	2,277	1,099	2,192	1,184	41%	20%	39%	21%
	over 50	763	299	825	237	14%	5%	15%	4%
including									
<i>companies located in Poland</i>	Total	3,413	1,487	3,424	1,476	70%	30%	70%	30%
	below 30	714	310	757	267	15%	6%	15%	5%
	30–50	2,039	943	1,949	1,033	42%	19%	40%	21%
	over 50	660	234	718	176	13%	5%	15%	4%
<i>other locations</i>	Total	404	251	426	229	62%	38%	65%	35%
	below 30	63	30	76	17	10%	5%	12%	3%
	30–50	238	156	243	151	36%	24%	37%	23%
	over 50	103	65	107	61	16%	10%	16%	9%
Grupa Kęty S.A.	Total	1,039	353	1,050	342	75%	25%	75%	25%
	below 30	162	45	173	34	12%	3%	12%	2%
	30–50	647	239	629	257	46%	17%	45%	18%
	over 50	230	69	248	51	17%	5%	18%	4%

Headcount in 2020, by age

2021	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%
	below 30	805	309	857	257	15%	6%	16%	5%
	30–50	2,228	969	2,167	1,030	42%	18%	41%	19%
	over 50	735	276	797	214	14%	5%	15%	4%
including									
<i>companies</i>	Total	3,394	1,333	3,428	1,299	72%	28%	73%	27%

<i>located in Poland</i>									
	below 30	751	285	796	240	16%	6%	17%	5%
	30–50	2,003	830	1,936	897	42%	18%	41%	19%
	over 50	640	218	696	162	14%	5%	15%	3%
<i>other locations</i>	Total	374	221	393	202	63%	37%	66%	34%
	below 30	54	24	61	17	9%	4%	10%	3%
	30–50	225	139	231	133	38%	23%	39%	22%
	over 50	95	58	101	52	16%	10%	17%	9%
Grupa Kęty S.A.	Total	1 007	346	1 011	342	74%	26%	75%	25%
	below 30	164	47	173	38	12%	3%	13%	3%
	30–50	614	232	596	250	45%	17%	44%	18%
	over 50	229	67	242	54	17%	5%	18%	4%

61% of employees were aged between 30 and 50. Employees aged below 30 represent 20% of headcount, whereas employees over 50 years of age – 19% of headcount.

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

EMPLOYMENT INDICATORS

GRI 401-1

In 2021, the companies of the Group were joined by 967 people, including 28% 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 have included the ambition to build a professional and engaged team of employees and create an image of an attractive employer within the sector, and also 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, 693 employees left the Company. Among that group 37% were aged below 30 years, and 10% were aged over 60 years.

New employees in 2021, by gender and age

2021	gender	below 30 years	31-40 years	41-50 years	51-60 years	over 60 years
Capital Group	total	449	274	176	56	12
	women	101	84	72	11	3
	men	348	190	104	45	9
including companies located in Poland	total	397	247	144	45	9
	women	86	72	55	9	3
	men	311	175	89	36	6
other locations	total	52	27	32	11	3
	women	15	12	17	2	0
	men	37	15	15	9	3
Grupa Kęty S.A.	total	104	62	38	8	2
	women	12	12	12	0	2
	men	92	50	26	8	0

New employees in 2020, by gender and age

2020	gender	below 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

Employees with whom employment contracts were terminated in 2021, by gender

2021	gender	below 30 years	31-40 years	41-50 years	51-60 years	over 60 years
Capital Group	total	257	189	104	76	67
	women	51	49	29	27	14
	men	206	140	75	49	53
including						
companies located in Poland	total	232	173	95	70	64
	women	45	43	28	26	12
	men	187	130	67	44	52
other locations	total	25	16	9	6	3
	women	6	6	1	1	2
	men	19	10	8	5	1
Grupa Kęty S.A.	total	34	24	12	26	44
	women	4	2	2	6	10
	men	30	22	10	20	34

Employees with whom employment contracts were terminated in 2020, by gender

2020	gender	below 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

EMPLOYEE BENEFITS

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 2021, 38% of the Capital Group employees availed of the plan.

At 11 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 2021, 35% of the Capital Group employees availed of the PPK plans.

Employee Pension Schemes in 2021

2021	Number of eligible employees	Number of insured employees	Percent of insured to total headcount
Capital Group			
Employee Pension Schemes (e.g. PPE)		2,111	38%
Employee Capital Plans (PPK)	5,197	1,940	35%
including			
companies located in Poland			
Employee Pension Schemes (e.g. PPE)		2,063	42%
Employee Capital Plans (PPK)	4,855	1,720	35%
other locations			

Employee Pension Schemes (e.g. PPE)		48	7%
Employee Capital Plans (PPK)	348	225	34%
Grupa Kęty S.A.			
Employee Pension Schemes (e.g. PPE)		1,152	83%
Employee Capital Plans (PPK)	1,379	633	45%

Employee Pension Schemes in 2020

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			
companies located in Poland			
Employee Pension Schemes (e.g. PPE)		2,092	44%
Employee Capital Plans (PPK)	4,687	1,687	36%
other locations			
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%

COLLECTIVE BARGAINING AGREEMENTS

GRI 102-41; 402-1

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.

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.

DIVERSITY POLICY – ENSURING EQUAL OPPORTUNITIES

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'

The companies of the Capital Group comply with the commitments set out in the Diversity Policy and the Policy of Dignity at Work. The documents describe our stand in the issues related to employees or people in other relations with the Group. We declare equal opportunities, respect for diversity, ensuring decent working conditions, but first of all and foremost – abiding by the legal regulations.

The principle of equal treatment is very important at our organisation. We create equal opportunities to all employees with regard to remuneration, bonuses, skills improvement, and promotion, based on their individual abilities, achievements and work results. The factors affecting professional development as well as the superiors' expectations from their subordinates have been formulated in a transparent manner.

The basic task in the organisation is to ensure workplace safety to the employees, not only in the physical but also mental and social dimensions, by way of prevention of unwanted phenomena.

We take steps to transform the differences which might prevent good relationship into an opportunity for the organisation's development. A major element is the creation of project groups within which not only knowledge and experience are exchanged but also friendly relationships are built. We react in situations which exceed the framework of acceptable behaviour. The area is supported by the conduct standards described in the Code of Ethics, which all the Group companies committed to comply with. Locally, there have been created Ethics Committees responsible, among other things, for receiving and analysing reports. The Group has also appointed a Business Ethics Ombudsman, who cares for abiding by the values described in the Code of Ethics.

One of the areas which is subject to analysis in the context of respecting diversity is a report in the form of the table below, presenting the management staff by gender, age and seniority.

Management Board structure in 2021, by gender, age and seniority

2021	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	81	14	67	7	51	23	27	29	25
including									
companies located in Poland	58	9	49	5	38	15	11	25	22
other locations	23	5	18	2	13	8	16	4	3
Grupa Kęty S.A.	21	3	18	1	17	3	4	8	9

Management Board structure in 2020, by 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

At the Capital Group companies, the remuneration of the employees within the particular professional groups is 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 six 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 additionally analysed thee selected positions within the groups, where we have watched a decrease compared to 2020. The differences appearing result mainly from the job description: different scope of responsibilities, or level of knowledge and experience needed at work.

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

Deviation rate in the pay of women, by the main groups of jobs in 2020 and 2021

	Group of jobs	Deviation rate in 2020	Deviation rate in 2021
Capital Group			
	executive officer	69%	79%
	director	80%	80%
	manager	99%	103%
	specialist	79%	78%
	foreman	94%	85%
	production area, worker	86%	86%
Grupa Kęty S.A.			
	executive officer	0%	0%
	director	80%	81%
	manager	86%	96%
	specialist	80%	84%
	foreman	0%	0%
	production area, worker	85%	86%

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 there was one woman as at 31 December 2021.

With regard to the end of term of the Management Board, in its resolution of 8 April 2021 the Company appointed Mr Dariusz Mańko President of the Management Board of the 11th term, as well as Messrs Rafał Warpechowski, Piotr Wysocki, and Tomasz Grela Members of the Management Board of the 11th term.

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.

In 2021 there were no cases of the Code of Ethics violation reported at the Capital Group, particularly with regard to dignity at work.

HUMAN RIGHTS

GRI 412-1; GRI 103-1,2,3 Management approach as regards 'Human rights'

Since 2014, Grupa Kęty S.A. has been a Global Compact signatory, which means support to, adoption and application of the ten fundamental rules relating, among other things, to human rights and labour standards in all areas of operation. The 'Internal Relations' chapter of our Code of Ethics clearly indicates that:

- the basic principle binding at our organisation is to abide by human rights, as described for example in the European Convention for the Protection of Human Rights;
- we respect the rights related to the freedom of association and collective bargaining agreements;
- we respect the right of our employees to privacy.

In 2021, the Company has prepared and issued the Respect for Human Rights Policy, where we declare:

- decent work conditions at all companies of the Grupa Kęty S.A. Capital Group;
- abiding by all of the binding regulations with regard to payroll, remuneration, working hours and overtime;
- safe and healthy workplaces;
- respect for diversity and the principle of equal chances;
- absolute objection to child labour and forced labour;
- respect for the rights related to the freedom of association and collective bargaining agreements;
- respect for the rights of local communities at all locations of the Capital Group companies.

Adequate provisions regarding respect for human rights have also been included in the Code of Conduct for the Suppliers of the Grupa Kęty S.A. Capital Group.

We expect from our suppliers to:

1. respect human rights in their operations;
2. ensure equal treatment at work and refrain in their operations from any staff or stakeholders discriminating practices because of their sex, age, disability, race, religion, or other grounds;
3. abide by the labour law provisions binding in the country of origin and business of the supplier.

In 2021, there were no reports on account of a breach of the Code of Ethics with regard to human rights infringement.

DEVELOPMENT OF THE ORGANISATION'S INTELLECTUAL POTENTIAL

GRI 404-1; GRI 103-1,2,3 as regards 'Training and Education'

One of the objectives of the 2021-2025 Strategy is to ensure competitive working conditions to the employees, including the possibility of development. As in the previous years, we have encouraged employees to gain knowledge and raise their competencies through a variety of training courses, among other things.

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. In order to perform the assumed objectives, courses and training schemes are available to all employees or to the selected job positions, either internally or externally, carried out in traditional manners, such as a lecture or workshop, or by way of e-learning. The subjects cover engineering issues as well as soft skills. In 2021 we assigned over PLN 1 million to optional courses, language learning, and higher education subsidies.

Staff development is also supported by periodical assessment, however, owing to the necessity of limiting contacts due to the pandemic, no assessment meetings were held in 2020 and 2021. We devoted that time to the verification of assumptions and streamlining of action plans to be implemented in 2022. One of the companies commenced the assessment process at the end of 2021, with the completion deadline in Q.1, 2022.

Numbers of employees trained in 2021, by gender

2021	gender	training participants	training hours	number of training hours per employee
Capital Group	total	5,142	32,781	5.9
	women	1,086	7,015	4.3
	men	4,057	25,771	6.6
including companies located in Poland	total	4,205	28,541	5.8
	women	806	5,635	4.0
	men	3,399	22,906	6.5
other locations	total	937	4,240	6.5
	women	280	1,380	5.5
	men	658	2,865	7.1
Grupa Kęty S.A.	total	1,423	16,161	11.6
	women	339	3,406	9.7
	men	1,084	12,755	12.3

Numbers of employees trained in 2020, 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

The area of employee development is regulated by procedures, such as:

- Staff Development,
- Training,
- Competence Management System,
- Periodical Assessment,
- Language Competence,
- Management by Objectives.

OCCUPATIONAL HEALTH AND SAFETY

GRI 403-9; GRI 103-1,2,3 as regards '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 situations, as well as assigning accountability.

As regards safety procedures, in 2021 there were continued actions to limit the pandemic hazards, which included:

- ensuring a broad access to protective and hygienic measures;
- conducting any activities requiring direct contacts (such as recruitment, training and language courses) through communication platforms;
- increase in the scale of remote work.

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;
- identify the sources of hazards and 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 in 2020 and 2021, by age groups

	age group	2020 number of people	2021 number of people
Capital Group	total	51	55
	below 30 years	9	12
	30-50 years	34	29
	over 50 years	8	14
including			
<i>companies located in Poland</i>	total	45	42
	below 30 years	8	10
	30-50 years	29	23
	over 50 years	8	13
<i>other locations</i>	total	6	13
	below 30 years	1	2
	30-50 years	5	6
	over 50 years	0	5
Grupa Kęty S.A.	total	8	9
	below 30 years	2	1
	30-50 years	4	3
	over 50 years	2	5

Accidents at work – persons injured in 2020 and 2021, by gender

	gender	2020 number of people	2021 number of people
Capital Group	total	51	55
	women	12	20
	men	39	35
including			
<i>companies located in Poland</i>	total	45	42
	women	8	15
	men	37	27
<i>other locations</i>	total	6	13
	women	4	5
	men	2	8
Grupa Kęty S.A.	total	8	9
	women	1	1
	men	7	8

In 2021, 55 people were injured in accidents at work, including 20 women and 35 men. The injuries included mainly flesh wounds and in 8 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 2021, we arrived at the result of 1.2.

Additionally, we have provided our employees and their families with a broad access to health care services thanks to the ‘Opieka medyczna S’ medical insurance programme. In 2021 the insurance covered 3,340 employees, which represents 68% of the domestic companies staff.

In 2021, 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’.

NUMBER OF OHS TRAINING HOURS

GRI 403-5

Number of OHS training hours in 2021

2021		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
Capital Group	total	13,436	depending on the company	13,222	13,222	13,109
	Compulsory training courses	12,728	depending on the company	12,516	12,516	12,728
	Additional training courses	708	depending on the company	706	706	381
including companies located in Poland	total	11,824	Yes	11,824	11,824	11,531
	Compulsory training courses	11,308	Yes	11,308	11,308	11,308
	Additional training courses	516	Yes	516	516	223
other locations	total	1,612	depending on the company	1,398	1,398	1,578
	Compulsory training courses	1,420	depending on the company	1,208	1,208	1,420
	Additional training courses	192	depending on the company	190	190	158
Grupa Kęty S.A.	total	4,611	Yes	4,611	4,611	4,611
	Compulsory training courses	4,412	Yes	4,412	4,412	4,412
	Additional training courses	199	Yes	199	199	199

Number of OHS training hours in 2020

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 employee	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	-----	-----	-----		-----

5.5.4 Supply chain characteristics

GRI 102-9; GRI 102-10; GRI 204-1; GRI 414-1; GRI 103-1,2,3 Management approach as regards 'Procurement practices' and 'Suppliers environmental and social screening'

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). Owing to a major increase in the prices of materials, which are mostly imported, the share of domestically supplied materials dropped from 36% in 2020 to 30% in 2021. The suppliers from the other European countries represented about 65%, whereas roughly 5% were the supplies from other continents.

The basic criteria we follow when selecting suppliers are:

- quality and stability of deliveries;
- price policy and payment terms;
- standards of cooperation and customer service;
- approach to sustainable development aspects.

In 2021, we prepared a document entitled the 'Code of Conduct for the Suppliers of the Grupa Kęty S.A. Capital Group'.

The code specifies the major requirements for the suppliers of the Capital Group of Grupa Kęty S.A. with regard to running ethical and fair activities, ensuring safe and hygienic working conditions, respecting human rights, assuming liability for the quality of products and for the natural environment.

In the document we refer to our commitments towards the suppliers but also our expectations from them. We have prepared an internal procedure to monitor the process of the document implementation and its communication to the suppliers.

We have also prepared a list of suppliers covered with the 'Code of Conduct' in each business segment of the Capital Group. In the Extruded Products Segment the covered suppliers generate 91% of turnover, in the Flexible Packaging Segment – 95%, and in the Aluminium Systems Segment – 95%, respectively.

In the 2021–2025 Strategy, we assumed that 100% of suppliers included in the list will be covered with the provisions of the 'Code of Conduct'. The objective attainment in 2021, depending on the Segment, ranged from 18% to 84%, of which: the EPS – 50%, the FPS – 18%, and the ASS – 84%, which allows for a good assessment of the process. Further, we will face another stage of the systematic control and improvement of common activities.

Worth emphasising is the fact of positive feedback from the market to such activities. Many suppliers praise the solutions and report their willingness to co-create major values.

5.5.5 Social engagement

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

'We are a part of the local community where we try to initiate actions aimed at the community development [...]'
– it is a quote from our Code of Ethics, which clearly defines our position in the local environment.

We have concentrated social engagement around three aspects important from the point of view of the developed ESG strategy, but also prior documents which defined our stand in that area, just to mention the Corporate Social Responsibility Policy, in which we declare that within the Company operations we have made attempts and are going to continue the attempts to create a better society. The aspects include:

1. Support of local communities

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.

Within the programme, in 2021 the Company carried out 31 projects, supporting initiatives:

- of environmental nature ('The Clean Beskides' carried out together with the 'Ziemia Wadowicka' Branch of the Polish Society of Tourism and Sightseeing [PTTK]);
- of educational and sports nature directed to children and youths from the local schools and kindergartens ('Better child visibility on the road' carried out together with the Voluntary Fire Brigade);
- caring for endangered species ('Adaptation of the existing aviary to keep an Eurasian eagle-owl' carried out together with the 'Puchaczówka' Foundation for the Treatment and Rehabilitation of Wild Animals).

The activities of local communities are not limited to the 'Together with the GROUP' programme. The Company has undertaken tasks and engaged in actions of a broader spectrum. In 2021, the organisation has become a partner of the 'Ultrakrew' nationwide campaign promoting blood donation. As part of the campaign, in December 2021 and January 2022 blood donation actions were held around Poland. During the 6th edition of the 'Ultrakrew' campaign and the organised blood donation actions as much as 1,133 litres of blood, 51,733 litres of plasma, and 20.26 litres of platelets were collected in total. Statistically, thanks to the actions and the engagement, the health or life of 8,000 people were rescued. The Capital Group of Grupa Kęty organised two blood donation actions attended by 91 donors and resulting in collecting 40.95 litres of blood.

Another project directed to local communities, facing the major world's problem of the mental health of children and youths, was 'I Care for the Child'. Within the project, the Company together with the Office of the City of Bielsko-Biała and other partners, including medical specialists, developed a special prophylactic model to protect the mental health of young people. The project was directed to the parents of children living in Bielsko-Biała. Owing to the growing needs in that area, the Company has made a decision to continue the activities in 2022.

2. Care for the people threatened with social exclusion

The objective is achieved mainly through 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. This means 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 2021, despite the pandemic, we managed to carry out many activities for the children under the care of the Foundation, among which there was the final of the 'Highest Polish Summits' project that had commenced in 2018. Within 4 years, the children under the care of the Foundation climbed 28 highest Polish summits. Another major initiative was the 'Share Your Home – Bielsko-Biała For Child Custody Support', a campaign for promoting child custody. Grupa Kęty for the Children of the Podbeskidzie Region' Foundation signed a letter of intent with the Mayor of the City of Bielsko-Biała, for the purpose of promoting the idea of child custody, and only in 2021 there were found five new foster families, while the Foundation had continuously been supporting the previously found families and the children under their care.

The Foundation spent PLN 489,000 on statutory activities. All the activities of the Foundation are presented on the website: www.dziecipodbeskidzia.pl

3. 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 Capital Group of Grupa Kęty S.A. 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. Sports events of which the Capital Group was a partner in 2021 included: ‘Reksio the Dog's Cup’ – children’s cycling competition; ‘Young Beach Open’ – a cycle of beach volleyball tournaments for youths; ‘Bielsko-Biała Family Bicycle Rally’; Poland Business Run, ‘Biegniemy z Mają’ – a charity run. The Group allocated PLN 160,000 to that purpose.

We also assume full responsibility for the influence of our actions on the environment Following the provisions of our Code of Ethics, *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’*

Applying due care to the provisions, we have tried to focus our attention on promoting environmental projects. The full spectrum of our activities regarding the Group’s responsibility for the activities impacting the environment may be found in the ‘Environmental responsibility’ chapter.

5.6 Environmental responsibility

GRI 102-12; GRI 102-13

5.6.1 The UN environmental goals of sustainable development in the operations of the Group

The Companies of the Capital Group of Grupa Kęty S.A. are fully responsible for the impact of their activities on the environment, and abide by the limitations imposed by law. We concentrate on searching for solutions, which eliminate the negative impact at its source. Grupa Kęty has 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.

Within the corporate environmental responsibility:

1. We have implemented a system compliant with the ISO 14001 environmental standard, as a key element of the corporate system of managing key processes. The aim of the system is to improve environmental effectiveness of the companies of the Capital Group of Grupa Kęty S.A., as well as optimisation and improvement of production processes and determination of uniform principles serving hazards elimination.
2. We focus on applying and spreading environmentally friendly technologies. 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 and institutions.
3. We implement actions in order to improve both the effects of our environmental activities, and those of other entities we engage with. Therefore, in our procurement decisions, we consider the ecological criteria of the purchased products and services.
4. Our objective is to efficiently utilise the resources and limit emissions. We have been carrying out a programme of materials consumption optimisation, consisting in using the largest possible quantity of recycled materials. We have been recovering a series of production waste. We have been using equipment for water recycling. We have also implemented actions to lower the demand for energy in our processes.
5. We have been transparent in our activities. We have published and disclosed to the interested parties the annual environmental report, which comprises an evaluation of the impact on the environment, as well as information on the scope and method of implementing legal requirements. Before commencing new activities, we assess the impact on the environment and use the assessment criteria in various decision-making processes.

6. We have adjusted the accounting system to the requirements applicable to environmental activities. Our 'green accounting' is a tool that facilitates making decisions related to investment projects and tasks serving the achievement of the assumed environmental goals.
7. We have undertaken initiatives to promote environmental responsibility. We care for communication with the stakeholders and supporting local environmental initiatives. By way of periodical training, we have been improving the awareness of our employees. We have also implemented a system of waste segregation in offices. Thus, recovered paper, cardboard, glass, plastics and batteries are subject to recycling to become a full-value material for reuse.

The attainment of the set goals and the activities performed and planned to attain these goals have been presented in the descriptions based on GRI standards, referring to the use of recycled materials, greenhouses gas emissions, and the activities implemented at the chain of supply.

Our priorities are directly related to the following UN Sustainable Development Goals in that area:



Goal 9. Industry, Innovation and Infrastructure

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

- We pay particular attention to innovation of the offered products and services, as well as creating processes in the organisation. We cooperate with organisations and institutions and jointly promote sustainable development, progress in the automotive sector, or striving for environmentally-friendly packaging.



Goal 11. Sustainable Cities and Communities

Make cities and human settlements inclusive, safe, resilient and sustainable

- By way of ALUPROF activities we have been supporting companies in green buildings certification, which has been setting the route for the whole construction sector development for many years. ALUPROF aims at increasing the share of aluminium systems in energy-saving, passive projects by 20% by 2025. International environmental certificates, such as BREEAM, LEED, DGNB, HQE, or WELL, confirm the growing awareness of climate crisis and the influence brought by the construction sector. Investors and developers more and more frequently select ecological materials and solutions, which considerably improves the quality of investment projects and the life-cycle of the designed buildings. Progress in that area is promising, and each project with Aluprof systems to receive a green building certificate is a pride for us and an incentive to strive for further excellence of the processes and products at the organisation.



Goal 12. Responsible Consumption and Production

Ensure sustainable consumption and production patterns

- 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. 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.
- With regard to the nature of production, we apply water reuse in large quantities (this 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 drainage system for the roofs at the selected production 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.



Goal 13. Climate Action

Take urgent action to combat climate change and its impacts

- The project of 70 thousand trees for 70 years of Grupa Kęty. In 2023 Grupa Kęty is going to celebrate its 70th anniversary (1953-2023). On that occasion, already in 2021, the Group has launched the process of planting 70 thousand trees. Together with our local partners, we have planted 30,000 seedlings of beech, larch, fir, and spruce trees. The project will continue in the years 2022 and 2023.
- 'Green Group' – employee suggestions programme. By way of the 'Green Group' programme we have invited our employees to share activities for the ESG Strategy performance, particularly focused on preventing climate change. In the first year of the programme, the total of 18 suggestions were reported, out of which 12 were implemented. The annual prize – air purifier – was handed in for the suggestion with the highest impact on CO₂ emission reduction.
- 'Let's Clean the Beskids!' – an annual project to clean the mountain tracks. Within the project, in 2021 there were held three common cleaning actions, close to the mountains of Klimczok (Beskid Śląski – on 15 March), Babia Góra (Beskid Żywiecki – on 12 June), and Hrobacza Łąka (Beskid Mały – on 26 June). Jointly, 485 people, including 250 children and youths, managed to clean the mountain tracks of 3,650 litres of waste within the 'Let's Clean the Beskids with the Polish Tatra Society 2021' project.
- 'Letters to the Earth' – ecological education programme directed to the children of the employees of the Capital Group. The children prepared letters, in which they educated the adults how to become more ecological in a simple way. Within the whole Group we received 216 letters, and all the participants were honoured.
- The scope and method of reporting the climate strategy of Grupa KĘTY has been esteemed by the Climate Strategies Benchmark, i.e. a broad study on corporate climate strategies. The indicators with the Benchmark had been developed by the ESG experts and practitioners of the GO Responsible together with the UNEP/GRID Warsaw Centre. The analysis covered 2020 reports of the WIG20 and mWIG40 companies. In that study Grupa Kęty was awarded 15 points and found itself among the top 5 companies which best report the climate issues. There were analysed data reported in 14 areas, such as risk management, emissions reporting, climate policy, climate objectives, partnership for climate, emission indicators, global SDG policies, inclusion of renewable energy sources, energy efficiency, climate governance, sustainable development team, TCFD guidelines, and strategic management.



Goal 17. Partnerships for the Goals

Strengthen the means of implementation and revitalize the global partnership for sustainable development

- In order to strengthen our activities, at the end of 2020 Grupa Kęty S.A. joined the Aluminium Stewardship Initiative (ASI). In 2022 we plan to undergo certification for compliance with 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 on production practices but also on the procurement of raw materials and product management.
- Starting from 2020, Grupa KĘTY S.A. has been a member of the Carbon Disclosure Project (CDP) and reported climate on CDP portal. Carbon Disclosure Project is an international non-profit organisation, which has been researching the level of climate awareness among companies. It has been providing reliable and verified information about the impact brought by the particular companies. CDP makes the assessment based on replies to the questions within as much as 11 groups of criteria. The information received enables identification of the challenges and initiatives which are now more and more often required by the investors and customers. At the moment, over 500 investors around the world have been availing of the data.

Within our organisation there is functioning an extensive system of internal environmental procedures, the list of which is presented below.

Policies		
1	Environmental Policy	Integrated Management System - Environmental Policy/ Climate Policy
2	Climate Policy	Integrated Management System - Environmental Policy/ Climate Policy
3	Code of Ethics	Integrated Management System - Code of Ethics
Procedures		
1	SWW.80.90.01	Performance of legal duties related to environmental protection
2	SWW.80.90.01.01	Instruction on calculation and payment of fees for the use of the environment
3	SWW.80.90.01.02	Instruction on payment of product fees
4	SWW.80.90.01.03	Instruction on handling packaging and packaging waste
5	SWW.80.90.02	External communication
6	SWW.80.90.03	Handling equipment comprising fluorinated greenhouse gases
7	SWW.80.91.01	Identification of environmental aspects, monitoring and measurement
8	SWW.80.92.01	Control of processes encompassing major environmental aspects
9	SWW.80.93.01	Waste management
10	SWW.80.93.01.03	Instruction on international shipment of waste
11	SWW.80.94.01	Assessment of compliance in the use of hazardous substances and mixtures
12	SWW.80.94.02	Management of hazardous substances and mixtures
13	SWW.80.95.05.06	Instruction on deliveries of hazardous substances and mixtures
14	SWW.80.95.08	Conduct in emergency situations
15	SWW.80.95.09	Relations with third parties

5.6.2 Environmental and Climate Policies

The engagement in following the principles of sustainable development and the rules of caring for the environment has been reflected in the assumptions of the Environmental Policy, the Climate Policy, and the Code of Ethics of the Capital Group. Detailed requirements regarding conduct and allocation of responsibility have been regulated by the procedures implemented within the ISO 14001 system.

At the end of 2020 we 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 and climate in the form of Sustainable Development Goals. At the same time, there was implemented the **Climate Policy of the Capital Group of Grupa Kęty S.A.** It is based on the common standards of conduct among the Group companies with regard to striving for climate neutrality in the perspective of 2050. Within the Climate Policy, the companies have declared their full responsibility for the impact of their operations on the climate changes, and committed to carry out actions aimed at mitigating the impact, focusing on the major aspects, i.e.:

- 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.

Therefore, we have assumed for performance of specific and measurable goals until the year 2025:

1. Reduction by 15% of the intensity of greenhouse gas emissions;
2. Increase to 75% of the share of aluminium scrap in profiles extruded from in-house LOW CARBON KETY billets;
3. Growth of the share of the manufactured packaging films and laminates fit for recycling by 5% (base year 2020);
4. Growth of the share of products in certified, energy-saving, passive projects by 20% (base year 2020).
5. Increase of the share of certified suppliers.

The 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 or the concept of circular economy, in which products should remain in turnover as long as possible.

5.6.3 Environmental aspects management

Preparing of the environmental part of the Statement has been preceded with the analysis of the aspects significance carried out by the highest management staff within the management system review under the requirements of the ISO 14001 standard. Assessed have been the risks and opportunities related to compliance with legal requirements, implementation of the Environmental and Climate Policies, or communication with the stakeholders. There have been analysed changes in the values of indicators reported in 2020, including the measures of the Group Strategy goals by the year 2025. Based on risk analysis, the measures were assigned significance priorities in relation to the actual environmental burden. The results of the process are presented below. We have focused on the issues related to climate change, extending considerably the publication scope and considering new indicators. In the Statement, we present data based on the indicators related, among other things, to the consumption of materials, energy, or water, emissions to air, including greenhouse gases, the volume of effluents discharge, or issues related to environmental management.

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 standard implemented at the Capital Group companies. The system covers all elements of the company activities which may affect the environment. The analysis of the importance of a given aspect to stakeholders and of its environmental impact was the basis for priority assignment. Cascading of the identified aspects was carried out by a project team, in compliance with the methodology assumed based on the ISO 14001 standard. Additionally, the planned changes resulting from the adopted Strategy of the Capital Group have been considered in the process. We have focused on climate issues. Also a decision was made on the publication of complete calculations of direct and indirect values of greenhouse gas emissions, their intensity and information on the actions completed and planned in that area.

Validation consultations have been carried out with the management staff and key employees, which enabled defining the final list of issues. A decision was made to publish aspects of high and medium level of significance.

Item	Aspect name	Aspect significance		Aspect impact	
		high	medium	inside the Group	outside the Group
1	Materials consumed by weight or volume	X		X	
2	Scrap materials consumed in the casting process	X		X	X
3	Increase in the number of Aluprof-systems-constructed buildings with environmentally-friendly certificates	X			X
4	Share of the manufactured films and laminates fit for recycling	X			X
5	Direct energy consumption by main energy sources	X		X	
6	Intensity of energy consumption	X		X	X
7	Total water withdrawal by source	X		X	

8	Total volume of water recycled and reused	X		X	
9	Direct greenhouse gas emissions (Scope 1)	X		X	X
10	Indirect greenhouse gas emissions related to the energy purchased (Scope 2)	X		X	X
11	Intensity of greenhouse gas emissions (Scopes 1 and 2)	X			X
12	Other indirect greenhouse gas emissions (Scope 3)		X		X
13	NO _x , SO _x and other air emissions by compound type and weight		X		X
14	Total volume and quantity of waste water discharged by destination	X		X	X
15	Total weight of waste by type and disposal method	X		X	
16	Non-compliance with environmental regulations	X		X	X
17	Negative impact on the environment by the supply chain, and the actions taken		X		X
18	Charges related to the use of the environment		X		X
19	Total environmental protection spending and investment projects		X	X	X

Environmental management in compliance with the ISO 14001 standard requirements

GRI 103-2; GRI 102-11

The companies of the Grupa Kęty S.A. Capital Group are committed to ensuring high level of the safety of the processes carried out. The goal is to effectively minimise environmental risks. For that purpose the system of managing major environmental aspects has been implemented at the companies, compliant within the ISO 14001 standard requirements. We have been undertaking predictive and preventive actions, as well as internal audit programmes, and have analysed the potential risks and their impact at the stage of planning key investment projects. We have been monitoring and assessing environmental risks on a current basis, and implementing tasks to eliminate the potential hazards.

The environmental risks have been described in detail in the ‘Risk management’ chapter.

Within the system, we have been monitoring legal changes as well as controlled and measured processes in order to identify and eliminate non-compliance. In 2021, activities were adjusted to the new requirements, e.g. those applicable do the system of waste registration under the BDO programme, or the System of Electronic Transport Supervision (SENT), and environmental decisions were received for the performed projects. During the annual system review attended by the highest management staff, full compliance of operations with law, other regulations, and requirements of the stakeholders was confirmed.

Within the 103-2 indicator, the number of environmental aspects subject to control in 2020 and 2021 have been presented, as well as the number of preventive actions taken. The number of aspects and the introduced preventive actions has slightly increased among the Group companies.

Number aspects and implemented preventive measures related to the environment

Capital Group	Unit	2020	2021	Change y/y
Number of controlled environmental aspects	pcs	468	501	33
Number of preventive environmental measures	pcs	113	121	8
of which:				
<i>companies located in Poland</i>				
Number of controlled environmental aspects	pcs	455	464	9
Number of preventive environmental measures	pcs	97	93	-4
<i>other locations</i>				

Number of controlled environmental aspects	pcs	13	37	24
Number of preventive environmental measures	pcs	16	28	12
Grupa Kęty S.A.	Unit	2020	2021	Change y/y
Number of controlled environmental aspects	pcs	81	79	-2
Number of preventive environmental measures	pcs	36	30	-6

5.6.4 Environmental impact

Total direct and indirect greenhouse gas emissions and their intensity

GRI 305-1; GR 305-2; GRI 103-1,2,3 as regards 'Emissions'

Climate protection is the key issue for the companies of the Grupa Kęty S.A. Capital Group. The companies undertake a series of actions to improve the efficiency of production processes and reduce electric energy and heat consumption, thus limiting the emissions of greenhouse gases. New investment projects avail of energy-saving equipment as well as environmentally-friendly sources of energy. This contributed to the reduction of unit consumption of natural gas, electric energy and heat, and thus intensity of emissions by 4.45% compared to 2020 (Scopes 1 and 2). A major share in that regard were the projects improving energy efficiency of systems performed by Grupa Kęty S.A. in the years 2020 and 2021, such as replacement of transformers, modernisation of compressed air system, cooling water circulation pump system, or lighting systems at the production halls. Within Grupa Kęty S.A. only, the activities reduced GHG emissions by 1,864 MgCO₂ equ. For all these processes there have been carried out energy-efficiency audits, and the plant additionally obtained PLN 684,000 on the sales of 'white certificates'.

Since 2016, the domestic companies of the Capital Group of Grupa Kęty S.A. have been recording climate-related emissions. Carbon footprint calculations are based on the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, Revised Edition. The balance covers for emissions in Scope 1 – direct GHG emissions controlled by the Company, covering specifically fuel consumption for process purposes, heating buildings, combustion by vehicles, as well as fugitive emissions related to the operation of cooling systems; and Scope 2 – indirect GHG emissions which result from the electric energy, heat or steam used to supply or heat buildings, which have been purchased from external suppliers. Moreover, we have started recording GHG emissions within Scope 3, covering the materials purchased, business travel and commuting. Since 2020, we have also been monitoring the carbon footprint of foreign companies within Scope 1 and 2. Additionally, for the selected products (aluminium billets and profiles manufactured by the EPS, or the selected building systems of the ASS) we prepared Environmental Product Declarations (EPD), determining their Cradle-to-Gate carbon footprint, in consideration of GHG emissions within Scopes 1, 2, and 3. The documents have been verified by external organisations, which confirmed the low value of the carbon footprint for example for the aluminium billets made by the Kęty plant of soft alloys with high scrap content.

The report presents:

- direct greenhouse gas emissions (Scope 1);
- indirect emissions related to the energy purchased (Scope 2);
- selected emissions within Scope 3;
- GHG emissions intensity.

The value of emission is reported in metric tons, as an equivalent of CO₂. 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 emissions within Scope 2, i.e. those generated outside of the Group companies, refer to the stage of production of the electric and thermal energy purchased. Therefore, the companies are capable to reduce the emissions solely by actions aimed at limiting the demand for energy. The goal has been attained by way of improving energy efficiency of the manufacturing processes and the buildings used. The effects achieved are presented in a table, where a change in the intensity of GHG emissions may be seen. The total emissions by the Capital Group in 2021 equalled 177,700 tons of CO₂e (domestic companies, Scopes 1 and 2, location-based method). The emissions by Grupa Kęty S.A. equal 80,500 tons of CO₂e, and by the foreign companies – 8,900 tons of CO₂e. Direct emissions represented approximately 20% of the stated values. The average carbon footprint of the products of the Capital Group, i.e. GHG emission per production unit, equalled 0.56 MgCO₂e/Mg, and was as much as 4.45% lower than the value in 2020. In 2021, the carbon footprint was: extruded and drawn products (at the EPS) – 0.61 Mg (-7.41% y/y); building systems (at the ASS) – 0.27 MgCO₂e/Mg (-1.6% y/y); packaging laminates – 0.78 MgCO₂e/Mg (-2.19% y/y); and packaging films – 0.62 MgCO₂e/Mg (-1.15% y/y).

The total level of direct greenhouse gas emissions is relatively low due to the nature of the in-house processes and high thermal efficiency of the systems and devices used. The Capital Group companies are not subject to the EU Emissions Trading System (ETS). The greenhouse gas emitted by the plants is mainly carbon dioxide originating from the processes of natural gas combustion in heaters and industrial furnaces, boilers, radiators, and thermal oxidisers. Moreover GHG include also CH₄ and N₂O from the combustion of fuels in vehicles, as well as HFC used as cooling medium.

Direct and indirect GHG emissions (Scopes 1 and 2) by the companies of the Capital Group based in Poland (Mg CO₂e/year)

Scope	Type of activity	2020	2021
Scope 1	Fuels burning in the plant systems	33,977	36,886
	Fuels burning by vehicles	1,291	1,346
	Fugitive emissions of cooling agents	476	562
	Scope 1 – Total	35,744	38,794
Scope 2	Electric energy purchased – location based	124,951	131,059
	Thermal energy purchased	6,812	7,865
	Scope 2 – Total	131,763	138,924
Scopes 1+2	Scopes 1+2 – Total	167,507	177,718
Production	Mg	286,179	317,768

Direct and indirect GHG emissions (Scopes 1 and 2) by the companies of the Capital Group based in other countries (Mg CO₂e/year)

Scope	Type of activity	2020	2021
Scope 1	Fuels burning in the plant systems	1,577	1,656
	Fuels burning by vehicles	29	27
	Fugitive emissions of cooling agents	0	11
	Scope 1 – Total	1,606	1,694
	Scope 1 (biogenic)	1,143	1,252
Scope 2	Electric energy purchased – location based	5,704	6,006
	Thermal energy purchased	0	0
	Scope 2 – Total	5,704	6,006
Scopes 1+2	Scopes 1+2 – Total	8,454	8,952
Production	Mg	8,284	9,368

Direct and indirect GHG emissions (Scopes 1 and 2) by Grupa Kęty S.A. (Mg CO₂e/year)

Scope	Type of activity	2020	2021
Scope 1	Fuels burning in the plant systems	18,087	19,807
	Fuels burning by vehicles	465	523
	Fugitive emissions of cooling agents	14	8
	Scope 1 – Total	18,566	20,338
Scope 2	Electric energy purchased – location based	50,093	55,363
	Thermal energy purchased	3,897	4,750
	Scope 2 – Total	53,990	60,113
Scopes 1+2	Scopes 1+2 – Total	72,557	80,451
Production	Mg	110,790	132,682

GRI 305-4

Intensity of greenhouse gas emissions	2020	2021	Change y/y
Companies located in Poland	0.585	0.559	-4.45%
Companies located in other countries	1.020	0.956	-6.36%
Grupa KĘTY S.A.	0.655	0.606	-7.41%

GHG emissions reduction

The analysis of the carbon footprint of our products shows the areas and methods of the possible reduction of GHG emissions. As regards the companies of Grupa Kęty, the largest potential is contributed by Scope 2 emissions, related to the use of electric energy. Therefore, we have concentrated our actions mainly in that area. We have performed a series of projects improving energy efficiency, the examples of which are presented below. Moreover, starting from January 2022, we plan to change the supplier of energy to one with higher share of renewable energy sources in the energy generation. In the future, we plan to build a system for high-efficiency electric energy and heat co-generation with a gas-fuelled engine, and also consider increased use of green electric energy generated from renewable sources, e.g. photovoltaic panels, or purchase of energy at a special tariff from the operator or directly from the green energy generators. We have also considered emission neutralisation (carbon offset) by way of reduction of GHG emissions in another place in the world. Such mechanisms were defined in the Kyoto Protocol and are used in the emissions trading systems. Below presented are the example tasks that contributed to the reduction of carbon footprint at the particular Segments.

EPS: 1) replacement of transformers; 2) modernisation of compressed air system; 3) modernisation of cooling water circulation pump system; 4) modernisation of lighting at production halls; 5) optimisation of thermal treatment process in the Ebner furnace; 6) modernisation of the anodising technology; 7) purchase of electric forklift trucks; 8) implementation of software to simulate and optimise the extrusion process.

ASS: 1) heat recuperation from three compressors to heat process water in a multi-stage washer of the powder-coating plant; 2) replacement of heating boilers with energy-saving ones; 3) replacement of transformer at the Golezów plant; 4) thermal performance improvement of the roof and external walls of the plant in Golezów; 5) replacement of lighting system at production halls; 6) systematic replacement of Diesel vehicles with hybrid-fuelled ones.

FPS: 1) modernisation of lighting system at production halls; 2) modernisation and optimisation of the operation of air handling units; 3) energy recuperation from production halls in order to heat fresh air; 4) utilities consumption monitoring system; 5) heaters operation in technical rooms only during working hours; 6) increased share of recycled granulates in the production of transparent and speciality films; 7) use of recycled materials to replace multi-material solutions; 8) replacement of two-component paint with one-component one for a key customer; 9) adjustment of boilers, afterburners and drying tunnels.

The awareness of our impact on the climate helps our customers in calculating the carbon footprint of their own products. We will continue supporting our customers and suppliers in that regard, striving to reduce carbon footprint within the whole value chain. The awareness and knowledge of that subject has become growingly important, and it might probably soon be a legal requirement.

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 an 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 also 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. This makes us see the challenges related to achieving climate balance, as well as new requirements and climate goals not only as a burden but also as an opportunity to develop.

Other indirect greenhouse gas emissions (including Scope 3)

GRI 305-3; GRI 305-4

Apart from monitoring direct and indirect emissions related to energy consumption (Scopes 1 and 2), Grupa Kęty S.A. started to register Scope 3 emissions related to the purchased materials for extruded profiles manufacturing from in-house billets made of soft alloys, together with the transport of the materials. Moreover,

GHG emissions related to staff business travel (outside of Scope 1) and commuting have been estimated. Additionally, the carbon footprint within all three scopes was verified for the selected products: aluminium billets and profiles manufactured in Kęty, and the selected façade systems and window-and-door systems of Aluprof S.A. 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 (Scopes 1, 2, and 3) is disclosed in metric tons of CO₂ equivalent. The verification of the values was carried out by Bureau Veritas and the Building Technology Institute, 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 aluminium billets manufactured in Kęty dropped in 2021 from 2.8 to 2.4 tons of CO₂e/t. Just to compare, the production of 1 ton of primary aluminium in Europe causes the emission of 6.7 tons of CO₂e on the average (according to EAA 2018). The low-emission characteristics of the billets and the resulting profiles 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 subsidiaries, 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.

Other indirect greenhouse gas emissions (Scope 3)

Grupa KĘTY S.A.	2020	2021
GHG emissions related to the materials purchased (1)	no data	89,486
GHG emissions related to the 'upstream' transport of materials (2)	no data	912
GHG emissions related to business travel, outside of Scope 1	no data	0.6
GHG emissions related to plant staff commuting	no data	2.2

Carbon footprint of selected products

Grupa KĘTY S.A.		2020	2021
Aluminium billets (3)	Mg CO ₂ e/Mg	2.79	2.42
Aluprof S.A.			
Façade systems (4)	Mg CO ₂ e/Mg	no data	7.58
Window and door systems (5)	Mg CO ₂ e/Mg	no data	8.11

Emission of other gases and dusts to air

GRI 305-7

The companies of the Capital Group control the quantity of dusts and gases emitted to air. The monitoring proves that the limits set out by law and administrative decisions have been kept. The total emissions level is well below the allowed limits. Apart from the greenhouse gases, 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.

The emission calculations were made in compliance with the applicable methods of determining pollution emissions for the purpose of charging fees for the use of the environment, depending on the specifics of the processes involved in the emissions origination. The pollution emissions were determined with the use of the following calculation methods, based on the results of periodical measurements (measuring indicators), in reference to process balances and the National Centre for Emissions Management (KOBIZE) indicators applicable to the combustion of fuels, as well as indicators available in literature, among other things.

As referred to production, the value of most emission indicators was lower. What is more, despite a growth in production, the nominal value for a number of compounds was reduced compared to 2020. This refers mainly to the sulphur dioxide and fluorine emitted by the EPS. At the FPS, the total value of emissions dropped by 4.2% compared to 2020, despite production extension. Apart from the optimisation and adjustment, the reduction resulted from the transfer of production from Alupol Packaging S.A. to Alupol Packaging Kęty Sp. z o.o., as well as the use of new machines generating lower emissions. At the ASS, higher emissions of gases and dusts to air were recorded in 2021 compared to the preceding year. The differences result from longer working hours of the equipment, higher natural gas consumption, and launching of a new paint shop in one of the locations.

The companies of the Capital Group have been successfully carrying out actions for the limitation of the emissions to air for many years. In order to further reduce the emissions to air, we have planned further optimisation of the processes and modernisation of infrastructure.

Capital Group	Unit	2020	2021	Change y/y
<i>companies located in Poland</i>				
Total dust	Mg p.a.	4.59	4.86	5%
SO ₂	Mg p.a.	1.89	1.06	-79%
NO ₂	Mg p.a.	34.67	40.62	15%
CO	Mg p.a.	12.38	12.95	4%
Fluorine	Mg p.a.	0.12	0.05	-140%
Chlorine	Mg p.a.	0.01	0.06	91%
Inorganic acids	Mg p.a.	14.77	17.92	18%
Metal hydroxides	Mg p.a.	1.60	1.95	18%
VOCs	Mg p.a.	87.75	84.04	-4%
Ozone	Mg p.a.	3.31	2.61	-27%
Halogens	Mg p.a.	1.65	2.08	20%
Hydrogen chloride	Mg p.a.	5.56	6.83	19%
Aliphatic hydrocarbons	Mg p.a.	1.38	1.60	14%
Aromatic hydrocarbons	Mg p.a.	0.10	0.18	45%
Methyl chloride	Mg p.a.	0.53	0.55	4%
Methyl ethyl ketone	Mg p.a.	0.36	0.42	14%
Acetone	Mg p.a.	0.82	0.90	9%
<i>other locations</i>				
Total dust	Mg p.a.	3.05	2.97	-3%
SO ₂	Mg p.a.	0.00	0.00	25%
NO ₂	Mg p.a.	4.84	4.73	-2%
CO	Mg p.a.	2.78	2.66	-4%
Grupa Kęty S.A.	Unit	2020	2021	Change y/y
Total dust	Mg p.a.	1.77	1.96	10%
SO ₂	Mg p.a.	1.62	0.75	-116%
NO ₂	Mg p.a.	15.19	18.73	19%
CO	Mg p.a.	9.65	9.94	3%
Fluorine	Mg p.a.	0.12	0.05	-140%
Chlorine	Mg p.a.	0.01	0.06	91%
Inorganic acids	Mg p.a.	1.35	1.60	16%
Metal hydroxides	Mg p.a.	1.58	1.92	18%

Materials consumption

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

Below reported is the weight of materials used in the production processes carried out by the companies of the Capital Group of Grupa Kęty S.A. 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.

The major raw materials used by the EPS 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 at the Group companies 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 materials used by the FPS include: granulated plastic (PP, PE, PA, EVOH, etc.), aluminium foils, paper, plastic films (OPP, PET, PE, PA, etc.), 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. Prior to their purchase raw materials are approved for compliance with the requirements of the Food Law.

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 2020, the EPS and the ASS increased the mass of aluminium scrap used by over 10%. The objective of the FPS is to minimise the consumption of materials per production unit of packaging, as well as higher share of FSC certified paper consumption. However, as regards the FPS, the production of packaging films and laminates is highly dependent on customer needs and their marketing activities. Frequently, the method of packing products and, thus, the packaging material change depending on the machinery capacity and market expectations.

Materials consumption in 2020, 2021, by type and weight

Capital Group				
Aluminium	Mg	13,729	21,558	36%
Aluminium scrap	Mg	32,057	35,910	11%
External aluminium billets, of which	Mg	75,809	79,908	5%
companies located in Poland	Mg	72,554	75,401	4%
other locations	Mg	3,255	4,507	28%
Paints, lacquers, adhesives	Mg	7,379	7,527	2%
Aluminium foil	Mg	4,126	3,823	-8%
PP, PET, PVC films	Mg	4,427	4,005	-11%
Plastic granulates	Mg	72,925	74,841	3%
Paper	Mg	10,818	10,458	-3%
Other external aluminium semi- products, of which	Mg	20,423	25,417	20%
companies located in Poland		18,753	23,618	21%
other locations		1,670	1,800	7%
Powder coatings	Mg	1,167	1,498	22%
Plastic granulates	Mg	1,442	1,435	0%
Chemical substances	Mg	2,691	2,958	9%
Glass	Mg	1,064	1,286	17%
Steel	Mg	6,121	5,477	-12%
Separators	Mg	2,024	2,334	13%
Grupa KĘTY S.A.		2020	2021	Change y/y
Aluminium	Mg	13,729	21,558	36%
Alloy components	Mg	450	630	29%
Master alloys	Mg	840	1,362	38%
Aluminium scrap	Mg	32,057	35,910	11%
Imported billets	Mg	72,554	75,401	4%

Implementation of the 'circular economy' idea

GRI 301-2

Grupa Kęty has implemented actions that comply with the concept of circular economy, in which products should remain in turnover as long as possible. Within the adopted Climate Policy, each of the segments has determined a specific goal to increase the share of recycled materials in products.

- EPS: Increase of the share of aluminium scrap in profiles extruded from in-house LOW CARBON KETY billets made of soft alloys.

- FPS: Growth of the share of the manufactured packaging films and laminates fit for recycling.
- ASS: Increase in the number of buildings constructed with Aluprof energy-saving, passive systems with environmentally-friendly certificates.

The new goals will serve the introduction of environmentally neutral solutions and facilitation of the reuse of products.

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 extruding 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. As regards the EPS, owing to the determination of a goal applicable to LOW CARBON billets, the ratio refers to the share of aluminium scrap in the production of billets from soft alloys.

The ASS and FPS 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.

The share of materials originating from recycling in the ASS construction products is high, which results directly from the high content of recycled materials in the EPS profiles that are the basis component of the offered façade and window-and-door systems. The level is higher than usual in the sector, and represents ca. 50% for aluminium and about 10% for PVC-U. The objective of the ASS is to increase in the number of Aluprof-systems-constructed buildings with environmentally-friendly certificates. That complies with the idea of circular economy, where aluminium perfectly fulfils that role. Aluprof products possess Environmental Product Declarations (EPDs) as well as Cradle-to-Cradle Certificates, which confirm the environmental engagement.

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 comprises 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 BPPBTM films and paper-based weldable laminates.

Capital Group	Unit	2020	2021	Change y/y
<i>companies located in Poland</i>				
POST-consumer aluminium scrap recycling	%	3	4	74%
PRE-consumer aluminium scrap recycling	%	58	60	4%
Own aluminium scrap recycling	%	10	3	-66%
Total quantity of recycled materials used in the manufacturing of products	%	70	68	-3%
Percentage share of systems in green projects	%	31	35	13%
Percentage share of recyclable films and laminates [m ²]	%	87	88	1,3%
Grupa Kęty S.A.	Unit	2020	2021	Change y/y
POST-consumer aluminium scrap recycling	%	4	3	74%
PRE-consumer aluminium scrap recycling	%	61	58	4%
Own aluminium scrap recycling	%	8	10	-66%
Total quantity of recycled materials used in the manufacturing of products	%	73	70	-3%

Energy efficiency

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

Energy efficiency of the production systems is a priority at the Capital 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 using a dedicated system which ensures real-time control of all utilities processing 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 2021 the ASS carried out a number of projects improving the energy efficiency of systems, such as replacement of transformers, modernisation of compressed air system, cooling water circulation pump system, or lighting systems at the production halls. Additionally, there were carried out energy-efficiency audits for the projects, and the plant obtained PLN 684,000 on the sales of ‘white certificates’. This translated into a significant drop in electric and thermal energy consumed per product, i.e. by 5.2% and 10.4%, respectively, compared to 2020.

In 2021, the energy consumption intensity ratio at the ASS dropped by 0.6 compared to 2020. Also the consumption of electric energy per production unit dropped compared to 2020. In 2021, the ASS purchased more thermal energy. In reference to the production capacity, consumption higher by 3% could be observed compared to 2020, however, in the period from 2018 to 2021, the consumption dropped by as much as 17%.

The activities of the FPS to increase energy efficiency include, for example: implementation of room monitoring, 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 in rooms, purchase of new high-efficiency heaters and thermostats, as well as gradual replacement of regular lights with LED sources. The activities contributed to lower intensity of electric and thermal energy consumption by 6% compared to 2020.

Energy consumption in 2020 and 2021, by main energy sources

Capital Group		2020	2021	Change y/y
<i>Poland</i>				
Electricity	GJ	624,049	675,950	8%
Natural gas	GJ	612,824	665,565	8%
Heat	GJ	76,284	82,746	8%
<i>other locations</i>				
Electricity	GJ	27,346	30,807	11%
Natural gas	GJ	23,720	25,773	8%
Heat	GJ	244	346	29%
Grupa KĘTY S.A.		2020	2021	Change y/y
Electricity	GJ	250,815	285,539	12%
Natural gas	GJ	326,425	357,392	9%
Heat	GJ	46,062	49,973	8%
Intensity of energy consumption				
Capital Group		2020	2021	Change y/y
<i>Poland</i>				
Intensity of electric energy consumption	GJ/Mg	2.18	2.13	-3%
Intensity of natural gas consumption	GJ/Mg	2.14	2.09	-2%
Intensity of heat consumption	GJ/Mg	0.27	0.26	-2%
<i>other locations</i>				
Intensity of electric energy consumption	GJ/Mg	3.31	3.29	-1%
Intensity of natural gas consumption	GJ/Mg	2.87	2.75	-4%
Grupa KĘTY S.A.		2020	2021	Change y/y
Intensity of electric energy consumption	GJ/Mg	2.26	2.15	
Intensity of natural gas consumption	GJ/Mg	2.95	2.69	-9%
Intensity of heat consumption	GJ/Mg	0.42	0.38	-10%

Water consumption

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

Grupa Kęty S.A. (the EPS) 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. Owing to the processes of chemical 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. Earlier, the water drained at the plant 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 2021, we repaired and sealed the water mains line to the plant, which will contribute to losses elimination. Currently, we have been implementing the strategy of water management in the subsequent years. It will cover further optimisation of water management as well as implementation of new engineering systems and tools. We have planned to build a new hall for two press lines to extrude aluminium profiles, which will be furnished with special retention basins, enabling intercepting and using storm water from roofs and other impervious surfaces. We also 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. At the ASS and the FPS activities have been continuously carried out to reduce water consumption as a function of production size. The water consumption index per production unit has been gradually decreasing.

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 in 2020 and 2021 is presented in the table below.

Capital Group	Unit	2020	2021	Change y/y
<i>companies located in Poland</i>				
Underground water	m ³	346,942	414,569	16%
Ground drainage	m ³	433,043	428,992	-1%
Municipal water supply system	m ³	166,167	172,443	4%
<i>other locations</i>				
Underground water	m ³	0	0	
Ground drainage	m ³	0	0	
Municipal water supply system	m ³	24,076	26,138	8%
Grupa Kęty S.A.	Unit	2020	2021	Change y/y
Underground water	m ³	346,942	414,569	16%
Ground drainage	m ³	433,043	428,992	-1%
Municipal water supply system	m ³	0	0	

Water reuse

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 drainage system at the roofs of the selected production 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.

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. Specifically at the FPS, by limitation of water consumption in the process of polypropylene film production by replacing semi-closed circuits with completely closed ones.

Volume of water recycled and reused in 2020 and 2021

Capital Group	Unit	2020	2021	Change y/y
<i>companies located in Poland</i>				
Volume of recycled water	m ³ thousands	19,401	18,418	-5%
<i>other locations</i>				
Volume of recycled water	m ³ thousands	0	0	
Grupa Kęty S.A.	Unit	2020	2021	Change y/y
Volume of recycled water	m ³ thousands	4,049	2,965	-36%

Wastewater management

GRI 303-4; GRI 103-1,2,3 as regards 'Effluents and waste'

At the EPS, only Grupa Kęty S.A. discharges treated wastewater directly to surface waters. 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 surface waters. Likewise, the FPS companies discharge wastewater to sewage systems of third-party companies, based on appropriate agreements.

The quantity of wastewater discharged per product dropped compared to 2020 in all segments. Specifically, significant is a decrease in the quantity of wastewater generated in chemical treatment at the ASS and discharged to surface waters by as much as 29% compared to 2021. This results from the modernisation of the in-house chemical treatment plant made in 2021 at the Złotów production plant, which brought a considerable reduction of the total quantity of wastewater discharged to surface waters.

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.

Effluent discharge in 2020 and 2021, by destination

Capital Group	Unit	2020	2021	Change y/y
<i>companies located in Poland</i>				
To public sewage system	m ³ thousands p.a.	145	147	2%
including effluent from the chemical treatment Aluminium	m ³ thousands p.a.	69	71	3%
To surface waters	m ³ thousands p.a.	849	921	8%
including effluent from the chemical treatment Aluminium	m ³ thousands p.a.	531	440	-21%
<i>other locations</i>				
To public sewage system	m ³ thousands p.a.	22	19	-10%
To surface waters	m ³ thousands p.a.	N/A	N/A	no data
Grupa Kęty S.A.	Unit	2020	2021	Change y/y
To public sewage system	m ³ thousands p.a.	19	17	-12%

To surface waters	m ³ thousands p.a.	815	889	8%
including effluent from the chemical treatment of aluminium	m ³ thousands p.a.	504	419	-20%

Waste management

GRI 306-1; 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 2020, the quantity of waste produced per product was reduced by as much as 7.8% at the EPS. At the FPS, the level of waste produced per product was maintained in 2020, and compared to 2019 the reduction equalled as much as 29%. Higher quantity of waste produced by the ASS resulted from the scrapping of etching and phosphate treatment systems in 2021, larger quantity of waste from maintenance work, or launching of new systems.

Produced waste and waste management in 2020 and 2021

Capital Group	Unit	2020	2021	Change y/y
<i>companies located in Poland</i>				
Produced hazardous waste	Mg	7,045	7,660	8%
Produced non-hazardous waste	Mg	42,289	47,520	11%
Total produced waste	Mg	49,129	55,179	11%
Waste recovered	Mg	45,073	50,878	11%
Neutralised waste	Mg	4,057	4,095	1%
<i>other locations</i>				
Produced hazardous waste	Mg	239	227	-6%
Produced non-hazardous waste	Mg	2,736	3,039	10%
Total produced waste	Mg	2,975	3,265	9%
Waste recovered	Mg	2,102	1,322	-59%
Neutralised waste	Mg	823	960	14%
Grupa Kęty S.A.	Unit	2020	2021	Change y/y
Produced hazardous waste	Mg	3,545	3,844	8%
Produced non-hazardous waste	Mg	29,215	32,535	10%
Total produced waste	Mg	32,555	36,379	11%
Waste recovered	Mg	29,712	33,442	11%
Waste neutralised	Mg	2,843	2,732	-4%
Total produced waste per ton	Mg/Mg	0.29	0.27	-8%

Quantity of waste recycled from the aluminium remelting system in 2020 and 2021

Grupa Kęty S.A.	Unit	2020	2021	Change y/y
Aluminium waste recycling	Mg	3,2057	35,910	10.73%
Waste recycling per production unit	Mg/Mg	0.29	0.27	-6.91%

Environmental compliance

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

Grupa Kęty is well aware of its responsibility with regard to environment and climate protection. In order to eliminate the potential non-compliance, environment management systems were implemented at the companies, certified for compliance with the ISO 14001 standard. Every year, within the system effectiveness review, the highest management staff assess compliance with the then binding legal requirements. The companies of the Capital Group of Grupa Kęty S.A. comply with all applicable laws and regulations. The results of audits performed in 2021 by the Environmental Protection Inspectorate and by independent auditors from accredited units dealing with the supervision 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 2021, none of the Capital Group companies paid any fines for excessive use of the environment.

In 2021, none of the Capital Group companies paid any fines for excessive use of the environment.

Lack of the companies' negative impact on the environment has been confirmed by the authorities competent with regard to environmental protection control.

Following the 'polluter-pays' principle, the companies of the Capital Group of Grupa Kęty S.A. pay fees on the use of the environment, which is an equivalent for pollutants emission. Below presented are the values of fees or emissions to air, water withdrawal, and wastewater discharge. The aim of the companies is to limit their impact on the environment and, thus, reduce the value of fees paid on that account.

Below presented are the values of fees for emissions to air, water withdrawal, and wastewater discharge in 2020 and 2021

Capital Group	Unit	2020	2021	Change y/y
<i>companies located in Poland</i>				
Air emissions charges	PLN	211,002	227,801	7%
Water withdrawal charges	PLN	201,334	215,818	7%
Wastewater charges	PLN	41,183	39,601	-4%
Total environmental charges	PLN	453,519	483,220	6%
<i>other locations</i>				
Air emissions charges	PLN	982	1,090	10%
Water withdrawal charges	PLN	14,575	13,764	-6%
Wastewater charges	PLN	5,924	5,780	-2%
Total environmental charges	PLN	21,481	20,633	-4%
Grupa Kęty S.A.	Unit	2020	2021	Change y/y
Air emissions charges	PLN	31,537	31,281	-1%
Water withdrawal charges	PLN	201,334	215,818	7%
Wastewater charges	PLN	39,071	37,930	-3%
Total environmental charges	PLN	271,942	285,029	5%

Environmental costs

Within the ISO 14001 system, the companies of the Kęty Capital Group keep 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 2021, the environmental costs increased significantly compared to the preceding year – by 20% y/y for domestic companies, including by 23.5% for Grupa Kęty S.A. This resulted from higher expenditures on water and wastewater management, as well as significant increase in the costs of waste management, including very high increase in prices for waste recovery or disposal.

Environmental costs in 2020 and 2021

Capital Group	Unit	2020	2021	Change y/y
<i>companies located in Poland</i>	PLN			
Total environmental costs	PLN	18,441,447	23,036,871	20%
<i>Protection of ambient air and climate</i>	PLN	2,163,469	2,210,963	2%
<i>Wastewater management</i>	PLN	5,953,117	7,123,297	16%
<i>Waste management</i>	PLN	8,264,575	11,211,552	26%
<i>Protection of soil as well as surface and underground water</i>	PLN	1,577,736	1,561,726	-1%
<i>Other costs</i>	PLN	482,550	929,332	48%
<i>other locations</i>	PLN			
Total environmental costs	EUR	344,547	338,295	-2%
<i>Protection of ambient air and climate</i>	EUR	2,836	14,912	81%
<i>Wastewater management</i>	EUR	93,796	30,794	-205%
<i>Waste management</i>	EUR	152,496	170,699	11%
<i>Protection of soil as well as surface and underground water</i>	EUR	4,058	8,355	51%
<i>Other costs</i>	EUR	91,360	113,535	20%
Grupa Kęty S.A.	Unit	2020	2021	Change y/y
Total environmental costs	PLN	9,104,192	11,898,226	23%
<i>Protection of ambient air and climate</i>	PLN	1,015,361	1,063,309	5%
<i>Wastewater management</i>	PLN	4,262,318	5,683,491	25%
<i>Waste management</i>	PLN	2,126,494	3,069,234	31%
<i>Protection of soil as well as surface and underground water</i>	PLN	1,566,871	1,518,456	-3%
<i>Other costs</i>	PLN	133,148	563,735	76%

Environmental impact grievances

In 2021, none of the Capital Group companies received any complaints in relation to the use of the environment. A similar situation had been observed in 2020.

The open information policy, including the publication of annual environmental reports, helped to increase the awareness of the nature and extent of the companies' impact on the environment. The Capital Group of Grupa Kęty S.A., as a signatory of the Global Compact and a member of the Aluminium Stewardship Initiative (ASI), has been actively promoting the principles of sustainable development and environmental responsibility.

Elimination of negative impact on the environment within the supply chain

GRI 308-1; 103-1,2,3 as regards 'Suppliers environmental screening'

In the reporting period, Grupa Kęty implemented measures aimed at reducing the environmental risk and limiting the carbon footprint within the supply chain. The Code of Conduct for the Suppliers was developed and implemented, committing our business partners to abide by the specific requirements related to sustainable development. Since 2021, the Code of Conduct for the Suppliers has been gradually sent out to all our suppliers and discussed in meetings. In order to limit a negative impact on the environment within the whole supply chain, we have engaged in the Aluminium Stewardship Initiative, of which Grupa KĘTY S.A. is an official member. Within the adopted 2025 Strategy, we have also set out a specific quantitative goal with regard to suppliers engagement in the sustainable development of the Capital Group. The goal is to verify and certify 100% of our suppliers until 2025.

Impact on the environment by the supply chain, and the actions taken

Capital Group	Unit	2021
<i>companies located in Poland</i>		
Share of certified suppliers	%	50
Grupa Kęty S.A.		
Share of certified suppliers	%	50

5.7 Corporate governance

GRI 102-12; GRI 102-13; GRI 102-16; GRI 102-17; GRI 102-26; GRI 103-2; GRI 103-1,2,3 as regards 'Human Rights and Labour Practices Grievance Mechanisms'; GRI 415-1

5.7.1 UN sustainable development in management

We run business in accordance with the highest ethical standards, following a developed system of values based on professionalism, ethics and mutual respect. Our pillars in the corporate governance area are:

- Focus on the Company vision and values;
- Sharing the generated profit with a broad group of stakeholders;
- Respect for human rights, corruption prevention and carrying out a responsible environmental policy within the broad chain of supply.

In our operations we abide by the corporate governance principles in reference to the following UN sustainable development goals.



Goal 8. Decent Work and Economic Growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

- Our ambition is to develop business and share the generated profit with a broad group of stakeholders.
- We care for the standards – the basic form of employment at the Group companies are employment contracts, among which over 80% is represented by contracts for unlimited term.
- We have been operating based on the Code of Ethics, the Diversity Policy, and the Dignity at Work Policy, ensuring equal treatment of the employees in their place of work.



Goal 17. Partnerships for the Goals

Strengthen the means of implementation and revitalize the global partnership for sustainable development

- We follow the idea of cooperation and partnership. We have been performing sustainable development initiatives together with our local partners but also with leading world's organisations. We attempt to promote values in the broadly understood chain of supply.
- Since 2014, Grupa Kęty S.A. has been a Global Compact signatory, which means support to, adoption and application of the ten fundamental rules relating to human rights, labour standards, environmental protection, and corruption prevention, in all areas of operation.
- In 2021 Grupa Kęty announced its access to Agenda 2030 – the purpose of the Partnership is to integrate cooperation among the representatives of various environments for the effective achievement of sustainable development goals.

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 within the structure of the Capital Group of Grupa Kęty S.A. by the division of the General Director. Strategic decisions regarding environmental, climate and social matters are made at the meetings of the Steering Committee for Sustainable Development and Corporate Social Responsibility. Its membership, role and tasks are defined by Corporate Social Responsibility Procedure.

The Committee consists of:

- Management Board of Grupa Kęty S.A.;
- Heads of Business Segments;
- CR Dekret CEO;
- Business Ethics Ombudsman;
- CSR Director.

The CSR Director is responsible for convening the Committee meetings and possible extension of its membership (in compliance with the Committee plan). The Committee meetings must be held at least once a year. Its main role is to supervise the performance of social and environmental processes, as well care for the performance of the Company strategy of sustainable development, in reference to the adopted mission, vision and values.

In 2021 two Committee meetings were held. The main subjects discussed in the meetings were:

1. 'Best Practice for GPW Listed Companies' – new requirements for the organisations;
2. consideration of the carbon footprint objective;
3. ethics – current legal situation regarding whistleblowers;
4. discussion of the ESG 2021 strategy, and progress in the performance of objectives with regard to environment, society and management.

Within the internal distribution of responsibility for the particular areas of the Company operations among the Management Board Members, the President of the Management Board is in charge of sustainable development and corporate social responsibility.

5.7.2 Ethics and values

GRI 102-16; GRI 102-17; GRI 103-2; GRI 103-1,2,3 as regards 'Human Rights and Labour Practices Grievance Mechanisms'; GRI 205-2; GRI 415-1

'Our values comprise moral standards, business ethics and culture, innovative solutions and social responsibility, reflecting the way the Grupa Kęty S.A. Capital Group operates.'

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 area is supervised by the CSR Director (division of the General Director) and the Business Ethics Ombudsman. They submit their proposals of actions for the popularisation of the Code of Ethics and corporate culture to the Steering Committee for Sustainable Development and Corporate Social Responsibility, based on the 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. Additionally, in each business segment the Business Ethics Committees have been appointed. In 2021, the process was joined by the total of 17 people (Ethics Committees at the Segments, the Business Ethics Ombudsman, and the CSR Director). The work of the 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.

The organisation uses documents, policies and detailed procedures defining the ethical issues and ethically sensitive processes. The most important among them is the Code of Ethics, i.e. the Principles of Business Ethics and Conduct at the Capital Group of Grupa Kęty S.A. The document comprises the basic standards commonly accepted by the companies of the Capital Group of Grupa Kęty S.A. It regulates the approach of the company and its employees to such areas as the market, environment, local communities and internal relations. The Code of Ethics clearly defines and governs the organisation's approach to the participation in public life, by way of the following declaration: 'We maintain transparent relations with local government officials and representatives of the political stage, free from corruption and improper pressures'.

In 2021, the Company did not make any donations to political parties.

A policy related to the Code of Ethics is the Anti-bribery Policy, which presents our approach to the subject of corruption. As stated in the Policy, Grupa Kęty objects any activities having the hallmarks of corruption, and actively prevents corruption occurrence. Our activities and decisions always comply with law, and any decisions regarding cooperation are solely based on subject-matter grounds. The purpose of the introduced policy is to limit the risk of corruption occurring both in external and internal relations of the Company. This refers to all

employees of Grupa Kęty and its subsidiaries, as well as people and entities acting on their behalf and for their benefit.

In 2021, the Company-created training courses in preventing corruption, legal liability and documents binding at the organisation had continued. The training was completed by all managerial staff (directors and managers), as well as employees participating in corruption-sensitive processes. Unfortunately, we may reliably report only 27 people, as the other participants have not been included in the post-training report due to an error in the IT system. The error has already been removed, and in the 2022 report the number of the people trained in that area will be much higher, as this is an annual, cyclical training at our organisation. We have a broad perception of the ethical issues – the Company also has a series of binding procedures and policies. The ethical issues fall within the competence of all business areas of the organisation. There are also other documents, including:

- Diversity Policy and Procedure;
- Respect for Human Rights Policy;
- Risk Management Policy and Procedure;
- Internal Control Procedure;
- Internal Audit Procedure;
- Ethical Business Principles Procedure;
- Code of Conduct for the Suppliers Procedure;
- Reporting Intercompany Transactions Procedure;
- Transfer Pricing Procedure;
- Procurement Procedure;
- Human Resources Policy and Procedure;
- Human Resources Policy and Procedure;
- Supplier Contracts Procedure.

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 2021 the Business Ethics Ombudsman received no reports on the Code of Ethics violations with regard to human rights infringement. In 2020 the situation had been the same. By way of vigilant monitoring of processes, we consider critical the following situation regarding risk monitoring: *Risk of non-compliance with the principles of ethics, resulting in non-ethical culture of the organisation and claims on account of breaching the Code of Ethics.* The ERM Team responsible for the risk is going to analyse the current internal and external blockers (risk limiting actions), and consider the improvement of communication.

For us, the ethical issues comprise also the aware use of natural resources and care for the well-being of future generations. In the 2021-2025 Strategy we 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 the ‘Environmental Responsibility’ chapter, we present our commitments and actions taken for the protection of the natural environment in more detail.

In 2021, we also commenced the process of broader impact of the Grupa Kęty S.A. Capital Group with regard to responsibility within the supply chain. For that purpose the Company issued the Code of Conduct for the Suppliers. The code specifies the major requirements for the suppliers of the Capital Group of Grupa Kęty S.A. with regard to running ethical and fair activities, ensuring safe and hygienic working conditions, respecting human rights, assuming liability for the quality of products and for the natural environment. The progress in applying the document at the suppliers’ has been presented in the ‘Supply Chain Characteristics’ chapter.

In 2021, the Company carefully monitored the legislation process with regard to the Act on the Protection of Persons Reporting Breaches of Law. The process has not yet ended, therefore, the Company continues the organisation preparation to the new regulations on the basis of the current bill.

We have been preventing the conflict of interest and have introduced a Policy in that regard, in which we present the methods of prevention, identification and solving the conflict of interest, as well as the principles of excluding policy-subjects from the participation in considering a matter related to or threatened with a conflict of interest.

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

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. and the Heads of Segments. The operating activities related to risk management are performed by the Treasury and Risk Management Director, as well as by the Risk Managers and Risk Teams at the particular Segments of the Capital Group. The Segment Risk Managers and the Treasury and Risk Management Director create a team at the level of the Capital Group. The activities of all bodies and units with regard to risk management are regulated by the 'ERM Risk Management Policy'. In 2021, the Company analysed major corporate risks and assigned them to the competencies of Directors in the Management Board Offices with regard to the risks applicable to the whole Capital Group, or persons responsible at the Segments with regard to risks in other areas.

Within corporate risks, two risks directly related to the environment and social areas were identified in 2021:

- risk of non-performance or lack of update of strategy in the sustainable development (social responsibility) area, resulting in non-compliance with new legal and business requirements;
- risk of non-compliance with the principles of ethics, resulting in non-ethical culture of the organisation and claims on account of breaching the Code of Ethics.

Both risks underwent estimation within the internal ERM system, blockers were developed, and Key Risk Indicators (KRIs) were set. The person responsible for the risks management is the CSR Director. The first KRIs revision will be made in 2022.

With regard to providing more detail and supplementing social and environmental risks, the Company has separated additional risks in the non-financial area, as well as their impact, and prepared adequate tools to mitigate the particular risks.

Climate risks:

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 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
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

			<ul style="list-style-type: none"> - 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
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Other risks:

Risk	Description	Potential impact	Risk-mitigating measures
The risk of non-adjustment of the organisation, its structures, documents and policies to the changing formal and legal conditions in the area of corporate governance	We have been observing fast changes in the domestic and European legislative processes, and best practices for stock listed companies.	- loss ore the Company credibility, higher investment risk for the shareholders	Current monitoring and analysis of the regulatory environment, internal control system, internal and external audits
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 Purchase of materials from and sales of product to companies that breach human rights	<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

5.9 GRI standards table

GRI 102-55

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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.

Risk	Description	Potential impact	Risk-mitigating measures
Loss of the Company profitability as a result of financial risks related to instability of financial and commodity markets.	Companies of the Capital Group carry out exports, imports, sales and purchases in PLN based on variable prices depending on FX rates (denominated transactions). The prices of base materials, including aluminium for the EPS and the ASS, and granulate for the FPS, undergo frequent changes on the world's markets, which is translated into fast changes of the costs of production and finished products prices. High level of the Company indebtedness exposes it to interest rates fluctuations.	<ul style="list-style-type: none"> - 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 - material price fluctuations may prevent adequate change of sales prices - increase in interest rates may result in higher costs of finance 	<ul style="list-style-type: none"> - 'natural hedge' measures - forward and futures contracts - debt currency structure management - futures and swap transactions based on aluminium prices at the LME - contracts with fixed delivery prices - contracts based on the price formula transferring the price and currency risk to the buyer - part of financing with fixed interest rates - finance based on various variable rates 1M-6M – adequate periods for interest rate changes
Risk of missing effective supply chain, which results in delays or stoppages in production/ sales order performance	The Companies purchase raw materials in many countries of the world. They are exposed to disturbances in deliveries in relation to limitations in foreign transport (e.g. with regard to the pandemic), but also sanctions and embargoes imposed on the specific companies, persons and countries. An additional risk may arise from negligence of suppliers and extraordinary occurrences related to their organisations.	Lack of liquidity in raw materials supplies poses a hazard for the continuity of the production process and disturbs the timely order completion, which further leads to the negative financial results and loss of customer trust.	<ul style="list-style-type: none"> - suppliers diversification - warehouse policy focused on higher inventory stocks of materials, if the number of suppliers is limited - reduction of the share of suppliers from markets exposed to risk
Risk of disturbances or breaks in the functioning of IT infrastructure due to the errors made by the staff or as a result of an external event	IT infrastructure is exposed to many factors which may negatively affect its proper functioning. These include but are not limited to: <ul style="list-style-type: none"> - sabotage or staff error - system failure - infrastructure overloading, either servers or telecommunication lines - cyber attacks - exceptional occurrences 	IT systems failures may result in downtimes or inability to perform tasks by the business units.	<ul style="list-style-type: none"> - Cyber-Edge insurance - outsource contract for IT operations - IT continuity plans - back-up policy - possession of test environments - HR procedures with regard to staff management (development, training) - IT staff participation in meetings devoted to the Segments' strategic plans and budgets - stress tests/ socio-technical tests - data centre protected in compliance with the best sector practices (independent power supply, UPS, precise air-conditioning, extinguishing systems, monitoring, burglar control and access control systems, etc.) - two independent, active data centres
Risk of shortages as regards staff numbers and competence	Changes in the labour market and the prevailing 'employee focused market' result in higher risk of having competent staff. The factors may result, for example, in the risk of: <ul style="list-style-type: none"> - inadequate speciality competence staff availability on the market - market competition - hard working conditions due to monotony, lifting loads, high temperature (candidates are not interested in shift work or working at weekends), professional burnout - high number of absences - excessive concentration of responsibility and knowledge in one person resulting in a problem with their replacement 	Staff problems may result in a failure to secure business areas with regard to the performance of strategic and operating goal, failure to comply with law or customers expectations, or production downtimes.	<ul style="list-style-type: none"> - market reports - market research with regard to payroll and working conditions, and offering competitive terms to the employees - competitive working conditions (flexible working time, well furnished workplaces) - competitive pay (market level of remuneration, benefits, Company Social Benefits Fund) - company renown, stability of employment, organisational culture
Liquidity risk	Liquidity risk may result from the loss of creditworthiness and the associated withdrawal of funding by certain banks, rapid growth in the demand for working capital, for example due to a soar in materials prices, deterioration of the term structure of receivables, etc.	<ul style="list-style-type: none"> - problems with supplies of basic materials or their higher cost - higher costs of finance resulting from the need to acquire new sources 	<ul style="list-style-type: none"> - diversification of the sources of funding in 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
Risk of making faulty decisions based on inaccurate or untimely reporting, or errors in non-standard contracts valuation	Gathering information from a large group of people within the organisation results in high error risk due to human factor (manipulation, leak of data, errors), as well as system errors, e.g. gaps in registering transactions or other business events.	Based on faulty reporting, faulty decisions may be made with regard to the contracts concluded, budgets, non-standard contracts valuation, which could result in their lack of profitability.	<ul style="list-style-type: none"> - procedures regarding group reporting and consolidation - procedures regarding books of account closure - building replacement capacity within teams in case of absence - automated reporting - integrated financial and accounting system, reconciliation of partial data with the data reported on the higher level of detail - preparing quotations/agreements based on prepared templates, verification and acceptance of commercial offers/agreements in compliance with the binding authority matrix - verification of project assumptions by at least two employees/advisers - verification of workshop documentation by the production department, insurance, hedging transactions
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.	<ul style="list-style-type: none"> - lower sales and thereby lower margins resulting from low level of production capacity utilisation 	<ul style="list-style-type: none"> - geographical diversification (exports growth) - product diversification – sales growth in industries not related to construction (automotive, food)

Details concerning risk management are presented in note 37 to the consolidated financial statements of the Grupa Kęty S.A. Capital Group for 2021.

Details concerning derivative financial instruments are presented in note 38 to the consolidated financial statements of the Grupa Kęty S.A. Capital Group for 2021.

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

SHARES AND SHAREHOLDERS

GRI 102-5

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 2021, there were the total of 9,650,152 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 2021 is as follows:

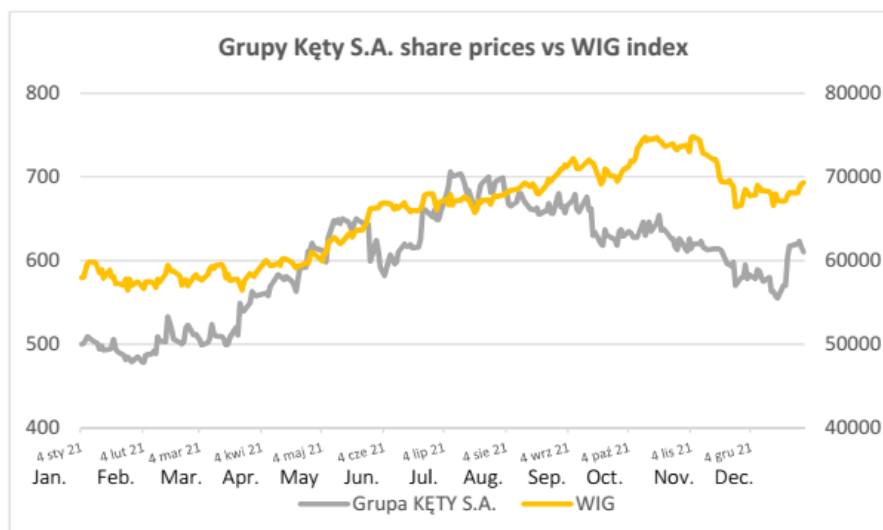
	Number of shares as at 6 May 2021	Percentage of capital	Number of shares as at 31 December 2020	Percentage of capital
Nationale Nederlanden OFE	1,527,094	15.82%	1,858,073	19.30%
OFE AVIVA Santander	1,262,355	13.08%	1,297,681	13.48%
OFE PZU ZŁOTA JESIEŃ	843,143	8.74%	847,272	8.80%
AEGON PTE	654,718	6.78%	692,995	7.20%
MetLife OFE	580,562	6.02%	542,834	5.64%
PTE Allianz Polska	490,167	5.08%	503,871	5.23%
Others	4,292,113	44.48%	3,886,631	40.36%
Total	9,650,152	100.00%	9,629,357	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 2021 (on the basis of closing prices):

- the average share price amounted to PLN 599.7 (increase by 47% as compared to the preceding year);
- the lowest price amounted to PLN 478 (on 4 February) and the highest price equalled PLN 706 (on 7 July);
- the price change throughout the year (between 30 December 2021 and 30 December 2020) equalled +24%; in the same period, the WIG index grew by 22% and the mWIG40 index grew by 33%;
- the average turnover per session in 2021 amounted to PLN 4.5 million, as compared to PLN 2.6 million in 2020.



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:

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

As part of current reporting, the Company announces annual financial forecasts 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://grupakety.com/relacje-inwestorskie/grupa-kety-na-gpw/kalendarz-korporacyjny/>.

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: <https://grupakety.com/relacje-inwestorskie/grupa-kety-na-gpw/analizy/>.

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 capital expenditure planned to be incurred in the year of dividend payment.

In 2021 Grupa Kęty S.A. paid out PLN 430,073,000 dividend (PLN 44.57 per share), which represented roughly 100% of consolidated net profit for 2020, and in the preceding year the Company paid out PLN 336,654,000 dividend (PLN 34.99 per share), which represented ca. 114% of the consolidated net profit for 2019.

8. CORPORATE GOVERNANCE STATEMENT

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

The corporate governance binding at Grupa Kęty S.A. results from the legal regulations (particularly the Code of Commercial Companies, and the regulations with regard to the capital market functioning), as well as the guidelines provided in the document entitled ‘The Best Practice for GPW Listed Companies’.

The Management Board of Grupa Kęty discloses this information on the application of corporate governance principles in 2021 pursuant to § 70.6.5 of the Regulation of the Minister of Finance of 29 March 2018 on current and interim information disclosed by the issuers of securities and conditions of considering equivalent the information required by the laws of a country other than a member state.

From 1 January 2016 to 30 June 2021, Grupa Kęty S.A. followed ‘The Best Practice for GPW Listed Companies 2016’, introduced by Resolution No. 26/1413/2015 of the Warsaw Stock Exchange Board on 13 October 2015. Grupa Kęty S.A. complied with all the principles and recommendations provided for in the ‘The Best Practice for GPW Listed Companies 2016’, 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: <https://grupakety.com/relacje-inwestorskie/lad-korporacyjny/walne-zgromadzenia/>.

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.

On 1 July 2021 new principles for corporate governance entered into force: 'The Best Practice for GPW Listed Companies 2021' ('Best Practice', 'BPLC 2021') passed by the Board of the Warsaw Stock Exchange by Resolution No. 13/1834/2021 on 29 March 2021. The document replaced 'The Best Practice for GPW Listed Companies 2016'.

The collection of corporate governance principles 'The Best Practice for GPW Listed Companies 2021' is available on the Warsaw Stock Exchange website at: <https://www.gpw.pl/dobre-praktyki2021>.

On 30 July 2021, Grupa Kęty disclosed in public by way of an EBI report the 'Information on status of application by the Company of the principles set forth in The Best Practice for GPW Listed Companies 2021'.

The information on Grupa Kęty S.A. compliance with the principles provided for in 'The Best Practice for GPW Listed Companies 2021' is available on the Website of Grupa Kęty S.A. at: <https://grupakety.com/relacje-inwestorskie/lad-korporacyjny/dokumenty-spolki/>.

Declaration on the compliance with the corporate governance principles in 2021 based on the 'The Best Practice for GPW Listed Companies 2021'

Publishing the 'Information on status of application by the Company of the principles set forth in The Best Practice for GPW Listed Companies 2021' on 30 July 2021, Grupa Kęty S.A. informed that it had complied with all principles, except for: **Principles 2.1., 2.2., 6.4.** Moreover, the Company explained that **Principle 3.7** does not refer to Grupa Kęty S.A.

Principle 2.1. 'Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.'

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 Supervisory Board Members have been appointed by the General Meeting from among the candidates proposed by the Company shareholders.

Principle 2.2. 'Persons making decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.' Owing to the fact that Grupa Kęty S.A. has not implemented a diversity policy in reference to the Company managing and supervising bodies, the above principle has not been applied.

Principle 6.4. 'As the supervisory board performs its responsibilities on a continuous basis, the remuneration of supervisory board members cannot depend on the number of meetings held. The remuneration of the members of committees, in particular the audit committee, should take into account additional workload on the committees.'

The remuneration of Supervisory Board Members of Grupa Kęty S.A. is granted in accordance with the Remuneration Policy of Grupa KĘTY S.A. Management Board and Supervisory Board Members passed by the General Meeting, which makes the Supervisory Board Member's remuneration dependent on the number of meeting held, and does not provide for an additional remuneration for the Supervisory Board Members on account of any additional work related to fulfilling their functions at the Audit Committee or the Nomination and Remuneration Committee of the Supervisory Board. The proposal to update the Remuneration Policy of Grupa KĘTY S.A. Management Board and Supervisory Board Members in the above scope, for the purpose of considering Principle 6.4 to have been fully applied, will be submitted for the decision of the coming Annual General Meeting to be held in 2022.

Principle 3.7. 'Principles 3.4 to 3.6 apply also to the company's group entities which are material to its activity if they appoint persons to perform such tasks.'

Principle 3.7 does not apply to the Company. At the other companies of the Capital Group of Grupa Kęty S.A. of a major importance for its operations there have not been appointed persons responsible for managing the audit, compliance, risk management and internal control systems. Responsible for the maintenance of the functions efficiency within the whole Capital Group and management of the same are the persons employed by the parent company, i.e. Grupa Kęty S.A., who are functionally supported by the selected employees of the companies of a major importance for the operations of the Capital Group. Grupa Kęty S.A. carries out a periodical review of the systems operation within the Capital Group, considering the scale and specifics of its operations, among other things. If a decision is made on a change in the method of the systems functioning and employing people responsible for the functions at other companies, the Principles 3.4–3.6 will be taken into account.

Major shareholders

The shares of Grupa Kęty S.A. have been quoted on Warsaw Stock Exchange since 16 January 1996. As at 31 December 2021, there were the total of 9,650,152 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 2021 and 31 December 2020 is presented in the table below*

	Number of shares as at 6 May 2021	Percentage of capital	Number of shares as at 31 December 2020	Percentage of capital
Nationale Nederlanden OFE	1,527,094	15.82%	1,858,073	19.30%
OFE AVIVA Santander	1,262,355	13.08%	1,297,681	13.48%
OFE PZU ZŁOTA JESIEŃ	843,143	8.74%	847,272	8.80%
AEGON PTE	654,718	6.78%	692,995	7.20%
MetLife OFE	580,562	6.02%	542,834	5.64%
PTE Allianz Polska	490,167	5.08%	503,871	5.23%
Others	4,292,113	44.48%	3,886,631	40.36%
Total*	9,650,152	100.00%	9,629,357	100.00%

* The shareholding structure covers for 660 shares taken up in 2021, which were admitted to trading in 2021 and registered in the KRS in 2022.

8.2 Management Board

As at 1 January 2021, 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.

With regard to the end of term of the Management Board, in its resolution of 8 April 2021 the Company appointed Mr Dariusz Mańko President of the Management Board of the 11th term, as well as Messrs Rafał Warpechowski, Piotr Wysocki, and Tomasz Grela Members of the Management Board of the 11th term.

As at 31 December 2021, 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 internal distribution of responsibility for the particular areas of the Company operations among the Management Board Members has been presented in the chart below.

GRI 102-18, GRI 102-19

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: <https://grupakety.com/o-grupie-kety/o-nas/opis-gkk/>.

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

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 (say: twelve and a half million zlotys), except for liabilities provided for in the Company budget and liabilities taken out within the Company ordinary course of business, and referring to the purchase of primary aluminium, aluminium billets, electric energy, methane-rich gas, and heat;
- 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 2021 the Management Board of the Company held 42 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: <https://grupakety.com/relacje-inwestorskie/lad-korporacyjny/dokumenty-spolki/>.

8.3 Supervisory Board and Supervisory Board Committees

Supervisory Board Membership

In the period from 1 January 2021 to 31 December 2021, the Supervisory Board was composed 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 Gólak – 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: <https://grupakety.com/o-grupie-kety/o-nas/opis-gkk/>

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 or outside of meetings, in compliance with the Company Article of Association and the Supervisory Board By-law, 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 personal 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, and 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 zlotys) 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 2021 the Supervisory Board of the Company held 17 meetings. In the meetings and outside of them, the Supervisory Board passed the total of 30 resolutions.

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 Company Website at: <https://grupakety.com/relacje-inwestorskie/lad-korporacyjny/dokumenty-spolki/>.

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

Audit Committee Membership

In the period from 1 January 2021 to 31 December 2021, the Audit Committee was composed 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 Kęty 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 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 well as the sector of Grupa Kęty S.A. operation, as referred to in the Act on Statutory Auditors [...].

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 Wojciech Golak has been acting as a Member of the Supervisory Board of Grupa Kęty S.A. since 2020, which contributed to extending his knowledge of the sector in which the Company operates.

- **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 [...].

He possesses theoretical expertise in accounting or financial audit within the meaning of Article 129.1 sentence two of the Act, which he gained by getting a Double Major B.A. degree in Management and

Economics with Financial Accounting, an MSM degree (Master of Science in Management) and an EMBA degree (Executive Master in Business Administration).

Mr Piotr Stępniać 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 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: <https://grupakety.com/o-grupie-kety/o-nas/opis-gkk/>.

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 of the Committee, fulfil the independence criteria specified in Article 129.3 of the Act of 11 May 2017 on Statutory Auditors, Audit Companies and Public Supervision, as well as in ‘The Best Practice for GPW Listed Companies 2021’. 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 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 2021 the Audit Committee of the Supervisory Board of Grupa Kęty S.A. held 8 meetings, and its activities focused around the following issues, among other things:

- discussion of offers within the process of auditor selection for the financial statements of Grupa KĘTY S.A., approval of the report on the procedure of audit firm selection and recommendation to the Company Supervisory Board of an audit firm to audit the separate and consolidated financial statements of the Company and its Capital Group in the years 2021 and 2022 and to review the interim condensed separate and consolidated financial statements of the Company and its Capital Group for the periods of 6 months ending 30 June 2021 and 30 June 2022;
- discussion and acceptance of the offer for the services of assessment by an audit firm of the Report on the Remuneration of the Management Board and Supervisory Board Members of Grupa Kęty S.A. for the years 2019 and 2020, in compliance with the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies, and confirmation of the independence of the statutory auditor acting on behalf of the audit firm of Ernst & Young Audyt Polska with regard to the service of assessment of the said report;

- discussion of the conclusions from the audit task entitled ‘The Process of Selection and Management of Insurance at the Capital Group of Grupa Kęty S.A.’;
- discussion with the representatives of the audit firm of the results of the audit of the separate and consolidated financial statements of the Company and its Capital Group for the year 2020, as well as conclusions from the audit of the said statements and the Additional Report for the Audit Committee, plus confirmation of the independence from the Company and its Capital Group companies of the audit team and the company of E&Y during the audit carried out;
- discussion of the results of the review of the interim condensed separate and consolidated financial statements of the Company and its Capital Group for 2021, and confirmation of the independence of the audit firm and the statutory auditors delegated to carry out the review of the said statements;
- discussion of the results and conclusions from the review of IT infrastructure security and crisis management, including IT incidents management carried out by independent experts, and consideration of the information of the Management Board with regard to the actions taken and planned in reply to the recommendations comprised in the ‘Test of Infrastructure Immunity to Attacks – Conclusions and Recommended Actions’ report;
- discussion of the annual Internal Audit Plan for 2022, the assumed methods of selecting the audit tasks, and the number of hours needed to carry out the tasks, plus consideration of the long term Internal Audit for the Year 2022-2024;
- discussion of the functioning of internal control, risk management and compliance systems at Grupa Kęty S.A., and assumptions for a systematic assessment of their efficiency.

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: <https://grupakety.com/relacje-inwestorskie/lad-korporacyjny/dokumenty-spolki/>.

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: <https://grupakety.com/relacje-inwestorskie/lad-korporacyjny/polityki/>.

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.

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: <https://grupakety.com/relacje-inwestorskie/lad-korporacyjny/polityki/>.

NOMINATION AND REMUNERATION COMMITTEE

Nomination and Remuneration Committee Membership

In the period from 1 January 2021 to 31 December 2021, the Nomination and Remuneration Committee was composed of:

- Mr Piotr Stępnik – Chairman of the Nomination and Remuneration Committee,
- Mr Wojciech Gola – 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 Ras – Member of the Nomination and Remuneration Committee,
- Ms Agnieszka Zalewska – Member of the Nomination and Remuneration Committee.

In 2021, 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 Committee focused on the following issues:

- discussion of changes in the bonus system for the Management Board Members, in relation to the adopted Strategy of Grupa KĘTY S.A. Capital Group development for the years 2021–2025, and the coming appointment of the Management Board Members for the 11th term;
- verification of the calculation of the annual incentive for the Members of the Management Board of Grupa KĘTY S.A. for 2020 and submission of a recommendation to the Supervisory Board;

- recommendation of the Supervisory Board with regard to adoption of the Report on Remuneration of the Management Board and Supervisory Board members for the years 2019 and 2020;
- consideration of the Company competence with regard to acquisitions and mergers with other companies;
- discussion and recommendation to the Supervisory Board of the adoption of amendments in the 2021 principles of remuneration and the terms of employment specified for the particular Management Board Members and appointment of the Management Board Members for the 11th term;
- discussion of the status of application by the Company of the principles set forth in document entitled 'The Best Practice for GPW Listed Companies 2021', including the principles regarding the Company's possession of a Diversity Policy, ensuring versatility of the Management Board and the Supervisory Board, as well as the principles regarding remuneration of the Supervisory Board Members, including the Members of the Supervisory Board Committees;
- discussion of the proposal of the 2022 bonus plan for the Management Board Members.

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

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 2021 the Nomination and Remuneration Committee held 8 meetings.

The detailed methods of the Nomination and Remuneration Committee operation are determined in the Company Articles and the Nomination and Remuneration Committee By-law passed of the Supervisory Board, which are available on the corporate website at: <https://grupakety.com/relacje-inwestorskie/lad-korporacyjny/dokumenty-spolki/>.

8.4 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: <https://grupakety.com/relacje-inwestorskie/lad-korporacyjny/dokumenty-spolki/>.

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 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 shares represented at it. In accordance with the approved By-law of the General Meeting, a 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, confirms the correctness of convening the General Meeting as well as its capacity to pass resolutions in the matters included in the session agenda, 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, then orders the acceptance of the agenda, and orders voting on the selection of the vote-counting committee, if they deem the committee 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 have 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 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 matters. 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 2021 there was held one General Meeting, i.e. the Annual General Meeting on 12 May 2021, which passed 20 resolutions. Detailed information on General Meetings, and the resolutions passed are available on the corporate website at: <https://grupakety.com/relacje-inwestorskie/lad-korporacyjny/walne-zgromadzenia/>

8.5 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.

8.6 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 Opportunities'

Grupa Kęty S.A. has not developed or applied any diversity policy with regard to the Company managing and supervisory bodies. Therefore, 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 there was one woman as at 31 December 2021. The Supervisory Board Members have been appointed by the General Meeting from among the candidates proposed by the Company shareholders.

8.7 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 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 21,295 H series shares assigned to the 2015 plan. Among that number, all shares taken up had been admitted to trading at the Warsaw Stock Exchange by the end of 2021. 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)
H series shares – 2015 plan	304.24	21,295	6,478.8

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 1,560 (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 180,000 I series shares under the 2020 plan, the fulfilment of conditions will be verified upon the approval by the Annual General Meeting of the financial statements for 2022 by the Annual General Meeting – for the first tranche of 90,000 shares, and the financial statements for 2023 – for the second tranche of 90,000 shares. The last tranche of the plan of 90,000 shares will be vested by the Supervisory Board of the Company in the third quarter of 2022, whereas the fulfilment of conditions for that tranche will be verified upon the approval by the Annual General Meeting of the financial statements for 2024.

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

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 Kęty 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
Glassprof Sp. z o.o.	Bielsko-Biała, Poland	Scientific research and development works	100.00%	01/2012
Marius Hansen Facader A/S in 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 company was involved in the distribution of aluminium systems. The establishment of the company was an element of the Group strategy of systematically increasing the share of export sales in the total sales of all Group segments. In the Aluminium Systems Segment, this strategy is implemented, for example, through the establishment of subsidiaries on the markets to which products are exported, which allows the Group to better adjust the products offer to the specific nature of the particular markets and meet their technical and legal requirements more precisely. In 2021, a decision was made with regard to a change in the business model on the USA market and closure of the operations of Aluprof USA LLC.

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

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 2021, 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 forecasts for the year

The 2021 financial results do not significantly differ from the 2021 forecast adjustment published on 19 November 2020.

9.8 Information on agreement with the entity auditing the financial statements

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 19 July 2021.

The remuneration of the auditor is presented in the table below:

	2021	2020
Remuneration for the audit of annual separate and consolidated financial statements	115	100
Remuneration for the audit of financial statements of subsidiaries	265	225
Remuneration for semi-annual reviews	70	50
Remuneration for the audit of reports on remuneration	25	0
Remuneration for open training	17	0
Total	492	375

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 five preceding reporting years (2016–2020) 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

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 1 January to 31 December 2021
Paweł Niedziółka	0	PLN 143,000
Piotr Kaczmarek	0	PLN 179,000
Piotr Stępnia	0	PLN 212,000
Wojciech Gola	0	PLN 143,000
Agnieszka Zalewska	0	PLN 143,000
Przemysław Ras	0	PLN 141,000

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	1,142	2,601	6	-	3,749
Piotr Wysocki	672	1,515	7	12	2,206
Tomasz Grela	180	765	-	1,242	2,187
Rafał Warpechowski	685	1,561	5	-	2,251

* 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 2021, a provision was established for the potential incentives for the Management Board Members in reference to 2021, to be paid out in 2022, in the total amount of PLN 8,247,000.

In accordance with the declarations made as at the last day of the reporting period, the persons managing the Company held 237,984 ordinary bearer shares of Grupa Kęty S.A., including: Dariusz Mańko 164,363 shares (no changes since 30 September 2021), Rafał Warpechowski 0 shares (no changes since 30 September 2021), Piotr Wysocki 51,873 shares (no changes since 30 September 2021), Tomasz Grela 21,748 shares (no changes since 30 September 2021).

In addition, within the incentive plan adopted at the General Meeting on 20 August 2020, the Management Board members held the right to acquire 30,000 shares.

N series bonds with the pre-emptive right to take up I 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.

30,000 N series bonds with the pre-emptive right to take up O 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 2023 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 2021.

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 2021.

9.11 Post-balance-sheet events

On 24 February 2022, the Russian army invaded the territory of Ukraine, commencing a military aggression on that country. The Group runs its business in Ukraine through the companies of Alupol Ukraina LLC with its registered office in Borodianka (within the Extruded Products Segment), and Aluprof System Ukraina LLC with its registered office in Kiev (within the Aluminium Systems Segment). Owing to the situation referred to above, the companies suspended their operations on 24 February 2022.

In effect of the conflict, the Capital Group has lost the possibility to make transactions with its customers on the Ukrainian market, and decided to abandon commercial contacts with companies in Russia and Belarus. In 2021, the sales transactions of the Group segments in those markets represented, respectively: the Extruded Products Segment – ca. 4%; the Aluminium Systems Segment – ca. 3%; and the Flexible Products Segment – ca. 6% of the sales revenue.

Deliveries from the Ukrainian, Russian and Belarusian market in 2021 were, respectively: the Extruded Products Segment – deliveries of aluminium billets from Russia to Alupol LLC covering the whole demand of the company; the Aluminium Systems Segment – deliveries of profiles from Russia covering roughly 13% of the total Segment demand, mainly deliveries to Aluprof S.A.; the Flexible Products Segment – deliveries of raw materials and materials from Russia and Belarus covering about 14% of the total Segment purchases.

At the present moment, the Group has been searching for alternative suppliers in the Extruded Products Segments, as the operations of Alupol LLC have been suspended. Works are in progress with regard to launching the production of profiles at other suppliers for the purposes of the Aluminium Systems Segment, and within the Flexible Systems Segment orders were directed to suppliers from other countries.

Considering the above, the Management Board is of the opinion that the suspension of operations on the Ukrainian market and abandonment of cooperation with the Russian and Belarusian suppliers should not have a significant effect on the planned sales revenue and the costs of the operating activities of the Group in 2022.

The particular balance-sheet items of the Ukrainian companies of the Group, as at 31 December 2021, reflected in the consolidated financial statements of Grupa KĘTY, are presented in the table below.

	Alupol LLC (EPS)	Aluprof System LLC (ASS)
Non-current assets, of which:	11,624	2,044
Property, plant and equipment	11,172	1,203
Current assets, of which:	21,745	14,260
Inventories	8,568	1,120
Trade and other receivables	10,184	11,398
Cash and cash equivalents	2,993	1,742
Total assets	33,368	16,304
Equity	26,292	2,906
Share capital	61,800	39
Retained earnings	8,201	(5,249)
Cumulative translation adjustment for related companies	(43,709)	8,116
Long-term liabilities and right-of-use assets	304	282
Income tax provision	0	17
Short-term liabilities, of which:	6,772	13,099
Trade payables and other liabilities	2,697	468
Contractual liabilities	3,944	11,846
Total equity/liabilities	33,368	16,304

In accordance with IAS 10.11 and IAS 10.22, the Group has treated the outbreak of war in Ukraine as a post-balance-sheet event, which does not require adjustments as at the balance-sheet date. In result, the consequences of assets impairment, including those related to the Ukrainian companies of the Group, or loss of the Group

control over those companies, will be reflected in the financial statements for the reporting periods commencing post 31 December 2021.

Owing to the location in the area occupied by the Russian army, the condition of the companies' assets is hard to be checked. The maximum value of the Group assets exposed to impairment amounts to roughly PLN 49 million – as estimated based on the data of the Ukrainian companies available as at the date of preparing this report and referring to the status from the end of January 2022 – and covers:

- assets of the Group Ukrainian companies worth about PLN 41 million;
- inventory stock of Grupy KĘTY S.A. under reworking in progress at Alupol Ukraina LLC, of the value of about PLN 7 million;
- assets of other Group companies amounting to about PLN 1 million.

The Group assess that as at the date of preparing these financial statements it has not lost control over the Ukrainian companies and, thus, there is planned no reclassification of foreign exchange losses in the total net amount of roughly PLN 31 million estimated as at the date of preparing these statements for the item 'Cumulative translation adjustment for foreign companies' to the consolidated statement of profit or loss of the Group. In case loss of control over the Ukrainian companies is determined, the aforesaid FX differences will be reclassified to the statement of profit or loss. The reclassification will not affect the total value of the consolidated equity of the Group.

The situation of the Group in relation to the Russian invasion on Ukraine has been analysed on the current basis, and may result in an update of the aforementioned estimates.

Apart from the events referred to above, there have been no other major post-balance-sheet events that would affect the operations of the Group.

9.12 Declaration of the Management Board of Grupa Kęty S.A. regarding compliance of the annual financial statements with the applicable accounting principles

To the best of our knowledge, the annual financial statements of Grupa KĘTY S.A. and the annual consolidated financial statements of the Grupa KĘTY S.A. Capital Group, prepared as at the balance-sheet date of 31 December 2021, as well as the comparative data, have been prepared in accordance with the applicable accounting policies and they present a true, fair and transparent view of the assets and financial standing of Grupa KĘTY S.A. and the Grupa KĘTY S.A. Capital Group, including their financial results.

The annual report of the Management Board on the operations of Grupa KĘTY S.A. and the Grupa KĘTY S.A. Capital Group, presents a true view of the development and accomplishments as well as of the standing of Grupa KĘTY S.A. and the Grupa KĘTY S.A. Capital Group, including a description of the basic risks and threats.

Signatures of the Management Board Members:

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, 24 March 2022