

# MANAGEMENT BOARD REPORT

on the activity of LW Bogdanka S.A.  
and the LW Bogdanka Group for 2022





## Lubelski Węgiel Bogdanka S.A.

a leader on the hard coal market in Poland, standing out in comparison with its peers in terms of financial results, mining efficiency and investment plans including access to new deposits.

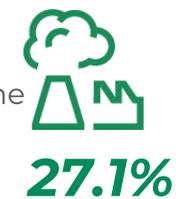
Share in the hard coal market in Poland



Share in the steam coal market in Poland



Share in coal supplies to the commercial power sector in Poland





**Dear Stakeholders,**

I present to you the Management Board report on the activity of LW Bogdanka S.A. and the LW Bogdanka Group along with financial highlights for 2022.

In retrospect, 2022 was expected to solidify the Company's stable position as a leading supplier of hard coal for the commercial power sector. The rising prices and the increasing demand for coal were indicative of this. The Russian military aggression against Ukraine flipped the hard coal market in Poland and in the world upside down. Demand for hard coal from the Polish economy and retail buyers surged, to which Bogdanka responded by amending its original longwall mining schedule and accelerating its mining operations. Owing to these measures, in the first half of 2022 the Company's execution of the production plan was approx. 7% higher than the assumptions made at the beginning of the year.

Unfortunately, in the second half of the year, in longwall 3/VII/385, which was launched on 31 August 2022, there was a sudden and unexpected increase in operating pressure, resulting in a squeeze. This necessitated an update in the production target to 8.3 million tons of commercial coal.

In the fall, despite the unfavorable geological conditions and Bogdanka's production profile aimed mainly at the supply of fine coal to the commercial power generation segment, the Company was making every effort to ensure the availability of heating coal for municipalities in the Lubelskie Voivodeship, to the extent of our production capacity. Bogdanka joined the statutory coal distribution program run by the government, whereby municipalities were in charge of providing households with heating coal at preferential prices in order to stabilize the situation on the market. In close cooperation with the Ministry of State Assets and the Lublin Voivodeship Office, the Company delivered coal to 152 municipalities before the end of 2022. In 2022, a dividend of PLN 2.50 per share from the profit generated in 2021 was disbursed.

In 2022, the Group generated nearly PLN 2.5 billion in revenue, PLN 610 million in EBITDA and PLN 175.6 million in net profit. Its mining yield reached 66.2%.

Despite the difficulties experienced by Bogdanka in 2022, preparatory works were not suspended, which will undoubtedly pay off in the future. Bogdanka ended 2022 with output at 8.4 million tons of commercial coal and sales of 8.4 million tons. In turn, its share in coal supplies to the commercial power sector in Poland surpassed 27%.

In 2022, during the Three Seas Initiative's Local Government Congress, the Scientific Council for Environmental Protection at Lubelski Węgiel Bogdanka was established. The Council is an opinion and recommendation-making body providing the Management Board with its insight regarding the Group's various anticipated or completed activities in the field of environmental protection. It operates as an independent body whose members put in their time on a voluntary basis, without receiving any remuneration for their effort. In November, the Company celebrated the 40th anniversary of mining the first ton of coal from the Lublin Coal Basin.

A year of changes is ahead of us. It will be of crucial significance for the future of Bogdanka

and the Polish power sector. The National Energy Security Agency (NABE) is currently being formed, of which the Company will become a member. At the same time, a process is underway whereby Bogdanka will be spun off from the Enea Group through the sale of shares to the State Treasury. In accordance with the letter of intent signed on this occasion, the process is expected to be completed by the end of 2023 at the latest, although chances are that it will occur sooner. Clearly, despite the spin-off, nothing will change in our commercial relations with Enea. We are a proven partner, and our relationship with Enea is based on long-term contracts. We have demonstrated our flexibility in solving any challenges despite the existing market instability. At the same time, we have obtained assurances that Bogdanka will remain listed on the Warsaw Stock Exchange. Another significant issue for the Company's future is Bogdanka's new Strategy. We are putting a lot of effort to its preparation. Our objective is to have it published in the first half of 2023. According to our assumptions, the mine will become a holding company whose extent of interests will expand. The search for other lines of business will be a consequence of the exceptional significance of 2049, when hard coal mining is scheduled to end in Poland. We expect a gradual decline in production to start in the early 2030s. For this reason, we intend to diversify our revenue to fill the gap with funds originating from other sources. This notwithstanding, the mining of hard coal will remain our core business as the first and most important pillar. On the revenue side, it will be the most significant component for at least 10 years. Our second pillar, which we will present in the Strategy update, will result from our analysis-based identification of the commodities that will be in long-term demand from the Polish and European economies. These may be rare earth metals, but we do not limit ourselves to any specific type of commodity. And the power sector and renewable energy sources form the third pillar of our business that we intend to grow. With this in mind, in February 2023, we established the Łęczyński Energy Cluster. As part of the cluster, we will hold talks with large international players about the execution of large-scale RES projects. When we find the right partner to carry out such projects,

we will want our subsidiaries to manufacture components for the operation of such facilities. This will enable the retraining of our staff to operate RES in the future.

In 2022, we proved once again that our Group is capable of effectively responding to emerging challenges and adapt to difficult conditions. It would be impossible without the hard work and dedication of our staff. I extend my words of appreciation to them for their effort and commitment.

Despite the substantial unpredictability of the current coal market, we hope that 2023 will be a successful year for the Company.

Respectfully yours,

**Kasjan Wyligala**  
President of the LW Bogdanka S.A. Management Board



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# 1. Operating summary



## LW Bogdanka Group's selected financial and operating highlights for 2022

### OPERATING DATA

**12.7 million tons**

Gross coal production

**8.4 million tons**

Production of commercial coal

**66.2%**

Yield

**8.4 million tons**

Sales of commercial coal

**32.8 km**

New excavations



### FINANCIAL HIGHLIGHTS

**PLN 2,451.7 million**

Sales revenues

**PLN 209.2 million**

Sales profit

**PLN 200.3 million**

EBIT

**PLN 610.0 million**

EBITDA

**PLN 175.6 million**

Net profit



### HEADCOUNT

**5,791 persons**

Headcount as at the end of 2022

**0.7%**

Increase in headcount from 2021



**LW Bogdanka S.A.** is a leader on the hard coal market in Poland, standing out in comparison with its peers in terms of financial performance, mining efficiency and investment plans, including access to new deposits. The bituminous coal sold by the Company is used predominantly for the production of electricity, heat and cement. The Company's customers are mainly industrial companies, primarily those operating in the power sector, located in eastern and northeastern Poland. LW Bogdanka S.A. is part of the Enea Group, one of the leaders of the Polish energy market. The Company has been listed on the Warsaw Stock Exchange since 2009.



**LW Bogdanka S.A. has three mining fields:**

- Bogdanka
- Nadrybie
- Stefanów

**The structure of coal production in 2022 was as follows:**

- fine coal: 98.1%
- pea coal: 1.3%
- chestnut coal: 0.6%

**The Company's key customers (by percentage of revenue) are:**

- ENEA Group – Enea Wytwarzanie (52%)
- ENEA Group – Enea Połaniec (17%)
- Grupa Azoty Zakłady Azotowe Puławy S.A. (6%)
- Energa Elektrownie Ostrołęka (3%)

**The Company holds four concessions for the mining of hard coal from the following deposits (areas):**

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

With coal extraction at a level of approximately 9.0 million tons annually, only the resources from the areas of key significance for the Strategy until 2030 will be sufficient for approximately 50 years of mining operations.

**Modern technologies**

LW Bogdanka S.A. cares about the safety of its staff and the natural environment. In the mining process, it applies state-of-the-art technologies and world-class machinery, making them a mine with the highest efficiency and best performance rates in Poland. The Company's underground productivity is more than twice the average value in the hard coal mining industry in Poland.

**Cost control**

The Company remains the efficiency leader in the Polish mining industry owing to its consistently executed Cost Optimization Program. The Company's strategy calls for a further decrease in the Unit Mining Cash Cost.

**The Company has a deposit management system in place, consisting of:**

- digital deposit model (the only one to date in the Polish hard coal mining sector)
- digital map of mining excavations
- digital schedule of opening, preparatory and operational works.

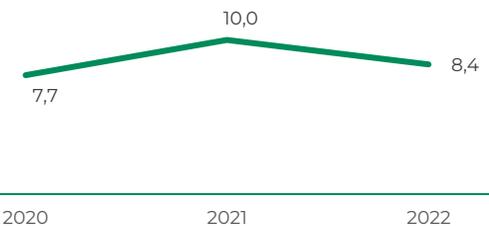
**We have built our success based on:**

- highly qualified staff, top technical culture focused on cooperation and achievement of common objectives
- highly efficient, reliable, energy-saving machinery and equipment, properly adjusted to existing geological and mining conditions, mechanizing both primary mining works and a broad range of auxiliary works
- mechanization and automation of the broadest possible range of underground works
- deployment of modern IT systems for various areas of mining activity, aimed at streamlining technological processes, monitoring the operation of machinery and equipment, useful in production planning and hazard identification

**Output [million tons]**



**Sales [million tons]**



## Highlights in 2022

### Q1 2022

- outbreak of the armed conflict in Ukraine
- appointment of Vice-President of the LW Bogdanka S.A. Management Board for Operations

### Q2 2022

- execution of an annex to the multi-year agreement with ENEA Elektrownia Połaniec S.A.
- reduction of the total share of the ENEA Group in the total number of votes in the Company to 64.91% as a result of the sale of shares in LW Bogdanka S.A. by ENEA Wytwarzanie Sp. z o.o.
- execution of annexes to the Multi-Year Agreement with ENEA Wytwarzanie Sp. z o.o.
- signing of a letter of intent on sale by ENEA S.A. of shares in LW Bogdanka S.A. to the State Treasury
- appointment of the Management Board of LW Bogdanka S.A. for a new term of office
- Ordinary Shareholder Meeting of LW Bogdanka S.A.
- 2021 dividend decision

### Q3 2022

- updating the production target for 2022 to approx. 8.3 million tons of commercial coal
- dismissal of the President of the Management Board
- adopting the production target for 2023 of approx. 8.3 million tons of commercial coal

### Q4 2022

- updating the assumptions announced in the Development Strategy of LW Bogdanka S.A. in the Mining Area of the ENEA Group until 2030 (with an outlook to 2040) – abandonment of mining of type 34 coal
- execution of another annex to the agreement with Grupa Azoty Zakłady Azotowe Puławy S.A.
- execution of another annex to the agreement with Enea Elektrownia Połaniec S.A.
- execution of an annex to the Multi-Year Agreement with ENEA Wytwarzanie Sp. z o.o.

### Material events after the balance sheet date

- appointment of President of the LW Bogdanka S.A. Management Board
- establishment of the Łęczyński Energy Cluster
- Extraordinary Shareholder Meeting of LW Bogdanka S.A.
- changes to the composition of the LW Bogdanka S.A. Supervisory Board

## 2. Organization and activity of the LW Bogdanka Group





Taking into account the Group's structure and the fact that the basis for the Group's operations and activities is the business conducted by LW Bogdanka S.A. (activities of subsidiary companies are primarily ancillary to the activities conducted by the Parent Company), the descriptions presented in the Report refer also directly to the activities and events taking place within LW Bogdanka S.A. Wherever there are any discrepancies, this is clearly indicated by posting an appropriate description and data.

### Lubelski Węgiel Bogdanka Spółka Akcyjna

Address: Bogdanka, 21-013 Puchaczów, Lubelskie Voivodeship  
 Phone: +48 81 462 51 00, +48 81 462 51 01  
 Fax: +48 81 462 51 91  
 www: www.lw.com.pl; www.ri.lw.com.pl  
 REGON: 430309210  
 NIP: 713-000-57-84  
 e-mail: bogdanka@lw.com.pl

### Legal form and regulations underlying the Company's activity

LW Bogdanka S.A. is a joint stock company operating on the basis of the law of Poland. The Company operates on the basis of, among others, the following legislation:

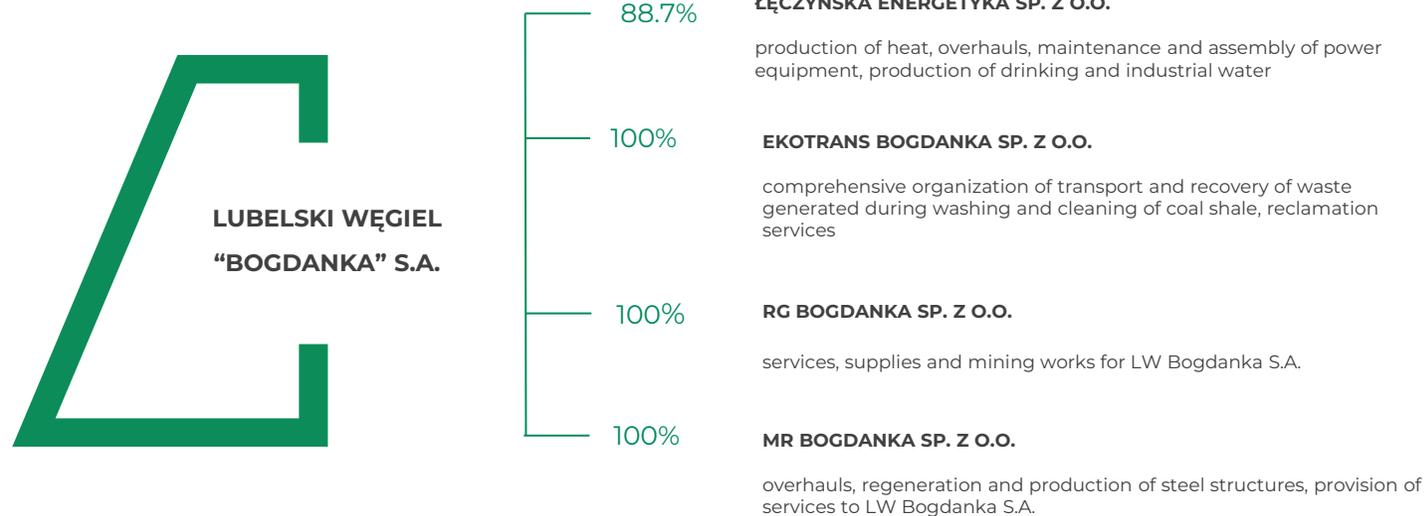
- Act of 15 September 2000 entitled Commercial Company Code
- Act of 9 June 2011 entitled Geological and Mining Law

The Company's founder is the State Treasury represented by the State Treasury Minister. The Company may operate in the Republic of Poland and abroad. The Company is established for an unlimited duration.

### Historical background

17 January 1975	1 March 1993	29 December 1994	25 June 2009	29 October 2015	17 November 2017	20 December 2019	17 December 2020	18 June 2022
decision made to build a pilot and extraction mine in Bogdanka. Bogdanka was one of 7 mines that were to be built in the Lublin Coal Basin, but due to suspension of the project, it turned out to be the only one	transformation of the state-owned enterprise into a wholly-owned State Treasury company with the business name Kopalnia Węgla Kamiennego "Bogdanka" S.A.	as part of the implementation of the provisions of a bank settlement, as a result of debt conversion, KWK "Bogdanka" SA ceased to be a wholly-owned State Treasury company as new shareholders (creditors) acquired 4.0% of the Company's shares	IPO on the Warsaw Stock Exchange	LW Bogdanka S.A. became part of the ENEA Group	obtaining a concession for hard coal mining from the Ostrów deposit in the Ludwin mining area	obtaining a concession for hard coal mining from the "Lublin Coal Basin – Area K-6 and K-7" deposit in the "Cyców" mining area	adoption of the new LW Bogdanka Strategy until 2030 in response to rapid developments in the domestic and international market in 2020	signing of a letter of intent on the sale by ENEA S.A. of shares in LW Bogdanka S.A. to the State Treasury

## Structure of the LW Bogdanka Group



## Changes in the LW Bogdanka Group's structure

In 2022, there were no changes in the structure of the LW Bogdanka Group or in its organizational and capital relations with other entities. During this period there were no changes in the structure of the LW Bogdanka Group as a result of merger of business entities, takeover or sale of the Group's entities, long-term investments, demerger, restructuring and discontinuation of activity.

As at the date of this Report, LW Bogdanka S.A. also holds 22.41% of shares in Kolejowe Zakłady Maszyn KOLZAM S.A., with the share capital of PLN 750 thousand (bankruptcy proceedings have been discontinued, the company is not conducting any business activity). The title to the shares has been transferred to the Parent Company as security for the financial settlements for performance of transportation services. This company has not been consolidated.

### Changes to LW Bogdanka S.A.'s basic governance principles

In order to clarify the governance principles at LW Bogdanka S.A., the following changes were made in 2022:

- documentation of the Safety Management System (SMS) and the Maintenance Management System (MMS) in Rail Transport was updated
- Rules and Regulations of the Incentive Program for LW Bogdanka S.A. Management (MBO) were updated
- list of inspectors of the Safety Management System (SMS) and the Maintenance Management System (MMS) in Rail Transport was updated
- procedures associated with SARS-CoV-2 were suspended
- Accounting Policy was updated
- Rules and Regulations for awarding bonus points to blue-collar employees were introduced
- Rules and Regulations of the Scientific Council for Environmental Protection at LW Bogdanka S.A. were introduced
- Information Security Policy for ICT systems at LW Bogdanka S.A. was introduced
- Manual for handling security incidents in information systems used to provide key services in the Company was introduced
- Book of Marks was introduced for use in the Company
- Debt Collection Policy was adopted for use at Lubelski Węgiel Bogdanka S.A.
- Policy on the protection system for facilities and areas was adopted for use in the Company

The purpose of updating existing documents and introducing certain new ones was to improve the transparency of the Company's operations and streamline the service provision process.

## Production potential and material factors related to the growth of LW Bogdanka S.A. and the whole Group

The mining area exploited by the Company is divided into the following three mining fields:

- Bogdanka field
- Nadrybie field
- Stefanów field

Mine shafts are located in:

- Bogdanka
- Nadrybie
- Stefanów

Of these, extraction shafts are located in:

- Bogdanka
- Stefanów

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

- Bogdanka deposit in the Puchaczów V mining area (seams: 382, 385/2, 389, 391) with an area of 73.3 km<sup>2</sup>, located in Cyców, Ludwin and Puchaczów municipalities of the Lubelskie Voivodeship
- K-3 deposit in the Stręczyn mining area (seams: 379/2, 385/2, 391) with an area of 9.38 km<sup>2</sup>, located in Cyców and Puchaczów municipalities of the Lubelskie Voivodeship
- Ostrów deposit in the Ludwin mining area, located in Ludwin, Łęczna, Ostrów Lubelski, Sosnowica, Uścimów and Puchaczów municipalities, with a total area of 78.67 km<sup>2</sup>, with seams 377/1, 379, 382 and 385/2

earmarked for mining operations

- K-6 and K-7 deposits in the Cyców mining area, located in Cyców municipality, with a total area of 51.78 km<sup>2</sup>, with seams 379, 380, 382, 387, 389 and 391 earmarked for mining operations

**Material factors related to the growth of LW Bogdanka S.A. and the whole Group**

- stable volume of sales as a benefit of membership in the Enea Group
- rich reserves of hard coal, ensuring the continuation of mining operations for a long time to come
- highly skilled employees and technical culture
- innovation and development of state-of-the-art technologies
- many years of experience that translates into business efficiency and flexibility.

On 30 November 2022, LW Bogdanka S.A. obtained a concession for the exploration and prospecting of type 34 and 35 coking coal in the area containing the Łaszczów deposit.



Resources of the Bogdanka (Puchaczów V) hard coal deposit – updated as at 31 December 2022

Resources [million tons]	year			Difference
	2020	2021	2022	2022-2021
Total anticipated economic resources	738.9	730.3	724.9	-5.4
Potentially economic resources*	243.9	234.0	247.9	13.9
Potentially extractable resources*	182.9	175.3	169.0	-6.3

\* Resources that may be mined on the basis of the concessions held by the Company and after an extension of the concession for the Bogdanka deposit (the concession process for the Company is currently in progress)

Resources of hard coal deposits – updated as at 31 December 2022

Resources [million tons]	Ostrów	K-6, K-7	Stręczyn - K-3
Total anticipated economic resources*	1,248.9	656.0	143.2
Industrial	248.2	91.1	22.3
Extractable resources	169.9	65.6	18.1

\* Anticipated economic resources in the concession area

## Concessions

Mining operations involving the extraction of hard coal for economic purposes must be carried out in accordance with the provisions of the Geological and Mining Law.

- In the Strategy until 2030 (with an outlook to 2040), the key areas for the Company are Puchaczów V, Stręczyn (K-3), Ludwin (Ostrów) and Cyców (K-6, K-7)
- In 2017, the Company obtained a mining concession for the Ostrów deposit (Ludwin area). As a result, the Company doubled its extractable resources
- In 2019, the Company obtained a mining concession for the Ostrów deposit (Cyców area). As a result, the Company's extractable resources increased by 66 million tons
- on 30 November 2022, LW Bogdanka S.A. obtained a concession for the exploration and prospecting of type 34 and 35 coking coal in the area containing the Łaszczów deposit



### LW Bogdanka S.A. holds the following mining licenses:

Deposit	Concession no.	Concession grant date	Concession expiration date
Bogdanka	5/2009	6 April 2009	31 December 2031
K-3	3/2014	17 June 2014	17 July 2046
Ostrów	6/2017	17 November 2017	31 December 2065
K-6, K-7	10/2019	20 December 2019	31 December 2046

Permit/license	Number	Issuing authority	Date granted	Expiration date
Water permit for a water service covering:				
a) drainage of the LW Bogdanka S.A. mine	LU.RUZ.421.16.2019.VR	PGW Wody Polskie	6 November 2019	31 October 2023
b) discharge of industrial sewage (seepage water from the mining waste facility and water from the mine drainage system) via the Żelazny Trench to the Świnka River				
Permit to carry out mining construction works related to the expansion of the mine waste heap	Ref. no. 5/512/1/93/AG	Regional Mining Authority in Lublin	30 March 1993	-
Permit approving the construction design for an extension of the mining waste facility at Bogdanka	LUB.5200.20.2021.MS Ref. no. 37949	Regional Mining Authority in Lublin	10 December 2021	-
Decision of the Marshal of the Lubelskie Voivodeship authorizing the operation of a mining waste facility at Bogdanka.	DŚ-III.7244.2.2022.EWF		31 March 2022	31 March 2032

## Development strategy LW Bogdanka S.A.

On 16 December 2020 the Parent Company announced the document "Key elements of the Development Strategy of LW Bogdanka S.A. in the Mining Area of the ENEA Group until 2030 (with an outlook to 2040) including dividend policy".

The Strategy is consistent with the draft of Poland's Energy Policy until 2040 and is a link of the Enea Group's Development Strategy until 2030 with an outlook to 2035 by taking into account, among others, the satisfaction of the anticipated demand for steam coal from the power plants

and cogeneration plants included in the Enea Group's Generation area.

Due to the rapidly changing environment, work is currently underway on a new strategy, which will be announced in the first half of 2023.

### Changes to the Strategy

On 9 November 2022, the Company updated the assumptions announced in the Growth Strategy of LW Bogdanka S.A. in the Mining Area of the ENEA Group until 2030 (with an outlook to 2040), one of the basic assumptions of which was to increase the number of products through selective coal mining (type 34).

Due to the results of the completed tests, indicating a small amount of type 34 coal in the samples tested, as well as increased demand for steam coal, the Company has decided to deviate from the aforementioned assumption in order to maximize the production of its core product. The abandonment of selective coal mining in the deposit will allow the Company to increase its potential production capacity after 2026 by approx. 10%

compared to the average volumes presented in the current Strategy.

Company is working on a comprehensive update of the Strategy, as part of which other elements of the Strategy, such as the resource base, development plans, as well as strategic initiatives including seeking investment opportunities outside the core business, may also be revised.

### Vision

Bogdanka is the performance leader in the mining industry attaining the highest standards of work safety, flexibly adjusting its operations to evolving environmental requirements and market conditions and involved in endeavors aimed at reaching the "green deal" through diversification of its business.

### Mission

Bogdanka is a reliable and credible coal supplier for the commercial power sector, which maintains its competitive advantage in a manner ensuring a constant growth in the Company's value and develops as regards OHS standards, environmental protection and implementation of innovative solutions.

### As part of the work on the Strategy, the following two fundamental strategic goals have been specified:

- Maintenance of the leader's position in the market of the steam coal supply to the commercial power sector in Poland, while effectively competing with import
- Maintaining high production efficiency and profitability due to the application of innovative organizational as well as technical and technological solutions.

Based on the prepared forecasts (draft of Poland's Energy Policy until 2040, National Plan for Energy and Climate for 2021-2030), LW Bogdanka S.A. will endeavor to remain the most cost efficient producer of steam coal in Poland, which effectively competes with other coal producers and suppliers at the same time maintaining the present production potential until 2040.

### In order to attain the strategic objectives, LW Bogdanka S.A. will take the following optimization measures:

- Expanding business areas (diversification) – leveraging the technical and human potential to undertake effective initiatives outside of core business
- Identifying, appraising and documenting new coal resources (coking

coal – type 35).

- Implementing own innovation programs (technical-technological and occupational safety solutions) to maintain competitive advantage
- Implementing key strategic initiatives defined for the Mining Area in the Enea Group Strategy.

### In attaining the strategic objectives, the Company intends to leverage its strengths, such as:

- Stable sales thanks to long-term contracts with coal buyers,
- Geographical rent – the only mine in the Lublin Coal Basin,
- Low mining costs – the highest cost efficiency in the industry,
- Highly skilled employees and technical culture,
- Optimal utilization of production capacity,
- Ongoing dialogue with the trade unions,
- Status as a listed company.

### Production

The Company intends to take advantage of the opportunities offered by its concession to mine coal from the Ostrów, K-6 and K-7 fields.

The Company expects the average production of 9.7 mt in 2021-2025 – during this period only steam coal will be produced.

In 2026-2040, in turn, the Company assumed that also coking coal (type 34) would be mined. From 2026 going forward, coking coal volumes will oscillate between 0.7 to 3.1 mt per annum, with an average of 1.9 mt.

The average total coal production over the period until 2040 will therefore be approx. 8.8 mt.

Thanks to longwall strikes of 6-7 km, which are innovative in Poland and common in global mining, the Company expects higher mining concentration and lower mining costs, which will enable it to effectively compete with other coal, especially imported. On 9 November 2022 the Company announced that it is abandoning the mining of type 34 coal and focusing on steam coal production.

### Capital expenditures

The average expenditures will amount to approx. PLN 535 million in 2021-2025, approx. PLN 405 million in 2026-2030, approx. PLN 352 million in 2031-2035, and approx. PLN 307 million in 2036-2040. These figures do not include potential expenditures on vertical accessing of the Ostrów Field (PLN 2.1 billion).

### Corporate Social Responsibility (CSR)

Due to its very important role in the region, the Company invariably sets as its objective to conduct its business activities in accordance with the corporate social responsibility (CSR) strategy, which includes ensuring the highest level of safety in the workplace, environmental efficiency, protection of local biodiversity, stimulating development and ensuring the safety of the local community, as well as effective management of relations with all stakeholder groups, based on the principles of sustainable development (Green Mine).

### Dividend policy

In the medium and long term, LW Bogdanka S.A. wants to remain a dividend payer, and the Management Board's intention is to apply to the Shareholder Meeting for payment of a dividend of up to 50% of the net profit posted in the Company's standalone financial statements prepared in accordance with the EU IFRS.

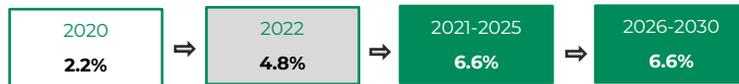
## Implementation of the development strategy of LW Bogdanka S.A. in 2022

### Recoverable reserves (million Mg)



### Financial\*

Return on Equity (ROE)



Return on Assets (ROA)



EBITDA margin



### CAPEX\*

Average annual expenditures on fixed assets under construction [PLN million]



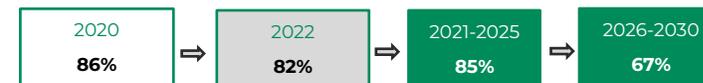
### Production

Annual production volume [Mg million]



### Market

Own annual consumption of coal (Enea Group)



Market share of coal for the commercial power sector



\* The measure values do not take into account capital expenditures and effects from the implementation of strategic initiatives. A similar price of steam coal and coking coal expressed in PLN/GJ was assumed for the analysis.

## Growth strategies of the subsidiaries

### Development strategy of Łęczyńska Energetyka sp. z o.o.

The Management Board of Łęczyńska Energetyka sp. z o.o. has identified the following strategic objectives for the company to be pursued in the coming years:

- change in the heat generation method resulting from, among others, the need to ensure an uninterrupted supply of heat to consumers (guaranteeing additional reserve generating capacity to reduce the risk of heat generation interruptions) and gradual abandonment of coal fuel. The company intends to take steps to find and select the optimal non-coal source for heat generation in the coming years in order to satisfy increasingly stringent environmental protection standards
- Modernization of the heating main between Bogdanka and Łęczna – the implementation of this task aims at gradual reduction of considerable transmission losses and will additionally allow for protecting the network against corrosion, thus supporting its operation in the following years.

The above investment projects are planned to be executed using the Company's own funds, however in the case of the Bogdanka-Łęczna main, the source of funding may be changed in subsequent years (if aid funds are obtained).

### Łęczyński Energy Cluster

Due to its competences, Łęczyńska Energetyka is a dedicated entity to act as a coordinator in the Łęczyński Energy Cluster. This role will involve exercising energy management within the cluster, representing the cluster externally, commercial balancing and energy billing in the cluster

Łęczyńska Energetyka sp. z o.o. may also act as a provider of services associated with the operation of heat sources, sharing electricity and heat-related know-how.

### Development strategy MR Bogdanka sp. z o.o.

The company's strategic objectives are:

- Development of mining machinery production and overhaul capabilities
- Manufacture of general purpose steel structures
- Manufacture and regeneration of bulk products used at LW Bogdanka S.A.

The company's primary objectives include:

- Conducting and developing capabilities in the overhaul of mining machinery and equipment
- Manufacture of general purpose steel structures while meeting all formal and legal requirements
- Performance of work related to regeneration of bulk products used in the Parent Company
- provision of repair and adaptation services for the office and administrative infrastructure on the surface.

### Development strategy of EkoTrans Bogdanka sp. z o.o.

The Company plans to conduct post-mining waste management activities in 2023 and beyond.

As part of recovery and processing of waste generated in the process of dry and wet processing of hard coal, the company plans to utilize approx. 2.5 mt of waste annually.

### Development strategy RG Bogdanka sp. z o.o.

The Company's main development direction for the coming years is to continue its strategy, i.e. to increase the share of specialist mining work such as excavation of roadways, rebuilding and execution of works with the use of specialist machinery. These activities are aimed at establishing the company's position in the local market. Extension of the scope of activities will ensure continuity of operations and will also allow for professional development of employees through successive improvement of their qualifications. The Company plans to expand its machinery fleet over the long term to ensure independence and the capacity to perform the full range of mining operations.



## Investment activities completed in 2022

In 2022, LW Bogdanka S.A. carried out its scheduled investment tasks. As part of implementation of the investments, expenditures on fixed assets in the total amount of PLN 595,937 thousand were incurred.

The 2022 plan includes the following task groups:

- development and replacement investments – including purchases of machinery and equipment, their modernization and overhaul, extension of the mining waste facility, longwall shearers, modernization of the central air conditioning system in Stefanów, etc.
- operational investments – including the construction and modernization of excavations in the Bogdanka, Nadrybie, Stefanów and Ostrów fields, etc.

### Development and replacement investments LW Bogdanka S.A.

#### Maintenance of machinery

- Purchase of new machinery and equipment subject to assembly – this included suspended diesel locomotives, ventilation dams, PWP sifters and cooling devices as well as other equipment, e.g. self-propelled drilling, anchoring and case-stripping device for the total amount of PLN 8,661 thousand. PLN 71 thousand was spent on the assembly of belt conveyors, ventilation dams and sifters.
- Purchases of finished goods, machinery and equipment – finished goods were purchased for PLN 22,922 thousand. The most important ones were as follows: finished transport equipment (among others: hoists, brake carts, euro pallet transport containers), pumps and hydraulic units, electrical equipment (among others: electric motors, welding machines, safety device tester, flameproof distribution box, LFI circuit breaker), other finished equipment and shunting locomotives.

- Modernization and repairs of machinery and equipment – PLN 31,070 thousand was earmarked for the modernization of Panda equipment, modernization of transformer stations, belt conveyors, Scharf diesel locomotives, Bevox suspended locomotives, modernization of hoists, renovation of wagons, and modernization of the haulage system for belt conveyors
- on longwalls PF-4/1032 and PF-4/932.

#### Securing new concessions

- Mine expansion with a new mining field – Łaszczów deposit – PLN 2,092 thousand. Three prospecting wells are being drilled in accordance with the provisions of the concession for the exploration of deposits in the Łaszczów prospecting area.

**Longwall shearers** – total expenditures of PLN 2,942 thousand were incurred, among others, for the modernization of shearer system 7.

#### Other development investments

- Expansion of the mining waste facility at Bogdanka – PLN 6,977 thousand. Works are in progress to perform earthworks in accordance with the executed contract along with electrical and construction works related to the construction of the conveyor.
- Central air conditioning of the Bogdanka field – expenditures of PLN 1,449 thousand were allocated for the modernization of coils in spray and evaporative condensers – stage 1 and commencement of stage 2.
- Power engineering, telecommunications and mechanical installations – expenditures of PLN 3,754 thousand were incurred, among others, for an extension of telecommunications and data transmission networks, continuation of the casing for the main drainage pipeline in shaft 1.2, commencement of works on the construction of a photovoltaic farm, assessment of bids for the construction of cable lines for connecting a photovoltaic power plant to the contracting party's network.
- Winding engine switchgear facilities and other power systems – PLN 7,532 thousand was

spent, among others, on the modernization of the MW power supply system for shaft 1.2 and modernization of heavy liquid scrubber facilities, 6kV switching station in the MW building of shaft 2.2, modernization of the 6kV STR-M3 switching station and frequency converters.

- Replacement investments in the Coal Preparation Plant – PLN 20,490 thousand was allocated, among others, to the modernization of steel structures and facades of the Coal Preparation Plant, installation of conveyor scales, modernization of the maneuvering yard at truck scales and installation of mounting beams in the Coal Preparation Plant.
- Switchgear facilities and 110/6 kV stations – PLN 2,789 thousand was allocated, among others, to the replacement of the 110/6 kV GSTR transformer at Bogdanka and the modernization of the battery bank.
- Construction and modernization of core business facilities and installations – PLN 9,321 thousand was spent, among others, on the modernization of the central air conditioning system at Stefanów, modernization and expansion of the THOR system, modernization of the HETMAN-T telecommunications system, replacement of batteries for the backup power supply of the telecommunications systems, expansion of the narrow gauge system in the Stefanów field, and adaptation of shaft 2.2 for transporting people and materials on the counterweight side.
- Other – PLN 24 thousand was incurred, among others, on switching stations and 110/6 kV stations.

**ICT** – PLN 10,206 thousand was spent, among others, on alarm and monitoring systems, underground wireless communication systems, the “Smart Solutions Mine” project and the purchase of computer hardware and systems.

**Administration** – PLN 730 thousand was spent to purchase equipment for offices and premises.

**Other** – PLN 13,384 thousand was spent, among others, on the construction of civil structures in the

Bogdanka field, environmental protection (e.g. construction of an underground water pumping station at the Żelazny ditch, construction of a pumping station at the A-46 ditch) and rail investments (for the modernization of the external rail lighting system at km 24.117). PLN 1,727 thousand was spent on the purchase of means of transport.

### Operational investments of LW Bogdanka S.A.

#### New excavations and upgrade of existing ones

New excavations were completed in accordance with the applicable Mining Work Schedule. The total length of the completed roadway excavations carried out as part of the investments in 2022 was approximately 28.7 km (in total 32.8 km) and their value amounted to PLN 377,084 thousand. The modernization of excavations in the form of reconstruction of roadways, reconstruction of vertical excavations and modernization of retention reservoirs was carried out in accordance with the adopted schedules for a total value of PLN 72,712 thousand.

### Łęczyńska Energetyka and other subsidiaries of LW Bogdanka S.A.

The LW Bogdanka Group's subsidiaries incurred expenditures on fixed assets in the amount of PLN 13,200 thousand.

**Łęczyńska Energetyka** – investment tasks carried out in 2022 included an extension of the Water Treatment Plant at Bogdanka and investments related to the generation, transmission and distribution of heat. In 2022, the company incurred total capital expenditures of PLN 4,404 thousand.

**RG Bogdanka, MR Bogdanka** – in 2022, these companies incurred capital expenditures of PLN 8,796 thousand in total. These were expenditures for investments in property, plant and equipment (purchase and installation of machinery and equipment, purchase of computer hardware), and the lease of a road header.

## Investment activities completed in 2022

### Selected items of capital expenditures in the LW Bogdanka Group

[PLN 000s]	TEP 2022	Execution TEP 2022	Execution TEP 2022 [%]	TEP 2023
New excavations and upgrade of existing ones	408,893	449,796	110.0%	456,957
Maintenance of machinery	127,457	62,724	49.2%	179,246
Securing new concessions	6,000	2,092	34.9%	10,588
Longwall shearers	10,000	2,942	29.4%	6,278
Other development investments	65,539	52,336	79.9%	106,737
IT/TC	21,253	10,206	48.0%	30,947
Administration	379	730	192.6%	3,400
Other	29,679	15,111	50.9%	47,889
<b>TOTAL CAPEX in LW Bogdanka S.A.</b>	<b>669,200</b>	<b>595,937</b>	<b>89.1%</b>	<b>842,042</b>
Łęczyńska Energetyka Sp. z o.o.	6,000	4,404	73.4%	8,000
MR Bogdanka	1,300	939	72.2%	1,590
RG Bogdanka	2,496	7,857	314.8%	9,905
EkoTrans	0	0	0.0%	0
<b>TOTAL CAPEX in the LW Bogdanka Group</b>	<b>678,996</b>	<b>609,137</b>	<b>89.7%</b>	<b>861,537</b>

### Value of capital expenditures incurred for excavations in 2022

Total excavations and works	Depreciation method	Length [running meters]	Value of capital expenditures [PLN 000s]
Gate roads	natural	21,465	
Basic excavations	straight-line	7,268	449,796
Reconstructions	linear/natural	2,715	

The total length of roadway excavations completed in 2022 was 30,087 m. Reconstruction of excavations was carried out according to the adopted schedules. Total expenditures on reconstruction of roadway excavations in this period amounted to PLN 72,712 thousand. The total expenditure incurred on new excavations and modernization of existing ones amounts to PLN 377,084 thousand.

Fractions are not included in the values shown in the table as they are charged directly to expenses. However, they are included in the total length. In this case, this is 1,354 m.

## Planned investment activities for 2023

### Operational investments of LW Bogdanka S.A.

#### New excavations and upgrade of existing ones

The plan includes the mining of excavations – mainly longwall galleries, capital galleries, crosscuts and other technological and access excavations, enabling the mining of longwalls in seams 382, 385/2, 389 and 391 in the Bogdanka, Stefanów and Nadrybie fields. Redevelopment of mining excavations will also be carried out.

### Growth investments of LW Bogdanka S.A.

#### Securing new concessions

Continuation of the drilling of prospecting wells in the Łaszczów area – “Type 35 coking coal” project.

#### Maintenance of machinery

- Purchase and assembly of new machinery and equipment to be assembled – plans for 2023 include the purchase of overhead diesel locomotives, mine track locomotives, a belt conveyor, ventilation dams, PWP vibrating sifters, cooling equipment, a self-propelled drilling and anchoring device, an overrun turning station and an excavation stripping device
- Purchases of finished goods, machinery and equipment – the following purchases are planned: ready-made transport equipment (including transport platforms, container trucks without a chassis, mobile transport hoists, a heavy set for section transport), pumps and hydraulic units, electrical equipment

- (including electric motors and electric devices) and other ready-made equipment
- Modernization and repairs of machinery and equipment – the plan includes the modernization of transformer stations, EL 160LS and SKL dinting loaders, diesel locomotives for the suspended BIZON system, URW Panda excavation stripping devices, UDP Mamut support stripping devices, renovation of roadheaders, periodic repairs of wagons, modernization of type 1600 belt conveyors – adaptation to the transport of people
  - Renovation and modernization of longwall systems – the plan for 2023 includes the modernization of type 1600 belt conveyors – adaptation to the transport of people, renovation of longwall and bottom-gallery conveyors
  - of type PF-4, renovation of JOY 4LS longwall shearers and renovation of the CAT 4 plow complex
  - Shearer complex 6 – the purchase of 3 new sections is planned for 2023
  - Shearer complex 8 – the purchase of new longwall mining equipment is planned for 2023.

#### Other development investments

- Expansion of the mining waste facility at Bogdanka – the plan provides for the continuation of works on the expansion of the facility as part of stage II in sector V (including the preparation of a technical design) and the purchase of land for subsequent stages.
- Expansion of the coal storage site – continuation of works related to the expansion of the storage site; the plan for 2023 provides for infrastructure development.
- Replacement investments in the Coal Preparation Plant – the task includes the execution of the following items: modernization of the steel structures and the facade of the Coal Preparation Plant, continuation of the replacement of jigs, modernization of facilities 2.1 and 2.3, modernization of building structures 18RS and 39.

#### ICT

- Integrated Production Management System – the plan provides for the continuation of work on the underground wireless communication system and the WiFi wireless communication system in underground excavations
- “Smart Solutions Mine” project – for 2023, the plan provides for the continuation of works related to the deployment of a facility map system
- Alarm and monitoring systems – the plan includes: seismic activity monitoring system, monitoring system for the company’s facilities, expansion of the automation and video monitoring system in the area of belt haulage in the Stefanów field, development of a system for monitoring and automating the haulage of excavated material
- Purchase of ready-to-use equipment – information and communication technology – this group included purchases of hardware and network equipment, software and underground mobile computer equipment.

#### Other

- Construction of civil structures in the areas of the Nadrybie, Bogdanka and Stefanów Fields – major expenditures are planned for building a gantry crane at the service yard in the Bogdanka Field and expansion of technical rooms in the shaft top building of Shaft 1.4, and it was also planned to modernize the Fuel Station in the Bogdanka, Nadrybie and Stefanów Fields
- Environmental Protection – it is planned, among others, to complete a pumping station of underground waters on the RE Żelazny ditch and rebuilding and expanding pumping station in the location of Bogdanka Gaj
- Railway investments – it was planned to modernize electrical heating of turnouts at the Bogdanka station.

### Łęczyńska Energetyka and other subsidiaries of LW Bogdanka S.A.

**Łęczyńska Energetyka** – planned capital expenditures in 2023 are designated for investments related to generation, transmission and distribution of heat. Expenditures were also planned for purchasing goods

**MR Bogdanka** – in 2023, it plans to use expenditures to purchase and assemble machinery and equipment as well as ICT systems.

**RG Bogdanka** – expenditures planned mainly for purchasing finished goods.

## Significant trade contracts

LW Bogdanka S.A., as in the previous years, entered into new trade contracts and negotiated prices and volumes of supplies for next years under long-term agreements in force. As a result of the above activities, as at the date of submitting the Report, nearly 100% of the volume planned for sales in 2023 was contracted. The Company provides information about any agreements and contracts and amendments to them which are significant from the perspective of conducted business activity in current reports. In 2022, the criterion of significance was fulfilled by the execution of annexes amending terms and conditions of agreements and entering into additional agreements with:

- ENEA Elektrownia Połaniec S.A.
- ENEA Wytwarzanie Sp. z o.o.
- Zakłady Azotowe "Puławy" S.A.

### Transactions with related entities

In 2022, the Parent Company and its subsidiaries did not enter into any individually or jointly significant transactions with related parties out of compliance with the arm's length principle. The list presented beside shows major contracts in force in 2022 entered into between LW Bogdanka S.A. and its subsidiaries.

In 2022, LW Bogdanka S.A. had a contract in force for purchase of electricity from Enea S.A. For more information on the agreements with the Enea Group and companies controlled by the State Treasury, see Note 30 of the Financial Statements of LW Bogdanka for 2022.

#### Agreements between LW Bogdanka S.A. and MR Bogdanka Sp. z o.o.

- delivery of casing pipes and connectors
- overhaul of machinery and equipment and repairs of tools
- delivery of components of machines, equipment and steel structures
- repairs of transport units of the underground thill rail
- production of friction racks SV-36 and SV-32
- provision of maintenance services, ongoing repairs and overhauls, service of joinery, snow clearing and removals
- memorandum of cooperation
- lease of parts of the multi-functional workshop and storage building,
- vehicle weighing service with specific goods on a truck scale for fine coal at Bogdanka
- supplying electricity.
- lease of rooms for providing laundry services and preparing drinks and beverages.

#### Agreements between LW Bogdanka S.A. and Łęczyńska Energetyka Sp. z o.o.

- supply of heat
- supply of water and discharge of sewage, maintenance service for central heating, domestic hot water and process heat systems
- sales of thermal coal and electricity
- lease of rooms
- heating intake air to mining shafts (operational service and supervision)
- lease of rooms from Łęczyńska Energetyka for PSG and POS sections
- weighing services
- cold water supply and sewage discharge from buildings in Zawadów service and maintenance of sewer lift station, drainage system and network
- service of supervision as the owner's representative
- service of producing ID badges.

#### Agreements between LW Bogdanka S.A. and RG Bogdanka Sp. z o.o.

- performance of mining works and services at the LW Bogdanka S.A. mine on business days
- performance of explosive works
- tenancy, lease and lending for use
- performance of auxiliary works, handling deliveries
- provision of services of higher-order supervision of mine operations.

#### Agreements between LW Bogdanka S.A. and EkoTrans Bogdanka Sp. z o.o.

- removal of non-hazardous waste (waste rock)
- lease of office room in the multi-functional building
- agreement on providing services with trucks.



## Information on financial instruments, bonds

### Information on financial derivatives

As at 31 December 2022, the Parent Company had no open derivative transactions.

### Bonds

As at 31 December 2022, the Group:

- had no active bond issue agreement
- and no issued and outstanding bonds.

### Assessment of the capacity to execute investment plans

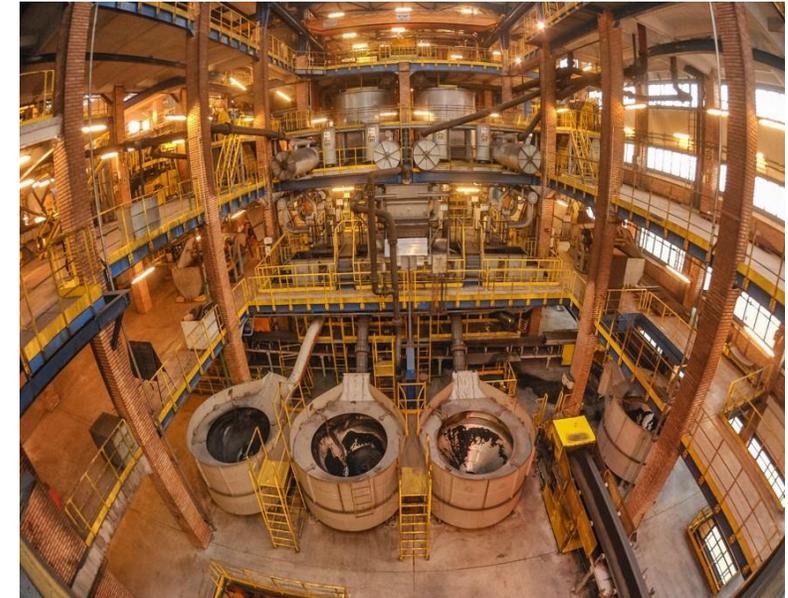
As at the date of submission of this report, the Group does not see any risk as regards the possibility of raising additional debt financing, however it points to the risk that the costs of raising and servicing such financing may be higher than those currently incurred.

### Tenancy and lease agreements

The Group's total net revenues from tenancy and lease agreements, including land, premises, machinery and equipment, in 2022, amounted to PLN 7,816 thousand.

### Opinion of the LW Bogdanka S.A. Management Board regarding the possibility of fulfillment of previously published result forecasts for the given year in view of the results presented in the standalone annual report compared to forecasted results

LW Bogdanka S.A. did not publish any financial result forecasts for 2022.



## Agreements relating to loans and borrowings

### Information on loans and borrowings taken out and granted

In 2022, the Parent Company did not take out or grant any loans or terminate any loan agreements.

### Information on sureties and guarantees granted and received

In 2022, the Parent Company did not grant (or receive) any sureties.

### Guarantees extended by LW Bogdanka S.A.

In 2022, the Parent Company did not instruct banks to issue any guarantees.

### Agreements relating to loans and borrowings of subsidiaries

Łęczyńska Energetyka sp. z o.o. continues to repay the loan granted under the agreement of 9 June 2014 (in the amount of PLN 26,580 thousand) by the Voivodeship Fund for Environmental Protection and Water Management (WFOŚiGW) in Lublin, intended to subsidize the construction of the Water Treatment Plant in Bogdanka, which was completed in February 2016. The interest rate is 0.7 of the bill rediscount rate set by the Monetary Policy Council, not less than 4.0% per annum. The loan will be repaid successively until 31 July 2024. Except for the above loan, in the period from 1 January to 31 December 2022, Łęczyńska Energetyka Sp. z o.o. did not use any external sources to fund its operations.

In 2022, the subsidiaries: EkoTrans Bogdanka Sp. z o.o., RG Bogdanka Sp. z o.o., MR Bogdanka Sp. z o.o. did not grant or incur any loans and borrowings or terminate any agreements pertaining to loans and borrowings.



In 2022, LW Bogdanka S.A. had one active loan agreement.

Start date	End date	Lender	Loan amount [PLN thousand]	Interest rate	Debt balance on account of loans as at 31 December 2022 [PLN 000s]	Period for repayment
12 May 2020	12 May 2022	BGK	150,000	WIBOR 1M + margin	-	current account overdraft

## Price of coal on the international market



### CIF ARA coal prices

- 237.6 USD/t - average CIF ARA coal price in Q4 2022 +36.9% vs. Q4 2021 (USD 173.6 per ton)
- comparing with the average CIF ARA coal price in Q3 2022 (360.9 USD/t), this is a decrease of 34.2%
- the average price in 2022 was 291.5 USD/t, up 140.1% y/y (in 2021: 121.4 USD/t)

### Inventories in ARA ports

- approx. 6.4 million tons of coal inventories at the end of December 2022 at ARA ports – at the end of September 2022, inventories were at the same level.

### Prices at major ports worldwide

- 115.6 USD/t - average Baltic Ports FOB price in Q4 2022 vs. Q4 2021 (167.0 USD/ton) – down by 30.8%
- comparing with the average price in Q3 2022 (118.4 USD/t), this is a decrease of 2.4%
- the average price in 2022 was 147.1 USD/t, up 33.0% y/y (in 2021, it was 110.6 USD/t).

### China

- in 1 2022, approx. 4.5 billion tons of coal were produced, i.e. +9.8% vs. 2021 (4.1 billion tons)
- in 2022, imports totaled 290.0 million tons, down approximately 10.3% from 2021 (323.2 million tons).

### USA

- in 2022, production was 537.2 million tons, up +2.4% vs. 2021 (524.4 million tons)
- in 2022, consumption was 465.2 million tons, down -6.4% vs. 2021 (496.9 million tons)
- exports in 2022 amounted to 76.8 million tons of hard coal, -1.0% y/y (77.6 million tons in 2021).

### Russia

- in 2022, production was 436.0 million tons, down 0.2% y/y (437 million tons in 2021)
- exports in 2022 amounted to 194 million tons, down 8.5% y/y (212 million tons in 2021).

Price of coal on the international market (USD/t)



## Prices for fine steam coal on the domestic market



### Price of fine steam coal

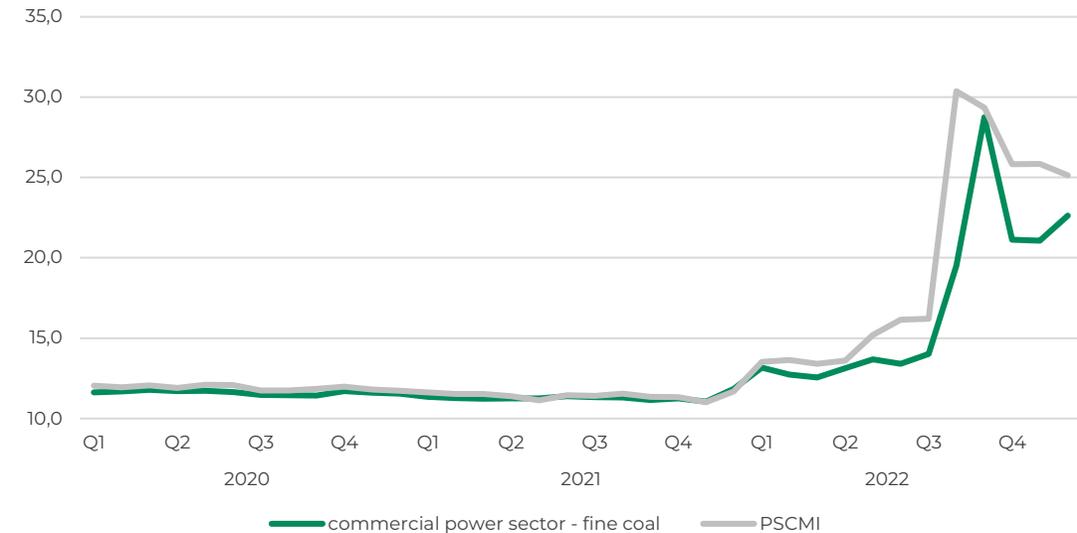
- The average price of fine steam coal for the commercial power sector in Q4 2022 was PLN 21.60/GJ, the price growth rate was approx. 89.8% compared to Q4 2021 (PLN 11.38/GJ)
- in 2022 (PLN 17.14/GJ) – up 51.5% compared to 2021 (PLN 11.31/GJ)
- The average calorific value of fine coal for the commercial power sector was approx. 21.1 GJ.

### Prices from the PSCMI index

- The average price from the PSCMI Index in Q4 2022 was approx. PLN 25.6/GJ, compared to the average price in Q4 2021 (PLN 11.35/GJ), the increase was approx. 125.6%
- in 2022, the price was PLN 19.85 thousand/GJ vs. PLN 11.42/GJ in 2021, which means an increase of 73.8%.

The high level, calculated statistically, of average steam coal sales prices in August and September, is the result of coal companies renegotiating coal sales prices and including in the revenues of those months adjustments to invoices from previous months.

Prices for fine steam coal on the domestic market [PLN/GJ]



## Production, sales and inventories of steam coal on the domestic market



### Steam coal production in Poland

- in 2022, steam coal production was 40.5 million tons, down 4.5% y/y.

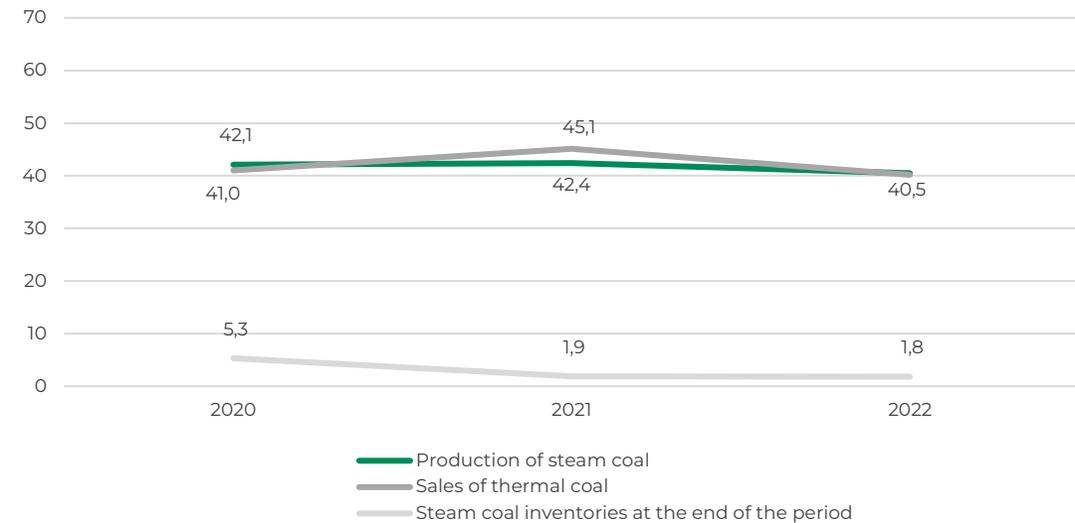
### Steam coal sales in Poland

- the sales in 2022 amounted to approx. 40.2 million tons, of which sales to the commercial power sector amounted to approx. 26.3 million tons of fine steam coal
- compared to 2021, steam coal sales decreased by approx. 10.9%.

### Coal inventories in Poland

- at the end of 2022, steam coal inventories were 1.8 million tons (1.9 million tons at the end of 2021).

Production, sales and inventories of steam coal on the domestic market [million tons]



## Production, sales and inventories of steam coal on the domestic market



### Key buyers of steam coal in Poland

The commercial power sector is the main buyer of steam coal in Poland, buying approx. 26.3 million tons of fine steam coal. The most important buyers in the commercial power sector are:

- Tauron
- PGE
- Enea
- PGNiG
- ENERGA

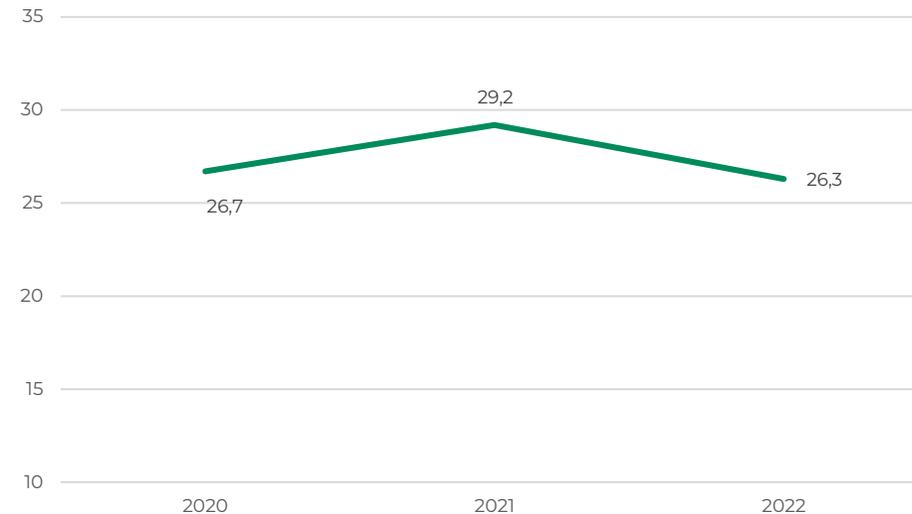
### Steam coal sales in Poland

During the entire 2022, approx. 40.2 million tons of steam coal were sold in Poland. Approx. 38.9 million tons of steam coal were delivered to the domestic market, including nearly 33.6 million tons of fine steam coal.

### Coal exports

Approximately 4.7 million tons of coal was exported, including approx. 1.3 million tons of steam coal.

Sales of steam coal to the commercial power sector [million tons]



## Production of electricity in Poland



### Electricity production from wind power plants

Wind power generated 18,305 GWh in 2022, up 28.6% from 2021. The share of wind power in electricity generation was approx. 10.5%.

### Total electricity production

In 2022, 175,157 GWh of electricity was produced, up 1,574 GWh (0.9 %) compared to 2021 (0.9%).

### Electricity production from coal

The main fuel used for electricity production was coal, which generated 134,739 GWh in 2022. Such a level means a drop by 3,665 GWh (-2.7%) compared to 2021. In 2022, coal was the source of 76.9% of all electricity production in Poland; its share in the fuel mix was lower by 2.8% compared to 2021.

### Electricity production from gas-fired power plants

Gas-fired power generation in 2022 was 10,002 GWh, down 25.2% compared to 2021.

### Domestic electricity consumption

173,479 GWh of electricity was consumed in 2022, up 923 GWh (0.53%) compared to 2021.

### Electricity production from hard coal

In 2022, hard coal produced 87,761 GWh of electricity (down 5.7% compared to 2021).

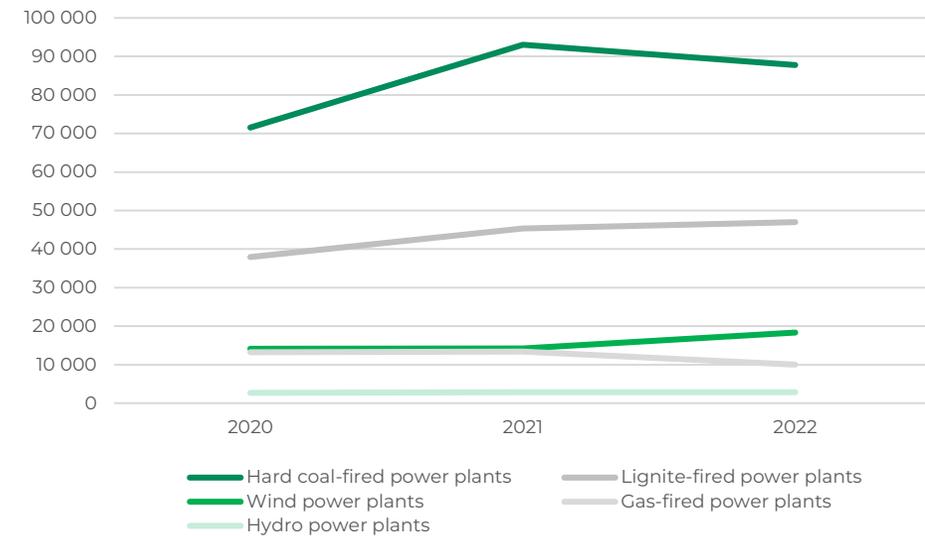
### Balance of cross-border exchange

The balance of cross-border exchange of electricity in 2022 was -1,679 GWh, whereas in 2021, it was 820 GWh (down 304.8%).

### Electricity production from lignite

In 2022, lignite produced 46,978 GWh (up 3.6% compared to 2021).

Electricity production in Poland [GW/h]



## Description of factors which, in the opinion of the LW Bogdanka Group, will affect the achieved results

### Risk management

Key objectives of risk management:

- ensure security of the Group's operations
- ensure the effectiveness of its decisions aimed at maximizing profits at an acceptable level of risk.

The systems in operation:

- The Integrated Enterprise Risk Management (ERM) System of the Enea Group.

### Fundamental principles, procedures and documents on which the operation of the management system is based:

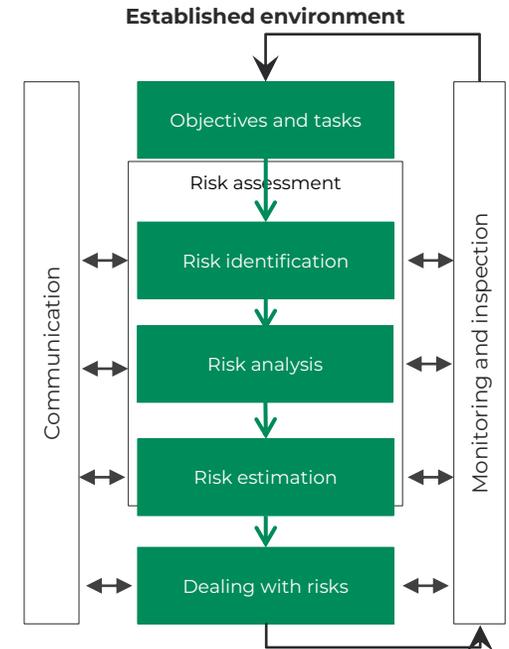
- Enea Group's Enterprise Risk Management Policy
- Enea Group's Enterprise Risk Management Methodology – ERM procedures
- LW Bogdanka Group's risk register
- Report – Update of LWB Risks in accordance with the Enea Group's ERM methodology (map of risks of the LW Bogdanka Group, list of critical, key, medium and low risk of the LW Bogdanka Group, plans of measures minimizing critical and key risks of the Parent Company).

### Risk management process

LW Bogdanka S.A., within the integration process in the ENEA Group and pursuant to relevant regulations in the Group, implemented from January 2018 "Derivative Acts" – the ERM System in force in the Group Companies. As at 31 December 2022, the Risk Register of the Parent Company was updated in accordance with the Methodology of the ENEA Group. The Parent Company presents the Supervisory Board and the Audit Committee with information and reports on the implementation and performance of the ERM system. In the following periods, it is planned to work on further adjustment of the system to the Group's needs in the direction of increasing its role and effectiveness, using the experience to date and results of the system's operation.

The participants of the risk management system at LW Bogdanka S.A. are as follows:

- Supervisory Board
- Management Board
- Audit Committee
- Heads of organizational cells in the Parent Company – risk owners
- Risk Management Department.



### Risk management process



## Main risks to which the Group is exposed, by area category

### Environment and market

- Risks associated with the socio-economic situation in Poland and globally
- Risk associated with the state's economic policy towards the hard coal mining industry
- Risk related to the prices of energy commodities in Poland and globally
- Risk associated with the specific nature of the mining sector operations and possible occurrence of unpredictable events
- Risk of restrictive climate policies resulting in changes to applicable law
- Risk related to the armed conflict in Ukraine



### Operational

- Risk associated with the launch of production from new deposits of LW Bogdanka S.A.
- Technical and technological risks
- Risk associated with the high cost of the technologies used by the Company
- Risk of IT system failures
- Risk of customer insolvency
- Risk related to the strong position of the trade unions
- Risk associated with retaining and recruiting the Group's personnel
- Key supplier risk
- Risk of supplier price collusion



### Financial

- Insurance Risk



### Environment protection

- Risk associated with reclamation and mining damage
- Risk associated with the tightening of standards and regulations on environmental law standards and the obligation to obtain environmental permits
- Risk related to mining waste management
- Investment risk associated with the presence of protected areas



### Legal

- Risk of changing tax laws
- Property tax risk in relation to LW Bogdanka S.A.'s mine workings
- Risk of changing the law and its interpretation and application
- Risk of violating stock exchange disclosure obligations
- Risk of prolonging the process of issuing administrative decisions on the conduct of mining operations



## Risk related to the Group's social, economic and market environment

### Risk associated with the socio-economic situation in Poland and globally

Factors affecting the financial results of LW Bogdanka S.A.:

- directions and rate of change of domestic and global GDP, including changes in the volume of industrial production
- demand for electricity and heat
- development of renewable energy sources
- climate policy trends in Poland and in Europe
- government plans to expand/modernize Poland's electricity generation system
- plans of the European Parliament to reduce methane emissions in the energy sector
- government plans to introduce a tax on above-the-average profits or windfall tax
- prices of raw materials on global markets, which translates into prices of production inputs
- prices of CO2 emission allowances and the commercial power sector's pressure on coal prices
- coal exports and imports balance from/to Poland
- inflation rate
- unemployment rate

Countermeasure: monitoring all factors, adjusting operations to the market situation and environment, planning future activities, formulating long-term financial projections, cost control, entering into long-term contracts.

taking measures to improve mining efficiency.

Risk severity: **medium**

### Risk associated with the state's economic policy towards the hard coal mining industry

An important factor influencing the LW Bogdanka Group's market position is the government's plans regarding hard coal mining companies and the power sector. On 2 February 2021, "Poland's Energy Policy until 2040" was approved by a resolution of the Council of Ministers. It assumes that the Polish economy will still be based on hard coal, but with a downward trend. Its share in the production structure will be decreasing. The estimated annual consumption of hard coal for electricity generation will be approx. 56% in 2030, assuming a balanced increase in the prices of CO2 emission allowances. PEP 2040 also assumes that the use of coal for individual heating will be phased out in cities by 2030 and in rural areas by 2040. The presented assumptions are neutral from LWB's point of view, which should allow the company to maintain its planned production levels in the coming years.

Risk severity: **medium**

### Risk related to the prices of energy commodities in Poland and globally

The prices of energy commodities are influenced primarily by the prices of steam coal and raw materials alternative to steam coal (crude oil, natural gas, renewable sources) on global markets and, consequently, on the domestic market. This is critical to the business conducted by the Parent Company.

After a period of rapid increases in coal prices in the world, which started in 2021 and continued in 2022, at the end of 2022 and the beginning of 2023, they fell down in connection with, among others, a mild winter that had an impact on lower

consumption of coal and high balance of inventories at ARA ports. In the domestic steam coal market, after price falls in 2021, prices stabilized and then rose dynamically from the beginning of 2022. The high price increase continued in Q3 and Q4 of this year. At present, we can observe an increase in the demand for coal in Poland, which is related to a reduction in imports from the East, resulting from the armed conflict in Ukraine and the accompanying economic sanctions.

Risk severity: **low**

### Risk associated with the specific nature of the mining sector operations and possible occurrence of unpredictable events

The operational activities of LW Bogdanka S.A. are exposed to risks and dangers arising from the specific nature of operations in the mining sector. These include, among others:

- events associated with the environment (including industrial and technological accidents)
- extraordinary events, including geotechnical phenomena, mining disasters, fires or working floodings with underground water damages caused by mining operations.

The consequences may be as follows:

- temporary interruptions of operations, losses of property and financial assets
- accidents at work, including fatal accidents
- potential legal liability of the Company.

Countermeasure:

- strict compliance with OHS rules
- ongoing monitoring of risks associated with the specific workplaces
- use of prevention.

The following is also important:

- use of modern and reliable mining machinery and equipment to reduce the risk of industrial accidents
- relatively regular location of the coal seams

- mined
- relatively low costs associated with mining damage repair, due to the low degree of urbanization of the area where the mine extracts hard coal
- high level of personnel skills.

Risk severity: **medium**

## Risk related to the Group's social, economic and market environment

### Risk of restrictive climate policies resulting in changes to applicable law

The EU's restrictive climate policy is leading to a reduction in greenhouse gas emissions, an increase in the acquisition of renewable energy and increased energy efficiency. In the Polish power generation industry, electricity is produced mainly from coal (hard coal and lignite). Production of electricity or heat from coal involves significant CO<sub>2</sub> emissions. Since the beginning of 2021, there has been a significant increase in the price of CO<sub>2</sub> emission allowances which continues to remain high in 2022 and at the beginning of 2023 and directly affects the cost of coal combustion. The above restrictions or imposition of stricter standards or limits on emissions of, among other CO<sub>2</sub>, SO<sub>x</sub> and NO<sub>x</sub>, or other chemical compounds, as well as the continued increase in the price of CO<sub>2</sub> emission allowances, can bring about great difficulties in terms of competitiveness and decisions on investment in power or heat generation capacity based on steam coal. As a result of the anti-smog policy, new legal regulations have been enacted on the quality standards of coal sold on the Polish market. As a result, the above restrictions or plans for further legal changes may cause a further reduction in demand for coal in general or for coal of inferior quality. This may adversely affect LW Bogdanka S.A.'s coal sales and, consequently, have a negative impact on the Group's financial performance.

Countermeasure:

- active participation in consultations conducted by the hard coal industry in Poland to minimize the above risks borne by domestic coal producers;
- monitoring changes in the Energy Law or other laws and studying their possible impact on the Group's operations.

Risk severity: **medium**

### Risk related to the armed conflict in Ukraine

The armed conflict resulting from the aggression of the Russian Federation on Ukraine of 24 February 2022 continues to exert strong impact on the social and economic situation, while its economic impact is of global nature. The event also affects the Group. With regard to the impact of the above event on the Group, one should bear in mind, among other things, export sales, the vast majority of which involved coal sales to Ukraine and which accounted for about 3.1% of consolidated sales revenues in 2022. As a result of the armed conflict, coal sales to Ukraine have been significantly impaired. Due to the strong demand for steam coal, the Group redirected the coal (originally intended for the Ukrainian market) to domestic buyers. The above event also affects prices and availability of other raw materials that are important for the Group's activities, in particular steel. For the time being, however, this risk is limited due to the active long-term supply contracts and inventories of key materials (including roadway supports), which were built up in advance. In the longer term, however, this event may have an adverse effect on the Group's operations and financial performance. Given the above facts as well as the past developments,

the Group believes that this event has had no significant effect on the operating activity and financial performance of the Group for 2022 and should not have such an effect in the short term. Still, such impact may be felt in the longer term.

Risk severity: **low**



## Risks directly associated with the Group's operations

### Risk associated with the launch of production from new deposits of LW Bogdanka S.A.

An important aspect of the Company's operations is the need to secure future mining opportunities through access to new coal resources. The decrease in the resource base resulting from ongoing mining, in the absence of new concessions, limits the possibility of more efficient planning of opening and preparation of a deposit for mining, and contributes to shortening the life of a mine or reduction of the level of production and, consequently, the expected financial results in the future. The opening of new deposits is connected with the necessity to incur additional capital expenditures, in particular for capital excavations. The key issue is to ensure that production efficiency is maintained despite longer transport and haulage routes and reduced effective working hours.

Risk severity: **low**

### Technical and technological risks

The underground mining of hard coal deposits is a complex process subject to strict technical and technological regimes. In the course of such activities, various downtimes may occur due to scheduled and unscheduled (e.g. breakdowns) technical interruptions. In this group of risks, there is also the risk of unexpected, usually local, deterioration of the quality of the deposit.

Countermeasure:

- availability of infrastructure – two mining shafts
- possibility of transporting the excavated material from the Stefanów field to the Bogdanka field through underground excavations
- underground coal storage reservoir system
- raw coal reservoirs on the surface
- use of modern mining equipment and machinery
- developing solutions to minimize the risk of adverse events materializing
- research and development to increase productivity and improve workplace safety.

Risk severity: **medium**

### Risk associated with the high cost of the technologies used by the Company

The applied technology of steam coal mining involves the use of highly specialized machinery and equipment. Due to the global concentration of manufacturers of such machinery and equipment, there is a risk of unforeseen price increases, which might entail an increase in capital expenditures or deterioration of cost efficiency. There is also the risk of hindered access to unique spare parts necessary to guarantee the continued operation. As the depth increases, the difficulty related to working maintenance intensifies (increase in rock mass pressures), the primary temperature of the rock increases, as do some natural hazards, i.e. those related to water, methane. Providing access to deposit areas where longwalls with runs of over 7,000 meters had been located requires the implementation of technological and organizational solutions to address natural hazards, secure production continuity and OSH. Taken together, this can result in an increase in coal mining costs. Countermeasure: cost and capital expenditures

control, use of highly specialized machinery and equipment, strong working culture with respect to compliance with mining and geological laws and technology, care for the equipment used, scientific and research work, implementation of innovative technologies for improving underground air conditions, implementation of the IIoT platform for controlling operating parameters, and continuously analyzing the effective working time of key machinery in the production process.

Risk severity: **high**

### Risk of IT system failures

Any loss, partial or total, of data related to the failure of computer systems may adversely affect current operations and thus affect future financial results.

Countermeasure:

- periodic audits of IT security
- reviews of authorizations to IT systems
- improving security by continuously monitoring network traffic of potential threats and implementing solutions to impede access and improve security of access to IT systems
- performing secure backups of systems and data, ensuring rapid restoration of systems in the event of failures.

Risk severity: **low**

## Risks directly associated with the Group's operations

### Risk of customer insolvency

The risk of customer insolvency is associated with the general level of current receivables of the LW Bogdanka Group due from its customers and the balance of receivables over the Group's liabilities. The Group's trade and other short-term receivables accounted for 4.2% of its balance sheet value and 8.3% of its sales revenues in 2022. Trade receivables accounted for 80.3% of total trade receivables and other short-term receivables.

Countermeasure:

- monitoring of outstanding amounts due from the business partners for products sold
- analysis of credit risk for the key business partners on a case by case basis or as part of specific classes of assets
- executing transactions with business partners whose reliability has been confirmed only.

Risk severity: **low**

### Risk related to the strong position of the trade unions

In the hard coal mining sector, trade unions hold a significant position and play an important role in shaping the personnel and payroll policy, often forcing renegotiations of the payroll policy using protests. As at 31 December 2022, there were six trade union organizations active in the Group (of which, at LWB, there were four trade union organizations representing approx. 63.8 % of the workforce). The strong position of the trade unions gives rise to a situation in which there exists a risk of increasing salaries

under the negotiated salary agreements in the future, which consequently may adversely affect the financial performance of the LW Bogdanka Group. Furthermore, potential protests and/or strikes organized by the trade unions operating in the Group may have an impact on the operating activities of the LW Bogdanka Group.

Countermeasure:

Ongoing dialogue and holding periodic negotiation meetings with the trade union organizations.

Risk severity: **medium**

### Risk associated with retaining and recruiting the Company's personnel

The labor market is now a worker's market, which promotes the fact that employees can easily switch to a more attractive position. In addition, due to the policy of decarbonizing the economy, the mining industry is becoming unattractive to potential job candidates. Failure to provide competitive employment opportunities and maintain salaries at market standards will result in the loss of highly qualified employees.

Countermeasure:

Building generational continuity, working with local vocational schools, implementing development programs, providing employees with opportunities for advancement and development within the company's structures, building a friendly corporate culture. Development activities of management skills of managers and supervisors.

Risk severity: **medium**

### Key supplier risk

The specific nature of the business requires the use of technologies that often involve the use of highly specialized machinery and equipment and the use of specialized services. Thus, there is a potential risk of problems in finding suitable suppliers, as well as the risk that suppliers default on their contracts. This also applies to contractors for specialized mining services, as there may be dependence on these entities due to their small number in the Polish market.

Countermeasure: assessment of potential risks associated with the conclusion of contracts with suppliers in terms of performance of contracts and possibility of starting cooperation with other suppliers. In addition, a performance bond is required to secure the performance of contracts subject to increased risk.

Risk severity: **high**

### Risk of supplier price collusion

The requirement for highly specialized products and services and the legal aspects that must be met in order for such products and services to be considered appropriate carry the risk of price collusion. Thus, there is a potential risk of a group of suppliers agreeing on commercial terms that may be offered to LW Bogdanka S.A.

Countermeasure:

- ongoing market monitoring and new supplier acquisition
- periodic analysis of contract prices and assessment of market trends
- searching for replacement products.

Risk severity: **medium**



## Financial risk and environmental protection risks

### Insurance risk

The Group is exposed to insurance risks, both to the standard extent applicable to all business entities, as well as to the extent typical of entities in the mining industry arising in particular from risks accumulated in the underground mine area. Given the significance of the risks to which the Group is exposed, where particularly justified, these risks are transferred externally on the basis of insurance contracts concluded. The Group has insurance coverage for underground property, surface property and business third party liability as well as for other, less significant risks. In connection with extension of insurance coverage for the next 3-year period, its quality with respect to risks on the mine surface has been significantly improved by extending coverage to include the risk of "terrorism" and the continued insurance coverage of business interruption risk. In addition, the Group is systematically taking actions to reduce its exposure to data protection risks.

Risk severity: **medium**

### Risk associated with reclamation and mining damage

The LW Bogdanka Group is responsible for reclamation of post-mining areas and removal of mining damage. The existing standards regarding reclamation and removal of mining damage may change in the future and greater severity is anticipated in this respect. Countermeasure: repair works, preventive protection of buildings against the effects of mining damage and reimbursement to investors of costs of adapting new buildings constructed

within the mine site, ongoing dialog with the local community. Advance inventory of construction facilities to eliminate unjustified claims. Ongoing monitoring of land subject to mining impact. Meetings of the Consulting Team for periodic assessment of impacts of mining operations on the land surface within the borders of Cyców, Ludwin and Puchaczów municipalities organized by the Director of the Mining Authority twice a year. Consistent execution of drainage hydrological works and land reclamation in the affected area.

Risk severity: **low**

### Risk associated with the tightening of standards and regulations on environmental law standards and the obligation to obtain environmental permits

The activities of LW Bogdanka S.A. exert a significant impact on the environment. Accordingly, it must hold certain permits and comply with regulatory standards for the use of the environment (including the BAT requirements of BAT - Best Available Techniques). These pertain in particular to:

- water and sewage management
- waste management
- emissions of substances and noise into the air
- use of natural resources.

Countermeasure: The Company monitors regulations on an ongoing basis and adjusts its operations as necessary within statutory deadlines.

Risk severity: **medium**

### Risk related to mining waste management

The Company produces large quantities of mining waste. Mining waste is processed (recovered) and stored in the mining waste facility in Bogdanka. Approx. 50% of waste is processed and 50% is kept in the facility.

Based on a construction permit, the Company is conducting works to increase the current spoil tip (to 250 m a.s.l.) and to enlarge the spoil tip in the eastern part. It has also taken steps to acquire adjacent land for further expansion, and another permit has been obtained for the expansion of the mining waste facility in the south-eastern part, which will secure waste storage for the next 6-7 years. Further actions are being taken to acquire more land to expand the facility. Failure to complete this investment will entail the risk of undermining the stability of the mining process and the need to seek alternative methods of mining waste management. Countermeasure: the Group has been carrying out works to elevate and expand the existing mining waste facility. It has also continued efforts to acquire further land for the upcoming stages of spoil tip expansion. The Parent Company takes intense efforts to recover and manage the mining waste.

Risk severity: **medium**

### Investment risk associated with the presence of protected areas

The mine is located close to protected areas (a national park, landscape parks, protected landscape areas, wildlife corridor, as well as two Natura 2000 areas located partially in the mining area and three in close proximity to the mining area). All planned investments must be analyzed in terms of their potential negative impact on protected areas. There is a risk that in case of undertaking investment activities, certain obligations or stricter requirements may be imposed on the mine with a view to reducing negative environmental impacts. An objection may also be lodged against the performance of a particular investment project. Such investment restrictions may require higher capital expenditures and hence may affect the financial result.

Countermeasure: ongoing monitoring, adjusting operations to meet the requirements and obligations.

Risk severity: **medium**

## Risks relating to proceedings and the legal environment

### Risk of changing tax laws

Lack of stability and transparency in the Polish tax system, resulting from the changes in regulations and inconsistent interpretations of the tax law, can cause uncertainty in the final results of financial decisions. Continuous revisions of tax laws and also strict sanction regulations are not incentives to take such decisions. Volatility of regulations and sometimes even of interpretations thereof may entail occurrence of any types of risks.

Consequently, the amounts stated in the financial statements may change at a later time, upon their final determination by the tax authorities.

Countermeasure:

- monitoring the changing tax laws
- training for employees to make sure they are as competent as possible in this area
- thorough analyses of any emerging tax issues, including by relating them to recent tax interpretations and court rulings on similar issues, requesting individual tax interpretations
- cooperation with advisory companies
- performance of the Transfer Pricing Policy which sets forth the terms and principles of setting prices for transactions executed within the Group
- application by the Parent Company of a tax strategy as referred to in Article 27c of the Act on Corporate Income Tax.

Risk severity: **medium**

### Property tax risk in relation to LW Bogdanka S.A.'s mine workings

In line with the adopted strategy, until 2019 the Parent Company did not include in its property tax declarations the value of underground mine workings together with the infrastructure located in these workings as the taxable item for the purposes of this tax. During 2019, with a view to protecting the Group against potential negative consequences, i.e. interest on unpaid property tax, the Group decided to include the value of underground mine workings with their infrastructure to calculate the tax. It appears that the risk has been significantly reduced.

Countermeasure:

- monitoring the changing tax laws
- training for employees to make sure they are as competent as possible in this area
- thorough analyses of any emerging tax issues, including by relating them to recent tax interpretations and court rulings on similar issues

Risk severity: **low**

### Risk of changing the law and its interpretation and application

The laws in Poland change quite frequently. Interpretations of the law and the practice of applying it also are subject to change. Changes to interpretation of tax regulations are particularly frequent. Practices of tax authorities and judgments handed down by courts in cases related to taxation are not uniform. The adoption by the tax authorities of an interpretation of tax law different from that adopted by the Group or introduction of new requirements by the Mining Law may imply a deterioration of its financial position and, as a result, adversely affect the Group's results and development prospects.

Countermeasure:

- using the services of legal advisors and advisory companies, as well as consulting a variety of offices specializing in the topics under analysis
- if applicable, the Group also requests binding interpretations of the law.

In spite of the efforts undertaken it is not possible to fully eliminate the risks although the Management Board believes that the risk is significantly mitigated.

Risk severity: **medium**

### Risk of violating stock exchange disclosure obligations

As the shares in LW Bogdanka S.A. are listed on the Warsaw Stock Exchange, the Company is subject to a number of obligations which, in case of failure to perform or improper performance, may entail significant fines. Countermeasure: proper performance of the obligations including prior implementation of internal procedures for exchange of stock exchange information in LW Bogdanka S.A., as well as ongoing monitoring of the Company's operations in terms of information duties.

Risk severity: **low**

### Risk of prolonging the process of issuing administrative decisions on the conduct of mining operations

As other mines, LW Bogdanka S.A. carries out the mining operations based on the Mine Operation Plan approved by the Director of the Regional Mining Authority. The current Operation Plan covers the years 2023-2025 and has been subject to numerous updates in connection with the changes in circumstances arising during the operations. An update to the Operation Plan in the form of a Supplement is approved by means of an administrative decision subject to the same principles as the Plan. The Company was

informed that one of the social organizations, which indicates in its statutory objectives the protection of nature, landscape and the environment, had applied for admission to participate in the administrative proceedings for updating the Operation Plan currently in effect in the Company. An intervention by social organizations which are negatively inclined towards the Company in the procedures regarding approval of updates of the Operating Plan entails the risk that this process will be prolonged, and thus may have the effect of obstructing the mining operations covered by the Supplement. To mitigate the above risk, the Company conducts educational and informational activities regarding the impact of mining operations on the environment, as well as relies on the support of reputable law firms to conduct the proceedings.

Risk severity: **high**

## Working conditions and technical risks

### Working conditions

The nature of the business activity conducted by the Company causes employees working in the mine, especially underground, to be exposed to a number of natural hazards and technical risks. Working in underground conditions means also exposing an employee to harmful and onerous factors of working environment which are present in the workplaces.

### Natural hazards

The following natural hazards occur in the mine:

- **Methane threat**  
risk severity: **low**
- **Water threat**  
risk severity: **high**
- **Threat of a coal dust explosion**  
risk severity: **medium**
- **Fire hazard**  
risk severity: **medium**

Because of compliance with OSH regulations, continuous monitoring and applied prevention measures, the occurring threats and risks remain under control.

### Technical threats

In 2022, in workplaces with mechanical hazards connected with especially dangerous machines, 11 employees on average worked a day.

Especially dangerous machines include:

- belt and scraper conveyors
- underground railway locomotives
- suspended diesel railways
- hydraulic powered supports.

Mitigation of technical risks and their impact on employees is achieved through:

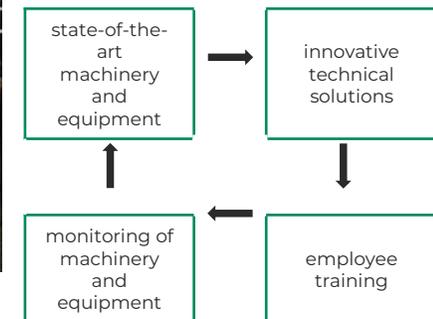
- replacement of machinery and equipment with more modern and safer for employees
- training on the operation of machinery, equipment and installations requiring appropriate qualifications, as well as skills in the area of operation of minor mechanization
- ongoing monitoring of technical condition of machinery and equipment
- Implementation of innovative technical solutions, use of minor mechanization machinery and equipment with improved safety standards.



11 employees per day, on average, are exposed to mechanical risks



we mitigate technical risks thanks to:



## Harmful and onerous factors

### Harmful and onerous factors

Measurements of harmful factors occurring at workplaces in the Company are carried out in line with the Regulation of the Minister of Health of 2 February 2011 in the matter of tests for and measurements of harmful factors in the work environment (Journal of Laws 2023.419) and the internal procedure developed in this regard.

### The internal procedure includes measurements of the following factors:

- coal dust
- crystalline silica dust
- audible noise
- general and local vibrations
- ionizing radiation
- harmful effect of welding gases
- microclimate.

All employees working in conditions harmful to health are kept informed about the existing risks, i.e. harmful and onerous factors at workplaces. The employer provides employees with personal protective equipment that is appropriate to the hazards present and provides training on their proper use.

### Accidents at work

In 2022, at LW Bogdanka S.A. there were 66 accidents causing temporary disability and 1 fatal accident. The number of accidents and the basic accident rates are shown in the table. In 2022, the incidence decreased by 1.8%, and frequency by 0.4%.



### Number of underground employees in workplaces where Highest Allowed Intensity and Highest Allowed Concentration standards are exceeded

	Dust	Noise	Vibrations	Microclimate	Chemical agents	Other
2020	743	432	40	385	-	-
2021	584	405	59	316	-	-
2022	1,459	635	103	637	-	-

### Summary of number of accidents and accident rates in the Company in 2020-2022

	2020	2021	2022
Total number of accidents	79	68	67
including: fatalities	-	-	1
including: involving serious injury	-	-	-
incidence ratio (per 1000 employees)	16.1	13.9	13.7
frequency ratio (per 100,000 days worked)	8.2	7.2	7.1

## Changes in headcount

### Headcount in the Group

In 2022, there was a slight increase in the LW Bogdanka Group's headcount, by 0.7%. The largest increase in the number of employees was reported in LW Bogdanka S.A. The employees working underground constituted the core group of employees at the LW Bogdanka Group, i.e. 71.3%.

### Headcount in LW Bogdanka S.A.

In 2022, the Parent Company employed 85.1% of the LW Bogdanka Group's total workforce. Blue-collar workers accounted for 81.6% of LW Bogdanka S.A.'s total workforce. Compared to 2021, the number of underground workers was pretty the same (2 persons less).



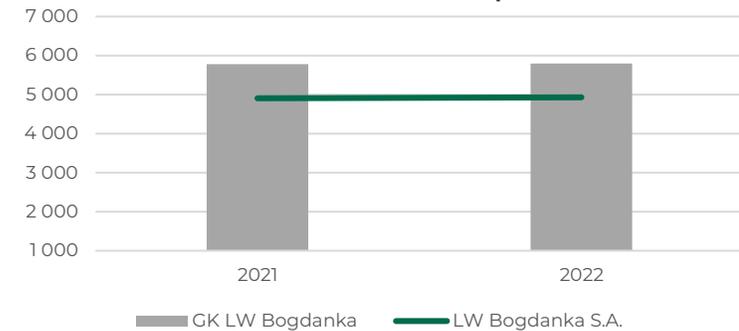
Employment structure in the LWB Group by company

- LW Bogdanka SA
- Łęczyńska Energetyka sp. z o.o.
- EkoTrans sp. z o.o.
- RG Bogdanka sp. z o.o.
- MR Bogdanka sp. z o.o.

[persons as at 31 December]	2021*	2022	Structure	2022/2021 change
LW Bogdanka S.A.	4,895	4,929	85.1%	0.7%
Łęczyńska Energetyka Sp. z o.o.	94	97	1.7%	3.2%
EkoTrans sp. z o.o.	2	1	0.0%	-50.0%
RG Bogdanka Sp. z o.o.	683	656	11.3%	-4.0%
MR Bogdanka sp. z o.o.	75	108	1.9%	44.0%
<b>LW Bogdanka Group</b>	<b>5,749</b>	<b>5,791</b>	<b>100.0%</b>	<b>0.7%</b>

\*Change in the presentation of data for 2021. Previously, data was presented in FTEs.

Headcount in the Group



## Changes in headcount

### White-collar

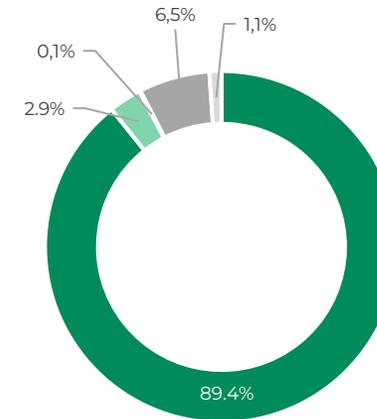
[persons as at 31 December]	2021*	2022	Structure	2022/2021 change
LW Bogdanka S.A.	811	908	89.4%	12.0%
Łęczyńska Energetyka Sp. z o.o.	28	30	2.9%	7.1%
EkoTrans sp. z o.o.	2	1	0.1%	-50.0%
RG Bogdanka Sp. z o.o.	62	66	6.5%	6.5%
MR Bogdanka sp. z o.o.	10	11	1.1%	10.0%
<b>LW Bogdanka Group</b>	<b>913</b>	<b>1,016</b>	<b>100.0%</b>	<b>11.3%</b>

### Employees in blue-collar positions

[persons as at 31 December]	2021*	2022	Structure	2022/2021 change
LW Bogdanka S.A.	4,084	4,021	84.2%	-1.5%
Łęczyńska Energetyka Sp. z o.o.	66	67	1.4%	1.5%
EkoTrans sp. z o.o.	-	-	-	-
RG Bogdanka Sp. z o.o.	621	590	12.4%	-5.0%
MR Bogdanka sp. z o.o.	65	97	2.0%	49.2%
<b>LW Bogdanka Group</b>	<b>4,836</b>	<b>4,775</b>	<b>100.0%</b>	<b>-1.3%</b>

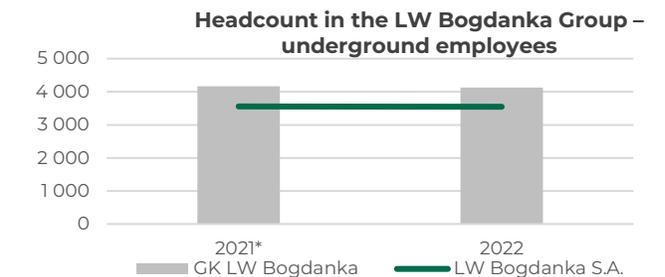
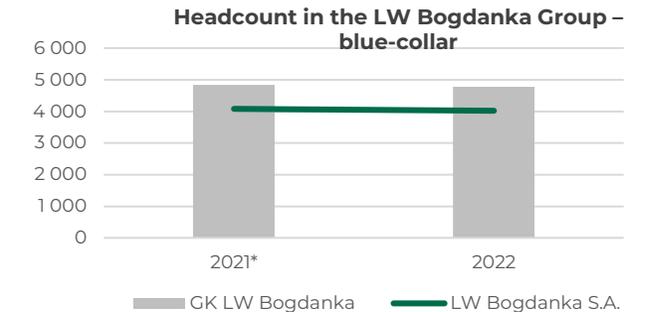
### Underground employees

[persons as at 31 December]	2021*	2022	Structure	2022/2021 change
LW Bogdanka S.A.	3,559	3,557	86.2%	-0.1%
Łęczyńska Energetyka Sp. z o.o.	-	-	0.0%	-
EkoTrans sp. z o.o.	-	-	0.0%	-
RG Bogdanka Sp. z o.o.	613	571	13.8%	-6.9%
MR Bogdanka sp. z o.o.	-	-	0.0%	-
<b>LW Bogdanka Group</b>	<b>4,172</b>	<b>4,128</b>	<b>100.0%</b>	<b>-1.1%</b>



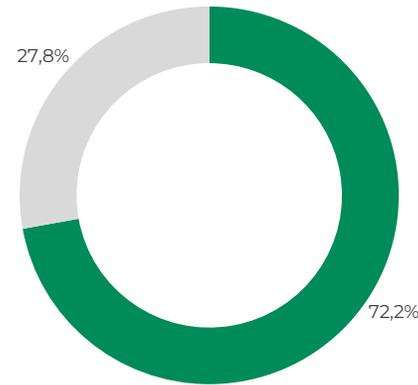
Headcount in the LW Bogdanka Group – white-collar

- LW Bogdanka S.A.
- Łęczyńska Energetyka sp. z o.o.
- EkoTrans sp. z o.o.
- RG Bogdanka sp. z o.o.
- MR Bogdanka sp. z o.o.



## Changes in headcount in LW Bogdanka S.A.

- at the end of 2022, the Company employed 4,929 people, compared to 4,895 at the end of 2021, i.e. an increase by 0.7%
- underground mine workers constitute 72.2% of staff, compared to 27.8% of surface workers.  
Given the nature of the industry, the Company employs mostly men. They accounted for 94.0%, while women for 6.0%
- in terms of age, the main group, 46.7% of all employees, was between 30 and 40 years of age
- in terms of education, the largest group consists of people with secondary education. Their share in total headcount at the end of December 2022 was 59.0%.
- 2,221 people (45.1%) have worked for more than 15 years, which indicates extensive experience and high qualifications.



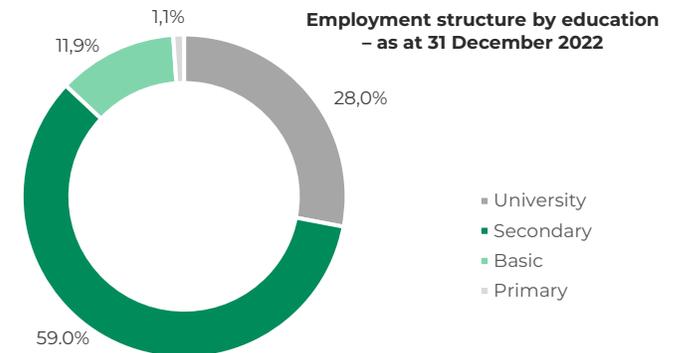
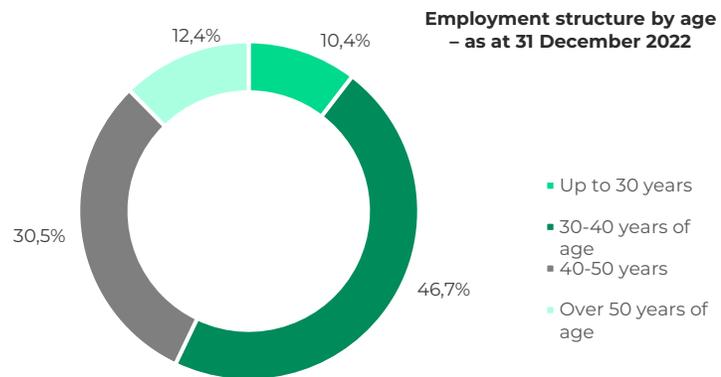
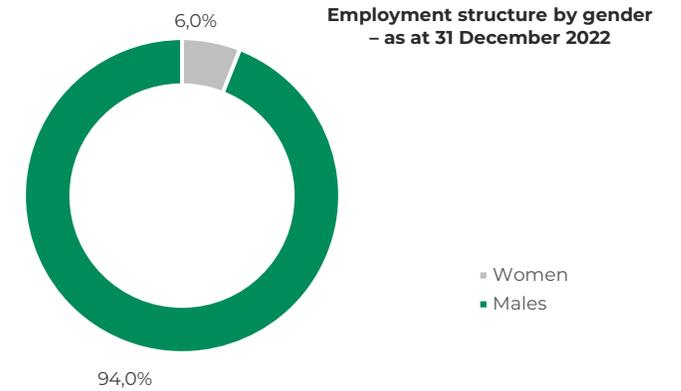
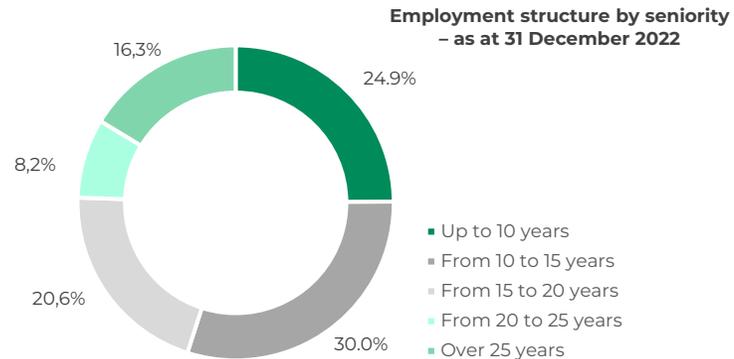
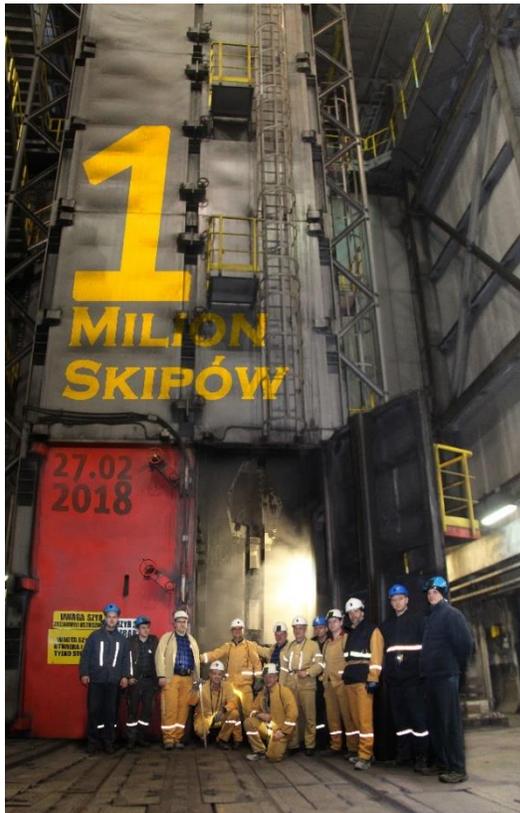
**Underground and surface headcount – as at 31 December 2022**

- Underground employees
- Surface employees



\*Change in the presentation of data for 2021. Previously, data was presented in FTEs.

## Employment structure in LW Bogdanka S.A.



## Average monthly salary

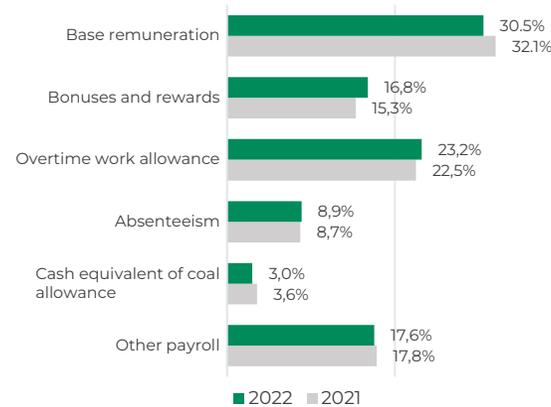
The Company's remuneration rules are governed by the Company Collective Bargaining Agreement of 31 October 2001 (hereinafter referred to as the "CBA"), concluded between the Company's Management Board and the trade unions operating at the Company: the Inter-Company Commission of the NSZZ "Solidarność", the Trade Union of Miners in Poland, the Trade Union "Kadra" and the Trade Union of Employees of Coal Preparation Plants in Poland "Przeróbka". The CBA defines the benefits due under the employment contract, as well as rules for the payment of individual salary components, including: tables of applicable rates, allowances for efficient performance, e.g. for overtime work, allowances for rescue staff and others. The CBA also applies to key managers as referred to in the rule 6.1 of Best Practices of Companies Listed on WSE 2021.

In 2022, the personnel payroll was in line with:

- memorandum of agreement on implementation of payroll policy in 2022 of 27 January 2022
- memorandum of agreement of 19 July 2022 on payment of special bonus for H1 2022 for achieving the task, i.e. extraction of mining commercial coal as planned in the TEP
- memorandum of agreement on an *ad hoc* bonus for employees based on a low level of absenteeism
- monthly bonus calculated on the basis of:
  - extent of completion of monthly production tasks
  - sales of commercial coal
  - average sales price achieved
  - rate of performance of the Company's expense budget in specific periods.

When implementing the remuneration policy, the Company pays special attention to ensure that the remunerations reflect the results of operations. Employees who demonstrate commitment and show initiative at work are given bonuses and rewards.

### Remuneration structure in 2021 and 2022 was as follows:

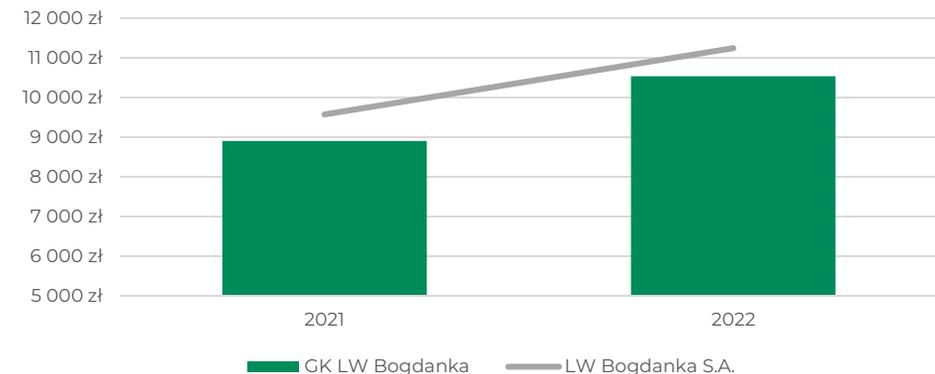


In 2022, the Company Management Board placed particular emphasis on correlating remuneration with the Company's performance and minimizing the economic impact caused by the technical and geological problems that occurred in September 2022. In connection with a record level of coal output in H1 2022, to show their appreciation to the staff, the Management Board paid a special bonus for H1 2022 for the dedication to mining and sales of commercial coal, which affected the average remuneration in the Company. The total (gross) amount of annual bonus paid to employees was PLN 47.9 million. In accordance with Additional Protocol No. 87 to the Collective Bargaining Agreement, which takes into account a 10% increase in basic remuneration rates as of 1 January 2022, the basic remuneration has increased, and consequently the nominal amount of bonus, work allowances and other compensation has increased.

[PLN]	2021	2022	2022/2021 change
LW Bogdanka S.A.	9,570	11,246	17.5%
Łęczyńska Energetyka Sp. z o.o.	5,488	6,141	11.9%
EkoTrans sp. z o.o.	6,875	9,733	41.6%
RG Bogdanka Sp. z o.o.	4,945	6,524	31.9%
MR Bogdanka sp. z o.o.	5,314	5,843	10.0%
<b>LW Bogdanka Group*</b>	<b>8,907</b>	<b>10,536</b>	<b>18.3%</b>

\*The average monthly remuneration was calculated on the basis of the average employment in the LW Bogdanka Group (taking into account the methodology of Statistics Poland reducing the employment of employees staying (continuously) on sickness, maternity, care or rehabilitation benefits for more than 14 days).

### Average remuneration 2021-2022



## Marketing activities

In 2022, marketing activities were performed in line with the following documents in effect at the Company: Sponsorship Activity Strategy for Lubelski Węgiel Bogdanka in 2022–2024, Social Responsibility Strategy of LW Bogdanka S.A. and LW Bogdanka S.A.'s Social Engagement Policy. The above-mentioned documents strictly define both the objectives and the areas of the activities. In 2022, the Company supported numerous local initiatives and projects, consistently building its image as a socially responsible company. The majority of activities undertaken in the area of promotion were aimed at creating a positive brand image of the mine, especially in the local community. This approach was primarily due to inclusion of social responsibility aspects and emphasizing the Company's importance in the region. The increase in expenditures on promotional activities in 2022 was also due to, among other things, the celebration of the 40th anniversary of the extraction of the first ton of coal from a longwall in the Lublin Coal Basin, and was also related to the Company's presence at a major industry trade fair event (EXPO KATOWICE International Fair - Mining, Energy and Metallurgical Industry Fair), or participation in a key economic event in the country, i.e. Kongres 590.

## Objectives

The objectives of the marketing and promotional activities include:

- promoting (disseminating and strengthening) the Company's brand by increasing its recognition, visibility and range of influence
- strengthening the public and opinion leaders' awareness of the importance of the Company for the Lublin region
- creating a positive image of the Company, especially in its immediate geographic environment
- building the image of the Company as effectively implementing the idea of corporate social responsibility (CSR)
- enhancing the Company's reputation as an active patron of socially relevant projects and initiatives, especially in the Lubelskie Voivodeship
- engaging young people (including children of the Company's employees) in sports, taking care of their psycho-physical development through the opportunity to participate in sports activities organized by entities sponsored by the Company
- building public support for the Company's business activities
- continued creation of Bogdanka's image as a leader in the mining industry in the domestic and European markets
- reaching the Company's key stakeholders, such as customers, business partners, shareholders, investors, and the local community

The above goals were realized through the following tools: sponsorship projects, PR projects, corporate social responsibility activities, as well as activation of projects through organizational support, and promotional and advertising activities. The projects were selected, reviewed and accounted for in terms of achieving the Company's goals and efficiency.

## Sponsorship

The Company carries out activities in the form of sports sponsorship (amateur and professional sports) and socio-cultural sponsorship (projects with the greatest social potential). The overall sponsorship projects executed in 2022 translate into advertising, promotional and image benefits for the brand and the company. The primary strategic objective of the sponsorship activities is to support the implementation of the CSR strategy by strengthening the company's image as a patron of culture and sports, i.e. a socially responsible company – present in key initiatives valuable for the local community. In 2022, the involvement of Lubelski Węgiel Bogdanka in sponsorship activities grew rapidly. Throughout the year, the Company carried out a total of 85 sponsorship projects, 32 of which were related to sports (amateur and professional sports), and 53 to social and cultural area. Sponsorship expenses amounted to PLN 10,745.7 thousand, 32.3% more than in 2021. The sponsorship budget was realized in 97.7% (the annual plan assumed a maximum budget of PLN 11,000 thousand). The increase in expenses for the purchase of sponsorship rights in 2022 was primarily due to a higher budget for such activities, which resulted from the new Sponsorship Strategy of the Company for the years 2022-2024. In exchange for sponsorship support, all sponsored entities carried out promotional and advertising services for LW Bogdanka S.A., as provided for in the relevant agreements.

### The Company's sponsorship activities are carried out in two areas:

#### a) Sports sponsorship

Within the framework of sports sponsorship, the Company is involved in professional and amateur sports, maintaining selected

sports traditions of the region and supporting the development of young sports talents and developing the physical fitness of children and young people. Regarding sports sponsorship, the number of projects completed in 2022 increased by 6 as compared to 2021, and total expenses amounted to PLN 9,611.5 thousand (a y/y increase of more than 29.5%). Among the sports supported were those that are most popular in the region: soccer, speedway, volleyball, basketball, and the main beneficiaries of the sponsorship budget in 2022 were sports clubs from the Lublin area, namely Górnik Łęczna S.A. together with the Sports Academy, Speedway Lublin S.A. (running a team that performs as Motor Lublin), Miejsko-Górnicy Klub Sportowy Gwarek Łęczna, Chełmski Klub Sportowy Sp. z o.o. (running the Chełmianka Chełm soccer team and the ChKS Arka Chełm volleyball team), and Miejski Klub Sportowy Avia Świdnik Sp. z o.o. (volleyball section). In case of the aforementioned projects, the Company's involvement is long-term, which guarantees the achievement of the goals set in the Strategy and brings benefits for the Bogdanka brand.

## Marketing activities

The main beneficiaries of the Company's sponsorship budget, and at the same time, the projects that generated the most public interest and brought the greatest value to the exposure of the LW Bogdanka brand were as follows:

- **Górnik Łęczna S.A. (with the Górnik Łęczna Foundation)**

Górnik Łęczna is the highest ranking classified football club in the Lublin Region. In the first half of the year, the club played in the top division of the PKO BP Ekstraklasa, but had to accept dropping to the second tier of the competition. Through its Foundation, the Club runs the Sports Academy, training over 400 male and female athletes in three disciplines: football, badminton and running. The Club has been awarded the Golden Certificate of Youth Football Schools by the Polish Football Association and is the only one in the Lubelskie Voivodeship holding the distinction of meeting the highest standards in football coaching for children and young people. For four years now, the foundation Fundacja Górnika (Miner Foundation) has run the first and only Sports Champions School (football) at the Secondary School level. In 2022, the value of LW Bogdanka S.A.'s brand exposure in the context of this project was PLN 7,198.6 thousand.



- **Speedway Motor Lublin (participating in the PGE Ekstraliga speedway league as Motor Lublin)**

In 2022, Motor Lublin became Poland's team champion in the world's best speedway league: the PGE Extra League. This is a historic success for the club from the banks of Bystrzyca River. Motor Lublin is currently the most recognizable sports club east of the Vistula river, with thousands of fans in the Lublin Region and other Polish cities. Aside from the team gold medal, Motor Lublin's athletes scored many individual successes in 2022. Mateusz Cierniak became the world junior champion, and the youth team composed of Wiktor Lampart, Mateusz Cierniak, Jan Rachubik won the Youth Championship of Poland for club pairs. In 2022, the value of LW Bogdanka S.A.'s brand exposure in the context of this project amounted to PLN 11,334.8 thousand, and it was the highest amount granted to the sponsored entities.



- **MKS Avia Świdnik**

A sponsorship project involving the sponsorship of the senior team (in the Tauron 1. League) and the training of children and young people at a club with a strong volleyball tradition. In 2022, the value of LW Bogdanka S.A.'s brand exposure in the context of this project was PLN 642.0 thousand.



**Effectiveness of executed sponsorship projects:**

As every year, the Company performed a detailed analysis of the implemented sponsorship projects in the area of sports, in terms of value of Lubelski Węgiel Bogdanka brand exposure and effectiveness. Total brand exposure in sponsorship projects completed in 2022 amounted to over PLN 25,005.3 thousand. Such a result was achieved by nearly 130,778 cases of exposure of the Bogdanka brand in the press, television and the Internet.

TOP 10 sponsorship projects with the highest value of Bogdanka brand exposure in 2022:

1. Speedway Motor Lublin: PLN 11,334.8 thousand
2. Górnik Łęczna and the Sports Academy: PLN 7,198.6 thousand
3. Bogdanka Volley Cup: PLN 1,707.8 thousand
4. Avia Świdnik: PLN 642.0 thousand
5. Szymon Ładniak: PLN 541.9 thousand
6. Lubelska Gala TFL25 in Włodawa: PLN 535.9 thousand
7. Polski Cukier AZS UMCS Lublin: PLN 500.2 thousand
8. MMA Championship in Puławy: PLN 468.4 thousand
9. Padwa Zamość: PLN 330.0 thousand
- 10 Tymex Boxing Night in Puławy: PLN 325.4 thousand

**b) Social and cultural sponsorship**

The company recorded significant year-on-year growth of social and cultural projects, by as much as 20. Total expenses amounted to PLN 1,134.2 thousand (up 57.1% y/y). In 2022, the Company continued its activities in the scope of supporting social and cultural events, it also extended its support with patronage to 5 cultural institutions from the Lubelskie Voivodeship, namely: Musical Theater in Lublin, H. Ch. Andersen Theater in Lublin, Henryk Wieniawski Philharmonic Orchestra in Lublin, Vistula Museum in Kazimierz Dolny, 'Wirydarz' Art Gallery in Lublin.



## Marketing activities

### Public relations

The remainder of the promotion budget was used in 2022 for correlated public relations activities using diverse communication channels (internet, social media, press, radio, television). These activities were focused on building public support for the Company's business activities.

Among the most important ones, one should mention the participation in the Three Seas Congress, where the Scientific Council at Lubelski Węgiel Bogdanka was established and a letter of intent was signed on the establishment of the Łęczyński Energy Cluster. From last year's events, one should emphasize the participation of a large group of our employees in the School of Underground Mining (SEP) – every year this industry event brings together experts, scientists and opinion-forming media. Shortly after the SEP, another edition of the Mining Leaders Academy took place. Also, the company was represented by members of the Management Board

in major events, such as the European Economic Congress and the Economic Forum in Karpacz or Kongres 590.

Last year saw numerous activities on the Internet and social media aimed at popularizing the brand and presenting Bogdanka to a wider audience.

This was made possible by making over a dozen "About Bogdanka" videos showing various aspects of LW Bogdanka's operations. These materials were posted on the Company's official social media channels. These efforts also included materials produced jointly with TVP3 Lublin and the County Office in Łęczna.

No less important are the interviews and articles that appeared both in the industry press (Trybuna Górnicza, nettg.pl), in national papers (Forbes, Puls Biznesu, PAP) and in local media (Kurier Lubelski, Dziennik Wschodni, TVP3 Lublin, Radio Lublin).



Sponsorship and promotion [PLN 000s]	2021	2022
Promotion	702.2	1,791.5
Sports sponsorship	7,419.0	9,611.5
Social and cultural sponsorship	722.0	1,134.2
<b>Total</b>	<b>8,843.2</b>	<b>12,537.2</b>

## Information about the auditor of the financial statements, principles of drafting the consolidated and standalone financial statements, and court and out-of-court proceedings

### Information about the auditor of the financial statements

On 24 March 2021, the Supervisory Board adopted a resolution to select PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. with its registered office in Warsaw, as the entity authorized to:

- review the Parent Company's financial statements and the consolidated financial statements of the Company's Group for the first half of 2021 and 2022,
- audit the Parent Company's financial statements and the consolidated financial statements of the Company's Group for 2021 and 2022.

PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. is entered since 16 February 1995 in the list of entities authorized to audit financial statements maintained by the National Chamber of Statutory Auditors, under registration number 144.

The Group has previously used the services of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. and entities within the PwC network, among others, in the following areas: review and audit of standalone and consolidated financial statements, including review of the Group's consolidated financial statements for 2021-2020, prepared in XBRL format; tax consulting in the area of, among other things, excise taxes; verification of the correctness of the Parent Company's calculation of the Excise Ratio; work related to verification of the calculation of the Electricity Intensity Ratio; and evaluation of the Parent Company's Management and Supervisory Board Remuneration Report.

The fees of the auditor of the financial statements (of the Parent Company and its subsidiaries) and of other entities in the PricewaterhouseCoopers network, for all services rendered in 2021 and 2022, are as follows:

	2021	2022
<b>Auditor remuneration [PLN thousand]</b>	<b>364</b>	<b>389</b>
of which:		
- Audit of the annual financial statements	250	275
- Audit of the financial statements	50	50
- Review of the consolidated XBRL financial statements	25	25
- Verification of the remuneration statement	30	30
- Other assurance services (review of ratios)	9	9

### Principles of preparation of consolidated and standalone financial statements

Consolidated Financial Statements of the LW Bogdanka Group and Financial Statements of LW Bogdanka S.A for the financial year from 1 January to 31 December 2022 were prepared in line with the International Financial Reporting Standards and related interpretations announced in the form of European Commission regulations. These financial statements were drawn up in accordance with the historical cost principle, except for derivative financial instruments measured at fair value. Except for the application as of 1 January 2022 of the Amendment to IAS 16 "Property, Plant and Equipment", the standalone and consolidated financial statements have been prepared using the same accounting policies for the current and comparative periods (the impact of the application of the above amendment is described in detail in Note 2.1.1 to the consolidated financial statements).

### Court and out-of-court proceedings

The Company is a defendant in case ref. I C 942/13 for payment under the rights to patent no. 206048. On 30 September 2022, a judgment was handed down before the Regional Court in Lublin in the aforementioned case, which recognizes part of the plaintiffs' claims against the Parent Company. The judgment is not final. On 14 February 2023, the Company filed an appeal against the above judgment.

Apart from the aforementioned case, as at the date of preparation of this Report, neither LW Bogdanka S.A. nor its subsidiaries were parties to any material proceedings pending before any court, arbitration body or public administration body concerning the liabilities or receivables of the Company or its subsidiary.

### Settlement proceedings

In 2022, the Company was not a party to any settlements.

# 3. Financial standing



## Coal production, sales and inventories of the LW Bogdanka Group

### Production and sales of the Company's commercial coal

[thousand tons]	Q4 2021	Q4 2022	Change	Percentage change	2021	2022	Change	Percentage change
Gross coal production	3,641	2,399	-1,242	-34.1%	14,308	12,695	-1,613	-11.3%
Production of commercial coal	2,432	1,238	-1,194	-49.1%	9,935	8,401	-1,534	-15.4%
Mining yield (%)	66.8%	51.6%	-15.2 pp	-22.8%	69.4%	66.2%	-3.2 pp	-4.6%
Sales of commercial coal	2,792	1,244	-1,548	-55.4%	10,036	8,400	-1,636	-16.3%
New roadways (km)	7.8	7.6	-0.2	-2.6%	23.2	32.8	9.6	41.4%

### Company's commercial coal inventories

[thousand tons]	31 December 2021	30 September 2022	31 December 2022	Change [%] 31 December 2022 / 30 September 2022	Change [%] 31 December 2022 / 31 December 2021
Coal inventories	21	27	22	-18.5%	4.8%

### Commercial coal production structure

[%]	Q4 2021	Q4 2022	2021	2022
Fine coal	98.0%	94.4%	98.5%	98.1%
Chestnut coal	0.0%	3.8%	0.0%	0.6%
Pea coke	2.0%	1.8%	1.5%	1.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**The Group's operating results during 2022 were mainly influenced by geological problems that occurred in Q3 2022 (there was a sudden and unexpected increase in operating pressure in longwall 3/VII/385, resulting in a squeeze), which led to lower coal production and thus sales. However, this was offset by higher contract prices of coal sold.**

### Coal production

(-) gross coal production in 2022 decreased by 11.3%, i.e. by 1,613 thousand tons  
 (-) commercial coal production in 2022 was 8,401 thousand tons, down 15.4%, i.e. -1,534 thousand tons as compared to 2021  
 (-) yield was 66.2% in 2022, compared to 69.4% in 2021

### Coal sales

(-) in Q4 2022, coal sales decreased 55.4% compared to Q4 2021  
 (-) in 2022, commercial coal sales amounted to 8,400 thousand tons, down 16.3% as compared to 2021

### Inventories

(+) at the end of 2022, coal inventories totaled 22 thousand tons, up 1 thousand tons from end of 2021  
 (+) the coal inventories presented at the end of 2022 corresponds approximately to one day of commercial coal production (based on 12-month average daily production)  
 (+) a relatively low level of coal inventories is a result of the commercial coal production and the coal sales

### Commercial coal production structure

The structure of coal production has changed slightly due to sales to individual customers.

## Sales revenues and main customers of the LW Bogdanka Group

### Changes in sales revenue on various items

[PLN 000s]	Q4 2021*	Q4 2022	Change	Percentage change	2021*	2022	Change	Percentage change
Coal sales	710,394	401,931	-308,463	-43.4%	2,389,426	2,378,826	-10,600	-0.4%
Other operations	12,442	16,825	4,383	35.2%	40,959	52,389	11,430	27.9%
Sales of goods and materials	5,853	2,845	-3,008	-51.4%	18,813	20,500	1,687	9.0%
<b>Total</b>	<b>728,689</b>	<b>421,601</b>	<b>-307,088</b>	<b>-42.1%</b>	<b>2,449,198</b>	<b>2,451,715</b>	<b>2,517</b>	<b>0.1%</b>

### Structure of revenues

[%]	Q4 2021*	Q4 2022	2021*	2022
Coal sales	97.5%	95.3%	97.5%	97.0%
Other operations	1.7%	4.0%	1.7%	2.2%
Sales of goods and materials	0.8%	0.7%	0.8%	0.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

### Geographical structure of sales revenues

[PLN 000s]	Q4 2021*	Structure	Q4 2022	Structure	2021	Structure	2022	Structure
Domestic sales	667,541	91.6%	421,601	100.0%	2,318,467	94.7%	2,375,309	96.9%
Foreign sales	61,148	8.4%	0	0.0%	130,731	5.3%	76,406	3.1%
<b>Total</b>	<b>728,689</b>	<b>100.0%</b>	<b>421,601</b>	<b>100.0%</b>	<b>2,449,198</b>	<b>100.0%</b>	<b>2,451,715</b>	<b>100.0%</b>

\* items after restatement of the data for 2021 due to the Group's application of the amendments to IAS 16 - detailed explanation in Note 2.1.1 of the Consolidated Financial Statements for 2022

### Revenue from sales of coal

(-) in Q4 2022, the Group earned PLN 401,931 thousand in revenue from sales of coal, down 43.4%

compared to Q4 2021

(+) in 2022, revenue from sales of coal amounted to PLN 2,378,826 thousand compared to PLN 2,389,426 thousand in 2021, a y/y decrease of 0.4%.

The main source of the Group's sales revenues is the production and sale of steam coal by the Parent Company. These activities generate approximately 95-97% of the sales revenue generated by the LW Bogdanka Group in each of the comparative reporting periods.

### Revenue from other activities

In Q4 2022, revenue from other operations (which includes, among others, revenues of subsidiaries) amounted to PLN 16,825 thousand (4.0% of total revenues), compared to PLN 12,442 thousand (1.7% of revenues) in the corresponding period of 2021 (increase by 35.2% y/y). Notable items in this group were as follows:

- revenues from coal transport services provided by the Parent Company to certain coal buyers (transport fee)
- revenues of Łęczyńska Energetyka from the sale of heat to external entities
- revenues from industrial services provided to companies performing works commissioned by the Parent Company
- rental income from fixed assets.

In the entire 2022, revenue from other operations amounted to PLN 52,389 thousand, compared to PLN 40,959 thousand the year before. The increase in the revenues in this group is attributable mainly to higher revenues from transport fees and revenues of subsidiaries from services provided outside the LW Bogdanka Group.

The higher value of revenue from sales of goods and materials is a derivative of higher value of sales of scrap, i.e. supports recovered

from the liquidation of roadways which are not suitable for refurbishment and reuse.

### Geographical structure of sales revenues

The Group focuses its operations predominantly on Poland. In 2022, coal sales to foreign countries (mainly Ukraine) were made with the participation of an intermediary coal entity. In 2022, the value of exports amounted to PLN 76,406 thousand, which accounted for 3.1% of total sales revenues of the LW Bogdanka Group. Steam coal exports to Ukraine in the period under analysis were carried out on the basis of export contracts concluded in 2021, prior to the beginning of the armed conflict in Ukraine.

### Main customers

In 2022, over 76% of the coal sold (by revenue) was sold by LW Bogdanka S.A. to Enea Wytwarzanie sp. z o.o., Enea Elektrownia Połaniec S.A. and Grupa Azoty Zakłady Azotowe Puławy S.A.

In the corresponding period of 2021 the share of the above buyers was approx. 7.6 pp higher.

Major customers by percentage of revenue:

- Enea Wytwarzanie sp. z o.o. – Grupa Enea S.A. – approx. 52% share in revenues
- Enea Elektrownia Połaniec SA – Grupa Enea S.A. - approx. 17% share in revenues
- Grupa Azoty Zakłady Azotowe Puławy S.A. - approx. 6% share in revenues

## Key financial results of the LW Bogdanka Group

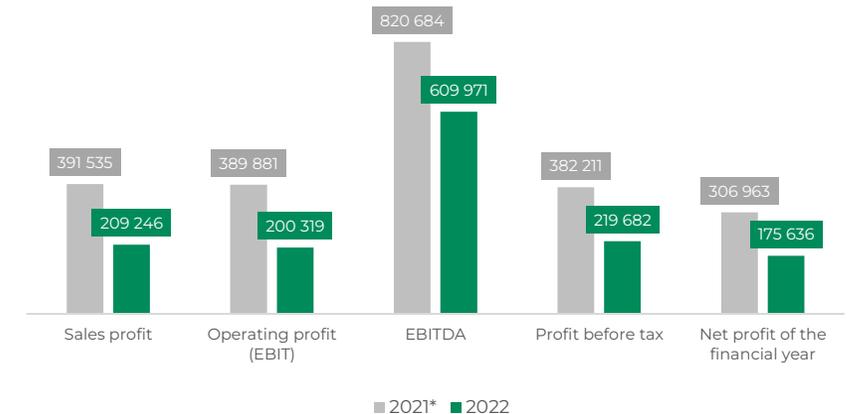
### Analysis of the consolidated statement of profit or loss

[PLN 000s]	Q4 2021*	Q4 2022	Change	2021*	2022	Change
Sales revenues	728,689	421,601	-42.1%	2,449,198	2,451,715	0.1%
Cost of products, goods and materials sold, selling and distribution expenses, and administrative expenses	568,022	588,936	3.7%	2,057,663	2,242,469	9.0%
<b>Profit/(loss) on sales</b>	<b>160,667</b>	<b>-167,335</b>	<b>-204.2%</b>	<b>391,535</b>	<b>209,246</b>	<b>-46.6%</b>
Gross return on sales	22.0%	-39.7%	-61.7 pp	16.0%	8.5%	-7.5 pp
Other revenues	4,088	1,907	-53.4%	5,223	3,340	-36.1%
Other costs	474	952	100.8%	1,128	2,271	101.3%
<b>Net operating profit/(loss)</b>	<b>164,281</b>	<b>-166,380</b>	<b>-201.3%</b>	<b>395,630</b>	<b>210,315</b>	<b>-46.8%</b>
Other net losses	-1,432	-7,317	411.0%	-5,749	-9,996	73.9%
<b>Operating profit/(loss) (EBIT)</b>	<b>162,849</b>	<b>-173,697</b>	<b>-206.7%</b>	<b>389,881</b>	<b>200,319</b>	<b>-48.6%</b>
EBIT margin	22.3%	-41.2%	-63.5 pp	15.9%	8.2%	-7.7 pp
<b>EBITDA</b>	<b>268,140</b>	<b>-66,420</b>	<b>-124.8%</b>	<b>820,684</b>	<b>609,971</b>	<b>-25.7%</b>
EBITDA margin	36.8%	-15.8%	-52.6 pp	33.5%	24.9%	-8.6 pp
Financial income	427	11,572	2,610.1%	675	32,936	4,779.4%
Financial expenses	1,879	2,524	34.3%	8,345	13,573	62.6%
<b>Pre-tax profit/(loss)</b>	<b>161,397</b>	<b>-164,649</b>	<b>-202.0%</b>	<b>382,211</b>	<b>219,682</b>	<b>-42.5%</b>
Profit margin before tax	22.1%	-39.1%	-61.2 pp	15.6%	9.0%	-6.6 pp
Income tax	30,715	-30,018	-197.7%	75,248	44,046	-41.5%
<b>Net profit/(loss) of the financial year</b>	<b>130,682</b>	<b>-134,631</b>	<b>-203.0%</b>	<b>306,963</b>	<b>175,636</b>	<b>-42.8%</b>
Net profitability	17.9%	-31.9%	-49.8 pp	12.5%	7.2%	-5.3 pp

\* items after restatement of the data for 2021 due to the Group's application of the amendments to IAS 16 - detailed explanation in Note 2.1.1 of the Consolidated Financial Statements for 2022



**Key financial results of the LW Bogdanka Group  
(PLN thousand)**



## Key financial results LW Bogdanka Group

### Sales revenues

Sales revenues in Q4 2022 decreased by 42.1% compared to the corresponding period of last year and stood at PLN 421,601 thousand. In the entire 2022, the Company generated revenue in the amount of PLN 2,451,715 thousand compared to PLN 2,449,198 thousand in 2021 (0.1% increase).

### Cost of products, goods and materials sold, selling and distribution expenses, and administrative expenses

In Q4 2022, the cost of products, goods and materials sold, together with selling and distribution and administrative expenses amounted to PLN 588,936 thousand and were higher by PLN 20,914 thousand compared to the corresponding period of the previous year, when they stood at PLN 568,022 thousand. In 2022, the cost of products, goods and materials sold, and selling and distribution and administrative expenses increased from PLN 2,057,663 thousand to PLN 2,242,469 thousand.

### Profit/(loss) on sales

In Q4 2022, loss on sales amounted to PLN 167,335 thousand, compared to profit on sale of PLN 160,667 thousand in the corresponding period of 2021. In the entire 2022, the Company generated sales profit in the amount of PLN 209,246 thousand compared to PLN 391,535 thousand in 2021.

### Other revenues

In 2022, other revenues amounted to PLN 3,340 thousand versus PLN 5,223 thousand a year earlier. The significantly lower value of other revenues compared to the previous year results primarily from a lower amount of compensations received (PLN 539 thousand in 2022 vs. PLN 2,679 thousand in 2021).

### Other costs

Other costs in 2022 amounted to PLN 2,271 thousand, compared to PLN 1,128 thousand at the end of 2021 – the increase is primarily due to higher donations and damages paid.

### Other net losses

In Q4 2022, other net losses were PLN 7,317 thousand, compared to PLN 1,432 thousand in Q4 2021. In 2022, other net losses totaled PLN 9,996 thousand, compared to PLN 5,749 thousand in 2021. An increase in net losses in Q4 and in the entire 2022 is mainly due to the differences in the amount of impairment losses on fixed assets created and the differences on the valuation and performance of forward contracts.

### EBIT

The operating result in Q4 2022 amounted to PLN -173,697 thousand. EBIT margin in Q4 2022 amounted to -41.2%, i.e. decreased in relation to Q4 2021. EBIT profitability for the entire 2022 was 7.7 pp lower than in 2021, and stood at 8.2%.

### EBITDA

EBITDA in Q4 2022 decreased compared to Q4 2021 and amounted to PLN -66,420 thousand. EBITDA profitability in Q4 2022 was lower than that achieved in the corresponding period of 2021 and amounted to -15.8%. In 2022, the Group achieved EBITDA profitability of 24.9%, 8.6 pp lower than in 2021 (EBITDA decreased by 25.7% in the period under review). EBITDA in 2022 was PLN 609,971 thousand, compared to PLN 820,684 thousand in 2021.

### Financial income

Financial income in Q4 2022 amounted to PLN 11,572 thousand, compared to PLN 427 thousand in Q4 2021. In the entire 2022, financial income totaled PLN 32,936 thousand, compared to PLN 675 thousand in 2021. Financial income in the 2022 period under analysis consists nearly entirely of interest income on bank deposits. Such a significant increase is due to the rise in interest rates during 2022.

### Financial expenses

Financial costs for Q4 2022 were 34.3% higher than in the corresponding period of 2021 and amounted to PLN 2,524 thousand. Financial costs in the entire 2022 amounted to PLN 13,573 thousand compared to PLN 8,345 thousand in the same period of 2021. The increase in financial costs is due to the inclusion of higher interest expenses from valuation of employee benefits and the settlement of the discount relating to the provision for the Mine Closure Fund. As at 31 December 2022, the Group had total debt of PLN 4,885 thousand, compared to PLN 12,182 thousand as at 31 December 2021.

### Pre-tax profit/(loss)

In Q4 2022, the Company recorded a loss before tax of PLN 164,649 thousand compared to a profit before tax of PLN 161,397 thousand in Q4 2021. Profit before tax in the entire 2022 was positive and stood at PLN 219,682 thousand, compared to PLN 382,211 thousand in 2021.

### Net profit / (loss) for the period

In Q4 2022, the Company recorded net loss of PLN 134,631 thousand, compared to net profit of PLN 130,682 thousand in Q4 2021. The Company's net profit in 2022 was PLN 175,636 thousand, compared to PLN 306,963 thousand last year.

## LW Bogdanka Group's balance sheet

### Balance sheet

[PLN 000s]	31 December 2021*	31 December 2022	Change
Total assets	4,731,540	4,818,709	1.8%
Return on assets (ROA)**	6.7%	3.7%	-3.0 pp
Non-current assets	3,705,924	3,880,528	4.7%
Current assets	1,025,616	938,181	-8.5%
Equity	3,617,601	3,707,664	2.5%
Return on Equity (ROE)**	8.9%	4.8%	-4.1 pp
Provisions and liabilities	1,113,939	1,111,045	-0.3%

\* items after restatement of the data for 2021 due to the Group's application of the amendments to IAS 16 - detailed explanation in Note 2.1.1 of the Consolidated Financial Statements for 2022

\*\*the calculation takes into account the net result for the last four quarters and the average level of assets and equity (as at 31 December 2022 + as at 31 December 2021)/2.

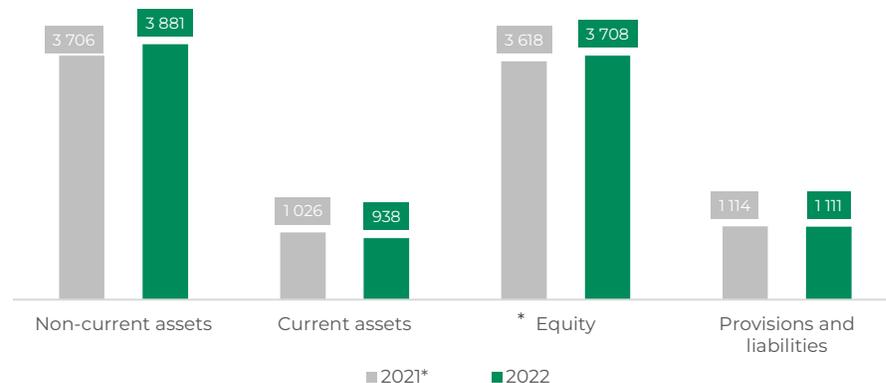
### Assets

Total assets as at 31 December 2022 compared to the value as at 31 December 2021 increased by PLN 87,169 thousand and amounted to PLN 4,818,709 thousand, with non-current assets increasing by PLN 174,604 thousand and current assets decreasing by PLN 87,435 thousand. In non-current assets, the most significant change is a PLN 167,687 thousand increase in property, plant and equipment. In current assets, the balance of inventories increased considerably (+96.4%). The value of trade receivables and other receivables decreased (37.5%) as did the value of cash (20.9%). As at 31 December 2022, return on assets (ROA) was 3.7%, compared to 6.7% at the end of 2021.

### Liabilities and equity

Equity increased by 2.5%. This was a result of the total income for 2022 and the settlement of the result for 2021 (dividend). Provisions and liabilities decreased by 0.3% from their value as of 31 December 2021, with current liabilities decreasing by -12.9% (primarily decreases in trade liabilities and other liabilities, customer contract liabilities, financial liabilities and provisions for other liabilities and charges), while non-current liabilities increased by 10.6% (the main items that increased were provisions for other liabilities and charges, deferred tax liabilities, and employee benefit liabilities). As at 31 December 2022, return on equity decreased by 4.1 pp compared to the end of 2021. As at 31 December 2022 the ratio stood at 4.8%, compared to 8.9% as at 31 December 2021.

Analysis of the consolidated statement of financial position  
(PLN million)



## LW Bogdanka Group's cash flows

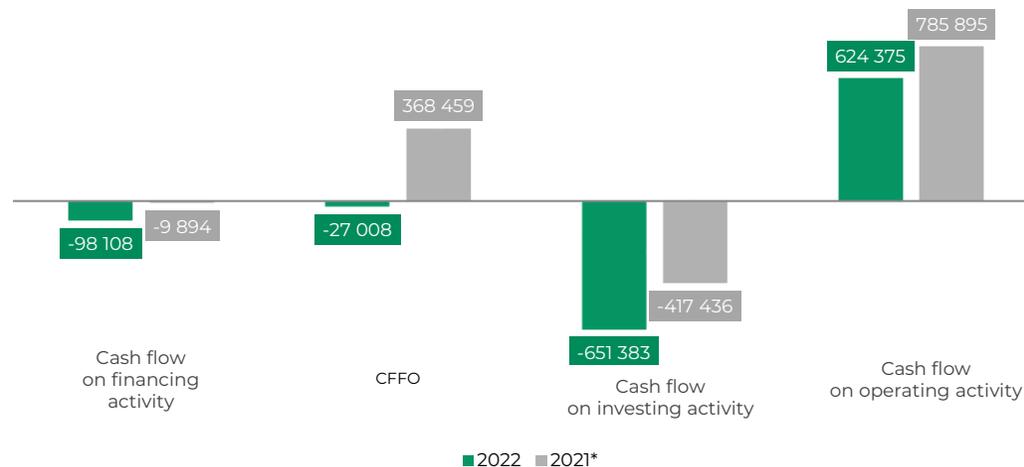
### Cash position

[PLN 000s]	Q4 2021*	Q4 2022	Change	2021*	2022	Change
Cash flow on operating activity	291,515	-124,356	-	785,895	624,375	-20.6%
Cash flow on investing activity	-134,479	-164,672	22.5%	-417,436	-651,383	56.0%
<b>CCFO**</b>	<b>157,036</b>	<b>-289,028</b>	<b>-</b>	<b>368,459</b>	<b>-27,008</b>	<b>-</b>
Cash flow on financing activity	-4,311	-2,840	-34.1%	-9,894	-98,108	891.6%

\* items after restatement of the data for 2021 due to the Group's application of the amendments to IAS 16 - detailed explanation in Note 2.1.1 of the Consolidated Financial Statements for 2022

\*\* sum of operating and investment cash flows

Cash flow analysis (PLN thousand)



### Cash position

#### Cash flow on operating activity

In Q4 2022, the Group generated PLN 415,871 thousand lower net cash flow on operating activity than in Q4 2021. In 2022, it amounted to PLN -124,356 thousand as compared to PLN 291,515 thousand a year earlier.

In 2022, the LW Bogdanka Group generated PLN 624,375 thousand in cash flow on operating activity (-20.6% y/y). The decrease of PLN 161,520 thousand in net cash flow from operating activity is primarily due to a decline in net profit.

#### Cash flow on financing activity

In Q4 2022 the Group recorded negative cash flow on financing activity in the amount of PLN 2,840 thousand. In the entire 2022 the Group recorded negative cash flow on financing activity in the amount of PLN 98,108 thousand. The dividend paid to the Company's shareholders represented the largest item.

#### Cash flow on investing activity

Cash flow on investing activity increased (in absolute terms) by 22.5% (to PLN 164,672 thousand) in Q4 2022 compared to the corresponding period of 2021.

In the entire 2022, cash flow on investing activity (in absolute terms) were up 56.0% vs. the value for the entire 2021 and amounted to PLN -651,383 thousand. These were mainly related to expenditures for the purchase of property, plant and equipment.

## Debt and liquidity ratios LW Bogdanka Group

While discussing consolidated results, the Group presents selected APM indicators as, in its opinion, they are a source of additional valuable information (in addition to the data presented in the financial statements) about the financial and operating position, as well as facilitate analysis and assessment of the financial performance of the Group over individual reporting periods. The Group presents these specific alternative performance measures because they represent standard measures and ratios commonly used in financial analysis. The selection of alternative performance measures was preceded by an analysis of their usefulness in terms of providing investors with useful information about the financial position, cash flows and financial performance and, in the Group's opinion, allows for an optimal assessment of the financial results recorded.

### Cash position

[PLN 000s]	31 December 2021*	31 December 2022	Change
General debt ratio	23.5%	23.1%	-0.4 p.p.
(Debt plus employee liabilities)/EBITDA ratio	0.27	0.38	40.7%
Net debt/EBITDA ratio**	-0.72	-0.77	6.9%
Debt to equity ratio	30.8%	30.0%	-0.8 p.p.
Fixed capital to non-current assets ratio (non-current assets/fixed capital)	110.2%	108.6%	-1.6 p.p.
Short-term debt ratio (current liabilities/liabilities)	10.9%	9.3%	-1.6 p.p.
Long-term debt ratio (non-current liabilities/liabilities)	12.6%	13.7%	1.1 p.p.

\* items after restatement of the data for 2021 due to the Group's application of the amendments to IAS 16 - detailed explanation in Note 2.1.1 of the Consolidated Financial Statements for 2022

\*\*Debt = non-current liabilities under bonds issued + non-current loans and borrowings + current loans and borrowings

	31 December 2021	31 December 2022	Change
Current liquidity ratio	2.09	2.15	2.9%
Quick liquidity ratio	1.89	1.70	-10.1%

In the period covered by the consolidated financial statements, the Group's liquidity ratios remained at a high and safe level - the Group has no difficulties in meeting its liabilities.

### Total debt ratio

The total debt ratio as at 31 December 2022 decreased by 0.4 pp compared to 31 December 2021 to 23.1% (the increase in the balance sheet value was greater than the change in liabilities). As at 31 December 2022 the level of the Group's debt did not pose a threat to its operations or its ability to meet its obligations in a timely manner. Based on medium- and long-term projections, the Group's financing needs are analyzed to ensure liquidity and cash balances at an appropriate level.

### Debt plus employee liabilities/EBITDA

The indicator describing the ratio of debt to EBITDA at the end of 2022 grew by 40.7% and stood at 0.38. Comparing data as at 31 December 2022 to 31 December 2021, there was a drop in EBITDA (calculated on a rolling basis for the last four quarters) while the debt increased.

### Net debt/EBITDA

The indicator describing the ratio of net debt (total interest-bearing short- and long-term liabilities less cash and cash equivalents) to EBITDA increased, in absolute terms, from -0.72 as at 31 December 2021 to -0.77 as at 31 December 2022. Net debt increased by approximately PLN 118 million and amounted to PLN -470 million with EBITDA falling down by approximately PLN 211 million (EBITDA calculated on a rolling basis for the last four quarters).

### Debt to equity ratio

The debt to equity ratio as at 31 December 2022 decreased by 0.8 p.p. from 31 December 2021 and amounted to 30.0% - liabilities increased by approximately PLN 3 million and equity increased by approximately PLN 90 million.

### Fixed capital to non-current assets ratio

The ratio of coverage of non-current assets with fixed capital reached 108.6% (as at 31 December 2022) compared to 110.2% (as at 31 December 2021) - in the period under analysis the value of non-current assets increased by approx. PLN 175 million while the value of fixed capital (the sum of equity and non-current liabilities without provisions) increased by approx. PLN 128 million.

## Turnover of receivables and liabilities in the LW Bogdanka Group

### Turnover ratios

[PLN 000s]

			31 December 2021*	31 December 2022	Change
1. Inventory turnover ratio	$\frac{\text{average balance of inventories}}{\text{cost of sales}} \times$	number of days in the period	18	26	44.4%
2. Receivables turnover ratio**	$\frac{\text{average balance of receivables}}{\text{revenues from sales}} \times$	number of days in the period	44	39	-11.4%
3. Liabilities turnover ratio***	$\frac{\text{average balance of liabilities}}{\text{cost of sales}} \times$	number of days in the period	71	71	0.0%
4. Operating cycle	1+2		62	65	4.8%
5. Cash conversion cycle	4-3		-9	-6	-33.3%

\* items after restatement of the data for 2021 due to the Group's application of the amendments to IAS 16 - detailed explanation in Note 2.1.1 of the Consolidated Financial Statements for 2022

\*\*Trade receivables and other receivables

\*\*\* Trade and other liabilities

### Inventory turnover ratio

The inventory turnover ratio as at 31 December 2022 increased by 8 days from 31 December 2021 and is 26 days. On average, it takes 8 days longer to liquidate inventory.

### Operating cycle

The operating cycle of current assets (the sum of the inventory and trade receivables turnover ratios) in the period under analysis was lengthened and amounted to 65 days. On average, the Group's current assets are liquidated after 65 days.

### Receivables turnover ratio

The receivables turnover ratio (calculated on the basis of the balance sheet item "Trade and other receivables") was 39 days (as at 31 December 2022) compared to 44 days (as at 31 December 2021). The average balance of receivables dropped by approx. PLN 32 million, with a growth of revenues by approx. PLN 2.5 million.

### Cash conversion cycle

The trends described above resulted in achieving a cash conversion cycle of -6 days as at 31 December 2022. The negative value of the ratio indicates that the Group uses trade credit (financing with non-interest-bearing debt).

### Liabilities turnover ratio

The liabilities turnover ratio (calculated on the basis of the balance sheet item "Trade and other liabilities") as at the end of 2022 did not change compared to the value at the end of 2021 and is 71 days. In the period under analysis, the Group had a higher average level of current trade liabilities (by approx. PLN 34 million) with a higher level of expenses (by approx. PLN 160 million).

## LW Bogdanka Group's provisions

### Balance sheet provisions

[PLN 000s]	As at 31 December 2021	As at 31 December 2022	Change 31 December 2022/ 31 December 2021
Employee provisions	210,635	229,813	9.1%
Provision for mine decommissioning and land reclamation costs	130,402	155,452	19.2%
Mining damage	6,382	6,844	7.2%
Other	18,804	5,902	-68.6%
<b>Total</b>	<b>366,223</b>	<b>398,011</b>	<b>8.7%</b>

### Change in provisions

[PLN 000s]	Change in Q4 2021	Change in Q4 2022	Change Q4 2022/ Q4 2021	Change in 2021	Change in 2022	Change 2022/ 2021
Employee provisions	-21,361	36,473	-	-4,692	19,178	-
Provision for mine decommissioning and land reclamation costs	-68,365	26,578	-	-82,054	25,050	-
Mining damage	4,627	2,073	-55.2%	3,803	462	-87.9%
Other	3,639	-480	-	14,069	-12,902	-
<b>Total</b>	<b>-81,460</b>	<b>64,644</b>	<b>-</b>	<b>-68,874</b>	<b>31,788</b>	<b>-</b>

### Location of the impact of the change in provisions in the consolidated financial statements

[PLN 000s]	Change in provisions in 2022	Change recognized in operating activities (EBITDA)	Change recognized below operating profit - interest	Change recognized only in the balance sheet - increase in the carrying amount of fixed assets	Change recognized in Other Comprehensive Income	Change recognized only on the balance sheet - use of provisions
Employee provisions	19,178	52,502	6,248	-	666	-40,238
Provision for mine decommissioning and land reclamation costs	25,050	366	4,825	19,859	-	-
Mining damage	462	2,394	-	-	-	-1,938
Other	-12,902	516	-	-	-	-13,418
<b>Total</b>	<b>31,788</b>	<b>55,778</b>	<b>11,073</b>	<b>19,859</b>	<b>666</b>	<b>-55,588</b>

### Location of the impact of the change in provisions in the financial statements

[PLN 000s]	Changes in provisions in Q4 2022	Change recognized in operating activities (EBITDA)	Change recognized below operating profit - interest	Change recognized only in the balance sheet - increase in the carrying amount of fixed assets	Change recognized in Other Comprehensive Income	Change recognized only on the balance sheet - use of provisions
Employee provisions	36,473	32,305	672	-	11,070	-7,574
Provision for mine decommissioning and land reclamation costs	26,578	-309	1,473	25,414	-	-
Mining damage	2,073	2,394	-	-	-	-321
Other	-480	-342	-	-	-	-138
<b>Total</b>	<b>64,644</b>	<b>34,048</b>	<b>2,145</b>	<b>25,414</b>	<b>11,070</b>	<b>-8,033</b>

## Sales revenues and main customers of LW Bogdanka S.A.

### Changes in sales revenue on various items

[PLN 000s]	Q4 2021*	Q4 2022	Change	Percentage change	2021*	2022	Change	Percentage change
Coal sales	712,940	407,959	-304,981	-42.8%	2,396,397	2,391,240	-5,157	-0.2%
Other operations	7,856	10,160	2,304	29.3%	28,795	36,392	7,597	26.4%
Sales of merchandise and materials	5,853	2,845	-3,008	-51.4%	18,788	20,481	1,693	9.0%
<b>Total</b>	<b>726,649</b>	<b>420,964</b>	<b>-305,685</b>	<b>-42.1%</b>	<b>2,443,980</b>	<b>2,448,113</b>	<b>4,133</b>	<b>0.2%</b>

### Structure of revenues

[%]	Q4 2021*	Q4 2022	2021*	2022
Coal sales	98.1%	96.9%	98.0%	97.7%
Other operations	1.1%	2.4%	1.2%	1.5%
Sales of merchandise and materials	0.8%	0.7%	0.8%	0.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

### Geographical structure of sales revenues

[PLN 000s]	Q4 2021*	Structure	Q4 2022	Structure	2021*	Structure	2022	Structure
Domestic sales	665,501	91.6%	420,964	100.0%	2,313,249	94.7%	2,371,707	96.9%
Foreign sales	61,148	8.4%	0	0.0%	130,731	5.3%	76,406	3.1%
<b>Total</b>	<b>726,649</b>	<b>100.0%</b>	<b>420,964</b>	<b>100.0%</b>	<b>2,443,980</b>	<b>100.0%</b>	<b>2,448,113</b>	<b>100.0%</b>

\* items after restatement of the data for 2021 due to the Group's application of the amendments to IAS 16 - detailed explanation in Note 2.1.1 of the Consolidated Financial Statements for 2022

### Revenue from sales of coal

(-) in Q4 2022, the Company earned PLN 407,959 thousand in revenue from sales of coal, down 42.8% compared to Q4 2021.

(+) in the whole 2022, revenue from sales of coal amounted to PLN 2,391,240 thousand compared to PLN 2,396,397 thousand in 2021, a y/y increase of 0.2%.

(+) the main source of revenues of LW Bogdanka S.A. is the production and sale of steam coal. These activities generate approximately 97-98% of the sales revenue generated by LW Bogdanka S.A. in each of the comparative reporting periods.

### Revenue from other activities

In Q4 2022, revenue from other operations amounted to PLN 10,160 thousand compared to PLN 7,856 thousand in the corresponding period of 2021 (increase by 29.3% y/y). Notable items in this group were as follows:

- revenues from coal transport services provided by LW Bogdanka to certain coal buyers,
- revenues from industrial services provided to companies performing works commissioned by the Company
- revenues from tenancy of fixed assets.

In the whole 2022, revenue from other operations amounted to PLN 36,392 thousand and were higher by 26.4% than in 2021. The increase in the revenues in this group is attributable to higher revenues from coal transport under own railway license.

The higher value of revenue from sales of goods and materials is a derivative of higher value of sales of scrap,

i.e. supports recovered from the liquidation of roadways which are not suitable for refurbishment and reuse.

### Geographical structure of sales revenues

The Company focuses its operations predominantly on the territory Poland. In 2022, coal sales to foreign countries (mainly Ukraine) were made with the participation of an intermediary coal entity. In 2022, the value of exports was PLN 76,406 thousand, which accounted for 3.1% of sales revenues. Exports of steam coal to Ukraine in the period under analysis were carried out on the basis of export contracts concluded in 2021, prior to the beginning of the armed conflict in Ukraine.

### Main customers

In 2022, nearly 75% of coal (by revenue) was sold to Enea Wytwarzanie Sp. z o.o., Enea Elektrownia Połaniec S.A. and Grupa Azoty Zakłady Azotowe Puławy S.A.

Major customers by percentage of revenue:

- Enea Wytwarzanie Sp. z o.o. - the Enea Group - approx. 52% share in revenues
- Enea Elektrownia Połaniec S.A. - the Enea Group - approx. 17% share in revenues
- Grupa Azoty Zakłady Azotowe Puławy S.A. - approx. 6% share in revenues

## Key financial results LW Bogdanka S.A.

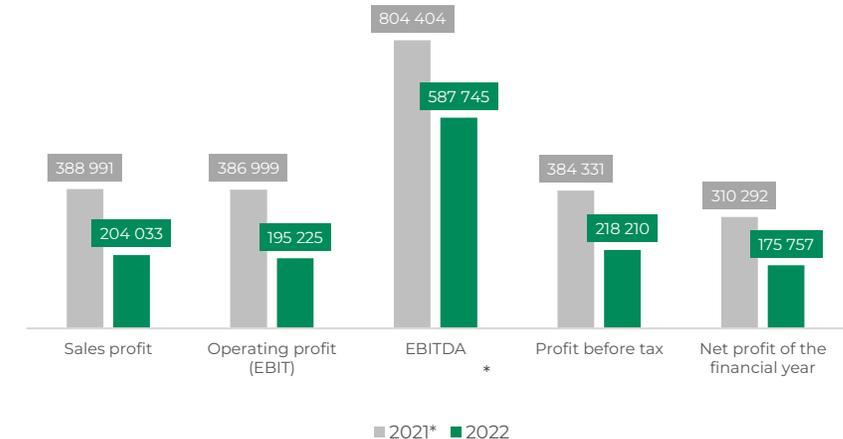
### Analysis of the statement of profit or loss

[PLN 000s]	Q4 2021*	Q4 2022	Change	2021*	2022	Change
Sales revenues	726,649	420,964	-42.1%	2,443,980	2,448,113	0.2%
Cost of products, goods and materials sold, selling and distribution expenses, and administrative expenses	568,567	588,193	3.5%	2,054,989	2,244,080	9.2%
<b>Profit/(loss) on sales</b>	<b>158,082</b>	<b>-167,229</b>	<b>-205.8%</b>	<b>388,991</b>	<b>204,033</b>	<b>-47.5%</b>
Gross return on sales	21.8%	-39.7%	-61.5 p.p.	15.9%	8.3%	-7.6 p.p.
Other revenues	3,882	1,693	-56.4%	4,739	2,904	-38.7%
Other costs	394	430	9.1%	1,015	1,709	68.4%
<b>Net operating profit/(loss)</b>	<b>161,570</b>	<b>-165,966</b>	<b>-202.7%</b>	<b>392,715</b>	<b>205,228</b>	<b>-47.7%</b>
Other net losses	-1,412	-7,288	416.1%	-5,716	-10,003	75.0%
<b>Operating profit/(loss) (EBIT)</b>	<b>160,158</b>	<b>-173,254</b>	<b>-208.2%</b>	<b>386,999</b>	<b>195,225</b>	<b>-49.6%</b>
EBIT margin	22.0%	-41.2%	-63.2 p.p.	15.8%	8.0%	-7.8 p.p.
<b>EBITDA</b>	<b>260,310</b>	<b>-69,496</b>	<b>-126.7%</b>	<b>804,404</b>	<b>587,745</b>	<b>-26.9%</b>
EBITDA margin	35.8%	-16.5%	-52.3 p.p.	32.9%	24.0%	-8.9 p.p.
Financial income	425	11,449	2,593.9%	5,176	36,075	597.0%
Financial expenses	1,744	2,331	33.7%	7,844	13,090	66.9%
<b>Pre-tax profit/(loss)</b>	<b>158,839</b>	<b>-164,136</b>	<b>-203.3%</b>	<b>384,331</b>	<b>218,210</b>	<b>-43.2%</b>
Profit margin before tax	21.9%	-39.0%	-60.9 p.p.	15.7%	8.9%	-6.8 p.p.
Income tax	30,502	-30,339	-199.5%	74,039	42,453	-42.7%
<b>Net profit/(loss) of the financial year</b>	<b>128,337</b>	<b>-133,797</b>	<b>-204.3%</b>	<b>310,292</b>	<b>175,757</b>	<b>-43.4%</b>
Net profitability	17.7%	-31.8%	-49.5 p.p.	12.7%	7.2%	-5.5 p.p.

\* items after restatement of the data for 2021 due to the Group's application of the amendments to IAS 16 - detailed explanation in Note 2.1.1 of the Consolidated Financial Statements for 2022



Key financial results of LW Bogdanka S.A. (PLN thousand)



## Key financial results LW Bogdanka S.A.

### Sales revenues

Sales revenues in Q4 2022 decreased by 42.1% compared to the corresponding period of last year and stood at PLN 420,964 thousand. In the whole 2022, the Company generated revenue in the amount of PLN 2,448,113 thousand compared to PLN 2,443,980 thousand in 2021 (0.2% increase).

### Cost of products, goods and materials sold, selling and distribution expenses, and administrative expenses

In Q4 2022, the cost of products, commodities and materials sold, together with selling and distribution and administrative expenses amounted to PLN 588,193 thousand and were higher by PLN 19,626 thousand (+3.5%) compared to the corresponding period of the previous year, when they stood at PLN 568,567 thousand. In 2022, the cost of products, commodities and materials sold jointly with selling and distribution and administrative expenses was PLN 2,244,080 thousand, which signifies a 9.2% increase compared to 2021 (PLN 2,054,989 thousand).

### Profit/(loss) on sales

In Q4 2022, sales loss amounted to PLN 167,229 thousand, compared to PLN 158,082 thousand sales profit generated in the corresponding period of 2021. In the whole 2022, the Company generated sales profit in the amount of PLN 204,033 thousand compared to PLN 388,991 thousand in 2021.

### Other revenues

In Q4 2022, other revenues were PLN 1,693 thousand, compared to PLN 3,882 thousand last year. In 2022, the value of other revenues was PLN 2,904 thousand, compared to PLN 4,739 thousand last year. The significantly lower value of other revenues compared to the previous year results primarily from a lower amount of compensations received (PLN 539 thousand in 2022 vs. PLN 2,679 thousand in 2021).

### Other costs

Other costs in 2022 were PLN 1,709 thousand, compared to PLN 1,015 thousand in 2021. The main component of this line item in both periods was donations made.

### Other net losses

In Q4 2022, other net losses were PLN 7,288 thousand, compared to PLN 1,412 thousand in Q4 2021. In the entire 2022, other net losses totaled PLN 10,003 thousand, compared to PLN 5,716 thousand in 2021. An increase in net losses in Q4 and in the entire 2022 is mainly due to the differences in the amount of impairment losses on fixed assets created and the differences on the valuation and performance of forward contracts.

### EBIT

The operating result in Q4 2022 was negative amounted to PLN 173,254 thousand. EBIT profitability in Q4 2022 amounted to -41.2%. EBIT profitability for the entire 2022 was 7.8 p.p. lower than in 2021, and stood at 8.0%.

### EBITDA

EBITDA in Q4 2022 was negative and amounted to PLN 69,496 thousand and decreased by PLN 329,806 thousand compared to Q4 2021. EBITDA profitability in Q4 2022 was negative and amounted to -16.5%. In the whole 2022, the Company achieved EBITDA profitability of 24.0%, i.e. 8.9 p.p. lower than in 2021 (EBITDA decreased by 26.9% in the period under analysis). EBITDA in 2022 was PLN 587,745 thousand, compared to PLN 804,404 thousand in 2021.

### Financial income

Financial income in Q4 2022 amounted to PLN 11,449 thousand and was higher than in Q4 2021, when it was PLN 425 thousand. In the entire 2022, financial income totaled PLN 36,075 thousand, compared to PLN 5,176 thousand in 2021. Financial income in the 2022 period under analysis consists mainly of interest income on bank deposits. Such a significant increase is due to the rise in interest rates during 2022.

### Financial expenses

Financial costs for Q4 2022 were 33.7% higher than in the corresponding period of 2021 and amounted to PLN 2,331 thousand. In the entire 2022, financial expenses totaled PLN 13,090 thousand, compared to PLN 7,844 thousand in 2021 (an increase by 66.9%). The increase in financial costs is due to the inclusion of higher interest expenses from valuation of employee benefits and the settlement of the discount relating to the provision for the Mine Closure Fund. As at 31 December 2022, the Company did not have any debt bearing interest.

### Pre-tax profit/(loss)

In Q4 2022, the Company recorded a loss before tax of PLN 164,136 thousand compared to a profit before tax of PLN 158,839 thousand in Q4 2021. Profit before tax in the entire 2022 was PLN 218,210 thousand, compared to PLN 384,331 thousand in 2021.

### Net profit/(loss) for the financial period

In Q4 2022, the Company recorded net loss of PLN -133,797 thousand, compared to net profit of PLN 128,337 thousand in Q4 2021. The Company's net profit in 2022 was PLN 175,757 thousand, compared to PLN 310,292 thousand last year.

## LW Bogdanka S.A.'s balance sheet

### Balance sheet

[PLN 000s]	31 December 2021*	31 December 2022	Change
Total assets	4,690,540	4,777,736	1.9%
Return on assets (ROA)**	6.9%	3.7%	-3.2 p.p.
Non-current assets	3,690,991	3,867,202	4.8%
Current assets	999,549	910,534	-8.9%
Equity	3,596,506	3,686,707	2.5%
Return on Equity (ROE)**	9.0%	4.8%	-4.2 p.p.
Provisions and liabilities	1,094,034	1,091,029	-0.3%

\* items after restatement of the data for 2021 due to the Group's application of the amendments to IAS 16 - detailed explanation in Note 2.1.1 of the Consolidated Financial Statements for 2022

\*\*the calculation takes into account the net result for the last four quarters and the average level of assets and equity (as at 31 December 2022 + as at 31 December 2021)/2.

### Assets

Total assets as at 31 December 2022 went up to PLN 4,777,736 thousand (i.e. an increase by PLN 87,196 thousand) compared to the value as at 31 December 2021, with non-current assets increasing by PLN 176,211 thousand and current assets falling down by PLN 89,015 thousand. In non-current assets, the most significant change is a PLN 173,137 thousand increase in property, plant and equipment. In current assets, the balance of inventories increased considerably (+100.3%). The value of trade receivables and other receivables decreased (-37.4%) as did the value of cash and cash equivalents (-21.7%).

As at 31 December 2022, return on assets (ROA) was 3.7%, compared to 6.9% at the end of 2021.

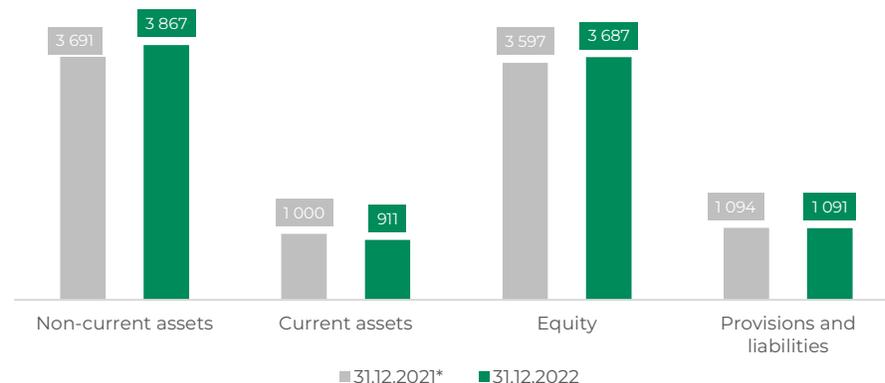
### Liabilities and equity

Equity increased by 2.5%. This was a result of the total income for 2022 and the settlement of the result for 2021 (dividend).

Provisions and liabilities decreased by 0.3% from their value as of 31 December 2021, with current liabilities decreasing by 13.7% (primarily decreases in trade liabilities and other liabilities, customer contract liabilities, financial liabilities and provisions for other liabilities and charges), while non-current liabilities increased by 11.3% (the main items that increased were deferred tax liabilities, employee benefit liabilities and provisions for other liabilities and charges).

As at 31 December 2022, return on equity decreased by 4.2 p.p. compared to the end of 2021. As at 31 December 2022 the ratio stood at 4.8%, compared to 9.0% as at 31 December 2021.

### Analysis of standalone statement of financial position (PLN million)



## Cash flows of LW Bogdanka S.A.

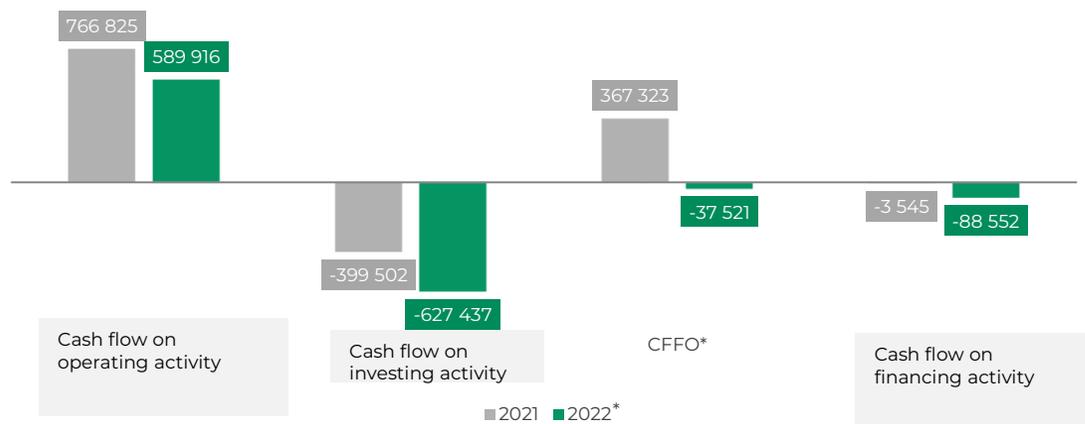
### Cash position

[PLN 000s]	Q4 2021*	Q4 2022	Change	2021*	2022	Change
Cash flow on operating activity	290,674	-128,868	-	766,825	589,916	-23.1%
Cash flow on investment activity	-133,638	-165,160	23.6%	-399,502	-627,437	57.1%
<b>FFFO**</b>	<b>157,036</b>	<b>-294,028</b>	<b>-</b>	<b>367,323</b>	<b>-37,521</b>	<b>-</b>
Cash flow on financing activity	-739	-712	-3.7%	-3,545	-88,552	2,397.9%

\* items after restatement of the data for 2021 due to the Group's application of the amendments to IAS 16 - detailed explanation in Note 2.1.1 of the Consolidated Financial Statements for 2022

\*\* sum of operating and investment cash flows

### Cash flow analysis (PLN thousand)



### Cash position

#### Cash flow on operating activity

In Q4 2022, the Company generated PLN 419,542 thousand lower net cash flows on operating activity than in Q4 2021; in Q4 2022, they were negative and amounted to PLN -128,868 thousand as compared to positive flows of PLN 290,674 thousand a year earlier. In the entire 2022, the Company generated PLN 589,916 thousand in cash flows on operating activity (-23.1% y/y).

### Cash flow on financing activity

In Q4 2022, the Company recorded negative cash flow on financing activity in the amount of PLN 712 thousand.

In the entire 2022, the Company also recorded negative cash flow on financing activity in the amount of PLN 88,552 thousand. The dominant item was dividends paid to the Company's shareholders.

#### Cash flow on investing activity

Cash flow on investing activity increased (in absolute terms) by 23.6% (to PLN 165,160 thousand) in Q4 2022 compared to the corresponding period of 2021. Investment cash flows for 12 months of 2022 on a year-to-date basis were higher by 57.1% than cash flows in the corresponding period of the previous year. These were mainly related to expenditures for the purchase of property, plant and equipment.

## Debt and liquidity ratios LW Bogdanka S.A.

While discussing standalone results, the Company presents selected APM indicators as, in its opinion, they are a source of additional valuable information (in addition to the data presented in the financial statements) about the financial and operating position, as well as facilitate analysis and assessment of the financial performance of the Company over individual reporting periods. The Company presents these specific alternative performance measures because they represent standard measures and ratios commonly used in financial analysis. The selection of alternative performance measures was preceded by an analysis of their usefulness in terms of providing investors with useful information about the financial position, cash flows and financial performance and, in the Company's opinion, allows for an optimal assessment of the financial results recorded.

### Cash position

[PLN 000s]	31 December 2021*	31 December 2022	Change
General debt ratio	23.3%	22.8%	-0.5 p.p.
Ratio (debt plus employee liabilities)/EBITDA**	0.25	0.38	52.0%
Net debt/EBITDA ratio**	-0.72	-0.77	6.9%
Debt to equity ratio	30.4%	29.6%	-0.8 p.p.
Fixed capital to non-current assets ratio (non-current assets/fixed capital)	109.8%	108.2%	-1.6 p.p.
Short-term debt ratio (current liabilities/liabilities)	10.8%	9.2%	-1.6 p.p.
Long-term debt ratio (non-current liabilities/liabilities)	12.5%	13.7%	1.2 p.p.

\* items after restatement of the data for 2021 due to the Group's application of the amendments to IAS 16 - detailed explanation in Note 2.11 of the Consolidated Financial Statements for 2022

\*\*Debt = non-current liabilities under bonds issued + non-current loans and borrowings + current loans and borrowings

	31 December 2021	31 December 2022	Change
Current liquidity ratio	2.07	2.14	3.4%
Quick liquidity ratio	1.88	1.69	-10.1%

In the period covered by the financial statements, the Company's liquidity ratios remained at a high and safe level - the Company has no difficulties in meeting its liabilities.

### Total debt ratio

The total debt ratio as at 31 December 2022 decreased by 0.5 p.p. compared to 31 December 2021 to 22.8% - the value of liabilities and equity increased with regard to liabilities mainly due to retained profit.

As at 31 December 2022, the level of the Company's debt did not pose a threat to its operations or its ability to meet its obligations in a timely manner. Based on medium- and long-term projections, the Company's financing needs are analyzed to ensure liquidity and cash balances at an appropriate level.

### Debt plus employee liabilities/EBITDA

The indicator describing the ratio of debt to EBITDA at the end of 2022 grew by 52.0% and stood at 0.38. Comparing data as at 31 December 2022 to 31 December 2021, there was a drop in EBITDA (calculated on a rolling basis for the last four quarters) in contrast to debt level, which increased.

### Net debt/EBITDA

The indicator describing the ratio of net debt (total interest-bearing short- and long-term liabilities less cash and cash equivalents) to EBITDA increased, in absolute terms, from -0.72 as at 31 December 2021 to -0.77 as at 31 December 2022. Net debt increased by approximately PLN 126 million and amounted to PLN -454 million with EBITDA decreasing by approximately PLN 217 million (EBITDA calculated on a rolling basis for the last four quarters).

### Debt to equity ratio

The debt to equity ratio as at 31 December 2022 decreased by 0.8 p.p. from 31 December 2021 and amounted to 29.6% - liabilities decreased by approximately PLN 3 million with equity increasing by approximately PLN 90 million.

### Fixed capital to non-current assets ratio

The ratio of coverage of non-current assets with fixed capital reached 108.2% (as at 31 December 2022) compared to 109.8% (as at 31 December 2021) - in the period under analysis, the value of non-current assets increased (by approx. PLN 176 million) and so did the value of fixed capital (the sum of equity and non-current liabilities without provisions) - by approx. PLN 131 million.

## Turnover of receivables and liabilities in LW Bogdanka S.A.

### Turnover ratios

[PLN 000s]

			31 December 2021*	31 December 2022	Change
1. Inventory turnover ratio	$\frac{\text{average balance of inventories}}{\text{cost of sales}} \times$	number of days in the period	19	26	36.8%
2. Receivables turnover ratio**	$\frac{\text{average balance of receivables}}{\text{revenues from sales}} \times$	number of days in the period	42	39	-7.1%
3. Liabilities turnover ratio***	$\frac{\text{average balance of liabilities}}{\text{cost of sales}} \times$	number of days in the period	71	71	0.0%
4. Operating cycle	1+2		61	65	6.6%
5. Cash conversion cycle	4-3		-10	-6	-40.0%

\* items after restatement of the data for 2021 due to the Group's application of the amendments to IAS 16 - detailed explanation in Note 2.1.1 of the Consolidated Financial Statements for 2022

\*\* Trade and other receivables

\*\*\* Trade and other liabilities

### Inventory turnover ratio

The inventory turnover ratio as at 31 December 2022 increased by 7 days from 31 December 2021 and was 26 days. On average, it takes 7 days longer to liquidate inventory.

In the period under analysis, the Company had both a higher average level of current trade liabilities (by approx. PLN 32 million) and higher costs of products, commodities and materials sold (by approx. PLN 164 million).

### Operating cycle

The operating cycle of current assets (the sum of the inventory and trade receivables turnover ratios) in the period under analysis was lengthened to 65 days. On average, the Company's current assets are liquidated after 65 days.

### Receivables turnover ratio

The receivables turnover ratio (calculated on the basis of the balance sheet item "Trade and other receivables") was 39 days (as at 31 December 2022) compared to 42 days last year. The decrease of the ratio is attributable to a lower average level of receivables, with a higher average level of revenues.

### Cash conversion cycle

The trends described above resulted in achieving a cash conversion cycle of -6 days as at 31 December 2022. The negative value of the ratio indicates that the Group uses trade credit (financing with non-interest-bearing debt).

### Liabilities turnover ratio

The liabilities turnover ratio (calculated on the basis of the balance sheet item "Trade and other liabilities") as at the end of 2022 did not change and is 71 days.



## LW Bogdanka S.A.'s provisions

### Balance sheet provisions

[PLN 000s]	As at 31 December 2021	As at 31 December 2022	Change 2022/2021
Employee provisions	204,687	222,335	8.6%
Provision for mine decommissioning and land reclamation costs	130,402	155,452	19.2%
Mining damage	6,382	6,844	7.2%
Other	18,703	5,680	-69.6%
<b>Total</b>	<b>360,174</b>	<b>390,311</b>	<b>8.4%</b>

### Change in provisions

[PLN 000s]	Change in Q4 2021	Change in Q4 2022	Change Q4 2022/ Q4 2021	Change in 2021	Change in 2022	Change 2022/2021
Employee provisions	-18,440	39,417	-	-4,893	17,648	-
Provision for mine decommissioning and land reclamation costs	-68,365	26,578	-	-82,054	25,050	-
Mining damage	4,627	2,073	-55.2%	3,803	462	-87.9%
Other	3,972	-366	-	14,216	-13,023	-
<b>Total</b>	<b>-78,206</b>	<b>67,702</b>	<b>-</b>	<b>-68,928</b>	<b>30,137</b>	<b>-</b>

### Location of the impact of the change in provisions in the financial statements

[PLN 000s]	Change in provisions in 2022	Change recognized in operating activities (EBITDA)	Change recognized below operating profit - interest	Including: Change recognized only in the balance sheet - increase in the carrying amount of fixed assets	Change recognized in Other Comprehensiv e Income	Change recognized only on the balance sheet - use of provisions
Employee provisions	17,648	50,614	6,122	-	644	-39,732
Provision for mine decommissioning and land reclamation costs	25,050	366	4,825	19,859	-	-
Mining damage	462	2,394	-	-	-	-1,932
Other	-13,023	80	-	-	-	-13,103
<b>Total</b>	<b>30,137</b>	<b>53,454</b>	<b>10,947</b>	<b>19,859</b>	<b>644</b>	<b>-54,767</b>

### Location of the impact of the change in provisions in the financial statements

[PLN 000s]	Change in provisions in Q4 2021	Change recognized in operating activities (EBITDA)	Change recognized below operating profit - interest	Including: Change recognized only in the balance sheet - increase in the carrying amount of fixed assets	Change recognized in Other Comprehensive Income	Change recognized only on the balance sheet - use of provisions
Employee provisions	39,417	35,168	569	-	11,048	-7,368
Provision for mine decommissioning and land reclamation costs	26,578	-309	1,473	25,414	-	-
Mining damage	2,073	2,394	-	-	-	-321
Other	-366	-366	-	-	-	-
<b>Total</b>	<b>67,702</b>	<b>36,887</b>	<b>2,042</b>	<b>25,414</b>	<b>11,048</b>	<b>-7,689</b>

## Costs and expenses of LW Bogdanka S.A.

### Costs by nature

[PLN 000s]	Q4 2021*	Q4 2022	Change	2021*	2022	Change
Net production [000 tons]	2,432	1,238	-49.1%	9,935	8,401	-15.4%
Sales [000 tons]	2,792	1,244	-55.4%	10,036	8,400	-16.3%
Depreciation and amortization	99,587	97,068	-2.5%	416,753	381,339	-8.5%
Materials and energy used	138,151	218,342	58.0%	462,425	734,236	58.8%
External services	125,684	133,688	6.4%	461,962	548,784	18.8%
Employee benefits	266,870	269,020	0.8%	721,045	843,180	16.9%
Cost of representation and advertising	2,248	2,564	14.1%	10,266	14,537	41.6%
Taxes and fees	11,606	10,555	-9.1%	52,836	52,174	-1.3%
Other costs	747	28,928	3,772.6%	24,452	32,379	32.4%
<b>Total costs by type</b>	<b>644,893</b>	<b>760,165</b>	<b>17.9%</b>	<b>2,149,739</b>	<b>2,606,629</b>	<b>21.3%</b>
Cost of producing services for the entity's proprietary needs	-65,796	-113,526	72.5%	-191,692	-411,960	114.9%
Prepayments and accruals	-77,518	-112,090	44.6%	8,122	-9,424	-216.0%
Provisions and other presentation adjustments between expense by nature and by function	-1,976	50,280	-2,644.5%	49,890	40,792	-18.2%
<b>Total production costs</b>	<b>499,603</b>	<b>584,829</b>	<b>17.1%</b>	<b>2,016,059</b>	<b>2,226,037</b>	<b>10.4%</b>
Movement in products	63,624	522	-99.2%	21,286	-1,210	-105.7%
Sales of goods and materials	5,340	2,842	-46.8%	17,644	19,253	9.1%
<b>Cost of goods sold, including:</b>	<b>568,567</b>	<b>588,193</b>	<b>3.5%</b>	<b>2,054,989</b>	<b>2,244,080</b>	<b>9.2%</b>
Cost of sales	522,425	535,225	2.5%	1,880,135	2,044,636	8.7%
Selling costs	10,775	11,101	3.0%	40,040	49,882	24.6%
Administrative costs	35,367	41,867	18.4%	134,814	149,562	10.9%

\* items after restatement of the data for 2021 due to the Group's application of the amendments to IAS 16 - detailed explanation in Note 2.1.1 of the Consolidated Financial Statements for 2022

### Q4 2022

#### Costs by nature

In Q4 2022, LW Bogdanka S.A. incurred costs by nature of PLN 760,165 thousand (PLN +115,272 thousand y/y), i.e. 17.9% more than in Q4 2021. The increase in costs in Q4 2022 was mainly due to higher costs of consumption of materials and energy, external services, employee benefits and other costs.

#### Depreciation and amortization

Depreciation and amortization decreased by 2.5% (to PLN 97,068 thousand) – primarily natural depreciation and amortization decreased (approximately PLN 5.1 million), which is a consequence of lower longwall progress, whereas depreciation of fixed assets increased.

#### Costs of consumed materials and energy

The cost of materials and energy consumed in Q4 2022 compared to Q4 2021 increased by 58.0% and amounted to PLN 218,342 thousand. In the period under analysis, the value of consumed materials increased (mainly because of a greater scope of preparatory work and an increase in the prices of materials) and the cost of energy consumption and water heating increased.

#### External services

The value of costs of external services increased by 6.4% compared to Q4 2021 and amounted to PLN 133,688 thousand. In the period under analysis, the main items that increased included the value of drilling and mining services, Saturday-Sunday work and other services, while auxiliary works, daywork and coal transportation by rail all decreased.

#### Employee benefits

The value of employee benefits in Q4 2022 increased by PLN 2.2 million compared to Q4 2021. This is the result of an increase in salaries agreed with the trade unions, as well as obligatory contributions and other employee benefits.

#### Representation and advertising costs

The increase in the value of representation and advertising expenses by PLN 0.3 million follows from the performance of the current payment schedule under sponsorship agreements.

#### Taxes and fees

The decrease in taxes and charges by approx. PLN 1.1 million is due to a decrease in the mining fee.

#### Other costs

The increase in other expenses by PLN 28.2 million is due to the conclusion of a new insurance policy for another period (the cost of the policy is settled over time, in proportion to its duration).

## Costs and expenses of LW Bogdanka S.A.

2022

### Costs by nature

In 2022, LW Bogdanka S.A. incurred costs by nature of PLN 2,606,629 thousand, i.e. 21.3% (+PLN +456,890 thousand) more than in 2021. The increase in costs in the period under analysis was mainly due to higher costs of consumption of materials and energy, external services and employee benefits.

### Depreciation and amortization

Depreciation and amortization decreased by 8.5% (to PLN 381,339 thousand) - natural depreciation and amortization decreased (approx. PLN 55 million), which is a consequence of lower longwall progress, while depreciation of fixed assets increased (approx. PLN 19 million).

### Consumption of materials and energy

The total value of the costs of consumed materials and energy increased by 58.8% in 2021 and amounted to PLN 734,236 thousand. In the period under analysis, approximately 7.6 kilometers more workings were excavated, with a simultaneous increase in purchase prices of materials and the cost of energy consumption (an increase in the purchase price of electricity and heated water used for central heating and hot water).

### Taxes and fees

A slight decrease in taxes and charges by approx. PLN 0.7 million is due to a decrease in the mining fee, with a growth of contributions to the PFRON (fund for persons with disabilities).

### External services

The value of external services in 2022 compared to the corresponding period in 2021 increased from PLN 461,962 thousand to PLN 548,784 thousand (+18.8%).

In the period under analysis, there was an increase primarily in the value of drilling and mining services, the value of Saturday-Sunday work as well as coal transportation services by rail, repairs and overhauls, waste management and other services.

### Employee benefits

The value of employee benefits in 2022, compared to the corresponding period of 2021, increased by approx. PLN 122.1 million. This is the result of an increase in salaries agreed with the trade unions, disbursement of awards for employees as well as obligatory contributions and other employee benefits.

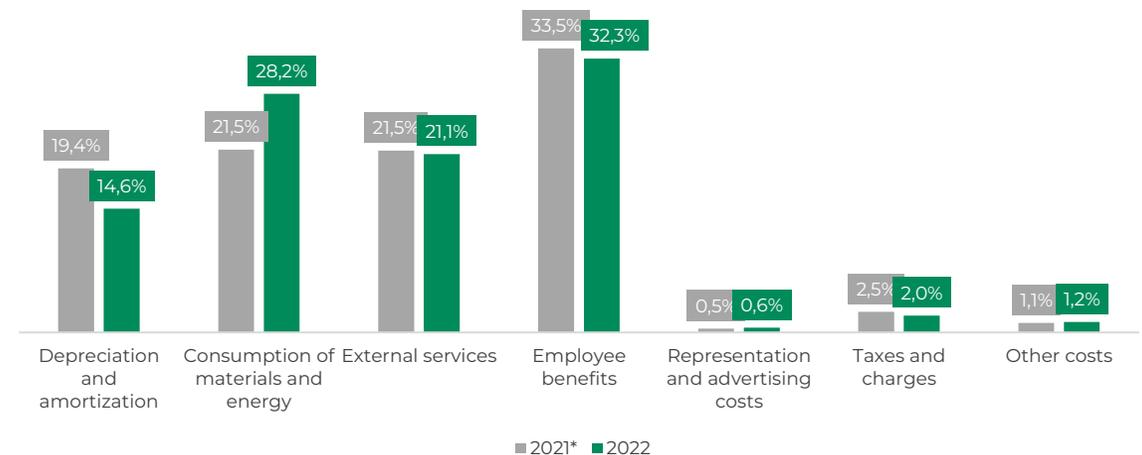
### Representation and advertising costs

The increase in the value of representation and advertising expenses by PLN 4.3 million pertains to changes in the payments under sponsorship agreements.

### Other costs

The increase in other expenses by approx. PLN 7.9 million is for the most part due to the conclusion, in Q4 2022, of a long-term insurance policy, the cost of which is settled over time, in proportion to its duration.

**Costs by type**  
(% share of total costs)



\* items after restatement of the data for 2021 due to the Group's application of the amendments to IAS 16 - detailed explanation in Note 2.1.1 of the Consolidated Financial Statements for 2022

## Costs and expenses of LW Bogdanka S.A.

### Costs by function

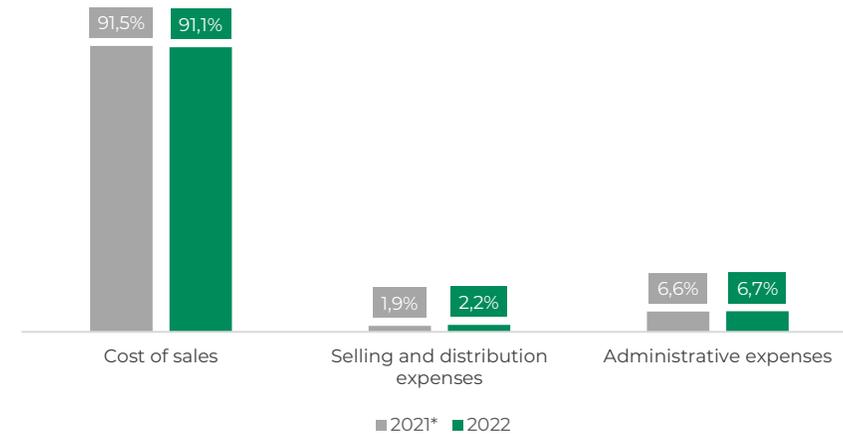
Cost of goods sold (by function) in Q4 2022 amounted to PLN 588,193 thousand, while in the corresponding period of the previous year it amounted to PLN 568,567 thousand.  
 Cost of goods sold (by function) in 2022 amounted to PLN 2,244,080 thousand and was 9.2% (+PLN +189,091 thousand) higher than the cost incurred in the corresponding period of 2021.

[PLN 000s]	Q4 2021*	Q4 2022	Change	2021*	2022	Change
Cost of sales	522,425	535,225	2.5%	1,880,135	2,044,636	8.7%
Selling costs	10,775	11,101	3.0%	40,040	49,882	24.6%
Administrative costs	35,367	41,867	18.4%	134,814	149,562	10.9%
<b>Cost of goods sold</b>	<b>568,567</b>	<b>588,193</b>	<b>3.5%</b>	<b>2,054,989</b>	<b>2,244,080</b>	<b>9.2%</b>

\* items after restatement of the data for 2021 due to the Group's application of the amendments to IAS 16 - detailed explanation in Note 2.1.1 of the Consolidated Financial Statements for 2022



**Costs by function**  
 (% share of total costs)



## Other information affecting the LW Bogdanka Group's financial position

### Information on the current and projected economic and financial standing of the LW Bogdanka Group and assessment of financial resources management

The LW Bogdanka Group constantly monitors the levels of costs, indicators and the value of accumulated cash. The current debt (a loan taken out by Łęczyńska Energetyka from the Voivodeship Fund for Environmental Protection and Water Management (WFOŚiGW)), together with the existing level of cash, guarantee current financing.

The Parent Company systematically performs works aimed to optimize the mining process (in terms of the applied technology and the planned deposit slicing and opening out works for new coal seams). The works as a whole (planning new excavations, extraction and sales of commercial coal) take the current and future market risk into account. The opening out works (for new excavations) are performed in a manner enabling continuous extraction. Coal prices are also monitored all the time in domestic and international markets.

The LW Bogdanka Group pays its liabilities on an ongoing basis. The Group manages its financial resources efficiently, depositing free funds in banks (the tenor and value of deposits depends on internal short-term financial forecasts).

### Suppliers

The awarding of contracts by hard coal mining companies for the purpose of carrying out these activities is subject to sectoral public procurement regulations. In the LW Bogdanka Group, all

procurement orders above the thresholds defined in accordance with the Public Procurement Law are awarded based on the rules stipulated in this law. Other contracts are awarded based on the Group's internal procedures.

The main suppliers for the LW Bogdanka Group are companies offering services and products specific to the mining industry (excavation and reconstruction of roadways, haulage of winnings, as well as supply of roadway supports, specialist mining machinery and equipment), as well as companies supplying electricity. In the period from 1 January to 31 December 2022, the value of turnover with any supplier did not exceed 10% of the Group's revenue.

### Investments and deposits of the LW Bogdanka Group

Cash held by the Group at the end of December 2022 amounted to PLN 622,983 thousand, of which:

- PLN 147,924 thousand was shown in non-current assets
- PLN 475,059 thousand was shown in current assets.

The amount of PLN 147,924 thousand includes cash accumulated by the Parent Company as part of the Mine Closure Fund intended to cover the costs of mine closures (these funds are kept on a bank deposit).

The amount of PLN 475,059 thousand includes cash (cash on hand) held in short-term bank deposits; the amount of the deposits depends on internally forecasted proceeds and expenses, as well as availability of such deposit products in the banks providing services to the Group companies. In accordance with the adopted Strategy, the Group maintains the level of disposable cash in the amount of at least the value of average monthly sales revenues (1/12 of planned annual sales revenues). The funds accumulated in the Parent Company amount to PLN 454,487 thousand and in subsidiaries to PLN 20,572 thousand (mainly in Łęczyńska Energetyka).

### Description of important off-balance sheet line items LW Bogdanka Group - by subject, object and value

The Group has contingent liabilities on account of property tax as well as contingent liabilities and assets on account of legal claims arising in the regular course of business.

#### Property tax

**In connection with the settlement of property tax** on underground excavations, in the part deemed probable by the Parent Company, the Parent Company no longer recognizes a provision for property tax. Still, the potential contingent liability may arise mainly from the existing differences between the Parent Company's position and the position of tax authorities regarding the subject of this tax.

#### Legal claims relating to patents

The contingent liability for legal claims relating to the fee for co-creators of the inventions covered by Patents Nos. 206048 and 209043 and functioning in the Parent Company, for which the Parent Company does not recognize a provision, may result mainly from the inability to assess the grounds for the amount of the claim in question and the difference between the Parent Company's position and the position of the co-creators of the inventions covered by the above patents. The value of the potential liability as of the publication date of these financial statements is PLN 48 million.

On 30 September 2022, a judgment was handed down before the Regional Court in Lublin in a case involving legal claims regarding patent 206048, which recognizes part of the plaintiffs' claims against the Parent Company. The judgment is not final. With the Court extending the deadline several times, the reasons for the judgment were delivered to the Parent Company as late as on 24 January 2023. On 14 February 2023, the Parent Company filed an appeal against the aforementioned ruling. The Management Board of the Parent Company completely disagrees with this

judgment, as in its opinion it was issued in violation of a number of substantive laws and procedural rules. At the same time, the Management Board of the Parent Company does not see at this stage any need to increase the provisions recognized for this case in the preceding periods.

#### Price collusion claims

Contingent assets resulting from the action brought by the Parent Company on 30 December 2020 against "A. Weber" Sp. z o.o., Minova Ekochem S.A. and "DSI Schaum Chemie" Sp. z o.o. for payment of the amount of PLN 23,124 thousand (principal amount plus interest) as compensation for damage caused as a result of violation of competition law (unlawful anti-competitive arrangements, including price collusion, market sharing and collusive bidding in the purchase of mining chemical products, including polyurethane adhesives). Damage to the Parent Company resulted from having to pay inflated prices due to the prohibited agreements in 2006-2010 (following the decision of the President of UOKiK of 16 December 2013). The case is still at an early stage and at the moment it is not yet possible to predict the potential resolution.

Further detailed information is provided in note 29 of the of the consolidated financial statements.

## Other information affecting the LW Bogdanka Group's financial position

### The armed conflict in Ukraine

The extraordinary event that occurred during 2022 and continues until the date of this Management Board Report is the armed conflict resulting from the attack of Russian Federation's armed forces on Ukraine on 24 February 2022. This event has had an immense impact on the social and economic condition, whereby its economic impact is of global character. The event also affects the Company.

The following areas should be considered in order to present the impact of this event on the Group:

- Export sales, the vast majority of which were sales of coal to Ukraine, amounted to PLN 76,406 thousand in 2022, which represented approximately 3.1% of the consolidated revenue from sales (PLN 130,731 thousand in 2021, which represented approx. 5.3% of the consolidated sales revenues). As a result of the military conflict, coal sales to Ukraine have been significantly hindered. Due to the strong demand for steam coal, the Company redirected the coal (originally intended for the Ukrainian market) to domestic buyers.
- This event has quite a significant impact on the global prices of energy commodities (crude oil, natural gas, steam coal and renewables). The high demand for gas and uncertainty in the supply of raw materials (including restrictions in raw material imports from the East, suspension of natural gas deliveries from Russia on 26 April 2022) contribute to

high demand for electricity from coal-fired power generation.

- The Act of 13 April 2022 on special solutions to counteract the support of aggression against Ukraine and to protect national security came into effect on 16 April 2022. With a view to the existing threat to national security, Article 8 of the Act prohibits coal originating from Russia and Belarus to be imported into the territory of the Republic of Poland and to be transported between two countries through the territory of the Republic of Poland. Furthermore, Article 13 of the Act imposes an obligation on entities bringing coal into the territory of the Republic of Poland (including domestic mines) to have documentation indicating the country of origin of the coal and to issue statements to coal buyers indicating the country of origin of the coal. This Act directly contributes to the further increase in demand for domestic coal.
- The above event also affects prices and availability of other raw materials that are important for the Group's activities, in particular steel. For the time being, however, this risk is limited due to the active long-term supply contracts and inventories of key materials (including roadway supports), which were built up in advance. In the longer term, however, this event may have an adverse effect on the Group's operations and financial performance.
- The above event has no material direct impact on the Group's current staffing situation.

Given the above facts as well as the developments so far, the Management Board of the Parent Company believes that this event has not had any significant effect on the operating activity and financial performance of the Group in 2022. However, a significant impact on the prices of energy commodities (including the prices of coal sold by the Company) and on the purchase prices of other inputs is currently visible.

### Situation in longwall 3/VII/385

The second major extraordinary event affecting the Group's operations and results is that in September 2022, while mining one of the longwalls, the Group encountered a sudden and unforeseen impediment to mining. A sudden and unexpected increase in operating pressure occurred in longwall 3/VII/385, resulting in a squeeze. The group took actions to release the squeezed sections and restore operation. However, these measures were technically and organizationally complex. This required an update to the production plan for 2022, setting it at approx. 8.3 million tons of commercial coal. Thanks to the efforts undertaken, the plan was exceeded and production was eventually realized at 8.4 million tons. At the same time, in view of the event referred to above, the Group updated its production plan for 2023, which is now approx. 8.3 million tons of commercial coal.

# 4. Corporate governance



## Identification of applied corporate governance rules

This Corporate Governance Statement was prepared in accordance with § 70 Section 6 Item 5 of the Finance Minister's Regulation of 29 March 2018 on current and periodic information transmitted by securities issuers and the conditions for recognizing the information required by legal regulations of a non-member state as equivalent.

LW BOGDANKA S.A., a company listed on the Warsaw Stock Exchange, applied in the period from 1 January 2022 to 31 December 2022 the corporate governance principles defined in the "Best Practices of Companies Listed on WSE 2021".

Considering that the Prime Minister has not defined best practices in the area of corporate governance, as referred to in Article 7 sec. 3 of the Act on the Rules for Managing State Property, in respect of the best practices in 2021 the Company did not use practices other than those defined in the Corporate Governance Rules (DPSN).

### Best Practices of WSE Listed Companies

On 29 March 2021, the Stock Exchange Board adopted resolution No. 13/1834/2021 on the document "Best Practices of Companies Listed on WSE 2021" (hereinafter: "Best Practices"), with effect as from 1 July 2021. The document is available on the WSE website at: <https://www.gpw.pl/dobre-praktyki2021>

A report on the progress in the application by the Company of the Best Practices was published on 27 July 2021; it is available under the Investor Relations tab of LW BOGDANKA S.A.'s website, in the corporate governance section: <https://ri.lw.com.pl/lad-korporacyjny-raporty>

### Application of the "Best Practices for WSE Listed Companies 2021":

#### Chapter I - Information policy and communication with investors

In 2022, the Company communicated with investors under an information policy designed primarily to build trust of capital market participants.

The Company communicated with investors via its Investor Relations web page at [www.ri.lw.com.pl](http://www.ri.lw.com.pl), where all the information of interest to investors is published in Polish and English.

- in 2022, the Company launched a re-designed corporate website and Investor Relations Service, which now presents all Company information, such as the financial statements, reports, corporate news, information on the Company's governing bodies, etc.
- in 2022, the Company adopted the ESG Strategy. All information on the ESG activities can be found under a tab dedicated to environmental, social and corporate governance matters. Information on ESG is also included in an annual integrated report published on the Company's website.
- The Company regularly reports its preliminary financial results in the middle of the month following the quarter end.
- The business strategy adopted by the Company presents actions planned for implementation as regards ESG management, including actions to minimize environmental damage and climate impacts. The business strategy is supplemented by the ESG Strategy, setting out more detailed ESG objectives and indicators.
- Every quarter, representatives of the Management Board participate in a performance results conference, addressed primarily to analysts and journalists. Furthermore, the President of the Management Board takes part in investor chats addressed to individual investors; approx. 100 people log into these

chats, which are announced in advance on the Company's website, in the Investor's calendar.

- Moreover, the Company responds to investor queries on an ongoing basis, usually contacting the investor by e-mail or telephone.

#### Chapter II - Management Board and Supervisory Board

The persons on the Company's Management Board and Supervisory Board meet all the criteria and requirements specified in the Best Practices. Votes held by the Supervisory Board and the Management Board are open, barring the situations when a secret ballot is required by the law.

The Company does not apply principles 2.1, 2.2, 2.11.6 as regards diversity policy in respect of the Management Board and Supervisory Board. When appointing the Management Board and the Supervisory Board, education and professional experience are taken into account, without differentiating candidates by gender, age, background or other factors that have no substantive impact on the assessment of qualifications. The decisive aspect is, first of all, being fit to discharge the specific function well. At LW Bogdanka, we do not have a separate formal diversity policy applied to management and supervisory bodies.

- As at 31 December 2021 and as 31 December 2022, respectively, there were 22% women and 78% of men on the Company's Supervisory Board.
- As regards the Management Board, as at 31 December 2021 and as 31 December 2022 the composition was 100% men.

#### Chapter III - Internal systems and functions

- The Company meets the criteria and requirements in respect of the systems of internal control, risk management and compliance

, as well as in respect of the internal audit function.

- The Company's organizational chart specifies the departments responsible for risk management, compliance and internal audit.
- There is an Internal Audit Department, headed by a manager.
- The remuneration of persons responsible for risk management, compliance and internal audit depends on the achievement of their set tasks, rather than the performance of the Company.
- The Risk Management Department and the Compliance Department are headed by the Director for Corporate Affairs, who reports directly to the President of the Management Board.
- The Internal Audit Department functionally reports to the Audit Committee, and organizationally - directly to LW BOGDANKA S.A.'s President of the Management Board.
- Every time an internal audit is conducted, the person responsible for the internal audit function presents the findings and a post-audit report. Moreover, an annual report on the systems' effectiveness is presented to the Supervisory Board.
- An external audit conducted by an independent auditor selected with the participation of the Audit Committee took place in 2020.

## Identification of applied corporate governance rules

### Section IV - Shareholder Meeting and shareholder relations

- The company sets the place and date as well as the form of a General Meeting so as to enable the participation of the highest possible number of shareholders. The General Meetings are organized in the Company's head office in Bogdanka.
- The Ordinary Shareholder Meeting's proceedings are broadcast in real time. The proceedings of Extraordinary Shareholder Meetings are recorded, and the recordings are made available on the Company's website.
- Representatives of the Management Board and the Supervisory Board are always present at the Shareholder Meetings, to discuss the Company's performance and situation
- The Company publishes draft resolutions.
- The Company seeks to pay out dividend in accordance with its dividend policy; in 2022, a dividend on the 2021 profits was disbursed in the amount of PLN 2.50 per share.

In 2022, the Company did not use rule 4.1, which stipulates the possibility for shareholders to attend a Shareholder Meeting using the means of electronic communication (Shareholder e-Meeting).

#### Justification

The Company has relinquished this rule due to technical and legal risk factors it perceives. At the same time, an analysis of the potential cost of holding a Shareholder e-Meeting, as well as absence of any requests in this respect from the Company's shareholders, led

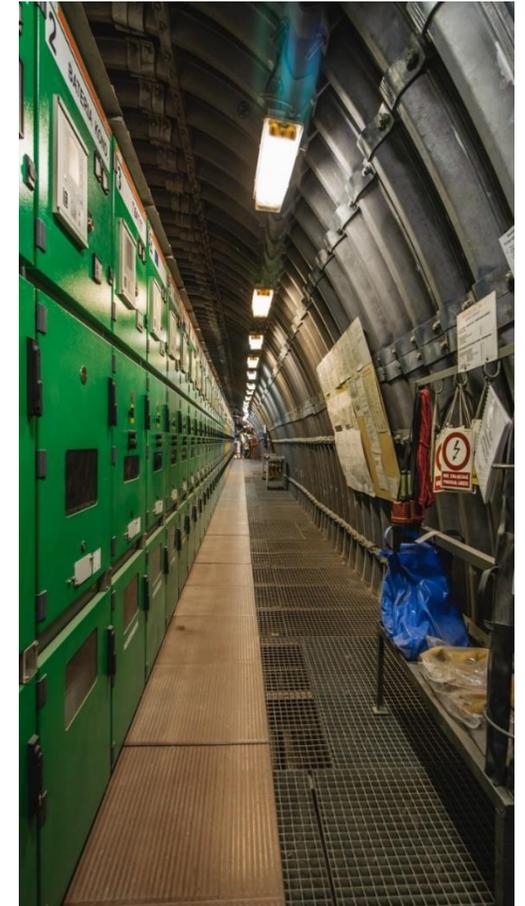
the Company to decide that there was no need to introduce any changes in this respect. The Company does not exclude that it will furnish the possibility of a two-way communication with shareholders in real time during shareholder meetings held in the future.

### Chapter V- Conflicts of interests and transactions with affiliated entities

- The Company meets all the requirements as regards management of conflicts of interests and transactions with affiliated entities.
- No shareholder is given undue preference over other shareholders with regard to transactions with affiliated entities.
- Any company's transaction with an affiliated entity requires a consent of the Supervisory Board which - prior to adoption of the relevant resolution - examines if an external entity should be consulted on the matter, to price the transaction and analyze its economic effects.

### CHAPTER VI – Remuneration

- The Company operates a Payroll Policy which meets all the requirements of the Best Practices.
- The Company seeks to prevent rotation of managerial staff, by providing stable, consistent and non-discriminatory remuneration rules.
- The Company did not have any active executive options program in 2022.
- Members of the Supervisory Board receive monthly compensation irrespective of the number of meetings. They also did not receive any additional remuneration for work on the Supervisory Board committees.
- The remuneration of Supervisory Board Members is not linked to the performance of the Company.



## Diversity policies

The Company does not maintain a formal diversity policy applicable to its administrative, management and supervisory bodies. Principles for appointing the Management Board and the Supervisory Board are defined in the Company's Articles of Association. When appointing members of its corporate bodies, the Company pays a lot of attention to ensuring comprehensiveness, diversity, as well as a range of educational backgrounds, age and professional experience, without differentiating candidates by gender, age, background or other factors that have no substantive impact on the evaluation of their qualifications. The decisive aspect is, first of all, being fit to discharge the specific function well.

Irrespective of the above, the Company does follow a diversity policy in its employee selection and recruitment. LW BOGDANKA S.A.'s diversity policy is designed to use the full potential of employees, their diverse skills, talents, competencies and experiences in an atmosphere of respect and support. This approach applies to all the employees of the Company, which fosters its better functioning and contributes to the development of its strong market position.

Furthermore, such diversity policy leads to high work productivity, building of trust, as well as counteracts discrimination, thus creating an environment of mutual respect.

The matters of diversity are regulated by: the Diversity Policy, the Company's Articles of Association, Labor Regulations, Code of Ethics, Personnel Policy and the Company-Level Collective Bargaining Agreement.

In accordance with the Code of Ethics, in LW Bogdanka S.A. any conduct such as discrimination, both direct as well as indirect, harassment or mobbing are absolutely prohibited and unacceptable.

Among the employer's basic duties, the Labor Regulations list prevention of discrimination in employment, in particular on the basis of gender, age, disability, race, religion, nationality, political opinion, union membership, ethnicity, religion, sexual orientation, as well as on the basis of employment for a definite or indefinite period of time, or else

on a full-time or part-time basis.

The policy of equal career development opportunities for every employee is a key element of the strategy implemented by the company.

The Human Resources policy specifies the rules of recruiting employees. When looking for the best candidates, we focus first and foremost on their knowledge, professional qualifications, personality aptitude and work experience. Being aware of the value of human capital, the Company attaches a lot of importance to its recruitment processes. In the process of candidate recruitment and selection, the Company is guided by professional candidate selection criteria based

on the requirements applicable to individual job descriptions.

Pursuant to its provisions, the Company's Collective Bargaining Agreement lays down the duty to respect equal opportunities for efficient and well-organized work, so that the remuneration reflects the type of work performed, its quality and productivity. The criteria for setting remuneration for work are intended to ensure that employees receive a fair pay. Remuneration is determined in the amount corresponding to the type of work performed, the qualifications of the employee required for its performance, and taking into account the quantity and quality of the work performed.

Key personnel of LW BOGDANKA S.A. are selected based on objective substantive criteria, and with respect for diversity. The Company furnishes equal opportunities for professional development and advancement.

LW Bogdanka S.A.'s activities to ensure compliance with equal treatment principles include:

- familiarizing all employees with the Code of Ethics; continuous promotion of ethical standards at the mine site (the Company's website, notice boards, roll-ups, posters, messages, health and safety monitors, etc.)
- training for management cadres raising their awareness of discrimination and mobbing
- equal access of women to decision-making processes, promotions, pay raises and management positions

- operation of a remuneration system that does not in any way discriminate against any employees
- equal access to training for all employees
- maintenance of dialog with employee representatives (trade unions)
- maintenance of regular internal communication with all employees
- pension schemes
- assistance provided to families of employees who have found themselves in difficult circumstances (the "Solidary Miners" Foundation)
- equal support for local initiatives.

### LW Bogdanka S.A. - the Management Board

as at 31 December 2022

Total	4
Women	0
Men	4
Up to 30 years of age	0
From 31 to 40 years of age	1
From 41 to 50 years of age	2
Over 50 years of age	1
Foreign nationals	0

### LW Bogdanka S.A. – Supervisory Board

as at 31 December 2022

Total	9
Women	2
Men	7
Up to 30 years of age	0
From 31 to 40 years of age	0
From 41 to 50 years of age	6
Over 50 years of age	3
Foreign nationals	0

## Description of the main features of the issuer's internal control and risk management systems with reference to the process of drawing up stand-alone and consolidated financial statements

LW Bogdanka S.A. prepares stand-alone and consolidated financial statements based on the generally binding provisions of the law and internal regulations.

Under the internal control and risk management systems, in the process of preparing financial statements the Group applies a number of internal procedures designed to ensure effective and efficient control, as well as identification and elimination of potential risks. The above solutions are defined in the Organizational Regulations of the Company, the document distribution instruction, accounting policy, as well as job descriptions (scopes of duties and powers) of the financial and accounting services employees.

At the same time, the Company maintains full employee's obligation of self-control as well as functional control exercised by all levels of management, within the scope of their coordination and oversight duties.

LW Bogdanka S.A. operates control mechanisms in order to achieve the following control objectives:

- powers and duties - division of tasks among employees ensures that errors or irregularities are detected at an early stage
- reliability and completeness - from start to finish, all operations and transactions are correctly conducted and registered
- timeliness - operations are performed and registered in records or IT applications at the right time, as stipulated by the relevant regulations

- valuation and qualification - assets and liabilities and equity are valued correctly, and profits and costs are disclosed in the correct amount
- presentation and recognition - assets, liabilities, profits and expenses, as well as all transactions, are correctly recognized, described and recorded in the relevant documents
- monitoring and reporting - reports presenting information and data on the performed activities are provided timely to the Company's Management Board
- confidentiality - information and data is disclosed only to persons who are their intended recipients given their functions and duties
- availability - IT systems and applications are available when needed to conduct and register operations and transactions
- compliance - the process and its supporting systems are compliant with the existing laws, norms and standards.

The data from the accounting ledgers ensure accuracy of the financial statements, as they contain evidence entered on the basis of the appropriate supporting documentation. The completeness of reporting applies to all reporting templates applicable to the Company. The data presentation method is to ensure that the reports can be easily understood (transparency and clarity of information), provide useful information and the presented data is comparable.

Accounting ledgers of LW BOGDANKA S.A. are maintained by the FINANSE IT system, which is a part of the INTEGRA Integrated Management System.

The oversight over the process of preparing the Company's financial statements is exercised by Vice-President of the Management Board for Economic and Financial Affairs, to whom the financial and accounting services report. Moreover, the quality of the financial statements is also a function of the experience and qualifications of the financial and accounting services employees, over whom the functional oversight is exercised by the Chief Accountant of the Company.

LW Bogdanka S.A. maintains its accounting ledgers and prepares the financial statements in line with the International Financial Reporting Standards and the related interpretations announced in the form of the European Commission regulations, as enacted by the EU ("IFRS EU").

Pursuant to the provisions of Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (the "Issuer") and with reference to European Commission Regulation No. 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format, the Company, as the Issuer, is required to prepare financial statements in accordance with the Single European Electronic Format (ESEF) for the financial year beginning 1 January 2020.

Under the aforementioned regulations, issuers are required to prepare annual financial statements in the XHTML format, and where annual financial statements include consolidated financial statements prepared in accordance with IFRS - which is the case for LWB - issuers must tag them using the XBRL. Therefore, the LW Bogdanka Group's financial statements for 2022, of which the Company is the Parent Company, has been prepared in accordance with the ESEF.

The Company keeps abreast of the changes required by external laws and regulations relating to reporting requirements. The Audit Committee, appointed by the Supervisory Board, exercises oversight over financial reporting in the Company and collaborates with the independent auditor. Moreover, pursuant to Article 4a of the Accountancy Act of 29 September 1994, the duties of the Supervisory Board include ensuring that the Company's financial statements and the

activity report meet the requirements prescribed by the law.

The Internal Audit department is another important element of the organizational structure; the department follows the "Internal Audit Regulations". The internal controls system in LW Bogdanka S.A. is a set of procedures and control mechanisms designed and implemented to reasonably ensure that the objectives set by the LWB Group are achieved. The internal control system is based on the principles of independence and covers all the processes in the Company, including the areas with direct or indirect impact on the correctness of the financial statements.

In order to verify the consistency of the data contained in the financial statements with the actual state affairs and the records in the accounting ledgers maintained by the Company, the financial statements are audited by an independent auditor, who presents their own audit report. The Company's Supervisory Board selects the statutory auditor from among reputable audit firms, based on the Audit Committee's recommendations which, among others, ensures that the auditor will maintain impartiality and independence when performing the audit.

The adopted rules of procedure regarding the preparation of financial statements and the "Audit Firm Selection Procedure for the Purposes of LW Bogdanka S.A.'s Statutory Audits", as well as the "Policy of the Provision by an Audit Firm of Permitted Services Other Than a Statutory Audit" and the "Audit Firm Selection Procedure" are supposed to procure compliance with the requirements of the law and the actual state of affairs, as well as to allow for early identification and elimination of prospective risks so that they do not affect the accuracy and correctness of the presented financial data.

## Description of the main features of the issuer's internal control and risk management systems with reference to the process of drawing up stand-alone and consolidated financial statements

The Internal Audit department is another important element of the organizational structure; the department follows the "Internal Audit Regulations".

The **scope of activities of the Internal Audit Department** includes in particular:

- Evaluation of the effectiveness and adequacy of the internal control and risk management systems
- Examination and evaluation of the adequacy of the control mechanism to ensure compliance of the operation of individual organizational units with the law, Articles of Association, agreements, procedures, by-laws, instructions, internal normative acts, etc.
- Evaluation of operational effectiveness and efficiency
- Identification and assessment of potential threats to the Company's activities
- Examination and evaluation of the control mechanisms to ensure that the Company's activities are in line with the adopted strategies and plans
- Examination and evaluation of the control mechanisms to ensure reliability and consistency of the data providing the basis for the preparation of the reports required by the law as well as of management reports
- Carrying out planned and unplanned audits

in the Company and its subsidiaries in the LW Bogdanka Group.

- Monitoring of the implementation of post-audit recommendations and corrective actions
- Performance of tasks instructed by the Supervisory Board and the Audit Committee operating within the Company's Supervisory Board
- Cooperation with the Compliance Policy Department and the Risks Management Department, designed to support the Company in the execution of its objectives and demonstrate to the governance bodies of the Company the integrated effectiveness and efficiency of the internal control system and the risk management system, consisting in particular in the continuous undisturbed exchange of information.

The internal controls system in LW Bogdanka S.A. is a set of procedures and control mechanisms designed and implemented to reasonably ensure that the objectives set by the LWB Group are achieved. The internal control system is based on the principles of independence and covers all the processes in the Company, including the areas with direct or indirect impact on the correctness of the financial statements. In order to verify the consistency of the data contained in the financial statements with the actual state affairs and the records in the accounting ledgers maintained by the Company, the financial statements are audited by an independent auditor, who presents their own audit report. The Company's Supervisory Board selects the statutory auditor from among reputable audit firms, based on the Audit Committee's recommendations which, among others, ensures that the auditor will maintain impartiality and independence when performing the audit. The adopted rules of procedure regarding the preparation of financial statements and the "Audit Firm Selection Procedure for the Purposes of LW Bogdanka S.A.'s Statutory Audits", as well as the

"Policy of the Provision by an Audit Firm of Permitted Services Other Than a Statutory Audit" and the "Audit Firm Selection Procedure" are supposed to procure compliance with the requirements of the law and the actual state of affairs as well as to allow for early identification and elimination of prospective risks so that they do not affect the accuracy and correctness of the presented financial data.



## Share capital structure and shareholding structure of LW Bogdanka S.A.

### Share capital structure

The Company's share capital is PLN 170,067,950 and is divided into 34,013,590 shares with a nominal value of PLN 5 each. On 4 January 2012, 3,208,111 employee shares were floated on the Warsaw Stock Exchange, and on 4 February 2013, another 34,754 shares were floated.

The total number of the Company's shares traded is 34,013,455.

The remaining 135 shares, as of the date of this Report, are registered shares.

The total number of votes resulting from all outstanding shares of the Issuer corresponds to the number of shares, translating into 34,013,590 votes. The Company has a dominant strategic shareholder. The dominant shareholder is ENEA S.A., with a majority shareholding of 64.6% in LW Bogdanka S.A., which entitle it to 21,962,189 votes, translating into the nominal value of PLN 109,810,945.

The Issuer's other shareholders are mainly institutional investors - pension and investment funds.

### Treasury shares

In 2022, LW Bogdanka S.A. and LW Bogdanka S.A.'s subsidiaries did not purchase any treasury shares.

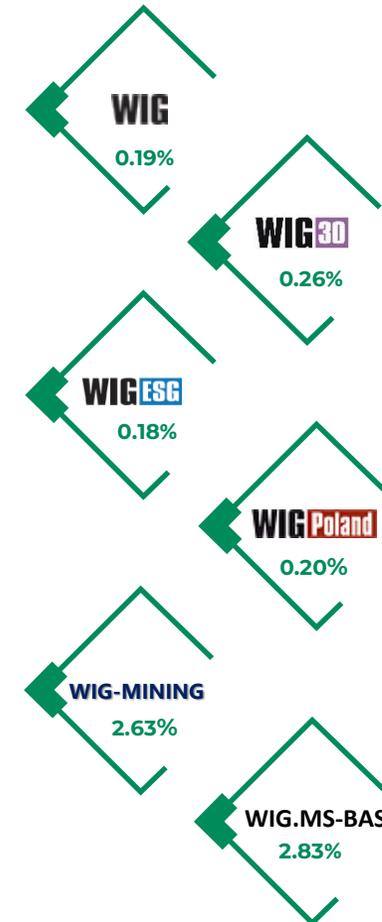
### Participation of LW Bogdanka S.A.'s shares in indices

In August 2022, the Company returned to the WIG-ESG index of socially responsible companies that conduct their business with respect for environmental, social and corporate governance factors.

On 2 November 2022, WSE Benchmark announced that following the session on 4 November 2022 LW Bogdanka S.A. was included in the WIG30 index.

The Company was floated on the Warsaw Stock Exchange S.A. on 25 June 2009. At the end of 2022, LW Bogdanka S.A. was included in the following stock exchange indices:

- WIG - includes all companies listed on WSE Main Market, which meet the base criteria for participation in the indices
- WIG30 - index of 30 largest and the most liquid companies listed on the Warsaw Stock Exchange
- WIG Mining - includes companies classified into the "mining" sector (formerly known as the "raw materials" sector)
- WIG-Poland - an index comprised only of shares of domestic companies listed on the WSE Main Market, which meet the base criteria for participation in the indices.
- The WIG.MS-BAS index is published based on the value of a portfolio of stocks of the 5 most liquid companies in industries including energy, mining and raw materials.
- WIG-ESG - socially responsible companies that conduct their business with respect for environmental, social and corporate governance factors.



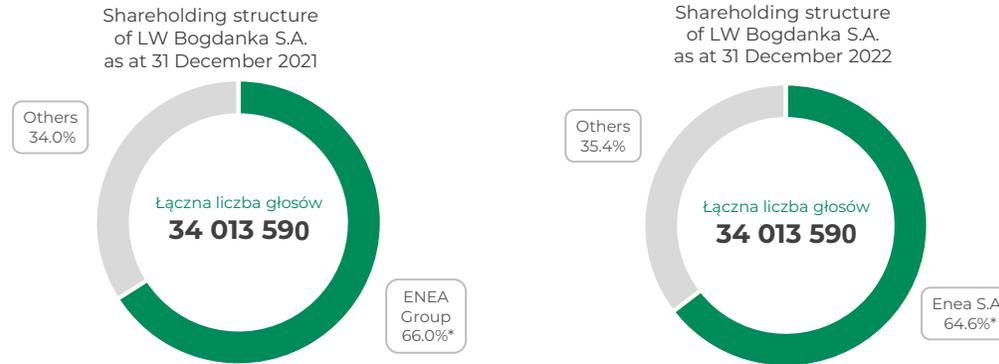
## Share capital structure and shareholding structure of LW Bogdanka S.A.

### Changes in the shareholder structure before and by report date

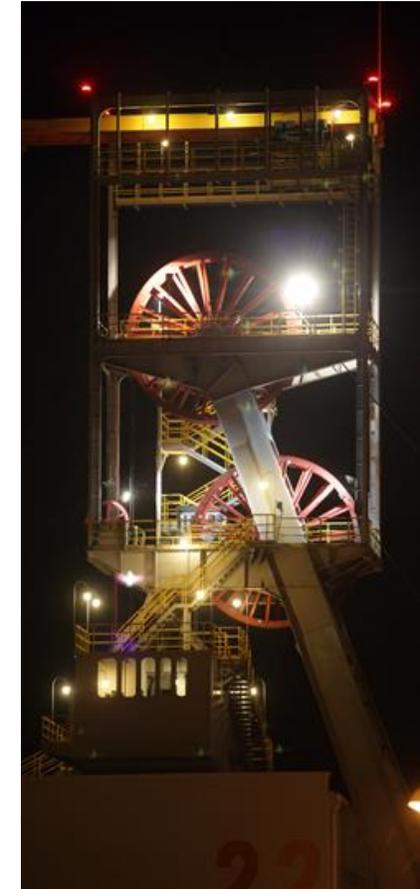
According to the information available to the Parent Company, in 2022 a subsidiary of ENEA S.A. - ENEA Wytwarzanie Sp. z o.o., as a result of the sale of the Company's shares, decreased its share in the total number of votes in the Company. According to information obtained from ENEA S.A., as at 31 December 2022, the subsidiary ENEA Wytwarzanie Sp. z o.o. does not hold shares in LW Bogdanka S.A.

As from 31 December 2022 until the publication date of this Report, and according to the information in possession of the Parent Company, there have been no changes in the number of votes held by the shareholders having more than 5% of the votes at LW BOGDANKA S.A.'s Shareholder Meeting.

### Shareholder structure



\* Enea S.A., in conjunction with its subsidiary, Enea Wytwarzanie



## Shareholders holding directly or indirectly significant stakes in the Company

Shareholder	31 December 2021		31 December 2022	
	Number of shares / votes at the Shareholder Meeting	Interest in the share capital (%)	Number of shares / votes at the Shareholder Meeting	Interest in the share capital (%)
Enea S.A.	22,448,834	66.0%*	21,962,189	64.6%**
Others	11,564,756	34.0%	12,051,401	35.4%
<b>Total</b>	<b>34,013,590</b>	<b>100.0%</b>	<b>34,013,590</b>	<b>100.0%</b>

\* Enea S.A., in conjunction with its subsidiary, Enea Wytwarzanie  
\*\* only Enea S.A.

As from 31 December 2022 until the publication date of this Report, and according to the information in possession of the Parent Company, there have been no changes in the number of votes held by the shareholders having more than 5% of the votes at LW BOGDANKA S.A.'s Shareholder Meeting.

### Specification of holders of any securities that give special controlling rights over the issuer

The Company did not issue any securities that give special rights of control to the shareholders.

### Specification of any restrictions on voting rights

The Company's Articles of Association do not stipulate any restrictions on the exercise of voting rights at the Shareholder Meeting of LW BOGDANKA S.A.

### Specification of any restrictions on the transfer of the title to securities issued by the Company

The Company's Articles of Association do not stipulate any restrictions on transfer of the ownership title to securities of the Companies.



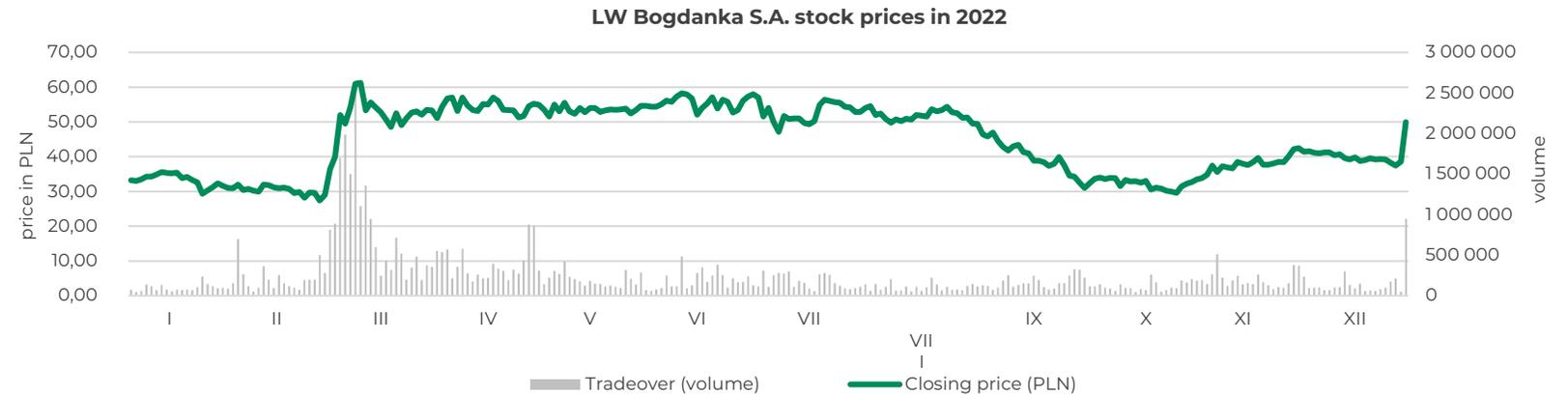
### Amendments to the Company's Articles of Association

Any amendments to the Company's Articles of Association require a resolution of the Shareholder Meeting and entry into the Register of Commercial Undertakings, as stipulated by the Articles of Association of LW Bogdanka S.A. and the Commercial Company Code.

If extensive amendments are to be made to the Articles of Association, the Management Board prepares a draft of a new consolidated text of the Articles, including a schedule of the provisions to be amended or introduced as new, and attaches this draft to the announcement convening the Shareholder Meeting at which the amendments are to be enacted.

After the Shareholder Meeting amends the Articles of Association, the Management Board prepares a draft consolidated text of the amended Articles and presents it to the Supervisory Board for approval. Furthermore, any amendments to the Articles of Association are governed by the Regulation of the Finance Minister of 29 March 2018 on the Current and Periodic Information Transmitted by Securities Issuers and the Conditions for Recognizing the Information Required by the Regulations of a Non-Member State as Equivalent, which stipulate the obligation to publish - in the form of an interim report - the information about the intended or introduced amendments to the Articles of Association.

## LW Bogdanka S.A. stock prices on the Warsaw Stock Exchange



### Key share data

	2021	2022
Maximum price [PLN]	47.6	61.2
Minimum price [PLN]	19.6	27.3
Last price [PLN]	32.0	49.9
Average price [PLN]	28.7	44.7
Capitalization at the end of the period [PLN million]	1,088.4	1,698.0
Carrying amount [PLN million]	3,275.4	3,686.7
P/E [market capitalization/net income]	3.7	9.7
P/BV [market capitalization/book value]	0.3	0.5
Rate of return at the end of the period [%]	64.3	64.3
% of profit earmarked for dividend payment [%]	-	29.2
Dividend rate [%]	-	4.4
Average trading value per session [PLN 000s]	4,418.9	11,353.7
Average volume per session	115,447	237,845
Number of shares traded	34,013,590	34,013,590

### Analyst recommendations

Date of issue	Institution	Recommendation	Target price	Price on the date of issuing the recommendation
31 January	Ipopema	Sell	PLN 26.54	PLN 31.00
11 February	Santander BM	Sell	PLN 18.50	PLN 31.20
4 March	PKO BP Brokerage House	Buy	PLN 61.00	PLN 49.50
11 March	Noble Securities	Keep	PLN 57.85	PLN 54.10
24 March	BOŚ Brokerage House	Buy	PLN 66.00	PLN 52.10
31 March	Santander Brokerage House	Buy	PLN 79.30	PLN 56.70
9 June	Santander Brokerage House	Buy	PLN 74.70	PLN 57.90
10 July	BOŚ Brokerage House	Buy	PLN 80.00	PLN 50.80
22 September	Santander Brokerage House	Sell	PLN 61.30	PLN 39.94
October	Noble Securities	Keep	PLN 30.47	PLN 30.86
21 October	Pekao S.A.	Buy	PLN 44.10	PLN 30.24
28 October	BOŚ Brokerage House	Buy	PLN 100.00	PLN 32.70
2 December	Santander Brokerage House	Buy	PLN 81.90	PLN 41.60
28 December	Noble Securities	Buy	PLN 51.50	PLN 37.44

The above information constitutes a summary of security broker recommendations within the meaning of Commission Delegated Regulation (EU) 2016/1958 of 9 March 2016.

## Number of shares of LW Bogdanka S.A. held by members of the Company's governing bodies

### Shares in the Company's related parties

Members of the Management Board and of the Supervisory Board of LW Bogdanka S.A. do not hold any shares in subsidiaries:

- Łęczyńska Energetyka Sp. z o.o.
- EkoTRANS Bogdanka sp. z o.o.
- RG Bogdanka Sp. z o.o.
- MR Bogdanka sp. z o.o.

According to the information available to the Parent Company, in the period from the publication of the previous interim report, i.e. the report for Q3 2022, to the publication date of the annual report for 2022, there were no changes in the number of shares in LW Bogdanka S.A. held by persons discharging management and supervisory functions.

A breakdown of the shareholdings in LW Bogdanka S.A. and in the Company's related parties by persons discharging management and supervisory functions in LW Bogdanka S.A. is presented in the tables below\*:

MANAGEMENT BOARD					
Full name	Number of the Company's shares as at	Par value per share (PLN)	Number of the Company's shares as at	Par value per share (PLN)	Number of shares in Subsidiaries
	22 March 2023		23 November 2022		
Kasjan Wyligala	0	0	0	0	0
Artur Wasilewski	0	0	0	0	0
Dariusz Dumkiewicz	0	0	0	0	0
Adam Partyka	253	1,265	253	1,265	0
SUPERVISORY BOARD					
Full name	Number of the Company's shares as at	Par value per share (PLN)	Number of the Company's shares as at	Par value per share (PLN)	Number of shares in subsidiaries
	22 March 2023		23 November 2022		
Anna Chudek	0	0	0	0	0
Szymon Jankowski	0	0	0	0	0
Dariusz Batyra	1,000	5,000	1,000	5,000	0
Krzysztof Gigol	0	0	0	0	0
Bożena Knipfelberg	0	0	0	0	0
Bartosz Piechota	0	0	-	-	-
Marcin Jakubaszek	0	0	0	0	0
Bartosz Rożnawski	43	215	0	0	0
Grzegorz Wróbel	0	0	0	0	0
Zbigniew Rak	-	-	0	0	0
<b>TOTAL</b>					
	Number of the Company's shares as at 22 March 2023	Par value per share (PLN)	Number of the Company's shares as at 23 November 2022	Par value per share (PLN)	Number of shares in subsidiaries
	<b>1,296</b>	<b>6,480</b>	<b>1,253</b>	<b>6,265</b>	<b>0</b>

\*According to the representations by the members of the Issuer's Management Board and Supervisory Board

## Dividend policy of LW Bogdanka S.A.

### Dividend policy

In the medium and long term, LW Bogdanka S.A. wants to remain a dividend payer, and the Management Board's intention is to apply to the Shareholder Meeting for payment of a dividend of up to 50% of the net profit posted in the Company's standalone financial statements prepared in accordance with the EU IFRS.

In view of the rapid changes in the coal market in Poland and globally, it is the Management Board's priority to ensure financial and liquidity security of the Company. As a result, the amount of the dividend distribution recommended by the Management Board is in each case a function of:

- the current market situation
- cash flows generated from operating activity
- planned investment ventures
- forecasted level of the Company's indebtedness.

The dividend distribution policy is subject to regular verification, and any future dividends will be paid in accordance with the decisions of the Shareholder Meeting.

### Dividend distribution from net profit of LW Bogdanka S.A. for 2021

On 23 June 2022, the Ordinary General Meeting of the Company was held, at which the Shareholders adopted a resolution on the distribution of the 2021 profit, according to which the net profit of the Company in the amount of PLN 291,595 thousand was allocated as follows:

- The amount of PLN 85,034 thousand was allocated for dividends,

- The remaining amount, i.e. PLN 206,561 thousand, was allocated to the Company's reserve capital.

### Decision on dividend distribution in LW Bogdanka S.A. for 2022

The Company's Management Board is analyzing whether the dividend for 2022 can be paid out and, as at the date of this Management Report, the decision on the distribution of the 2022 profit has not yet been made. A recommendation from the Company's Management Board regarding the distribution of the 2022 profit is expected in the middle of Q2 2023.

### Dividend paid out from profit in 2020-2022

	2020	2021	2022
Unit net profit for the preceding year [in PLN million]	306.2	70.0	291.6
Total dividend [in PLN million]	-	-	85.0
Dividend per share [PLN]	-	-	2.5
% of profit earmarked for dividend payment	-	-	29.2%
Profit/loss per share [PLN]	9.0	2.1	8.6
Dividend ratio	-	-	4.4%



## Governance bodies of LW Bogdanka S.A.

### Management Board

#### Appointment and dismissal of Management Board Members

Pursuant to the Company's Articles of Association, Management Board Members or the entire Management Board are appointed and dismissed by the Supervisory Board. When appointing Management Board Members, the Supervisory Board follows in particular the provisions of § 17 sec. 2 and 3 as well as § 19 sec. 4 and 5 of the Company's Articles of Association, and the principles resulting from mandatory provisions of the law.

The appointment and dismissal of the Company's President of the Management Board and Vice-Presidents of the Management Board are regulated by the Articles of Association of LW BOGDANKA S.A.

Management Board Members are appointed for a joint term of office, which lasts three consecutive years.

Mandates of the Management Board Members commence as from the moment of their appointment and expire on the date of the Shareholder Meeting approving the financial statements for the most recent full financial year of discharging their function, or else on the date of dismissal, resignation or death of the Management Board Member.

Pursuant to the Articles of Association of LW Bogdanka S.A., each Management Board Member can be dismissed or suspended by the Supervisory Board.

#### Responsibilities and powers

Pursuant to the Articles of Association, the Management Board manages the Company's activity and represents it externally.

The Bylaws adopted by the Management Board and approved by the Supervisory Board specify the detailed organization of the Management Board's work. In the course of discharging their responsibilities, Management Board Members are required to follow the Company's Articles of Association and the DPSN principles that the Company has committed to.

The Management Board is vested with managing all the Company's business not reserved by provisions of the law or provisions of the Articles of Association for the Shareholder Meeting or Supervisory Board.

Individual members of the Management Board manage the individual areas of the Company's operations assigned to them, and the President of the Management Board directs the work of the Management Board.

Management Board resolutions shall be required for all issues exceeding the scope of the Company's ordinary business.

Barring the powers of other corporate bodies of LW BOGDANKA S.A., the following matters require a resolution to be adopted by the Management Board, and in particular:

- adoption of the Management Board bylaws
- adoption of the organizational bylaws for the Company's enterprise
- establishing and liquidating branches
- appointing commercial proxies and authorization of attorneys-in-fact, except for attorneys ad litem, whereby the appointment of a commercial proxy requires consent of all Management Board members.
- adoption of the material and financial plan, including the investment plan
- granting by the Company of guarantees, property and bill of exchange sureties
- issue and acceptance of bills of exchange of the net value in excess of PLN 200,000 (say: two hundred thousand Polish zloty)
- performance of other legal activities that may result in assuming a liability or acquisition, sale or encumbrance of non-current assets, of the total net value in excess of PLN 200,000 (say: two hundred thousand Polish zloty)
- matters referred by the Management Board to

be examined by the Supervisory Board, the Shareholder Meeting or the ENEA Group Committees.

The Company's Management Board ensures transparency and effectiveness of corporate governance and handles its matters in accordance with the law and best practices.

The Management Board presents to the Supervisory Board regular and exhaustive information about all the important matters pertaining to LW BOGDANKA S.A.'s activity as well as about the risks associated with the Company's operations and how these risks are managed.

Two Management Board members acting jointly or a Management Board member acting with a commercial proxy are authorized to make statements of intent on behalf of the Company.

The consent of all Management Board Members shall be required for the appointment of a commercial proxy. Any Management Board Member is empowered to revoke the procurator.

#### Information about meetings of the Management Board and the resolutions adopted

In 2022, 88 minuted meetings of the Management Board took place, in which 1,707 resolutions were adopted, including 22 resolutions adopted by the means of electronic communications.

Details:

- 43 meetings of the Management Board of the 10th term - 891 resolutions adopted, including 13 electronically
- 45 meetings of the Management Board of the 11th term - 816 resolutions adopted, including 9 electronically.

The decisions taken by the Management Board in the form of resolutions ensued from the provisions of the Commercial Company Code, the Company's Articles of Association, the Supervisory Board Bylaws, the Management Board Bylaws, rules defined in the resolutions of the Shareholder Meeting, the necessity to take decisions going

beyond the ordinary scope of the Management Board activity or at the motion of the individual Members of the Management Board.

#### Information about appointed and revoked commercial proxies in 2022

- The procurations of Mr. Adam Wasil and Mr. Sławomir Karlikowski were revoked.
- Mr. Michał Targoński and Mr. Mariusz Romańczuk were appointed commercial proxies.

## Members and changes in the composition of the Management Board of LW Bogdanka S.A.

### Composition of the Management Board

Pursuant to the Company's Articles of Association, the Management Board consists of 3 to 7 members, including the President and the remaining members of the Management Board. At present, there are four members of the Management Board of LW Bogdanka S.A.

### Composition of the Management Board as at 31 December 2021:

- Artur Wasil – President of the Management Board
- Artur Wasilewski – Vice-President of the Management Board, Economic and Financial Affairs
- Adam Partyka – Vice-President of the Management Board, Labor and Social Affairs
- Dariusz Dumkiewicz – Vice-President of the Management Board, Sales and Investments

### Composition of the Management Board as at 31 December 2022:

- Artur Wasilewski - acting President of the Management Board, Vice-President of the Management Board, Economic and Financial Affairs
- Adam Partyka – Vice-President of the Management Board, Labor and Social Affairs
- Dariusz Dumkiewicz – Vice-President of the Management Board, Sales and Investments
- Kasjan Wyligala - Vice-President of the Management Board, Strategy and Development

### Period in office

### Composition of the Management Board

#### 1 January 2022 to 13 March 2022

Changes in the composition of the Management Board:

- Artur Wasil – President of the Management Board
- Artur Wasilewski – Vice-President of the Management Board, Economic and Financial Affairs
- Adam Partyka – Vice-President of the Management Board, Labor and Social Affairs
- Dariusz Dumkiewicz – Vice-President of the Management Board, Sales and Investments

On 11 March 2022, the Company's Supervisory Board adopted a resolution appointing Mr. Kasjan Wyligala to the Management Board for the position of Vice-President of the Management Board for Operations, effective as of 14 March 2022.

#### 14 March 2022 to 16 September 2022

Changes in the composition of the Management Board:

- Artur Wasil – President of the Management Board
- Artur Wasilewski – Vice-President of the Management Board, Economic and Financial Affairs
- Adam Partyka – Vice-President of the Management Board, Labor and Social Affairs\*
- Dariusz Dumkiewicz – Vice-President of the Management Board, Sales and Investments
- Kasjan Wyligala - Vice-President of the Management Board, Operations

On 16 September 2022, the Company's Supervisory Board adopted a resolution to dismiss Mr. Artur Wasil from the Company's Management Board. At the same time, the Supervisory Board, adopted a resolution to entrust the duties of the President of the Management Board to Mr. Artur Wasilewski - Vice-President of the Management Board for Economic and Financial Affairs until the date of appointment of the President of the Management Board; Mr. Wasilewski simultaneously continued performance of his duties of Vice-President of the Management Board for Economic and Financial Affairs.

\*Mr. Adam Partyka discharged his function until 23 June 2022, and then as from 7 July 2022.

#### 16 September 2022 to 13 January 2023

Changes in the composition of the Management Board:

- Artur Wasilewski - acting President of the Management Board, Vice-President of the Management Board, Economic and Financial Affairs
- Adam Partyka – Vice-President of the Management Board, Labor and Social Affairs
- Dariusz Dumkiewicz – Vice-President of the Management Board, Sales and Investments
- Kasjan Wyligala - Vice-President of the Management Board, Strategy and Development

On 13 January 2023, the Company's Supervisory Board adopted a resolution to appoint Mr. Kasjan Wyligala as President of the LW Bogdanka S.A. Management Board

#### 13 January 2023 to the Report publication date

- Kasjan Wyligala - President of the Management Board
- Artur Wasilewski – Vice-President of the Management Board, Economic and Financial Affairs
- Adam Partyka – Vice-President of the Management Board, Labor and Social Affairs
- Dariusz Dumkiewicz – Vice-President of the Management Board, Sales and Investments

## Composition of the Management Board of LW Bogdanka S.A. as at 21 March 2023



### Kasjan Wyligała – President of the Management Board as from 13 January 2023

- as from 14 March 2022 to 23 June 2022, he served as Vice-President of the Management Board for Operations;
- as from 24 June 2022 to 13 January 2023, he served as Vice-President of the Management Board for Strategy and Development.

#### Education

In 2014, Mr. Kasjan Wyligała graduated from the Faculty of Law and Administration, University of Warsaw, majoring in law. He also completed post-graduate Executive Master of Business Administration studies at the Institute of Economics of the Polish Academy of Sciences, the "Enterprise Finance Management" program at the Warsaw School of Economics., and the Executive MBA in Innovation Management program at Queen Hedvig Academy.

#### Experience

Mr. Kasjan Wyligała has many years-worth of experience in the corporate bodies of commercial companies, including public and foreign corporations, gained while serving on management and supervisory boards. Mr. Wyligała has been involved in the mining industry since 2016, when he joined the Industrial Development Agency, first as Advisor to the President of the Management Board and then as Director of the Strategic Analyses Office.

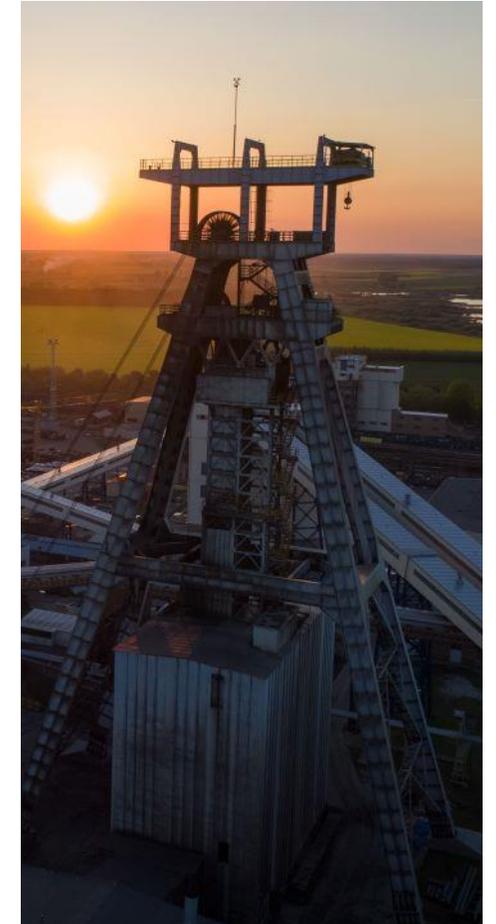
Starting in 2017, he worked for one of the world's largest non-ferrous metals mining companies - KGHM Polska Miedź S.A. in leading management positions, including Chief Corporate Governance Officer and Director of the Asset Management Department.

### As the President of the Management Board, Mr. Kasjan Wyligała is in charge of the organization and oversight of the Company's activities, in particular with respect to:

- Provision of information and reports to investors, shareholders and stock market institutions
- Execution of LW BOGDANKA S.A.'s strategy and the Company's long-term plans, as well as implementation of strategic management and project management in the Company
- Market analyses
- Policy of communication and cooperation with the mass media
- Corporate Social Responsibility, sustainable development projects and ESG
- Activities related to the maintenance and improvement of the Compliance system
- Enterprise organization
- Support services to the Company's governing bodies
- Legal services to the Company
- Privatization, restructuring of the Company
- Internal structural and ownership transitions
- Environmental protection activities
- Promotion and marketing activities
- Corporate governance and capital investments
- Risk management
- Internal audit in the Company
- Collaboration with the members of the Company's Management Board in drawing up development concepts, multi-annual economic plans and production development plans.

### Serving as the Vice-President of the Management Board for Operations, and then the Vice-President of the Management Board for Strategy and Development, Mr. Wyligała was in charge of the organization and oversight of the Company's activities, in particular with respect to:

- Provision of information and reports to investors, shareholders and stock market institutions
- Execution of LW BOGDANKA S.A.'s strategy and the Company's long-term plans, as well as implementation of strategic management and project management in the Company
- Market analyses
- Policy of communication and cooperation with the mass media
- Corporate Social Responsibility and sustainable development
- Activities related to the maintenance and improvement of the Compliance system
- Enterprise organization
- Support services to the Company's governing bodies
- Legal services to the Company
- Privatization, restructuring of the Company
- Internal structural and ownership transitions
- Environmental protection activities
- Promotion and marketing activities
- Corporate governance and capital investments
- Risk management
- Collaboration with the members of the Company's Management Board in drawing up development concepts, multi-annual economic plans and production development plans.



## Composition of the Management Board of LW Bogdanka S.A. as at 21 March 2023



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

### Education

In 1998, Mr. Wasilewski graduated from the Lublin University of Technology, majoring in Management and Marketing; in 2000 he completed postgraduate studies in Corporate Finance and Capital Market, and in 2003 - the Master of Business Administration program at University of Warsaw & University of Illinois. Participant of numerous training courses on finance and reporting under IAS/IFRS. Member of Supervisory Boards of capital companies.

### Experience

From 1998 to 2000, Mr. Wasilewski worked as a financial analyst for the consulting company "DEMOS" Sp.

z o.o., gaining experience in analysis and valuation of businesses, advisory on the introduction of efficiency solutions and preparation of privatization reports for the Ministry of State Treasury.

Associated with Lubelski Węgiel Bogdanka S.A. as from 2000, Mr. Wasilewski progressed in his professional career from a Financial Analyst, through Manager of the Planning and Analyses Department to the position of the Chief Economist. From 2013, he served as Director of Controlling, and in 2018 he assumed the

position of Director of Controlling and Finance. Vice-President of the Management Board for Economic and Financial Affairs as from 8 October 2018.

Vice-President of the Management Board for Economic and Financial Affairs is in charge of the Company's activities in particular with respect to:

- the Company's financial management,
- economic and financial analyses,
- reporting and statistics,
- budgeting and controlling,
- oversight over the management of the Company's value,
- oversight over the financial and accounting functions,
- oversight over book-keeping and settlements with business partners,
- cost-effectiveness of investment ventures,
- principles development for the management of short-term securities,
- HR policy and employee matters,
- payroll and insurance policy,
- deployment of the ICT infrastructure in the Company,
- asset stock taking and management,
- cost estimation,
- process planning and monitoring for: procurement, investments, logistics,
- personnel welfare matters,
- internal audit in the Company,
- personal data protection.



**Adam Partyka** - Vice-President of the Management Board for Labor and Social Affairs

### Education

Mr. Partyka graduated from the Lublin University of Technology with a Master's degree in Engineering Applications of Information Technology and completed post-graduate studies at the University College of Enterprise and Administration in Lublin majoring in Accounting and Finance. He has completed numerous training courses in auditing, directors and officers responsibility and competences, finance for managers, and courses for members of management boards and supervisory boards.

### Experience

He has been associated with Lubelski Węgiel Bogdanka S.A. since 1985. Since June 2014, he was the Deputy Chairman of the NSZZ "Solidarność" Trade Union. From 2007 to 2014 he served as a shift foreman for underground electrical equipment. From 2006 to 2012, Mr. Partyka served as a member of LW BOGDANKA S.A.'s Supervisory Board. From April 2016 to June 2022, he was LW Bogdanka S.A.'s Vice-President of the Management Board for Labor and Social Affairs, and in July 2022 he was appointed for another term of office of the Management Board.

As the President of the Management Board or Labor and Social Affairs, Mr. Partyka is in charge of the organization and oversight of the Company's activities in particular with respect to the performance of tasks by the organizational units reporting to him, whose scope comprises:

- Work of the units reporting to the Technical Director, the Management Board's Representative for Production,
- Maintenance and development of production capabilities (including planned future ventures related to the development and modernization of production in the Company),
- Occupational health and safety,
- The Company's security policy, IK guarding and safety services,
- Defense matters,
- Company archives and general registrar's office
- Administration and resource management policy,
- Cooperation with trade unions.

Pursuant to Resolution of the Management Board No. 598/IX/2016 of 14 June 2016 (and in accordance with the provisions of the Act of 5 August 2010 on Protection of Non-disclosed Information), Mr. Partyka is also in charge of the protection of non-disclosed information.

## Composition of the Management Board of LW Bogdanka S.A. as at 21 March 2023



**Dariusz Dumkiewicz** - Vice-President of the Management Board for Sales and Investments

### Education

In 2002, Mr. Dumkiewicz graduated from the Faculty of Law and Administration of the Maria Curie-Skłodowska University (UMCS) in Lublin, majoring in law; he also completed postgraduate studies in "Project Management and EU Law" organized by the UMCS and the Lublin Development Foundation. In 2018, he was awarded Master of Business Administration at the Lublin University of Technology.

### Experience

Dariusz Dumkiewicz has many years-worth of professional experience in leading development and investment projects. In 2002-2006, he was employed in the Lublin City Hall in managerial positions responsible for implementation of projects financed from EU funds. In 2006, he served as an advisor to the Minister of Labor and Social Policy and as an expert on Eastern Poland Development in the Ministry of Development. In 2007, he became Director of the Strategy and Development Department in the Marshal's Office of Lubelskie Voivodeship. He was responsible for negotiations with the European Commission and financing of infrastructural investments of strategic importance for the voivodeship.

Since 2008, he was a Management Board Member and Vice-President of consultancies providing advisory services to companies, in particular from the energy sector. In 2016, he assumed the position of Director of the Lublin Branch of PSG sp. z o.o, a natural gas distributor in the Polskie Górnictwo Naftowe i Gazownictwo S.A. Group. Since 15 October 2018, he has been Vice-President of the Management Board for Development at LW Bogdanka S.A.. As from 24 June 2022, he is Vice-President of the Management Board for Sales and Investments.

The Vice-President of the Management Board for Development is in charge of the organization and oversight of the Company's activities in particular with respect to:

- Oversight of the departments reporting to the Director of the Procurement Division,
- Sales and wholesale shipping of coal,
- Management of commercial coal sales, control of the quality of coal output oversight over the coal processing plant,
- Management of coal storage,
- Oversight over the Rail Transport Department,
- Investment planning and execution.



## Rules and amount of the remuneration of Management Board Members

### Remuneration rules applicable to Management Board Members

In 2022, remuneration of the Members of LW BOGDANKA S.A.'s Management Board was regulated by: the Remuneration Rules applicable to Management Board Members of LW BOGDANKA S.A. - introduced by force of resolutions of the Extraordinary Shareholder Meeting of 7 March 2017 and 17 October 2019, of the Company's Supervisory Board of 30 July 2018, as amended, as well as the Policy of Remuneration of the Members of Management and Supervisory Bodies in Lubelski Węgiel "Bogdanka" S.A. - introduced by force of the resolution of the Ordinary Shareholder Meeting of 29 July 2020.

All the Members of the Management Board concluded Provision of Management Services Agreements with the Company, pursuant to the Act of 9 June 2016 on the Principles of Remuneration of Persons Managing Certain Companies.

The above mentioned Agreements concluded by the Company stipulate that:

- in the term of the Service Agreement, Management Board Member shall receive a fixed monthly remuneration as well as variable supplemental remuneration for the Company's financial year;
- in return for the Management Board Members abiding by their non-competition obligations, over the term of the non-competition clause they shall receive a compensation of a total value equal to the 0.5 times monthly salary multiplied by a factor of 6;
- if the Agreement is terminated, the Management Board Member shall transfer their responsibilities to the authorized person or persons, including the obligation to

personally report at the request of the Company, provide clarifications as requested, as well as ensure reliable hand-over of information, documents and items connected with the performance of the Agreement;

- Members of the Management Board are entitled to a severance payment equaling 3-times the fixed monthly salary provided that the Member performed their function for at least 12 months prior to the termination of the Agreement, except for:
  - renunciation, termination of, or amendment to, the Agreement as a result of a change to the function discharged by the Management Board Member,
  - renunciation, termination of, or amendment to, the Agreement as a result of an appointment of the Member to a subsequent term of office
  - on the Management Board of a company in the group, in the meaning of Article 4 Item 14 of the Competition and Consumer Protection Act of 16 February 2007;
  - resignation.

If a Management Board Member breaches the non-competition clause, they shall lose their right for the subsequent installments of the compensation and shall be liable to pay a contractual penalty to the Company.

The managers acquired at their own expense third party liability insurance arising from non-performance or improper performance of the Provision of Management Services Agreement. Relative to the adopted Key Performance Indicators (KPIs), a Member of the Management Board may be awarded an annual bonus (variable remuneration) in the amount of 100% of the base remuneration received in a given year.

The total annual remuneration of LW BOGDANKA S.A.'s Management Board Members presented in the table below comprises four elements: fixed salary, variable part of the remuneration (the bonus payable on the achievement of the annual objective), severance payment and the non-competition clause compensation.

Full name	Period in office on the Management Board in 2022	Total annual remuneration
Kasjan Wyligala	14 March - 31 December	PLN 440.6 thousand.
Adam Partyka	1 January - 23 June 7 July - 31 December	PLN 723.1 thousand
Artur Wasilewski	1 January - 31 December	PLN 783.0 thousand
Dariusz Dumkiewicz	1 January - 31 December	PLN 730.8 thousand
Artur Wasil	1 January -16 September	PLN 958.5 thousand

In 2022, pursuant to the resolutions adopted in respect of the achievement of Management Objectives and determination of the amount of the Variable Remuneration for 2021, the following amounts of annual bonuses were paid:

Full name	Annual bonus for 2021 (paid in 2022)
Artur Wasil	PLN 280.8 thousand
Adam Partyka	PLN 226.8 thousand
Artur Wasilewski	PLN 243.0 thousand
Dariusz Dumkiewicz	PLN 226.8 thousand

In 2022, Members of the Company's Management Board received non-competition clause compensation in the amount of PLN 87.1 thousand and severance payments in the amount of PLN 156.0 thousand.

### Amount of remuneration paid to the individual Members of the Management Board in 2022

In 2022, Members of the Company's Management Board (incumbent and former) received total gross remuneration of 3,636 thousand, which represents an increase y/y of 11.6% (in 2021, the corresponding amount paid was PLN 3,258 thousand). For the performance of their functions in the Company, Members of the

Management Board received remuneration under provision of service agreements.

In 2022, Members of the Management Board did not receive remuneration for performing functions in subsidiaries of LW BOGDANKA S.A.

In 2022, the total gross remuneration paid by the Company to the commercial proxies was PLN 3,102 thousand.

For the performance of their functions in the Company, the commercial proxies received remuneration exclusively under an employment contract.

### Amount of remuneration paid to the individual Members of the Management Board in 2022 under employment contracts.

Members of the Management Board are employed under provision of management services agreements.

### Changes in remuneration rules after 31 December 2022.

After 31 December 2022, there have been no changes to the remuneration rules applicable to Members of the Management Board. A detailed report on the remunerations, prepared pursuant to Article 90(g) sec. 1 of the Act on Public Offering for 2021-2022 will be prepared by the Supervisory Board and presented to the Shareholder Meeting for their opinion.

## Governance bodies of LW Bogdanka S.A.

### Supervisory Board

#### Appointment and dismissal of Supervisory Board members

The appointment and dismissal of the Company's Supervisory Board members is regulated by the Articles of Association of LW Bogdanka S.A.

Pursuant to the Articles of Association, the Supervisory Board consists of five to nine members. Supervisory Board Members shall be appointed or dismissed by the Shareholder Meeting, for a joint term of office, which lasts three years. The State Treasury, represented by the Minister of State Assets, is entitled to appoint one Supervisory Board Member. A Supervisory Board Member may be dismissed by the Shareholder Meeting at any time. If a Supervisory Board Member resigns from their function, they should address a written resignation to the Management Board, with a copy to the Supervisory Board.

Mandates of the Supervisory Board members shall expire on the date of the Shareholder Meeting approving the activity report and the financial statements for the most recent full year of discharging the function of a Supervisory Board Member.

#### Composition

The Supervisory Board of LW BOGDANKA S.A. is appointed for a joint term of three years. The Supervisory Board Members of the Parent Company are appointed and dismissed by the Shareholder Meeting.

#### Activities

The Supervisory Board conducts continuous oversight over the Company's operations in all areas of its activity. The Board adopts resolutions on issues

stipulated in the Commercial Company Code and the Company's Articles of Association.

#### Except for the competencies arising from the mandatory provisions of the law, the powers of the Supervisory Board comprise:

- an evaluation of the Management Board's report on the Company's activity, financial statements for the previous financial year, as well as an evaluation of the Management Board's report on the activities of the Group, and the consolidated financial statements of the Group - if they are drawn up
- selection of the statutory auditor to audit the Company's financial statements and the consolidated financial statements of the Group
- evaluation of the Management Board's motions on the distribution of net profit or coverage of net loss
- presentation to the Shareholder Meeting of an annual written statement on results of the evaluation referred to in items 1 and 3
- adoption of bylaws defining in detail the procedure of operation of the Supervisory Board
- adoption of a consolidated text of the Company's Articles of Association, prepared by the Management Board
- granting consent to the payment to shareholders of an advance towards an anticipated dividend
- adoption of the Rules and Regulations on the appointment and dismissal of Supervisory Board members elected by the Company's employees
- appointment and dismissal of the Management Board Members, including the President of the Management Board
- determining the remuneration of the Management Board Members
- suspension of Management Board Members in their duties
- delegating Supervisory Board Members, for a period no longer than three months, to temporarily perform the duties of Management Board Members who have been dismissed, resigned or who cannot perform their duties for any other reason
- granting consent authorizing Management

Board members to assume positions in corporate bodies of other companies

- approval of material and financial plans, multi-annual development plans and area strategies adopted by the Management Board
  - granting consent to purchase or disposal of non-current assets of the value of above PLN 20,000,000
- representing the Company in contracts and disputes between the Company and Management Board Members
  - granting consent to conclusion by the Company of a material agreement with a shareholder holding at least 5% of the total number of votes in the company or with a related entity. A material agreement as referred to in the preceding sentence is an agreement whose value on its conclusion date is in excess of 10% of the Company's consolidated equity, determined based on the most recent financial statements published by the Company. This condition does not apply to typical transactions made on an arm's length basis in the course of the Company's operation, entered by the Company with entities from the Company's Group.
  - giving consent to conclude:
    - a) agreements for legal services, marketing services, public relations and social communications services as well as management advisory services, if the amount of the total fee stipulated for the services in such agreement or other agreements concluded with the same entity is in excess of PLN 500,000 annually
    - b) amendments to agreements for legal services, marketing services, public relations and social communications services as well as management advisory services increasing the fee referred to above to an amount in excess of PLN 500,000 annually
    - c) agreements for legal services, marketing services, public relations and social communications services as well as management advisory services which do not stipulate the maximum amount of the fee for the services
    - d) agreements on donations or other agreements with a similar effect, of the value in excess of

PLN 20,000 or 0.1% of the assets in the meaning of the Accounting Act of 29 September 1994, determined based on the most recent approved financial statements agreements cancelling debts or another agreement

with a similar effect, of the value in excess of PLN 50,000 or 0.1% of the assets in the meaning of the Accounting Act of 29 September 1994, determined based on the most recent approved financial statements

- giving opinion on the report on representation expenditures submitted by the Management Board to the Shareholder Meeting, as well as on expenditure on legal services, marketing services, public relations and social communications services as well as management advisory services, and on the report on Best Practices, as referred to in Article 7 sec. 3 of the Act of 16 December 2016 on the Rules for Managing State Property, including the Management Board report on the Company's activities in the previous financial year
- giving opinion on any matters presented by the Management Board for examination by the Shareholder Meeting.

The procedures of the Supervisory Board's work, including the rules of convening its meetings, are defined in detail in the Supervisory Board Bylaws, adopted by the Supervisory Board. In its work, the Supervisory Board also follows the Best Practices of Companies Listed at the Warsaw Stock Exchange.

The Board may appoint standing or ad hoc committees from among its members. The Audit Committee is a standing committee of the Supervisory Board. It was the only Board committee in the Company in 2022.

## Composition of the Supervisory Board of LW Bogdanka S.A.

### Composition of the Supervisory Board as at 31 December 2021 and 31 December 2022:

- Anna Chudek – Chairwoman of the Supervisory Board
- Marcin Jakubaszek - Deputy Chairman of the Supervisory Board
- Szymon Jankowski - Secretary of the Supervisory Board;
- Dariusz Batyra - Supervisory Board Member;
- Krzysztof Gigol - Supervisory Board Member;
- Bożena Knipfelberg - Supervisory Board Member
- Zbigniew Rak - Supervisory Board Member
- Bartosz Rożnawski - Supervisory Board Member
- Grzegorz Wróbel - Supervisory Board Member

### The Supervisory Board had the above composition until 1 March 2023.

### Changes in the composition of the Supervisory Board

On 1 March 2023, the Company's Extraordinary Shareholder Meeting adopted a resolution to dismiss Mr. Zbigniew Rak from the Company's Supervisory Board. Furthermore, a resolution was adopted to appoint Mr. Bartosz Piechota to the Company's Supervisory Board.

### Composition of the Supervisory Board as from 1 March 2023 until the publication date of the financial statements

- Anna Chudek – Chairwoman of the Supervisory Board
- Marcin Jakubaszek - Deputy Chairman of the Supervisory Board
- Szymon Jankowski - Secretary of the Supervisory Board;
- Dariusz Batyra - Supervisory Board Member;
- Krzysztof Gigol - Supervisory Board Member;
- Bożena Knipfelberg - Supervisory Board Member
- Bartosz Piechota - Supervisory Board Member

- Bartosz Rożnawski - Supervisory Board Member
- Grzegorz Wróbel - Supervisory Board Member.

### In 2022, the Supervisory Board adopted resolutions on, among others:

- approval of the Technical and Economic Plans for 2022
- approval of the Audit Plan for 2022
- giving consent to training of the Presidents
- Commencement of the procedure, selection of a candidate and appointment of the Vice-President of the Management Board for Operations of the Lubelski Węgiel "Bogdanka" S.A. Company
- evaluation of the financial statements and the Management Board report for 2021
- giving consent for conclusion of sponsorship agreements
- giving consent to donations
- evaluation of the Management Board's motion to distribute the net profit earned in the financial year 2021
- dismissal and appointment of Management Board Members
- giving consent for conclusion of sales agreements
- approval of the "LW Bogdanka Group's ESG Strategy for 2023-2025, with an outlook to 2030"

### Member attendance in meetings of the Supervisory Board in 2022

Batyra Dariusz	16/17
Jankowski Szymon	17/17
Rak Zbigniew	16/17
Wróbel Grzegorz	16/17
Rożnawski Bartosz	17/17
Chudek Anna	17/17
Jakubaszek Marcin	16/17
Gigol Krzysztof	17/17
Knipfelberg Bożena	17/17

### Anna Chudek – Chairwoman of the Supervisory Board (independent member)

Ms. Chudek graduated from the Faculty of Law and Administration at Maria Curie-Skłodowska University in Lublin. She completed her judicial training at the Regional Court in Lublin. She completed the following postgraduate programs: "European Project Management and European Union Law" at Maria Curie-Skłodowska University in Lublin; "Public Procurement" at the University of Warsaw;"Corporate Law" at the University of Warsaw.

She holds the professional title of a legal advisor and is registered in the list of legal advisors at the Regional Chamber of Legal Advisors in Lublin. Since 1993, she has been employed as a legal advisor in the Świdnik City Hall, where she manages the Legal Office. Ms Chudek also works the Świdnik County Hall as a legal advisor - legal services coordinator. Since 1 March 2007, she has been running her own law firm, which provides legal services to local government units, public administration bodies and commercial law companies, including those from the energy sector.

In 2006-2009, she was a Member of the Supervisory Board of the Polish Radio Regional Broadcasting "Radio Lublin" and, in the period from 3 June 2011 to 25 June 2020, Chairperson of the Supervisory Board of Przedsiębiorstwo Energetyki Ciepłej "PEC" sp. z o.o. in Świdnik.

### Bożena Knipfelberg – Supervisory Board Member

Ms. Knipfelberg is a graduate of economics, majoring in Management and Marketing at the Opole University of Technology. She also completed postgraduate studies in accounting and finance at the Warsaw School of Economics. She took a course for candidates for supervisory board members in State Treasury companies, completed with an examination and a diploma issued by the Minister of State Treasury.

Ms. Knipfelberg is an experienced manager in the area of finance in companies from the energy and telecommunications sectors. She has been working in the commercial power sector since 2007. He has extensive experience in finance, controlling, reporting, purchasing, organizational restructuring and evaluation of cost-effectiveness

of company investment projects.

Since March 2021, she has been associated with the ENEA Group. She serves as the Director of the Group's Controlling Department. Previously associated with the PGE Group where she served as Financial Director of the Opole Power Plant and then as Director of the Financial Controlling Department of PGE Górnictwo i Energetyka Konwencjonalna S.A. She was also the Financial Director in a company from the Polskie Koleje Państwowe Group. She has been a member of the Supervisory Board of Eltur-Service Sp. z o.o. – a PGE Group company.

### Szymon Jankowski - Secretary of the Supervisory Board

Mr. Jankowski graduated from the Poznań University of Economics, Management Faculty, majoring in Management and Marketing. He also completed Postgraduate Studies at the Poznań University of Economics and Business in the field of Business Law and Postgraduate Studies at the WSB University in Poznań in the field of Renewable Energy Sources. He developed his competences through training in corporate governance and financial analysis of enterprises. He took a course for candidates for supervisory board members in State Treasury companies, completed with an examination and a diploma.

He has been professionally associated with the commercial power sector for over 25 years. Since 1999 until today, he has been supervising companies of the ENEA Group in various positions, most recently as the Head of the Corporate Supervision Department in ENEA S.A. Mr. Jankowski has experience in supervising capital companies in the energy, services and IT sectors - he was a member of the supervisory board of, among others, Enea Operator sp. z o.o., Enea Centrum sp. z o.o., BHU S.A., Energetyka Poznańska Zakład Transportu sp. z o.o., ITSERWIS sp. z o.o. Since February 2016, he has been a member of the Supervisory Board of LW Bogdanka S.A. where he serves as the Secretary.

## Composition of the Supervisory Board of LW Bogdanka S.A.

### Dariusz Batyra - Supervisory Board Member

Mr. Batyra is a graduate of the mining secondary school in Ostrów Lubelski and the AGH University of Science and Technology in Kraków, majoring in Mining and Geology, specialization: Underground Deposit Mining. He also completed post-graduate studies in Value Based Management in Mining Companies at the Stanisław Staszic AGH University of Science and Technology in Kraków. He has been working for LW Bogdanka S.A. since 1989, first as a mining school pupil and, since July 2001, as an employee of the Mine. In the coal mine, he went through all career levels, from trainee in the mining department to Manager of the Mining Department, first in the Nadrybie field, and then in the Bogdanka field. Since 2017, he has held the position of Deputy Mining Operations Manager. Since October 2022, he has been Manager of the Mining Department in the Nadrybie field. Since July 2020, he has been a Member of the Supervisory Board of LW Bogdanka S.A. elected by the employees.

### Krzysztof Gigoł - Supervisory Board Member (independent member)

Mr. Gigoł is a graduate of the Faculty of Management at Kozminski University in Warsaw. He completed post-graduate MBA studies at the University of Finance and Management in Warsaw with a very good grade and was awarded the title of Master of Business Administration. He has many years of hands-on experience in developing sales and business development strategies and managing teams in the energy and industrial sectors. He effectively created new structures and led organizational restructuring processes. Since 2011 he has been involved in modernization of heating plants and investments in cogeneration and renewable energy sources. He implements long-term projects in the broad field of energy in industry and in companies owned by local government units.

He has been a member of management boards and held senior managerial positions in energy companies such as Gaspol Energy, Energia Polska, Cogen Energy and Energa Obrót. Expert in energy efficiency and independence, renewable energy sources, and low-emission generation of electricity and heat. He has been involved on a voluntary basis in the work of the Energy Efficiency Development Forum, where he served as an expert, and in the PROZON Climate Protection Foundation as Vice-President of the Management Board. He has authored articles and papers on energy issues and national energy security.

### Marcin Tomasz Jakubaszek - Supervisory Board Member

Mr. Jakubaszek graduated from the University of Warsaw, Faculty of Law and Administration. He holds the professional title of a legal advisor and is registered in the list of legal advisors at the Regional Chamber of Legal Advisors in Warsaw. In addition, he graduated from the School of British Law organized by the University of Warsaw with the participation of the University of Cambridge. He has 24 years of professional experience. In his career, he worked as a lawyer in Amhurst Brown sp. z o.o., Wardyński & Partners s.c. and Miller, Canfield, W. Babicki i Wspólnicy Sp. k. He was also liquidator in Polcel sp. z o.o. Since 2005, he has been running his own business providing legal advice in the "Marcin Jakubaszek, Radcowie Prawni i Adwokaci" law firm. Since 2015, he has been the managing partner of the "Jakubaszek i Wspólnicy" Sp. k. law firm, where he provides legal advisory services. He is a member of the Audit Committee of the Polish-Canadian Chamber of Commerce and a member of the Audit Committee of the Sue Ryder Foundation.

### Bartosz Rożnawski - Supervisory Board Member

Mr. Rożnawski is a graduate of the Stanisław Staszic AGH University of Science and Technology in Kraków with a degree in Engineering, specializing in Environmental Geophysics and Mining and Geology. At the AGH University of Science and Technology he also completed post-graduate studies

in Value Based Management in Mining Companies. He holds a Master of Business Administration (MBA) degree in Management from WSB University in partnership with EY Academy of Business.

He started his professional career in 2006 as an intern at LW Bogdanka S.A. and after a year continued as a shift foreman.

From 2010 to 2012, he was employed as a branch foreman of the mining branch. In 2017, he was entrusted with the position of Mining Department Manager, which he discharged until March 2023. As from July 2020, he has been a Member of the Supervisory Board of LW BOGDANKA S.A.

### Grzegorz Wróbel - Supervisory Board Member (independent member)

Mr. Wróbel graduated from Maria Curie-Skłodowska University in Lublin, majoring in administration. He also completed post-graduate Executive Master of Business Administration studies at the Warsaw Management University. He gained his professional experience in Zakład Gospodarki Komunalnej in Obsza. Since 2011, he has been employed in the Obsza Municipal Office, where he currently holds the position of the Secretary of the Obsza Municipal Office and the position of the Deputy Registrar. Since 2018, he has been a Councilor of the Lubelskie Voivodeship. He was a Member of the Supervisory Board of Miejski Zakład Komunikacji Sp. z o.o. in Zamość. Currently he is a Member of the Supervisory Board of RC Ekoenergia Sp. z o.o. in Czechowice-Dziedzice.

### Bartosz Piechota - Supervisory Board Member (independent member, on the Board since 1 March 2023)

Mr. Piechota graduated from the Faculty of Law and Administration at University of Warsaw and Cardiff University Law School. He also graduated from IESE Business School Barcelona (Advanced Management Program). Since August 2019, Bartosz Piechota has been Vice-President of the Management Board of Polska Grupa Lotnicza. He holds the professional title of attorney-at-law and is registered on the list of attorneys-at-law at the Regional Bar Council in Warsaw. Since 2010,

he was a Partner and Founder of a leading law firm in Poland, specializing in business dispute resolution and restructuring. Previously, he worked at major national and international law firms. Individually recommended by national and foreign rankings (including Legal500) as a specialist in this area. He was a Member and Officer of the International Bar Association. From July 2018 to June 2022, he was a Member of the Supervisory Board of KGHM Polska Miedź S.A. From 2016 to 2019, he was a Member of the Supervisory Board of PLL LOT S.A., and from October 2018 to July 2019, he served as a Member of the Management Board of PLL LOT S.A., on secondment.

### Zbigniew Rak - Supervisory Board Member (independent member, on the Board until 1 March 2023)

Mr. Rak graduated from the AGH University of Science and Technology in Kraków, Mining Faculty, with the degree of M.Sc. Eng. in Mining and Geology. In 1996, he graduated from the Faculty of Management at the same University with a degree in Management and Marketing. From 1991 to 1992, he studied at the School of Mining at the University of Oviedo, Spain. In 2001, he received the degree of Doctor of Technical Sciences in mining. Since the beginning of his professional career, he has been associated with the Faculty of Mining (later Faculty of Mining and Geoengineering) at the AGH University of Science and Technology in Kraków. In addition to his academic work, he works with the mining industry in Poland, providing technical advice and design work. Since 2003, he has been an expert of the President of the State Mining Authority on mining plant operation. He has also worked with many mining operations abroad, including in Czech Republic, Slovakia, Russia, Spain and Chile. Since 2014, he has also had a business focusing on design work for the mining industry. In 2017, he was a member of the Supervisory Board of KOFAMA Koźle S.A. He is the author of more than 50 publications on mining topics.

## Rules and amount of the remuneration of Supervisory Board Members

### Remuneration rules applicable to Supervisory Board of the Company

Supervisory Board Members are entitled to monthly remuneration in the amount set by the Shareholder Meeting. The Company covers the costs incurred in connection with the performance of the functions of Supervisory Board Members, in particular the costs of transportation to Supervisory Board meetings, the costs of exercise of personal oversight and the costs of accommodation and food.

The remuneration of Supervisory Board Members delegated to temporarily perform the functions of a Management Board Member shall be determined by the Supervisory Board.

In the event a Member of the Supervisory Board is delegated to temporarily perform the function of a Management Board Member and is in receipt of the relevant remuneration, they are not entitled to the remuneration as a Member of the Supervisory Board.

Remuneration of Supervisory Board Members was set by force of

- resolution no. 5 of the Extraordinary Shareholder Meeting on 7 March 2017,
- and then amended by force of resolution no. 30 of the Ordinary Shareholder Meeting of 26 June 2017,
- and of resolution no. 4 of the Extraordinary Shareholder Meeting of LW Bogdanka S.A. on 17 October 2019.

Pursuant to the above resolutions, the monthly remuneration of Supervisory Board members is set as an amount specified

in the Act of 9 June 2016 on the Principles of Remuneration of Persons Managing Certain Companies, the detailed provisions defining its value, multiplied by the factor of:

- for the Chairperson of the Supervisory Board - 1.2
- for the remaining members of the Supervisory Board - 1.2.

Furthermore, pursuant to the regulations of the Enea Group, representatives of the Enea Group on the Company's Supervisory Board do not receive any remuneration.

In 2022, the base amount used to calculate the remunerations of the Supervisory Board Members of LW BOGDANKA S.A. did not change, as a result of the entry into force of the Act of 17 December 2021 on the special solutions in support of the execution of the budget act for 2022.

Furthermore, pursuant to the resolution of the Ordinary Shareholder Meeting of 29 July 2020, the Policy of Remuneration of the Members of Management and Supervisory Bodies in LW Bogdanka S.A. was adopted, which stipulated more precise rules of remunerating members of the Company's Supervisory Board.

### Amount of remuneration paid to the individual Members of the Supervisory Board in 2022

In 2022, the total gross remuneration paid to Supervisory Board members for their service in the Company was PLN 507.3 thousand, which represents a decline y/y of 4.1% (in 2021 it amounted to PLN 528.8 thousand), including:

### Other benefits and sources of remuneration

In 2022, Members of the Management Board and of the Supervisory Board of LW BOGDANKA S.A. did not receive remuneration for performing functions on the corporate bodies in subsidiaries.

The Company does not operate pension schemes, nor does it pay any benefits of similar nature to the former members of the management and supervisory bodies.

### Members of the Supervisory Board as at the publication date of the financial statements:

Full name	Period in office on the LWB Supervisory Board in 2022	Remuneration
Batyra Dariusz	1 January - 31 December	PLN 63.4 thousand
Jankowski Szymon	1 January- 31 December	PLN 63.4 thousand
Rak Zbigniew	1 January- 31 December	PLN 63.4 thousand
Wróbel Grzegorz	1 January- 31 December	PLN 63.4 thousand
Rożnawski Bartosz	1 January- 31 December	PLN 63.4 thousand
Chudek Anna	1 January- 31 December	PLN 63.4 thousand
Jakubaszek Marcin	1 January- 31 December	PLN 63.4 thousand
Gigol Krzysztof	1 June-31 December	PLN 63.4 thousand
Knipfelberg Bożena	1 June-31 December	PLN 0.0 thousand

## Governance bodies of LW Bogdanka S.A.

### Audit Committee

The Audit Committee is a collegiate advisory and opinion-giving body supporting the Supervisory Board in 2022.

The Audit Committee consist of at least three members appointed by the Supervisory Board from among its members, for a term of office coinciding with the term of office of the Supervisory Board.

### Tasks of the Audit Committee:

The Audit Committee advises the Supervisory Board on the internal budgetary policy and procedures adopted by the Company, as well as provides control and advice in the area of the Company's contacts with the statutory auditor; in particular its tasks include:

- monitoring the financial reporting process
- monitoring the effective operation of internal control systems, risk management systems and the internal audit function, including in the area of financial reporting
- giving its opinion on the annual audit plan and presentation thereof for approval to the Supervisory Board
- monitoring of the auditing activities, in particular the audit conducted by the statutory auditor firm, taking into account all proposals and findings of the Audit Oversight Committee resulting from an inspection carried out in the audit firm
- controlling and monitoring the independence of the statutory auditor and the audit firm conducting the audit, in particular where the audit firm also renders other services for the Company
- informing the Supervisory Board about the financial statements audit results, and explaining how the audit has contributed to the reliability of financial reporting in the

Company, and what the role of the Audit Committee was in the audit process evaluation of the independence

- of the statutory auditor and giving consent to the auditor's providing allowed services to the Company other than the audit of the financial statements
- development of the selection policy of the audit firm to conduct a statutory audit;
- development of the policy regarding the provision of permitted non-audit services by the audit firm carrying out the statutory audit of the Company's financial statements, as well as entities affiliated with the audit firm or members of the audit firm's network
- development of the statutory audit firm selection procedure
- presentation to the Supervisory Board of recommendations in respect of the selection of the statutory auditor or audit firm, in compliance with the policies referred to in (h) and (i) above
- presentation to the Management Board and the Supervisory Board of recommendations in respect of ensuring reliability of the financial reporting processes in the Company
- agreeing with the Company's statutory auditor of the nature and scope of the audit prior to each statutory audit of the annual financial statements
- presentation to the Supervisory Board of information on the work of the Audit Committee, including motions for required actions, is any

The Audit Committee presents to the Supervisory Board a recommendation which:

- names the audit firm the Committee is recommending to conduct the statutory audit
- contains a representation that the recommendation is independent of any third party influence
- ascertains that the Company has not executed any agreements containing clauses that by the force of law would render invalid any clauses in the agreements executed by the Company that would restrict the selection of an audit firm by the Supervisory Board for the purposes of conducting a statutory audit

of the Company's financial statements to pre-defined categories or audit firm schedules

### In 2022 the Audit Committee was composed of:

Krzysztof Gigol	Chairman
Anna Chudek	Member
Bożena Knipfelberg	Member
Zbigniew Rak	Member
Grzegorz Wróbel	Member

As at 31 December 2022, the members of the Audit Committee meeting the independence criteria pursuant to Article 129 sec. 1 item 3 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision were:

- Krzysztof Gigol
- Anna Chudek
- Grzegorz Wróbel

### The person holding the knowledge and skills in the area of accounting or financial statements audits is:

**Bożena Knipfelberg** - a graduate of economics, majoring in Management and Marketing at Opole University of Technology. She also completed postgraduate studies in accounting and finance at the Warsaw School of Economics. She has extensive experience in finance, controlling, reporting, purchasing, organizational restructuring and evaluation of effectiveness of investment projects carried out in companies. Since March 2021, she has been associated with the ENEA Group. She serves as the Director of the Group's Controlling Department. Previously associated with the PGE Group, where she served as Financial Director of the Opole Power Plant, and then as Director of the Financial Controlling Department of PGE Górnictwo i Energetyka Konwencjonalna S.A. She was also the Financial Director in a company belonging to the Polskie Koleje Państwowe Group.

### Industry-related knowledge and skills are held by:

**Zbigniew Rak** - who graduated from the AGH University of Science and Technology in Kraków, Mining Faculty, with the degree of M.Sc. Eng. in Mining and Geology. Since 2003 he has been an expert of the President of the State Mining Authority on mining plant operation.

### Attendance record of Audit Committee members in 2022

Krzysztof Gigol	5/5
Anna Chudek	5/5
Bożena Knipfelberg	5/5
Zbigniew Rak <sup>1</sup>	5/5
Grzegorz Wróbel	5/5

## Governance bodies of LW Bogdanka S.A.

### Audit Committee

Membership of the Committee ends when the member ceases to be a Supervisory Board member; however a Committee member may be dismissed from the Committee at any time by a Supervisory Board resolution. A Committee member may also resign from the Committee at any time by submitting his or her resignation to the Committee Chairperson. In the case of the Committee Chairperson, he or she submits a resignation to the Supervisory Board Chairperson.

The Committee Chairperson is elected by the Supervisory Board. The Committee chairman manages the work of the Committee, exercises oversight over the work of the Committee, in particular over organization and course of the Committee meetings. The Supervisory Board Chairperson may be a member of Supervisory Board Committees but may not be the Chairperson of the Audit Committee. Committee meetings are convened by its Chairperson and in his or her absence by the committee member named by him or her. The Supervisory Board Chairperson or the Supervisory Board member named by him or her convenes the first meeting of the Committee.

The regulations pertaining to notifications of Supervisory Board meetings will apply accordingly to notifications of Committee meetings. The meetings of the Committees should be held as necessary, of which one before the Company publishes its financial statements. Committee resolutions are adopted by an absolute majority of votes. In the event of a tied vote, the Chairperson's vote shall prevail.

The procedure for adopting resolutions by the Supervisory Board applies to the adoption of Committee resolutions. The Committee presents information on its meetings to the Supervisory Board. The Committee Chairperson submits to the Supervisory Board the resolutions, motions and reports on matters on the agenda of the Supervisory Board meeting, as well as other motions, including motions on the need to prepare, for the needs of the Committee, expert papers or opinions on the scope of the Committee's duties or engagement of an advisor. Applicable provisions of the Rules and Regulations shall apply to matters not regulated by the provisions pertaining to Supervisory Board Committees.

### Information on the activity of the Audit Committee

In 2022, the Audit Committee held 5 meetings and adopted 8 Resolutions on the following, among others:

- issuing an opinion on the Standalone and Consolidated Financial Statements of Lubelski Węgiel Bogdanka S.A. for the financial year from 1 January to 31 December 2021.
- issuing an opinion on the Management Board Report on the Activity of LW Bogdanka S.A. and the LW Bogdanka Group for 2021
- accepting information for the Supervisory Board on the results of the audit of the financial statements of Lubelski Węgiel Bogdanka S.A. and the Lubelski Węgiel Bogdanka Group for the financial year from 1 January to 31 December 2021.
- Accepting the Report on the activity of the Audit Committee in 2021.
- approving the Report on implementation of the audit and internal control plan for 2021.

The Audit Committee also:

- acknowledged the risk management report – update of LWB's risks based on the ENEA Group's ERM Methodology – as at 31 December 2021.
- familiarized itself with the report on the audits carried out in H1 2022 by the Internal Audit Department at the Lubelski Węgiel Bogdanka Group
- reviewed the motion to issue an opinion on the Audit Plan for 2023.

### Cooperation of the Audit Committee with the statutory auditor:

- The Audit Committee held a meeting with the statutory auditor, PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audit sp.k., to discuss the work related to the review of the Consolidated Half-Year Report for H1 2022.
- reviewed the motion to give consent for PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audit Sp.k. to verify the correct calculation of the excise duty co-efficient for 2021.
- learned about the work schedule of the statutory auditor PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audit sp.k related to the audit of the financial statements of the Company and the consolidated financial statements of the LW Bogdanka Group for 2022.

## Governance bodies of LW Bogdanka S.A.

### Information on selecting a statutory auditor

To review the of the Company and the consolidated financial statements of the Company's Group, after a tendering procedure, the Supervisory Board followed the recommendation issued by the Audit Committee and on 24 March 2021 selected PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. in Warsaw (hereinafter: PwC). The above entity has been selected for the period of 2 years.

#### Non-audit services:

In 2022, PwC was engaged to perform the following services, in addition to the service of auditing the financial statements of the Company and the consolidated financial statements of the Group and reviewing the interim statements:

- other assurance services (audit and review of the group consolidation package for ENEA's purposes),
- verification of the Group's consolidated 2022 financial statements prepared in the XBRL format
- assessing the Remuneration Report for the Parent Company's Management Board and Supervisory Board for 2021-2022.
- verification of correct calculation of the excise duty ratio for 2021.

During the performance of the above activities, both PwC as an entity authorized to audit financial statements and the statutory auditors performing financial audit activities for LW Bogdanka S.A. observed the independence criteria referred to in Article 69-73 of the Act of 11 May 2017 on statutory auditors, Audit Firms and Public Supervision.

### Main assumptions underlying the Policy for selecting the audit firm

When selecting an audit firm, the main considerations are the audit team's experience in auditing companies, competence, financial criteria and human resources. The selection is conducted in accordance with the principle of impartiality and independence of audit firms, in compliance with the laws on the mandatory periodic rotation of audit firms and key statutory auditors, mandatory retention periods and the results of audit firm inspections presented in the annual report published by the Polish Audit Supervision Agency.

The first statutory audit agreement is concluded with an audit firm for a minimum period of two years, with an option to renew for additional periods of at least two years. The maximum time of uninterrupted duration of the statutory audit mandate for a single audit firm may not exceed 10 years. A new mandate may not begin until four years have elapsed since the end of the previous statutory audit.

### Main assumptions of the Policy on the provision of permitted non-audit services by an audit firm

LW BOGDANKA S.A. and its subsidiaries are allowed to use permitted services (defined pursuant to Article 136 of the Act on Auditors), which are provided by the audit firm performing the audit, provided that they are not related to the tax policy of the companies. A permitted non-audit service may be rendered by an audit firm provided that the firm has been previously approved by the Audit Committee, following an assessment of the risks and safeguards of independence referred to in Articles 69-73 of the Act on Auditors.

In addition, if the audit firm provides permitted non-audit services for a period of at least three consecutive financial years, the fee for the provision of such services is limited to 70% of the average fee for the last three consecutive financial years paid for the statutory audit of LW Bogdanka and, if applicable, its subsidiaries and the consolidated financial statements of the Group. In the case of prohibited services, i.e. services other than the permitted services, their direct or indirect provision to LW Bogdanka S.A. and its subsidiaries by the audit firm performing the audit of LW Bogdanka is prohibited in the period from the beginning of the audited period to the issuance of the audit report.

## Shareholder Meeting

### Functioning and main powers of the Shareholder Meeting, description of shareholders' rights and the manner in which they are exercised, in particular the principles laid down in the shareholder meeting bylaws

The Company's Shareholder Meeting is held as an Ordinary or Extraordinary Shareholder Meeting, on the basis of the Commercial Company Code, the Company's Articles of Association and the Rules and Regulations of the Shareholders Meeting of LW Bogdanka S.A.

### Convening a Shareholder Meeting

The Shareholder Meeting shall be convened by the Management Board, subject to the provisions of the Commercial Company Code and the Company's Articles of Association.

A Shareholder Meeting is convened by way of an announcement published on the Company's website and in the manner prescribed for the dissemination of current information by public companies, provided that such announcement should be made at least twenty-six days before the date of the Shareholder Meeting.

### Shareholder rights

The Shareholder Meeting may adopt resolutions only on the matters provided for in the agenda, subject to art. 404 of the Commercial Company Code. A shareholder or shareholders representing at least one-twentieth of the share capital have the right to request that a specific item be placed on the agenda of the Shareholder Meeting. In order to exercise this right, the shareholders who are entitled to request that a specific item be placed on the agenda of the Shareholder Meeting should submit a motion to the Company's Management Board, in writing or in electronic

form, together with a justification and a draft resolution on the proposed agenda item, no later than twenty one days before the set date of the Shareholder Meeting.

The Management Board announces any changes to the agenda of the next Shareholder Meeting that are made at the request of shareholders immediately, but not later than eighteen days before the set date of the Shareholder Meeting. The announcement is done following the same procedure as for convening a Shareholder Meeting.

### Right to participate in the General Meeting

Only those persons who are shareholders of LW BOGDANKA S.A. sixteen days prior to the date of the Shareholder Meeting (date of registration to attend the Shareholder Meeting) have the right to attend and vote at the Shareholder Meeting. Pledges and users vested with voting rights have the right to attend the shareholder meeting of a public company if the limited right in rem created in their favor is registered in the securities account on the date of registration of attendance at the shareholder meeting. Other parties with the right to participate in the Shareholder Meeting are Members of the Company's Management Board and Supervisory Board and, in the case of a Shareholder Meeting at which the financial affairs of LW Bogdanka S.A. are on the agenda, the statutory auditor auditing the Company's financial statements and the Company's chief accountant.

The Shareholder Meeting may also be attended by experts and guests invited by the body convening the Shareholder Meeting.

A shareholder may transfer shares in the period between the date of registration to attend the Shareholder Meeting and the end date of the Shareholder Meeting.

According to the Rules and Regulations of the Shareholder Meeting of LW Bogdanka S.A., the members of the Supervisory Board and the Management Board and the Company's statutory auditor should provide the participants of the Shareholder Meeting with explanations and information on the Company within the bounds

of their powers and to the extent necessary to handle the matters being discussed by the Shareholder Meeting.

### Right to participate in the Shareholder Meeting by proxy

A shareholder may participate in the Shareholder Meeting and exercise the voting right in person or by proxy. Proxy documents to attend and vote at the Shareholder Meeting should be given in writing or electronically.

### Adoption of resolutions by the Shareholder Meeting

According to the Articles of Association, the Shareholder Meeting adopts resolutions if at least one-half of the share capital is represented at the Shareholder Meeting.

Each share gives its holder one vote at the Shareholder Meeting.

Resolutions of the Shareholder Meeting are required, in addition to other matters arising from generally applicable provisions of law, to:

- review and approve the financial statements for the previous financial year and the Management Board report on the Company's activity;
- decide on distribution of net profit or coverage of net loss;
- grant a discharge to the members of the Company's bodies for the performance of their duties;
- set the record date and the dividend payment date;
- appoint and dismiss Supervisory Board members;
- define the number of members of the Supervisory Board;
- establish the rules for compensating Supervisory Board members and Management Board members;
- sell and lease out the Company's enterprise or its organized part, and establish a limited right in rem thereon;
- for the Company or any of its subsidiaries to enter into any loan, borrowing, surety or any other similar agreement with a Management

Board member, a Supervisory Board member, a commercial proxy, a liquidator, or for the benefit of any such person;

- define the rules, the procedure and the conditions for the retirement of shares;
- create and liquidate the Company's funds or capitals;
- adopt the Rules and Regulations of the Shareholder Meeting, setting out detailed principles for the conduct of meetings and the passing of resolutions;
- for the Company to join and leave the ENEA Group;
- adopt or repeal the ENEA Group Code after a Management Board recommendation and an opinion from the Supervisory Board.

Additionally, a Shareholder Meeting resolution is required for the matters set forth in §12 item 2 of the Company's Articles of Association.

### Rules for amending the Company's Articles of Association

In accordance with the provisions of the Commercial Company Code, an amendment to the Company's Articles of Association requires a resolution adopted by a specific majority of votes and a relevant entry in the register. The Company's Articles of Association do not contain any provisions that differ from the provisions of the Commercial Company Code regulating amendments to Articles of Association.

## Shareholder Meeting

### Information on Shareholder Meetings of LW Bogdanka S.A. held in 2022

One Ordinary Shareholder Meeting was held in 2022.

**Ordinary Shareholder Meeting convened for 23 June 2022** – held in the Company's registered offices in Bogdanka.

Agenda of the Ordinary Shareholder Meeting of 23 June 2022:

- Open the Shareholder Meeting
- Elect the Chairperson of the Shareholder Meeting
- Assert that the Shareholder Meeting has been convened correctly and that it is capable of adopting resolutions
- Adopt the agenda.
- Review the Management Board Report on the Activity of LW Bogdanka S.A. and the LW Bogdanka Group for 2021 containing a non-financial statement
- Review the Financial Statements of Lubelski Węgiel Bogdanka S.A. for the financial year 2021
- Review the Consolidated Financial Statements of the Lubelski Węgiel Bogdanka Group for the financial year 2021
- Present the Management Board's motion on the distribution of the net profit for the financial year 2021
- Present the Report of the Supervisory Board of Lubelski Węgiel Bogdanka S.A. for the financial year 2021
- Present the Report on representation expenditures and expenditures for legal, marketing, public relations and public communication services and management consulting services, and the report on the application of good practice referred to in Article 7 sec. 3 of the Act of 16 December 2016 on the Rules for Managing State Property, for the financial year 2021
- Have the Shareholder Meeting adopt resolutions in the following matters:
  - to approve the Management Board Report on the Activity of LW Bogdanka S.A. and the LW Bogdanka Group for 2021 containing a non-financial statement
  - to approve the Financial Statements of Lubelski Węgiel Bogdanka S.A. for the financial year 2021
  - to approve the Consolidated Financial Statements of the Lubelski Węgiel Bogdanka Group for the financial year 2021
  - to grant a discharge to the members of the Management Board of Lubelski Węgiel Bogdanka S.A. for the performance of their duties in the financial year 2021
  - to approve the Report of the Supervisory Board of Lubelski Węgiel Bogdanka S.A. for the financial year 2021
  - to grant a discharge to the members of the Supervisory Board of Lubelski Węgiel Bogdanka S.A. for the performance of their duties in the financial year 2021
  - to issue an opinion on the Remuneration Report for the LW Bogdanka S.A. Management Board and Supervisory Board for 2021-2022.
  - to distribute the net profit for the financial year 2021
  - to set the record date and the dividend payment date.
- Other business
- Adjourn the Shareholder Meeting.

Information on the Shareholder Meeting resolutions and all other documents are available at the website of LW Bogdanka S.A. [www.ri.lw.com.pl](http://www.ri.lw.com.pl).



# 5. Non-Financial Statement



## Company and its business model

Below, we present the Non-Financial Statement of the LW Bogdanka Group and LW Bogdanka S.A. for 2022 (hereinafter: Statement), which constitutes a separate part of the Activity Report of the LW Bogdanka Group and LW Bogdanka S.A. for 2022 (drawn up in a single document) including non-financial disclosures for the period from 1 January to 31 December 2022.

The Statement has been prepared on the basis of internal rules, which incorporate the provisions of the Accounting Act of 29 September 1994, the European Commission's guidelines on non-financial reporting, the Polish Non-Financial Information Standards SIN and the international GRI standards.

### General information

The policies and the efficiency indicators presented in the Statement have been selected and described on the basis of the materiality criterion, while taking into account internal and external factors related to the activities of the LW Bogdanka Group and LW Bogdanka S.A.

Key factors considered in assessing materiality included:

- the industry in which the Group operates,
- the profile of activities
- market environment
- impact on local communities and the natural environment
- expectations of identified stakeholders.

The data presented in the Statements will be reviewed and updated in the annual reporting periods and published regularly together with the annual reports for the respective financial years. Taking into account the structure of the Group and the fact that its activities and operations are

based on those of the Parent Company (most activities of the subsidiaries are ancillary to those of the Parent Company), the description of the policies in place in the Group provided in the Statement also refers directly to the Parent Company's policies.

### Description of the Group and its business model

The Parent Company in the LW Bogdanka Group is LW Bogdanka S.A., one of the leading producers of hard coal in Poland.

The Parent Company is also a leader in innovation and efficiency in the Polish mining sector. Since 99.9% of LW Bogdanka Group's consolidated revenues are generated by its Parent Company and the activities of the subsidiaries largely support the Parent Company's main business, the Group's business model is determined by the Parent Company's business model.

The bituminous coal mined by LW Bogdanka S.A. is used predominantly for the production of electricity, heat and cement. LW Bogdanka S.A. is the only hard coal mine in Poland located outside Upper Silesia and the only one producing coal from the Lublin Coal Basin. The mining area exploited by LW Bogdanka S.A. is divided into three mining fields: Bogdanka, Nadrybie and Stefanów (out of which mining shafts are located in Bogdanka and Stefanów only).

Production and sale of steam coal is the main source of revenue for LW Bogdanka S.A.

In 2022, the majority, or 79% of the realized value of coal sales, was received from few key customers, namely:

- Enea Wytwarzanie sp. z o.o. (Enea Group)
- Enea Połaniec (Enea Group)
- Grupa Azoty Zakłady Azotowe Puławy S.A.
- ENERGA Elektrownie Ostrołęka S.A.

Most sales in the Group (approx. 70%) are within the Enea Group, to which the LW Bogdanka Group belongs.

In addition to LW Bogdanka S.A. ("LWB"), the LW Bogdanka Group is comprised of Łęczyńska Energetyka Sp. z o.o and three subsidiaries formed in 2013-2014. The latter took over certain functions initially discharged by the mine and they are fully owned by LW BOGDANKA S.A. The Group focuses its operations predominantly on Poland.

Łęczyńska Energetyka Sp. z o.o., which functions within the group, supplies heat to the mine and provides water and wastewater management services. This means that it is responsible for managing its water and sewage systems, supplying potable and industrial water and for treating sanitary wastewater and rainwater from the mine.

The Company also supplies heat to external entities, such as housing estates and other facilities in Łęczna. This activity, in terms of both turnover and headcount, is insignificant compared to the scale of activity of the mine itself.

EkoTRANS Bogdanka Sp. z o.o. ("EkoTrans"), established in 2013, provides services entailing the management of waste produced during the washing and cleaning of coal shale, namely its transport and logistics, as well as reclamation services

The line of business of RG Bogdanka Sp. z o.o. ("RGB"), also established in 2013, is to provide services, supplies and mining and construction work to LW Bogdanka S.A.

The last subsidiary is MR Bogdanka Sp. z o.o. ("MRB") purchased in 2014, which handles repairs and renovations on the surface, including refurbishment and production of steel structures. This company also provides services to LW BOGDANKA S.A. Given that the scope of tasks performed by the companies, as described above, was previously performed by the mine, the organizational changes do not materially change the nature of impact of the LW Bogdanka Group on its surroundings.

The LW Bogdanka Group as a company primarily involved in the extraction and sale of coal, is at the very beginning of the industry's supply chain.

The fact that the LW Bogdanka Group is part of the Enea Group allows it to achieve synergies (e.g. when purchasing electricity from Enea S.A.; in 2017 the opportunity to secure coal sales in the long term improved after Enea acquired the Połaniec power plant located in the vicinity of Bogdanka).

From a liability management perspective, such a highly vertically integrated business model allows for a high degree of control over the social and environmental impacts associated with the creation of economic value.

## Environmental issues [E]

### Environmental issues – location of the LW Bogdanka Group

The Group's entire infrastructure as well as Puchaczów V and Stręczyn mining areas are surrounded by protected areas.

In the immediate vicinity are:

- the Polesie National Park
- the Łączna Lake District Landscape Park.

The Ludwin mining area in the eastern part includes significant parts of the Łączna Lake District Landscape Park. Within its boundaries, there is also the Brzeziczo reservation which contains a Nature 2000 Protected Area.

The combined mining areas in the central and eastern parts include small parts of that landscape park's buffer zone, which in this location has been included in the Natura 2000 protected areas "Uściwierskie Lakes" (CODE PLH 060009) and "Polesie" (CODE PLB 060019). This region is also part of the "West Polesie Transboundary Biosphere Reserve". To the east is the Polesie Protected Landscape Area and to the south-east is the Chełm Protected Landscape Area.

The activity of the Group has material influence on the natural environment. This is why the individual units conduct long-term environmental activities, resulting in the implementation of the Integrated Quality, Environmental and OHS Management System and in obtaining PN EN ISO 14001, 9001 i 45001 certificates, and implement ongoing operational measures to minimize the impact of the Group's operations on the environment.

### Air protection

- The Group does not have any unit that produces organized emissions of dust and gases into the air.
- a fugitive emission unit is the mining waste facility at Bogdanka, which can produce dust emissions on dry and windy days.
- Fugitive air emissions result from the combustion of fuels in combustion engines used in the Parent Company, as well as from welding and air conditioning processes.

### Water and waste water management refers mainly to mine water, including:

- drainage of rock mass around mining excavations
- re-use of mine water for fire protection and process purposes,
- pumping of water to the surface,
- surface re-use of mine water (Coal Preparation Plant, Łęczyńska Energetyka Sp. z o.o. – as part of the Water Treatment Plant),
- mine water retention in a surface reservoir and sedimentation tank to reduce suspended solids
- water discharge from the reservoir and leachate from the mining waste facility through a system of drainage ditches and Rów Żelazny watercourse to Świnka river in the amount of approx. 16,519 m<sup>3</sup>/24 hours
- the total chloride and sulfate level of discharged water is 999 mg/dm<sup>3</sup>.

### Waste management:

- in 2022, the total increase in mining waste was 4,794.3 thousand tons
- approx. 48.5% of waste was recycled and managed. The amount of recycled waste, i.e., waste used for industrial waste land reclamation, road and yard hardening, cement production at "Ożarów" Cement Production Plant, and for other purposes, was 2,325.9 thousand tons, including 96.2% of the waste used to perform reclamation of brownfield and mining damage areas. Reclamation consists in restoring the original relief of such land through filling sand pits with mining waste, covering them with a layer of soil and its agricultural or forest development. Other extraction waste (2,468.4 thousand tons) is stored in the mining waste facility in Bogdanka.
- The Parent Company manages other industrial waste and releases to the licensed entities any waste which is capable of reuse (timber, used oils, scrap metal, scrap conveyor belts) or intended for neutralization (used light sources, glue and paint packaging, etc.).

### Land reclamation

The Parent Company maintains on an ongoing basis the organized greenery areas, the mining waste facility and the post-industrial sites rehabilitated in previous years recently reclaimed areas in the region of Pole Bogdanka, Nadrybie and Stefanów, as well as the railway facilities in Zawadowo.

Reclamation of the 6 ha of escarpments of the mining waste facility was completed in June 2022.

### Surface protection

- the impact of the mining operations carried out in 2022 on the surface was, as in previous years, mainly manifested in the expansion of the surface area of the impact to date.
- the maximum subsidence in the Puchaczów V mining area remains in the area of the villages of Bogdanka and Nadrybie Wieś (Puchaczów municipality) and amounts to approximately 7.5 m in the central part of the subsidence trough in this region,
- as in previous years, damage to civil structures in 2022 was mainly to rural buildings, with the reported damage to buildings not posing a risk to users and being repaired on an ongoing basis.
- In 2022, work related to the drainage of agricultural land in mining damaged areas was carried out through the ongoing maintenance of the surface field drainage system, pump house and pressure equalizing tanks. A new pumping station was also built on ditch A-46 in Ludwin municipality.

## Environmental issues [E]

### Environmental protection sanctions and fees which may be imposed on the Parent Company

Mining activity involves the payment of the mining fee, the fee for using the natural environment and water services and various other costs related to:

- management of mining waste,
- management of industrial waste,
- maintenance of post-industrial areas,
- environmental monitoring,
- preparing the land surveys and documentation necessary for the proper operation of the facility.

The mining fee is paid every 6 months to the bank accounts of the municipalities where mining operations are carried out (60%) and to the National Fund for Environmental Protection and Water Management (NFOŚiGW) (40%). The Parent Company meets the environmental protection standards and in 2022 it was not required to pay any penalties for violating the conditions of using the environment set out in applicable legal regulations.

### Mine close to nature

Sustainable development of LW Bogdanka S.A. means prioritizing environment protection and taking care of environmental aspects. The Company is aware that it is located in a valuable natural area, close to the Polesie National Park and other protected areas. For this reason, it implements numerous projects to reduce its negative impact on the environment and to mitigate other indirect effects of its industrial activity, such as emissions, consumption of water and materials.

The size and scale of the environmental impact depends largely on the mining technology used by the mine and how environmental issues are

managed within the company.

Effective environmental management is based on the Integrated Quality, Environmental and OHS Management System in accordance with the ISO 9001, ISO 14001 and ISO 45001 standards.

The Company's priorities for the minimization and management of its impact on the environment adopted in 2022 include:

- Prevention and removal of mining damage
- Maintenance of the mine waste recovery methods
- More efficient use of electricity.

The initiatives to pursue the above objectives included, among others:

- implementing the most efficient procedure possible to streamline the processing of all mining damage claims
- recovery of mining waste; securing an appropriate amount of waste needed by the Ożarów Group, analyzing new possibilities of mining waste recovery; obtaining a decision on the recognition of mining waste in the volume of 50,000 MG/year with a grain size of 20-50 mm as a by-product
- the work on launching a pilot 3MWp photovoltaic plant.

Being aware of the new challenges ahead and monitoring the environmental parameters of the Company's operations, the following may be listed as the tasks set for the period of 2023-2025:

- monitoring the plant's impact on the environment
- monitoring of rock mass movements by using modern measurement methods
- recovery and management of mining and industrial waste
- circular economy, in which waste from one process is used as a raw material in other processes
- rehabilitation of the mining waste facility
- ongoing reclamation of areas adversely affected by mining activities
- planting of trees and bushes
- continuation of activities related to the use of

mine water as process water

- maintenance of the drainage infrastructure in the mining area
- carrying out hydro works related to the removal of mining damage.

### Methodology for measuring carbon footprint

In 2022, the multidisciplinary carbon footprint measurement team completed the work conducted in cooperation with an external provider to:

1. Develop the methodology and calculate the organization's carbon footprint (of the LW Bogdanka Group);

2. Develop the methodology and calculate the carbon footprint for 3 products (steam coal, fine coal, mining waste).

The complexity of the methodologies involved, including the need to collect a large volume of data from various organizational units of the Company required the Team to launch a project entitled "LW Bogdanka's carbon footprint – computerization of the data collection process", aimed at:

1. Adapting internal IT systems of Lubelski Węgiel Bogdanka S.A. to the methodologies developed.

2. Improving the quality and increasing the quantity of data used to calculate the carbon footprint in accordance with the accepted methodology, thereby reducing the emissions 'uncertainty' indicator.

3. Accelerating the data aggregation process

4. Standardizing the data collection method

5. Improving efficiency of work of the people responsible for collecting data and calculating the carbon footprint.

The project is scheduled for completion in December 2023.

### Bogdanka initiates the Łęczyński Energy Cluster

An important event took place during the Three Seas Local Government Congress, which took place in Lublin in June 2022, with the signing of a letter of intent regarding the creation of the Łęczyński Energy Cluster. Nine entities are signatories - the newly formed Cluster includes the Bogdanka mine, the mining municipalities of Łęczna county, Świdnik county, the city of Łęczna and the Lublin University of Technology.

The purpose of the Łęczyński Energy Cluster is to increase the share of energy generated from renewable sources in the local energy mix, support the local development of businesses with high electricity demand in the process of optimizing the costs and reducing their carbon footprint.

The agreement on establishing the Łęczyński Energy Cluster was signed on 17 February 2023.

## Environmental issues [E]

### Environmental efficiency of the mine

We want to remain one of the most modern and efficient mines in Poland and Europe in terms of production. We are improving our efficiency and developing and investing in innovative solutions that pay for themselves through increased environmental efficiency. One of the pillars of the current development strategy is a commitment to climate and environmental efforts, including:

- sustainable use of spoil tips
- development of technology for utilization of mine waste
- supporting the local natural environment
- just transformation of mining areas.

As part of R&D cooperation the following projects are implemented:

- Sustainable use of post-mining spoil tips
- MINRESCUE - from mining waste to valuable resources;

The leader of both projects is the Central Mining Institute. The knowledge gained from the projects will allow the Company to implement more effective activities related to circular economy, including maximizing the management of waste rock as a by-product of coal production, as well as identifying ways to optimize the use and long-term management of post-mining sites.

By actively using and developing these sites, the financial burden of managing and monitoring them can be reduced.

Potential uses for the heaps include: building renewable energy installations such as photovoltaic panels or wind turbines.

In addition, all processes, including administrative ones, are analyzed to reduce environmental impact:

- work is underway on a new, efficient Electronic Document Circulation;
- processes related to the optimization of the

carbon footprint are being digitized

- processes are created to add the ESG dimension to business decisions, including procurement or investment decisions.

In September, an agreement was signed between LW Bogdanka and the CZH Group on cooperation in the recovery of coal from spoil tips. Harnessing the potential of mine spoil tips and the coal and other materials stored in them is intended as a form of diversification of raw material sources.



### Biodiversity

The activities in the field of protection and promotion of biodiversity carried out in 2022 are a continuation of active protection and education activities within the framework of projects carried out in cooperation with the Foundation for Nature, i.e:

1 "Rare and vanishing animal species of the Lublin region", where actions were taken to ensure active protection of the great grey owl within the Polesie National Park.

A monitoring exercise of the species was carried out to check the current status of the population; two selected birds were ringed with GPS/GSM transmitters to track migration routes, and nest boxes were installed to strengthen the population.

An online camera was installed at the nest where the breeding was observed to monitor the behavior of the youngest birds. The project was complemented by educational activities, including educational video presentations to be used during nature lessons in primary schools.



2 "Migration of Lublin Cranes", where actions were taken to protect cranes in the area of Lubelskie Voivodeship, with special attention to the Polesie National Park. The project secured current nesting sites, monitored chicks, upgraded an online camera, ringed more birds with GPS/GSM transmitters and educated children using special educational booklets. Another pilot program, which was very popular, involved meetings with an online expert featuring a live camera view of a crane habitat.

As in the previous year, the project partners were: LW Bogdanka, the Foundation for Nature, the Lublin Voivodeship Fund for Environmental Protection and Water Management, the Polesie National Park and the Marshal's Office of the Lublin Voivodeship.



In 2022, we also launched new activities for the protection of biodiversity in cooperation with the Bird Horizons Foundation, by joining the project entitled "Bird Horizons - Active Protection of Endangered Birds in the Lublin Voivodeship."

The goals of the project include:

- active protection of endangered wading bird species in Polesie Lubelskie (Eurasian curlew, Black-tailed godwit, Common tern, Little tern)
- implementation of a comprehensive and systematic protection program to maintain and increase the breeding population of the species covered by the Project,
- raising public awareness of the problem and ways of helping endangered birds.

As part of the project, in cooperation with the Polesie National Park, three artificial bird nesting islands have been constructed on the Big Zośka Reservoir in the area of the Perekod Nature Trail in the Polesie National Park, which will enable endangered bird species such as the common tern, little tern, to establish their colonies.



Additionally, as part of the 40th anniversary of mining operations, LW Bogdanka cooperated with the Foundation for Nature to organize nature education lessons for students from the Primary School in Dratów and the Primary School in Nadrybie, at the site of Poleskie Siolo (Polesie National Park).

The lessons were conducted by a qualified employee of the Polesie National Park.

## Environmental issues

### [E]

#### Lake District safer for Aquatic Warblers

In early 2022, a 4-year project of cooperation with the Polish Society for the Protection of Birds (OTOP), entitled "Protection of peat ecosystems of the Łęczynsko-Włodawskie Lake District", was completed.

Its goal was:

- strengthening the migration corridors of the Aquatic Warbler metapopulation by connecting stable source populations with ephemeral estuarine populations through regional ecological corridors
- creating and maintaining a system of ecological corridors - chains of bridges between the areas occupied by the Aquatic Warbler
- reinforcing the main ecological corridors: south-central and eastern through implementation of renaturalization measures related to restoration of the original water level and restoration of the habitat structure suitable for the Aquatic Warbler.

These measures were planned in the areas of historical, current and potential occurrence of this species, selecting

3 locations: Holeszów (Hanna municipality, Włodawa county), Kamień (Kamień municipality, Chełm county) and Krychów - Krowie Bagno (Hańsk municipality, Włodawa county).

Thanks to the Company's commitment it was possible to:

- prepare applications for issuing decisions on environmental conditions
- sign agreements with owners of the land constituting the Aquatic Warbler's habitat
- prepare tenders
- prepare pre-design documentation for dam facilities

- perform ornithological monitoring
- prepare recommendations for the use for 10 sites where no levees have been constructed
- organize a conference
- prepare promotion of the activities in industry media and social media
- In addition, construction work was successfully carried out in Holeszów.

OTOP's cooperation with LW Bogdanka S.A. was a component of a larger project that OTOP is implementing with funding from the European Cohesion Fund under Measure 2.4, Priority Axis II of the Operational Programme Infrastructure and Environment 2014-2020, entitled "Strengthening the south-eastern metapopulation of Aquatic Warbler *Acrocephalus paludicola* in Poland".



#### With Bogdanka towards a "Sustainable City"

In 2022, the cooperation with the Landscapes Foundation on the "ŁęcznaLab" project was completed.

It was aimed at implementing sustainable development and social participation activities in the town of Łęczna.

As part of last year's activities, sensory education workshops were conducted for the Rehabilitation and Education Center in Łęczna, which is attended by children and young people with severe mental disabilities. Another activity was carried out to activate the space in the Miners' Square in Łęczna, where a playground had previously been modernized. A field game combined with nature education was organized for schoolchildren.

The workshops were led by an employee of the Lublin Landscape Park team.



## Environmental issues [E]

### Environmental issues

#### Consumption of electricity [MWh]

LW Bogdanka S.A.			LW Bogdanka Group		
2020	2021	2022	2020	2021	2022
301,007	322,038	312,056	305,492	327,320	316,831

#### Water consumption [m<sup>3</sup>]

LW Bogdanka S.A.			LW Bogdanka Group		
2020	2021	2022	2020	2021	2022
8,811,055	8,696,337	8,929,962	11,989,827	11,441,832	11,874,558

LW Bogdanka S.A.	2020		2021		2022	
[thousand tons]			Production	Recovery	Production	Recovery
Production Recovery						
Mining waste	5,091.4	2,308.5	4,790.5	2,577.3	4,794.3	2,325.9
Post-industrial waste	16.8	16.8	18.2	18.2	14.5	14.5

Environmental protection at LW Bogdanka S.A [PLN 000s]	2020	2021	2022
Waste management	33,502.3	38,350.0	42,543.6
Cost of protection (reclamation, monitoring, etc.)	2,048.1	1,366.4	2,439.1
Environmental usage fees	545.0	640.7	599.3

#### Risk associated with the tightening of standards and regulations on environmental law standards and the obligation to obtain environmental permits

The activities of the LW Bogdanka Group exert a significant impact on the environment. Accordingly, the Group must hold certain permits and comply with regulatory standards for the use of the environment (including the BAT requirements of BAT - Best Available Techniques), governing in particular:

- water and sewage management
- waste management
- air emissions and noise
- use of natural resources.

Countermeasure: The Company monitors regulations on an ongoing basis and adjusts its operations as necessary within statutory deadlines.

Risk severity: **medium**

#### Risk related to mining waste management

The Company produces large quantities of mining waste. Mining waste is processed (recovered) and stored in the mining waste facility in Bogdanka. Approx. 50% of waste is processed and 50% is kept in the facility. Based on a construction permit, the Company is conducting works to increase the current spoil tip (to 250 m a.s.l.) and to enlarge the spoil tip in the eastern part. It has also taken steps to acquire adjacent land for further expansion, and another permit has been obtained for the expansion of the mining waste facility in the south-eastern part, which will secure waste storage for the next 6-7 years. Further actions are being taken to acquire more land to expand the facility. Failure to complete this investment will entail the risk of undermining the stability of the mining process and the need to seek alternative methods of mining waste management.

Countermeasure: the Group has been carrying out works to elevate and expand the existing mining waste facility. It has also continued efforts

to acquire further land for the upcoming stages of spoil tip expansion. The Parent Company takes intense efforts to recover and manage the mining waste.

Risk severity: **medium**

#### Investment risk associated with the presence of protected areas

The mine is located close to protected areas (a national park, landscape parks, protected landscape areas, wildlife corridor, as well as Natura 2000 areas – two located partially in the mining area and three in close proximity to the mining area). All planned investments must be analyzed in terms of their potential negative impact on protected areas. There is a risk that in case of undertaking investment activities, certain obligations or stricter requirements may be imposed on the Company with a view to reducing negative environmental impacts. Such restrictions may require higher capital expenditures and hence may affect the financial result. In order to mitigate these risks, the Company has appointed a Scientific Council on environmental protection, which issues opinions and recommendations on an ongoing basis regarding LW Bogdanka's development and investment activities.

Risk severity: **medium**

## Environmental issues [E]

### Environmental issues – climate hazards

#### Risks related to the need to change the Company's operations, which would entail additional capital expenditures

Climate change causing an increasingly restrictive EU climate policy, directly and indirectly translating into a number of more stringent environmental standards imposed on mines.

Mitigating measures:

- Ongoing supervision over compliance with environmental standards
- Continuous monitoring of changes in the EU's climate policy and the resulting amendments to national regulations
- Active participation in consultations on new regulations
- Continuous search for technical and organizational solutions minimizing the company's impact on the climate, e.g. by energy efficiency improvements

Risk severity: **low**

#### Risk of inability to perform coal purchase contracts due to a decline in demand for steam coal in Poland and globally

It is likely that demand for the products offered to date will gradually decline, due to changes in the country's energy mix, including the ENEA Group's energy mix, and a decrease in demand for electricity generated from coal (e.g. as a result of measures favoring energy efficiency, elimination of retail customers from the portfolio, more frequent switching to own sources of energy and heat generation, higher average atmospheric temperatures in winter).

Mitigating measures:

- implementation of a new business strategy, including through diversification of revenues towards the extraction of coking coal, which is a strategic commodity in the EU.

Risk severity: **low**

#### Risk of an increase in operating costs due to the need to pay greater compensations for losses in grasslands and agricultural land caused by the need to repair of mining damage to the environment

The conduct of mining activities is associated with the occurrence of mining damage and may lead to the formation of subsidence basins and disruption of local water relations, thus causing occasional local flooding.

Mitigating measures:

- effective mining damage management policy,
- ongoing dialog with local communities
- continuous monitoring of rock mass movements using of modern measurement methods
- monitoring of environmental aspects through the Integrated Quality, Environment and Safety Management System
- ongoing reclamation of areas adversely affected by mining activities.

Risk severity: **low**

#### Risk of an increase in the cost of raising capital and/or property insurance

Global climate crisis makes it increasingly difficult for fossil fuel-based businesses to access finance, while insurance undertakings view the mining sector as a high-risk industry

Mitigating measures:

- use the Group's transition strategy when consulting with the reinsurance market.
- search for new methods of securing/protecting assets.

Risk severity: **low**

#### Risk of obstruction in the progress of various administrative procedures conducted with the participation of non-governmental environmental organizations

The activities of environmental organizations may affect the social acceptance of the Company's activities, including by the occurrence of potential protests related to investment and development activities.

Mitigating measures:

- execution of project activities in partnership with environmental organizations
- ongoing communication of activities aimed at improving environmental safety
- enhanced environmental measures taken by the Company and additional investments in this area (energy efficiency improvements, Water Treatment Plant, construction of a photovoltaic farm)
- respect for government-mandated forms of conservation (e.g. no mining and no future mining plans under the Polesie National Park).

Risk severity: **medium**

#### Reputation risk related to the conduct of business in the fossil fuel industry

Because of the climate crisis, EU policies and the activities of environmental organizations, the mining industry may be seen as guilty of climate change.

Mitigating measures:

- participating in business initiatives, engaging in local society- and development-oriented activities
- intense communication activities focused mainly on showing the company's role in the

Lubelskie Region, its environmental effectiveness and openness to change

- diversification and transformation.

Risk severity: **low**

#### Risk of a decline in revenue from steam coal sales

An increase in ambient temperatures during the heating season may imply a decline in demand for thermal energy generated from coal in favor of, among other things, wind power.

Mitigating measures:

- reducing the contribution of the Company's activities to global warming
- taking into account climate model forecasts in determining the scopes of contracts with clients
- developing RES in the Group.

Risk severity: **low**

## Taxonomy - [E]

The following sections present information about to what extent the operations of the LW Bogdanka Group are associated with economic activities qualifying as environmentally sustainable (Taxonomy-aligned), in accordance with Article 8 of Regulation (EU) 2020/852 (the Taxonomy Regulation). The key performance indicators have been prepared to meet the requirements presented in Commission Delegated Regulation (EU) 2021/2178, having regard to Regulation (EU) 2022/1214, to the best the authors' knowledge and with due care.

### Technical screening criteria:

The assessment of the Taxonomy alignment of economic activities as part of particular key performance indicators was conducted on the basis of the technical criteria defined in delegated acts EU 2021/2139 and 2022/1214. An analysis of activities in terms of whether they met technical screening criteria was conducted taking into account their material contribution to environmental objectives such as "Climate change mitigation" and "Climate change adaptation".

### Minimum safeguards:

The LW Bogdanka Group meets the minimum safeguards referred to in Article 18 of Regulation (EU) 2020/852. The assessment of compliance with the minimum safeguards was conducted on the basis of the recommended requirements for non-financial companies covered by the CSRD (Corporate Sustainability Reporting Directive), in accordance with the report of the EU platform on sustainable finance published in October 2022.

## Turnover KPI

### Accounting principles

With respect to the Turnover KPI, the indicator's denominator was the total sales revenue specified in the consolidated profit and loss account in the consolidated financial statements of the Lubelski Węgiel "Bogdanka" Group for the year ended 31 December 2022.

### Regulation (EU) 2020/852 compliance assessment

Particular categories of the LW Bogdanka Group's revenue were analyzed in terms of their Taxonomy eligibility. The process included an analysis of Taxonomy-eligible activities, as defined in Regulation (EU) 2021/2139 and Regulation (EU) 2022/1214. Based on the analysis conducted, seven Taxonomy-eligible activities were identified, associated with:

- provision of heat and hot water by Łęczyńska Energetyka Sp. z o.o. (4.15)
- coal transport by rail (6.2)
- lease of buildings and premises owned by the LW Bogdanka Group Companies (7.7)
- rental of investment premises (7.3)
- works carried out by Łęczyńska Energetyka Sp. z o.o. in relation to connections to water supply and sewerage systems (5.1 and 5.3)
- renovation of existing buildings (7.2).

Particular activities were analyzed against the technical criteria set out for particular activities in Regulation (EU) 2021/2139. Persons having relevant knowledge enabling them to confirm whether a specific criterion was met were consulted about particular technical criteria in order to confirm those criteria. No revenue from Taxonomy-aligned activities was identified as a result of the analysis performed.

### Contribution to multiple objectives and disaggregation of KPIs and contextual information.

Not applicable. As part of the revenue of the LW Bogdanka Group for 2022, no revenue associated with environmentally sustainable (Taxonomy-aligned) activities was identified.

## Taxonomy - [E]

Group's Turnover KPI				Material contribution criteria						Criteria concerning the "do no significant harm" principle						Minimum safeguards (17)	Proportion of Taxonomy-aligned turnover, 2022 (18)	Proportion of Taxonomy-aligned turnover, 2021	Category (enabling activity) (20)	Category (transaction activities) (21)		
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)							
Economic activities (1)	Code or codes (2)	Turnover (absolute value) (3)	Portion of turnover (4)	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T		
A. Taxonomy-eligible activities																						
A.1 Types of environmentally sustainable (Taxonomy-aligned) activities																						
<b>Turnover from environmentally sustainable (Taxonomy-aligned) activities (A.1)</b>																						
A.2 Taxonomy-eligible but not environmentally sustainable (not Taxonomy-aligned) activities																						
Distribution in heating/cooling systems	4.15	21,998,774.53	0.90%																			
Construction, development and operation of water collection, treatment and supply systems	5.1	29,752.46	0.00%																			
Construction, development and operation of sewage disposal and treatment systems	5.3	8,577.87	0.00%																			
Rail transport of goods	6.2	19,026,295.88	0.78%																			
Renovation of existing buildings	7.2	132,001.40	0.01%																			
Installation, maintenance and repair of energy efficiency improving equipment	7.3	121,900.00	0.00%																			
Acquisition and ownership of buildings	7.7	2,169,868.98	0.09%																			
<b>Turnover from Taxonomy-eligible but not environmentally sustainable (not Taxonomy-aligned) activities (A.2)</b>																						
<b>Total (A1 + A.2)</b>						<b>43,487,171.12</b>	<b>1.77%</b>															
B. Taxonomy-non-eligible activities																						
Turnover from Taxonomy-non-eligible activities (B)						2,408,228,395.14	98.23%															
<b>Total (A + B)</b>						<b>2,451,715,566.26</b>	<b>100.00%</b>															

## Taxonomy - [E]

### Capex KPI

#### Accounting principles

The key performance indicator relating to capital expenditure was calculated by dividing the total of capital expenditures meeting the conditions referred to in point 1.1.2.2. of Annex I to Regulation 2021/2178 by the total of capital expenditures specified in the consolidated financial statements of the Lubelski Węgiel Bogdanka Group for 2022, which included the following:

- acquisition of fixed assets (the “increases” item in Note 4 “Property, plant and equipment” of the consolidated financial statements of the Lubelski Węgiel Bogdanka Group for 2022),
- acquisition of intangible assets (the “increases” item in Note 5 “Intangible assets” in the consolidated financial statements of the Lubelski Węgiel Bogdanka Group for 2022),
- increase in the value of assets on account of the right of use (the “increases” item in Note 6.1 “Right-of-use-asset” in the consolidated financial statements of the Lubelski Węgiel Bogdanka Group for 2022).

#### Regulation (EU) 2020/852 compliance assessment

Capital expenditure associated with the conducted activities which were Taxonomy-eligible and also Taxonomy-aligned was identified as a result of the analysis performed. The LW Bogdanka Group does not have in place, either, the CapEx plan referred to in point 1.1.2.2. of Annex I to Regulation (EU) 2021/2178.

Costs were identified as part of the analyses which were associated with the purchase, from Taxonomy-eligible activities, of products and individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions. The

activities

from which the products were purchased were analyzed against the technical criteria defined in Regulation (EU) 2021/2139. The results of the assessment were the basis for allocating specific costs

to the numerator of the key performance indicator concerning capital expenditures.

Capital expenditures associated with renewable energy technology generation activities, relating to the preparation of designs and documentation of a photovoltaic farm, were classified as Taxonomy-aligned (3.1).

An analysis of expenditures on renewable energy technology generation activity in terms of accomplishing environmental objectives was allocated to the “Climate change mitigation” objective in 100%. Hence, it does not contribute to the accomplishment of several environmental objectives.

Capital expenditures on account of Taxonomy-eligible activities included expenditures on:

- modernization of a heating network (7.3)
- extension and modernization of a hot-water transmission network by a Group Company (4.15)
- investments related to the rail division (6.2).

#### Disaggregation of KPIs and contextual information

The analysis showed that there was no need for disaggregating key performance indicators in detail and allocating them among particular operating units in accordance with point 1.2.2.3. of Annex I to Commission Delegated Regulation (EU) 2021/2178.

## Taxonomy - [E]

Capex KPI of the LWB Group				Material contribution criteria						Criteria concerning the "do no significant harm" principle						Minimum safeguards (17)	Proportion of Taxonomy-aligned capital expenditures, 2022 (18)	Proportion of Taxonomy-aligned capital expenditures, 2021 (20)	Category (enabling activity) (20)	Category (transaction activities) (21)	
Economic activities (1)	Code or codes (2)	Capital expenditures (absolute value) (3)	Proportion of capital expenditures (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)						Percent
		Currency (in PLN)	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
A. Taxonomy-eligible activities																					
A.1 Types of environmentally sustainable (Taxonomy-aligned) activities																					
Renewable energy technology generation	3.1	250,027.00	0.04%	100.00%	0.00%	-	-	-	-	Y	Y	Y	Y	Y	Y	Y	Y	0.04%	0.00%	E	
<b>Capital expenditures on environmentally sustainable (Taxonomy-aligned) activities (A.1)</b>		<b>250,027.00</b>	<b>0.04%</b>																		
A.2 Taxonomy-eligible but not environmentally sustainable (not Taxonomy-aligned) activities																					
Distribution in heating/cooling systems	4.15	2,256,195.08	0.37%																		
Installation, maintenance and repair of energy efficiency improving equipment	7.3	136,310.45	0.02%																		
Rail transport of goods	6.2	8,548,030.00	1.39%																		
<b>Capital expenditures on Taxonomy-eligible but not environmentally sustainable (not Taxonomy-aligned) activities (A.2)</b>		<b>10,940,535.53</b>	<b>1.77%</b>																		
<b>Total (A1 + A.2)</b>		<b>11,190,562.53</b>	<b>1.82%</b>																		
B. Taxonomy-non-eligible activities																					
Capital expenditures on Taxonomy-non-eligible activities (B)		605,322,892.47	98.18%																		
<b>Total (A + B)</b>		<b>616,513,455.00</b>	<b>100.00%</b>																		

## Taxonomy - [E]

### Opex KPI

#### Accounting principles

In accordance with the definition in Regulation 2021/2187, the operating expenditures included in the denominator of the LW Bogdanka Group's operating expenditure index and being the basis for calculating the operating expenditure index comprise operating expenditures on:

- non-capitalized costs relating to research and development
- building renovation works
- short-term rent
- maintenance and repairs
- any other direct expenditures associated with day-to-day servicing of fixed assets by the undertaking or third party to whom activities necessary to ensure the continued and effective functioning of these assets were outsourced.

The proportion of the Taxonomy-eligible economic activities in the total operating expenditure was calculated by dividing the operating expenditure associated with Taxonomy-eligible activities by the total of the operating expenditures forming part of the above-specified operating expenditure categories in the consolidated financial statements of the Lubelski Węgiel Bogdanka Group for the year ended 31 December 2022.

#### Regulation (EU) 2020/852 compliance assessment

The LW Bogdanka Group did not earn revenue from Taxonomy-aligned activities, and therefore none of the costs included in the denominator was disclosed in the numerator as associated with Taxonomy-aligned economic activities. Capital expenditure associated with the conducted Taxonomy-eligible activities were identified as a result of the analysis performed. The LW Bogdanka Group does not have in place, either, the CapEx plan referred to in point 1.1.2.2. of Annex I to Regulation (EU) 2021/2178.

Costs were identified as part of the analyses which were associated with the purchase, from Taxonomy-eligible activities, of products and individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions. No amount was allocated to the numerator of the key performance indicator as a result of the analysis performed.

With respect to Taxonomy-eligible operating expenditures, the basis was the costs of operating activities associated with:

- installation, maintenance and repair of energy efficiency improving equipment, through the replacement and installation of window and door joinery (7.3)
- costs incurred on rail transport of goods carried out by entities providing coal transport services (6.2).

The share of the aforementioned expenditures is nearly PLN 2.5 million, which accounts for 1.76% of the Group's operating expenditures.

#### Contribution to multiple objectives, disaggregation of KPIs and contextual information.

Not applicable.

No operating expenditures associated with (Taxonomy-aligned) activities were included in the numerator of the key performance indicator.



## Taxonomy - [E]

Opex KPI of the LWB Group				Material contribution criteria						Criteria concerning the "do no significant harm" principle										
Economic activities (1)	Code or codes (2)	Operating costs (absolute value) (3) Currency (in PLN)	Proportion of operating expenses (4) %	Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N	Minimum safeguards (17) Y/N	Proportion of Taxonomy-aligned operating expenditures, 2022 (18) Percent	Proportion of Taxonomy-aligned operating expenditures, 2021 (19) Percent	Category (enabling activity) (20) E	Category (transaction activities) (21) Y
A. Taxonomy-eligible activities																				
A.1 Types of environmentally sustainable (Taxonomy-aligned) activities																				
-																				
<b>Operating expenditures on environmentally sustainable (Taxonomy-aligned) activities (A.1)</b>																				
-																				
A.2 Taxonomy-eligible but not environmentally sustainable (not Taxonomy-aligned) activities																				
Installation, maintenance and repair of energy efficiency improving equipment																				
	7.3	110,500.00	0.07%																	
Rail transport of goods																				
	6.2	2,709,452.35	1.70%																	
<b>Operating expenditures on Taxonomy-eligible but not environmentally sustainable (not Taxonomy-aligned) activities (A.2)</b>																				
		<b>2,819,952.35</b>	<b>1.76%</b>																	
<b>Total (A1 + A.2)</b>																				
		<b>2,819,952.35</b>	<b>1.76%</b>																	
B. Taxonomy-non-eligible activities																				
Operating expenditures on Taxonomy-non-eligible activities (B)																				
		157,024,241.28	98.24%																	
<b>Total (A + B)</b>																				
		<b>159,844,193.63</b>	<b>100.00%</b>																	

## Taxonomy - [E]

Information on activities associated with energy generation as part of nuclear processes and the generation of energy from gaseous fossil fuels.

The Group does not conduct or finance, and is not exposed to, the types of activities referred to in Sections 4.26 – 4.31 of Annexes I and II to the Commission Delegated Regulation (EU) 2021/2139, which is presented in the chart below.

Activities associated with nuclear power and natural gas

Row	Activity associated with nuclear power	Turnover KPI	Capex KPI	Opex KPI
1	The undertaking is engaged in the research, development, demonstration and arrangement of innovative electricity generation systems which generate power in nuclear processes with minimum waste from the fuel cycle, finances this activity or is exposed to it.	YES/NO	YES/NO	YES/NO
2	The undertaking is engaged in the construction and safe operation of new nuclear facilities for the purpose of generating electricity or process heat, including to meet the needs of a heat supply system or of industrial processes, such as hydrogen production, as well as in their modernization in terms of safety, with the use of the best available technologies, finances this activity or is exposed to it.	YES/NO	YES/NO	YES/NO
3	The undertaking is engaged in the safe operation of existing nuclear facilities generating electricity or process heat, including to meet the needs of a heat supply system or of industrial processes, such as the production of hydrogen from nuclear power, as well as in their modernization in terms of safety, finances this activity or is exposed to it.	YES/NO	YES/NO	YES/NO
<b>Activity associated with natural gas</b>				
1	The undertaking is engaged in the construction or operation of systems for generating electricity with the use of gaseous fossil fuels, finances this activity or is exposed to it.	YES/NO	YES/NO	YES/NO
2	The undertaking is engaged in the construction, modernization and operation of systems for the co-generation of heat/cold and electricity with the use of gaseous fossil fuels, finances this activity or is exposed to it.	YES/NO	YES/NO	YES/NO
3	The undertaking is engaged in the construction, modernization and operation of heat generation systems generating heat/cold with the use of gaseous fossil fuels, finances this activity or is exposed to it.	YES/NO	YES/NO	YES/NO

## Taxonomy - [E]

Taxonomy-aligned economic activities  
(denominator)

Row	Types of economic activities	Turnover KPI						Capex KPI						Opex KPI					
		Amount and share (information to be provided in money amounts and as percentage values)																	
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%		
1	The amount and share of the Taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
2	The amount and share of the Taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
3	The amount and share of the Taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
4	The amount and share of the Taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
5	The amount and share of the Taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
6	The amount and share of the Taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
7	<b>The amount and share of other types of Taxonomy-aligned economic activities, not listed in rows 1-6 above, in the denominator of the applicable KPI</b>	0.00	0.00%	0.00	0.00%	0	0.00%	250,027.00	100.00%	250,027.00	100.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0	0.00%
8	<b>Total applicable KPI</b>	0.00	0.00%	0.00	0.00%	0	0.00%	250,027.00	100.00%	250,027.00	100.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0	0.00%

## Taxonomy - [E]

Taxonomy-aligned economic activity (numerator)

Row	Types of economic activities	Turnover KPI						Capex KPI						Opex KPI							
		Amount and share (information to be provided in money amounts and as percentage values)						Amount and share (information to be provided in money amounts and as percentage values)						Amount and share (information to be provided in money amounts and as percentage values)							
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)			
Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%		
1	The amount and share of the Taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
2	The amount and share of the Taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
3	The amount and share of the Taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
4	The amount and share of the Taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
5	The amount and share of the Taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
6	The amount and share of the Taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
7	<b>The amount and share of other types of Taxonomy-aligned economic activities, not listed in rows 1-6 above, in the numerator of the applicable KPI</b>	0.00	0.00%	0.00	0.00%	0	0.00%	250,027.00	100.00%	250,027.00	100.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%
8	<b>The total amount and total share of other types of Taxonomy-aligned economic activities in the numerator of the applicable KPI</b>	0.00	0.00%	0.00	0.00%	0	0.00%	250,027.00	100.00%	250,027.00	100.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%	0.00	0.00%

## Taxonomy - [E]

Taxonomy-eligible but not Taxonomy-aligned economic activities

Row	Types of economic activities	Turnover KPI						Capex KPI						Opex KPI					
		Amount and share (information to be provided in money amounts and as percentage values)						Amount and share (information to be provided in money amounts and as percentage values)						Amount and share (information to be provided in money amounts and as percentage values)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%		
1	The amount and share of the Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
2	The amount and share of the Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
3	The amount and share of the Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
4	The amount and share of the Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
5	The amount and share of the Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
6	The amount and share of the Taxonomy-eligible but not Taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
7	<b>The amount and share of other types of Taxonomy-eligible but not Taxonomy-aligned economic activities, not listed in rows 1-6 above, in the denominator of the applicable KPI</b>	43,487,171.12	100.00%	43,487,171.12	100.00%	0	0.00%	10,940,535.53	100.00%	10,940,535.53	100.00%	0.00	0.00%	2,819,952.35	100.00%	2,819,952.35	100.00%	0.00	0.00%
8	<b>The total amount and total share of other types of Taxonomy-eligible but not Taxonomy-aligned economic activities in the denominator of the applicable KPI</b>	43,487,171.12	100.00%	43,487,171.12	100.00%	0	0.00%	10,940,535.53	100.00%	10,940,535.53	100.00%	0.00	0.00%	2,819,952.35	100.00%	2,819,952.35	100.00%	0.00	0.00%

## Taxonomy - [E]

### Taxonomy-non-eligible activities

Row	Types of economic activities	Turnover KPI		Capex KPI		Opex KPI	
		Amount (in PLN)	Share in %	Amount (in PLN)	Share in %	Amount (in PLN)	Share in %
1	The amount and share of the economic activity referred to in row 1 of template 1, which is a Taxonomy-non-eligible activity in accordance with Section 4.26 of Annexes I and II to Delegated Regulation (EU) 2021/2139, in the denominator of the applicable KPI	0	0.00%	0	0.00%	0	0.00%
2	The amount and share of the economic activity referred to in row 1 of template 1, which is a Taxonomy-non-eligible activity in accordance with Section 4.27 of Annexes I and II to Delegated Regulation (EU) 2021/2139, in the denominator of the applicable KPI	0	0.00%	0	0.00%	0	0.00%
3	The amount and share of the economic activity referred to in row 1 of template 1, which is a Taxonomy-non-eligible activity in accordance with Section 4.28 of Annexes I and II to Delegated Regulation (EU) 2021/2139, in the denominator of the applicable KPI	0	0.00%	0	0.00%	0	0.00%
4	The amount and share of the economic activity referred to in row 1 of template 1, which is a Taxonomy-non-eligible activity in accordance with Section 4.29 of Annexes I and II to Delegated Regulation (EU) 2021/2139, in the denominator of the applicable KPI	0	0.00%	0	0.00%	0	0.00%
5	The amount and share of the economic activity referred to in row 1 of template 1, which is a Taxonomy-non-eligible activity in accordance with Section 4.30 of Annexes I and II to Delegated Regulation (EU) 2021/2139, in the denominator of the applicable KPI	0	0.00%	0	0.00%	0	0.00%
6	The amount and share of the economic activity referred to in row 1 of template 1, which is a Taxonomy-non-eligible activity in accordance with Section 4.31 of Annexes I and II to Delegated Regulation (EU) 2021/2139, in the denominator of the applicable KPI	0	0.00%	0	0.00%	0	0.00%
7	<b>The amount and share of other types of Taxonomy-non-eligible economic activities, not listed in rows 1-6 above, in the denominator of the applicable KPI</b>	2,408,228,395.14	100.00%	605,322,892.47	100.00%	157,024,241.28	100.00%
8	<b>The total amount and total share of the types of Taxonomy-non-eligible economic activities in the denominator of the applicable KPI</b>	2,408,228,395.14	100.00%	605,322,892.47	100.00%	157,024,241.28	100.00%

## Social issues [S]

### Employee issues

#### HR policy

A HR policy is in place at the Group in order to effectively manage its employee potential. The policy's objective is to manage human resources by recruiting employees and ensuring their development, and maintaining the optimum headcount level which enables the economic activities to be conducted effectively and development plans to be carried out. In particular, it is aimed at selecting and forming employees' skills so that employees are prepared in the best possible way to efficiently carry out the Group's tasks and objectives, while achieving self-fulfillment and satisfaction with the work performed.

Employees are among the LW Bogdanka Group's most important assets, determining its long-term and sustainable development. The Group is the largest local employer engaged in a continuous dialogue and cooperation with stakeholders which builds a strong bond with the region and its residents. The Group's employees live mainly in the Łęczna County and its surrounding areas, within approx. 50 km from Bogdanka. The mine's managers attach great importance to the development of human potential by continuously enhancing employees' professional qualifications and interpersonal skills and effectively motivating employees.

Policies addressing employee issues at the Group are laid down in the following documents adopted in the Parent Company:

- Labor Bylaws
- Company Collective Bargaining Agreement
- Bylaws of the Company Social Benefit Fund
- Code of Ethics
- Policy of conduct in the process of employee recruitment and selection for production

- positions and for managerial and specialist positions at Lubelski Węgiel "Bogdanka" S.A.
- Compliance Policy of Lubelski Węgiel "Bogdanka" S.A.
- Lubelski Węgiel "Bogdanka" S.A. Whistleblowing Procedure
- Policy of Conduct with Regard to Development Programs for LW "Bogdanka" S.A. Employees

and in the corresponding documents adopted by subsidiary companies.

The aforementioned documents cover the entirety of the policies and processes relating to employment and work at the Group, including among other things issues associated with employee selection criteria, employee adaptation to the work environment, professional development, cooperation and remuneration principles, women's labor and equal treatment rules or the incentive system.

When looking for the best candidates, the Group focuses first and foremost on their knowledge, professional qualifications, personality aptitude and work experience.

The recruitment process at the LW Bogdanka Group is conducted in compliance with the principles of equal access to the procedure, irrespective of candidates' gender, origin, age, religious denomination, nationality, beliefs and other factors relating to candidates' diversity. Underground mine workers constitute 71.3% of staff, compared to 28.7% of surface workers.

Because of the industry's specific nature and legal requirements, the Group employs mainly men. The LW Bogdanka Group does not introduce restrictions concerning equality in employment,

and its current structure is an effect of employees' preference as to the choice of occupation. Women are employed mainly in administrative positions, which is consistent with the general trend prevailing in the labor market.

#### As at 31.12.2022 (persons)\*

LW Bogdanka S.A.	contract of employment	civil law contract
Women	300	12
Men	4,640	105
<b>Total</b>	<b>4,940</b>	<b>117</b>

#### As at 31.12.2022 (persons)\*

LW Bogdanka Group	contract of employment	civil law contract
Women	360	17
Men	5,458	118
<b>Total</b>	<b>5,818</b>	<b>135</b>

\*the data covers also employees whose employment has been suspended on a temporary basis due to e.g. parental leave, leave without pay or a rehabilitation benefit.



## Social issues [S]

### Employee issues

#### Generational Change Program

In connection with a growing risk of a significant outflow of employee skills, the Company's Management Board - in order to secure staffing needs - implemented a Generational Change Program in 2017. Its first stage was the Voluntary Departure Program, allowing for a rational, coordinated, and phased closing of the generation gap, while maintaining continuity of the operations.

Addressing the generation gap, as it manifests itself within the Group, also involves cooperation with trade schools and universities.

LW Bogdanka S.A. has signed letters of intent in this respect with the following establishments:

- AGH University of Science and Technology in Kraków
- University College of Applied Sciences in Chełm
- John Paul II Catholic University of Lublin

Lublin Universities Association composed of:

- Maria Curie-Skłodowska University in Lublin
- Lublin University of Technology in Lublin
- Medical University of Lublin
- University of Life Sciences in Lublin

and the following secondary schools:

- Mining School in Łęczna
- Mining School in Ostrów Lubelski
- Electronic Schools Complex in Lublin

In addition to regular meetings with students and graduates and cooperation as part of the programs in force, the LW Bogdanka Group initiated

a new support and incentive program in 2018, addressed to future mining industry workers, under the name "Go professional - school today, success tomorrow".

In 2022, apprenticeships were arranged for partnering school students and educational campaigns and competitions were run in partnering establishments.

The activities in this respect make the Company be noticed by potential future candidates for work. In order to improve the effectiveness of these activities, a new role in the organization was established, i.e. an employee dedicated to supporting the adaptation process, who was also entrusted with supervising apprenticeships.

As part of the "A Pass to Work" program, 92 persons were employed at LW Bogdanka S.A., which included 77 secondary school students and 15 graduates from the AGH University of Science and Technology in Kraków recruited as part of the "We Need the Best AGH Graduates" program. In line with the "A Pass to Work" program and the employment plan, at least 13 further graduates will be hired by the Company in 2023.

Additionally, since 2018, LW Bogdanka S.A. has paid 206 stipends funded by the Company for good grades in technical subjects to the secondary schools with which it has signed letters of intent (mining schools) and has offered paid summer holiday apprenticeship jobs on a full time basis to 33 students of the AGH University of Science and Technology in Krakow.

LW Bogdanka S.A.	Hires 2022	Departures 2022	Hires 2021	Departures 2021
Women	36	17	27	23
Men	134	116	91	123
Employees divided into:				
•employees under 30	86	14	53	14
•employees aged 30-50	79	48	58	49
•employees over 50	5	71	7	83
<b>Total</b>	<b>170</b>	<b>133</b>	<b>118</b>	<b>146</b>

LW BOGDANKA GROUP	Hires 2022	Departures 2022	Hires 2021	Departures 2021
Women	81	29	37	29
Men	291	305	329	319
Employees divided into:				
•employees under 30	172	116	170	119
•employees aged 30-50	172	133	186	138
•employees over 50	28	85	10	91
<b>Total</b>	<b>372</b>	<b>334</b>	<b>366</b>	<b>348</b>

## Social issues [S]

### Employee issues

#### Employee upskilling and professional development policy at LW Bogdanka S.A.

As some of the restrictions caused by the Covid-19 pandemic were lifted, all the Company's employees could again have full access to the Company's training and upskilling offer in 2022.

The Employee Development and Technical Training Department provided obligatory on-site OHC training courses to the employees of LWB (4,827 persons) and to the employees of subsidiary companies (771 persons), preliminary training courses (404 persons) and training courses for external entities (545 persons).

Other courses delivered included technical and development training courses and qualifying courses (2,775 persons).

As every year, employees upgraded their qualifications and skills at university studies (I and II degree, post-graduate), conferences, symposia and during training and team-building meetings (1,633 persons).

Additionally, a considerable number of various obligatory internal courses were conducted in 2022 (attended by 716 persons).

LW Bogdanka Group	
Total number of training hours in 2022	Total number of training hours in 2021
90,211	57,170

LW Bogdanka S.A.	
Total number of training hours in 2022	Total number of training hours in 2021
83,275	45,967

#### Additional non-salary benefits

In addition to their salaries, the employees of the LW Bogdanka Group are also entitled to additional non-salary benefits. The most important benefits of this type, subsidized from the Social Benefit Fund, include:

- social allowances
  - rest-related benefits for employees and their families, i.e. holidays and recreational trips
  - sporting facility subscriptions
  - events for employees
  - tickets for cultural events
  - kindergarten for employees' children
  - possibility to obtain loans for housing purposes
  - employee volunteering
- as well as proprietary programs, such as "Active in Bogdanka" or "Bogdanka Socially Committed".

LW Bogdanka S.A. 2022		
Funds allocated to the Social Benefit Fund [PLN thousand].	Funds used	Performance [%]
25,935.2	18,311.2	70.6%

LW Bogdanka S.A. 2021		
Funds allocated to the Social Benefit Fund [PLN thousand].	Funds used	Performance [%]
20,350.3	9,164.7	45.0%

## Social issues [S]

### Employee issues

#### OHS management

Lubelski Węgiel Bogdanka S.A. is among the safest mines in Poland, because of the characteristics of the deposit it exploits and significantly less severe natural hazards. Owing to its well-prepared crew and advanced, often very innovative technical and organizational solutions, the Company stands out among the other hard coal mines. This notwithstanding, processes and procedures which reduce the risk and effects of potentially dangerous incidents need to be continuously updated and implemented. As the subsidiary companies of Lubelski Węgiel "Bogdanka" S.A. and entities rendering work use the Parent Company's infrastructure, the OHS procedures in force at LW Bogdanka S.A. are to be followed by them and by external entities on an obligatory basis.

Occupational health and safety management issues are part of the Integrated OHS, Quality, and Environmental Management System at LW Bogdanka S.A. The occupational health and safety management procedures conform to the ISO 45001:2018 standard. These issues have been also taken account of in the Integrated Corporate Risk Management System. The management systems in operation are updated. The Company seeks ever more effective solutions by analyzing accidents at work and other OHS incidents. In order to ensure high safety standards, the Company monitors working conditions by regularly inspecting work stands and sites, as well as takes necessary preventive measures to eliminate or reduce potential hazards.

The Company has introduced an obligation at the mine to test materials and fixed assets for safety in production conditions before they are purchased and implemented. The Group does not just rely on the manufacturers' and suppliers' declarations, but carries out its own additional assessments.

In the case of personal protection equipment or clothing, the plant employees and staff representatives are involved in the testing process. Opinions issued by these employees are important in deciding on the purchase of these items.

In order to reduce the number of accidents at work and OHS incidents, particular production processes are redefined, which applies especially to their automation and mechanization. The best example is the use of machines in the process of liquidating roadways and pulling out roof supports, which results in eliminating a work stand directly exposed to the risk from falling rock masses and rocks. The aforementioned underground use of modern machines and equipment by the LW Bogdanka Group makes it possible to reduce the employment of people in dangerous locations, in addition to increasing efficiency. The application of sprinkler systems in mining machinery and coal haulage lines, which not only eliminate the threat of a coal dust explosion, but also reduce the concentration of harmful dust in the air in the mine workings, makes it possible to eliminate potential risks of developing an occupational disease – pneumoconiosis.

The following measures aimed at improving safety were implemented at Lubelski Węgiel "Bogdanka" S.A. in 2022:

- the OHS Department conducted a greater number of inspections of working conditions in divisions, which involved talks with employees to raise their awareness of their responsibility for their own safety and the safety of their colleagues
- a review of working conditions

at designated underground divisions was conducted in the course of mining operations together with Social Labor Inspectors

- the project aimed at refreshing and consolidating first aid knowledge - the course "OGAR - first aid and advanced first medical aid" provided by the Medical University of Lublin was continued
- presentations concerning accidents were shown and discussed during periodic training courses, with particular emphasis on hazards and mistakes made by employees, including those who suffered injuries (human factors)
- an employee awareness raising campaign concerning hazards and harmful factors in the working environment was prepared and conducted by distributing booklets and posters
- a visualization of accidents at work and short instruction films were prepared; they are displayed on monitors installed in all Fields and used in periodic training courses

- Safety Days were organized featuring fire protection and personal protection equipment demonstrations, first aid training with the participation of employees and students of the Medical University of Lublin, and simulation of hypothetical accidents,
- Days for Health were organized, during which employees had an opportunity to undergo a number of specialist medial tests and to have healthy diet consultations free-of-charge
- the annual contest on OHS knowledge was conducted for the employees of LW "Bogdanka" S.A.

#### Accidents in 2022

	LW Bogdanka S.A.	LW Bogdanka Group
Number of fatalities - total employees	1	1
Number of fatalities - subcontractors	0	0
Number of accidents resulting in working time loss - total employees	2	6
Number of all the reported accidents - total employees	67	73
Number of all the reported accidents - subcontractors	88	88

## Social issues [S]

### Employee issues

#### Risks related to employee issues

##### Generation-gap risk

In connection with the ongoing works on amendments to the Collective Bargaining Agreement, which take into account changes to work organization and pay, there is a risk of an increased outflow of experienced employees who are entitled to a retirement pension. They are valuable because of their knowledge and experience, and therefore their sudden departure over a short period of time may result in disruptions to generational continuity which is being restored, and thus in a slight staff turnover.

The Company manages risks by monitoring the employment structure on an on-going basis and by launching special programs addressed to current employees and young people graduating from universities and vocational schools with programs corresponding to the Company's activities.

Risk severity: **medium**

##### Risk of losing the Company's key employees

The Company's pursuit of its core business, that is the production and sale of steam coal, requires qualified and experienced employees. Experienced and responsible miners are rare in the labor market, especially in south-eastern Poland where there is only one hard coal mine. Accordingly, the loss of key specialists in this area poses a significant risk related to the Company's business.

LW Bogdanka S.A. manages this risk by providing attractive incentive-based work conditions in what it considers its key business areas. This is intended to attract potential employees, but also to motivate existing staff to pursue self-development and further education options. In addition to paying remuneration commensurate with the position held and seniority, the Company also provides its staff with fringe benefits in accordance with the Rules and Regulations of the Company Social Benefits Fund. These include the granting of loans on preferential terms or the provision of financial aid for vacations and sporting or cultural events.

Risk severity: **low**

##### Trade unions and social dialogue

There are six trade union organizations in the Group, four of which operate in the Parent Company.

As at 31 December 2022, the trade union organizations (in the Parent Company) had the following number of members:

- "Solidarność" Independent Self-Governing Trade Union – 889 members
- Trade Union of Miners in Poland – 1,409 members
- "Kadra" Trade Union – 372 members
- "Przeróbka" Trade Union – 482 members.

Overall, 3,152 employees, i.e. 63.8% of the Company's total workforce, were members of trade union organizations

The LW Bogdanka Group's cooperation with the boards of trade union organizations is based on a constructive dialogue. Trade union organizations participate in making any decisions where the law provides for their involvement.

As part of monitoring the CSR Strategy, key stakeholder groups and current and target forms of dialogue with them were verified on an ongoing basis. For key stakeholder groups, contacts are very regular, direct, often conducted at the highest level and enable continuous consultations on significant matters.



## Social issues [S]

### Employee issues

#### “Solidary Miners” Foundation

The organization has become a permanent part of the support system for the employees of Bogdanka and its subsidiaries, as well as the local community living in Lubelskie Voivodeship, who turn to it when they find themselves in a difficult life situation. 2022 was the ninth year of operation of the corporate Foundation, established by the LW Bogdanka S.A. Management Board as an additional and effective form of supporting the mining community: employees of the Company, its subsidiaries and subcontracting partners, including their families. The Foundation could not focus on miners alone and turn a blind eye on the needs of other individuals with close ties to the Mine. For this reason, the Company also finances activities addressed to people living in the Lublin Region.



Key socially-beneficial initiatives pursued by the Solidary Miners Foundation in 2022:

1. Aid granted on a case by case basis – grants towards the costs of treatment, rehabilitation and equipment, provision of financial assistance. The case-by-case aid was predominantly related to the intended improvement of the health of employees (pensioners) and their families and to the purchase of medical equipment for their

needs. As regards this kind of aid, the Foundation is primarily involved in providing financial contributions, and in some cases also organizational support. Social assistance most often concerned children from families of a deceased mine worker and mining pensioners suffering from chronic diseases. In such cases, apart from the direct financial support from the Foundation, company-wide targeted collections are also organized with the support of volunteers. Several dozen individuals receive individual aid from the Foundation every year. The pursuit of these initiatives has been ongoing since the establishment of the Foundation.

2. Cooperation with the County Family Support Center in Łęczna in connection with the launch of the Consultation and Information Point for addicts. The purpose of the Point is to diagnose problems related to addictions and violence in the family, to plan assistance and provide support in overcoming life difficulties, to reduce the scale of violence and aggression, and to counteract addictions. The assistance is targeted predominantly at residents of Łęczna county. The Point's primary activity consists of duty hours of specialists (physicians, psychologists), the preparation of articles, the distribution of leaflets and the maintenance of a dedicated tab on the County Family Support Center website. Assistance from the Foundation comes largely in the form of financial support (PLN 35,000 in 2022), attempts to reach people in need of help and communication activities on the Company's premises. These initiatives were pursued in 2021 and 2022.

3. Helping victims of the war in Ukraine. Various initiatives were carried out to help Ukraine, in particular Ukrainian citizens affected by the ongoing armed conflict, including:

- preparation of a temporary residence center for refugees in Stary Tartak, provision of medical care, purchase and distribution of medicinal products and groceries

- and basic necessities, organization of Polish language lessons, accommodation of students in dormitories, transport to schools, etc.,
- provision of transport to refugees in Poland and abroad
- activities at the border (sandwiches, water, necessities)
- collections of necessities for refugees,
- support for local government units in the organization of transport to areas affected by hostilities
- financial support for organizations involved in helping refugees and residents of Ukraine staying in Poland (more than a dozen entities were provided with financial support for arranging accommodation, care, food and heating).

PLN 500 thousand in financial aid to help war victims donated by LW Bogdanka was fully spent and accounted for in 2022. In addition to the financial aid, representatives of the Foundation, with huge support from volunteers, were involved in organizational activities, collections and various emergency assistance events for people in need.

In 2022, PLN 785.9 thousand was spent on statutory activities (in 2021: PLN 284.9 thousand), including:

- Aid related to the war in Ukraine: PLN 513.1 thousand
- Treatment and rehabilitation: PLN 178.1 thousand
- Purchase of medical equipment: PLN 37.6 thousand
- Social assistance: PLN 14.6 thousand
- Subsidies for education and health: PLN 21.5 thousand
- Other subsidies: PLN 21 thousand

## Social issues [S]

### Involvement in the development of the social environment

#### Development of the local community

Bogdanka strives to be a good neighbor for local stakeholders. We support our immediate surroundings and the local community, e.g. by funding a number of social projects and initiatives aimed at developing the cultural, scientific, educational and health spheres, building the municipal infrastructure, and addressing other needs of the local community. Initiatives in which the Company has been involved include the organization of winter holidays for children and young people from the Urszulin Municipality and the provision of teaching aids to schools. We focus our activities in the Lubelskie Voivodeship in accordance with LWB's Social Involvement Policy.

#### Charitable activity

In 2022, the Management Board of Lubelski Węgiel „Bogdanka” S.A. made in-kind or monetary donations in order to actively support socially beneficial goals pursued by various social actors. 47 donation agreements were signed with foundations, associations, municipalities, schools, hospitals and other entities executing projects for the benefit of the local community. A number of initiatives were pursued from the subsidy fund, including the renovation and fit-out of children's rooms in the “Tęcza” Care and Educational Institution in Krasnystaw and the purchase of specialist uniforms for firefighters of the Volunteer Fire Brigade in Polichno. In 2022, changes were made to the rules for granting subsidies and the subsidy application form was supplemented with provisions regarding, among others, the achievement of sustainable development goals.



#### Bogdanka's multi-sector partnerships

Continuous dialogue and efforts to support the development of the local community have resulted in a partnership agreement in the area of corporate social responsibility with a local government unit of special significance for the Company, namely Łęczna County. Within the framework of this cooperation, the following tasks were executed: promotion of localism, artists, tourism, as well as counteracting social exclusion, and environmental and cultural education. One of the events was the Local Product Fair organized in the Łęczna county, with LW Bogdanka as a partner in the preparation.



In partnership with the County Hall, events for children and youths were held: “Summer vacation with the Country and Bogdanka”, “County Children's Day” and the environmental project “I AM INSPIRED! ZERO WASTE AT SCHOOL”.



Environmentally friendly activities carried out in all high schools of Łęczna county under the zero waste project were wrapped up with a contest entitled rEKONstruktor, which aimed to present a functional design of an object made of waste. The first place was taken by class 3 of the IT Technical School the King Kazimierz Jagiellończyk School Complex in Łęczna and their design of the Precursor Lamp. Students participating in the contest showed enormous creativity by designing clothes, furniture, decorations and jewelry. The first prize in the contest is a trip to the Copernicus Science Center in Warsaw.



#### “Active and fulfilled women”

This was a social project targeted at women from Łęczna county, executed by Lubelski Węgiel Bogdanka in cooperation with the County Hall in Łęczna from October to the end of December 2022. Together with the County Hall of each of the 6 municipalities in the county, a single Rural Women's Association from each county was selected based on its experience in working for the benefit of the local community. The selected teams received mentoring support aimed at developing their social and emotional competences, identifying their resources and strengths, increasing their activity and raising women's awareness of their rights and opportunities. 30 women participated in 140 hours of workshops broken down into 6 modules for three months.



## Social issues [S]

### Involvement in the development of the social environment

#### Obverse and Reverse of ART

The summer photography workshop is an idea to animate a new place on the map of Puchaczów municipality - the Lachert Manor House. The activity was prepared by the Anthill Association, while the initiators were LW Bogdanka S.A., which invited the Municipal Cultural Center and the Municipal Public Library in Puchaczów to cooperate. The project brings together the art community and the local community. The Manor House - Center for Creative Work is filled with the atmosphere of its interwar owners and fits into the ideas behind the project's main assumptions.



The workshop was conducted in small groups in 3 modules: pinhole photography, luxography and creation of an original family album by the participants. The photographic project Obverse and Reverse of Art ended in September with a post-workshop exhibition to which all participants and their families were invited.

#### 40 years of mining

2022 is a special time for Bogdanka celebrating 40 years of mining. A team appointed for this occasion prepared a series of events carried out as part of the jubilee. Contemporary celebrations consist not only of galas and feasts, but also of environmental education meetings, exhibitions, shows and scientific conferences. As part of the 40th anniversary of mining, a Scientific Symposium "The Art of Mining" was organized, bringing together 200 scientists and practitioners from all over Poland. They discussed the changes in the Polish mining industry over the past few decades and Bogdanka's path that made it one of the most modern mines. Innovation, the latest technologies and the use of pioneering solutions on a global scale are what distinguish our Company. 30 November marked exactly 40 years since the first ton of coal was mined from Bogdanka. During the two-day celebrations, nearly 270 people received state decorations. Moreover, 17 mining ranks were conferred, 80 honorary mining swords and daggers, and 5 pickaxes were presented. A minute's silence was held in memory of all miners who perished.



#### Bogdanka Socially Committed

It is a program that addresses the needs of the Company's socially engaged employees who are willing to act for the benefit of their community. In 2022, 34 applications were received for initiatives important to local community groups. The Program aims to improve the quality of life of the local community, strengthen social ties and increase the involvement and activity in the social sphere regardless of age.

As part of the program, in July and August 2022, an event entitled "CATCH YOUR BREATH - Yoga in the Park" was organized for the second time, which offered a chance to enjoy the benefits of yoga free of charge, and also became a motivation to use the Łęczna green areas. The weekly classes were attended by an average of about 20 people, including adults, seniors and even entire families with children.



#### Active in Bogdanka - work-life-balance

For another year now the employees of the LW Bogdanka Group could submit their passions in the Active in Bogdanka program. The program is addressed to all Group employees who would like to present their non-work activities. In 2022, 54 individual and team applications were received. The program has become a recognized part of the Company's support of its employees. Among the submitted activities there are sports, arts, environmental activities, beekeeping, restoration of classic cars, upholstery and even the creation of websites.



## Social issues [S]

### Involvement in the development of the social environment

#### Second edition of Cultural Scholarships

Bogdanka's Cultural Scholarships in Hatka Żaka is a scholarship program aimed at supporting the activities of young artists and culture managers from the Lublin region, which was implemented as part of the Social Involvement Policy of LW Bogdanka S.A., in cooperation with the Chatka Żaka Academic Centre of Culture and Media of the Maria Curie-Skłodowska University in Lublin. In 2022, a record number of applications - 60 - were received. 20 scholarships were awarded for activities related to the following fields: music, dance, theater, film, visual arts (including painting and graphics). The total amount of the scholarship budget has been increased to PLN 100,000.



#### Innovation Architect 2022

The competition was aimed at high school students to select the most interesting invention projects, and technical or digital solutions. Bogdanka became a partner in the project due to the fact that activities in the field of promoting innovation and entrepreneurship are priorities of the Social Engagement Policy.

#### Letter of intent signed with Lublin universities

In September, a letter of intent on cooperation between the Company and the Lublin University of Technology, Medical University, Maria Curie-Skłodowska University and the University of Life Sciences was signed at LW Bogdanka's headquarters. Bogdanka has been cooperating for years with Lublin universities on educational and business levels. This cooperation will benefit all parties, and technical students will receive support and internship opportunities, as well as assistance with thesis writing.

#### Charitable auctions

LW Bogdanka S.A.'s employees engage in many charitable activities for the benefit of those in need.

In 2022, the Company supported activities for 6 sick children. The Company has shown great support to the 5-year-old son of one of LW Bogdanka's employees - little Czarek, who suffers from brain cancer. The Management Board of LW Bogdanka prepared a visit to the Driving Technique Improvement Center's track in Lublin for the boy. The entire local community, joined by our Company, took part in the #TeamCzarus Challenge.

Owing to the great generosity of donors, we managed to collect the necessary amount.



#### Bogdanka for Ukraine

The organization of an aid campaign resulting from the ongoing armed conflict taking place on the territory of Ukraine started in the Company immediately after receiving the information about the start of the war. Assistance for Ukrainian Refugees and those remaining in Ukraine was envisaged as a package of activities closely related to the Company's social involvement policy as part of its corporate social responsibility. The initiative involved close cooperation with aid institutions, with volunteers and with local governments. It covered material and financial assistance in multiple areas. The coordination of the aid campaign was entrusted to the Solidary Miners Foundation.

#### Special-purpose donation

In an effort to respond effectively to the situation in Poland i Ukraine, the Company's Management Board made a special-purpose donation of half a million Polish zloty to the Solidary Miners Foundation.

The donation was disbursed both to help refugees residing in the Lublin region and for transports to Ukraine. Several cash donations were also made to aid organizations, and the LW Bogdanka S.A. donation fund simplified the procedure for making in-kind donations for heating purposes of refugee stay centers.

#### Collection of donations

The main collection of donations was carried out at the Canteen in Bogdanka, but the mining fields in Nadrybie and Stefanów also had their collection points. The Company's employees also donated supportive meal vouchers worth more than PLN 60,000, which allowed for regular food deliveries to temporary stay centers and to Ukraine, to cities affected by the armed conflict. Our partner, PHU Górnik, has waived the commission. Every morning, a group of volunteers prepared 500 sandwiches each in a room set aside by PHU Górnik. A total of 7,500 sandwiches were made and transported by volunteers to the border in Dorohusk and distributed to refugees.

#### Donations from the Enea Group

Donations received from other Enea Group companies included mainly medicines, medical supplies, sleeping bags, powerbanks and sleeping mats. As part of implementation of the refugee support program, they were distributed and transported to Ukraine.

#### Innovation Architect 2022

The competition was aimed at high school students to select the most interesting invention projects, and technical or digital solutions. Bogdanka became a partner in the project due to the fact that activities in the field of promoting innovation and entrepreneurship are priorities of the Social Engagement Policy.

## Social issues [S]

### Involvement in the development of the social environment

#### Accommodation for refugees in LW Bogdanka S.A.'s resort

Forty temporary accommodation places for refugees have been prepared. By communication with the Lublin Voivodeship Office, families fleeing the war provided with accommodation. Support was given to mothers with children, their grandmothers, who received psychological, medical and legal assistance. The resort is located in a forest where those staying try to regain tranquility. School-age children and youths have started school. In addition, Polish language lessons were organized for everyone. Volunteers helped with daily errands, but also with job searches for female residents of the center. The Bogdanka-run center accepted refugees from March to August 2022.



#### Transporting refugees from the border

The Lublin Voivodeship Office and a number of local governments have been provided with vehicles from transport companies which provide daily transport services for LW Bogdanka employees.

From border crossings with Ukraine and from reception points in Chełm, Zamość, Tomaszów Lubelski and Hrubieszów refugees were transported free of charge to cities such as Warsaw and Kraków.

#### Braziers

During the winter, the services at border crossings requested braziers. In response to the appeals, as part of a grassroots idea put forward by one of the employees, MR Bogdanka sent its employees to prepare 50 braziers, which were delivered to previously selected locations at border crossings.

#### Cooperation with the Honorary Blood Donors Club

During the first days of collecting donations, a group of volunteers who were the first to sign up for this kind of help donated their blood. Among them, they organized a collection of creams, powders, towels and socks, which were promptly sent to Ukraine.



#### Volunteers

The employees of our Company immediately responded to the appeal for voluntary actions and involvement in helping those already staying in Poland. The employees themselves organized trips to the border in Dorohusk and Zosin to help people entering Poland. They delivered shipments of donations - mainly food, water, and basic hygiene supplies. The Company also donated clothing from its inventories (e.g. socks, T-shirts, flip-flops, towels) for refugees by prior arrangement with the Supply and Warehouse Department. This ensured that shipments were prepared according to the needs of the relief organizations.

Some of them were delivered to the border and some were used in LW Bogdanka S.A.'s resort turned into a center of help for Ukrainians in need.



## Social issues [S]

The following data pertain to LW Bogdanka S.A. The expenses of the subsidiaries for the activities indicated below were minor in comparison.

CSR – expenditures [PLN 000s]	2021	2022
CSR	693.5	922.1

### Donations

LW Bogdanka S.A. is a valued employer, an active participant in the life of local communities and an economic pillar of the region. People who identify with the Company, its brand and mission make up Bogdanka's capital. Over a dozen thousand people are directly and indirectly related to the Company as its staff and their families. Pursuing the goal of building social support for its business, the Company is interested in supporting values that integrate social communities.

A manifestation of this philosophy of operation is, among others, the provision of support to non-commercial local social initiatives in the form of donations aimed at developing the cultural, scientific, educational and health spheres, building the municipal infrastructure and addressing other needs of the local community.

Donations [PLN 000s]	2021	2022
Donations (excluding the targeted donation to help victims of the war in Ukraine)	800.0	675.0

Donations [entities]	2021	2022
Number of beneficiaries of LW Bogdanka S.A.'s donation fund	46	46

## Social risks

### Risk related to the strong position of the trade unions

In the hard coal mining sector, trade unions hold a significant position and play an important role in shaping the personnel and payroll policy, often forcing renegotiations of the payroll policy using protests. As at the date of submission of this Report, there were 6 trade union organizations operating in the Group with more than half of the employees as their members. The strong position of the trade unions gives rise to a situation in which there exists a risk of increasing salaries under the negotiated salary agreements in the future, which consequently may adversely affect the financial performance of the LW Bogdanka Group. Furthermore, potential protests and/or strikes organized by the trade unions may affect the operating activities of LW Bogdanka S.A. The Group manages this risk through cooperation and constant constructive dialogue with representatives of the trade unions and by holding talks and negotiations in potentially conflicting situations.

Risk severity: **medium**

### Risk of conflict with the local community

The conduct of transmission activity is associated with the production plant's generation of emissions or impacts (mining damage) that may be burdensome for the community living in its vicinity. The conducting of mining operations is associated with a significant impact on the environment, including cases of land subsidence and local flooding. This situation may cause dissatisfaction or protests organized by local residents.

The Group manages this risk through strict compliance with environmental regulations and its own initiatives aimed at reducing its adverse impact on the natural environment (including projects related to the protection of biodiversity in the mine's vicinity). The Group also compensates residents for any losses incurred as a result of its business by facilitating the process of reporting mining damage (e.g. through an online form). Moreover, the nuisances caused by the Group to the local community are compensated with socially beneficial initiatives. The fact that the Group is the largest employer in the region, offering stable employment conditions, is also conducive to the favorable perception of the mine's operations in the Lublin region.

Risk severity: **low**



## Governance issues [G]

The overriding values guiding the LW Bogdanka Group are honesty, professionalism and responsibility.

These values ensure harmonious development of the Group, which pursues its business objectives in line with social expectations and environmental requirements.

All operations undertaken by the Company comply with the law and internal regulations. Compliance management at the Company covers three areas – compliance of operations with generally applicable laws, compliance with the Company's internal acts, and compliance with ethical standards. The Compliance Policy Department monitors ongoing compliance with the law and responds promptly if irregularities arise. In addition, since 2020, the company has had a Compliance Policy in place.

The key compliance documents at LW Bogdanka S.A. are:

- Company's Articles of Association
- Management Board Bylaws
- Supervisory Board Bylaws
- Shareholder Meeting Bylaws
- Organizational Bylaws
- Labor Regulations
- Company Collective Bargaining Agreement
- LWB Code of Ethics
- Whistleblowing Policy
- Compliance Policy.

### Bogdanka's ESG strategy

In 2018-2021, the Company pursued its Corporate Social Responsibility Strategy, the aim of which was growth of the Company's value and development of the local community based on the principles of sustainability, transparency and education for diverse groups. 2022 was a year of work on updating the issues related to the Company's involvement. As a result of the work, the ESG Strategy of the LW Bogdanka Group for 2023-2025 with an outlook to 2030 was developed. The purpose of the ESG strategy is to fill in the gaps and take action in the areas and issues identified as weaknesses and to solidify strengths in the environmental, social, corporate governance and regional pillars, taking into account the viewpoints of various stakeholder groups, legal considerations, market trends and the long-term plan 'just transition' and challenges facing the mining industry. The ESG strategy was adopted by the LW Bogdanka Management Board in December 2022.

### Distinctions:

- Award in the "Mining Success of the Year" competition in the "Innovation" category. The chapter of the Mining Success of the Year competition awarded a prize to Lubelski Węgiel Bogdanka S.A. for improving the climate conditions by implementing a technology for the production of binary ice, as an agent increasing the power of the central air conditioning
- Bogdanka's involvement in the fight against the SARS-CoV-2 virus pandemic was recognized by the Lubelskie Voivode Lech Sprawka, who honored entities actively supporting the health service and fighting the virus with diplomas and trophies
- Polityka's CSR Silver Leaf for Bogdanka was awarded for the integration of CSR and sustainability issues into the Company's strategy and, above all, the effects of its implementation
- Ranking of Responsible Companies – The eighth place in the overall ranking and fourth place in the "fuels, energy and mining" sector confirm that LW Bogdanka is one of the national CSR leaders
- ESG at the Three Seas Local Government Congress – Diploma of appreciation for the Company's support provided to Lubelskie Voivodeship in the process of green energy transition and sustainable development
- Award of the City of Lublin for culture – Patron of Culture Award for 2021, primarily for the execution of the "Bogdanka Cultural Scholarships in Chatka Żaka" program
- Bogdanka's Best Practices distinguished in the jubilee Report of the Responsible Business Forum – 10 best practices of LW Bogdanka S.A. were awarded in the 20th anniversary Report "Responsible Business in Poland. Best Practices"
- Kurier Lubelski's Hundred – During the Kurier Lubelski Gala, Bogdanka was awarded the title of leader in the "corporate social responsibility" category
- Wprost Eagle for Lubelski Węgiel Bogdanka – The Company received an award in the Sustainable Development Leader category
- Socially Responsible Company – award granted to Bogdanka by the John Paul II Catholic University of Lublin as part of the

- "Success Gala" event
- Lubelski Węgiel Bogdanka among the winners of the 20th Anniversary Laurel of the Employer of the Lublin Region
- Chełm Business Bear – award received by LW Bogdanka for its corporate social responsibility.



## Governance issues [G]

### Scientific Council for Environmental Protection at Lubelski Węgiel Bogdanka S.A.

Considering the vicinity of the extremely valuable natural environment in which LW Bogdanka operates, but also the expectations of stakeholders regarding the Company's environmental impact, in May 2022 the LW Bogdanka Management Board established the Scientific Council for Environmental Protection at Lubelski Węgiel Bogdanka S.A. as a form of a standing opinion-making and advisory body consisting of experts in various fields of environmental protection.

The Scientific Council is an opinion and recommendation-making body providing the Management Board with its insight regarding the Group's various anticipated or completed activities in the field of environmental protection. It operates as an independent body whose members put in their time on a voluntary basis, without receiving any remuneration for their effort.

The Scientific Council's duties include in particular:

- assessment of the resources, creations and components of nature subject to the immediate impact by LW Bogdanka
- participation in the development and pursuit of LW Bogdanka's environmental protection policy
- preparation of opinions on projects and concepts of projects for the Company's involvement in environmental protection initiatives
- assessment of the effectiveness of environmental protection measures taken by the Company
- preparation of opinions on selected

applications for cooperation in the field of environmental protection received by LW Bogdanka

- preparation of opinions on research and scientific programs in the field of environmental protection addressed to LW Bogdanka
- submission of motions and opinions on environmental protection issues
- proposing of activities in the area of environmental protection for LW Bogdanka's potential involvement.

Meetings of the Scientific Council are held at least twice a year – Company employees may report their needs for obtaining opinions, while Council members receive information and data of interest to them, in accordance with the principles of due diligence and transparency

In 2022, two meetings of the Scientific Council were held:

- the first meeting of the Scientific Council dealt with organizational and technical issues, including the election of its Chairperson and Deputy Chairperson and issues related to the Company's involvement in environmental protection initiatives and cooperation in this area;
- during the second meeting, issues were discussed related to the substantive assessment of the final concept of the LW Bogdanka Group's ESG Strategy, including a discussion on the challenges facing the sustainable development of the mining sector and a summary of the participation of Lubelski Węgiel Bogdanka S.A. in the scientific conference entitled "Biodiversity and sustainable transformation of industrial regions and energy security" held by the KOMAG Institute of Mining Technology;

Mr. Grzegorz Grzywaczewski, Professor of the University of Life Sciences in Lublin, was elected Chairman of the Council for the next 5 years.

### Environmental efficiency improvement plan and training for Bogdanka

At the turn of December, training for management was held at Lubelski Węgiel Bogdanka entitled "Maximizing the level of environmental efficiency as the foundation of building company value", which was aimed at familiarizing various organizational units with the methods of implementing new environmental requirements applicable to the Company. 82 employees participated in on-site and online training classes conducted by dr hab. Paweł Bogacz – Professor at Faculty of Mining and Geoengineering of the Stanisław Staszic AGH University of Science and Technology in Kraków. The training participants learned the essence of environmental issues, possible directions and methods of their pursuit in their own areas, which will enable them to create environmental efficiency plans through which it will be possible to increase the environmental potential of the whole Company.



### Stable Growth in a difficult environment – On the eve of the armed conflict in Ukraine

In 2022, the ninth Integrated Report was published and presented key information about the activities of the LW Bogdanka Group in 2021.



## Governance issues [G]

### Human rights issues

#### Respect for human rights

Respect for human rights is an absolute duty of every organization and its staff. This duty stems from the legal system adopted by the UN (Universal Declaration of Human Rights), the European Union (European Convention on Human Rights) and Poland, in particular from the Constitution of the Republic of Poland which guarantees respect for human and civil rights, including:

- right to liberty (Article 31)
- equality before the law and prohibition of discrimination (Article 32)
- gender equality before the law (Article 33)
- right to privacy (Article 47)
- personal freedom and integrity (Article 41)
- freedom of religion and opinion (Articles 53-54)
- freedom of assembly and association (Articles 57-59).

At LW Bogdanka S.A., issues related to respect for human rights are governed by internal documents, such as:

- "Code of Ethics"
- "Code of Conduct for LWB SA Suppliers"
- "Compliance Policy of LWB S.A."
- "Breach reporting procedure at LWB SA"
- CSR Strategy, valid until 2021, and ESG Strategy adopted in December 2022.

In 2022, LW Bogdanka S.A. continued the rollout of its compliance management system. The system rollout stems from the need of adaptation to the applicable laws, specifically Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and the Act of 16 October 2019 amending the Act on Public Offering and Conditions for Introducing Financial Instruments to an Organized System and on Public Companies and Certain Other Acts. The Company is also required to introduce a

compliance system based on the Compliance Standards of the Warsaw Stock Exchange. Compliance management in the Company takes place in three areas: compliance with generally applicable laws, compliance with the Company's internal acts, and compliance with generally accepted ethical standards. Ensuring compliance management in the Company includes, in particular, compliance with the following documents: Breach Reporting Procedure at Lubelski Węgiel Bogdanka S.A.; Code of Ethics of Lubelski Węgiel Bogdanka S.A.; Rules for accepting and giving gifts; Rules for conducting sponsorship activities. The operation of the compliance management system at LW Bogdanka S.A. is handled by the Compliance Policy Department and the Management Board's Compliance Representative.

By developing and adopting these regulations, the Company undertook to respect human rights and actively promote them.

In the event of their breach, appropriate steps are taken to promptly change the undesirable situation. As in most companies, as regards relations between staff members, of key significance is to ensure respect for dignity and counteract any discrimination.

In accordance with the Company's Code of Ethics, any conduct such as discrimination, either direct or indirect, harassment or mobbing are absolutely prohibited and unacceptable in the LW Bogdanka Group.

It is the responsibility of each and every employee to counteract such phenomena and to firmly oppose them.

Each newly hired staff member is familiarized with the Code of Ethics as part of the onboarding procedure. All staff are familiar with the content and mechanisms of the Code of Ethics – all employees (100%) received a hard copy of the Code and confirmed this fact with their own signature.

In connection with the implementation of the Compliance Management System, some of the Company's employees were trained in compliance with the law and ethical principles. In addition to training, activities aimed at promoting ethical attitudes and preventing situations of human rights violations

are additionally strengthened through internal communication channels, such as the Company's website, information boards located in the mine, roll-ups, banners, employee bulletin and social media (Facebook), enabling the Company to reach the largest number of recipients possible. In 2022, onboarding training for newly hired employees was conducted by the Compliance Policy Department and the Management Board's Compliance Representative.

Employees of the Company are required to report information on potential irregularities or unethical behaviors. They may contact the Compliance Policy Department and the Management Board's Compliance Representative through special breach reporting channels, including by e-mail, telephone, regular mail or using the anonymous online reporting form available on the website. Employees may also use mail boxes located at all three mining fields and in the Management Board building, which also allows information to be submitted anonymously.

Since 2014, bidders wishing to establish cooperation with the Company are required to submit statements on compliance with the principles of ethics, human rights, environmental protection and labor law (including occupational health and safety).

The agreements entered into by the Company contain relevant provisions, including the consent to an audit to be conducted by or on behalf of LW Bogdanka S.A. In 2022, in all internal tender procedures, statements were submitted regarding at least the issue of respect for human rights (with the exception of minor proceedings, conducted on a non-tender basis, in the case of which such statements are not required).

Since 2015, the Code of Conduct for LW Bogdanka S.A. Suppliers has also been in force in the Company.

It governs issues related to:

- compliance with the law, including observance of human rights
- preventing discrimination
- relations in the workplace
- occupational health and safety (OHS)
- protection of the natural environment.

Any staff of subcontractors working on the premises of LW Bogdanka S.A. are expected to comply with the provisions of the Company's Code of Ethics. They also have the ability to provide information about any potential breaches.

Total number of incidents of discrimination (in the workplace) in 2022 0

Total number of reported breaches – complaints and concerns regarding non-compliance with the Code of Ethics in 2022 7

## Governance issues [G]

### Human rights issues

#### Key indicators

(LW Bogdanka S.A.)

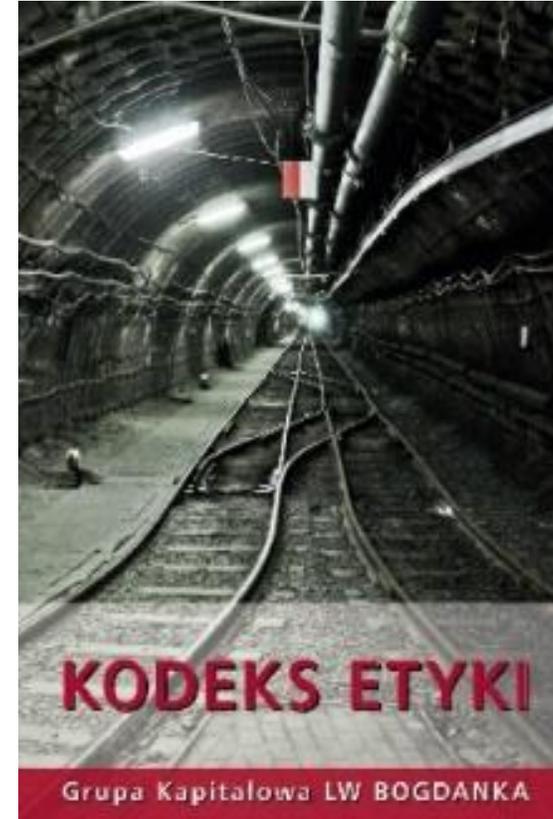
<b>Contracts containing the respect clause [%]</b>	<b>2022</b>
Percentage of contracts containing the respect clause	100%
<b>Employee training [participants]</b>	<b>2022</b>
Number of employees trained in respect for human rights	100%
<b>Fines for violations of human or employee rights [PLN]</b>	<b>2022</b>
Total value of fines imposed on the Company for violations of human or employee rights	0

#### Risk of human rights violations in the Company

The LW Bogdanka Group strictly adheres to the provisions of Polish and European Union law in the field of respect for human rights. This notwithstanding, the scale of operations and the large number of employees carry a certain risk of human rights violations, especially in the sphere of respect for dignity or the principles of diversity. Despite the adoption of additional internal regulations in this respect and various educational campaigns, the Group may exert only a limited impact on incidental manifestations of discrimination among its staff.

The Group manages this risk through constant monitoring of all manifestations of human rights violations and training and information campaigns in this respect. The Company has a Compliance Policy Department in place along with the Management Board's Compliance Representative to supporting the Group's activities in this area. All employees who have been discriminated against or who have witnessed such events may use the Compliance Representative's help and pursue their pertinent rights.

Risk severity: **low**



## Governance issues [G]

### Anti-corruption issues

#### Counteracting corruption

As in the case of respect for human rights, the anti-corruption policy is largely contained in the Code of Ethics. In addition to the Code, this issue is also addressed in the following documents:

- "Breach reporting procedure at LWB SA"
- "Guidelines on accepting and giving gifts at Lubelski Węgiel Bogdanka S.A."
- "Compliance Policy of LWB S.A."

The Code of Ethics adopted by the LW Bogdanka Group indicates the ethical values and principles that should be followed in the Company and presents potential undesirable situations in an easily accessible manner. It addresses issues related to the ban on competition, conflict of interest and counteracting bribery and corruption.

The ethical standards described in the Code adopted by the LW Bogdanka Group define corruption as an act (action) strictly prohibited for all employees, regardless of their position within the organizational structure.

The Code defines corruption as an act involving:

- promising, offering or giving by any person, directly or indirectly, any undue benefits to an employee – regardless of the position or function within the Company – or to any other person, in exchange for acting or omitting to act while performing official duties
- requesting or accepting by a Company employee, directly or indirectly, any undue benefit, for such employee or for any other person, or accepting an offer or promise of such benefit, in exchange for acting or refraining from acting in the performance of official duties
- exceeding one's powers or failing to perform one's duties by a Company employee, resulting in damage to the Company's interest, committed in order to achieve any undue benefit by an employee or by any other person.

In 2022, anti-corruption training was conducted. The training was addressed to management and was conducted by an officer of the Central Anticorruption Bureau (CBA).

An issue closely associated with the topic of corruption is that of a conflict of interest. A conflict of interest may result from personal relationships, financial dependencies, external involvement of an employee or other obligations that may affect his or her impartiality when making decisions as to the selection of a potential counterparty for the Company. The Group has also regulated and secured these issues in its policies.

During onboarding training, each new employee is familiarized with the Code of Ethics, receives a copy thereof, and completes a Conflict of Interest Report, which is then submitted to the Management Board Office. As in the case of compliance with human rights, the Compliance Policy Department and the Management Board's Compliance Representative are responsible for monitoring and managing the anti-corruption area.

No breaches in this area were recorded in 2022. Values such as integrity of conduct in various spheres of activity, reporting and resolving ambiguous situations, high moral awareness of employees, etc., are standards that eliminate all manifestations of conflicts of interest and build a proper image of the Company, culture and mutual respect, both in interpersonal relationships and in labor relationships.

#### Key indicators

<b>Corrupt behaviors [number]</b>	<b>2022</b>
Number of confirmed cases	-
<b>Anti-corruption training [%]</b>	<b>2022</b>
Percentage of employees who participated in anti-corruption training	100%
Percentage of employees who were informed about the anti-corruption approach and principles	100%

#### Anti-corruption risks

##### Risk of corruption among the Company's employees

In the LW Bogdanka Group, any activities that may show signs of corruption or situations that may raise doubts as to the impartiality of employees when awarding contracts are unacceptable. This notwithstanding, regardless of the procedures and regulations adopted by the Company in this area, a slight risk of corruption always remains. The most exposed to irregularities in this area are those employees who enter into direct contact with representatives of external parties that may potentially obtain a specific material benefit by establishing cooperation with the Company.

The Company manages this risk by adopting a number of regulations and procedures for internal application, requiring impartiality in the performance of official duties and prohibiting the acceptance of any material benefits from external parties. Training is also conducted in this field by the pertinent internal services operating within the Company – the Compliance Policy Department and the Management Board's Compliance Representative.

Risk severity: **low**

# Glossary

## GLOSSARY

- **CSR** – Corporate Social Responsibility
- **Net debt/EBITDA** – ratio of net debt (sum of interest-bearing short-term and long-term liabilities less cash and cash equivalents) to EBITDA
- **EBIT** – operating profit before interest and taxes
- **EBITDA** – EBIT plus depreciation and amortization and impairment losses
- **TEP** – Technical and Economic Plan
- **LWB** – Lubelski Węgiel Bogdanka S.A.
- **IFRS** – International Financial Reporting Standards endorsed for use in the EU
- **Gross margin on sales** – return on sales ratio calculated by dividing profit by the value of sales
- **EBITDA profitability** – ratio of operating profit plus depreciation and amortization to revenue
- **EBIT margin** – ratio of EBIT calculated for the period to sales revenues for the period
- **Gross margin** – ratio of gross profit (before tax) to net sales
- **Net margin** – ratio of net profit to net sales
- **Return on Assets (ROA)** – ratio of a company's net profit to the value of its assets
- **Return on Equity (ROE)** – ratio of net profit to equity
- **WFOŚiGW** – Voivodeship Fund for Environmental Protection and Water Management
- **Total debt ratio** – total liabilities to total assets
- **Debt to equity ratio** – total liabilities to equity
- **Fixed capital to fixed assets ratio** – sum of equity, non-current liabilities and non-current accruals to non-current assets
- **Current debt ratio** – short-term debt to total assets
- **Non-current debt ratio** – non-current liabilities to equity
- **Current ratio** – current assets to current liabilities
- **Quick ratio** – measure of the company's ability to pay its current liabilities with its most liquid assets
- **APMs** – alternative performance measures

Signatures of all of Management Board members

**Kasjan Wyligala**

President of the Management Board

.....

**Artur Wasilewski**

Vice-President  
for Economy and Finance

.....

**Adam Partyka**

Vice-President  
for Labor and Social Affairs

.....

**Dariusz Dumkiewicz**

Vice-President  
for Sales and Investments

.....

*Bogdanka, 21 March 2023*



LW Bogdanka S.A.  
Bogdanka  
21-013 Puchaczów

[gielada@lw.com.pl](mailto:gielada@lw.com.pl)