



LUBELSKI WĘGIEL
„BOGDANKA”
SPÓŁKA AKCYJNA

**REPORT ON HOSPITALITY EXPENDITURE, LEGAL SERVICES
EXPENDITURE, MARKETING SERVICES EXPENDITURE, EXPENDITURE
ON PUBLIC RELATIONS AND SOCIAL COMMUNICATION AS WELL AS
MANAGEMENT CONSULTING SERVICES, AND THE REPORT ON THE
APPLICATION OF THE BEST PRACTICES REFERRED TO IN ARTICLE 7.3
OF THE ACT OF 16 DECEMBER 2016 ON THE PRINCIPLES
OF MANAGEMENT OF STATE-OWNED PROPERTY FOR THE FINANCIAL
YEAR 2019.**

Acting under Article 23.3 of the Articles of Association of LW Bogdanka S.A., the Management Board hereby presents the Report on hospitality expenditure, legal services expenditure, marketing services expenditure, expenditure on public relations and social communication as well as management consulting services, and the Report on the application of the best practices referred to in Article 7.3 of the Act of 16 December 2016 on the principles of management of state-owned property.

1. Hospitality expenditure, marketing services expenditure, expenditure on public relations and social communication services.

In 2019, the Company allocated the amount of **PLN 8,476,100** on the hospitality expenditure, marketing services expenditure as well as the expenditure on public relations and social communication services.

The aim of the activities covered with this budget was primarily to shape a positive image of the Company among various groups of its stakeholders and to create a positive impact of the Company on its surroundings.

The above scope included the following:

1. Sponsorship:

- a) Sports sponsorship – a tool for the Company’s impact on local communities, i.e. getting support from broader social circles. The Company is aware that sports clubs and sport events are key for strengthening the sense of community, and that traditions related to particular events tighten social bonds. Furthermore the projects are selected in such a manner that the sports fans are also key stakeholders of the Company (mostly the employees and local community from the area of impact). In 2019 the Company completed the total of 23 projects in the field of sports sponsorship, including:
 - Górnik Łęczna S.A., professional club which manages tournaments of men’s football team in the 2nd League. This entity has historical relationships with the mine, the town and the powiat, and the team fans are, in majority, the employees of the LW Bogdanka Group. The club, together with the Górnik Łęczna Foundation, runs the Sports Academy, teaching more than 500 children from Łęczna and the region of Łęczna, and a Sports Championship School (having the status of a secondary school - a secondary school with a football profile), the first school of this kind in the Lublin province. Most of the young football adepts are the children of LW Bogdanka Group employees.
 - The GKS Górnik Łęczna Association is also an entity with historical ties with the Company. It runs the women’s football section whose team won the title of Champion of Poland in the 2018/2019 season. In 2019 the club also held a sports training on table tennis, wrestling and mixed martial arts.

- MGKS Gwarek Łęczna, which is an amateur boxing sports club, active only for children and teenagers, representing boxers who have a good success rate in boxing tournaments on both national and international level.
 - Local motor sports projects, popular and well received in the regional scale, i.e. young cinder-track racing team Bogdanka Motor Lublin – directly supporting Speed Car Motor Lublin which takes part in PGE Ekstraliga speedway events – and 16-years-old Szymon Ładniak, one of the most talented rally drivers of the young generation.
- b) Social and cultural sponsorship – the Company’ tool for impacting local communities in the region through support of opinion leaders as well as the sponsorship of important social, cultural, scientific, technical and other events of significance for the social image of the brand. In 2019, the Company completed 32 projects in the field of social and cultural sponsorship, cooperating with known and praised cultural institutions from the Lublin area, including: Cultures Meeting Centre, H. Ch. Andersen Theatre, Musical Theatre. Moreover, the Company got involved in the Lublin Festival of Science, a project popularising science among local communities.

2. Public Relations:

The remainder of the promotion budget was used in 2019 for public relations and publicity activities carried out through various communication channels (internet, social media, press, radio, TV, events, and fairs). These activities focused on building social support for the Company’s business activities and enabling sponsorship and social projects.

3. Corporate social responsibility (CSR):

CSR activities budget combines expenditure for projects and initiatives by means of which Social Responsibility Strategy of LW Bogdanka is implemented. The Strategy constitutes a collection of actions which may be classified into four categories corresponding to the aims of the Strategy: ensuring highest possible safety level, limiting the impact of operations on the safety of local natural environment and transparent and responsible management practices.

In 2019 the Company completed partnership projects with organizations and institutions including: Łęczna Municipality, Landscape Foundation (Aesthetics for Łęczna Programme, Big Trees for the Łęczna Powiat); the Łęczna District Governor’s Office (cooperation with Educational Care Facility in Kijany), Safe Lublin Region Foundation or with the Polish Society for the Protection of Birds and Gaudium et Spes Foundation for the purpose of environmental education.

The purpose of the abovementioned activities was:

- building a positive image of the Company in the Lublin region, in particular in its closest geographic surroundings,
- strengthening the Company’s reputation as an active patron of socially important projects and initiatives,
- building of social support for the Company’s business activities.

2. Expenditure on management consulting and legal services.

- a) In 2019 the expenditure on management consulting totalled **PLN 485,700.**
- b) In 2019 the expenditure on legal services totalled **PLN 1,827,600.**

Management consulting services in 2019 included business consulting for the Company in relation to audit, tax advisory, as well as communication and investor relations consulting.

No separate legal department operates within the Company, therefore the legal services are provided by external law firms. Compliance Policy Department coordinates and oversees legal services provided for the Company as part of the internal organizational structure of the Company.

In August 2019 the Company conducted procurement proceedings pursuant to Article 138o of the Public Procurement Law of 29 January 2004 regarding provision of legal services as part of four tasks. Law firms, selected in the abovementioned way, provide legal services, as applicable, in terms of day-to-day services, public procurement law, labour law and social insurance, including representing the Company in court, administrative and other proceedings. For strategic matters under framework agreements, two selected law firms provide legal services performed on request filed each time on the basis of submitted price offers with price being the criterion for the selection. The concluded agreements for the provision of legal services remain in effect until 31 December 2020 or until the maximum net fee specified therein is exhausted.

Cases pending in 2019 included court proceedings for payment relating to employee matters, administrative and court & administrative proceedings related to the Company seeking the obtaining of licences and environmental decision, and administrative proceedings concerning real property tax on underground excavations located in the Company territory.

The expenditure on legal services include actually spent amounts for the provided services, including transport and accommodation costs, office fees and court representation fees, which are related to the pending proceedings.

The amount of the abovementioned expenditure was not adjusted of the reimbursement of costs of pending court proceedings (business, tax and employee-related) awarded to the Company for court representation.

3. Report on the application of the best practices referred to in Article 7.3 of the Act on the principles of management of state-owned property for the financial year 2019 of 16 December 2016.

In 2019, LW Bogdanka S.A. complied with the rules of the “Best Practice for WSE Listed Companies 2016” (hereinafter the “Best Practice for WSE Listed Companies”), attached as an appendix to Resolution No. 26/1413/2015 of the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A. dated 13 October 2015. The Best Practice for WSE Listed Companies is available on the WSE website devoted to corporate governance - <https://www.gpw.pl/dobre-praktyki>

As the Prime Minister did not specify best practices in terms of corporate governance as referred to in Article 7.3 of the Act on the Principles of Management of State-Owned Property in relation to best practices in 2019, the Company did not apply other practices apart from those pursuant to Code of Best Practice for WSE Listed Companies.