



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 THE ACT ON THE
PRINCIPLES OF MANAGEMENT OF STATE-OWNED ASSETS
OF 16 DECEMBER 2016,
FOR THE FINANCIAL YEAR 2020**

Acting under Article 23.3 of the Articles of Association of LW Bogdanka S.A., the Management Board hereby presents information 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 on the principles of management of state-owned assets of 16 December 2016.

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

In 2020, the Company allocated the amount of **PLN 7,765,800** 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.

Marketing activities pursued by LW Bogdanka S.A. in 2020 were significantly affected by epidemic situation in Poland as a result of detection of the SARS-Cov-2 virus and its dissemination. Restriction imposed by the government hindered the Company's marketing activities to a great extent.

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 2020 the Company completed the total of 12 projects in the field of sports sponsorship, including with key entities:

- Górnik Łęczna S.A. (together with the Górnik Łęczna Foundation), a club which manages football matches at the 'Fortuna' level in the 1st League. The 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. This club also 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.
- MGKS Gwarek Łęczna, which is an amateur boxing sports club for children and teenagers only, representing boxers who have a good success rate in boxing tournaments on national level. More than 50 boxers, male and female, participate in the club,

- Local motor sports projects, popular and well received in the regional scale, i.e. the speedway team Motor Lublin which takes part in PGE Ekstraliga speedway events and 17-years-old Szymon Ładniak, one of the most talented drivers of the young generation,
 - Miejski Klub Sportowy Avia Świdnik – club participating in the events of the Tauron 1st League matches of men’s volleyball. In 2020 the club advanced to the second tier of the highest match class. The sponsorship project includes training for children and youth.
- 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 2020, the Company completed 16 projects in the field of social and cultural sponsorship cooperating two known and praised cultural institutions from the Lublin area, namely: H. Ch. Andersen Theatre and Musical Theatre. Moreover, the Company completed sponsorship projects cooperating with various institutions, including Lublin Radio, Wirydarz Art Gallery, and the Maria Curie-Skłodowska University.

Projects are selected, reviewed, and settled in terms of their efficiency and usefulness for the Company’s goals. In total, 28 projects were completed in 2020, including 12 of sports nature and 16 in the field of society and culture.

2. Public Relations

The remainder of the promotion budget was used in 2020 for public relations and publicity activities carried out through various communication channels (internet, social media, press, radio, TV, events, and on-line fairs). These activities were 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 S.A. 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, stimulating development of the local community and transparent and responsible management practices.

In 2020 the Company completed partnership projects with organizations and institutions, including: Łęczna Municipality, Landscape Foundation (Urban Laboratory for Aesthetics for Łęczna Programme); The Łęczna District Governor’s Office (continued cooperation with Educational Care Facility in Kijany) or with the Polish Society for the Protection of Birds and Foundation for Nature for the purpose of environmental education. Programmes dedicated to Company’s employees constituted a significant portion of CSR activities as they allowed them to contribute to their communities through “Bogdanka Socially Committed” and receive support in pursuing a passion of hobby with “Bogdanka’s Active People” programme.

The main strategic goal of activities in the area of sponsorship is to support the implementation of CSR strategy by strengthening the image of a cultural and sports patron, i.e. a socially responsible enterprise with a presence in valuable initiatives that are crucial for the local community.

Other goals:

- 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.

The above goals are pursued through the following tools: sponsorship projects, PR projects, CSR activities as well as activation of projects through organisational support, promotional and advertising actions. Projects are selected, reviewed, and settled in terms of their efficiency and usefulness for the Company's goals. The Company undertakes activities in the form of sports sponsorship (projects with the highest commercial potential) and social and cultural sponsorship (projects with the highest social potential).

All sponsorship projects pursued in 2020 translates into advertising, media attention, and building a positive image of the brand and the enterprise.

2. Expenditure on management consulting and legal services.

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| a) In 2020 the expenditure on management consulting totalled PLN 922,700. |
| b) In 2020 the expenditure on legal services totalled PLN 1,342,100. |

Management consulting services in 2020 included business consulting for the Company in relation to audit, tax advisory, as well as communication and investor relations consulting. The greatest portion of expenditure was allocated to evaluating the profitability of the Ostrów field investment (PLN 450,000).

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 2020, the legal services were provided as part of four tasks by law firms selected by the Company in public tender proceedings regarding provision of legal services pursuant to Article 138o of the Public Procurement Law of 29 January 2004.

Law firms, selected in the abovementioned way, provided legal services, as applicable, in terms of day-to-day services, public procurement law, labour law and social insurance. For strategic matters under framework agreements, selected law firms provided legal services performed on request filed each time on the basis of submitted price offers with price being the criterion for the selection. Furthermore, the law firms provided legal

services regarding representation of the Company in court, administrative, and other proceedings. Agreements for the provision of legal services concluded with law firms as well as agreements concerning legal representation were valid until 31 December 2020.

Cases pending in 2020 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 described expenditure on legal services include actually spent amounts for the legal services and court representation fees, which are related to the pending proceedings.

The amount of the abovementioned expenditure was not adjusted of the reimbursement of court representation fees.

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 assets for the financial year 2020, of 16 December 2016.

In 2020, 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. of 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>

Due to the fact that the Prime Minister did not define any good practices in the field of corporate governance, as referred to in Article 7.3 of the Act on the Principles of State Property Management, in 2020 the Company did not use any practices other than those indicated in the Best Practice for WSE Listed Companies.