



Report on Sustainable Development of PGO S.A. and the PGO Group

**Statement of non-financial
information for 2020**



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Letter from the President of the Management Board at PGO S.A.

(G4-1, 102-14)

Dear All,

As in previous years, I am pleased to present to you the Report on Sustainable Development of PGO S.A. and the PGO Group. This is a unique document, as it shows our activity in particular times – a global epidemic. A year ago, we published the previous Report hoping that the situation was only temporary and we would get back on track as soon as possible. However, this was not the case, and we now know that even when the epidemic is contained, some of our habits and activities will not be the same as before the SARS-CoV-2 virus.

Year 2020 was also special for us for several other reasons. This was the year in which we finalised our activities within the framework of the development strategy for 2017-2020 and our work on a new strategy for 2021-2025. It was also a time of very difficult closure of one of our branches – the plant in Stalowa Wola, which was necessary due to the progressing global economic slowdown, reinforced by the epidemic. Last but not least, this was the year when our R&D projects entered the final stages of implementation, and they are important for our plans for further development in the implementation of new technologies and products.

Despite many difficulties in the last period, we continue to carry out our activities with full awareness of the environment in which we operate. We develop primarily thanks to our employees and for them. I am grateful for their very hard work, commitment and faith in our joint undertakings. The core of our activity are shared values, which invariably allow us to introduce innovative solutions in many areas – largely thanks to the ideas submitted in the PGO's KAIZEN Programme. These areas are both the natural environment and mitigation of the adverse environmental impact, but also the local communities we try to support.



A stylized, handwritten signature in black ink, appearing to read 'Petrus'.

Łukasz Petrus
President of the Management
Board at PGO S.A.



ABOUT US

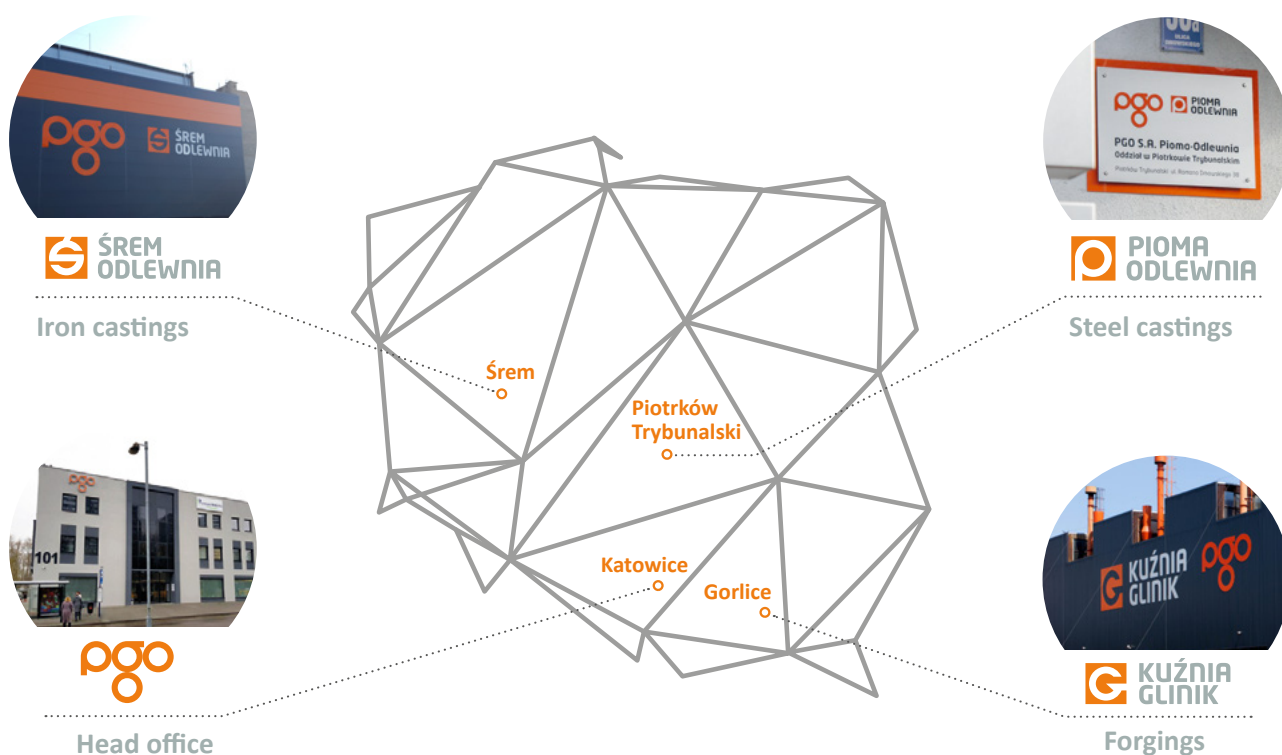
Management

PGO S.A. based in Katowice is a holding company and it conducts the production of castings and forgings within the following plants: PGO S.A. Pioma-Odlewnia Piotrków Trybunalski Plant and PGO S.A. Kuźnia Glinik Gorlice Plant. As at 31.12.2020, a plant of PGO S.A., Odlewnia Staliwa, Stalowa Wola Plant, also operated as part of PGO S.A., however it was in liquidation.

As the parent company in the Group, PGO S.A. conducts holding activity and provides management and administrative services to subsidiaries and performs the production of castings and forgings in its branches.

As at 31.12.2020, PGO S.A. was a public company with shares listed on the Warsaw Stock Exchange since 2011.

In connection with the fact that on 09.12.2020 a shareholder, TDJ Equity II Sp. z o.o., announced a call to subscribe for the sale of PGO S.A. shares by other shareholders and the forced buyout of shares announced on 26 February 2021, on 05.03.2021 the Extraordinary General Meeting adopted a



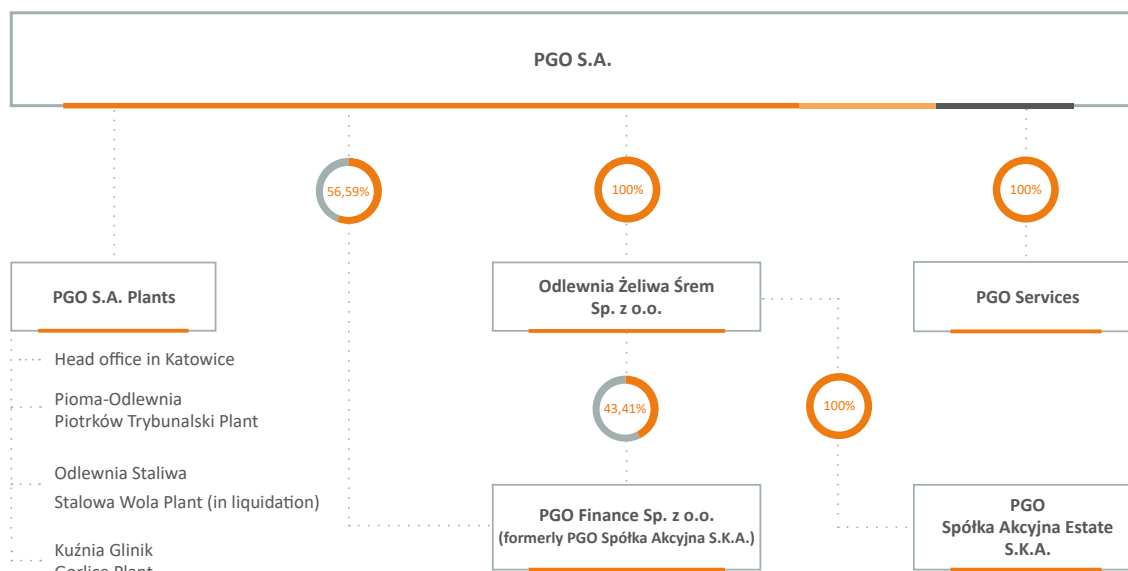
* - Due to the liquidation process, the PGO S.A. plant, Odlewnia Staliwa Stalowa Wola Plant, is not included in the image.

The PGO Group consists of **PGO S.A.** as the parent company in the Group and subsidiaries, which as at 31.12.2020 include: Odlewnia Żeliwa "Śrem" Sp. z o.o., PGO Finance Sp. z o.o. (formerly: PGO Spółka Akcyjna S.K.A.), PGO Spółka Akcyjna Estate S.K.A., PGO Services Sp. z o.o. and production plants PGO S.A. Pioma-Odlewnia Piotrków Trybunalski Plant, PGO S.A., Kuźnia Glinik Gorlice Plant, PGO S.A. Odlewnia Staliwa Stalowa Wola Plant (in liquidation). (G4-3, GRI 102-1)

The registered office of the parent company – PGO S.A. – is located in Katowice. (G4-5, GRI 102-3)

resolution on withdrawing shares of PGO S.A. from public trading. The withdrawal of PGO S.A. shares from public trading on the Warsaw Stock Exchange took place on 29.04.2021.

No entity of the PGO Group has been omitted in the preparation of this Report. All PGO Group companies conduct their manufacturing activities in the Republic of Poland. (G4-6, G4-17, GRI 102-4, GRI 102-45) In March 2020, the legal form of PGO Spółka Akcyjna spółka komandytowo-akcyjna was transformed into a limited liability company (spółka z ograniczoną odpowiedzialnością) under the business name PGO Finance spółka z ograniczoną odpowiedzialnością, as part of the reorganisation of the PGO Group, implemented under



Organisational structure of the PGO Group as at 31.12.2020 covering all entities included in the consolidated financial statements for 2019. (G4-17, GRI 102-45)

the "PGO Strategy for 2017-2020" and is aimed at introducing a uniform legal form for PGO S.A. subsidiaries.

In September 2020, a decision was made to allocate and concentrate the production of steel castings at PGO S.A. Pioma-Odlewnia Piotrków Trybunalski Plant and to terminate production and carry out the liquidation of PGO S.A. Odlewnia Staliwa Stalowa Wola Plant. The necessity to reorganise the steel segment was dictated by the current economic situation and the resulting need to make changes in the management and internal organisation of work at the PGO Group.

The PGO Group is among the largest companies operating in the metallurgical industry in Poland. It is a manufacturer of iron and steel castings and closed die and open die forgings. Our production plants have long traditions in the metallurgical market, reaching 130 years. Combining many years of experience, rich foundry and forging traditions, knowledge, production facilities and modern management methods, the PGO Group offers products that meet high European standards, which are appreciated by customers in both Polish and foreign markets.

Our plants carry out all stages of the castings and forgings production process, starting from the design of the technology, to selecting the appropriate material grade, designing and making instrumentation, to making a casting or forging, its heat and mechanical treatment and quality tests. The production capacity of the Group companies allows them to produce up to approx. 60,000 tons of castings per annum and approx. 15,000 tons of forgings per annum.

PGO S.A. performs production in plants in Piotrków Trybunalski and Gorlice.

Pioma-Odlewnia Piotrków Trybunalski Plant specialises in discrete and short-run manufacturing of high-quality steel castings weighing 10 kg to 8 tons. Steel castings are used as structural elements and components in the railway and energy industries, in mining machines, gear housings, track links and other elements of machinery and devices. Pioma-Odlewnia Branch has its own laboratory facilities, so that it can conduct strength and quality tests of manufactured items.

Kuźnia Glinik Gorlice Plant manufactures closed die forgings in the range of 0.2 kg to 150 kg, open and semi-open forgings in the range of 0.5 kg to 8 tonnes and it also designs and manufactures forging instruments for their production. In addition, it provides heat treatment, mechanical treatment, shot blasting and bending services as well as mechanical and non-destructive testing. Forgings are used as components in trucks, agricultural tractors, as elements of industrial fittings, coupling for railway cars and parts of machines and devices.



PGO S.A. Pioma-Odlewnia, Piotrków Trybunalski Plant, Melting Shop

In Odlewnia Żeliwa “Śrem” Sp. z o.o. in Śrem, which is part of the PGO Group, we manufacture castings made of grey, ductile and alloy cast iron weighting 0.5 kg to 30 tonnes. Iron castings are used as brake drums, compressor bodies, engine blocks and housings, gear housings, turbines, structural elements of

machining machines, counterweights, sleeves and flanges of pump and valve parts and industrial fittings.



PGO S.A. Kuźnia Glinik, Gorlice Plant, Open Die Forging Department

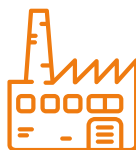


Odlewnia Żeliwa „Śrem” sp. z o.o., automatic production line



3 production segments:

- steel castings,
- iron castings,
- forgings.



3 production plants:

- Odlewnia Żeliwa “Śrem” Sp. z o.o.,
- Pioma-Odlewnia Plant
- Kuźnia “Glinik” Plant.



13 main industries, including:

- mining industry,
- railway industry,
- agricultural industry,
- automotive industry (heavy truck),
- shipbuilding industry,
- driving technology;
- construction industry.

Our Group's plants operate in the field of:

- iron casting,
- steel casting,
- production of closed die, open die and semi-open die forgings.

The production range of Group's Plants for iron castings includes:

- grey cast iron,
- ductile cast iron,
- ductile cast iron with guaranteed impact strength,
- alloy cast iron,
- abrasion-resistant cast iron,
- high-alloy cast iron,
- low-alloy cast iron.



Pulley, 2,000 kg Drive for mills, granulator machines and crushers



Pump housing Water supply

For steel castings:

- structural carbon steels,
- abrasion-resistant structural alloy steels, including high-manganese and high-chrome
- heat-resistant and refractory,
- low-alloy steels.



Top and bottom ring, 1,100 kg Offshore industry



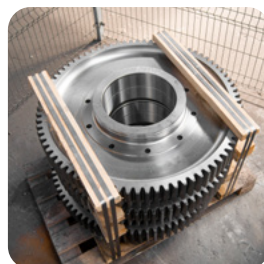
Bare wheel, 400 kg Freight and passenger cars

Forgings are made of the following materials:

- carbon steels,
- alloy steels,
- high-alloy steels,
- non-ferrous metal alloys.

Forgings are delivered in the following forms:

- raw,
- heat-treated,
- machined.



180 kg gear wheel Locomotive drive



Gearbox component Automotive industry

The Group's range for external clients also includes:

- production and adaptation services for wooden, resin and metal models,
- machining services (e.g. pre-treatment of large-size castings) and heat treatment (stress relief, standardisation, thermal improvement, etc.) and structural treatment (stress relief annealing),
- laboratory services (chemical composition analysis, quality, strength and metallographic tests),
- comprehensive services related to the implementation of casting and forging processes and metalworking provided by PGO Services,
- production of forging equipment necessary in the forging production process. **(G4-4, GRI 102-2)**

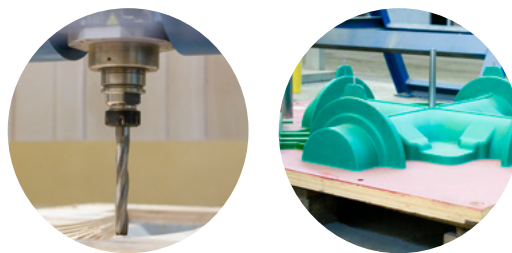
Basic production processes

Casting process

Technology design



Modelling



Forming



Smelting



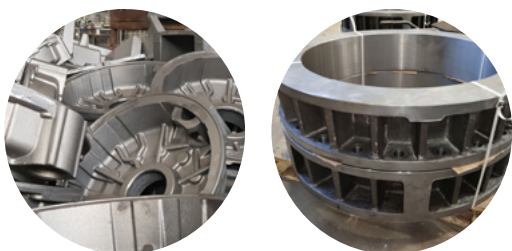
Machining



Laboratory tests



Finished product



Coating

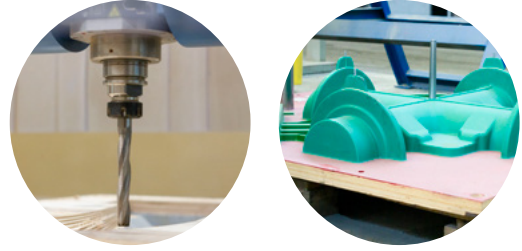


Forging process

Technology design



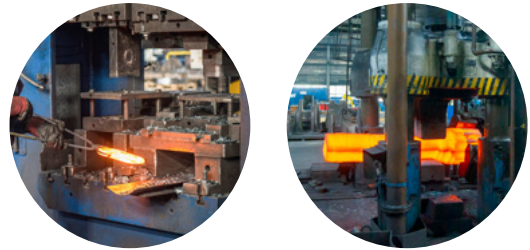
Die production



Heat treatment



Forging



Shot blasting



Laboratory tests



Finished product

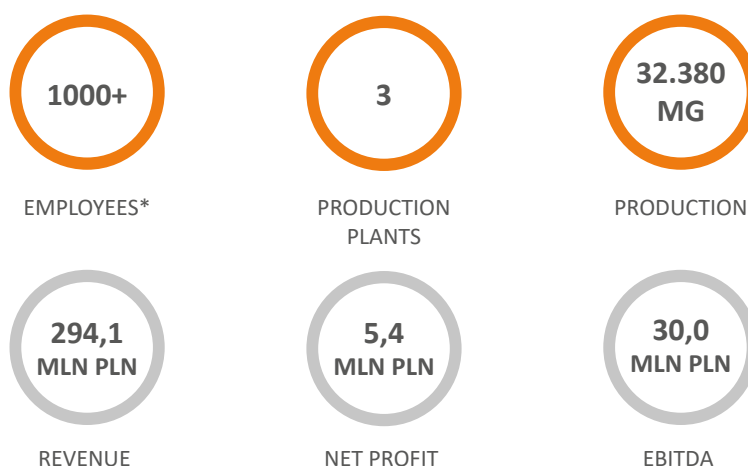


Machining



Economic and Financial Information

Main economic and financial figures characterising the PGO Group in 2020. (G4-9, GRI 102-7)



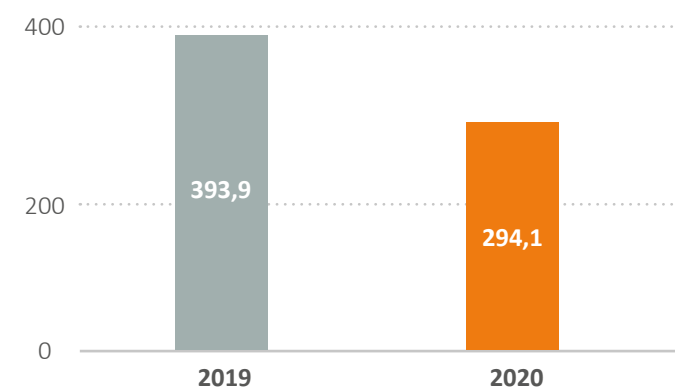
In 2020 the value of consolidated sales revenue of the PGO Group was 25.3% lower than consolidated sales revenue in 2019. Lower revenue was primarily the result of the impact of the COVID-19 epidemic and global restrictions on business activity during most of the year, with temporary lockdowns leading to a significant decrease in orders.

The decrease in sales also reduced the prime cost of sales by 18.4%. The final net financial result of the PGO Group in 2020 was PLN 5,408 thous. and was lower than the result in 2019 by 77.2%, which was primarily affected by a significant decrease in revenue. In addition, the financial result included the costs of liquidation of the Stalowa Wola Plant.

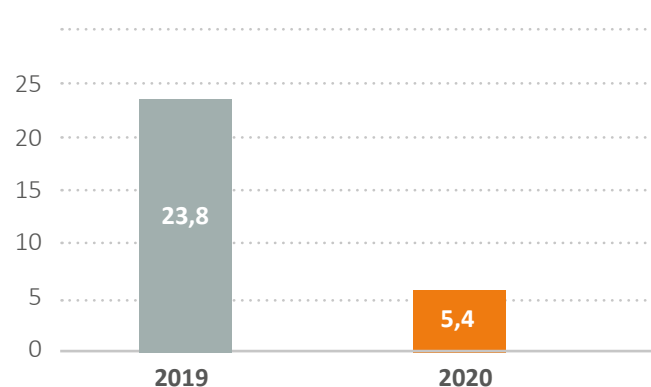
Basic economic and financial figures and performance indicators of the PGO Group Economic value generated and distributed (G4-EC1, GRI 201-1)

Economic value generated and distributed	2019	2020
Sales revenue	393 859	294 050
Prime cost of sales	(299 299)	(244 353)
Wages and employee benefits	(99 515)	(84 389)
Dividend paid	0	0
Income tax	(13 486)	(2 310)
Net profit	23 757	5 408
EBITDA	56 746	29 977

Sales revenue (PLN million)

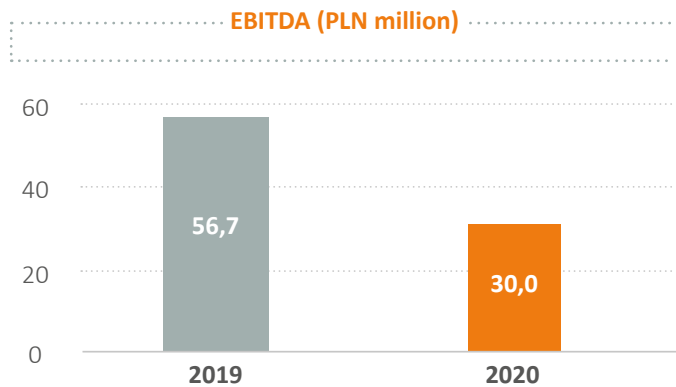


Net profit (PLN million)



Equity at the end of 2020 was PLN 285,982 thou., which is a 70.7% share in total liabilities. Long- and short-term liabilities with provisions amount to PLN 118.771 thou., which is a 29.3% share in total liabilities, of which short-term liabilities due to loans and borrowings are PLN 17,650 thous.

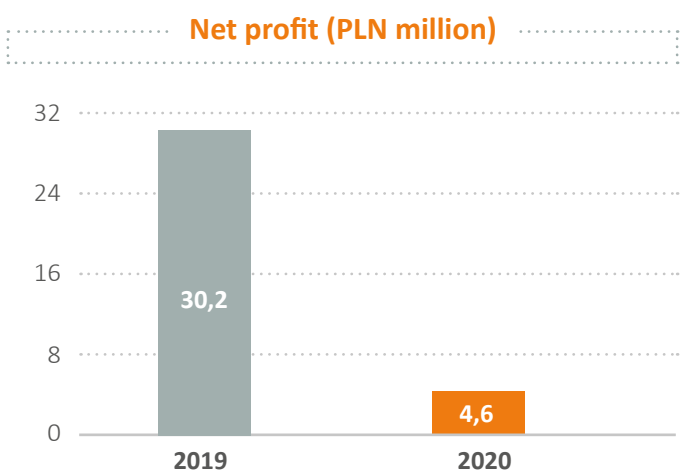
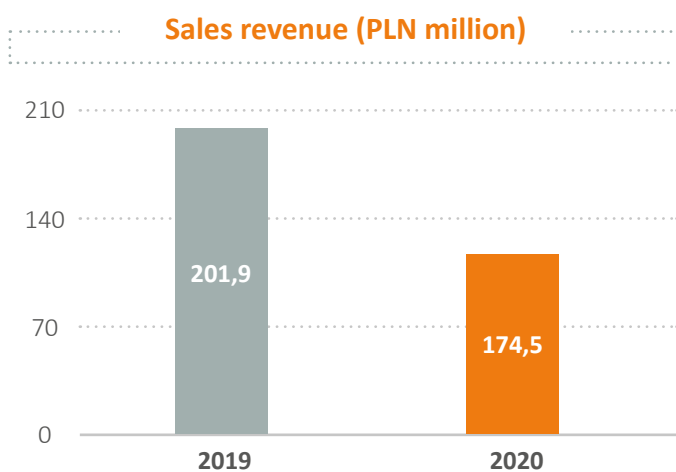
Key performance indicators of the PGO Group



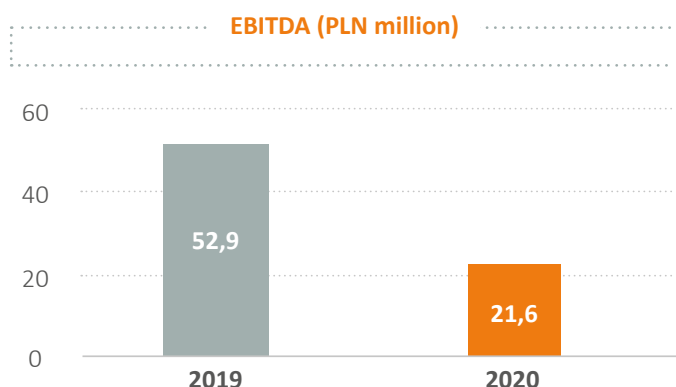
Key performance indicators of the PGO Group	2019	2020
Book value per share (PLN) (equity/number of shares)	2,93	2,97
Earnings per share (PLN) (net profit/number of shares)	0,25	0,06
ROS (%) (net profit/sales revenue*100)	6,0%	1,8%
EBITDA margin (%) (EBITDA/sales revenue*100)	14,4%	10,2%
Share of foreign sales in sales revenue (%) (foreign sales revenue/total sales revenue*100)	40,5%	49,6%
Employee productivity index (PLN thou.) (total sales revenue/total number of employees)	352,3	269,5

Basic economic and financial figures and performance indicators of PGO S.A. Economic value generated and distributed (G4-EC1, GRI 201-1)

Economic value generated and distributed	2019	2020
Sales revenue	201 850	174 541
Prime cost of sales	(140 580)	(141 264)
Wages and employee benefits	(55 635)	(46 562)
Dividend paid	0	0
Income tax	(6 462)	(1 074)
Net profit	30 164	4 643
EBITDA	52 894	21 632



Equity at the end of 2020 was PLN 226,824 thou., which means a 71.2% share in total liabilities. Long- and short-term liabilities were PLN 91,942 thou., which means a 28.8% share in total liabilities.



The COVID-19 epidemic was a key factor affecting the business activity and the results in 2020. Operations throughout 2020 depended heavily on administrative restrictions introduced by the governments of European countries to counteract the spread of epidemics, with temporary lockdown also imposed in the area of industrial production. At the level of both PGO SA and the PGO Group, it was required to take measures to mitigate the negative impact of the COVID-19 epidemic on operations. These measures included restrictions on the working time of employees, funding obtained as part of the government "anti-crisis shield" and actions to optimise both production costs and general operating costs. Organisational measures were also taken to properly prepare the Group's

Key performance indicators of PGO S.A.	2019	2020
Book value per share (PLN) (equity/number of shares)	2,31	2,36
Earnings per share (PLN) (net profit/number of shares)	0,31	0,05
ROS (%) (net profit/sales revenue*100)	11,9%	2,7%
EBITDA margin (%) (EBITDA/sales revenue*100)	20,9%	12,4%
Employee productivity index (PLN thou.) (total sales revenue/total number of employees)	277,3	288,0

production plants for the situation and to limit to the greatest possible extent the negative effects of the epidemic and related restrictions on business activity, e.g. by adjusting production capacity to current needs.

Despite the measures taken, both PGO S.A. and the PGO Group recorded a significant decrease in revenue and financial results, caused by administrative temporary shutdown of economies.

As a consequence, in September 2020, the Management Board of PGO S.A. decided to reorganise the steel segment, allocate and concentrate the steel casting production in the plant in Piotrków Trybunalski with simultaneous liquidation of the Stalowa Wola Plant.

„ In our business, we strive to reliably fulfil obligations resulting from generally applicable provisions of law, and we consistently act in accordance with our policies and ethical principles. In our activities we try to take into consideration the expectations of various stakeholder groups and therefore we engage in dialogue with them.

Grzegorz Kozub, Director of Investor Relations

”



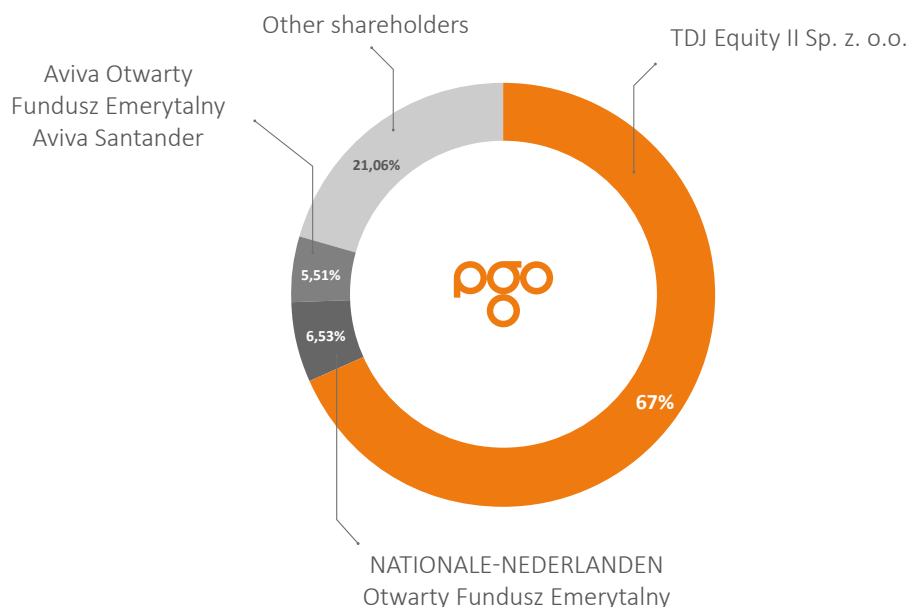
PGO Shareholding Structure

PGO S.A. is a private joint-stock company whose shares have been listed on the Warsaw Stock Exchange since 2011 (ISIN: PLPGO0000014). As at 31 December 2020,

in connection with the planned acquisition of 100% of shares representing 100% of the total number at the Issuer's general meeting.

After the balance sheet date, on 26 February 2021, TDJ Equity II Sp. z o.o. announced a request to sell the shares in PGO S.A. in a forced buyout.

Shareholding structure of PGO S.A. as at 31 December 2020*

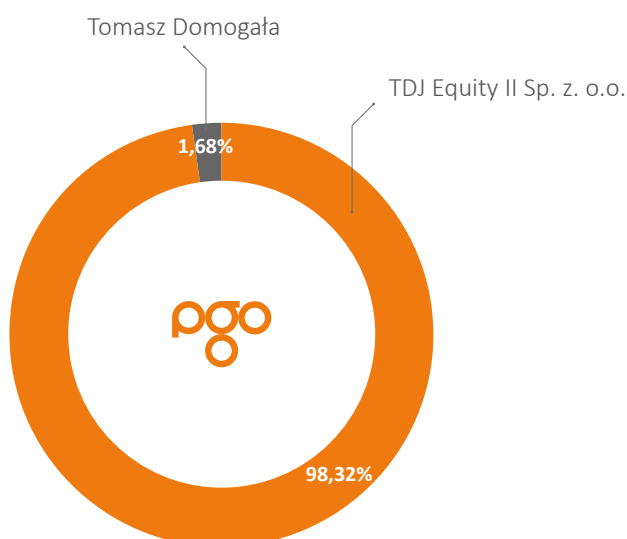


*As at 31 December 2020, in accordance with the notifications received by the Company pursuant to the Act of 29 July 2005 on public offering and terms of introducing financial instruments to organised trading and on companies.

the Company's share capital was PLN 96,300,000 and was divided into 96,300,000 series A and B shares with a nominal value of PLN 1.00 each. All issued shares are ordinary shares without preference as to the participation in profit distribution. (G4-7, GRI 102-5) On 9 December 2020, TDJ Equity II Sp. z o.o. announced calls to subscribe for the sale of the Issuer's shares

After the balance sheet date, as a result of settlement of the call for sale and forced buyout of PGO S.A. shares carried out by TDJ Equity II Sp. z o.o., there was a change in the number of shares held by respective shareholders. As at the date of submission of this report, the Issuer's shareholding structure was as follows:

Shareholding structure of PGO S.A. as at 30 April 2021*



*Mr Tomasz Domogała exercises direct control over TDJ S.A., which is the sole shareholder of TDJ Equity II Sp. z o.o., which owns 94,678,629 shares of the Issuer, which means that he indirectly holds additional 94,678,629 shares of PGO S.A.

Stock market data 2020

Maximum price	1,45
Minimum price	0,75
Price at the end of the year	1,29
Average share price in the year	1,10
Number of issued shares	96 300 000,00
Capitalization at the end of the year	124 227 000,00
Average trading volume	16 627,38
Average trading value	

Listing of PGO S.A. shares in 2020



Source: own study based on data from www.infostrefa.com

PGO Strategy

The period of implementing the previous Strategy specified for 2017-2020 has come to an end. It was a time of hard work, which undoubtedly brought positive results – we improved our parameters in many areas of activity, including environmental and personnel ones. But continuous improvement never ends, which is why we intend to continue many projects and processes under the new PGO Strategy for 2021 – 2025. The Mission, Vision and Values we follow remain unchanged. They constitute a “bridge” between the previous and the current Strategy of PGO S.A.

Łukasz Petrus President of the Management Board at PGO S.A.



"PGO Strategy for 2017-2020" was adopted by the Management Board and approved by the Supervisory Board of PGO S.A. in April 2017. "PGO Strategy for 2017-2020" is a comprehensive document specifying the directions of development for the entire PGO Group based on the mission, vision and values pursued by the Group in its operations. Shaping a modern industry, support for business partners and employees in achieving common success through a continuous improvement and development and in building a value-based PGO community is a philosophy that inspires the Group. PGO is constantly striving to become a preferred business partner, an employer of choice and an innovative organisation. PGO wants to increase the competitiveness in relation to Western European manufacturers through innovative technologies, highly processed products, support for customers already at the product design stage and automated production processes.

"PGO Strategy for 2017-2020" provides for the implementation of two basic strategic objectives:

- using 70% of the maximum production capacity starting from 2020,
- effective production and sale of steel castings made of materials with increased parameters, which will respond to market expectations as to the active participation of manufacturers in reducing production costs, while meeting higher quality requirements and giving the option to use materials in extreme working conditions (e.g. low and high temperature, high static and dynamic load, high pressure, aggressive environment and substances). Once these expectations are met, the PGO Group will be able to enter new and promising downstream markets, reduce its staff demand and advance to the group of Europe's technological leaders, thus achieving the position of an innovative organisation and a preferred supplier.

In addition, one of the key changes enabling further actions aimed at achieving the assumed results will be the change of the current business model into the matrix model, which assumes product specialisation in segments and commercial specialisation in industries at the Group level.

As part of the adopted Strategy and its strategic objectives, the following operational objectives, undertakings and activities were carried out in 2017-2020:

- Pioma-Odlewnia Sp. z o.o. (currently the plant of PGO S.A.), a subsidiary, entered into the "Agreement for project funding under the Intelligent Development Operational Programme" with the National Centre for Research and Development, the subject of which is funding for the project entitled "Demonstration of technology for manufacturing innovative steel castings intended for use in extreme operating conditions". In 2020, the project implementation was delayed due to the epidemic situation. It was necessary to postpone the completion of stage III of development works by a quarter. This was sufficient to carry out all the necessary tests on the constructed demonstration line and to confirm the assumptions for the new technology. 89.3% of the project budget was completed at the end of 2020, which means settlement of 43 million PLN of eligible costs.
- Odlewnia Żeliwa "Śrem" S.A. (currently Odlewnia Żeliwa "Śrem" Sp. z o.o.) entered into the "Agreement for project funding under the Intelligent Development Operational Programme" with the National Centre for Research and Development, the subject of which is funding for the project entitled "Innovative technology using ATD for producing self-powering, high-quality cast iron for the production of new-generation castings with improved quality parameters". In 2020, as in the case of the project implemented in the plant in Piotrków, development works in Śrem were delayed in connection with the epidemic situation. It was impossible to install elements of the demonstration line in accordance with the original schedule. Therefore, it was decided to use the proposal of the National Centre for Research and Development, which assumed the possibility of extending the project implementation by 90 days, without the need to sign an annex to the agreement. 81% of eligible costs of the project were settled at the end of 2020, which means PLN 30 million.
- reorganisation of the Group was carried out, within which the ownership structure in the Group was rearranged, eliminating indirect levels of control between PGO S.A. and subsidiaries, the legal form of production subsidiaries was unified and many

processes were integrated within PGO S.A. (trade – front office, trademark management, finance, accounting, controlling, HR, wages), which resulted in an increase in operating efficiency (including increased sales and results).

- production companies Pioma-Odlewnia Sp. z o.o. and Kuźnia "Glinik" Sp. z o.o. were merged with PGO S.A., which was another element of the integration of processes at the PGO Group, including in the area of production processes, centralisation of purchases or financing of investments

The implemented R&D projects will also enable the introduction of production technologies in the future, reducing the material and energy consumption in processes, which should have a positive influence on the negative impact of the PGO Group's operations on the natural environment. In addition to improving efficiency, the Automation of production processes is also expected to improve working conditions and contribute to further reduction of our environmental impact.

As a result of the consolidation, PGO becomes a larger, stable and reliable entity that is the preferred business partner for large clients on the domestic, European and global markets.

The activities provided for in the PGO Strategy also include an area related to the development, implementation and constant improvement of the PGO Group's sustainable development policy. The fulfilment of this objective will emphasize the importance of PGO's commitment to corporate social responsibility that builds value for the company, its business environment, society and natural environment. The aim of this policy is to open our organisation to the needs of the internal and external environment, to highlight the importance of social dialogue and seeking opportunities for joint development.

The result of such actions is to strengthen the image of the PGO Group as:

- an environmentally conscious organisation,
- an organisation that supports the development of local communities through education, sports and culture,
- an organisation that supports regional economic growth. (G4-1, GRI 102-14)

To sum up the implementation of the "PGO Strategy for 2017-2020" it should be emphasised that when it comes to the main strategic objectives, in terms of obtaining technical competences by the Group in the area of manufacturing of products that meet higher quality parameters, the R&D projects in plants in Piotrków Trybunalski and Śremie were carried out in accordance with the adopted schedule, subject to delays in their completion related to the COVID-19 epidemic, resulting in the need to extend the project implementation period to 30.03.2021 (for Piotrków Trybunski) and 28.06.2021 (for Śrem). Thanks to the R&D projects, the Group will have appropriate technical and technological capabilities for the effective production of its castings using materials with improved parameters, in accordance with the assumptions of the Strategy. Due to the process of entering new markets and acquiring new clients and orders for innovative products, the effects of achieving this objective will be visible in subsequent periods of the PGO Group's operations.

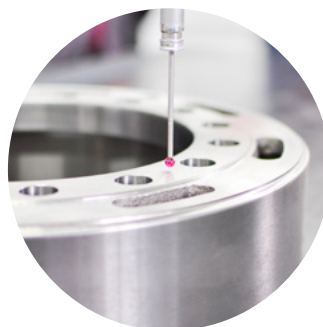
Reorganisation and integration activities undertaken in the Group were necessary for achieving the second strategic objective, which was to increase the maximum use of production capacity. Unfortunately, due to the economic effects of the COVID-19 epidemic, resulting mainly from administrative restrictions imposed by the governments of European countries to counteract the spread of epidemics, including a temporary lockdown also in the area of industrial production, the assumed level of using 70% of the production capacity was not achieved. The PGO Group faced the need to introduce limitations of production capacity and to optimise it to adapt to current market needs and sales possibilities. However, the changes introduced in the PGO Group as part of the strategy should allow in the future to significantly improve the utilisation of its production capacity, of course assuming an improvement of the overall economic situation and elimination of restrictions related to the epidemic.

Currently PGO S.A. is in the process of building a new Group Strategy for the next 5 years, i.e. 2021-2025, assuming consistent following of the directions set in the previous Strategy and fulfilment of the objectives that have become achievable thanks to effective implementation of previous assumptions. The main pillars of the strategic objectives for the Group for the next 5-year period are as follows:

Modern technologies,
innovative products



Continuous development
based on experience



Socially and environmentally
responsible activity



Reliable supplier and credible
business partner



Domestic production
on an international scale



COOPERATION

- We trust each other and form a harmonious team.
- We listen to and learn from others, taking into account each voice in discussion.
- After making a decision, we work together to achieve the goal.
- We are pleased with the success of our people, promoting them in the organisation.

FAITH

- We believe in achieving a common vision.
- We follow our system of values.
- We focus on the future.
- We believe that investment in education and development is the highest value for society.



OPENNESS

- We are loyal to one another, communicate openly and honestly.
- We respect diverse opinions.
- We are open to changes and innovations.
- We talk about our mistakes and learn from them.

RELIABILITY

- We always keep our word
- We are reliable and honest
- We observe fair play principles
- We meet our commitments

RESPONSIBILITY

- We make courageous and thoughtful decisions.
- We take responsibility for our and our team's decisions and actions.
- We demand an initiative from ourselves.
- We always act for the best interest of the company

(G4-56, GRI 102-16)

The PGO Group supports initiatives that shape desirable behaviours and business activities related to sustainable development. In its activities, the PGO Group strives to maintain a balance between the achievement of economic and financial objectives and the areas of its social and environmental impact by complying with the UN Objectives

Aspect Social



A total of 17 Sustainable Development Goals were defined and adopted at the 2015 United Nations Summit, setting the direction of changes for 2015- 2030. In 2010, the PGO Group pursued the following sustainable development goals:

- We make courageous and thoughtful decisions.
- We take responsibility for our and our team's decisions and actions.
- We demand initiative from ourselves.
- We always act for the best interest of the company.

Aspect Social, Employee



- Cooperation with technical schools to educate young people in the field of casting and forging.
- Cooperation with higher education institutions
- – co-creation of the “Engineering of casting processes and plastic forming” studies at the Silesian University of Technology.
- Support for the Mars Rover project, built by the Student Artificial Intelligence Association SKN AI-METH.
- Organisation of the annual competition “We shape, we paint” (Kształtujemy, malujemy) addressed to the youngest children of PGO Group employees.
- Organisation of an internship programme “We shape your future” addressed to students of last years and graduates of technical faculties.
- Funding for employees for language courses, higher and postgraduate studies.
- Organisation of soft and hard competence training for PGO Group employees.

Aspect Social



- Providing employees with access to the social benefits package.
- Additional life insurance.
- The “Welcome to the PGO Family” Programme addressed to the employees’ newborn children.
- Introduction of a programme for prevention of accidents at work.
- Use of TOL Analysis and the 5 Why method.

Aspect
Business activity



- Implementation by Odlewnia Żeliwa "Śrem" Sp. z o.o. the project "Innovative technology using ATD for producing self-powering, high-quality cast iron for the production of new-generation castings with improved quality parameters".
- Implementation by PGO S.A. Pioma-Odlewnia Plant in Piotrków Trybunalski of the project: "Demonstration of technology for manufacturing innovative steel castings intended for use in extreme operating conditions."

Aspect
Social, Employee



- The following policies were adopted and became effective: personal, human rights, anti-corruption, diversity, social and environmental policies.

Aspect
**Business activity,
Environment**



- The inclusion of sustainable development data in regular reports.
- Implementation of new, less material- and energy-consuming technologies.
- Automation of some production processes to reduce waste amount and shorten the production time.
- Implementation of projects co-financed from EU funds, thanks to which it will be possible to manufacture products less harmful to the environment while ensuring higher quality.

Aspect
Environment



- Holding the PN-EN ISO 9001 (Quality Management System) and PN-EN ISO 14001 (Environmental Management System) certificates.
- Operating in accordance with the precautionary principle – "for the benefit of the environment".
- Minimisation of process waste.
- Ensuring environmentally safe waste management by optimising the production process.
- Segregation, storage and transfer of waste for processing or disposal in specialised plants.
- Monitoring of dust and gas emissions into the air.

PGO in Macroeconomic Environment

The casting and forging are important industries supplying many sectors of the economy, including automotive, railway, power, petrochemical, maritime, defence, agricultural, aviation and medical sectors.

It could be said that there is basically no branch of modern industry in which PGO products could not be used to a greater or lesser extent.

Foundry industry

Selected applications of castings:



Automotive

Automotive – a very wide range of applications and a large variety of castings in both passenger cars and trucks, e.g. in engines, drive systems and chassis, as well as in bodies.



General engineering

In particular in the area of design and construction of machines of various types. In this area, innovative and technologically advanced castings are used in connection with the requirement to meet increasingly stringent requirements. The following sectors of the engineering industry can be mentioned in this area: construction and industrial fittings, drive systems, compressors and pumps, construction machinery, metallurgical and rolling machines, pumps, valves and hydraulic equipment, paper-making and printing machines, woodworking machines, food processing and packaging machines.



Agricultural machinery

A very important segment for clients of the foundry industry due to the essential nature of agriculture in many global economies. Castings can be used as wheels, hubs, brake drums, hydraulic components, drive units, etc.



Construction

Castings are mainly used in various types of operating installations in residential construction, such as pressure and drainage pipes, sewage castings, castings for radiators, boilers, cookers and stoves, or sanitary castings.



Electricity and electrical engineering

Cast elements can be found in many everyday products, e.g. coffee machines, washing machines, vacuum cleaners, etc., although they are usually not visible at first glance, they are necessary for the proper operation of said devices. Castings are also used in transformers, generators and electric motors.



Medical engineering

This area best demonstrates that castings also directly help people by being parts of devices that save health and life. The application of castings includes elements of computer tomography devices and scanners, elements of cast dentures, such as knee and hip joints, elements used in hospital infrastructure, e.g. nodes in hospital beds.



Steel industry

Steel production continues to be a heart rate monitor for economic development, as steel is supplied to the construction industry, as well as to automotive and mechanical engineering companies. One of the more technologically advanced castings are rollers for production lines to provide transport between the successive stages of the production process in steel mills around the world.



Power engineering

Castings are used in many areas of the energy industry, e.g. in pumps and valves for the oil and gas sector, as elements of offshore infrastructure, in wind turbine hubs and in wave structures of power installations.



Railway industry

Largely thanks to castings, the rail transport is one of the safest transport infrastructures. Castings in railway applications include engine blocks for electric motors and diesel engines, as well as components of chassis, brakes and carriage connection assemblies.



Mining industry

Castings are necessary for the mining industry and earthworks. Mining operations often require complex castings. Custom abrasion-resistant castings, parts of excavators, mining trucks and crushers meet the strict requirements of this important industry.



Art

Perhaps it is not an obvious area of application, but to this day the casting technique remains one of the forms used by artists to create their works such as monuments or statues, and often as modern applied art



Shipbuilding industry

Maritime transport of passengers and cargo involves castings, which are the basic element of ship engines and elements of control systems.



Aviation industry

Modern castings are used in turbines and jet engines, also in hulls, chassis and interior fittings

Global foundry industry

According to the data of The European Foundry Association (CAEF), an organisation gathering 23 national foundry associations from 22 European countries, iron, steel and malleable iron foundries in CAEF member countries produce about 12.3 million tonnes of castings per annum. The weight of manufactured castings increases by approx. 1.3% y/y. Six countries that dominate the industry in terms of weight,

namely Germany, Turkey, France Italy, Spain and Poland, are responsible for 84.6% of the production of ferrous castings.

Non-ferrous metal foundries in CAEF member countries record an increase in production by 5.1% and production volumes of approx. 4.5 million tonnes. Production represents 48.3% of the total volume in the countries that are dominant in the production of non-ferrous metal castings, namely in Germany and Italy.

..... ”

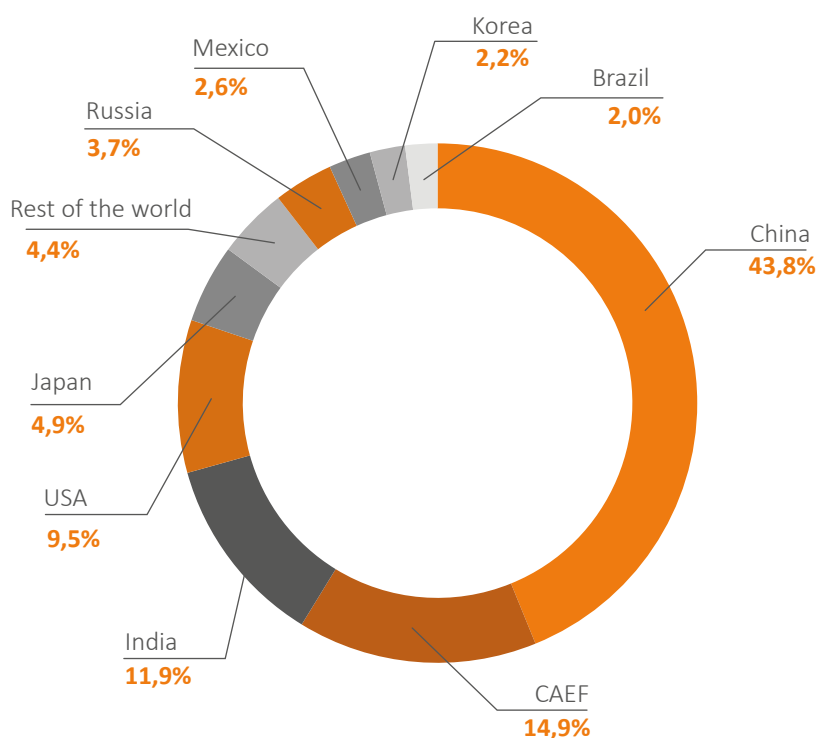
Implementation of the sustainable development policy, taking into consideration the needs of our employees, counterparties and shareholders, allows us to develop financial resources necessary for further growth. And this regularly increases the sense of security in the entire community in which we operate and which participates in building our organisation.

Lucjan Augustyn, Vice President of the Management Board for Finance, PGO S.A.

”



Structure of global casting production



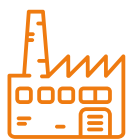
Source: data from the CAEF website at www.caef.eu/statistics.

The global volume of casting production, including light metals, reaches 112.7 million tonnes, of which 16.8 million tonnes are cast in the CAEF countries.



Source: data from the CAEF website at www.caef.eu/statistics.

Foundry industry in Europe in numbers



Number of foundries
– 4.7 thous.



Number of employees
– 290 thous.



Value of castings manufactured
in Europe – EUR 43 billion

Forging industry

Applications of forgings

Forgings are reliable and durable components, which are widely used in many industries thanks to the good material properties and high process repeatability during their production.

They are applied wherever reliability, service life and good mechanical properties are important. Selected applications of forgings:

Automotive



The strength, reliability and cost-effectiveness of forged parts make them perfect for applications in passenger cars and trucks where more than 250 different types of forgings can be found, mostly made of carbon or alloy steels. Forged pieces are often found in parts exposed to shocks and stresses, such as wheel spindles, king pins, ball pins, axle beams and shafts and torsion rods. Another common use are drive systems, featuring forged connecting rods, shafts and gears, differential gears, drive shafts, clutch hubs and universal joints.



Agricultural machinery

Strength, durability and savings are also important for agricultural tools. In addition to engine and gearbox components, forgings are crucial in components subject to stress, prone to impacts and fatigue. Their application ranges from gears, shafts, levers and spindles to the ends of rods, harrow teeth and cultivator shafts.



Construction and mining machinery

Thanks to very good technical parameters, in particular strength and reliability, and low costs, forged elements are used in construction, road and mining machinery. In addition to engine and transmission parts, forgings are used for gears, chain wheels, levers, shafts, spindles, ball joints, wheel hubs, rollers, yokes, axle beams, bearing holders and connectors.



Energy industry (including renewable sources)

Renewable energy sources such as wind energy, solar energy (heat, photovoltaic and concentrated), hydroelectric power, tidal energy, geothermal energy and biomass are the basic alternatives to fossil fuels. Their use decreases our greenhouse gas emissions, diversifies our energy supplies and reduces our dependence on unreliable and volatile fossil fuel markets (in particular oil and gas markets). Forged elements can be found in virtually every renewable energy device, in particular used as generator blades, bearing rings and many parts in drive systems of wind turbine generators.



Arms industry

Forged elements are found in broadly understood defence equipment, from trigger devices in rifles to nuclear submarine propeller shafts. Tanks and APCs can contain more than 550 and more than 250 forgings respectively.



Valves and fittings

In the case of valves and fittings, the mechanical properties of forgings and their lack of porosity are particularly suitable for high-pressure applications. Corrosion- and heat-resistant materials are used for flanges, valves and pins, tees, elbows, reducers, saddles and other fittings. In the oil industry, they are used as drilling equipment and high-pressure valves and fittings.



Industrial devices and machinery, equipment and tools

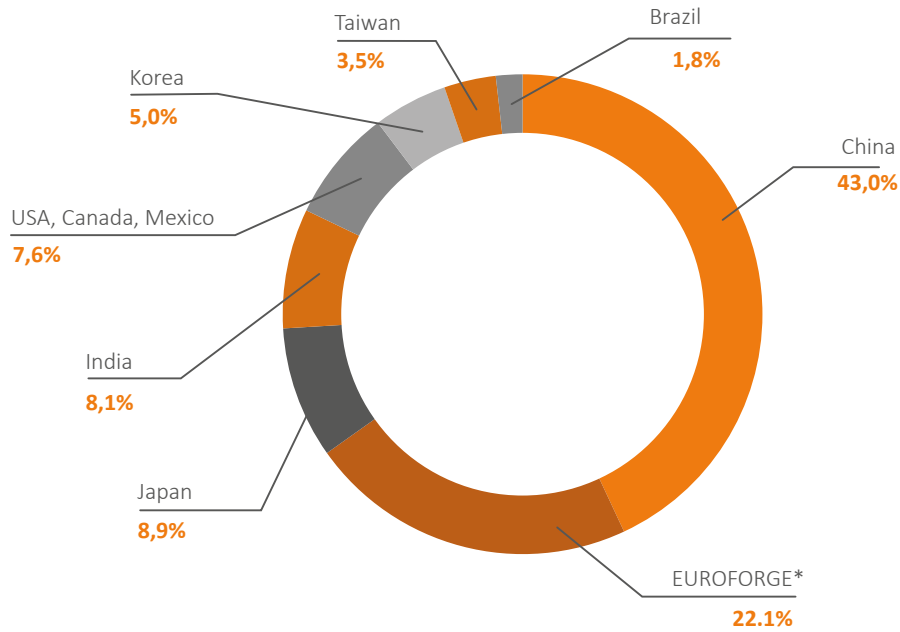
Industrial devices use forgings in material handling systems, conveyors, chain hoists and lift trucks. Outboard motors, motorcycles and electric saws are excellent examples of heavy use of forgings in smaller engines. "Forged" is a quality mark of hand tools and equipment such as pliers, hammers, wrenches and garden tools, as well as steel wire clips and attachments, hooks, tensioners and eyebolts. Strength, resistance to impacts and fatigue and excellent appearance are reasons why forgings have been the standard for quality for a long time. This also applies to surgical instruments.



Aviation

High strength-to-weight ratio and structural reliability improving aircraft performance, range and operational capabilities are features thanks to which ferrous and non-ferrous forgings are used in helicopters, aircraft, jets and supersonic military aircraft. Many aircraft are designed with multiple forgings and contain even more than 450 structural forgings and hundreds of forged engine parts. Forged parts include bulkheads, wing spars, hinges, engine mounts, brackets, beams, shafts, partitions, undercarriage cylinders and struts, wheels, brake brackets and discs, and stop hooks. In jet turbine engines, iron-based, nickel-based and cobalt-based super alloys are forged into blades, couplings, discs, manifolds, rings, chambers, wheels, and shafts- all requiring equal tensile and fracture strength, and also good plasticity at high temperatures.

Structure of global forging production



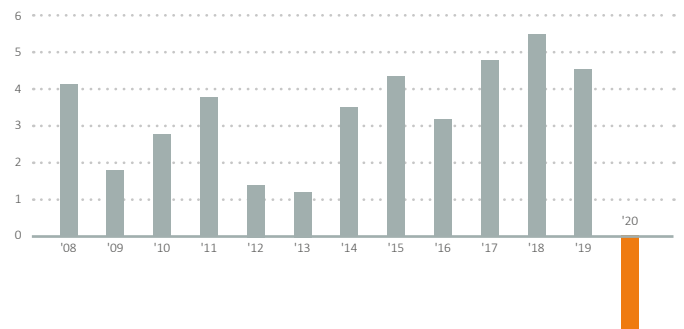
Source: own study based on data from EUROFORGE website www.euroforge.org

* EUROFORGE is an umbrella organisation of European national associations for the forging industry, associating 10 countries (Spain, France, the UK, Belgium, Germany, Italy, Czech Republic, Poland, Finland and Turkey). Source: own study based on data from EUROFORGE website www.euroforge.org

General Economic Situation

In 2020, the Polish economy was heavily influenced by the recession caused by the COVID-19 pandemic, similarly to other economies around the world. The pandemic affected the entire global economy, including the EU economy, particularly important for the PGO Group. The European Union's GDP for 2020 is estimated to fall by 7.4%. The economic disruption caused by administrative measures imposed as a result of the pandemic and the unprecedented decline in external demand contributed to ending almost three decades of uninterrupted GDP growth in Poland. According to preliminary data of the Central Statistical Office (GUS), in 2020 Poland's GDP was 2.8% lower than in 2019. In the years immediately preceding the COVID-19 pandemic, the average annual growth rate in Poland was 4.4% and was more than twice the EU average (2.1%). This was the effect of social and economic policy, effective use of EU funds, the stability of the financial sector and other factors.

Actual growth of Gross Domestic Product (GDP)



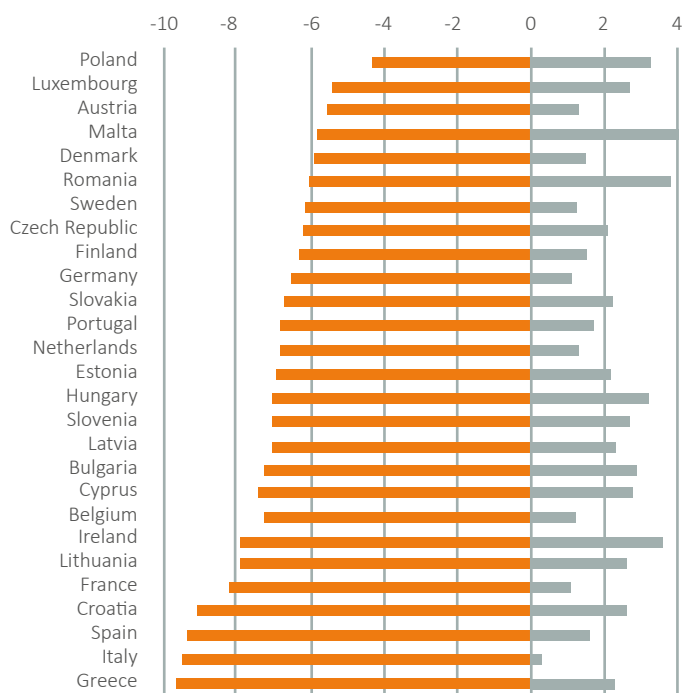
Source: data of GUS, PAP chart.

Economic forecasts for the EU

The European Commission forecasts that the GDP of the entire European

Union will decline by 7.4% in 2020

Data in perc. ● forecasts of May 2020 ● forecasts of February 2020

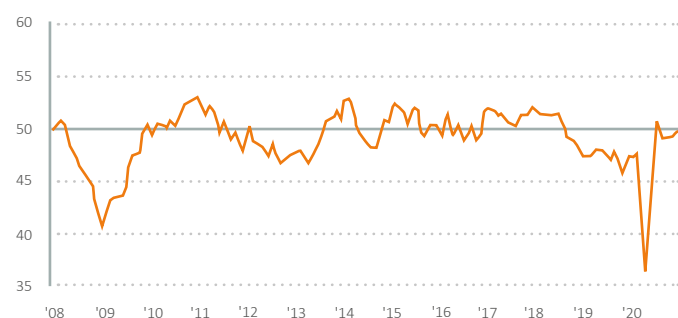


Source: European Commission, PAP chart

The PMI for the Polish industrial sector in 2020, after the sudden collapse caused by the COVID-19 pandemic, remained above the 50.0 point threshold between July and the end of the year, i.e. above the limit value adopted as neutral, and at the end of the year it was 51.7 points. This signalled a gradual improvement in economic conditions in the Polish manufacturing sector, after the lifting of most restrictions on economic activity introduced to counteract the spread of the COVID-19 pandemic. At the end of 2020, the forecasts of Polish manufacturers regarding the next year improved considerably, which was caused by the hopes for economic recovery once the pandemic is under control.

PMI – Industrial sector

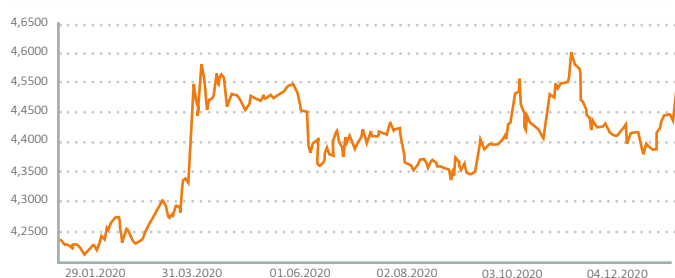
seasonally adjusted index, 50= improvement compared to the previous month



Source: IHS Markit.

The fluctuations in currencies are of great importance for the PGO Group due to the significant share of export sales in revenue. In 2020 the EUR exchange rate recorded a significant increase, which was mainly caused by the COVID-19 pandemic and the resulting economic recession. At the same time further depreciation of PLN against EUR is forecast, even to the level of 4.40-4.50 PLN/EUR. In order to counteract the currency risk, the PGO Group uses financial derivatives and bank loans in foreign currencies.

EUR FX



Source: Business Insider Polska.

In 2021 the economic situation will also be strongly associated with the state of the COVID-19 epidemic. Much will depend on the rate and volume of vaccinations and their effectiveness in extinguishing the virus. Only the complete cancellation of administrative restrictions related to the epidemic will allow companies to gradually return to the normal operation, and thus to the level of sales from before the pandemic. The return of economic growth in Poland is forecast for 2021, although according to the European Commission, it is unlikely to reach the level of 2019. Our operations in 2021 will focus primarily on flexible adaptation to the needs of the market so as to use its production capacity and maximise sales revenues.

The PMI for the Polish industrial sector in 2019 remained below the threshold of 50.0 points, i.e. below the limit value adopted as neutral, and at the end of the year it was 48.0 points. In the last month of 2019, the index bounced back from a record low value in November (46.7 points), but regardless the measurement in December was the fourth weakest in the history of survey. Poor forecasts were mainly associated with concerns about economic slowdown and "Brexit". Polish industry underwent the longest period of economic slowdown in the history of PMI surveys. Also on the German market, which is particularly important for the sales of the PGO Group, the PMI for economic situation in the industrial sector remained below the neutral threshold throughout 2019.

The fluctuations in currencies are of great importance for the PGO Group due to the significant share of export sales in revenue. In 2019 the EUR exchange rate was characterised by relatively high volatility, leading to temporary strengthening and weakening of PLN, which made it difficult to assess the values of export orders and introduced uncertainty as to the future cash flows. In order to counteract the currency risk, the PGO Group uses financial derivatives and bank loans in foreign currencies.

A particular problem in the coming years for the business activity conducted by the PGO Group will be the prices of energy carriers and the growing costs of transport due to the nature of this activity, which involves high energy and material consumption. Therefore, it will be necessary to continue measures aimed at introducing solutions aimed at reducing energy and material consumption in production processes, which should result not only in improving financial results, but also in reducing adverse environmental impact.

Implementation of our Group's development plans and future financial results will heavily depend on macroeconomic factors, including unpredictable events, strongly affecting the global economy (coronavirus epidemic) and independent of the PGO Group's operations. The most important among them include the inflation rate, the general condition of the Polish economy and legislative changes, also in regulations on broadly understood ecology. In the following years, changes in environmental law regulations will have an increasing impact on the business activity and its costs.

A circular graphic with a warm, orange-toned background. It features silhouettes of three business professionals in a modern office setting, looking out a large window at a city skyline at night. In the foreground, a wooden desk holds a laptop, a tablet, and some papers. The overall mood is professional and sophisticated.

CORPORATE GOVERNANCE

Organisational Governance

By organisational governance we understand the management of the organisation and supervision over its entire operation based on the highest corporate standards and applicable law. As PGO, we pursue an information policy on the basis of open and transparent communication. In doing so, we comply with the information confidentiality and security requirements of the entity whose shares are listed on the Warsaw Stock Exchange.

PGO applies the corporate governance recommendations and principles from "Good Practices of Companies Listed on Warsaw Stock Exchange 2016" based on best market practices. The scope of application of these principles is included in the information published by PGO on its website. In addition, the corporate governance also features internal codes and policies adopted by PGO, which govern the conduct in key areas of the company's operations and support the corporate risk management process. Key documents in this respect include: PGO Group Code of Ethics, PGO Group Diversity Policy, PGO Group Social and Sponsorship Policy, PGO Group Personnel Policy, PGO Group Human Rights Policy, PGO Group Anti-Corruption Policy, PGO Group Environmental Policy. The assumption of our corporate policy is to build lasting, trust-based relationships with stakeholders, including: employees, suppliers, partners and investors.

In 2020 we did not record any violations of the principles adopted in our organisation, both in the area of capital and other areas of our activity subject to the regulations of the adopted policies.

The organisational structure and principles of legal operation of PGO S.A. are set in the Organisational Regulations, which introduce the basic principle that the Company operates in accordance with the law, principle of ethics and good practices, guided by the economic interest of the Company and its shareholders. The Regulations impose on directors and managers the obligation to know the applicable provisions of law and internal normative acts to the extent concerning the subordinate area and impose on them the responsibility for controlling the performance of tasks of subordinate employees, also in terms of their compliance with the said regulations

Management and supervisory bodies

Management Board

As at 31.12.2020, the Management Board of PGO S.A. was composed of: **(G4-38, GRI 102-22)**

- Łukasz Petrus – President of the Management Board
- Lucjan Augustyn – Vice-President of the Management Board
- Andrzej Bulanowski – Vice-President of the Management Board

The current three-year term of the Management Board began on 25.06.2020. Members of the Management Board of PGO S.A. also act as members of the Management Board in subsidiary Odlewnia Żeliwa "Śrem" Sp. z o.o., and as members of the body representing the general partner – PGO S.A. – they have the right of representation in subsidiary joint stock partnership PGO Spółka Akcyjna Estate S.K.A. Moreover, the President of the Management Board of PGO S.A. also acts as the President of the one-person Management Board of subsidiary PGO Finance Sp. z o.o. (formerly PGO Spółka Akcyjna S.K.A.) **(G4-41, GRI 102-25)** The President of the Management Board does not hold the position of managing director. **(G4-39, GRI 102-23)**

Members of the Management Board are appointed and dismissed by the Supervisory Board for a joint term of three years.

The PGO Group follows the principles of equal treatment and counteracting all forms of discrimination, while diversity and openness are values underlying the Group's business activity as well as its hiring policy.

With regard to PGO authorities, the criteria guiding the bodies that appoint them are, above all, good skills, professionalism, knowledge and professional competences of candidates, ensuring the employment of individuals with the highest possible qualifications. Appointing members of the Management Board or the Supervisory Board to ensure the versatility and diversity of these bodies in terms of gender, age and education, may not be detrimental to the qualifications of their members, and thus adversely affect the management of the Company. Information on the participation of women and men in the Management Board and the Supervisory Board of PGO S.A. is also published on the Company's website. **(G4-40, GRI 102-24)**

The PGO Group adopted the "PGO Group Anti-Corruption Policy" and "PGO Group Code of Ethics", which govern the rules regarding the conduct of employees in a conflict of interest and ethical principles adhered to by the Company and its employees.

The "PGO Group Code of Ethics" obliges employees to comply with the highest ethical standards, and each action taken by PGO Group employees is considered in terms of its ethical aspect and compliance with the policies adopted at the organisation. The "PGO Group Anti-Corruption Policy" defines a conflict of interest that occurs when an employee has personal or financial ties or other types of interests that may have an actual impact or be perceived as having an impact on decisions or actions that do not serve the interests of the PGO Group, or when an employee takes advantage of their position in the Group for personal gain. The PGO Group expects all its employees, associates and representatives to disclose any conflicts of interest to their immediate supervisors and take actions to eliminate any personal conflicts of interest before proceeding with a given matter. All conflicts of interest must be disclosed, regardless of whether the employee thinks they are important, as they may be perceived as influencing the decisions or actions made by other employees or third parties. As a rule, when adopting resolutions, a member of the Management Board cannot abstain from voting. However, a member of the Management Board should refrain from voting and may request that this fact be entered in the minutes in the case of personal matters relating to this member of the Management Board, their spouse, relatives or affinities up to the second degree, as well as in any other case of a possible conflict of interest. **(G4-41, GRI 102-25)**

Supervisory Board

As at 31.12.2020, the Supervisory Board was composed of: **(G4-38, GRI 102-22)**

- Tomasz Domogała – Chairman of the Supervisory Board
- Czesław Kisiel – Vice-Chairman of the Supervisory Board
- Magdalena Zajączkowska-Ejsymont – Member of the Supervisory Board
- Jacek Leonkiewicz – Member of the Supervisory Board
- Dorota Wyjadłowska – Member of the Supervisory Board
- Tomasz Kruk – Member of the Supervisory Board

The current two-year term of the Supervisory Board began on 26.06.2020.

The Supervisory Board consists of five or more members appointed for a joint term of two years. Members of the Supervisory Board are appointed and dismissed by the General

Meeting. Each member of the Supervisory Board may be dismissed at any time by the General Meeting.

The Supervisory Board constantly supervises the Company's operations. As per the submitted statements, Tomasz Kruk and Dorota Wyjadłowska meet the independence criterion in relation to the Company specified in Art. 129(3) of the Act of 11 May 2017 on statutory auditors, audit firms and public oversight (Dz.U. of 2017, item 1089, as amended).

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Three committees operate within the Supervisory Board: Audit Committee, Nomination and Remuneration Committee, Strategy and Investment Committee. They have an auxiliary function in the preparation of assessments, opinions, positions and decisions made by the Supervisory Board. **(G4-40, GRI 102-24)**

Audit Committee — is an advisory and opinion-forming body acting collegiately within the structure of the Supervisory Board, supporting the activities of the Supervisory Board, in particular by presenting recommendations, motions, opinions and reports to the Supervisory Board. The task of the Audit Committee is to advise on the financial reporting process, the risk management process and the auditing financial statements.

In 2020 the Audit Committee consisted of:

- Tomasz Kruk – Chairman of the Audit Committee
- Magdalena Zajączkowska-Ejsymont – Vice-Chairman of the Audit Committee
- Dorota Wyjadłowska – Secretary of the Audit Committee

Most Members of the Audit Committee, including its Chairman, meet the independence criteria specified in Art.

129(3) of the Act of 11 May 2017 on statutory auditors, audit firms and public oversight (Dz.U. of 2017, item 1089, as amended). In addition, at least one Member of the Audit Committee has knowledge and skills in accounting or auditing financial statements and at least one Member of the Audit

Committee has knowledge and skills in the industry in which the Company operates or individual Members have knowledge and skills in this industry to a certain extent.

As per the submitted statements, among the Members of the Audit Committee, the statutory independence criterion is met by Dorota Wyjadłowska and Tomasz Kruk. Knowledge and skills in accounting or auditing financial statements are possessed by Dorota Wyjadłowska, Magdalena Zajązkowska-Ejsymont and Tomasz Kruk, while Tomasz Kruk and Magdalena Zajązkowska-Ejsymont have knowledge and skills in the industry in which PGO operates.

Nomination and Remuneration Committee – is a consulting and advisory body supporting the Supervisory Board, in particular by presenting recommendations, conclusions, motions, opinions and reports to the Supervisory Board. The task of the Nomination and Remuneration Committee is to support the Supervisory Board in particular in:

- control and supervision over the payroll system, including the monitoring of the payroll and bonus policy of key management;
- supervising the policy of variable components of salaries of key management;
- appointing members of the Management Board.

In 2020 the Nomination and Remuneration Committee consisted of:

- Magdalena Zajązkowska-Ejsymont – Chairperson of the Nomination and Remuneration Committee
- Czesław Kisiel – member of the Nomination and Remuneration Committee
- Jacek Leonkiewicz – member of the Nomination and Remuneration Committee

Strategy and Investment Committee – is a consulting and advisory body supporting the Supervisory Board, in particular by presenting recommendations, conclusions, motions, opinions and reports to the Supervisory Board. The task of the Strategy and Investment Committee is to support the Supervisory Board in particular in: opiniowanie rekomendowanej przez Zarząd strategii Spółki i Grupy Kapitałowej;

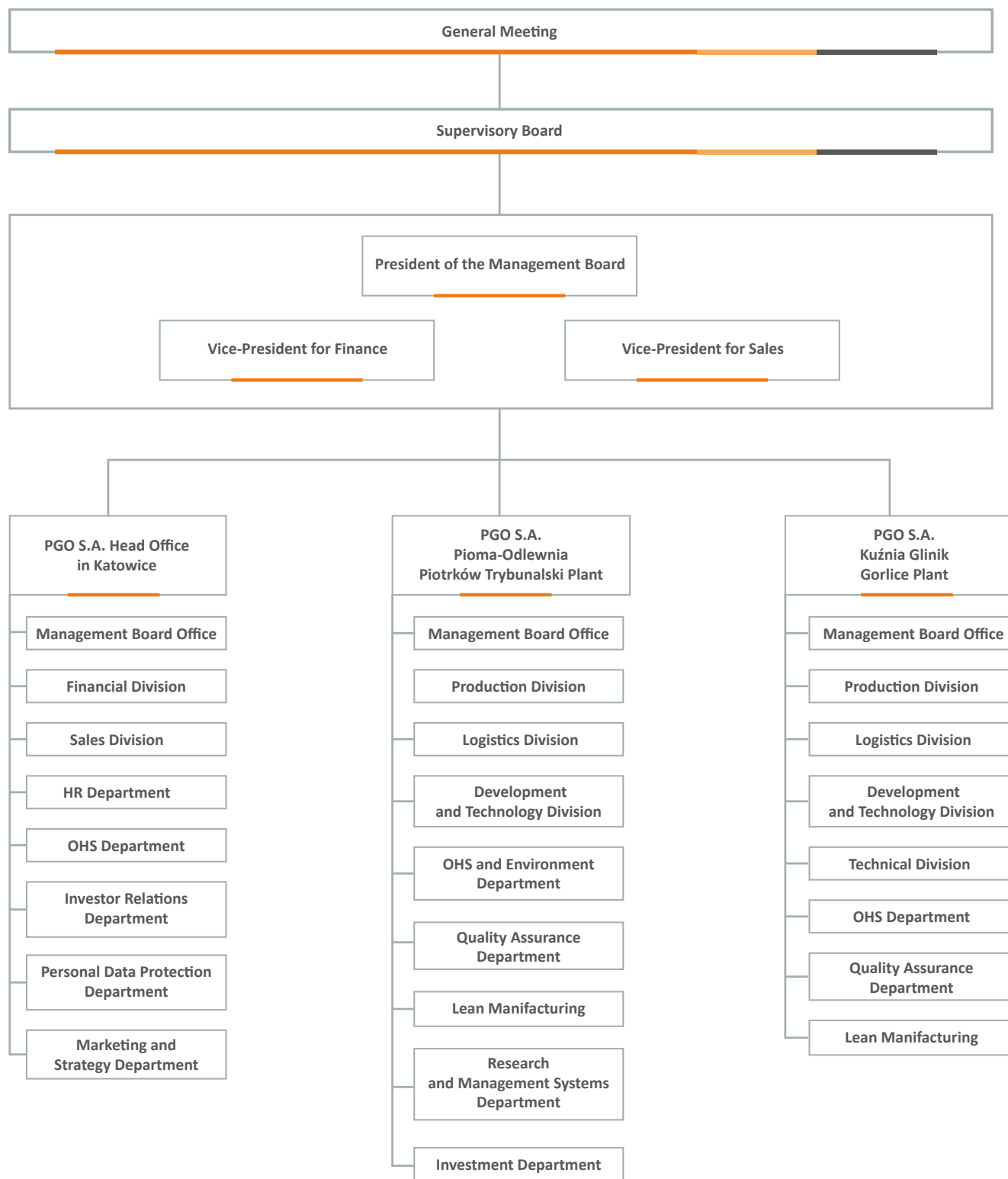
- giving opinions on the strategy of the Company and the Group recommended by the Management Board;
- giving opinions on strategic projects recommended by the Management Board in relation to the development of the Company and the Group;
- monitoring the execution and effects of the strategy, strategic projects, investments and divestments done

by the Company and the Group, which have a significant impact on the assets or operating activities

In 2020 the Strategy and Investment Committee consisted of:

- Magdalena Zajązkowska-Ejsymont – Chairperson of the Strategy and Investment Committee
- Czesław Kisiel – member of the Strategy and Investment Committee
- Jacek Leonkiewicz – member of the Strategy and Investment Committee

Organisational structure of PGO S.A.



(G4-34, GRI 102-18)

Risk Management at the PGO Group

Because we operate in the international market, the risk of an uncertain macroeconomic situation is of importance to us, including increasing competition, price pressure and demand dynamic, on which we have limited influence.

Our economic situation is also influenced by such risk factors as: change in prices of raw materials and energy carriers, currency risk, legal risk, risks related to financial liquidity, HR problems related to difficulties in providing employees with appropriate qualifications.

The most important risk factor in both 2020 and the next year is the COVID-19 coronavirus epidemic, which has a major impact on the socio-economic situation and activities of PGO S.A. and the PGO Group. COVID-19 coronavirus epidemic is called the “black swan” of the economy, i.e. an event whose probability of occurrence is small, but the scale of impact is huge.

In order to control and limit the risks to the activities of PGO S.A. and PGO Group, a continuous analysis of the business environment is carried out, allowing to react on an ongoing basis to the changing economic environment and adjust the organisation so that it can effectively and efficiently conduct its business activity.

The internal control system and the risk management system used by PGO is primarily based on the division of competences regarding key economic decisions and their verification by the Management Board and, in the case of strategic decisions, approval by the Supervisory Board. The Issuer's Management Board performs control activities on an ongoing basis, in particular:

- the analysis of materials concerning the Group's current activity covering all areas of its operation,
- financial control of activity in terms of purposefulness and rationality,
- obtaining detailed explanations from managers and employees,
- monitoring the budget implementation and financial reporting,
- reviewing on an ongoing basis the changes in the regulations on the Group's activity to appropriately apply them and reduce the legal risk of business.

The PGO Group strives to mitigate the operational and economic risks by diversifying production to the extent of:

- products (iron castings, steel castings, open die forgings, closed die forgings),
- industries (actions aimed at limiting the share of particular industries in the PGO portfolio at the level not exceeding 30%),
- geographic issues.

Regarding the mitigation of risk of access to properly qualified personnel, the PGO Group takes a number of actions:

- strengthening the desired image, including through Employer Branding activities,
- cooperation with vocational and secondary schools and universities/schools of higher education,
- participation in career fairs and HR events;
- hiring foreigners;
- permanent external and internal recruitment efforts;
- automation of processes.

Risks related to the ongoing COVID-19 epidemic are particularly difficult to control and minimize due to their nature and global reach. Despite this, the PGO Group takes all available actions aimed at maximising the negative effects of epidemics regarding organisation as well as marketing and sales.

Equally important are the risks related to the operation of production plants in the Group, in particular resulting from the nature of its activity and its impact on the environment, including the possibility of major failures. In order to control and reduce the risks associated with the operations of plants, control activities are carried out and solutions are gradually introduced to make improvements in the environmental impact of our plants.

The Organisational Regulations impose on directors and managers the obligation to know the applicable provisions of law and internal normative acts to the extent concerning the subordinate area and impose on them the responsibility for controlling the performance of tasks of subordinate employees, also in terms of their compliance with the said regulations. As part of the control exercised, the directors and managers do the following as part of supervision over entrusted organisational units:

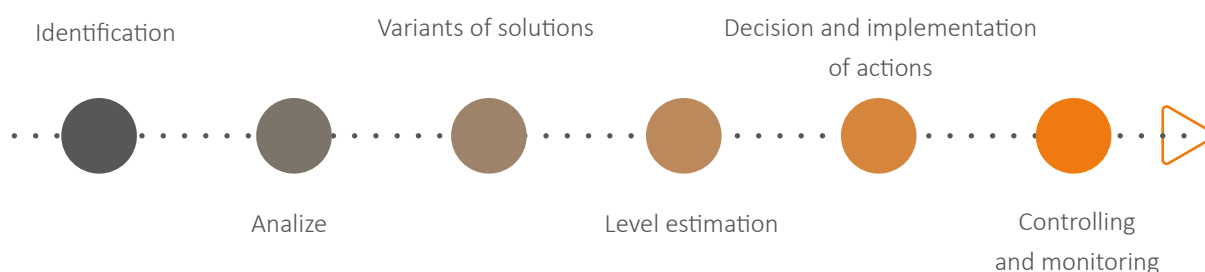
- determining the current state,
- establishing the actual state of affairs,
- verification and collection of existing irregularities,
- preparing a plan to implement corrective actions aimed at removing any irregularities and indication of the measures to be implemented in order to achieve the expected result,
- performing actions to prevent irregularities in the future.

The tool used by the PGO Group in the current operations is a several-stage risk management process in which we identify and assess risk, determine appropriate response methods, monitor the effectiveness of the actions taken and their

effects. The risk management process consists of the following:

- risk identification (cause, type of risk, consequences of risk),
- risk analysis (probability of occurrence, consequences and effects),
- variants of solutions, including the analysis of financial expenditures,
- assessment of the risk level,
- making decisions and actions concerning risks,
- control and monitoring of actions taken.

At the same time, it should be noted that a risk is understood as an uncertain event, which does not always mean a threat. We also identify potential opportunities – in this case our actions are aimed at increasing the possibility of their occurrence.



The risk management process is consistent with the following scheme:

At the PGO Group, we identify the possibility of risk occurrence at the stage of planning new undertakings and during the implementation of projects. Therefore, we analyse:

- strategic risks related to the development of the company, where the following are taken into account:
 - legal regulations,
 - international regulations
 - market policy,
 - planned changes in the applicable regulations,
 - forecasts of costs and time of task completion
- process (operational) risks related to current operations, which may affect the environment or lead to possible damage, also with delay. **(G4-45, GRI 102-29) (G4-46, GRI 102-30)**

The Management Board of PGO S.A. performs its duties collectively. Members of the Management Board are jointly and severally responsible for the results achieved by the Company. Therefore, the Company does not have and does not publish a scheme of division of tasks and responsibilities between individual members of the Management Board. The rules of operation of the Management Board are specified in

the "Regulations of the Management Board of PGO S.A." available on the Company's website.

PGO SA does not have in its organisational structure a separate unit responsible for risk management, internal audit and compliance. According to the Company's Organisational Regulations, internal control means a set of methods used systematically to prevent occurrence of violations of applicable provisions of law, internal regulations, mismanagement and ongoing removal of irregularities. Internal control is exercised by directors and managers as part of supervision over entrusted organisational units. Moreover, internal control may also be exercised by a team of auditors who are employees of the Company appointed by the Management Board.

The Management Board performs an annual economic, environmental and social review, as well as review of risks and opportunities of the PGO Group during the preparation of the financial statements, report on activities and the non-financial data report. In addition, all material aspects of the Group's operations that may have a significant impact on the above-mentioned aspects are analysed on an ongoing basis **(G4-47, GRI 102-31)**

Due to the nature of business activity conducted by the PGO Group, the most important risk factors (opportunities and threats) include **(G4-2, 102-15)**:

No.	Identified event	Methods of response in the case of materialisation
1	Risk of shortage of properly qualified employees	<p>Our HR activities cover the broadly understood Employer Branding. We invest in potential employees by organising internships and funding scholarships. After completing the internship, selected individuals may be offered a job in the Group's structures. This type of solution allows us to acquire future employees with appropriate qualifications.</p> <p>A separate action eliminating possible staff shortages in the production area is automation and robotisation of manufacturing processes.</p>
2	Risk of negative environmental impact	<p>The Group's activity is carried out in accordance with the applicable provisions of law. The Group has an Integrated Quality and Environment Management System compliant with the requirements of ISO 14001 and ISO 9001. Procedures and objectives indicated within ISO procedures minimise the probability of risk occurrence.</p> <p>In addition, the Management Board decided to conduct independent environmental audits in the Group's Plants, thanks to which we can respond on an ongoing basis to possible irregularities.</p>
3	Delivery of low-quality products to Clients	<p>Batch materials have a great impact on the quality of the Group's products. Therefore, we require suppliers to present appropriate attestations and safety data sheets confirming that a given material meets our criteria. In addition, after delivery, the quality of the material is verified by the Quality Department in terms of meeting the requirements each time specified in the order.</p> <p>Our production processes are subject to strict and multi-stage quality inspections at various stages. Thanks to this, we provide our clients with products of the desired quality.</p>
4	Risk of employee accidents	<p>Throughout the PGO Group, we follow the assumptions of the implemented OHS Improvement Programme aimed at preventing accidents. The programme enables early identification of potential accident situations. It also includes employee training in threat detection and once a week, a "safety quarter" is organised to consolidate the rules of safe work in the Group.</p>
5	Reputation risk related to suspected corruption and bribery	<p>The PGO Group is aware that any suspicion of corruption may have a negative impact on the Group's image and good name. Therefore, in 2017, the Group implemented an anti-corruption policy that clearly defines potential corruption behaviours and guides the employees on how to proceed in such situations. In the reporting period, we did not record any cases of corruption in the companies of the PGO Group, which confirms the effectiveness of our measures in this respect.</p>
6	Market competition causing significant pressure to cut prices	<p>Comprehensiveness of services from design to laboratory tests and finishing allows us to provide our clients with final products, i.e. products ready for installation. The R&D research will enable us to extend our range by adding innovative castings, with unprecedented strength properties, which will be used in industries where we currently have low share in sales.</p> <p>Thanks to this, we can reach industries not available to us so far, by offering products with new, considerably improved parameters.</p>
7	The development of the economic situation and the pace of economic growth in the country and on foreign markets	<p>Continuous analysis of trends in the macro and microeconomic environment, adaptation of the trading strategy to dynamically changing conditions, expansion into new foreign markets: these activities allow us to effectively operate in the international economic system.</p> <p>However, this does not mean that in the face of a general slowdown in economic growth in the country and in European markets, we do not maintain an appropriate caution when planning our financial results.</p>

8	Increase in energy and raw material prices	<p>Our actions in the face of the increases in energy and raw material prices include: price negotiations and concluding favourable, long-term contracts with possible renegotiations. The Group policy also employs the mechanism for product price changes in case of significant and lasting changes in prices of electricity and gas. We also invest in installations for reducing material consumption and energy consumption in production, e.g. secondary metallurgy line or a moulding sand regeneration station.</p> <p>Thanks to this, we can adjust the costs of manufacturing products to a certain extent.</p>
9	Possible failure	<p>Daily technical inspection of machinery and devices carried out by their operators, regular maintenance and renovation of machines and devices, ongoing repairs carried out by the Maintenance Department and investments in the modernisation of the machine facilities. This is our response to the risk of downtime caused by a failure.</p>
10	The occurrence of a global threat in the form of the COVID-19 pandemic and its social and economic consequences	<p>Due to the ongoing global COVID-19 pandemic, PGO takes measures to reduce the spread of the virus and as much as possible ensure the safety of employees while enabling uninterrupted operation of plants.</p> <p>First of all, it is important to take care of the safety and health of employees, hence decisions were made, among others, to cancel many meetings (and replace them with teleconferences), restrict the access for counterparties (mainly suppliers) to the premises of plants and secure an appropriate amount of disinfectants.</p> <p>It is also planned to introduce other forms of activity promotion, such as publications and wider use of social media instead of participation in cancelled or postponed trade fairs.</p> <p>The risk of loss of financial liquidity taking into account the effects related to COVID-19 is limited by consistent application of the financing policy based on conservative financial covenants and relatively low debt of the Group.</p> <p>In connection with the global lockdown and "freezing of the economy" resulting in the suspension and reduction of orders from clients, the PGO Group takes actions mainly in the marketing, sales and production areas, focused on minimising negative effects of the situation, e.g. by limiting and adjusting production capacity to current needs and sales opportunities.</p>
11	Launch of innovative technology	<p>To strengthen its market position, the Group conducts a number of R&D works that can result in new technologies and thus also new products delivered to new industries and clients.</p> <p>For the purposes of key development works, the Group obtained external funding in the form of subsidies from the ERDF, which significantly increases the chance of completing projects successfully.</p>

Innovation

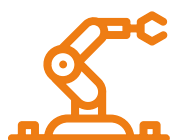
At PGO we define the concept of innovation based on Joseph Schumpeter's classical theory of supply. Innovation was defined by J. Schumpeter as fundamental or radical changes in the production and distribution of goods. So the following can be an innovation:



Introduction
of a new product



Product quality
improvement



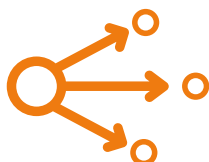
Development
and implementation
of modern technologies



Introduction of a new
production method



Use of new raw
materials



Finding and developing
new markets

Since 2017, we have been continuing to implement two R&D projects aimed at developing new technologies for the production of steel and iron castings. Thanks to the solutions obtained, we will be able to produce iron and steel castings with increased quality and strength parameters, which in turn will allow us to find and develop new markets.

All Plants in our Group have R&D units. This allows us to plan and coordinate all innovation-related activities. In addition to performing independent research works, the R&D units are responsible for planning and proper implementation of co-financed projects. Thanks to specialists employed in these departments, our projects are "in good hands" from the stage of preparing applications for co-financing and selection procedures to smooth implementation, both in technical and

procedural aspects. These departments are also a stimulus for establishing and expanding cooperation with scientific units.

The effect of R&D works carried out in 2019 are numerous projects that improve and expand our activity. Most of them are aimed at meeting the expectations of our current and potential clients and the desire to build a leading position in our industries. Due to the increasing scale of R&D activity, the Group has implemented procedures to benefit from the R&D tax relief available to entrepreneurs.

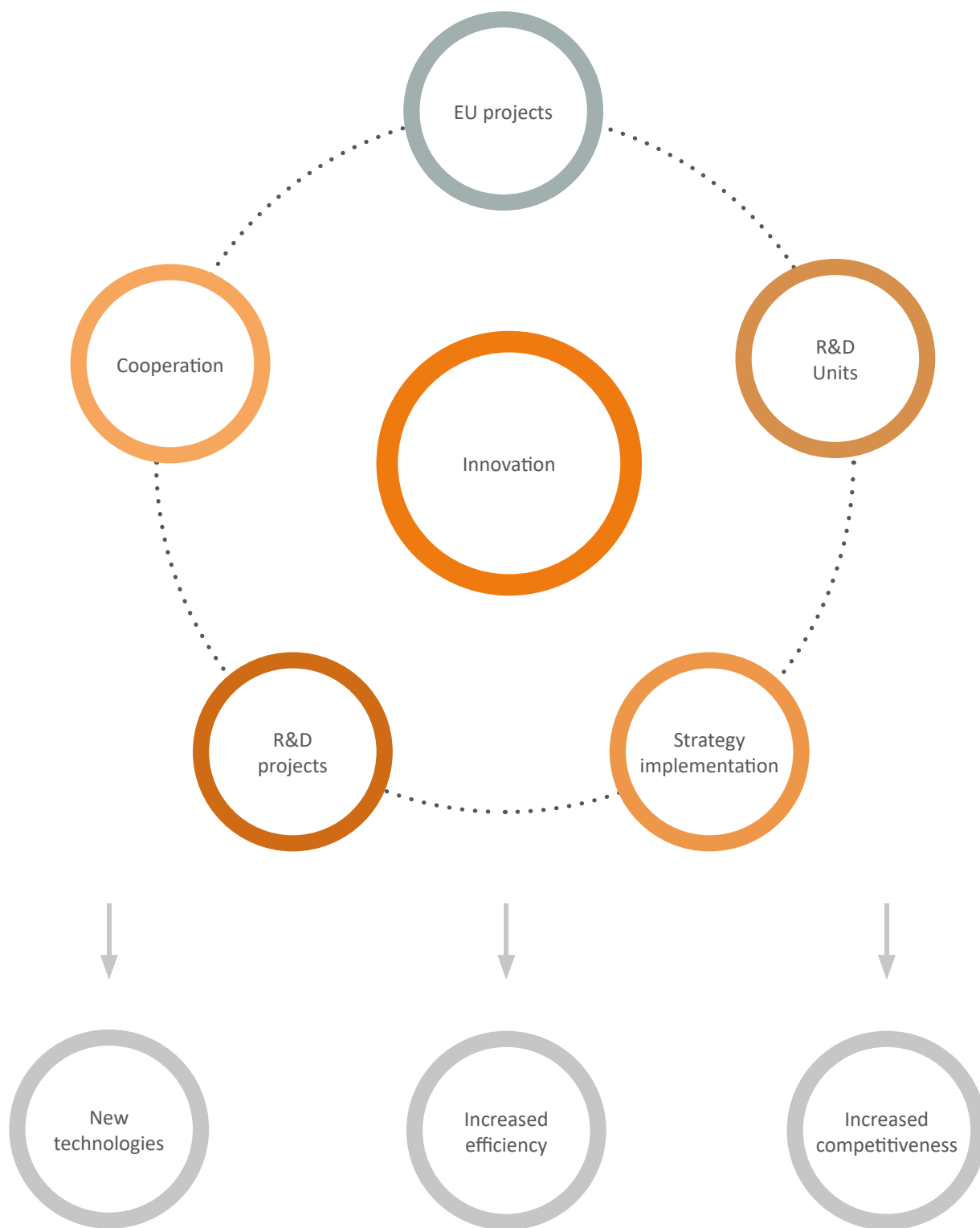


Klub Polskich
Laboratoriów
Badawczych
POLLAB



ZWIĄZEK
KUŹNI
POLSKICH

PGO S.A. Pioma-Odlewnia Piotrków Trybunalski Plant and Odlewnia Żeliwa "Śrem" Sp. z o.o. are members of the Polish Foundrymen's Association. PGO S.A. Kuźnia Glinik, Gorlice Plant, is a full member of the Polish Forging Association. PGO S.A. Pioma-Odlewnia Piotrków Trybunalski Plant, is a full member of the Polish Research Laboratories Club POLLAB (G4-16, GRI 102-13).



In the PGO Group, we implement research and development projects co-financed by the European Union from the European Regional Development Fund under the Intelligent Development Operational Programme 2014-2020.

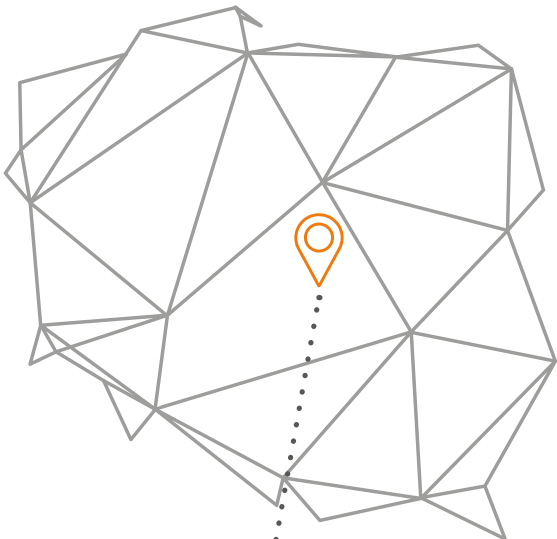
We allocate funds provided through the National Centre for Research and Development to develop innovative technologies. Thanks to this, we can introduce unique solutions to commercial activity and even better respond to the growing needs of our business partners.

Funded Projects

Implementation of projects financed under the Intelligent Development Operational Programme 2014-2020

"Demonstration of technology for manufacturing innovative steel castings intended for use in extreme operating conditions."

Project implementation site



PGO S.A. Pioma-Odlewnia
Piotrków Trybunalski Plant

The goal of the project is to develop technology that enables:

production of low- and high-alloy steels with improved strength and impact parameters

the production of super alloys based on nickel as well as new grades of high-alloy cast steel with nitrogen, duplex and superduplex type

achieving high purity metals with secondary metallurgy (AOD converter).

Features of new products:

Unique product features are primarily greater strength and impact resistance in extreme conditions, such as:



temperature below -60° C,



high pressure at depths below 3000 m,



very harsh environments, e.g. with high salinisation,



installations with extremely aggressive media (e.g. acid, crude oil, high pressure steam).

Application

Products manufactured using this technology can be used in:



modern power engineering



railway transport



in offshore windenergy



industrial fittings

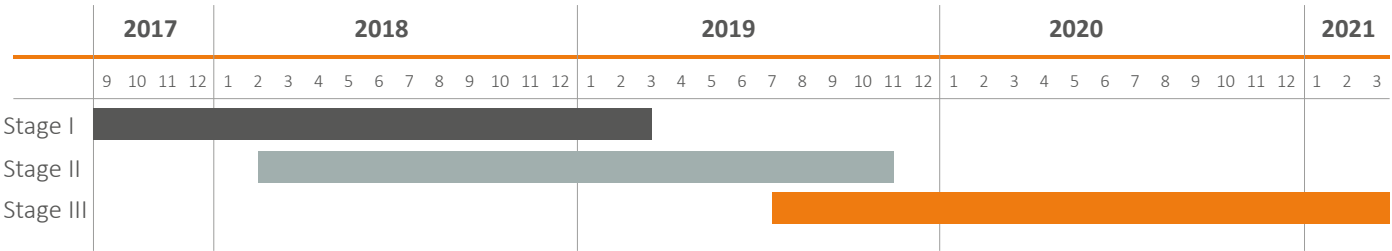


mining works in the Oil&Gas segment

Project implementation schedule

In 2020, the project implementation was delayed due to the epidemic situation. It was decided to use the NCBR proposal allowing to postpone the completion of stage III of development works by 90 days, without the need to sign an annex to the

funding agreement. This was sufficient to carry out all the necessary tests on the constructed demonstration line and to confirm the assumptions for the new technology.



The project implementation is planned for 2017-2020.

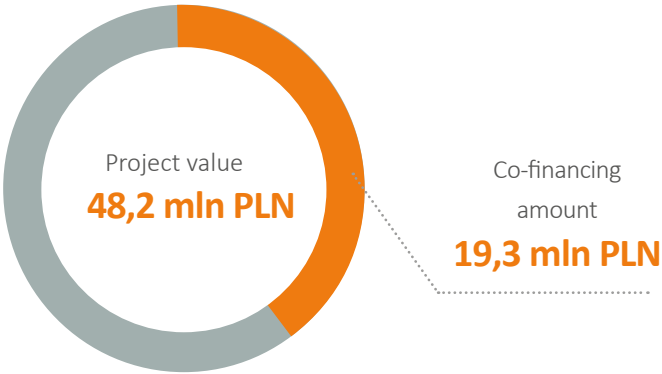
Budget implementation at the end of 2020



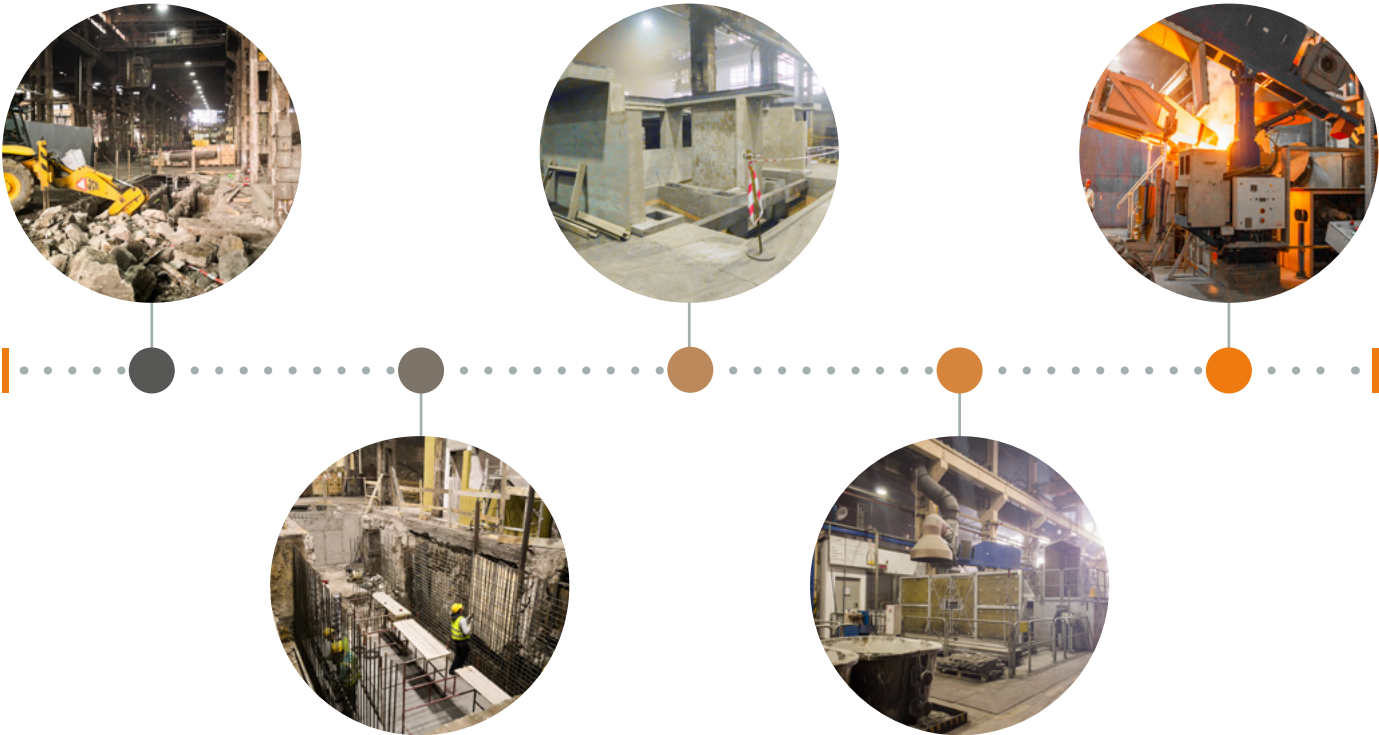
which means settlement of PLN 43 million of eligible costs.

In 2019 we received advance payments and refunds of costs incurred in the project for the amount of PLN 10,262,021.19 (G4-EC4, GRI 201-4)

Each payment application is subject to an inspection ordered by the NCBR. All previous inspections **were positive** – no non-eligible expenses were found.



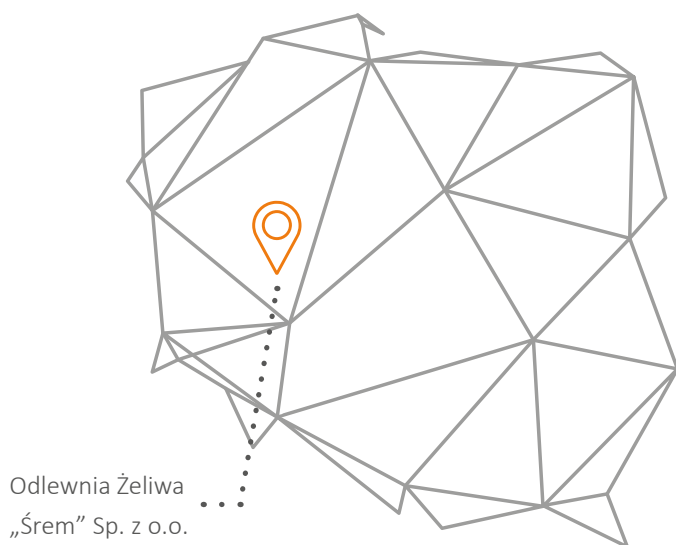
Stages of the project for the production of a demonstration line



“Innovative technology using ATD for producing self-powering, high-quality cast iron for the production of new-generation castings with improved quality parameters”.

Due to the situation related to the COVID-19 coronavirus epidemic, there will probably be delays in the implementation of both research and development projects and it will be necessary to apply to the National Centre for Research and Development for extension of the implementation of these projects. Possible applications in this respect may be submitted once the obstacles to project implementation cease to exist and new schedules are developed

Project implementation site



The goal of the project is to develop technology that enables:

Automation of cast iron heats

Elimination of defects in current technologies

Elimination of degraded Chunky graphite and risers and feeders

Features of new products:

Unique product features are primarily greater strength and impact resistance in extreme conditions, such as:



minimise the content of degraded Chunky graphite,



reduction of porosity,



increased strength,



increased yield point,



increased elongation.

Application

Products manufactured using this technology can be used in:



ultural machinery
industry



automotive



shipbuilding industry



modern power
engineering

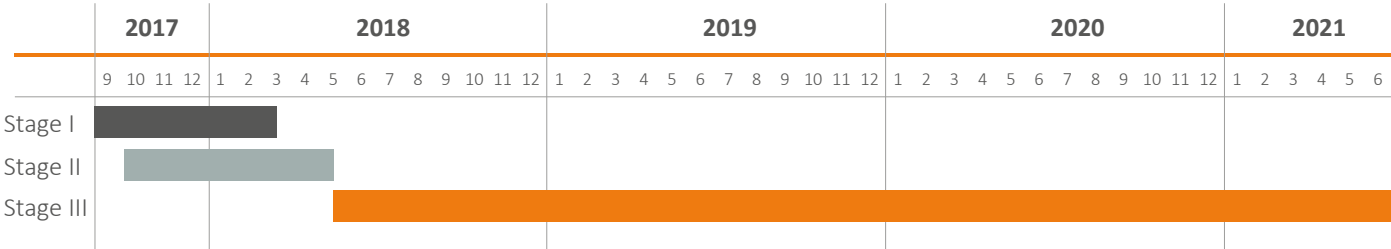


machine construction
industry

Project implementation schedule

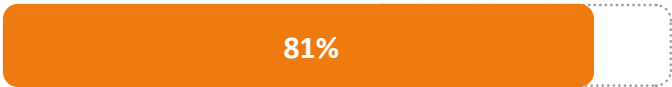
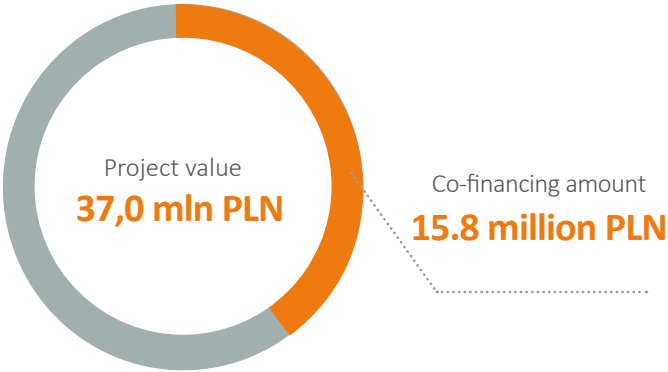
Due to the situation related to the COVID-19 coronavirus epidemic, it was necessary to extend the implementation of the last project stage by 90 days. This did not result in signing an annex to the funding agreement. In 2020 the project was in the key implementation phase. The crucial elements of the

demonstration line were constructed, thanks to which it was possible to start tests in real conditions, similar to commercial ones. This will allow for final testing of the technology being developed.



The project implementation is planned for 2017-2021

Budget implementation at the end of 2020



which means settlement of PLN 30 million of eligible costs.

W 2020, Odlewnia Żeliwa “Śrem” Sp. z o.o. received advance payments and refunds of costs incurred in the project for the amount of PLN 6,989,203.01 **(G4-EC4, GRI 201-4)**

Each payment application is subject to an inspection ordered by the NCBR. All previous inspections **were positive** – no non-eligible expenses were found.

..... Stages of the project for the production of a demonstration line



Kaizen in the PGO Group

Innovative actions have no chance of success without proper involvement of employees of all levels. As a response to the need to include the plant staff in the introduction of changes, the KAIZEN Programme was launched in 2020 in the branches of PGO S.A. and OŻ "Śrem" Sp. z o.o. Its main objective is to shape an organisational culture promoting innovation, continuous improvement and initiative in the workplace.



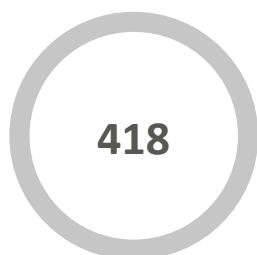
What is Kaizen?



Kaizen is a concept of continuous improvement and development. It consists in engaging the company's employees in generating ideas for improving all areas in the organisation. Kaizen comes from the Japanese words Kai – **change** and Zen – **better**.

The effectiveness of the programme is proved by the following figures:

Number of ideas submitted



Number of improvements already made



We encourage employees to submit ideas through a number of activities, including:

- daily briefings, conversations about necessary improvements,
- setting goals and motivating them to look for ideas,
- actual commitment by the management,
- providing time and space for information meetings (managers),
- training/workshops (support departments, Lean, managers),

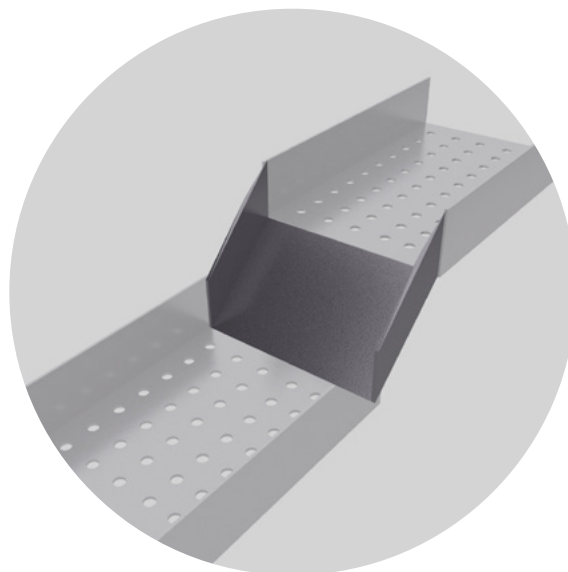
- communication and visualisation (posters, boards, meetings).

At the same time, we think that it is very important that each idea adopted for implementation is rewarded with a cash bonus and additionally we award distinctions for the best implemented project in the quarter and KAIZEN of the year. This form of reward is very motivating and translates into an increase in the number of applications submitted.

PGO S.A. Odlewnia Żeliwa „Śrem”

Adding a chute between shock grating, eliminating the fall of castings during the transition between grates. There has been an approx. 90% reduction in damaged castings.

In addition, the risk of casting being stuck in the conveyor has been minimised.



PGO S.A. Pioma-Odlewnia

Creating a model for self-making plugs for the induction furnace.

65% reduction in annual costs related to the purchase and storage of plugs.

PGO S.A. Kuźnia Glinik

Design and manufacture of an instrument enabling rotation of the entire coupling around its axis without the need to lift it, and a rotation by 180 degrees during the welding process.

Increasing the number of welded couplings by a third during the working day.





OUR STAKEHOLDERS

Our stakeholders

At PGO S.A. and the PGO Group, we attach importance to cooperation and dialogue with our stakeholders. We are bound of mutual influences and relationships.

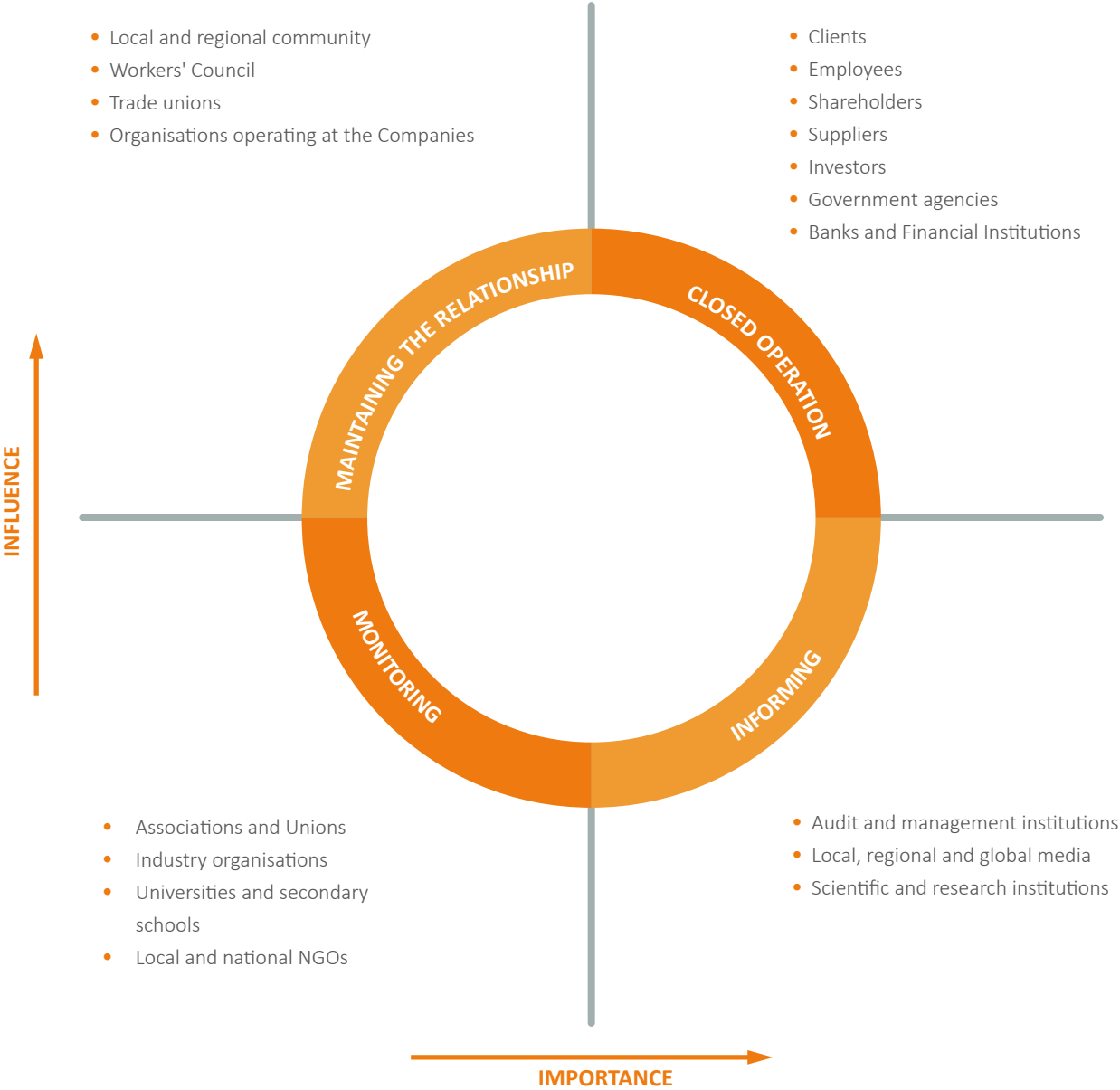
We identify them based on:

- the impact they have on our organisation,
- the impact our organisation has on them,
- the regions affected by our organisation.

Stakeholders were identified based on production and commercial processes, on the basis of legal regulations and policies effective in the Group. (G4-25, GRI 102-42)

Stakeholders were assigned to the stakeholder map fields according to the impact and importance for the operation of PGO S.A. and the PGO Group.

..... INFLUENCE AND IMPORTANCE OF STAKEHOLDERS FOR PGO S.A. AND THE PGO GROUP



(G4-24, GRI 102-40)

Stakeholder group	Engagement type	Areas of shareholders' interest
Shareholders, investors, analysts, banks and financial institutions	<ul style="list-style-type: none"> • Current reports, • Periodic reports, • Sustainable development reports, • Corporate website, • AGMs, • Individual meetings, • Conferences. 	<ul style="list-style-type: none"> • Financial situation, • Transparency of operations, • Strategy and objectives, • Development activities, • Value.
Employees	<ul style="list-style-type: none"> • Direct meetings with Employees and their families, • Direct conversations with supervisors, • Periodic assessment, • Training and workshops, • Integration meetings, • Social engagement programs (volunteering), • Internal e-mail messages, • Sustainable development reports, • "Druga Strona Metalu" corporate magazine about the PGO Group and its employees. 	<ul style="list-style-type: none"> • Terms of employment, • Pay policy, • Opportunity for development, • Support and benefits, • Pro-family policy, • Stability and reliability of employment, • Important events and achievements of the Group and its employees
Workers' Council, trade unions, organisations operating at the Companies and Plants	<ul style="list-style-type: none"> • Direct meetings, • Meetings with Trade Unions, • Report on sustainable development. 	<ul style="list-style-type: none"> • Development plans, • Operational strategy, • Terms of employment and remuneration, • Pay policy, • Respect for human rights.
Clients	<ul style="list-style-type: none"> • Contracts, • Website, • Customer satisfaction surveys, • Direct meetings, • Telephone calls, • E-mail contact, • Industry meetings, trade fairs, • Report on sustainable development. 	<ul style="list-style-type: none"> • Terms of cooperation, • Quality of products offered, • Planned product development, • Satisfaction with cooperation.
Local, regional and national NGOs, colleges, social organisations, universities, secondary schools	<ul style="list-style-type: none"> • Organisation of open internship programs, e.g. We shape your future, • Joint ventures with technical schools at the level of higher education, • "Druga Strona Metalu" corporate magazine about the PGO Group and its employees. 	<ul style="list-style-type: none"> • Impact on the development of local communities, • Support in the educational development of communities, • Joint initiatives and projects.
Suppliers	<ul style="list-style-type: none"> • Periodic reports, • Contracts, • Direct relations with Employees designated for contacts, • Report on sustainable development. 	<ul style="list-style-type: none"> • Terms of cooperation, • Transparent rules of cooperation and selection of suppliers, • Terms of accepting delivery and complaints, • Joint industry initiatives.

Stakeholder group	Engagement type	Areas of shareholders' interest
Local community	<ul style="list-style-type: none"> • Participation in social events, • Volunteer programs, • Conferences, • Direct meetings, • Patronages and sponsorships, • Report on sustainable development. 	<ul style="list-style-type: none"> • Financial support, • Joint social initiatives, • Impact on communities and the environment.
Control and management bodies, government agencies	<ul style="list-style-type: none"> • Documentation confirming the fulfilment of information obligations, • Direct meetings, • Periodic reports, • Report on sustainable development. 	<ul style="list-style-type: none"> • Activities in accordance with standards and provisions of law, • Impact on the national economy, • Impact on market development
Local, regional and global media	<ul style="list-style-type: none"> • Press office, • Ongoing communication, • www.pgosa.pl website and Social Media, • Press conferences, • Report on sustainable development. 	<ul style="list-style-type: none"> • Financial results, • Group strategy and objectives, • Development activities, • Group value • Impact on the community and the environment.

In 2020, due to the COVID-19 epidemic, interactions with various stakeholder groups were significantly limited. In many cases, it was necessary to suspend activities and contacts or reduce them to the necessary minimum. We hope that in 2021 the epidemic situation will be under control, which will allow us to gradually restore the relations with stakeholders and return to the developed standard of communication.

Despite the key impact of legal regulations on the activities of the PGO Group, in 2020 we did not provide any support for political parties, politicians or institutions of a similar nature. The PGO Group is consistently apolitical and is not trying to influence political environments in any way. **(G4-SO6, GRI 415-1)**

- cooperation with technical schools at the level of secondary and higher education,
- organisation of open internship programs for students.

Since 2011, PGO S.A. has been listed on the Warsaw Stock Exchange. Information is exchanged with investors during organised meetings, on the occasion of General Meetings of Shareholders and via the www.pgosa.pl website.

We attach great importance to internal communication. One of the tools that helps in integrating and getting to know employees from the private point of view is the PGO Group's Information Bulletin titled "Druga Strona Metalu", published every six months.

Importance of Dialogue

We engage in dialogue with stakeholders based on open communication. We believe this form brings mutual benefits. We build lasting, trust-based relationships with the environment by taking the following actions:

(G4-26, GRI 102-43)

- regular customer satisfaction surveys,
- building a culture of direct meetings with counterparties,
- ongoing dialogue with employees,
- involvement in social activities,
- meetings with employees and their families,

Code of Ethics

The Code of Ethics of the PGO Group was adopted in 2019 as a systematic set of values, standards and principles that we follow in relation to the Group's environment. This is our commitment to comply with the highest ethical standards and an expression of our responsibility as one of the largest industrial groups in the metallurgical industry in Poland. When preparing the Code, our priority were the values recognised in the PGO Group, and the behaviour and standards described therein apply to every employee, regardless of the position or seniority. Each action taken by PGO Group employees is examined in terms of its ethical aspect and compliance with the policies adopted in the organisation. The Code is divided into activities in the internal area, i.e. behaviour and responsibility in the workplace, as well as activities in the business and social environment. **(G4-56, GRI 102-16)**



Areas defined in the Code:



Workplace



Care for the assigned assets



Good attitude towards suppliers



Taking care of health and safety



Business environment



Social environment



Equal treatment and equal opportunities



Avoiding conflicts of interest



Communication



Personal data protection



Anti-corruption activity



Environmental protection



Trade secrets



Anti-money laundering



Charity

Mechanisms for ethical and legal violations and their reporting

In addition to the "PGO Group Code of Ethics", the Group also adopted the

"PGO Group Anti-Corruption Policy" that governs, among others, the principles regarding the conduct of employees in the event of a conflict of interest.

The "PGO Group Code of Ethics" obliges employees to comply with the highest ethical standards, and each action taken by PGO Group employees is considered in terms of its ethical aspect and compliance with the policies adopted at the organisation.

The "Group Anti-Corruption Policy" defines a conflict of interest that occurs when an employee has personal or financial ties or other types of interests that may have an actual impact or be perceived as having an impact on decisions or actions that do not serve the interests of the PGO Group, or when an employee takes advantage of their position in the Group for personal gain. The PGO Group expects all its employees, associates and representatives to disclose any conflicts of interest to their immediate supervisors and take actions to eliminate any personal conflicts of interest before proceeding with a given matter. All conflicts of interest must be disclosed, regardless of whether the employee thinks they are important, as they may be perceived as influencing the decisions or actions made by other employees or third parties. All employees of the PGO Group must act in business situations taking into account the applicable provisions of law and secure the broadly understood interest of the entire PGO Group.

Employees of each PGO Group company can inform about potential corruption-generating situations or other abuses through various channels. The person first informed about suspected corrupt behaviour is the immediate supervisor or a higher-level superior, and then the relevant Management Board of the Group company or the Director of a PGO SA Branch. Each reporting employee remains anonymous and no consequences can be drawn against them. Such an employee is obliged to keep confidential the information concerning the reported event. All employees, including individuals investigating the case, may not provide information about the ongoing proceedings to the individuals against whom they were initiated.

The procedure for reported events is as follows:

- The Management Board verifies the received information,
- The Management Board appoints a committee to investigate the circumstances of the reported event,

- the employee suspected of acting contrary to the Policy has the right to present their position on the matter,
- the Management Board takes corrective actions aimed at preventing similar events in the future,
- if it is determined that the investigated event is a corruption action, the Management Board will notify authorised law enforcement of the event.

The PGO Group introduced the "Procedure for anonymous reporting of violations of law, internal procedures and ethical standards". The procedure gives the persons employed in the Company the ability to submit identified cases of violations of law, internal regulations and principles of ethics directly to a member of the Management Board (in paper or electronic form), and if the case concerns at least one of the members of the Management Board, directly to a member of the Supervisory Board (in paper or electronic form). If a violation is reported, it is verified in detail. A member of the Management Board or a member of the Supervisory Board may appoint an investigating committee consisting of persons competent due to the nature of reported event, who will be authorised to familiarise themselves with the case details. In addition, interviews are conducted with persons indicated in the report as suspicious of the violation, with witnesses to the violation, the persons who have knowledge of the violation and, if possible, with the person who has reported the event.

All documentation related to the reported violation and the conducted investigation is kept for 5 years from the year following the year in which the violation was reported. Documentation related to the reported case is treated as confidential and properly secured, and only authorised persons have access to it. In the case of a negative verification of the violation report, the personal data in the report are deleted immediately. **(G4-57, GRI 102-17), (G4-58, GRI 102-17)**

PGO Group Policies

Anti-Corruption Policy



The PGO Group undertakes to conduct activity based on honesty, integrity, trust and responsibility. Group employees are obliged to comply with all applicable anti-corruption laws in the countries where we are currently present. The PGO Group strives to prevent, counteract and detect both active and passive bribery. The Group's reputation, credibility and business ethics are of great importance to us. Our reputation and good name are the result of many years of efforts by all employees. The PGO Group adopted the "zero tolerance" principle against violations of this policy. The policy is supervised directly by the Management Board of PGO S.A.

Human Rights Policy



The PGO Group's policy on respect for human rights defines the principles of actions and behaviours aimed at creating an environment in which human rights are respected and preventing situations in which they could be violated by our actions, either directly or indirectly. Its assumptions and principles are also promoted among subcontractors and suppliers within the supply chain and other stakeholders of the Group. In 2020, as part of the procedures related to the verification of potential suppliers, the PGO Group demanded information from suppliers on the practices of hiring employees and respecting human rights. The information obtained did not indicate any cases of cooperation with entities committing human rights violations. In the following years, the Group plans to implement uniform rules for verification of suppliers, in which one of the important aspects will be collecting information on the supplier's policies and their application.

Environmental Policy



The issue of respect for the environment is one of the priorities of the PGO Group. We are aware of the environmental impact of our operations. We make efforts to minimise our negative impact through processes aimed at improving the methods for preventing the negative impact of our business. Our Group's strategy is to introduce and maintain an environmental management system in accordance with applicable standards. When conducting business, we rely on the following principles

- compliance with applicable environmental regulations and standards,
- minimising the amount of process waste and conducting environmentally safe waste management by: optimising the production process and segregation, storage and transfer of waste for processing or disposal,

- rational management of raw materials, including: water, electricity and heat,
- minimising the amount of pollutants emitted into the air,
- taking into account modern devices and technologies, including energy-saving and environmentally friendly ones, in investment processes and modernisations,
- education of employees and their involvement in activities conducive to environmental protection,
- striving to cooperate with suppliers complying with high standards in the field of environmental protection,
- striving to minimise the risk of serious failures that may adversely affect the natural environment.

Diversity Policy



In its Diversity Policy, the PGO Group follows the principles of equal treatment and anti-discrimination. Diversity and openness are values underlying both the Group's business activities and its hiring policies. Its aim is to promote equal treatment and diversity, and to create a workplace atmosphere and organisational culture that ensure respect and a sense of security. The policy also leads to building positive relationships and, as a consequence, allows achieving business objectives, among others.

The Diversity Policy fits into the sustainable development and corporate responsibility policy, which is part of the Group's development strategy.

Personnel Policy



The Personnel Policy of the PGO Group was developed according to the mission, vision and values of the organisation. It is based on the following sources: Universal Declaration of Human Rights, UN Guidelines on Business and Human Rights, Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work, Polish law, with particular emphasis on the Labour Code and internal documents governing the employment of employees of the PGO Group companies.

Social and Sponsorship Policy



The Social and Sponsorship Policy is based on values, vision and mission of the PGO Group. Its key objectives are to build and strengthen relationships and inspire positive changes within the PGO Group and its environment. Other objectives include:

- emphasising the importance of social responsibility in building values for the company, its employees and the environment,
- emphasising the interdependence of our Group with local communities and the environment,
- openness to needs, social dialogue and looking for opportunities for mutual development,
- strengthening the relations between the PGO Group employees,
- building a positive employee-employer relationship,
- building the image of the PGO Group as a socially responsible organisation.

At the end of 2018, the PGO's activities were structured and divided into areas within which the PGO Group supports employees as well as local communities and stakeholders. Since the beginning of 2019, the PGO Group has engaged in social and sponsorship campaigns, which can be assigned to the following categories:

1. Education, sport and health.
2. Culture.
3. Local communities and the environment.

Due to the COVID-19 epidemic, starting from the second quarter of 2020, the PGO Group had to significantly reduce, and in some cases suspend, its involvement and support for most of the categories. However, despite the difficult situation and due to the social importance, within its capabilities the PGO Group supported the activities of institutions fighting the COVID-19 epidemic.

As part of due diligence and in accordance with the adopted risk management tools, the Group assesses the implementation of the adopted policies and introduces regular changes necessary to ensure compliance. The tool used by the PGO Group in the due diligence procedure in relation to the adopted policies is a several-stage risk management process in which we also identify and assess risk of violations of the principles and values within the policies, determine appropriate response methods and monitor the effectiveness of the actions taken and their effects. The risk management process consists of the following:

- risk identification (cause, type of risk, consequences of risk),
- risk analysis (probability of occurrence, consequences and effects),
- variants of solutions, including the analysis of possible financial expenditures,
- assessment of the risk level,
- making decisions and actions concerning risks,
- control and monitoring of actions taken.

In 2020 the PGO Group strived to apply as widely as possible the principles set out in the Code of Ethics and adopted policies. In our opinion, the PGO Group conducts its activities in accordance with these principles and in 2019 there were no major violations of ethical principles and the values adopted in the policies.

Identified Aspects

We carried out the reporting process based on the stages of identification, prioritisation and validation. We analysed the internal, business and social environment. When preparing to draw up the reports of "Sustainable Development of the PGO Group" in the following years, we conducted a survey among our stakeholders in 2018. Respondents assessed important aspects on a five-point scale. The survey was filled online by 116 respondents. The report details the aspects that gained an average score equal to or greater than 4.0. Key topics from the perspective of Sustainable Development and Responsible Business defined as important by the PGO Group and stakeholders are as follows: **(G4-18, GRI 102-46), (G4-19, GRI 102-47), (G4-20, GRI 103-1), (G4-21, GRI 103-2), (G4-27, GRI 102-44)**

Aspects identified when defining the report contents

Aspect	Aspect description	Score
Economic and strategic	<ul style="list-style-type: none"> Creating new application areas for offered products or developing new product areas. 	4,12
	<ul style="list-style-type: none"> Adaptation of the organisation in the face of technological revolution challenges, e.g. automation and robotisation. 	4,18
Personnel and education	<ul style="list-style-type: none"> Taking actions influencing the safety and comfort in the workplace. 	4,47
	<ul style="list-style-type: none"> Development of competences and delivery of highly specialised training for employees, courses and postgraduate studies. 	4,43
	<ul style="list-style-type: none"> Taking actions to strengthen the employees' sense of belonging to the organisation. 	4,15
	<ul style="list-style-type: none"> Activities influencing the quality of communication and strengthening relations between associates. 	4,18
Environment	<ul style="list-style-type: none"> Investments in research and development contributing to the reduction of negative environmental impact. 	4,18
	<ul style="list-style-type: none"> Practices and activities for environmental protection. 	4,09
	<ul style="list-style-type: none"> Making the public aware of good practices in the area of responsible use of the environment in everyday life, e.g. in accordance with the principles of circular economy, utilisation of renewable sources. 	4,02
Human rights and anti-corruption	<ul style="list-style-type: none"> Actions to ensure equal access to training and competence development for all employees. 	4,28
	<ul style="list-style-type: none"> Activities contributing to building an ethical work culture and preventing discrimination. 	4,26
	<ul style="list-style-type: none"> Improvement of applied purchasing practices for suppliers ensuring transparent rules of cooperation. 	4,10
	<ul style="list-style-type: none"> Actions contributing to building an organisational culture based on respect and mutual trust between employees, associates and supervisors. 	4,47

We prepare the "Report on Sustainable Development of the PGO Group" in such a manner that it covers all important aspects of our business in subsequent periods and in the most accurate way reflects its nature and impact on stakeholders and our environment. Therefore, starting from 2019, the "PGO

Group's Report on Sustainable Development" contains in many respects information that is extended and presented in a new form to provide more data, e.g. regarding environmental, employee or safety data **(G4-23, GRI 102-49)**

Our Clients

The PGO Group has a good position on the foundry market in Poland and on European markets. Production is characterised by high flexibility, which results from the possibility of making castings with a unit weight of 0.5 kg to 30 tonnes. High production flexibility, a wide production range in terms of products, materials and technologies, good equipment, extensive laboratory facilities, certificates and approvals of Classification Societies make foundries an attractive partner on the domestic and foreign market. Forgings manufactured by us

are made of carbon steel, alloy and special steel, according to on individual requests. Our current machine facilities allow us to make custom closed die forgings weighing 0.2 to 150 kg and open die forgings weighing 0.5 to 8,000 kg. We also provide services in the field of mechanical treatment, heat treatment and laboratory tests. We have a wide range of products in the field of iron and steel castings as well as closed die and open die forgings, thanks to which we can support customers in a wide range of industrial sectors. The recipients of our castings and forgings are both domestic and foreign manufacturers operating in the following industries: **(G4-8, GRI 102-6)**



Mining industry



Agriculture



Automotive



Railway



Drive technology



Shipbuilding industry



Construction industry



Industrial fittings



Machines and devices



Energy industry



Metallurgy



Fuel industry



Lifting technology



Wind power plants



Machining Machinery Industry

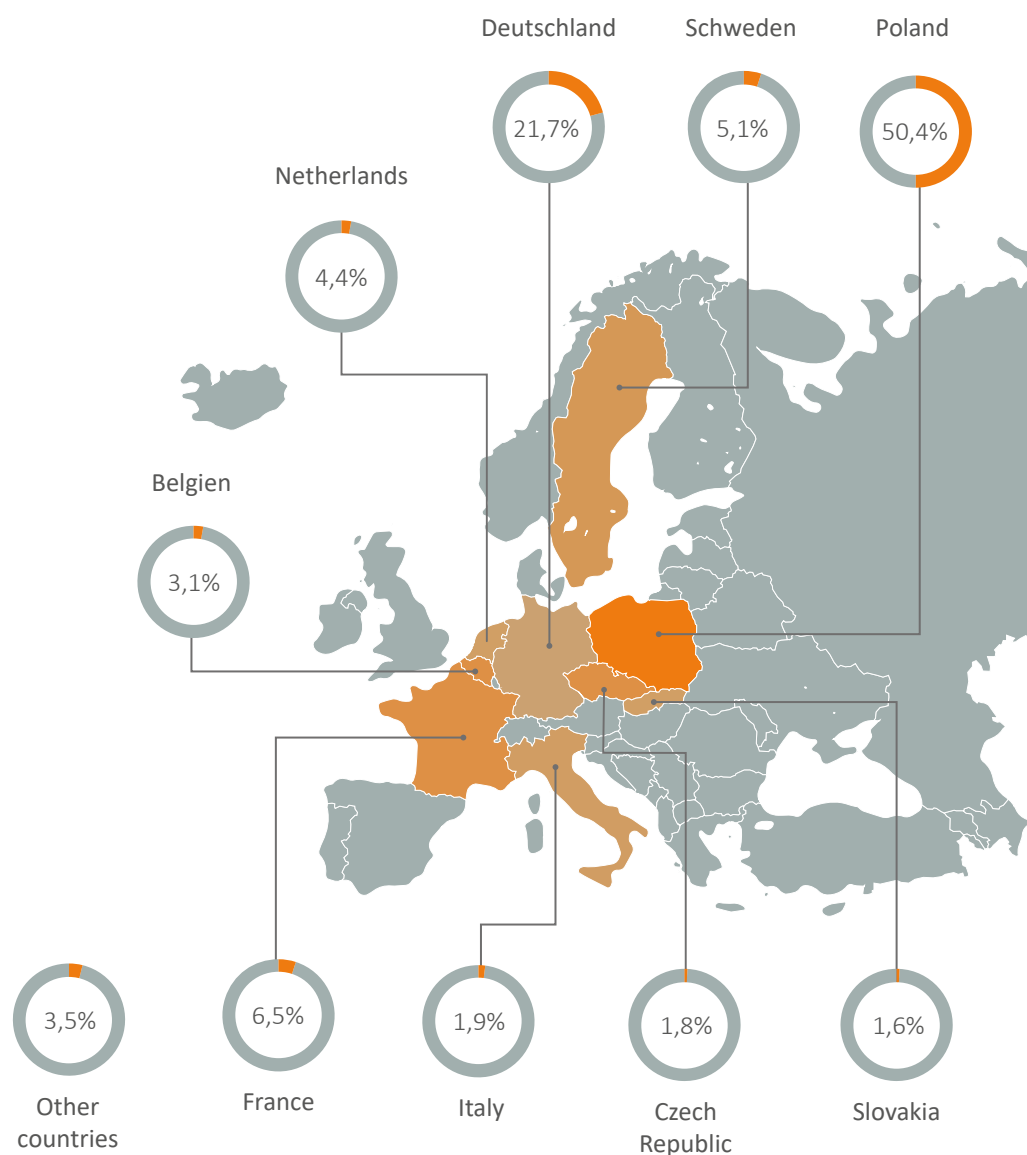


Other industries

In 2020 the PGO Group worked with about 550 clients, including about 200 foreign ones. The largest client of the Group in 2020 was Famur S.A. (mining industry), whose

share in the turnover of the PGO Group was approx. 12% of consolidated sales revenues.

Geographical sales structure of the PGO Group



Iron castings are used as brake drums, compressor bodies, engine blocks and housings, gear housings, structural elements of machining machines, counterweights, sleeves and flanges of pump and valve parts, elements of industrial fittings, turbine housings and others. Steel castings manufactured in our Group are mainly used as structural elements and components of mining machinery used, among others,

in the production of face conveyors, face supports, mining shearers as well as elements of industrial fittings, gears, gear housings, track links, etc.

Forgings can be used as components in passenger cars and trucks, agricultural tractors, coupling for railway cars, as elements of industrial fittings and parts of machinery and devices.

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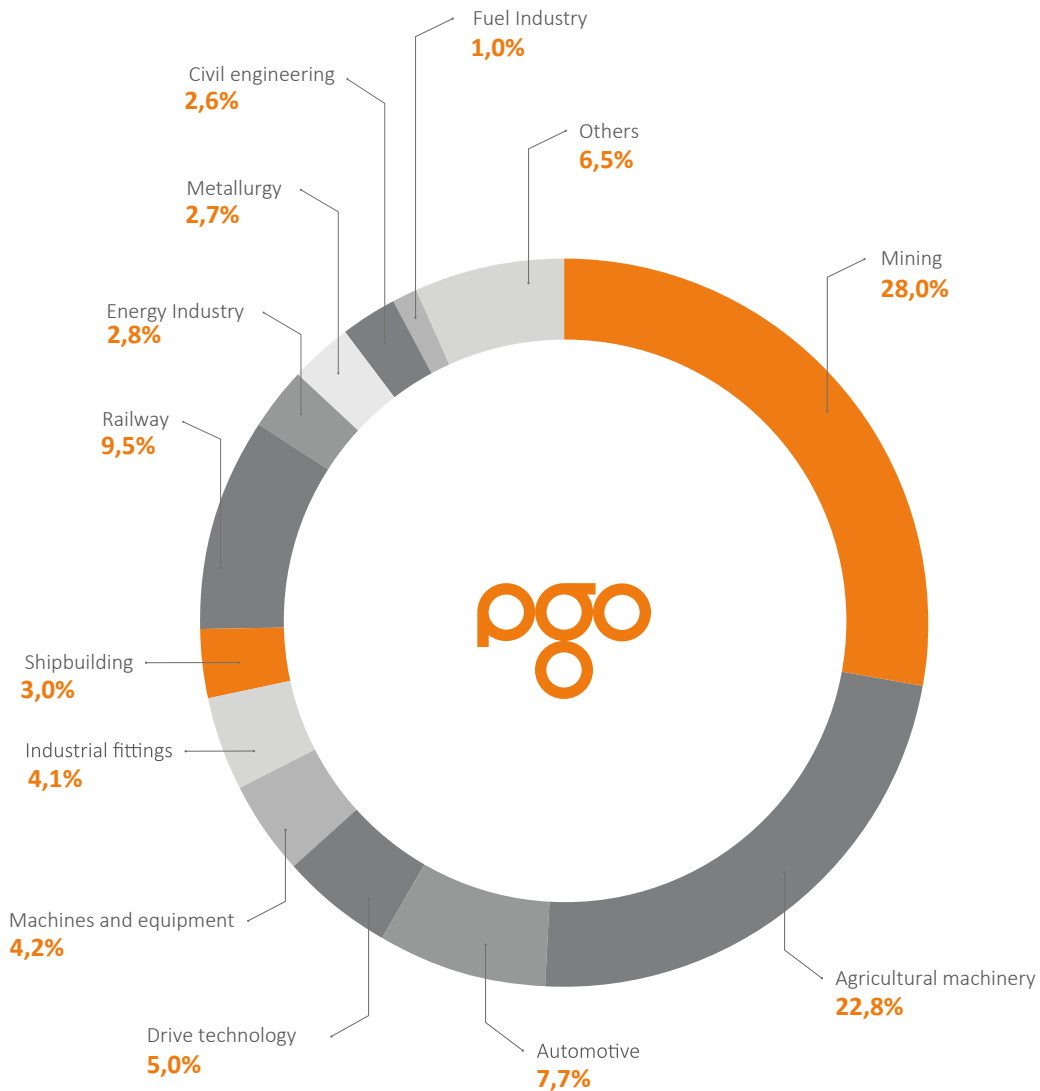
At the PGO Group we care for our presence on a wide market, preventing dependence on individual sectors of the economy or a narrow group of clients. At the same time, we ensure constant development of our range for industries we perceive as strategic and with which we make our plans for the future. An example is the rail transport market, which has excellent prospects and for which we are constantly developing our range. Our sales strategy reflects the range diversity of our production departments and combines both industry and product objectives. This diversity is the strength of PGO on many levels.

Andrzej Bulanowski, Vice-President of the Management Board for Finance, PGO S.A.

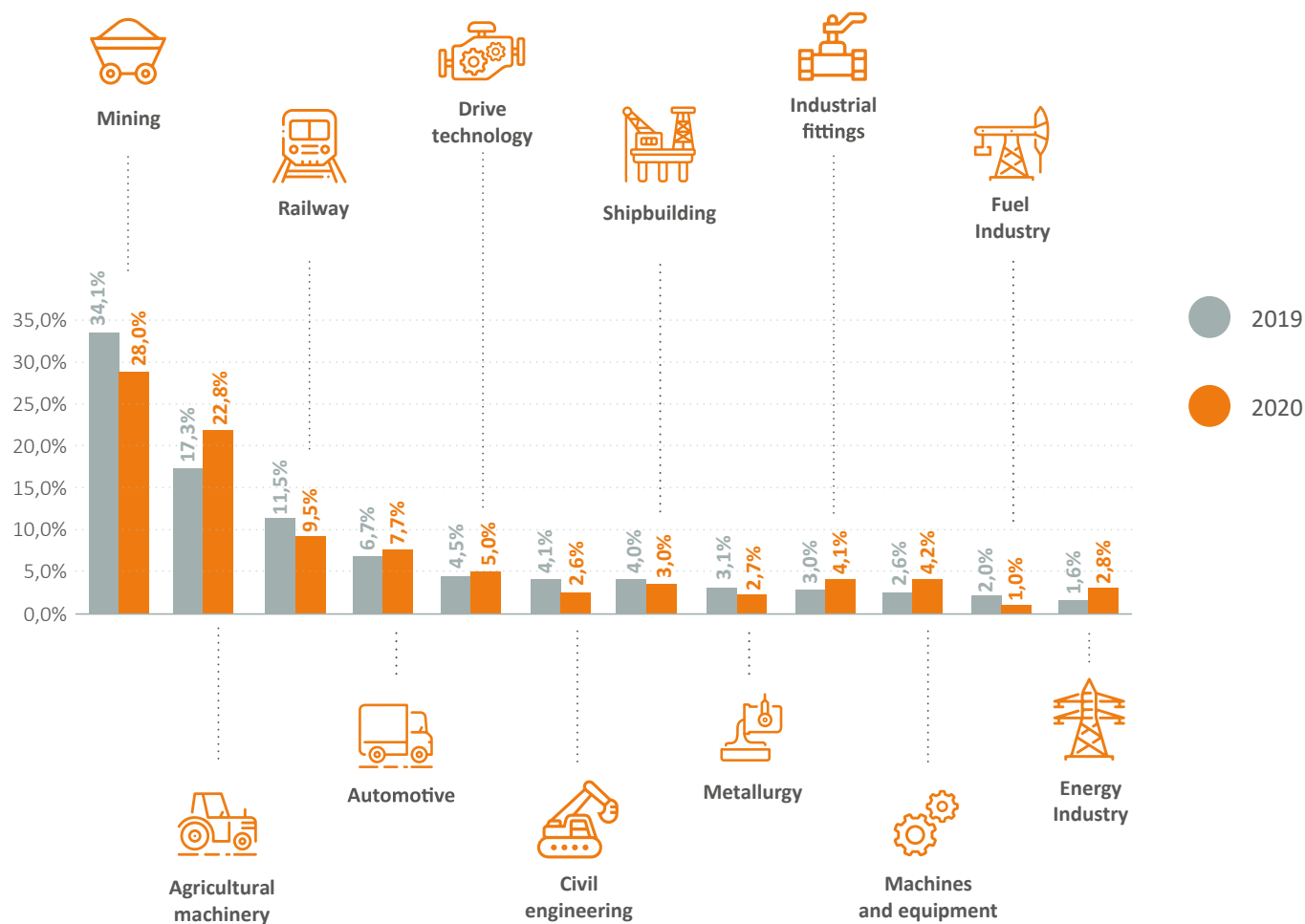


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Industry sales structure



Industry sales structure - y/y comparison



Our Suppliers and Supply Chain

Due to the subject of activity of PGO SA and the PGO Group, both in terms of value and quantity, the largest element of the purchase structure are batch materials (steel, scrap, pig iron) and energy carriers (foundry coke, electricity, natural gas). Other purchases of supplies included: moulding materials, various auxiliary materials, maintenance materials and spare parts. In 2020 the PGO Group cooperated with more than 1,400 suppliers, most of which are domestic suppliers (approx. 95%).

Supplies made by domestic suppliers in the Group had an average share of approx. 90% in purchases in 2020, compared to 10% made by foreign suppliers.

(G4-EC9, GRI 204-1)

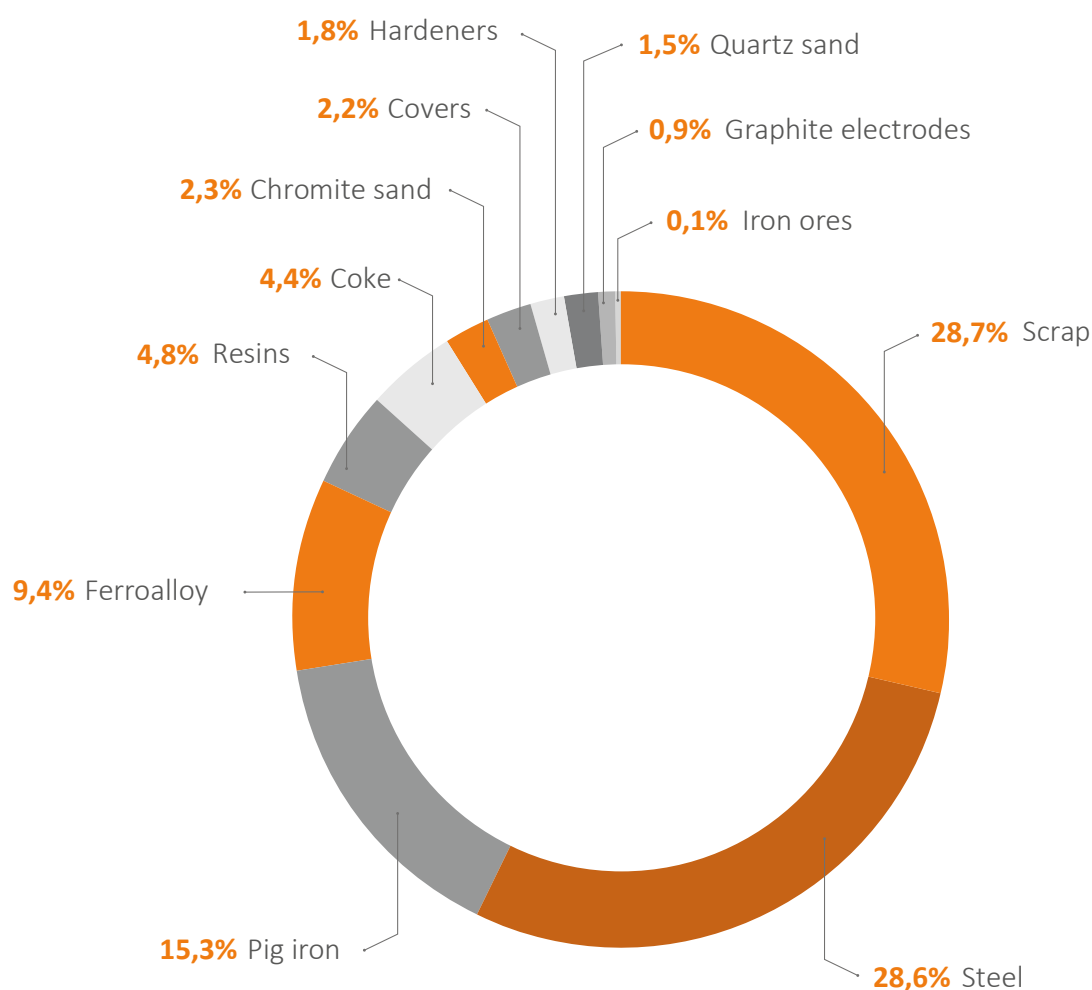
Material and technical supplies in the Group's foundries are broken down into the following groups:

- batch materials,
- moulding materials,
- auxiliary materials,
- maintenance materials and spare parts,
- energy carriers.

The following have the largest share in the quantity and value of purchases:

- batch materials – metallurgical products of various steel grades (carbon, alloy, high-alloy) in the form of ingots, rods, billets and slabs,
- electricity – necessary for the production of compressed air (powering hammers for the production of forgings) and powering other devices in the plant,
- natural gas – used for heat treatment of forgings and heating of materials.

Percentage share of raw materials in purchase costs



The supply chain covers aspects related to the acquisition of raw materials for production, their transport and processing and the delivery of finished products to clients. **(G4-12, GRI 102-9)**

The main objective in the purchasing process is to obtain high-quality raw materials, materials, components and services that meet high technological standards. Due to the quality of raw materials and mitigation of the production downtime risk, we diversify our sources of purchases. At the same time, we focus on regular cooperation with proven suppliers who are included in internal lists of qualified suppliers subject to continuous evaluation.

Purchases of materials applicable in the direct production process are made from approved suppliers on the basis of demand or minimum stock levels generated by the computer storage system. Approved batch materials and moulding materials for casting production are included on the list of batch and moulding materials drawn up by the Technology

Department, containing precise physical, chemical and other requirements necessary in the applied technology. Based on the requirements, requests for proposals are prepared for suppliers in the list of qualified suppliers. The list of suppliers is verified and approved once a year on the basis of an evaluation taking into account several aspects of cooperation, such as quality, price and sales support. A potential supplier of material that meets the requirements must send a proposal with the terms of supply and relevant documents (approvals, safety data sheets) to confirm that the material meets the technological and quality criteria. Orders are then placed at a manufacturer that meets specific technical assumptions and at the same time offer the best terms. After delivery, the quality of the material is verified by the Quality Department in terms of meeting the requirements each time set in the order.

The basis for forging production in our Group are metallurgical materials purchased directly from steel producers (95%) and from distributors (5%). Data for inquiries and orders are created by the Engineering Department/Team or Purchasing



Department/Team and recorded in the technology. Inquiries are addressed to manufacturers of rolled materials or ingots on the list of qualified suppliers. All suppliers on the list of main suppliers are selected and evaluated in terms of meeting the criteria of environmental impact, employment practices, respect for human rights, and impact on society.

Other materials (OHS, IT, paints, fuels, power tools, auxiliary tools, packaging, machine parts, etc.) are purchased according to the data for inquiries and orders specified by the requesting department. The order is placed after examining the market in terms of delivery conditions of the supplier offering the best terms of order execution.

Cooperation services (machining) are outsourced to contractors who have successfully passed the verification process. In the verification process, they are obliged to provide model products that meet specific technological requirements. The cooperator is selected on the basis of its capabilities regarding the performed service, i.e. having appropriate technology, instrumentation, machines and devices, quality control and precision of performance in accordance with the provided documentation. After evaluating the quality of the delivered sample batches, we select a cooperator who offers the best terms of cooperation. Based on the documentation provided by the Technology Department, cooperators registered in the database also submit modelling proposals. Then, a cooperator that proposes the best terms of cooperation is selected.

Transport inquiries are addressed to transport service providers who are on the list of qualified suppliers or through the freight exchange. The logistics officer is obliged to place an order with a transport company that meets the requirements for the transport of our products and offers the best terms.

We periodically evaluate suppliers in terms of timeliness and completeness of deliveries and the number of complaints.

Due to the COVID-19 epidemic, in 2020 the possibility of conducting audits of our suppliers was considerably hindered as a result of introduced administrative restrictions. Therefore, audits were temporarily suspended for the duration of the epidemic. In ongoing cooperation with suppliers, we rely primarily on the results of verifications made in previous years, at the same time trying to update them as far as possible on the basis of declarations made by our suppliers and certificates presented by them, issued by certification bodies, which made it possible to verify whether the suppliers met the environmental and personnel criteria. In 2020 no violations by suppliers of environmental criteria, employment practices and human rights were found **(G4-LA14, GRI 414-1); (G4-HR10, GRI 414-1); (G4-SO9, GRI 414-1); (G4-EN32, GRI 308-1)**



ENVIRONMENT

Precautionary Principle

PGO S.A. and the PGO Group apply the precautionary principles in their activities. **(G4-14, GRI 102-11)**

In accordance with EU law (the Treaty on European Union), the precautionary principle obliges everyone who plans, agrees on or undertakes activities whose negative impact on the environment is not fully identified to take all possible preventive measures guided by caution. This principle is important in the implementation of projects that may have a significant impact on the environment. The precautionary principle is a widely adopted approach to environmental protection in Europe. In the case of conducting environmental impact assessments, in particular regarding Natura 2000 sites, any rational doubts are always interpreted "in favour of the environment".

Polish environmental regulations also refer to the requirement to apply the precautionary principle in the aspect of the possible adverse impact of the conducted activity on the environment. Pursuant to Art. 6 of the Act of 27 April 2001 Environmental Protection Law:

- "1. Whoever undertakes activities that may have a negative impact on the environment is obliged to prevent this impact.
2. Whoever undertakes an activity whose negative impact on the environment is not yet fully recognised is obliged to take all possible preventive measures, guided by caution."

The precautionary principles at PGO S.A. and the PGO Group are based on the provisions adopted in the Integrated Quality and Environment Management System. These principles are reflected in the annually developed and systematically fulfilled environmental management objectives, tasks and programs. Compliance with these provisions is evaluated in the annual Management Review Reports. The above-mentioned reviews are carried out in accordance with the requirements of PN-EN ISO 9001 (quality) and elements of the PN-EN ISO 14001 system (environment).

Compliance with the precautionary principle is verified as part of audits of the plant certification body and internal audits carried out in the organisation. An important aspect of compliance with the precautionary principle is systematic verification of legal changes in the discussed area. The above-mentioned activities are supervised by the Management Board Representative for the Integrated Management System, supported by the Environmental Protection Specialist.

PGO S.A. and PGO Group's plants use the environment within the rights granted in the water law permit, the permit to release gases or dust into the air and the waste permit.

PGO S.A. and PGO Group's plants are located outside protected areas and outside areas of high biodiversity value. **(G4-EN11, GRI 304-1)**

The type and scale of activity and location of plants in the industrial area do not adversely affect habitats and species protected within the European Ecological Network Natura 2000 and other forms of nature conservation governed by the Act of 16 April 2004 on nature conservation.

The activities carried out in PGO S.A. and PGO Group's plants do not directly or indirectly affect biodiversity in environmentally protected areas. Substances released into the air have no significant impact on biodiversity in protected areas located further away from the plants. Substances particularly harmful to the aquatic environment are not released into the surface waters along with sewage, as confirmed by regular tests of sewage and waters upstream and downstream the sewage discharge site. Rainwater before discharge to the river is pre-treated in separators, and a small amount of industrial sewage from other entities is neutralised and does not contain particularly harmful substances.

(G4-EN12, GRI 304-2)

The activities of PGO S.A. and PGO Group's plants in 2020 did not cause environmental degradation. The plants do not affect protected areas in terms of air emissions or releases of substances into water or soil.

The activities of plants are not carried out within or near the areas with species included in the International Union for Conservation of Nature's Red List of Threatened Species and on the national lists of protected species, as well as within or near protected and revitalised habitats. **(G4-EN13, GRI 304-3); (G4-EN14, GRI 304-4)**

Environmental Protection

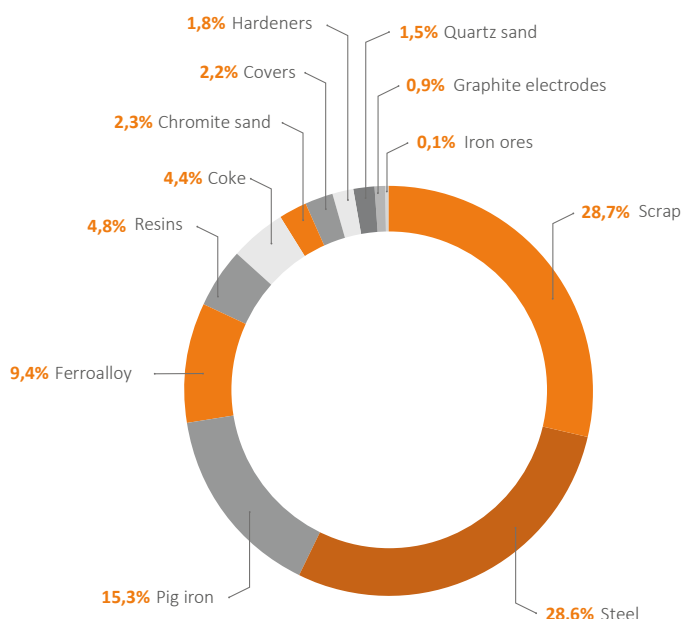
Our Group, as one of the largest companies operating in the metallurgical industry in Poland and specialising in the production of castings and forgings cannot and does not want to evade responsibility for the condition of the environment we live in. The ideas of sustainable development and, in particular, respect for the environment are particularly important to us and are one of the fundamental values we want to follow in our business.

Due to the merger with production branches of PGO S.A. of two previously separate companies, i.e. Pioma-Odlewnia Sp. z o.o. based in Piotrków Trybunalski and Kuźnia "Glinik" Sp. z o.o. based in Gorlice, PGO S.A., incorporating the said plant, is presented separately in the data for 2020.

Materials and raw materials used in the production process [Mg] (G4-EN1, GRI 301-1)

Materials and raw materials	2019	2020	
	PGO Group	PGO S.A.	PGO Group
Scrap, including:	26 871,46	6 200,62	19 573,42
steel scrap	21 824,46	6 199,16	13 724,16
iron scrap	5 047,00	1,46	5 849,26
Pig iron	8 180,44	48,86	7 599,86
Steel	9 399,18	6 545,35	6 545,35
Ferroalloys	1 822,46	324,03	1 438,03
Iron ore	194,79	109,52	109,52
Coke	3 005,70	0,00	2 874,72
Quartz sand	19 453,87	11 059,45	15 499,17
Chromite sand	749,05	676,83	740,51
Resin	854,57	344,53	554,60
Hardeners	334,82	137,41	218,91
Graphite electrodes	131,65	114,66	114,66
Covers	289,29	109,81	193,42

Percentage share of raw materials in purchase costs



Due to the subject of activity of PGO SA and the PGO Group, both in terms of value and quantity, the largest element of the supply purchasing structure are batch materials (steel, scrap, pig iron) and energy carriers (foundry coke, electricity, natural gas). Other purchases of supplies included: moulding materials, various auxiliary materials, maintenance materials and spare parts.

Trends in the development of the Group's purchasing volume are primarily a result of changes in the production volume of castings and forgings and inventory management policy.

In 2020, due to the COVID-19 epidemic and a significant reduction or even temporary suspension of production in PGO SA and the PGO Group resulting from the lockdowns of the global economy, the consumption of production materials and energy carriers decreased significantly compared to 2019. The decrease in the consumption of production materials applied to all major items, and in the case of basic batch materials it was approx. 27% in total for scrap, approx. 7% for pig iron, approx. 30% for steel and approx. 21% of ferroalloys. (G4-EN2, GRI 301-2)

**Energy consumption within
the organisation [MJ] (G4-EN3, GRI 302-1)**

Energy type	2019	2020	
	PGO Group	PGO S.A.	PGO Group
Electricity	236 199 950,32	88 881 012,30	182 801 772,30
Thermal energy	42 110 000,00	-	30 720 380,00
TOTAL	278 309 950,32	88 881 012,30	213 522 152,30

**Energy consumption within
the organisation [MJ]**

Fuel type	2019 MJ	2020 MJ	
	PGO Group	PGO S.A.	PGO Group
Petrol	667 094,08	341 488,32	443 153,60
Diesel Fuel	4 259 205,72	1 341 797,40	3 013 569,72
Natural gas	115 625 454,53	131 682 223,04	160 497 564,76
Liquefied gas (LPG)	1 812 649,84	1 075 230,00	2 674 414,98
Foundry coke	84 159 600,00	0,00	80 492 160,00
TOTAL	206 524 004,17	134 440 738,76	247 120 863,06

The foundry and forging industries are energy-intensive. We mainly use electricity and natural gas for production purposes. So far, we have not used our own renewable energy sources. PGO S.A. and the PGO Group do not have a fleet of trucks, while they have a fleet of passenger cars whose fuel consumption is included in energy consumption indices. The total energy consumed in the Group in 2020 was 460,643,015.36 MJ, which was lower than the energy consumption in 2019 by approx. 5%.

PGO Group Plants - Odlewnia Żeliwa "Śrem" Sp. z o.o. and PGO S.A. Kuźnia Glinik, Gorlice Plant, joined the DSR (Demand Side Response) programme. The programme is aimed at ensuring the safe operation and balancing of the national power system. In practice, this means that our Plants have committed to temporarily lower their demand in the event of temporary imbalance between demand for electricity and the capability to generate it at a given time.



Total water consumption by source [m³] (G4-EN8, GRI 303-1)

Source of water	2019	2020	
	PGO Group	PGO S.A.	PGO Group
Surface water	88 339	0	76 229
Groundwater	17 172	4 684	4 684
Rainwater	54 878	0	61 596
Municipal water supply	60 563	18 069	53 769
TOTAL	220 952	22 753	196 278

Water is a resource necessary for casting and forging production. In 2020, there was a decrease in water consumption and an increase in the use of water from precipitation. Consumption of water collected from natural resources for industrial purposes by Odlewnia Żeliwa “Śrem” from Lake Grzymisławskie in 2020 was lower than in 2019 by approx. 13%. A total of 76,229 m3 of water was taken from the lake. Water intake from Lake Grzymisławskie, whose area is 183.9 ha, does not affect its ecosystem or biodiversity. The Plant in Piotrków Trybunalski takes water from the groundwater intake (well). The water used in technological processes is not processed and reused by the Group's production plants.

Total sewage volume by destination [m³] (G4-EN22, GRI 306-1)

Final destination	2019	2020	
	Grupa PGO	PGO S.A.	Grupa PGO
Discharged to the sewage system	71 308	16 839	52 539
Discharged to surface waters	128 542	52 706	121 533
TOTAL	199 850	69 545	174 072

Sewage management at PGO SA and PGO Group's plants is done in accordance with the conditions of the granted water law permit and does not pose any threat to the environment. Sewage generated in our plants includes: used liquids, solutions, colloids, suspensions and rainwater. The sewage discharged by the PGO SA and PGO Group's plants does not affect the ecosystem or biodiversity of relevant water reservoirs and habitats. The amount of discharged sewage has decreased by approx. 13% compared to the previous year. Sewage discharged by our plants is largely rainwater, and

therefore its amount depends on the amount of precipitation in a given year. (G4-EN26, GRI 306-5)

The business activity of PGO SA and the PGO Group is carried out on the basis and in accordance with legal regulations on environmental protection. In 2020 no significant penalties or non-financial sanctions were imposed on PGO S.A. or the PGO Group for non-compliance with environmental regulations. (G4-EN29, GRI 307-1)

The permissible gas and dust emission standards were not exceeded in the production process at the plants in Gorlice, Śrem, Stalowa Wola and Piotrków Trybunalski.

In the current activity, various activities are taken to minimise the amount of process waste and conduct environmentally safe waste management by optimising the production process as well as segregating, storing and transferring waste for processing or disposal in specialised plants. In 2020 neither PGO SA nor the PGO Group imported, exported or processed hazardous waste on its own.

We systematically modernise our production plants in order to upgrade them for the purpose of meeting the growing requirements of our clients and satisfying strict environmental standards. The R&D and implementation projects related to new technologies and the production automation and robotisation processes translate into further reduction of dust and gas emissions into the air and contribute to reducing the consumption of natural resources in the production process. The R&D project implemented at the plant in Piotrków Trybunalski assumes achieving a positive impact on compliance with the principle of sustainable development formulated in Art. 8 of Regulation of the European Parliament and of the Council (EU) No. 1303/2013 due to the product result – new steel castings intended for use in extreme operating conditions, for which the production technology (to be developed under the project) will reduce electricity consumption and increase the use of waste materials (waste scrap) in the production process. The planned improvement of the electricity consumption index per Mg of liquid steel means its reduction by approx. 10%. However, the increase in the waste scrap utilisation index per annum should be approx. 11%. Also, the R&D project implemented in Odlewnia Żeliwa “Śrem” assumes achieving a positive impact on compliance with the principle of sustainable development by reducing material consumption and energy consumption. The project provides for a reduction of these indices by approx. 15% and approx. 22% for material consumption and energy consumption respectively. (G4-EN6, GRI 302-4)

**Total weight of waste by types and methods of waste management
[in Mg] (G4-EN23, GRI 306-2)**

		2019	2020	
		PGO Group	PGO S.A.	PGO Group
Waste type	Hazardous waste, including:	113,12	31,45	58,17
	Processed (for recovery with one of the "R" methods)	62,65	22,52	43,16
	Other disposal methods	31,00	-	4,88
Waste type	Non-hazardous waste, including:	37 553,07	17 476,99	28 520,18
	Processed (for recovery with one of the "R" methods)	25 639,78	11 989,99	22 341,46
	All waste in total	37 666,18	17 508,44	28 578,35

The amount of waste generated compared to the previous year decreased by approx. 24%, which was mainly influenced by a lower production volume compared to 2019 by approx. 20%, as a consequence of the restrictions of business activity introduced by administrative decisions to prevent the spread of the COVID-19 epidemic. In 2020 none of the production plants of PGO SA and the PGO Group processed, stored or made transboundary shipments of hazardous waste. The total amount of hazardous waste transported from the Group's plants in 2020 was 49.24 Mg. In addition to waste generated directly in the production process, the mass of waste also includes: wood, paper, plastic, foil, etc. (G4-EN25, GRI 306-4)

In 2020 Odlewnia Żeliwa "ŚREM" Sp. z o. o. obtained the INTERSEROH Dienstleistungs GmbH certificate confirming the recovery of raw materials from packaging introduced to the German market. 130 tonnes of resources were saved and greenhouse gas emissions were reduced by 19,321 kg as a result of packaging recycling.



**Direct emissions of gases and dust [kg]
(G4-EN15, GRI 305-1)**

Emitted compound type	2019	2020	
	PGO Group	PGO S.A.	PGO Group
CO	57 504,04	1 731,51	33 799,01
CO ₂	9 640 473,16	6 940 444,30	7 430 774,30
NO _x	16 479,57	6 978,46	13 522,59
SO _x	6 422,83	177,00	5 902,36
Dust (including PM10, PM2,5)	24 243,79	8 163,39	20 707,92
VOC	30 766,79	10 424,39	22 454,15
Other	466,76	0,06	394,88

Indirect emissions related to the consumption of electricity were calculated according to the CO₂, SO₂, NO_x, CO and total dust emission rates for electricity based on the information contained in the National Base on emissions of greenhouse gases and other substances for 2018, published in December 2019 by the National Centre for Emissions Management.

The activities of the Group's plants are governed in the scope of environmental protection by integrated permits in accordance with EU Directive 96/61/EC concerning integrated pollution prevention and control. In addition, the plants have an appropriate permit for waste generation, release of gases or dust into the air, water law permits for surface water intake, discharge of industrial sewage into surface water and discharge of rainwater and meltwater to the ground.

Indirect gas and dust emissions [kg] (G4-EN16, GRI 305-2)

Emitted compound type	Rate (kg/MWh)	2019	2020	
		PGO Group	PGO S.A.	PGO Group
Carbon dioxide (CO ₂)	765	50 192 489,443	18 887 215	38 845 376,55
Sulphur oxides (SO _x /SO ₂)	0,681	44 681,157	16 813	34 580,00
Nitrogen oxides (NO _x /NO ₂)	0,631	41 400,602	15 579	32 041,09
Carbon monoxide (CO)	0,275	18 043,052	6 790	13 964,02
Total dust	0,036	2 362,000	889	1 828,02



EMPLOYEES

PGO as Employer

Due to the pandemic, 2020 was a major challenge for all employers. Despite this, the PGO Group makes every effort to develop the competences of employees at every level. Our Branches employ both experienced specialists and people starting their professional careers. Cooperation is based on clear rules, ethical standards and respect for others.

In the personnel area, in 2020 we continued the development of implemented tools aimed at improving and accelerating the HR processes. One of such tools is the OPTIMA IT system for HR management and the integrated E-pracownik platform for easier communication between supervisors and employees.

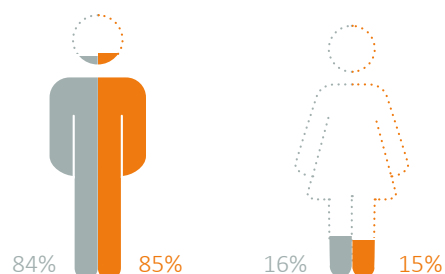
Each employee can develop their skills through postgraduate studies, training or specialist courses. The total number of full-time and part-time employees in the PGO Group at the end of 2020 was 1,091 people.

Due to the pandemic and difficult situation in the industry, in the middle of the year all PGO Group Branches reduced the working time to 80% for a period of 3-4 months (depending on location). This process was carried out in consultation with trade union organisations operating at individual Branches.

The total number of employees by type of employment and gender, employed for an indefinite period by type of employment and gender, employed and supervised employees by gender, employed by region and gender, and the number of self-employed and subcontractors are presented in the tables below. **(G4-10, GRI 102-8)**

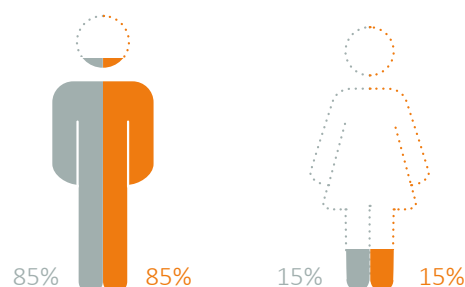
Total number of employees broken down

Type of employment	2019		2020	
	M	F	M	F
Full-time	925	173	775	135
Part-time	18	2	10	2



Total number of employees employed for indefinite period by type of employment and gender

Type of employment	2019		2020	
	M	F	M	F
Full-time	787	141	675	114
Part-time	8	1	7	2

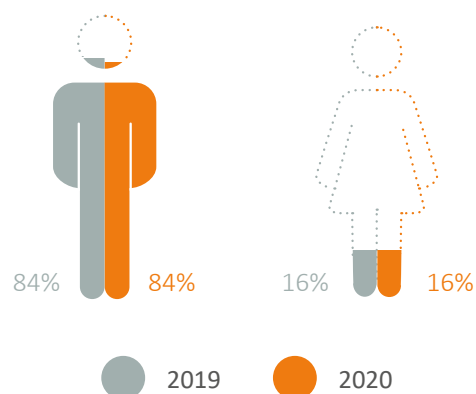


Number of self-employed and subcontractors

Type	2019	2020
Self-employment	50	45
Subcontracting	0	0

Total number of employees employed and employees supervised by gender

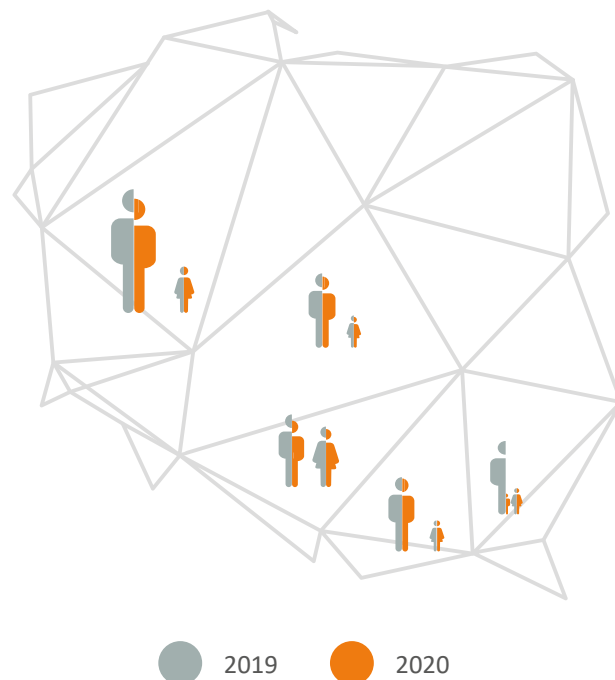
Legal basis for work	2019		2020	
	M	F	M	F
Employees (employment contract)	943	175	785	137
Supervised employees (mandate contract, contract for specific work, agency contract)	155	27	132	37



Total number of employees by region and gender				
Regions	2019		2020	
	M	F	M	F
Wielkopolska	429	81	407	81
Łódzkie	241	25	215	19
Podkarpackie	126	16	11	0
Małopolska	226	16	222	16
Śląsk	76	64	62	58

In 2020 there were no significant periodic differences in the number of employees in the PGO Group due to seasonality.

Total number of and hiring rates for new employees and employee turnover by age group, gender and region. (G4-LA1, GRI 401-1)



Number of and hiring rate for new employees by age, gender and region									
Age group	Region	2019				2020			
		M	Indicator M	F	Indicator F	M	Indicator M	F	Indicator F
up to 29	Wielkopolska (Śrem)	7	0,63	5	0,45	9	0,98	1	0,11
	Łódzkie (Piotrków Tryb.)	9	0,81	2	0,18	3	0,33	0	0
	Podkarpackie (Stalowa Wola)	7	0,63	0	0	0	0	0	0
	Małopolska (Gorlice)	8	0,72	1	0,09	9	0,98	0	0
	Śląsk (Katowice)	3	0,27	10	0,89	2	0,22	0	0
30-50	Wielkopolska (Śrem)	9	0,81	5	0,45	10	1,08	1	0,11
	Łódzkie (Piotrków Tryb.)	5	0,45	3	0,27	3	0,33	0	0
	Podkarpackie (Stalowa Wola)	14	1,25	0	0	7	0,76	0	0
	Małopolska (Gorlice)	12	1,07	2	0,18	6	0,65	1	0,11
	Śląsk (Katowice)	29	2,59	54	4,83	0	0	4	0,43
more than 50	Wielkopolska (Śrem)	3	0,27	0	0	7	0,76	2	0,22
	Łódzkie (Piotrków Tryb.)	4	0,36	0	0	0	0	0	0
	Podkarpackie (Stalowa Wola)	2	0,18	0	0	2	0,22	0	0
	Małopolska (Gorlice)	1	0,09	0	0	3	0,33	0	0
	Śląsk (Katowice)	10	0,89	9	0,81	2	0,22	1	0,11

Indicator- number of newly hired employees under an employment contract/total number of employees as at 31.12.2020 r. * 100%

Number of and turnover rate for employees by age, gender and region

Age group	Region	2019				2020			
		M	Indicator M	F	Indicator F	M	Indicator M	F	Indicator F
up to 29	Wielkopolska (Śrem)	9	0,81	1	0,09	11	1,19	2	0,22
	Łódzkie (Piotrków Tryb.)	10	0,89	0	0	1	0,11	3	0,33
	Podkarpackie (Stalowa Wola)	7	0,63	1	0,09	6	0,65	0	0
	Małopolska (Gorlice)	2	0,18	6	0,54	3	0,33	0	0
	Śląsk (Katowice)	3	0,27	4	0,36	1	0,11	2	0,22
30-50	Wielkopolska (Śrem)	17	1,52	5	0,45	27	2,93	3	0,33
	Łódzkie (Piotrków Tryb.)	14	1,25	9	0,81	8	0,87	1	0,11
	Podkarpackie (Stalowa Wola)	18	1,61	4	0,36	62	6,72	9	0,98
	Małopolska (Gorlice)	10	0,89	4	0,36	3	0,33	0	0
	Śląsk (Katowice)	24	2,15	48	4,29	8	0,87	2	0,22
more than 50	Wielkopolska (Śrem)	28	2,5	4	0,36	20	2,17	5	0,54
	Łódzkie (Piotrków Tryb.)	15	1,34	3	0,27	0	0	7	0,76
	Podkarpackie (Stalowa Wola)	9	0,81	1	0,09	51	5,53	7	0,76
	Małopolska (Gorlice)	26	2,33	1	0,09	17	1,84	1	0,11
	Śląsk (Katowice)	5	0,45	5	0,45	1	0,11	0	0

Indicator - the number of employees who left at their own request, were laid off, retired or died (employed under an employment contract)/total number of employees as at 31.12.2020 r. * 100%

As in previous years, when analysing employee turnover rates, an additional factor should be taken into account, i.e. visa-based turnover in the case of employees of PGO Services Sp. z o.o. The visa-based rotation is caused by the rules for granting work visas to foreigners who are not citizens of the EU Member States.

In 2020 there were 960 employees covered by the collective labour agreement in the PGO Group, which is 87% of all employees working under an employment contract. **(G4-11, GRI 102-41)** Other employees are covered by the remuneration regulations agreed with the trade unions.

The PGO Group does not employ children and does not use the work of persons deprived of freedom. No cases of employee discrimination were recorded in the Group in 2020. The issues related to notice periods are governed in the PGO Group in accordance with applicable provisions of law, including in particular the Labour Code, taking into consideration the consultation procedures resulting from the Trade Unions Act. Notice periods are not subject to separate regulations in the corporate collective labour agreements. **(G4-LA4, GRI 402-1)**

Additional Services and Benefits (G4-LA2, GRI 401-2)

In the PGO Group, regulations concerning the remuneration system are included in the Corporate Collective Labour Agreements (CCLA) and other internal regulations, such as the Work Regulations and Remuneration Regulations. In the case of the Management Boards, the Supervisory Board determines the rules of their remuneration, which are specified in a separate Payroll Policy.

The PGO Group pursues a policy of adequate remuneration by performing market benchmarks at the voivodeship level. Usually, we negotiate with trade unions on salary increases once a year. **(G4-53, GRI 102-37)**

The Payroll Policy at the PGO Group does not differentiate employees based on gender, age or origin. The base salary of all our employees must be within the specified salary range; the ranges are specified in the CCLA and in the Remuneration Regulations. When determining the individual salary, we take into account such criteria as the employee's qualifications and professional experience. **(G4-52, GRI 102-36)**

The PGO Group provides its employees with access to social benefits packages, including:

- holiday funding for the employee,
- holiday funding for the employee's children (camps),
- non-refundable hardship benefit – financial assistance in emergencies, natural disasters, illness of an employee or their family member,
- funding for correction glasses.
- As part of programs launched in selected plants, employees may also use:
- Employee Pension Program "Pogodna Przyszłość" (PPE),
- Employee Capital Program,
- additional life insurance.

Pursuant to the Act of 4 October 2018 Employee Capital Plans (ECP) were launched in all plants of the PGO Group. 30% of employees joined the ECP throughout the PGO Group.

In all these plants, the employer pays contributions in the basic amount of 1.5% of the employee's salary (the employing entity calculates the amount of the payment on the basis of the salary constituting the basis for the retirement and disability pension insurance contributions). Joining the ECP is voluntary.

Our employees also have the opportunity to participate in dedicated programs:

- the "Welcome to the PGO Family" Programme. Each newborn child of an employee receives a welcome gift from the company, which consists of an interactive rocker and a soft toy set with the company's logo. Each employee can take a childcare leave at any time convenient for them.
- The Employee Referral Program assumes that everyone in the organisation can be a recruiter. By referring a person to work in response to recruitment advertisements
- in the PGO Group, the employee may gain additional benefits for themselves.
- PGO Runs (PGO Biega) is a sports programme aimed at promoting physical activity, integration, strengthening sports affiliation and building team spirit values among employees.

The rate of return to work after maternity/paternity leave by gender **(G4-LA3, GRI 401-3)**

Employees on parental leave by gender		
	2019	2020
Number of employees entitled to parental leave		
female	7	4
male	2	11
number of employees who took parental leave		
female	7	4
male	2	2
number of employees who returned from parental leave		
female	3	0
male	0	1



The year 2020 was a major challenge for many employers, including also for HR departments that faced new issues. The beginning of the year was particularly intense, the time of the COVID-19 pandemic led to the analysis and change of most plans, often requiring difficult decisions. At that particular time, it was the employees and their attitude that motivated us to act, and our joint commitment to the fulfilment of tasks allowed us to maintain our business continuity. Despite the pandemic, we continue development programs dedicated to all employees of the organisation, while adapting to the new reality.

Monika Sudoł-Żukowska, HR Director



2020 was a year of changes, a year of insecurity and instability in the face of a global pandemic. It was an examination of how a given organisation would be able to cope with the growing anxiety and fears regarding health and safety among employees. At the same time, an important element was to continue improving the qualifications and competences, building commitment among employees and creating an organisation in which people are of utmost importance.

The employee's development largely depends on themselves – in what activities / projects they would like to be involved, how they would like to manage their career development at PGO, but above all how actively they are looking for development opportunities and are open to the challenges offered by the Group. Another important element is how much the organisation supports and helps the employee discover their potential, engages in development activities and sets clear and measurable goals.

In response to the challenges and in accordance with the PGO strategy planned for 2017-2020, in 2020 the Group implemented development projects at every level of the organisation. The activities focused on the development of professional competences in the areas of human resources and payroll, OHS, GDPR, technical qualifications, e.g. forklift and crane licenses, additional electrical installation certificates, as well as managerial, sales, organisational, communication and personal competences. In addition, employees also had the opportunity to benefit from psychological support. Below are presented the selected development programmes as part of GROW PGO activities

- **Managerial competence development programme**

A managerial competence development programme was prepared for the current management staff at the PGO Group. The programme has continued since 2017, with the aim of improving the effectiveness of the implementation of changes, building a conscious motivation of employees and supporting dialogue between management and employees.

- **Sales Leader Academy**

The programme is dedicated to the sales force of the PGO Group and aims to develop substantive competences, including updating knowledge about solutions proposed by the PGO Group and developing sales competences, i.e. strategic thinking, goal orientation, relationship building, communication skills and coping with stressful situations. In 2020 training courses were conducted to support the development of the above-mentioned competences.

- **GROW PGO Successor**

In 2020 we launched a programme aimed at potential and young leaders of the PGO Group. The purpose of the programme was to examine the potential and current level of managerial competences so as to plan further development activities supporting development towards the leadership positions.

- **Individual Development Plans**

Each employee may participate in an individual competence assessment process using the 360-degree feedback, psychometric tools and assessment tasks to

determine the participant's strengths and development areas. Using the obtained information and own observations, the programme participant, together with a person from the HR Department, prepares an Individual Development Plan that supports them in achieving the established goals.

- **Training and workshops**

The Group's employees can participate in training courses and workshops prepared by both external and internal providers. These training courses cover topics such as Lean Management, feedback, team building and integration, and technical areas. The added value of training conducted by internal trainers is the gradual establishment of the group of mentors/experts. Here, particular emphasis is put on the development of coaching competences and the ability to share knowledge within the organisation. In addition, language courses co-financed by the employer are conducted in each location.

- **Education**

At the employee's request, the PGO Group co-finances university, postgraduate and MBA studies. In 2019, our employees raised their competences in the fields of production management, engineering of foundry and plastic forming processes, forging, sales management, Lean Leader Academy – effective enterprise management, and HR Business Partner.

The objective of the PGO Group is to create a workplace where everyone will be able to fully realise their potential. Therefore, it is so important that employees perceive PGO as an organisation in which they can improve their competences, develop careers and gain unique experiences.

Scholarships and Internships

The first job might be a step that will start a promising career. At the PGO Group we make sure that we employ young, educated and committed employees. The "We shape your future" internship programme is addressed to students of last years and graduates of technical faculties and others. Each intern has an assigned personal tutor/mentor, whose task is to familiarise the intern with the specificity of work at the PGO Group. The internship lasts three months, it cannot be extended and is fully paid. After the internship, the intern may be offered a job in our Group.

Total training hours in the PGO Group

gender	number of hours in total		average number of hours	
	2019	2020	2019	2020
female	5884	2376	29,9	12,6
male	22627,5	6291	21,0	7,3

The indicator applies to OHS, managerial, sales, technical and language training courses. The number of average hours per employee working under an employment contract within the PGO Group in 2020.

Number of interns by gender and location

location	2019			2020		
	female	male	total	female	male	total
Wielkopolska (Śrem)	0	1	1	0	1	1
Łódzkie (Piotrków Trybunalski)	2	0	2	0	5	5
Podkarpackie (Stalowa Wola)	0	0	0	0	0	0
Małopolska (Gorlice)	0	1	1	0	0	0
Śląsk (Katowice)	0	0	0	1	0	1

Number of employed interns by gender and location

location	2019			2020		
	female	male	total	female	male	total
Wielkopolska (Śrem)	0	1	1	0	1	1
Łódzkie (Piotrków Trybunalski)	2	0	2	0	0	0
Podkarpackie (Stalowa Wola)	0	0	0	0	0	0
Małopolska (Gorlice)	0	1	1	0	0	0
Śląsk (Katowice)	0	0	0	0	0	0

”

Thanks to the continuous improvement of the safety culture, we reduce the risk of accidents and occupational diseases to a minimum.

Andrzej Pietruszkiewicz, Chief OHS Specialist



”

Hazards in the foundry and forging industries are more severe than in other metalworking industries. Specific metallurgical and metalworking processes have an impact on this. This carries a greater risk of accidents and occupational diseases. The hazards and harmful factors in the work environment include: hazardous technological processes, dust, noise, high temperatures, electromagnetic field, infrared radiation, vibrations, hazardous chemicals, high energy expenditure, hazardous machinery and devices, in-house transport, etc.

The harmful factors in the work environment to which employees are exposed may cause occupational diseases, such as: silicosis, deafness or vibration syndrome. The job positions most exposed to occupational diseases are those involving manual processing of castings (cast finisher) and plastic forming of metal (blacksmith).

(G4-LA7, GR 403-3)

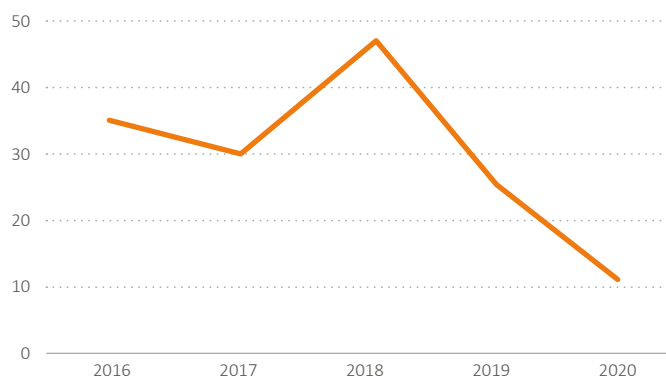
Thanks to the continuous improvement of the safety culture and efforts to ensure safe and hygienic working conditions, we reduce the risk of accidents and occupational diseases to a minimum.

According to the assumptions of the **safety pyramid**, we make every effort to eliminate the possibility of an accident at the earliest stage.

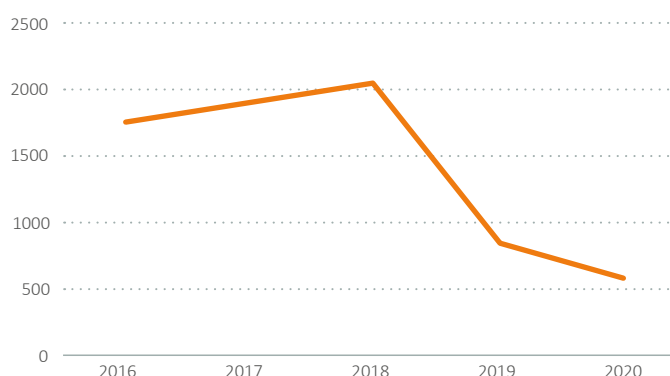
Thanks to the implemented safety programs, every year the PGO Group reduces the number of accidents in its plants and the number of days of incapacity for work after accidents.

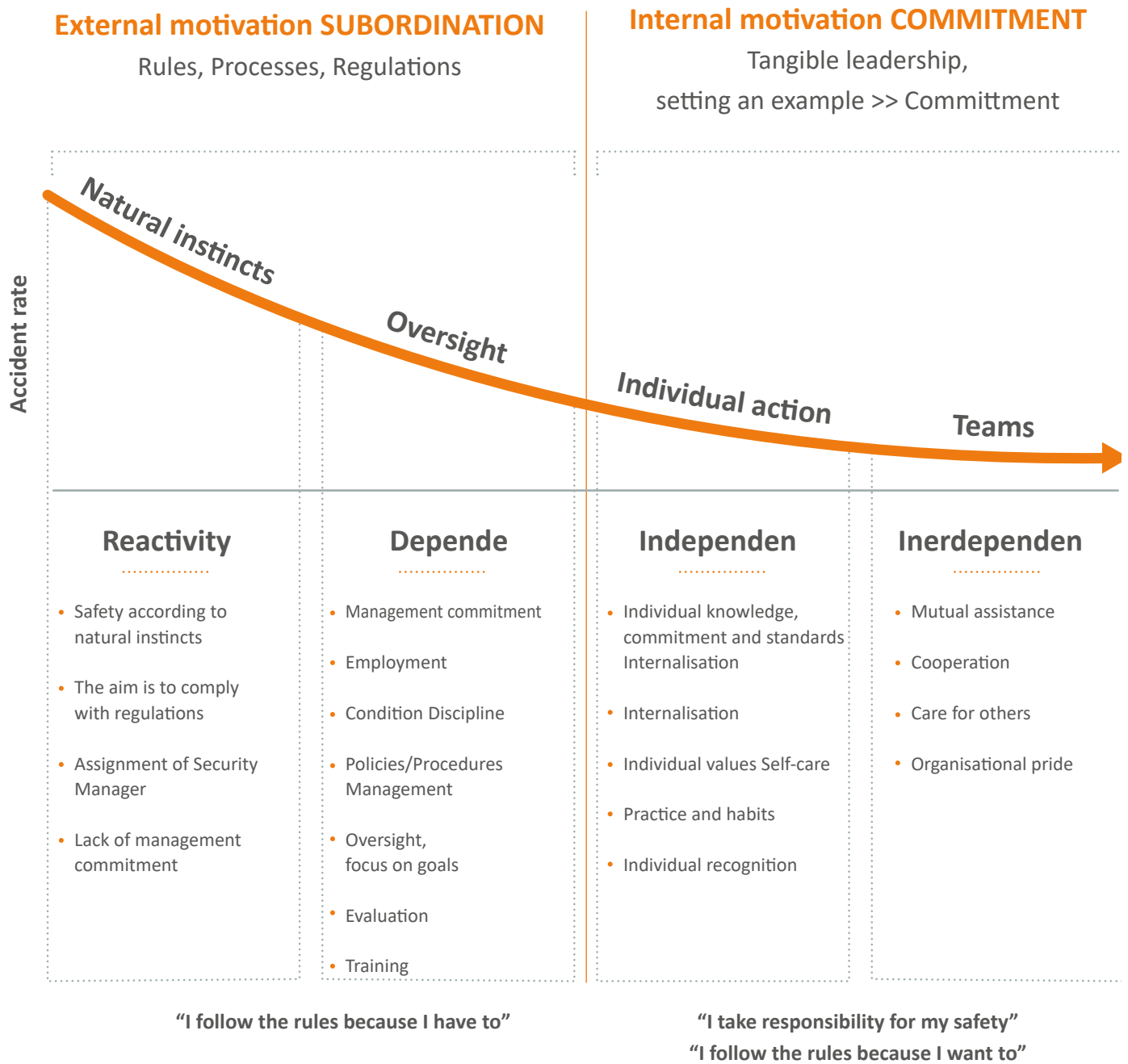
Compared to 2019, the number of accidents at work and the number of days of incapacity for work after accidents in 2020 were reduced by 60% and 29% respectively.

Number of accidents



Number of days of incapacity for work after accidents





Source: Own study based on www.ex-p.pl/2017/11/20/kultura-bezpieczenstwa-ja-ksztaltowac.

Directions of actions taken under the Occupational Health and Safety Policy.

Thanks to inter-company communication, we use the effect of synergy for the purposes of detected hazards and applied good practices. Preventive measures implemented in one of the plants are automatically implemented by the others.

We place great emphasis on reporting near misses. Proper determination of causes and application

of preventive measures are of crucial importance. We have set up teams to investigate near misses, which include managers, masters, OHS staff and employees. We use TOL, CMM and "5 WHY" analyses.

We focus on two-way communication with employees. We have a communication system that allows employees to submit ideas that increase work safety.

OHS issues are one of the main topics discussed during meetings with directors or management of plants. Long-term activities and the OHS strategy for the entire PGO Group are planned during the meetings.

The main assumptions related to healthcare and the OHS in the Group's companies are included in the work regulations and corporate collective agreements.

An OHS Committee operates within the PGO Group, at O.Ž. "Šrem" Sp. z o.o. The Committee consists of an equal number of employers' representatives, including OHS staff, and a physician who provides preventive health care for employees, as well as employees' representatives, including a social labour inspector. The Chairman of the OHS Committee is the employer or a person authorised by him, while a social labour inspector or employee representative is the Vice-Chairman. The Committee

meetings are held once a month. Other entities of the PGO Group conduct periodic OHS consultations with employee representatives appointed by trade unions. **(G4-LA5, GR 403-1)**

The task of the OHS Committee is to:

- review working conditions,
- periodically assess the OHS status,
- give opinions on measures taken by the employer to prevent accidents at work and occupational diseases,
- formulate conclusions concerning the improvement of working conditions and cooperate with the employer in the performance of the OHS-related obligations.

..... Actions to improve OHS in the PGO Group



Determination of the "Zero accidents" OHS Mission



Changing the method and frequency of OHS inspections in the Plants



Analysis of accidents and near misses using TOL, 5WHY and CMM methods



Updating the occupational risk assessment and OHS instructions



Periodic verification of machine safety



Expanding the composition of the OHS Committee by adding specialists, managers and directors of organisational units



Introduction of "Quarters for Safety"



Updating the procedures for particularly dangerous work and introduction of LOTO - training for employees in this regard



Updating the safety rules for subcontractors, suppliers and visitors entering the Plant's premises



Updating the types of personal protective equipment. Introduction of mandatory use of safety glasses and chinstraps at helmets



Training to improve the safety culture for employees and management



Cooperation of PGO Group's Plants in the area of experience in preventing accidents and good practices



Introduction of 10 key Accident Prevention Principles



Updating occupational risk assessment due to Covid-19 and information campaigns in connection with the Covid-19 threat (leaflets, posters)



OHS boards in production departments



Actions to reduce the impact of harmful factors on employees- modernisation of dust extraction systems and noise generating stations



Rewarding Kaizen ideas and the employees engaged in improving safety

..... Examples of implemented solutions increasing work safety

Placing fire extinguishers in dedicated stands. Ensuring identification and assigning the location of fire extinguishers by marking the fire extinguisher with a number, visible also in the pictogram location.



Separation of work areas with a non-flammable curtain that eliminates the risk of the flammable cover catching fire when working at the core coating station as a result of using it next to an open flame.



Providing a stable and safe platform for the shaft.



Providing covers to protect workers from being caught during the rotation of the working table.



The new container ensures stability of elements and eliminates fire hazards.



Making a movable cover adjustable in 3 planes to protect the transport path against chips ejected from the milling machine.



Accident rates related to employees working under an employment contract, contract of mandate, contract for specific task or agency contract (G4-LA6, GR 403-2)

Period	Region	Employment	Employment structure		Number of accidents		Accident rate		
		Total	M	F	M	F	Total	M	F
2019	Wielkopolska (Śrem + Estate)		430	79	11	2	25,54	25,58	25,32
	Łódzkie (Piotrków Tryb.)	262	238	24	5	0	19,08	21,01	0
	Podkarpackie (Stalowa Wola)	138	126	12	3	0	21,74	23,81	0
	Małopolska (Gorlice)	242	226	16	6	0	24,79	26,55	0
	Śląskie (Centrala + PGO)	135	71	64	0	0	0,00	0	0
2020	Wielkopolska (Services + Śrem + Estate + PGO)	484	405	79	4	1	10,33	9,88	12,66
	Łódzkie (Services + PGO + Piotrków Tryb.)	234	214	20	1	0	4,27	4,67	0,00
	Podkarpackie (Services + Stalowa Wola)	123	109	14	2	0	16,26	18,35	0,00
	Małopolska (Gorlice + Estate + PGO)	240	225	15	3	0	12,50	13,33	0,00
	Śląskie (Services + Centrala)	114	57	57	0	0	0,00	0,00	0,00

Accident rate - the number of accidents per 1000 employees in the reporting period.

Accident rates related to employees working under an employment contract, contract of mandate, contract for specific task or agency contract (G4-LA6, GR 403-2)

Period	Region	Accident severity rate			Number of professional diseases		Lost working days rate		Absence rate	Number of fatal accidents	
		Total	M	F	M	F	M	F	Rate	M	F
2019	Wielkopolska (Śrem + Estate)	47,62	49,82	35,5	2	0	548	71	8,1	0	0
	Łódzkie (Piotrków Tryb.)	11,60	11,60	0	1	0	58	0	6,5	0	0
	Podkarpackie (Stalowa Wola)	18,00	18,00	0	0	0	54	0	12,9	0	0
	Małopolska (Gorlice)	20,67	20,67	0	0	0	124	0	7,4	0	0
	Śląskie (Centrala + PGO)	0,00	0	0	0	0	0	0	3,5	0	0
2020	Wielkopolska (Services + Śrem + Estate + PGO)	31,20	25,50	54	0	0	102	54	1,2	0	0
	Łódzkie (Services + PGO + Piotrków Tryb.)	80,00	80,00	0	0	0	80	0	7,3	0	0
	Podkarpackie (Services + Stalowa Wola)	106,50	106,50	0	0	0	213	0	8,1	0	0
	Małopolska (Gorlice + Estate + PGO)	53,33	53,33	0	0	0	160	0	8,3	0	0
	Śląskie (Services + Centrala)	0,00	0,00	0	0	0	0	0	3,3	0	0

Accident severity rate - the ratio of the number of days of incapacity caused by accidents at work to the number of accidents that occurred during the reporting period.

Lost working days rate - the impact of accidents at work and occupational diseases reflected by employees on sick leaves. The indicator is obtained by comparing the total number of lost working days to the total number of days planned to be worked by employees during the reporting period.

Absence rate - refers to the number of actual absences of an employee expressed as a percentage of all days during which the employee should be at work in accordance with the assigned schedule in a given period.



SOCIAL ACTIVITIES

..... ”

Social activities are inextricably linked to the daily operations of PGO. There is a reason why one of our programs has the phrase "PGO Family" in its name. To us, employees with their knowledge, experience, competences and satisfaction are the foundation of success. The local community is also important – we come into contact with it everyday and we actively support it.

Agnieszka Czapura-Kluba, Marketing and Strategy Manager

”



PGO Group's employees are aware of the impact of the company they work in on the society and the environment. When taking any decisions and actions, we try to optimise, i.e. strengthen the positive and minimise the negative impact on these aspects of life. Our mission is to shape modern industry through continuous improvement and development as well as building a community based on values. We believe that the mutual exchange of our attitudes and values gives us and the communities around PGO an opportunity for development.

In order to be able to efficiently and consistently implement activities in the social area, the PGO Group adopted its Social Policy (2017) and guidelines to the CSR and Sponsorship Policy (2019). The main objective of social activities is to build and strengthen relations and inspire positive changes within the Group as well as in the local environment.

Socially responsible activities of the PGO Group are organised in two ways. The first one, focused on employees, involves their development, health, promotion of young talent and creation of programs for employees and their families. The second one is intended for local communities in which we operate through sponsorship and support for charity or educational/cultural activities, financial assistance for organisations, groups in need or socially excluded groups and for the natural environment.

Year 2020 was also exceptional in this area of our activities. Due to the epidemic situation, we were unable to participate in many social projects. Nevertheless, thanks to the commitment of our employees, it was possible to arrange regular campaigns and competitions entered in our annual schedule. In addition, in connection with the difficult

situation in healthcare caused by the epidemic, we gave donations to social welfare homes in Zabrze and the Specialist

Hospital in Chorzów. In this way, we could support their actions aimed at preventing, combating and counteracting COVID-19.

PGO Internal Programs

Welcome to the PGO Family ("Witamy w rodzinie PGO")



At PGO, we welcome with joy every newborn child of our employees. As a welcome gift, a new member of our family receives a small layette. Welcome to the PGO Family has been operating since 2017. In 2020 alone, we had the pleasure of giving out 14 layettes.

PGO Runs (PGO Biega)



The PGO Runs programme promotes physical activity, integration and team spirit values among employees. Our employees participate in charity runs such as Wings for Life or Business Run. Due to the epidemic situation, in 2020 we had to participate in sports events in a changed form. The Business Run was held individually and the competitors reported their results. However, this did not discourage the PGO Team from participating.

We shape, we paint ("Kształtujemy, malujemy")

The idea behind this annual competition for children of PGO Group employees is not only to stimulate creativity and present artistic and graphic talents of all participants, but also to expand knowledge in the field of foundry and forging production. Each time the participants can win attractive prizes.

The last edition was held in a spatial form – we received dozens of works in several age and thematic groups.



Studies co-financing

We invest in the development of our employees by co-financing postgraduate studies, e.g. in the field of Foundry Engineering and Plastic Working initiated by PGO at the Silesian University of Technology, and managerial studies.

Training

Professional training courses are conducted on a regular basis, improving both managerial and sales competences. We carry out expert programs that increase the knowledge and skills of employees in accordance with the Group's business profile, as well as individual language courses.

Actions for the local community

In this respect, we can break down our activity into 3 main areas defined in both Social Policy and guidelines to the CSR and Sponsorship Policy:

Education, sport and health

Activities influencing local communities often involve to physical activity of our employees. Through sport and participation in paid charity runs, we help those most in need to collect funds for rehabilitation, equipment and devices necessary for the treatment of people in need.

We are a learning organisation. By with educational institutions at every level, we gain mutual benefits. Technical schools in the vicinity of our plants run classes under the patronage of PGO. The aim of the classes is to educate young people in the field of foundry and forging and ensure a good start through the proposed traineeships and education in the dual system.



In 2020 PGO again had the pleasure to support the Mars Rover project, built by the Student Artificial Intelligence Association SKN AI-METH, thanks to which it was possible to continue the project and the association's participation in European and nationwide competitions. The team participated in the European Rover Challenge competition, in which they were ranked high, on the 12th place.



Culture

We are proud that our business can contribute to the promotion of art. At "Śrem" Iron Foundry, more than 200 figures were designed and made by Professor Magdalena Abakanowicz and her associates. The first 112 moving, headless characters make up the 2002 "Unrecognised" (Nierozpoznani) series. To this day they can be seen in the Citadel in Poznań. Another 100 cast iron figures were created and cast in 2005. This group of cast iron giants is called "Agora" and were taken from Śrem to Chicago. But two of the figures remained in the country and can still be seen today, currently in the deposit of the museum in Śrem.

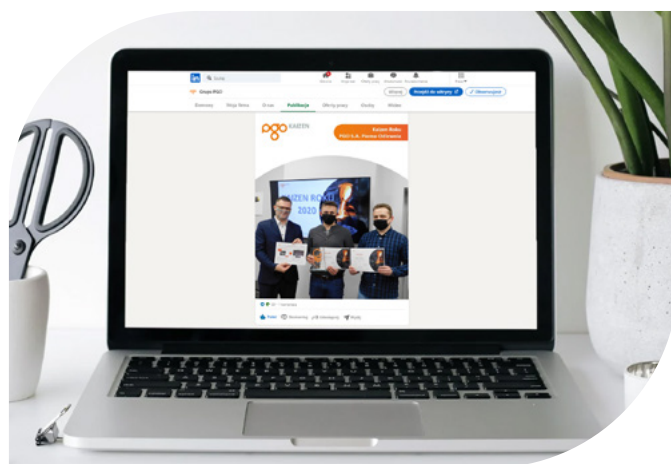


Environment

The type and scale of activity and location of the Group's production plants have no negative impact on habitats and species protected under the European Ecological Network Natura 2000. Thanks to the optimisation of casting and forging production processes, segregation, storage and transfer of waste for processing or disposal, we minimise the amount of process waste. When producing our products, we follow the precautionary principle, i.e. we take all possible measures to prevent environmental degradation. All PGO Group's production plants are certified according to PN-EN ISO 14001.

Online Activity

Due to the nature of 2020, we had to change most of our actions. For this reason, we moved some of our activity to the "network". Social media channels gained a lot of new content, and thanks to their regular feeding we could be in constant contact with both our employees and contractors. On the PGO profiles, we posted information on social activities in which we were engaged as a company, but also in which participation was a grassroots initiative of employees. Another activity was to show how many tasks were undertaken to further improve the health and safety at all plants within the Group. It has become a very interesting and permanent element of postings to show the achievements of employees in two areas very important for our operation – innovation – by promoting projects submitted under the KAIZEN Programme and the production of advanced castings and forgings, which would not have happened without the knowledge and commitment of our staff.



July

Gaszyn Challenge Pioma-Odlewnia



Gaszyn Challenge Odlewnia Żeliwa „Śrem”



August

Competition: Art in Industry – Industry in Art



Gaszyn Challenge Kuźnia Glinik



September

Poland Business Run



European Rover Challenge Space and Robotics Event



Gaszyn Challenge Head Office Katowice



Gaszyn Challenge Odlewnia Stalowa Wola



Sanctions

PGO S.A. and the PGO Group conduct their activity in accordance with the law, regulations and principles of ethical business. In accordance with the Organisational Regulations, the management are required to know the applicable provisions of law and internal normative acts to the extent concerning the subordinate area and are responsible for controlling the performance of tasks of subordinate employees, also in terms of their compliance with the said regulations. In this respect, the management are also obliged to follow changes in regulations that may influence the Company's operations and notify the Management Board in advance of the need to appropriately prepare the Company for proper performance of new obligations resulting from these regulations.

In addition, the Company uses legal services provided by a law firm. As part of this service, the Company is provided with suitable legal aid and consultation on all legally significant aspects of its activity, which minimises the risk of possible violation of regulations.

In our opinion, the risk of non-compliance of our activity with the provisions of law is effectively controlled and maintained at a low level, which does not, however, completely eliminate such risk due to a large number of new regulations and variable interpretation of law by administrative institutions.

In 2020, we did not record any cases of corruption or discrimination in PGO S.A. or the PGO Group. **(G4-HR3, GRI 406-1)**

In 2020, no legal steps were taken against PGO S.A. or the PGO Group regarding violations of the principles of free competition and monopolistic practices. **(G4-SO7, GRI 206-1)**

In 2020 PGO S.A. and the PGO Group did not pay any major fines and did not incur any non-financial sanctions due to non-compliance with law and regulations, including the delivery, labelling and use of products and services. **(G4-SO8, GRI 419-1)**

In 2020 there were no cases of non-compliance with regulations and voluntary codes concerning the impact of products and services on health and safety. **(G4-PR2, GRI 416-2)**

In 2020 there were no cases of non-compliance with regulations and voluntary codes regarding information and labelling of products and services. **(G4-PR4, GRI 417-2)**

In 2020 there were no cases of non-compliance with regulations and voluntary codes regarding the marketing communication. **(G4-PR7, GRI 417-3)**

In 2020 none of the stakeholders filed a privacy breach complaint. There was also no loss of customer data. **(G4-PR7, GRI 418-1)**

About the Report

"Report on Sustainable Development of PGO S.A. and the PGO Group – Statement of non-financial information for 2020" was prepared by us for the fourth time. The Report was prepared for the period of 01.01.2020 to 31.12.2020. The previous Report was prepared for the period of 01.01.2019 to 31.12.2019 and published on 30.04.2020. An annual reporting cycle was adopted at PGO S.A. and the PGO Group. **(G4-28, GRI 102-50), (G4-29, GRI 102-51), (G4-30, GRI 102-52)**

"Report on Sustainable Development of PGO S.A. and the PGO Group – The statement of non-financial information for 2020 was prepared in compliance with the obligation specified in Art. 49b and Art. 55 of the Accounting Act of 29 September 1994 (consolidated text, Dz.U. of 2019, item 351, as amended). The report on non-financial information of PGO S.A. and the PGO Group for 2020 will be published on the website at: www.pgosa.pl.

In accordance with the provisions of Art. 49b(8) of the Accounting Act, which provides for drawing up a declaration on non-financial information using any rules, including the company's own rules or national, EU or international standards, norms or guidelines, When preparing the "Report on Sustainable Development of PGO S.A. and the PGO Group – Statement of non-financial information for 2020" PGO S.A. and the PGO Group used their own methodology based on the Global Reporting Initiative (version G4) and GRI Sustainability Reporting Standards (GRI Standards).

We prepare the "Report on Sustainable Development of PGO S.A. and the PGO Group – Statement of non-financial information for 2020" in such a manner that it covers all important aspects of our business in subsequent periods and in the most accurate way reflects its nature and impact on stakeholders and our environment. **(G4-22, GRI 102-48), (G4-23, GRI 102-49)**

Any significant changes in PGO S.A. and the PGO Group concerning the size of the organisation and its ownership structure or supply chain in the reported period are presented in the relevant sections of the Report. **(G4-13, GRI 102-10)** The Report was not subject to external verification. **(G4-33, GRI 102-56)**

Individuals involved in the data collection and preparation of the "Report on Sustainable Development of PGO S.A. and the PGO Group – Statement of non-financial information for 2020": Grzegorz Kozub, Agnieszka Czapura-Kluba, Mariusz Dajczak, Andrzej Pietruszkiewicz, Anna Gajewska, Monika Sudoł, Aleksandra Łozowska, Marcin Czełuśniak, Dariusz Kaczmarek, Dorota Więclawska-Skrobek, Tomasz Mazur, Jan Wallach, Tomasz Szofer, Ewa Słodkiewicz, Marcin Mastalerz, Maciej Nadolny, Iwona Woźniak, Renata Mokryńska, Klaudia Wycisło, Małgorzata Porębska.

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