

This document is a conversion to pdf format of the official INTEGRATED REPORT OF THE FAMUR GROUP FOR 2020 that was issued in PDF format. The Polish original should be referred to in matters of interpretation.

Translation of FAMUR GROUP's report originally issued in Polish.

INTEGRATED REPORT OF THE FAMUR GROUP FOR 2020



FAMUR

People are the pillar of the FAMUR Group. A responsible business is not only a fast-growing enterprise, but also its commitment of care for the employees and local communities, overall responsibility towards external stakeholders, and a major focus on safety and environmental protection. The Group seeks to actively support the internationally embraced **UN Global Sustainable Development Goals**. To achieve them, every year the Group develops a number of external initiatives, with a focus on supporting children and young people across a range of fields spanning education, sports and culture. Special attention is paid to young people from post-mining towns and districts, who, after a number of mines have been closed down over the last dozen or so years, are hard-pressed to develop their talents and skills facilitating the start of adult lives.

At the same time, FAMUR develops internal initiatives encompassing professional training, staff education and OHS commitment. These activities aim to enhance staff competencies and awareness of the impact of individual behaviours on the working conditions and resource efficiency.

FAMUR

**SUSTAINABLE
DEVELOPMENT GOALS**

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FAMUR

2020 OVERVIEW

2020 OVERVIEW



2020 OVERVIEW

[GRI 102-7, GRI 102-8]

2020 overview

FAMUR S.A. financial highlights

PLNm*	12 months to	
	Dec 31 2020	Dec 31 2019
Revenue	965	1,588
Operating profit/(loss)	221	355
Gross profit/(loss)	257	201
Net profit/(loss)	169	161
Total comprehensive income	169	162
Net cash from operating activities	550	508
Net cash from investing activities	-37	-197
Net cash from financing activities	-484	89
Total net cash flows	29	400
Basic earnings/(loss) per share [PLN]	0.29	0.28
Total assets	2,124	2,621
Equity	1,338	1,169
Charitable donations	6	3

* unless indicated otherwise

FAMUR Group – Consolidated financial highlights

PLNm*	12 months to	
	Dec 31 2020	Dec 31 2019
Revenue	1139	2,165
Operating profit/(loss)	239	289
Gross profit/(loss)	252	333
Net profit/(loss)	190	249
Net profit attributable to owners of the parent	185	245
Net profit attributable to non-controlling interests	5	4
Total comprehensive income	173	255
Total comprehensive income attributable to owners of FAMUR S.A.	168	251
Total comprehensive income attributable to non-controlling interests	5	4
Net cash from operating activities	640	504
Net cash from investing activities	-105	-15
Net cash from financing activities	-236	-180
Total net cash flows	299	309
Basic earnings per share	0.33	0.44
Total assets	2,492	2,975
Equity attributable to owners of the parent	1,710	1,557
Non-controlling interests	-28	-46
Total equity	1,682	1,511
Charitable donations	6	1

* unless indicated otherwise

2020 OVERVIEW

[GRI 201-1]

Direct economic value generated and distributed¹

FAMUR S.A.	12 months to	
	Dec 31 2020	Dec 31 2019
- separate highlights (PLNm)		
Total capitalisation – debt and equity:		
- total liabilities	786	1,452
- total equity	1,338	1,169
Total assets	2,124	2,621
Direct economic value generated:		
- revenue	1,027	1,629
Economic value distributed:		
- operating expenses	716	1,192
- salaries, wages and employee benefits	197	241
- payments to providers of capital ²	21	332
- payments to governments	41	63 ³
FAMUR GROUP	12 months to	
- consolidated highlights (PLNm)	Dec 31 2020	Dec 31 2019
Total capitalisation – debt and equity:		
- total liabilities	810	1,464
- total equity	1,682	1,511
Total assets	2,492	2,975
Direct economic value generated:		
- revenue	1,174	2,188
Economic value distributed:		
- operating expenses	881	1,759
- salaries, wages and employee benefits	265	389
- payments to providers of capital	18	334
- payments to governments	45	90

¹The presented financial data is data of FAMUR S.A. and the FAMUR Group, respectively, and is consistent with the disclosures in the published separate and consolidated financial statements for 2020.

² The item 'payments to providers of capital' includes dividends and interest from the statement of profit or loss.

³ In the 2019 Corporate Social Responsibility Report of the FAMUR Group, the item showed an amount of PLN 49m, which included deferred tax. In this Report, the Company presents payments to governments restating the recalculation methodology so that deferred tax is not included as there is no certainty whether or not it will be ultimately payable.

2020 OVERVIEW

2020 performance overview

- PLN 1,139m in revenue for 2020, down 47% year on year, mainly as a result of a major drop in orders on the OEM market and for broadly defined aftermarket services, the adverse impact of the COVID-19 pandemic on global markets, as well as changes in the Group's structure.
- PLN 318m in revenue for the three months ended December 31st 2020 alone, down 41% year on year.
- EBITDA for 2020 at PLN 416m, with EBITDA margin at 37% of revenue.
- EBITDA for the fourth quarter of 2020 at PLN 75m, with EBITDA margin at 24% of revenue.
- PLN 190m in net profit for 2020, including PLN 35m for the three months ended December 31st 2020.
- Operating cash flow of PLN 640m in 2020.
- PLN 420m surplus of cash over gross debt at December 31st 2020.

2020 performance overview

(PLNm)	12 months to			3 months to		
	Dec 31 2020	Dec 31 2019	Change [%]	Dec 31 2020	Dec 31 2019	Change [%]
Key financial ratios						
Revenue	1,139	2,165	-47%	318	540	-41%
EBITDA	416	471	-12%	75	57	32%
Net profit	190	249	-24%	35	-86	n/a
Cash flows from operating activities	640	504	27%	136	203	-33%
as % of revenue						
EBITDA	37%	22%	+15pp	24%	11%	+13pp
Net profit*	15%	14%	+1pp	11%	n/a	n/a

* adjusted for material non-recurring items affecting comparability, as described in section *'Description and assessment of factors and non-recurring events with a bearing on the operating result reported for the financial year'*.

	As at	
	Dec 31 2020	Dec 31 2019
Net debt (PLNm)	-420	220
Net debt/EBITDA	-1.0	0.5

Description and assessment of factors and non-recurring events with a bearing on the result of operations for the financial year

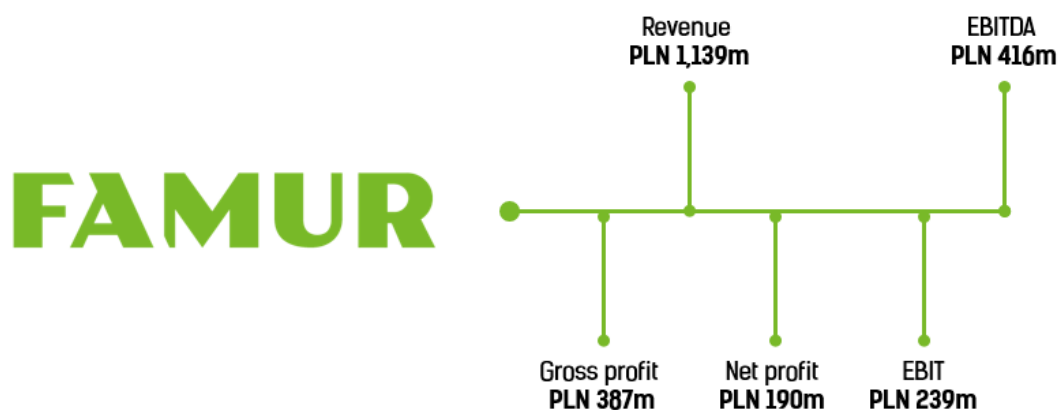
A material (over 10% of net profit) event with a bearing on the results of operations in 2020 was the PLN 22m positive effect on net profit in the third quarter of 2020 following receipt of the favourable tax decision to discontinue CIT investigation.

2020 OVERVIEW

- Consolidated net profit was further driven by certain events concerning the FAMAK Group, which lifted the FAMUR Group's consolidated net profit by approximately PLN 5m as a combined effect of: PLN 7m loss of the FAMAK Group for January and February 2020 (before loss of control),
- PLN 12m gain on loss of control of the FAMAK Group,
- PLN 8m loss of the FAMAK Group for March to December 2020, allocated to the FAMUR Group pro rata to its ownership interest (31.88%),
- PLN 8m positive effect on the consolidated financial statements of the reversal of impairment loss on FAMAK shares.
- Material non-recurring factors with a bearing on the 2019 operating results:
- PLN 136m net gain on the sale of PBS shares (PLN 141m gain adjusted for a PLN 5m impairment loss recognised in the fourth quarter on receivables of PRIMETECH S.A. retained by Jastrzębska Spółka Węglowa S.A. as part of the sale price for PBSz shares).
- PLN 132m negative effect on net profit following the revision of ongoing contract budgets and recognition of provisions and impairment losses at the FAMAK Group in the six months to December 31st 2019 (PLN 91m in the fourth quarter of 2019).
- PLN 60m negative effect on net profit of permanent impairment of goodwill allocated to the FAMAK Group. Excluding material non-recurring events, net profit margin for 2020 was at 15% of revenue (11% of revenue in the fourth quarter of 2020), up from 14% in the comparative period (net loss in the fourth quarter of 2019).

FAMUR Group

[GRI 102-7]



2020 OVERVIEW

Key developments in 2020

Commercial activities

- In March 2020, AO SUEK resolved to suspend an approximately EUR 85m project for an indefinite period, citing difficult conditions on the coal markets. FAMUR was selected as the contractor for the project in December 2019.
- Significant contracts were signed for the supply of equipment with a total value of PLN 277m.
- The COVID-19 pandemic led to severe restrictions on cross-border movement, reducing the scale of the Company's business activity on its export markets.

Operating activities

- In April, a notice was received from Polska Grupa Górnicza about a temporary suspension of the performance of selected contracts due to a force majeure event caused by the outbreak of the COVID-19 epidemic.
- Force majeure due to the COVID-19 pandemic was declared by a majority of the Company's domestic trading partners, including PGG, JSW, Węglokoks, and Tauron.
- A 20% reduction in remuneration and working time was implemented at FAMUR S.A. in May to July as part of anti-crisis shield measures.
- Two production plants were liquidated (in Rybnik and Piotrków) and headcount reductions were implemented in central support functions in order to align the cost structure to the anticipated market conditions.

Material changes in the FAMUR Group's structure

- Reorganization of the FAMAK Group (Surface segment): TDJ Equity I Sp. z o.o. recapitalised and acquired a controlling interest in the Company's subsidiary FAMAK S.A.
- FAMUR S.A. announced a tender offer for Primetech S.A. shares.

Strategic initiatives

- In December, a letter of intent was signed with TDJ on a joint project in the field of power generation and renewable energy.

Financing activities and administration

- Series A notes with a nominal value of PLN 108m were repurchased in January.
- In February, an agreement was signed with mBank S.A. and annexes to agreements with BNP Paribas Bank Polska S.A. and Credit Agricole Bank Polska S.A. were executed to enable the transfer of amounts owed by FAMAK to those banks under requests for letters of credit/bank guarantees issued to its customers, with a total value of PLN 44m, as per arrangements made with respect to the acquisition of control of FAMAK S.A. ("FAMAK") from FAMUR S.A. by TDJ Equity I.
- Annexes were signed to credit facility agreements with Bank Polska Kasa Opieki S.A., Santander Bank Polska S.A. and BNP Paribas Bank Polska S.A., extending the availability periods, and an agreement was signed with mBank S.A.
- FAMUR S.A. received the favourable tax decision to discontinue CIT investigation (ca. PLN 22m positive effect on net profit).

Corporate matters

- The entire 2019 profit was retained by the Company and transferred to share capital in response to growing economic uncertainty caused by the COVID-19 pandemic in Poland and globally, mining companies scaling down their operations and postponing planned investments, and the Company's trading partners experiencing a deteriorated liquidity position.

FAMUR

LETTER FROM THE PRESIDENT

LETTER FROM THE PRESIDENT



LETTER FROM THE PRESIDENT

[GRI 102-14, GRI 102-15]

Dear Shareholders,

Consistent pursuit of operational excellence invariably remains a key pillar of the FAMUR Group strategy. The Management Board of FAMUR S.A. and management of FAMUR Group companies strive for improved operational efficiency, improved productivity and tight cost control throughout the business cycle. This mindset enables us to quickly adjust our production capacities and operating assets to the changing economic conditions. Our effective and flexible operating model proved itself in the challenging year 2020 as the FAMUR Group had to simultaneously deal with the COVID-19 crisis, tough conditions in the Polish coal mining industry and a slowdown in investment and production experienced by the mining sector in Poland and abroad.



Business environment of the FAMUR Group in 2020

The year of 2020, particularly the second quarter, saw a strong adverse impact of the COVID-19 pandemic on the global economy, leading to a global slowdown in the mining industry. During the year, the FAMUR Group took a range of measures to improve safety and optimise costs and the operating model in order to mitigate market risks to the maximum extent and ensure continuous functioning of the organisation and, most importantly, safety of its employees, customers and trading partners. Low coal prices across global markets and the COVID-19 pandemic led to a significant drop in orders on the OEM market and for aftermarket services. In addition, as a result of the COVID-19 pandemic, mining companies in Poland declared force majeure, notifying their trading partners of temporary suspension of some of the deliveries of already ordered machinery and equipment and selected contracts for the lease of shearer loaders and roadheaders. Cross-border travel and administrative restrictions in the countries where FAMUR Group subsidiaries operate (Russia, Kazakhstan and South Africa) forced the subsidiaries to temporarily suspended their operations and significantly impeded the acquisition of new contracts and orders for aftermarket services.

Despite restrictions on cross-border traffic imposed after the COVID-19 pandemic outbreak, we managed to successfully deliver a MIKRUS system to China. The assembly, start-up and testing in mining conditions were performed remotely. Remote completion of the entire process was made possible thanks to the involvement of our and our customer's staff and the use of cutting-edge automation and IT solutions. The MIKRUS system was presented by China Energy as one of the most innovative projects recently launched in China.

Owing to the orders acquired in 2020, mainly in Russia and, to a lesser extent, in other markets, as at the end of December 2020, the total value of the FAMUR Group's backlog (supplies of machinery and equipment and leases in accordance with the contracts terms) was approximately PLN 850m.

Reorganisation of the FAMUR Group in 2020

As projects were suspended or postponed by our customers and capital projects planned in the lignite (open-pit) mining sector were delayed or altogether abandoned, the FAMAK Group (Surface) required immediate reorganisation and a capital support plan. Following negotiations held with TDJ in January 2020, TDJ recapitalised FAMAK, taking control of the company and its subsidiaries. The FAMUR Group remained a major shareholder, with an approximately 32% ownership interest. The transaction allowed us to minimise the adverse impacts of the circumstance existing at the time on the FAMUR Group. As a result of the transaction, we had to stop consolidating operating income and expenses of the FAMAK Group in the FAMUR Group's statements.

The outbreak of the global COVID-19 crisis and the difficult situation in the coal market required us to immediately adjust our operating resources and cost structure to meet current and expected market needs. As a first step, measures were taken to optimise workforce in central support functions. However, deteriorating demand and no prospect of improvement in the short- and medium-term in the scraper conveyor, belt conveyor, railways and routes segments forced us to liquidate our branches in Rybnik and Piotrków Trybunalski and transfer their technical and technological capabilities to other plants of the Group. These efforts will help to retain the existing know-how and will enable effective

LETTER FROM THE PRESIDENT

use of the capacities of all FAMUR branches while maintaining manufacturing and technical capacities so that production of scraper conveyors, belt conveyors, railways and routes is continued to fulfil any secured orders.

Financial performance in 2020

Revenue fell 47% year on year in 2020. The largest year-on-year decline was recorded in revenue from the supply of machinery and equipment (down 54%), with recurring revenue down 28%. Revenue generated in foreign markets represented 33% of total revenue.

Despite a significant drop in revenue, the Group delivered EBITDA of PLN 416m and net profit of PLN 190m. The achieved profitability confirms the high effectiveness of the flexible business model developed over the years by the FAMUR Group, which enabled fast implementation of cost optimisation plans, which in turn helped the Group to quickly adapt to the changing economic environment. EBITDA posted by the Group, combined with effective management of working capital, including in particular the monitoring of receivables collection, translated into a record-high operating cash flow of PLN 640m in 2020. This led to the recognition of a PLN 420m surplus of cash over debt at the end of December 2020. The reported performance and strong financial position give us a solid foundation for implementing our business profile diversification projects.

Sustainable development and social responsibility of the FAMUR Group

The FAMUR Group has been and will always be a socially responsible corporate citizen. We aim to grow our business sustainably, with due regard paid to the interests of all stakeholders, including our shareholders, employees and local communities. In conducting our activities, we are guided by the sense of responsibility for our external stakeholders, and we attach great importance to safety and environmental protection.

The COVID-19 pandemic has been particularly challenging in this regard. We have taken a number of measures aimed at effectively protecting the safety of our employees and their families, our contractors, customers and business partners. We have supported medical services in the fight against the pandemic through cash and non-cash donations to several hospitals in Katowice (the Professor K. Gibiński Clinical Centre of the Silesian Medical University, Brothers of Mercy Hospital and Murcki Hospital), Piotrków Trybunalski, Gorlice, Kraków, Tychy, Poznań, Bełchatów, Nowy Sącz, Zabrze, Mikołów and Ruda Śląska. To protect employees and their families, we have adapted the form of working to the changing conditions, also providing children with computer equipment for the time of remote learning.

We constantly work to raise environmental awareness among our employees through a programme of good practices implemented within the organisation. Emphasis is placed on saving space, time and resources, and – consequently – on energy efficiency (relocation of employees among several areas, with an option to work remotely) and waste sorting, already at the work planning stage. Through education, we increase our organisation's awareness of the need to take further steps towards effective delivery of the sustainable development strategy.

We consider non-financial reporting to be an extremely important communication channel, allowing us to update you on the progress in the delivery of projects and development directions we have designed for the Corporate Social Responsibility (CSR) area.

Challenges in 2021

In the following quarters, we expect pressure on profitability to rise as the challenging economic conditions continue, affecting particularly the thermal coal mining industry in Poland, which is to undergo a major transformation in the coming years. Leveraging our operational flexibility, we will adapt our operations to the changing demand and the nature of the markets where we operate as needed. Given the continued softening of demand for hydraulic actuators, a decision to optimise the production capacity in the segment was made in February 2021.

In May 2021, the FAMUR Group adopted modified strategic directions to take advantage of the opportunities and benefits arising from the global transition to low-carbon economies. The new strategic directions will focus on several core areas: continuous efforts to optimise the use of assets related to the manufacture of mining machinery, repurposing of selected production plants, e.g. under the strategic partnership model (JV, license agreements, etc.) in the industrial sectors that are oriented particularly towards manufacturers of machinery and equipment for renewables, transport, logistics and infrastructure. At the same time, we would like to use the cash generated from our core business of the

LETTER FROM THE PRESIDENT

supply of machinery and equipment for underground soft-rock mining to steer the development of the FAMUR Group towards a holding company investing in green transition and to consistently search for attractive investment opportunities in renewables and other promising industries. The first step towards achieving these goals is to enter the large-scale photovoltaics sector and the segment of comprehensive implementation of PV projects for the B2B market, together with Projekt Solartechnik (P+S) and TDJ. Our competence in the industrial and energy sectors, the scale of our projects and the strong financial foundations we have built, combined with the support of our stable and long-term investor TDJ as well as Projekt Solartechnik's unique competence and experience in the PV industry create a unique platform for quick and efficient project scaling, providing a springboard for becoming a major player in the photovoltaics sector. The strategic decision to start building a holding company investing in green transition should help the FAMUR Group to reduce the share of thermal coal business in its revenue to less than 30% by the end of 2024.

FAMUR

ORGANISATION AND BUSINESS MODEL

ORGANISATION AND BUSINESS MODEL



ORGANISATION AND BUSINESS MODEL

[GRI 102-1, GRI 102-2, GRI 102-3, GRI 102-4, GRI 102-6]

Business of the FAMUR Group

FAMUR Group

The FAMUR Group is a leading global manufacturer of longwall machinery and systems for underground mining and a provider of related aftermarket services.

The process of building the Group began in 2003 with the purchase of NFUG NOWOMAG S.A. by FAMUR. After several years of strong growth, when more than a dozen new companies joined the Group strengthening its product portfolio, the Group evolved from a supplier of stand-alone machinery to a one-stop supplier of comprehensive solutions for the mining, power and cargo handling sectors, also offering products and services for the power and cargo handling sectors through ownership interests held in affiliates forming the FAMAK Group.

The Parent of the FAMUR Group is FAMUR S.A. ("FAMUR" or the "Company") with its registered office at ul. Armii Krajowej 51, 40-698 Katowice, Poland | phone: +48 32 359 63 00, fax: +48 32 359 66 77 | FAMUR@FAMUR.com.pl | www.FAMUR.com | District Court Katowice-Wschód of Katowice, 8th Commercial Division of the National Court Register | KRS 0000048716 | Regon (Industry Identification Number) 270641528 | NIP (Tax Identification Number) 6340126246 | Share capital PLN 5,747,632.12 (paid in full).

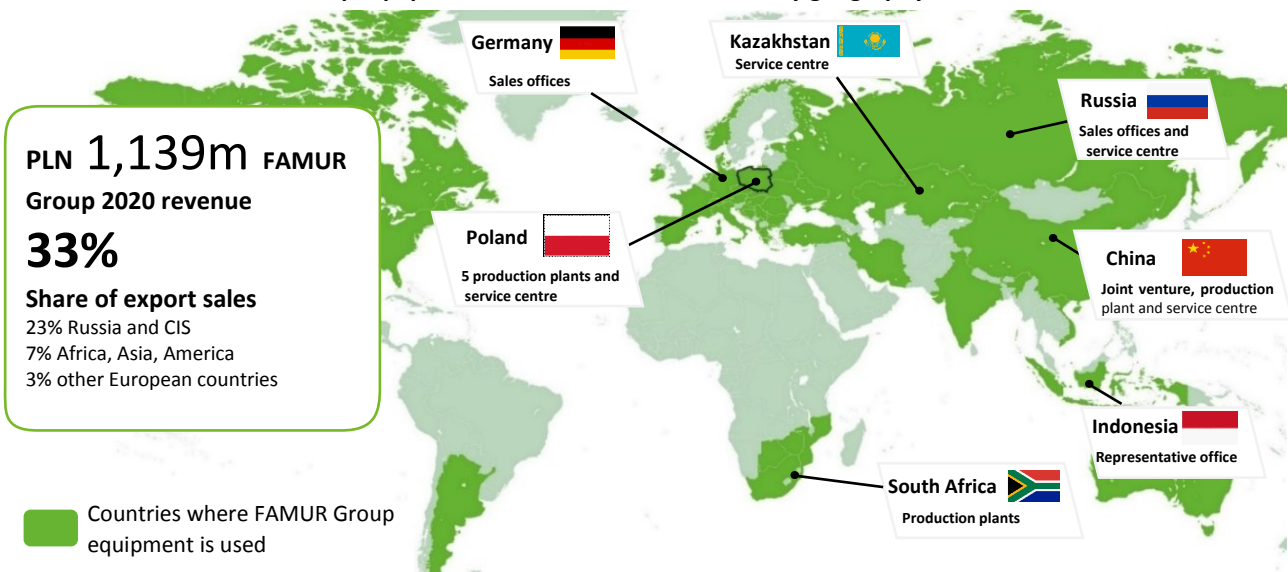
The composition of the FAMUR Group is presented in the 'Our Report' section in the form of a table showing the structure of the FAMUR Group as at December 31st 2020.

[GRI 102-6]

Global reach

The FAMUR Group is continually growing and consistently expanding its international footprint. The machinery and technology offered by the FAMUR Group are used by numerous mines, ports and industrial plants across five continents. Our companies based in Russia, Kazakhstan, China and Germany guarantee ongoing customer service and fast response expected by our customers. The FAMUR Group is constantly raising the bar on service quality and extend its outreach to new locations where reliable mining and industrial systems are needed.

Countries where FAMUR Group equipment is used and 2020 revenue by geography



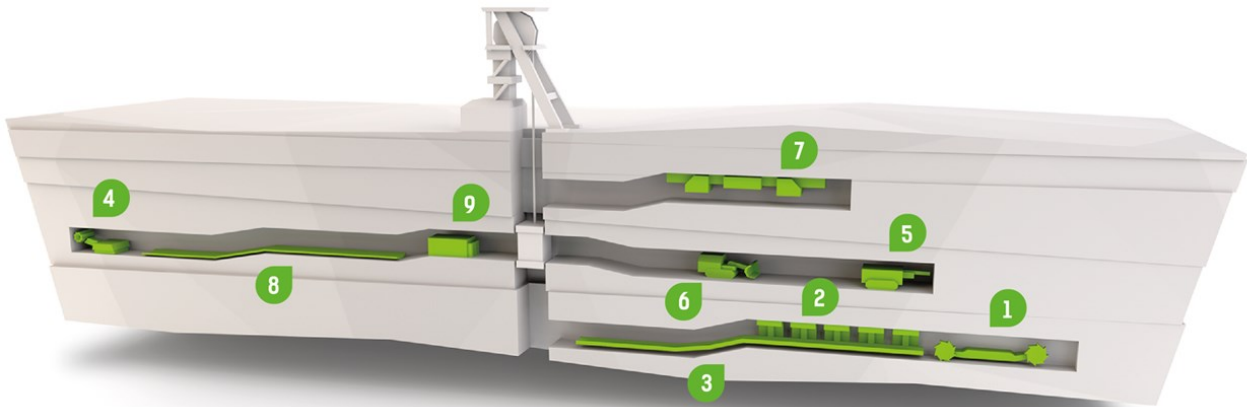
ORGANISATION AND BUSINESS MODEL

[GRI 102-2]

Products and services on offer

Products and services offered by the traditional underground soft-rock mining segment

Examples of machinery and equipment offered by the FAMUR Group and where they are used:



- | | | |
|--------------------------------|-------------------------------|-------------------------------|
| 1 Shearer loaders | 4 Roadheaders | 7 Suspended monorail systems |
| 2 Powered roof support systems | 5 Drill rigs and roof bolters | 8 Underground belt conveyors |
| 3 Scraper conveyors | 6 Loaders and dinting loaders | 9 Mining electrical equipment |

Roof supports and shearer loaders



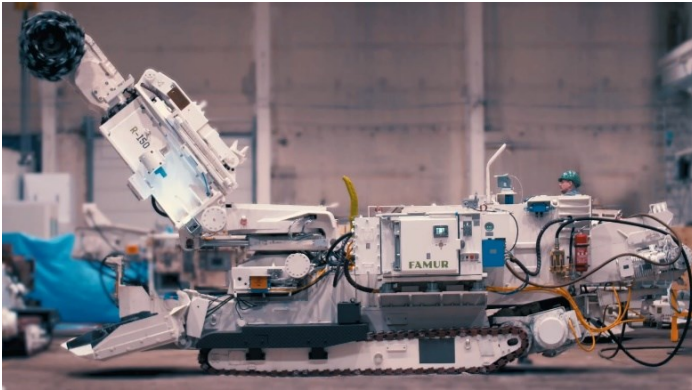
This product category comprises shearer loaders, powered roof supports and scraper conveyors. These products can be purchased independently or in combination with other equipment to form longwall systems for mining coal from seams up to 6 m thick. Thin coal seams, varying in thickness from 1.2 m to 1.7 m, can be mined using the specialist longwall system Mikrus. The Group's offering also includes hydraulic actuators and controls, in particular hydraulic supports, pilot controls, and power hydraulics.



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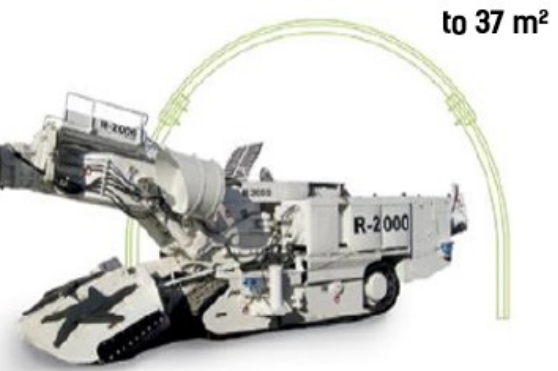
ORGANISATION AND BUSINESS MODEL

Roadheaders



Roadheaders form part of a gallery system and are used primarily to excavate galleries and drill tunnels. At the end of 2015 and beginning of 2016, the FAMUR Group expanded its product portfolio to include drilling rigs, drills, dinting loaders and loaders used in underground mines.

from 9.6 m²



Underground transport and bulk materials handling systems



The FAMUR Group manufactures equipment for transport and handling of bulk materials used in underground mines and other operations. The product mix for the hard coal mining industry includes underground belt conveyors, surface belt conveyors, as well as various underground means of transport for logistics purposes.



ORGANISATION AND BUSINESS MODEL

Explosion-proof and electronic equipment

These products and services include design and manufacture of power supply and switchgear equipment for mining machinery, electronic components, development and deployment of IT solutions, implementation of industrial automation systems, development of technical systems and devices, and integration of power and automation systems.

A description of the complete product range, including the capacity and technical parameters of each product, is available on the Company's website at <https://famur.com/en/our-offer>.



Selected services offered by the FAMUR Group

The FAMUR Group ensures full support of investment projects in this area, and provides services, in particular 24/7 servicing of mining equipment, repairs and equipment upgrades (aftermarket services). Another major source of stable revenue streams is lease income earned under shearer loader and roadheader lease contracts signed with companies operating in the mining industry. Lease contracts provide for daily lease rates which are not index-linked and contain no variable components. The contracts are concluded for a definite period. FAMUR Group companies retain ownership of the shearer loaders and roadheaders, with the lessee required to return the equipment to the lessor once the lease term has expired.



ORGANISATION AND BUSINESS MODEL

The FAMUR Group also develops and consistently implements e-mine innovations, mainly through its subsidiary Elgór + Hansen S.A. The company designs and manufactures electrical equipment to power industrial machinery. It offers a full range of services in the design, manufacture, maintenance and repair of explosion-proof equipment for mining. It provides end-to-end solutions for integrated power and control systems and offers electronics manufacturing services.



Through a member of the PRIMETECH Group (formerly KOPEX Group) **ŚTW Dalbis Sp. z o.o.**, the Group provides selected specialist borehole drilling services for various applications and offers drilling technology implementation services for engineering and geotechnical projects.



Competitive environment

In the underground mining segment, the Group competes with several specialised companies, such as Komatsu Mining Corp (formerly JOY Mining Machinery), the Caterpillar Group, EICKHOFF GmbH, SANDVIK AB, Czech, Ukrainian and Chinese manufacturers, as well as Polish manufacturers and suppliers in specific product and service groups.

ORGANISATION AND BUSINESS MODEL

[GRI 102-9]

Supply chain



The FAMUR Group has access to diversified sources of raw materials and is not dependent on one or more suppliers. Expansion of the Group's operations over the previous years helped improve the efficiency of procurement processes, mainly by leveraging the economies of scale and the effective management and logistics system.

The suppliers of materials and component parts are selected with due diligence: the supplier is checked in terms of its financial situation and whether it meets the criteria to eliminate the risk of carousel fraud. The FAMUR Group does not purchase materials from bargain suppliers offering prices that significantly differ from market levels.

The machinery and equipment manufactured by the Group are directly delivered to the end customers, with large machines and process lines delivered in parts (batches). The delivery of machinery and equipment to customers is performed by proven external carriers, some of whom have signed regular cooperation agreements with the Group.

In March 2020, FAMUR S.A. implemented and compiled into a single document the rules of conduct and CSR criteria adopted by the Company and its Group, thus formalising its existing supplier assessment standards in the 'Supplier Code of Conduct'. Compliance with the Code is an obligatory criterion in vetting prospective trade partners.

The 'Supplier Code of Conduct' is a standard binding across the FAMUR Group, promoting responsibility among external stakeholders and encouraging good practices among suppliers. The full text of the Code, after its formal adoption by the Company's Management Board, was published on [www.famur.com](https://famur.com/en/our-offer) in the <https://famur.com/en/our-offer> section.

In 2020, FAMUR S.A. implemented robotic solutions in selected areas of the procurement process so that the unproductive working time could be unlocked. The solutions support the process of bidding, making purchase orders and invoice approval at the stages from the warehouse to the purchase order.

Group's business

Operating activities of the FAMUR Group

The FAMUR Group has about 3,000 employees, with engineers and designers accounting for a significant part of its staff. As at the date of issue of this Report, operations were conducted in the following plants/branches:

- a plant manufacturing shearer loaders and gearboxes, at FAMUR S.A. Longwall Systems Branch in Katowice,
- a plant manufacturing roadheaders, drills, anchor drill rigs, loaders, and dinting loaders, at FAMUR S.A. REMAG Gallery Systems Branch in Katowice,
- a plant manufacturing powered roof supports, at FAMUR S.A. GLINIK Longwall Systems Branch in Gorlice,
- a plant manufacturing scraper and belt conveyors and crushers, FAMUR S.A. NOWOMAG Longwall Systems Branch in Nowy Sącz,
- a plant of ELGÓR+HANSEN S.A. in Chorzów,
- a plant of Śląskie Towarzystwo Wiertnicze DALBIS sp. z o.o. in Tarnowskie Góry.

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R&D activities of the FAMUR Group

The company responsible for research and development within the FAMUR Group is FAMUR Institute sp. z o.o., but the FAMUR Group's manufacturing branches are also engaged in their own R&D work.

The main projects implemented by the FAMUR Group's R&D teams in 2020 included the Smart Mine Programme implemented by FAMUR Institute, comprising a number of research and development projects aimed at developing innovative solutions that would improve the efficiency of offered machinery and the safety of users. This objective is pursued through:

- the predictive maintenance programme, intended to increase the availability of machinery by reducing unplanned downtime and optimising the servicing strategy. The achievement of these goals will be supported by innovative machine diagnostics, data mining techniques and dedicated IT solutions.
- Work related to longwall systems automation, which included testing of data exchange and other functionalities in autonomous systems (shearer controller, powered roof supports with electro-hydraulic control systems, monitoring and other systems), and the master longwall control system.
- Development of a new type series of mining gearboxes for scraper conveyor drives to ensure full compliance with the RAGN335000 standard and optimise production costs.
- Solutions developed by Elgór+Hansen S.A. in 2020:
 - Design of equipment and commissioning of a control and power supply system for a longwall system in Indonesia.
 - Remote commissioning of a Mikrus longwall system with a control and visualisation interface in China.
 - Commissioning of a new electronics manufacturing line with a dedicated traceability system, which significantly enhanced product quality and expanded electronics production capacity.
- Implementation of solutions based on the EH-SmartMine visualisation and control system for industrial automation applications.
- Development of a power supply and control system for industrial presses used by the heavy industry and food sectors.
- Development of a power supply and control system for metal processing machinery.

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Segments

Operating segments

Until the end of 2019, the Group reported the following four business segments:

- Underground – manufacture of longwall system components, roadheaders, underground means of transport, belt conveyors and supporting equipment, and provision of related services
- Surface – manufacture of loading and hoisting equipment and provision of related services, provision of design, construction and engineering services for the general mining, cargo handling logistics and power generation sectors.
- Electrical Equipment – design and manufacture of power supply and switchgear equipment for mining machinery, electronic components, development and deployment of IT solutions, implementation of industrial automation systems, development of technical systems and devices, and integration of power and automation systems.
- Mining Services – mining design and construction services and drilling services, including surface drilling and underground drilling.

Following the sale of Przedsiębiorstwo Budowy Szybów S.A. (“PBSz”) to a buyer outside the FAMUR Group in May 2019 and the loss of control of FAMAK S.A. and its subsidiaries (“FAMAK Group”) in February 2020, these segments ceased to be considered material by the FAMUR Group. Following the sale of PBSz, the Mining Services segment’s share of total revenue fell below 2% in the second half of 2019, compared with 12% in the first half of 2019 and 13% in FY2018. The loss of control of the FAMAK Group, which comprised the Surface segment, resulted in no revenue and operating expenses of the FAMAK Group recognised in the FAMUR Group’s operating results since March 2020. Electrical Equipment’s share of consolidated revenue in 2019 was 7%. A large portion of the segment’s revenue was generated under contracts concluded by the Underground segment with its own trading partners. These changes in the ownership structure and the strong correlation of the segment’s revenue with Underground operations drove a significant change in decision making concerning resource allocation, shifting reliance to consolidated operating performance. Accordingly, the Group reports one operating segment as of 2020.

Given the adoption of new strategic directions in May 2021, new operating segments will be identified in addition to the existing traditional segment of soft-rock mining machinery and equipment. As a first step, the segment of comprehensive solutions for large-scale photovoltaics is planned to be created following the FAMUR Group’s entry into the sector in 2021.

Mining equipment segment

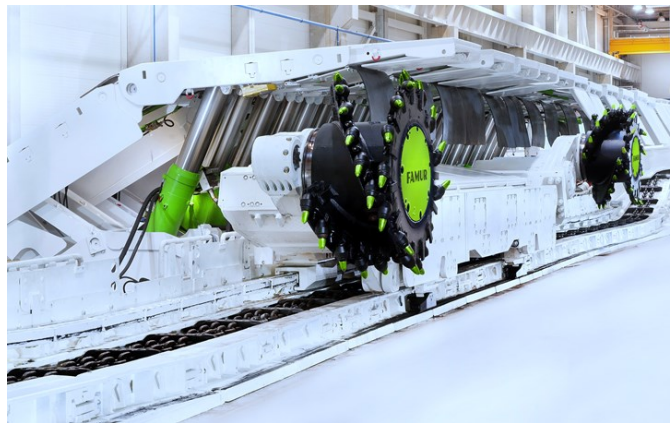
The FAMUR Group offers comprehensive technologically advanced machinery and equipment and end-to-end solutions for the underground soft rock mining industry. The Group companies have the capabilities required not only to manufacture, but also to design and develop machinery and equipment, which gives them flexibility and enables them to adapt solutions to specific customer needs and offer tailor-made products. The Group’s end-to-end offering comprises solutions covering the entire process of mining of hard coal, potassium chloride or other resources, from technical and technological consultancy services, equipment design, through its production, delivery, assembly at the customer’s site, start-up, maintenance and aftermarket support, as well as the delivery of IT systems for back-to-back management of coal mining processes.

Customers can also receive consultancy on mining methods, in particular on mining in the most challenging geological conditions. Additionally, the Group offers assistance in obtaining investment financing from companies operating in the financial sector. Providing assistance in investment financing is an important driver of the FAMUR Group’s unique competitive position.

Faced by the global transition to low-carbon economies, the FAMUR Group seeks to optimise its traditional assets related to the manufacture of mining machinery and plans to consistently reduce its exposure to this sector. Its strategic initiatives in this respect include:

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- Focus on the most profitable and stable product areas
- Maintaining the lease model designed to stabilise revenue and continued provision of aftermarket services
- Disposal or phase-out of less profitable assets in keeping with Poland's energy transition
- Maintaining capabilities and know-how for opportunistic involvement in selected mining projects in Poland and on export markets



Key customers

In the Company's opinion, there is no material risk of its dependence on any single customer. However, the Company's sales are concentrated in a single sector of the economy. Domestic customers accounting for over 10% of the Group's revenue for 2020 were: Jastrzębska Spółka Węglowa S.A. (17% of the Group's sales and 19% of FAMUR S.A.'s sales) and Polska Grupa Górnicza S.A. (30% and 35% of the Group's and FAMUR S.A.'s sales, respectively). There are no formal equity links between the above entities and the Company.

[GRI 102-2]

Business model

In May 2021, the FAMUR Management Board took a strategic decision to modify the business model towards a holding company investing in green transition in order to capitalise on the opportunities arising from the accelerating global transition towards low-carbon economies. The modified business model will be based on the following pillars:

- optimised cash generation from existing assets related to the manufacture of soft-rock mining machinery and equipment,
- repurposing of selected plants under the strategic partnership model (JV, license agreements, etc.) in the industrial sectors, mainly manufacturers of machinery and equipment for RES, transport, logistics and infrastructure,
- transformation towards an integrated provider of advanced, environmentally friendly energy transition solutions,
- reorganisation of FAMAK to make it a platform for the development in the new segment of logistics and cargo handling.

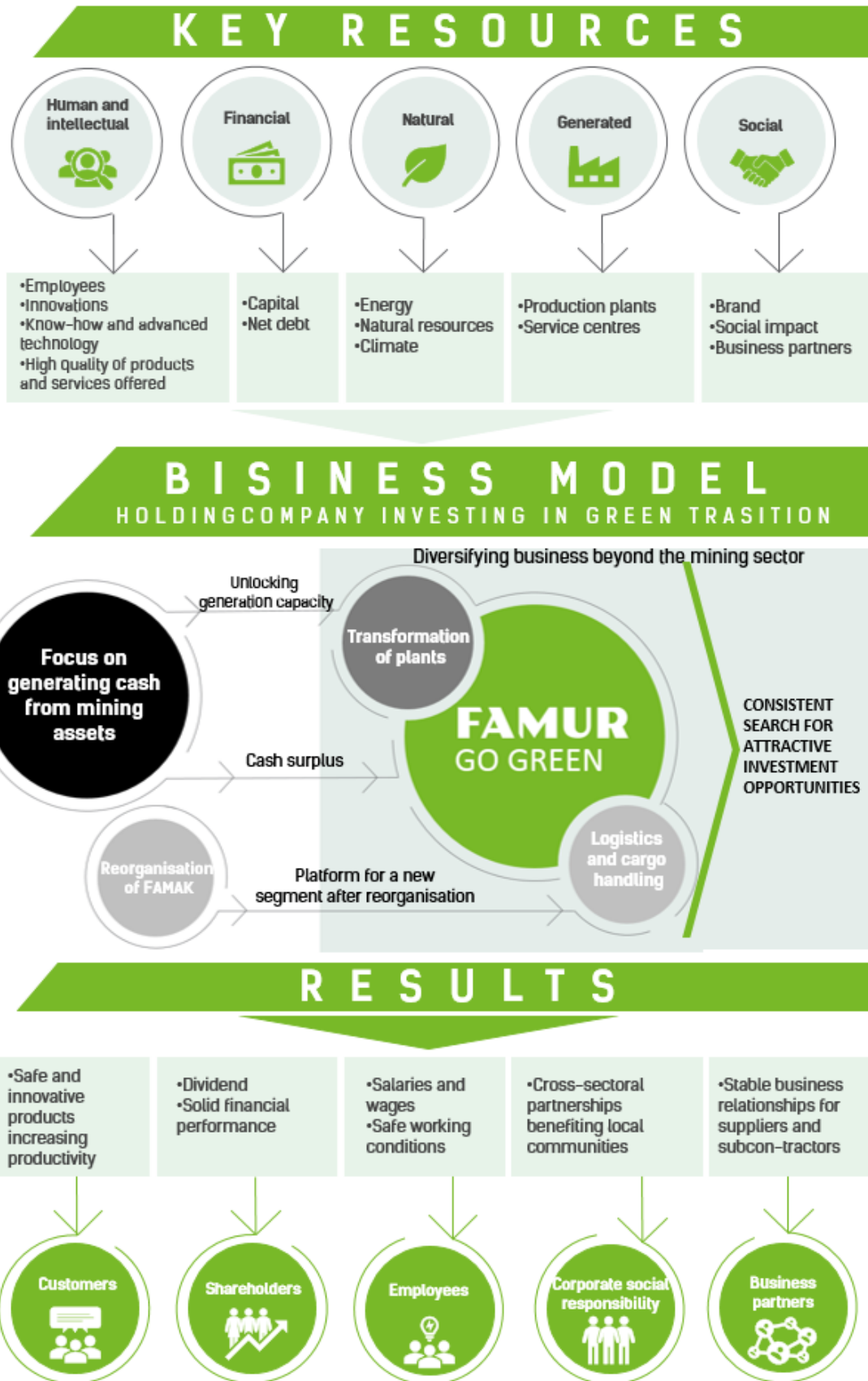
The development in the new areas will be financed with funds generated by the Group, available EU funds and other financial instruments supporting green energy. However, it should be emphasised that the FAMUR Group intends to consistently look for attractive investment opportunities also in other industries with positive business outlook ratings.

Value creation model for all stakeholders of the FAMUR Group

The model of creating value for all stakeholders of the FAMUR Group is presented below.

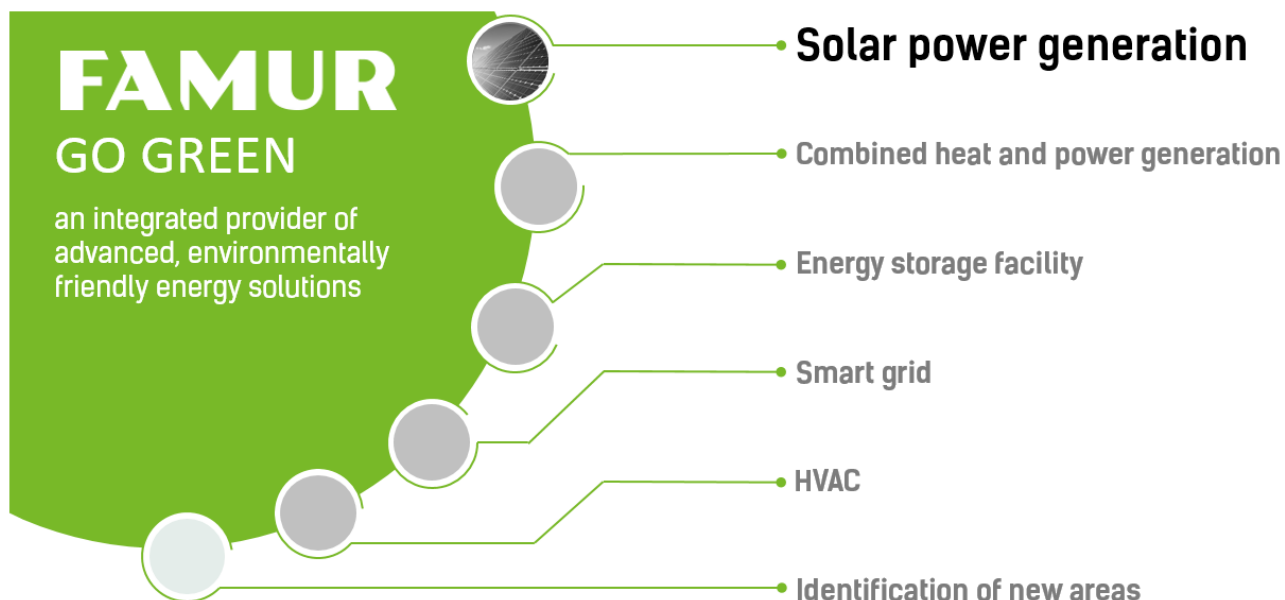
FAMUR

ORGANISATION AND BUSINESS MODEL



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Transformation towards an integrated provider of advanced, environmentally friendly energy transition solutions



The first stage of steering the FAMUR Group’s development towards becoming an integrated provider of advanced and environmentally-friendly energy transition solutions is to enter the large-scale photovoltaics sector and the segment of comprehensive implementation of PV projects for the B2B market. The principal activity will focus on becoming an end-to-end provider of solutions for large-scale PV projects, which should boost the Group’s profitability thanks to, among others, the planned integration of most components of the PV value chain for the B2B segment. Further investment in integrated provision of advanced and environmentally-friendly energy solutions may include co-generation, energy storage, smart grid, and HVAC.

The development towards an integrated provider of advanced and environmentally-friendly solutions will be facilitated by, among others, the signing of a letter of intent with TDJ S.A. (“TDJ”) on a joint venture in power generation and renewable energy. The combination of complementary resources, competences and competitive advantages should allow the Parties to quickly and successfully become a leader in end-to-end implementation of large-scale solar photovoltaic farm projects (solar power plants) and medium-sized PV systems (for corporate customers/businesses). As a result of the actions taken, on May 25th 2021 the two companies signed an investment agreement (the “Agreement”), in which they established the key principles of cooperation, including:

- Establishment of FAMUR SOLAR Sp. z o.o. (“FAMUR SOLAR”),
- Assignment to FAMUR SOLAR, on unchanged terms and conditions, of the rights and obligations of a TDJ subsidiary provided for in the underlying investment agreement with Maciej Marcjanik (the “Underlying Investment Agreement”),
- Making a cash contribution of PLN 70m to FAMUR SOLAR (51% from FAMUR and 49% from TDJ),
- Providing FAMUR with full corporate power over FAMUR SOLAR,
- Disposal by TDJ and FAMUR of their existing PV projects and projects acquired after the date of the Agreement to the fund (the “Fund”) managing a portfolio of PV projects. In the project portfolios as at the Agreement date, TDJ indirectly held projects with the capacity of approximately 102 MW (including auctions won in 2019 and 2020) and FAMUR – projects with the capacity of approximately 85 MW (including approximately 30 MW after the auction won in 2020),
- TDJ intends to exit the investment by the end of 2023.

The key terms and conditions of the Underlying Investment Agreement to be assigned by the TDJ subsidiary to FAMUR SOLAR are as follows:

- Conducting the PV business through the operating part, concentrated under Projekt-Solartechnik S.A. (the “Operating Part”), and the Fund,
- Acquisition by FAMUR SOLAR of a 51% interest in the Operating Part through the purchase of shares in Projekt-Solartechnik S.A. from Maciej Marcjanik and acquisition of new shares in Projekt-Solartechnik S.A. for a total amount of approximately PLN 48m,

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- Maintaining the proportion in the Operating Part and the Fund: a 51% interest for FAMUR SOLAR and a 49% interest for Maciej Marcjanik,

Provision by FAMUR of funds of up to PLN 150m (including in the form of short- and medium-term loans) for acquisitions and development of the PV project portfolio and construction of PV farms,

- Acquisition by FAMUR SOLAR and Maciej Marcjanik of certificates in the Fund.

Poland's PV segment is one of the least saturated in Europe and has a very promising year-on-year growth rate in percentage terms. The outlook for the market's development in Poland is very good. The FAMUR Group can see a strong growth of large-scale solar farms, which – coupled with rising electricity prices and the steadily growing carbon allowance prices, has created the need for energy transition, which the FAMUR Group intends to actively engage in. Together with P+S and TDJ we have established FAMUR SOLAR, a new company set to become in the future a market leader offering end-to-end implementation of PV projects in the B2B segment. Together with TDJ we already have projects under construction at various stages of completion. They have a total capacity of approximately 187 MW and are intended for sale to FAMUR SOLAR. It should be emphasised that it is the agreement with TDJ S.A. that will help the FAMUR Group to reach a capacity of more than 1 GW in its PV projects, including one of Poland's largest 1MW farm portfolios (with auctions won in 2019 and 2020).

We hold PV projects with a combined capacity of >1GW, including one of Poland's largest 1MW farm portfolios (with auctions won in 2019 and 2020)

>130 MW

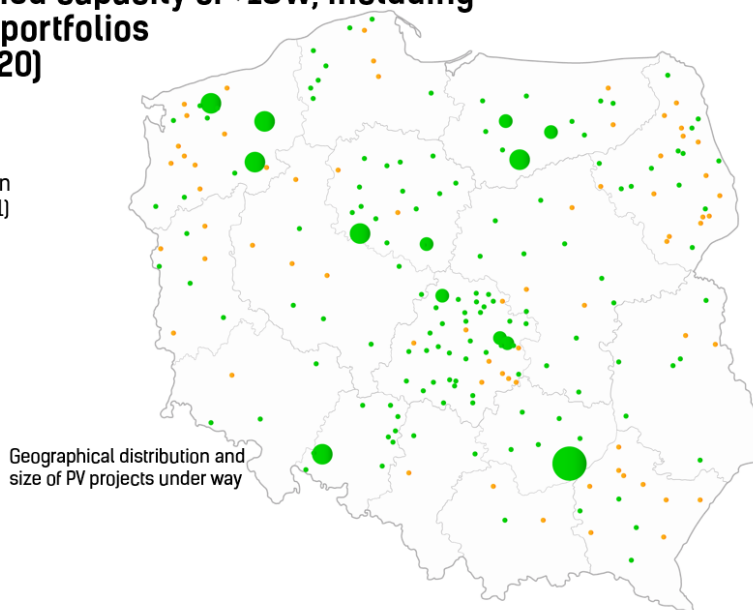
own farm projects under construction, with auctions won in 2019 and 2020 (expected completion date: end of 2021)

>840 MW

projects at various stages of development

~1,000 MW

total projects in the portfolio at various stages of development



FAMUR

STRATEGY AND FACTORS IMPORTANT FOR THE DEVELOPMENT OF THE GROUP

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2024
2023
2022
2021

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Strategy and development directions of the FAMUR Group

The current megatrends and the globally accelerating transition towards low-carbon economies induce significant changes in Poland's Energy Policy, with the pace of the changes considerably increasing since the beginning of 2020. The planned phasing out of the coal mining industry in Poland by 2049 and 'Poland's Energy Policy until 2040' adopted by the Council of Ministers in February 2021 envisage, among other things, that the share of coal in Poland's energy mix will be reduced to approximately 11% by 2040 under the high CO₂ price scenario (from 69% in 2020). As a major part of the FAMUR Group's revenue is generated from sales to the Polish thermal coal mining industry (approximately 64% in 2020), the Management Board of FAMUR decided to modify the Strategy for 2019–2023, announced on September 26th 2018 (see Current Report No. 51/2018), and the dividend policy contained therein, because in the face of a significant structural shift in the economic environment and the finally identified risks arising from the planned entry into the hard rock mining industry, the original revenue targets set in the strategy and the specific benefits from the expected investment in the HRM segment are impossible to achieve in the current situation.

A response to the changes observed in the external environment are the 'New strategic directions for the FAMUR Group', adopted by the Management Board and approved by the Supervisory Board on May 25th 2021, aimed at, among other things, capitalising on the potential and opportunities arising from Poland's energy transition. The new strategic directions will focus on:

- Generating cash from the mining assets by concentrating on the most profitable and stable product areas and continuously adapting the structure of operating assets to the directions of Poland's energy transition, while retaining the competence and know-how to be able to participate in selected mining projects in Poland and export markets on an opportunistic.
- Repurposing selected production plants, e.g. under the strategic partnership model (JV, license agreements, etc.) in the industrial sectors that are oriented particularly towards manufacturers of machinery and equipment for RES, transport, logistics and infrastructure.
- Evolving into a holding company that invests in green transition projects, in the first place by entering the segment of large-scale photovoltaics and end-to-end implementation of PV projects for the B2B market.
- Consistently searching for attractive investment opportunities in RES and other promising industries.

The competencies built by the FAMUR Group in the industry and energy sector, the scale of its projects, unique resource base and strong financial position will allow the Group to adjust its business profile to the economic environment evolving in line with the New Green Deal.

The FAMUR Group's entry into the new sectors and rapid achievement of an operating scale will be supported by cooperation with the TDJ Group, a stable and long-term investor in FAMUR S.A.

The modification of strategic directions and their adaptation to changes in the external environment are aimed at transforming the FAMUR Group into a holding that invests in green transition projects and other promising industries. Thanks to these measures, the estimated share of revenues related to the thermal coal sector should fall below 30% by 2024.

The development in new areas will be financed from profits, available EU funds and other financial instruments supporting green energy. The first stage of the FAMUR Group's expansion into new directions will require profit reinvestment, which necessitates a change of the dividend policy. The dividend, if any, will depend on profits earned in a given year, the investment attractiveness of new projects and growth prospects, as well as the financial and liquidity situation of the FAMUR Group. Simultaneously with the announcement of the FAMUR Group's new strategic directions, the FAMUR S.A. Management Board will recommend that the General Meeting approves the allocation of PLN 70m to a buyback of Company shares for cancellation. The total number of shares to be bought back will not exceed 5% of the share capital, i.e. 28,700,000 shares. The buyback would be conducted as a purchase offer with a price of PLN 2.50 per share. The offer will be addressed to all FAMUR shareholders, and the shares will be repurchased from the tendering shareholders with a pro-rata reduction.

The Management Board's intention is to carry out the buyback in the third quarter of 2021. The modified strategy, and thus the possibility of achieving the assumed benefits, may be affected by the following factors: a significant deterioration of the macroeconomic environment, major change in the announced energy transition of Poland, considerable acceleration of the programme to phase out thermal coal mines in Poland, other extraordinary one-off events with a

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bearing on the FAMUR Group's business, and significant changes in laws and regulations currently in force. The Management Board of FAMUR S.A. monitors the current market situation on an ongoing basis, adjusting the operating activities accordingly and analysing their impact on the development directions taken.

Factors important for the development of the FAMUR Group

External factors important for the development of the FAMUR Group

Impact of the COVID-19 pandemic on the FAMUR Group's business

In line with ESMA's position, the FAMUR Group has thoroughly analysed the current and expected impact of the COVID-19 pandemic on its financial results, cash flows, strategy, strategic objectives and liquidity position, has identified the key risks and uncertainties, and has taken appropriate measures to support its operations.

Impact of COVID-19 on operations, financial results and cash flow

The table below presents key factors and events resulting from the COVID-19 pandemic and their impact on main items of the statement of profit or loss, operating ratios and cash flows of the FAMUR Group. The Company is indicating only a general direction of change as the scale of the impact is difficult to estimate precisely considering the global, unprecedented and complex effect of the pandemic on every aspect of business activity. In accordance with ESMA's recommendation, the Company has limited itself to providing an explanation of how COVID-19 has affected and/or is expected to affect the FAMUR Group's business and financial performance.

Events caused by the COVID-19 pandemic	Impact on the financial position of the FAMUR Group	Description
Force majeure declarations made by some domestic trading partners	Lower revenue, longer collection periods	In the second quarter of the year, some of the Company's domestic customers issued notices of temporary suspension of selected machinery, equipment and service supply contracts and shearer loader and roadheader leases, citing COVID-19 as a force majeure event. Depending on the trading partner, the performance of lease contracts was suspended for a month, one day a week for three months or for an indefinite period. Force majeure was declared, among others, by PGG, JSW, Węglokoks and Tauron.
Restrictions on mine operations	Lower revenue and orders	The material restrictions introduced preventively in the operations of mining plants led to lower production and thus fewer orders for aftermarket services.
Administrative restrictions in Russia and South Africa	Lower orders and revenue	There was also a decline in orders for maintenance services as a consequence of the restrictions imposed by the governments of Russia and South Africa. The Company's subsidiaries operating on those markets had to significantly limit their operations.
Restrictions on cross-border movement.	Lower orders for new equipment, lower revenue leading to lower working capital requirement, and longer collection periods.	The COVID-19 related restrictions on cross-border movement of people and operation of mines in the countries affected by the pandemic hinder the acquisition of new contracts. The pandemic hampered the performance of the final phase of a contract with a Chinese customer. However, thanks to the advanced IT technologies used in the MIKRUS control system and remote communication in close interaction with the Chinese partner, it was possible to successfully perform a remote start-up of the system, first as part of a compatibility test on the surface and then underground in the customer's mine.
Coal prices remain subdued, reflecting a significant decline in demand for energy and steel.	Lower orders for new equipment, lower revenue and lower working capital requirement.	Combined with the low coal prices across global markets, the COVID-19 crisis also caused a significant drop in orders on the OEM market as mining companies are suspending or reducing planned expenditure on new equipment due to significantly greater uncertainty.

Analysis of the impact of COVID-19 crisis on the measurement of assets and liabilities

For an analysis of the impact of COVID-19 crisis on the measurement of assets and liabilities, see Note 49 to the Consolidated Financial Statements of the FAMUR Group for the 12 months ended December 31st 2020.

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Effect of COVID-19 on the implemented strategy and adopted strategic objectives

The COVID-19 crisis combined with the decarbonisation policy and low coal prices across global markets has led to a slowdown of investment and production in the mining sector both at home and abroad. The decline in activity caused by the challenging economic conditions is particularly pronounced in the Polish coal mining industry. Also, in line with the recently announced development directions for the Polish power generation sector, Poland is to move away from coal-fired energy generation, which is bound to reduce demand for the FAMUR Group's products and services from domestic customers. The FAMUR Group has promptly taken measures to mitigate the adverse impact of the COVID-19 pandemic on its operations, as described below, stepped up its diversification projects in line with adopted assumptions, and intensified its commercial activity in foreign markets. However, changes taking place in our business environment, combined with the growing importance of diversification projects for the FAMUR Group's future development, will require a revision of our objectives and update of the strategic plan.

Effect of COVID-19 on the FAMUR Group's liquidity position

At the end of December 2020, the FAMUR Group held PLN 899m in cash and cash equivalents, which was PLN 420m more than total financial liabilities under borrowings, other debt instruments, leases, and debt purchase. Despite the COVID-19 crisis, the FAMUR Group maintains a strong liquidity position.

[GRI 102-15]

Analysis of the impact of COVID-19 pandemic on key risks and uncertainties

The table below shows the impact of COVID-19 pandemic on key risks and uncertainties affecting the FAMUR Group.

Key risk factor	Effect of COVID-19 on the risk factor	Description
Risk related to economic conditions in Poland and globally	Growth	Administrative restrictions and a drop in energy demand, particularly in the first quarter of 2020, aggravated the economic situation of mining companies, particularly in Poland, and led to the suspension of investment projects and output reduction.
Risk of changes in the global energy market and environmental pressure	Growth	Rapid acceleration of the shift from fossil fuels in conventional power generation in Poland.
Risk of financial institutions reducing funding for thermal coal projects	No change	Financial institutions signal their intention to further reduce their overall exposure to thermal coal projects.
Risk of higher prices of materials, energy and labour, significant disruptions in supply chains or significant shortages of materials	Growth	Restrictions on cross-border traffic or other administrative restrictions that may trigger the risk of delay or even suspension of deliveries. Surge in steel prices driven by an approximately 75% increase in prices of iron ore in 2020, led by disruptions to supplies from Australia and Brazil. The FAMUR Group is mitigating this risk by widely diversifying its portfolio of suppliers and cooperating partners and using advanced tools to support remote control of projects being launched.
Epidemiological risk	Growth	The COVID-19 pandemic triggered government restrictions and created risk of disruptions to business operations, particularly affecting sales, procurement and operating activities.
Risk of a lower volume of orders coming from the Polish market as mining companies set up manufacturing facilities to build certain types of mining machinery	No change	No reports are available that would suggest PGG or JSW has abandoned plans to build production assets as a result of the pandemic.
Risk of changes in tax laws or their interpretation	No change	The Polish government launched programmes for businesses to counteract the negative effects of the pandemic.
Risk of inadequate diversification of revenue sources	No change	In 2020, the FAMUR Group worked hard to diversify its revenue sources.
Risk of inability to meet expectations of end users in the mining sector concerning mining equipment	No change	The FAMUR Group fulfils orders despite restrictions on cross-border movement. For example, it remotely assembled a Mikrus system for a customer in China and made deliveries of equipment to customers in Indonesia and Russia.
Risk related to strategic investment and M&A projects	No change	In 2020, the FAMUR Group did not execute any strategic or M&A transactions.

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Key risk factor	Effect of COVID-19 on the risk factor	Description
Risk of deterioration of mining companies' financial condition	Growth	The COVID-19 pandemic caused a significant deterioration in economic conditions, particularly for Polish mining companies, which in the second quarter of 2020 suspended the performance of certain contracts citing force majeure.
Risk of exchange rate fluctuations	Growth	The Polish currency depreciated as a consequence of a general deterioration of economic conditions in Poland and worldwide.
Risk of interest rate volatility	Growth	The National Bank of Poland and the Monetary Policy Council cut interest rates.
Risk of exceeding financial ratios under credit facility agreements	No change	Despite the COVID-19 crisis, the FAMUR Group maintains high liquidity and profitability levels, well above those required in agreements with financial institutions.

Measures taken to limit the adverse impact of COVID-19 pandemic on the operation of the FAMUR Group



The Company has taken the following measures to ensure the safety of its employees, mitigate the risk of disruption of operations, and minimise the negative financial consequences of the COVID-19 pandemic.

- Introduction of a strict sanitary regime, including separation of office work into two separate locations and, where possible given the nature of performed tasks, remote working.
- Division of production facilities into zones and close monitoring of safety procedures at production branches.
- Mitigation of the risk of disruption in the provision of aftermarket maintenance services by setting up three separate locations for three maintenance teams (their interaction having been limited to the telephone, email or other means of remote communication). Additional teams have been put on home standby duty, their physical contact with the head office limited, special procedures have been put in place for warehouse retrievals (materials are collected from dedicated bays without coming into physical contact with any staff) and an alternative location for the dispatch centre has been set up.
- In April 2020, the Company signed agreements with the Social Partners on the application of the solutions provided for in the Anti-Crisis Shield Act, i.e. reduction of working time by 20% and the resultant reduction of salaries and wages by 20% in the period May 1st–July 31st 2020.
- As a result of applying for support under the governmental anti-crisis shield, the FAMUR Group received grants of approximately PLN 15m as wage subsidies for May, June and July 2020.
- Reorganisation measures were taken by the FAMUR Group to adjust the cost structure to the expected drop in market demand caused by the global economic downturn and conditions in the coal market, further aggravated by the spread of SARS-Cov-2 virus.

It is currently impossible to accurately estimate the scale of the pandemic's impact on the business environment of the FAMUR Group in the coming quarters, and in particular on the demand for its products and services, as it is factor that remains beyond the FAMUR Group's control. The FAMUR Management Board is monitoring the threats posed by the COVID-19 crisis on an ongoing basis and is taking appropriate steps to ensure that the employees are safe, operations are not disrupted, liabilities are met, financial liquidity is maintained, and the negative impact of the situation on the Group's profitability is mitigated.

A series of steps have been taken at the FAMUR Group to contain the impact and spread of the SARS-CoV-2 virus, including **initiatives to ensure the safety of all staff**.

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An **employee education campaign** is being run within the Company, comprising:

- posters with advice on the recommended precautions and practices placed in all passageways;
- communications and announcements distributed via email and as information posters;
- ongoing communication of any new guidelines issued by the Chief Sanitary Inspectorate (GIS);
- temperature screening of all employees entering the Company's buildings and facilities;
- furnishing all employees with electronic thermometers for temperature monitoring and with protective face masks;
- ongoing supply of disinfectants, cleaning agents and regular disinfection of office rooms and passageways in the Company's and the Group's buildings and manufacturing plants;
- limiting or restricting access to the Company's buildings and facilities, including restricting physical access of third-party firms.

Effect of Brexit on the FAMUR Group's operations

In accordance with the position of ESMA, the Company analysed the impact of Brexit on its operating, financial and non-financial activities. The analysis showed no significant impact. The FAMUR Group does not generate significant revenue from sales to UK customers (less than 1%), and UK suppliers do not account for a significant part of the FAMUR Group's supply chain. However, supplies of components from trading partners having headquarters or logistics centres in the United Kingdom were affected by significantly higher transport costs and longer customs clearance times, which delayed deliveries to FAMUR S.A. Poland Branch.

[GRI 102-6]

Conditions in the mining industry worldwide

The FAMUR Group's revenue depends on the size of capex spend on new equipment by soft rock (hard coal, potash, etc.) mining companies, as well as on their demand for repair and maintenance services and consumables resulting from the use of equipment they purchase, collectively referred to as "aftermarket services". While an increase in capex spend on new equipment largely depends on current and expected global coal price trends, the level of orders for aftermarket services is more stable as it is closely linked to current production levels at mines and to the quantity of equipment installed. As mining machinery operates in difficult underground conditions, it requires regular maintenance and replacement of parts and consumables to ensure uninterrupted operation and avoid costly downtimes.

Global market of thermal coal mining

Although the price of thermal coal on global markets (ARA) increased by approximately 22% in 2020, it remained at a low level of approximately USD 69/t (at the end of 2020). Faced by global environmental challenges, the OECD countries will gradually replace coal with renewable energy sources and other energy carriers (e.g. gas). At the same time, coal production and its use as the main energy carrier will continue in fast developing countries, especially in Southeast Asia. The falling number of coal production projects due to the decarbonisation policy may result in more intense competition, both in Poland and abroad, which may erode margins and drive down profitability. Moreover, there has been growing pressure from financial institutions to curtail financing for companies associated with the broad sector of conventional coal-fired power generation. EBA guidelines requiring banks to take into account ESG factors in their credit policies and credit risk procedures are due to come into force in 2021. This adverse trend is compounded by the ongoing debate to reformulate an annex to the OECD Arrangement entitled Coal-Fired Electricity Generation Sector Understanding (CFSU), which sets out the rules for providing government support to OECD exporters. As it stands, the Understanding sets limits on export credit support for coal-fired power plants, but discussions are being held to extend their scope to also include supplies of machinery and services in the coal mining sector. These actions are directly linked to the tightening of CO₂ emission reduction target.

Global market of metallurgical coal

Demand for metallurgical coal is correlated with steel production, which in turn depends on global economic prospects, including with respect to industrial and construction output. In 2020, global economic conditions were affected by the COVID-19 crisis. Unlike thermal coal, the impact of decarbonisation policy on metallurgical coal is limited. The European Commission confirmed the status of coking coal as a critical raw material included in the list of 27 raw materials for

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which the risk of a supply shortage and its impact on the economy is higher than for other raw materials. In the fourth quarter of 2020, the average price of coking coal fluctuated around USD 109/t, having decreased by approximately 22% year on year.

Outlook for hard coal mining in Poland

Low prices of coal throughout 2020 and the COVID-19 crisis had a particularly adverse effect on coal producers in Poland.

Thermal coal

Given the difficult economic situation of the Polish hard coal mining industry, exacerbated by the COVID-19 pandemic, corrective measures need to be taken. Work to develop assumptions for Poland's hard coal mining industry transformation programme has been under way at the governmental level since the second quarter of 2020, with its publication postponed several times so far. An unfortunate consequence of postponing the effective date of solutions under the recovery plans for Poland's thermal coal mining sector is the suspension of investment decisions by domestic mining companies and reduced orders for related services.

The company whose economic situation is particularly difficult is Polska Grupa Górnicza (PGG), which accounted for 30% of the FAMUR Group's revenue in 2020. As at December 31st 2020, the FAMUR Group's total invoiced receivables from PGG stood at approximately PLN 169m, including past due receivables of approximately PLN 39m, attributable to the payment policy in place at PGG. The total exposure, including invoiced revenue, recourse rights relating to receivables sold, and other payments under the contracts in progress (including, but not limited to, the outstanding payments for the lease of shearer loaders and roadheaders), is approximately PLN 478m.

As a result of COP24 regulations, previous climate summits (COP) and internal EU regulations imposing limits on CO₂ emissions to halt climate change, Poland (together with other countries) has pledged to gradually reduce the use of coal across all sectors of the economy, the heat and power generation sector in particular. To this end, a document setting the direction of change with an outlook until 2040 has been published. The key element of the Polish Energy Policy (PEP2040) is to drive energy transition in Poland with support from the EU budget. Initially, natural gas is to be used as a bridge fuel generating less CO₂ emissions compared with coal. Also, gradual development of solar PV and wind power generation is expected, and plans are in place to build a nuclear power plant. By 2030, the share of coal in Poland's energy mix is expected to fall below 56% (from about 74% in 2019)⁴

At the end of September 2020, an agreement was signed between representatives of the Polish government and the Inter-Union Protest and Strike Committee regarding the concept for and the pace of the mining sector's transformation, which provides for a gradual shutdown of thermal coal mines by the end of 2049, mainly by PGG and Węglokoks (with no reference made to the mines owned by Tauron Wydobycie and Bogdanka). The process is assumed to start in 2021 with a merger of the Wujek and Murcki-Staszic mines and closure of the RUDA Ruch Pokój mine. However, a majority of the mines concerned are planned to be closed down in the 2030's and 2040's, with 2049 as the final deadline (production will then end at the ROW Ruch Chwałowice and Jankowice mines).

Given the FAMUR Group's significant sales under contracts executed with Polish companies mining thermal coal and the considerable share of receivables from those companies in the FAMUR Group's statement of financial position, the agreed restructuring may have a material impact on FAMUR Group's future performance due to the following factors:

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- Acceleration of the phase-out of the Polish mining industry, resulting in reduced revenue for FAMUR,
- Risk of shortening the depreciation periods of shearer loaders and roadheaders leased at the Wujek and Pokój mines due to their planned closure before the end of the lease contract terms (six machines altogether),
- Expected decline in demand for shearer loader and roadheader leases in the coming years,
- Reduction of orders for new equipment,
- Gradual decline in demand for maintenance services due to a reduction in the fleet of machinery and equipment following the decommissioning of mines.

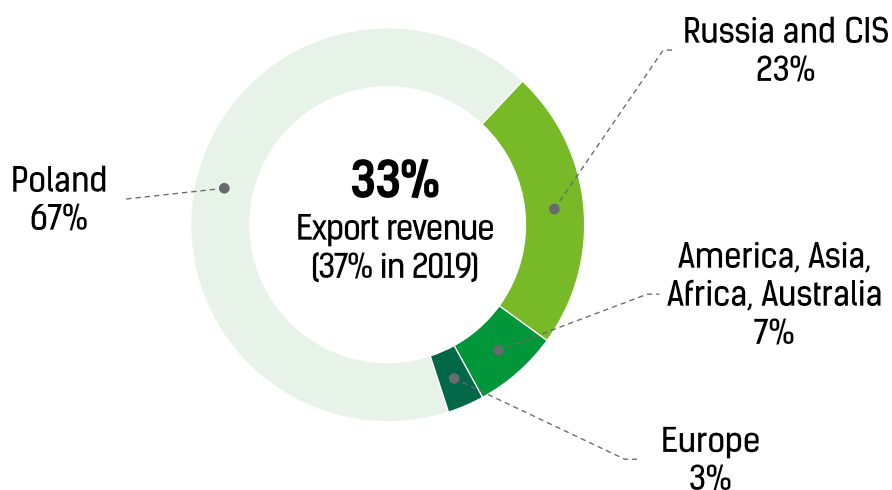
⁴ <https://www.gov.pl/web/klimat/polityka-energetyczna-polski>

STRATEGY AND FACTORS IMPORTANT FOR THE DEVELOPMENT OF THE GROUP

Metallurgical (coking) coal

The leading producer of coking coal in Poland is Jastrzębska Spółka Węglowa, which is also the EU's largest producer of high-quality hard coking coal and one of the leading producers of coke used in steel melting. According to available information, coking coal extraction is planned to be further increased through investments in expanding new mining floors and launch of extraction from the Bzie Dębina area⁵. In addition, the new strategy of the LW Bogdanka S.A. Group, with an outlook until 2040⁶, provides for capex spend on coking coal extraction starting from 2021, with extraction expected to commence in 2026. Production volumes are expected to range from 0.7m tonnes to 3.1m tonnes per year, with an average of 1.9m tonnes. The average planned capital expenditure until 2030 is to amount to approximately PLN 470m annually, and the total capex until 2040 is to reach as much as PLN 8bn, of which PLN 2.7bn is to be spent on gate roads and PLN 1.5m on the purchase and upgrade of longwall systems.

Revenue by geographical market



	2020	2019	Share in 2020 [%]
Poland	758	1,359	66.5%
Export, including:	381	806	33.5%
Russia and CIS	261	524	22.9%
European Union	39	146	3.4%
Other Europe	3	9	0.3%
other	78	127	6.8%
Total	1,139	2,165	100%

⁵ <https://www.jsw.pl/relacje-inwestorskie/strategia>

⁶ https://ri.lw.com.pl/pub/files/pl_prezentacje/Prezentacja_z_a_o_e_Strategii_ro.pdf

STRATEGY AND FACTORS IMPORTANT FOR THE DEVELOPMENT OF THE GROUP

Internal factors important for the development of the FAMUR Group

Striving to meet customer expectations by driving product quality and production efficiency improvements

Innovative, safe, end-to-end solutions sold at competitive prices, combined with high technical standard of products and high quality of services help the Group to maintain a strong position on the underground mining products and services market. The equipment and services provided by the FAMUR Group represent a small portion of total operating costs for mining companies, but they are key to customers' production operations. Customers now expect mining equipment to be highly productive to offset the persistently growing cost of labour. Such equipment is expected to be even more reliable, leading to reduced downtimes, which should be supported by expedient and readily available maintenance service. In addition, suppliers of mining machinery are expected to additionally deliver IT solutions to monitor its operation on an ongoing basis and communicate in advance any future maintenance needs. More technologically advanced and autonomous mining systems are expected to promote safer working environments. Customers often expect suppliers to provide competitive financing arrangements for machinery purchases. Some developing markets are prone to be particularly sensitive to low prices.

Growing the aftermarket and lease businesses to stabilise revenue, especially in times of economic downturn

Over the years of serving its customers, the FAMUR Group has installed a significant amount of equipment operating in difficult mining conditions. The equipment requires constant maintenance and regular replacement of consumables and spare parts exposed to wear and tear. Our customers attach great importance to the availability of spare parts, consumables, servicing, maintenance and other solutions that support the use of equipment, and to training. The FAMUR Group offers end-to-end aftermarket solutions through its local servicing centres providing quick response by highly qualified service technicians available on a 24/7 basis, which we believe is key to customers given the potentially high downtime costs.

Another major source of stable revenue streams is lease income earned under shearer loader and roadheader lease contracts signed with companies operating in the mining industry. Lease contracts provide for daily lease rates which are not index-linked and contain no variable components. The contracts are concluded for a definite period. FAMUR Group companies retain ownership of the shearer loaders and roadheaders, with the lessee required to return the equipment to the lessor once the lease term has expired.

Maintaining a flexible operating model and tight cost control

The fundamental principle underlying the FAMUR Group's operations is to maintain a flexible operating model enabling quick and effective adaptation of the cost and production base to current and expected demand shaped by the business cycle and structural shifts in the mining market. In line with this policy, the Group's Rybnik, Piotrków Trybunalski and Zabrze branches were liquidated in 2020 and early 2021.

The FAMUR Group's manufacturing plants constantly strive to increase productivity and efficiency under the Lean Manufacturing programme. Also, we use the services of subcontractors to assemble and make equipment requiring no specialist technical or technological knowledge, which allows us to flexibly and quickly adapt to changing backlog levels.

Strategic transformation of the FAMUR Group into a holding that invests in green transition projects and other promising industries

In 2020, about 64% of the FAMUR Group's revenue was derived from sales of machinery and equipment and maintenance services to customers in the thermal coal mining sector. Low prices of coal are causing the number of coal mining projects to fall. This negative trend is further exacerbated by the increasing importance of decarbonisation policies and growing pressure from financial institutions to curtail financing for companies associated with the broad sector of conventional coal-fired power generation, which is likely to make raising funds for thermal coal mining projects even more difficult. Therefore, in order to further grow its business, the FAMUR Group must take steps to diversify its revenue sources beyond the thermal coal extraction industry. In 2020, the Group worked hard to identify potential acquisition targets (including in the HRM area). In December 2020, the Company signed a letter of intent with TDJ on a joint project in the promising power generation and renewable energy sector, and in early 2021 it embarked on a project to build a renewable energy arm as a revenue diversification direction for the Group. For more information, see **Strategy and development directions of the FAMUR Group**.

FAMUR

STAKEHOLDERS

STAKEHOLDERS



STAKEHOLDERS

[GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44]

Stakeholder engagement

The purpose of non-financial reporting includes providing the organisation’s key stakeholders with more complete information on the scale and nature of the positive and negative impacts of the organisation’s activities on sustainable development. The organisation collects and discloses non-financial information that may have an ongoing impact on its policies, strategies and operations with respect to social, HR, environmental, human rights and anti-corruption matters.

The FAMUR Group’s CSR policy assumes that good corporate management which takes into account public interest in the broad sense, respect for the stakeholders, and the principles of ethics, requires sound corporate governance and fair market practices. The quality of communication with the stakeholders is one of the determinants of a responsible approach to business.

In 2020, the Company continued to hold consultations with its stakeholders to update their expectations with respect to disclosure of non-financial information on the Company’s activities. Based on the analytical material obtained, the Company’s Management Board decided to retain the adopted scope of non-financial reporting, while verifying the management risks related to climate change, the Company’s and its Group’s impacts on climate and climate’s impact on the operations of FAMUR S.A. and the FAMUR Group, as well as the identification of material social risks which materialised prominently in the face of the global COVID-19 pandemic.

The chart below shows key stakeholders broken down by level of interest and impact.

FAMUR GROUP KEY STAKEHOLDERS



STAKEHOLDERS

The table below presents stakeholders broken down into market and non-market categories.

MARKET STAKEHOLDERS:	NON-MARKET STAKEHOLDERS:
➤ have economic interests in the FAMUR Group	➤ do not engage in direct economic exchange with the FAMUR Group but are affected or can affect its activities
<ul style="list-style-type: none"> • Shareholders and investors • Group companies • Employees, associates and subcontractors • Employees' families • Existing and potential customers • Apprentices and trainees • Employment agencies • Employee organisations • Suppliers of goods and services • Banks and financial institutions 	<ul style="list-style-type: none"> • Market regulators and supervisory authorities • International institutions and organisations • Industry organisations • Employer organisations • Certification institutions, auditors • Public administration, including local government units of all levels • Competitors • Non-governmental organisations (NGOs) • Local communities • Job candidates, grant holders • Academic centres, secondary schools/vocational schools • Media • Natural environment (including entities involved in environmental protection)

The Company intends to gradually expand the scope of its non-financial reporting with a view to presenting, as fully as possible, the context of its decisions and key outcomes of implementing the CSR policy by individual FAMUR Group companies.



STAKEHOLDERS

The table below provides a description of how relationships with each stakeholder group are managed.

STAKEHOLDER GROUP	STAKEHOLDER RELATIONS MANAGEMENT TOOLS AND METHODS
Employees, associates and subcontractors, employees' families, employee organisations	Meetings, satisfaction surveys, training courses, social media, information website, internal communications (newsletter, quarterly magazine, Intranet, bulletin boards), telephone contact, CSR programmes and campaigns, public consultations
Shareholders, investors, analysts	Meetings, information website, telephone contact, public consultations, conferences and industry events
Existing and potential customers	Meetings, satisfaction surveys, training courses and workshops, social media, conferences and industry events, trade fairs, information website, telephone contact
Suppliers of goods and services	Meetings, training courses, conferences and industry events, information website, internal communications, telephone contact
Apprentices and trainees, employment agencies, job candidates, grant holders, academic centres, secondary/vocational schools	Meetings, training courses and workshops, social media, conferences and industry events, trade fairs, information website, CSR programmes and campaigns, site visits at out plants
Banks and financial institutions, market regulators and supervisory authorities, certification institutions, auditors	Meetings, conferences and industry events, information website, telephone contact, public consultations
International institutions and organisations, industry organisations, employer organisations	Meetings, conferences and industry events, information website
Public administration, including local government units of all levels	Meetings, information website, public consultations
Competitors	Social media, conferences and industry events, information website
Local communities, NGOs	E-meetings, social media, information website, CSR programmes and campaigns, public consultations
Media	E-meetings, satisfaction surveys, social media, conferences and industry events, information website, telephone contact.

STAKEHOLDERS

[GRI 102-44]





Key topics to be addressed in the description of economic, social and environmental aspects prepared in accordance with the GRI, by materiality level, are presented in the table below.

Key topics to be addressed in the description of economic, social and environmental aspects prepared in accordance with the Global Reporting Initiative	Materiality level inside (internal – I) and outside (external – E) of the organisation
ASPECTS THAT ARE MOST MATERIAL TO BOTH EXTERNAL AND INTERNAL STAKEHOLDERS	
Compliance with laws and codes of conduct, mitigation of business risks	Highly material (E) / (I)
Quality of management	Highly material (E) / (I)
ASPECTS THAT ARE MOST MATERIAL TO EXTERNAL STAKEHOLDERS	
Prevention of unethical behaviour and counteracting misconduct	Highly material (E)
Reduction of environmental footprint of the Group's operations	Highly material (E)
Innovation supporting the economic and social development	Highly material (E)
ASPECTS THAT ARE MOST MATERIAL TO INTERNAL STAKEHOLDERS	
Responsible marketing communication	Highly material (E)
Protection of privacy	Highly material (E)
Quality of service	Highly material (E)
OTHER ASPECTS	
Responsibility in the supply chain	Material (E) / (I)
Environmental education	Material (E)
Employee engagement, management	Material (E) / (I)
Respect for diversity and equal opportunities	Material (I)
Employee education and development opportunities	Material (I)
Dispute resolution system for disputes with customers and trading partners	Material (I)
Employees' social initiatives	Material (I)
CSR initiatives for the Group's environment	Of low materiality (I) / (E)

STAKEHOLDERS

[GRI 102-13, GRI 102-12]







Membership of organisations

Name of the organisation	
<p>Joint Social Initiatives Group 'Górnictwo OK'</p> 	<p>'GÓRNICTWO OK' was established as a 'Group of Joint Social Initiatives' in 2016, during the 25th jubilee session of 'the School of Underground Mining' conference. It was conceived by a group of CSR experts from companies and institutions operating in the Polish mining industry. FAMUR has been actively involved in the work of GÓRNICTWO OK since its inception. In April 2017, the Company signed a letter of intent with a view to formalising the cooperation, and then in August 2018 – the agreement formally establishing the Group.</p>
<p>National Organisation of Industry Innovators 'Innowo'</p> 	<p>FAMUR is a founding member of the organisation, while the Company's President of the Management Board and Chairman of the Supervisory Board are involved in its activities. The Company also has its representative on the Management Board of Innowo. The organisation is a union of employers bringing together Polish-owned companies, which act for the benefit of the broad mining industry. It supports its members in their expansion abroad and in increasing their competitiveness through innovation. The members share a common goal, which is to build a positive image of Poland's mining industry.</p>
<p>Polish Mining Chamber of Industry and Commerce</p> 	<p>The Polish Mining Chamber of Industry and Commerce (GIPH) is a self-regulatory organisation of hard coal and lignite producers, manufacturers of mining machinery and equipment, service companies supporting the mining industry, and research centres. Its primary objective is to promote the sustainable development of coal mining. GIPH actively promotes its affiliated members as well as the business sectors they represent in Poland and abroad.</p>
<p>Mining Machinery Cluster</p> 	<p>One of the founding members of the cluster in 2011 was KOPEX Machinery (FAMUR S.A. Longwall Systems Mining Machinery Diagnostics and Maintenance Centre Branch in Zabrze, a FAMUR Group company). The organisation was established on the initiative of the Komag Institute of Mining Technology, With the main objective of expanding the potential for manufacturing new quality, competitive, innovative and safe mining machinery. The cluster brings together manufacturers of mining machinery and equipment, scientists supporting the industry and business institutions. During meetings, the cluster members work to identify joint projects to make use of the existing potential.</p>
<p>Polish Association of Listed Companies</p> 	<p>The Polish Association of Listed Companies supports the development of the Polish capital market and represents the interests of companies listed on the Warsaw Stock Exchange. It provides knowledge and advice to security issuers regarding stock market regulations and rights and obligations of listed companies. As an expert organisation, it aims to promote and exchange knowledge to further development of the capital market and a modern market economy in Poland.</p>

STAKEHOLDERS

Awards and distinctions

In 2020, FAMUR received a number of awards and honourable mentions for its professional corporate management, product and service quality, social responsibility performance, compliance with labour laws and occupational health and safety regulations, and for being a company offering stable employment and allowing employees to exercise their right of association in trade unions.

Awards and distinctions received in 2020	
<p>Distinction for FAMUR in: Rzeczpospolita daily's TOP 500 LIST</p>  	<p>FAMUR is listed in key rankings of Poland's largest companies. In 2020, it was ranked 156th in the 22nd edition of the <i>Rzeczpospolita</i> daily's Top 500 list (having moved down from the 144th position a year earlier). FAMUR is listed in key rankings of Poland's largest companies.</p>
<p>A distinction in the category: Largest exporters</p> 	<p>FAMUR is listed in key rankings of Poland's largest companies. Based on the 2019 data, in 2020 FAMUR was classified as the 49th largest exporter in key rankings of Poland's largest companies.</p>
<p>A distinction in the category: CAPEX projects</p>	<p>In the ranking of Poland's largest companies, compiled by the <i>Rzeczpospolita</i> daily and published in May 2020, FAMUR was ranked 39th in terms of capital expenditure incurred in 2019. The criteria taken into account included the amount of capital expenditure, revenues and net profit/(loss).</p>
<p>A distinction in the category: Poland's Largest Companies</p>	<p>FAMUR was ranked 210th in the <i>Rzeczpospolita</i> daily's Top 2000 list covering 2,000 largest Polish companies, having moved down from the 164th position in the previous edition.</p>
	<p>FAMUR was ranked 210th in the <i>Rzeczpospolita</i> daily's Top 2000 list covering 2,000 largest Polish companies, having moved down from the 164th position in the previous edition.</p>
<p>Diamonds of Polish Economy 2019</p> 	<p>The European Business Institute reviewed the financial performance of 56,456 Polish companies based on their 2019 reports. The Diamond of Polish Economy 2019 was awarded to 987 electromechanical industry companies. FAMUR ranked 4th.</p>
<p>FAMUR S.A. was also listed in the Polish Cheetahs ranking</p> 	<p>FAMUR ranked 33rd in the 'Polish Cheetahs' (Polskie Gepardy) ranking prepared by the editors of the <i>Wprost</i> weekly, in the category of Polish electromechanical companies. FAMUR S.A. is listed among the 50 fastest-growing companies. Polish Cheetahs are companies which demonstrated the strongest growth in the preceding year.</p>

STAKEHOLDERS

FAMUR S.A. was also listed in the ranking of **Poland's 200 Largest Companies**



Inclusion in the *Wprost* weekly's ranking. FAMUR ranked 71st among Poland's 200 largest companies (in ???)

FAMUR S.A. was also listed in the ranking of **the fastest-growing export companies**



The ranking compiled by the *PARKIET* daily includes companies that not only increased their export sales in 2017–2019, but also improved their financial performance. The list features companies whose export revenue in 2019 exceeded PLN 50m and represented 20% or more of their total revenue. FAMUR ranked 5th.

FAMUR

OUR REPORT

OUR REPORT



OUR REPORT

[GRI 102-45, GRI 102-49, GRI 102-50, GRI 102-52, GRI 102-54, GRI 102-56, GRI 103-1]

[GRI 102-54, GRI 103-1]

OUR REPORT

The FAMUR Group is pleased to present to you its first annual integrated report prepared in accordance with Global Reporting Initiative Standards (**GRI Standards**, core option), as well as guidelines and good market practice for integrated reporting.

GRI indicators are marked with the [GRI-] symbols, and the final part of this Report includes a GRI Content Index, which makes it easier to find information prepared in accordance with the GRI Standards.

Since 2018, the FAMUR Group has been subject to the extended non-financial reporting requirements under the amended Accounting Act, transposing Directive 2014/95/EU of the European Parliament and of the Council on the disclosure of non-financial and diversity information by certain large undertakings and groups. The purpose of non-financial reporting includes providing the organisation's key stakeholders with more complete information on the scale and nature of the positive and negative impacts of the organisation's activities on sustainable development. The organisation collects and discloses non-financial information that may have an ongoing impact on its policies, strategies and operations with respect to social, HR, environmental, human rights and anti-corruption matters.

The FAMUR Group's CSR policy assumes that good corporate management which takes into account public interest in the broad sense, respect for the stakeholders, and the principles of ethics, requires sound corporate governance and fair market practices. The quality of communication with the stakeholders is one of the determinants of a responsible approach to business.

This Report is a continuation of the following CSR statements and reports: the non-financial statements of the FAMUR Group and FAMUR S.A. for 2020, and the 2019 Corporate Social Responsibility Report of the FAMUR Group: *We Create Initiatives*; 2018 Corporate Social Responsibility Report of the FAMUR Group: *Focus on People*; and the non-financial statement of the FAMUR Group for 2017.

We begin to create a new quality in communication with the shareholders and other stakeholders, combining the financial and non-financial aspects of our business. In particular, the report discusses our business model, management approach, key risks affecting the non-financial aspects, the Group's values, strategic objectives for sustainable development, and environmental impact.

In 2020, the Company continued to hold consultations with stakeholders to identify their expectations with respect to disclosure of non-financial information on the Company's activities. The basis for the consultations were FAMUR's non-financial statements and reports.

[GRI 102-51]

The non-financial statement of the FAMUR Group and FAMUR S.A. for 2020 is an integral part of the 2020 Directors' Report issued on March 30th 2020, while the 2019 Corporate Social Responsibility Report of the FAMUR Group: *We Create Initiatives* was issued on April 21st 2020.

OUR REPORT

[GRI 102-52]

The FAMUR Group has chosen to prepare its CSR reports as full-year reports. This Report covers the results achieved in the financial year 2020, unless indicated otherwise.

[GRI 102-45]

This Report covers the entire FAMUR Group, that is the parent (FAMUR S.A.) and its subsidiaries, as presented in the table below, as well as ELGÓR+HANSEN S.A. and DALBIS Sp. z o.o., which are important from the perspective of the non-financial aspects of the Group's activities. The composition of the group of companies covered by this Report changed significantly relative to 2019, mainly due to non-consolidation of FAMAK.

The Company intends to gradually expand the scope of its non-financial reporting with a view to presenting, as fully as possible, the context of its decisions and key outcomes of implementing the CSR policy by individual FAMUR Group companies.

The table below presents the FAMUR Group's structure as at December 31st 2020.

Company name	FAMUR S.A.'s interest (held indirectly and directly) (%)	Interest of entity exercising direct control (%)	Name of entity exercising direct control	City, Country
OOO FAMUR Russia	100.0			Novokuznetsk, Russia
TOO FAMUR (Kazakhstan)	100.0			Karaganda, Kazakhstan
Dams GMBH	100.0			Velbert, Germany
Ex-Coal Sp. z o.o.	100.0			Przeciszów, Poland
Taian Famur Coal Mining Machinery Co., Ltd.	100.0			Tai'an, China
Polskie Maszyny Górnicze S.A.	100.0			Katowice, Poland
Famur Institute Sp. z o.o.	100.0			Katowice, Poland
Famur Finance & Restructuring Sp. z o.o.	100.0			Katowice, Poland
DE Estate sp. z o.o.	100.0			Katowice, Poland
Mining Equipment Finance Sp. z o.o.	51.0			Katowice, Poland
Stadmar Sp. z o.o.	50.0			Radziszów, Poland
Shandong Tagao Mining Equipment Manufacturing Co.Ltd.	50.0			Tai'an, China
Polska Technika Górnicza S.A.	33.3			Katowice, Poland
PT. Kopex Mining Contractors	100.0			Jakarta, Indonesia
Anhui Long Po Electrical Co., Ltd.	20.0			HuaiBei, China
Famur Finance Sp. z o.o.	100.0			Katowice, Poland
FAMUR INVEST Sp. z o.o.	100.0	100.0	Famur Finance Sp. z o.o	Katowice, Poland
Elgór+Hansen S.A.	100.0	83.6	Hansen Sicherheitstechnik AG	Chorzów, Poland
Hansen Sicherheitstechnik AG	100.0			Munich, Germany
Kopex Africa Pty Ltd.	100.0	100.0	Hansen Sicherheitstechnik AG	Benoni, South Africa
Hansen And Genwest Pty Ltd.	74.9	74.9	Kopex Africa Pty Ltd.	Benoni, South Africa
Air Reliant Pty Ltd	74.9	100.0	Hansen And Genwest Pty Ltd.	Benoni, South Africa
Primetech S.A.	81.2			Katowice, Poland
Śląskie Towarzystwo Wiertnicze Dalbis Sp. z o.o.	81.2	100.0	Primetech S.A.	Tarnowskie Góry, Poland
Famak S.A. (formerly: Famur Famak S.A.)	31.9			Kluczbork, Poland
Pemug Sp. z o.o.	100.0	100.0	Famak S.A.	Katowice, Poland
Fugo II Sp. z o.o.	31.9	100.0	Famak S.A.	Konin, Poland
Biuro Projektowe Biprocemwap Sp. z o.o.	31.9	99.9	Pemug Sp. z o.o	Kraków, Poland
BPIRI Separator Sp. z o.o.	31.6	99.0	Pemug Sp. z o.o.	Katowice, Poland
Famak India Private Limited	31.6	99.0	Fugo II Sp. z o.o.	New Delhi, India
Kopex Min-Fitip A.D - w likwidacji (in liquidation)	86.5%			Niš, Serbia
Wamag w likwidacji w upadłości (in liquidation in bankruptcy)	100%			Wałbrzych, Poland

OUR REPORT

Changes in the FAMUR Group in 2020 with effect on consolidation:

- K-Construction was sold outside the Group on March 20th 2020. The consolidated data includes the company's statement of profit and loss and the statement of cash flows for the period in which the company was part of the FAMUR Group.
- Kopex MIN LIV of Serbia was sold outside the Group on September 9th 2020. The consolidated data includes the company's statement of profit and loss and the statement of cash flows for the period in which the company was part of the FAMUR Group.
- Relt was sold outside the Group on December 8th 2020. The consolidated data includes the company's statement of profit and loss and the statement of cash flows for the period in which the company was part of the FAMUR Group.
- On February 25th 2020, the District Court in Opole, 8th Commercial Division, registered the reduction and increase in the share capital of FAMAK S.A. (formerly FAMUR FAMAK). As a result, FAMUR S.A.'s interest in FAMAK S.A. was reduced to 31.88%, and FAMUR S.A. ceased to be the parent of FAMAK S.A. (formerly FAMUR FAMAK), which is the parent of the entire FAMAK Group including the following companies: Pemug sp. z o.o., Fugo sp. z o.o., Fugo II sp. z o.o., Biuro Projektów i Realizacji Inwestycji Separator sp. z o.o., Biprocemwap sp. z o.o., and SKW Biuro Projektowo-Techniczne sp. z o.o. As of the date of registration, the FAMAK (formerly Famur Famak) Group is an associate consolidated using the equity method.
- On August 6th 2020, the District Court of Opole, 8th Commercial Division of the National Court Register, registered the transformation of FUGO S.A. of Kluczbork from a joint-stock company into a limited liability company – FUGO II sp. z o.o. of Kluczbork.
- On November 30th 2020, the District Court for Opole, 8th Commercial Division of the National Court Register, registered a merger between FAMAK S.A. (formerly FAMUR FAMAK S.A.) (the Acquirer, name change in 2021) and SKW Biuro Projektowo-Techniczne Sp. z o.o. (the Acquiree).

[GRI 102-50]

This Report covers the year 2020, i.e. the period from January 1st to December 31st 2020, and also discusses significant events which occurred between the reporting date and date of the final version of this Report, i.e. June 22nd 2021.

[GRI 102-56]

This Report has not been externally assured. The internal review was performed with the participation of Management Board representatives and directors of Group companies' individual business areas, and the whole process was coordinated by persons responsible at FAMUR S.A. for the key business areas covered by this Report. The non-financial information disclosed in this Report has been prepared in accordance with the GRI Standards, while the financial information is consistent with the data disclosed in the financial statements for 2020 prepared in accordance with the International Accounting Standards and International Financial Reporting Standards, applied by the Company since January 1st 2005. Both financial and non-financial data should satisfy the requirements of the Accounting Act.

Moreover, this Report contains graphical references to the 2030 Sustainable Development Goals adopted by the United Nations in 2015, supported by the FAMUR Group through its CSR activities.

FAMUR

GOVERNANCE

GOVERNANCE



GOVERNANCE

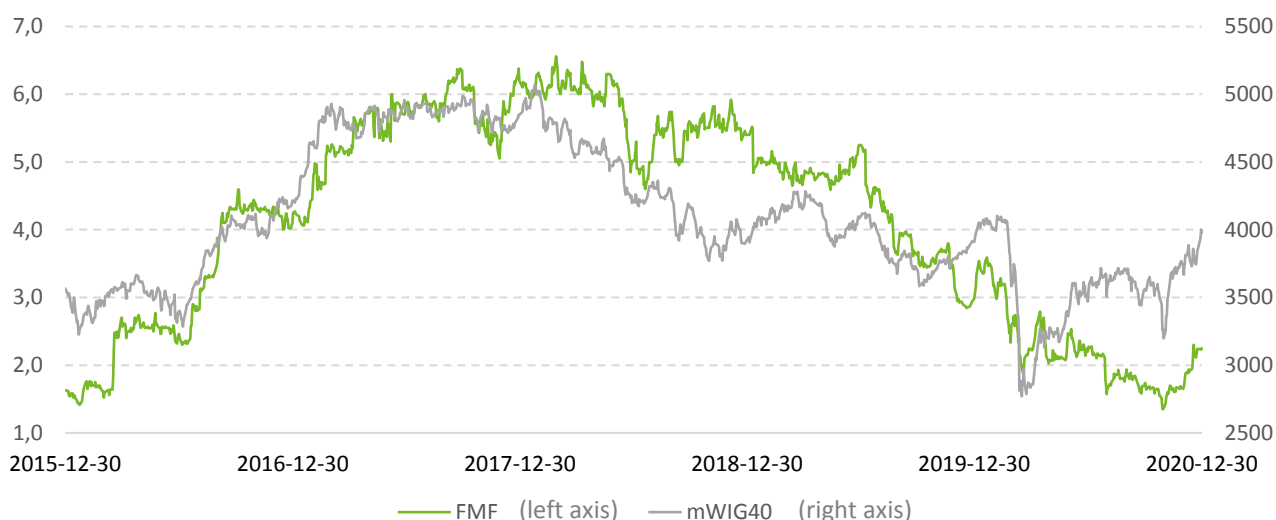
[GRI 102-5]

Ownership and shareholding structure

Share price

In August 2006, FAMUR SPÓŁKA AKCYJNA (then FABRYKA MASZYN FAMUR SPÓŁKA AKCYJNA) became a listed company. As at December 31st 2020, 574.8m FAMUR shares were traded on the Warsaw Stock Exchange (abbreviated name: FAMUR; ticker code: FMF). At the end of 2020, FAMUR shares were included in the following stock exchange indices: mWIG40 (comprising 40 mid-caps listed on the Main Market of the WSE), WIG, WIG-Poland, WIG-ESG, mWIG40TR, and InvestorMS (an external index calculated by the stock exchange for Investors TFI S.A. to assess the performance of small- and mid-cap stocks which are the investment focus of the Investor Top 25 Małych Spółek FIO fund).

The chart below shows FAMUR stock price change vs mWIG40 over the last five years.



As at December 31st 2020 and the date of this Report, the Company's share capital amounted to PLN 5,747,632.12 and was divided into 574,763,212 Series A, B, C, D, E and F shares with a par value of PLN 0.01 per share. All outstanding shares are ordinary shares without any preference in terms of profit distribution or voting rights at the General Meeting. There are no other securities conferring any special control rights.

The following tables show the shareholding structure as at December 31st 2020 and as at the date of this Report, based on data from the Company's most recent General Meeting and notifications received.

The lists show shareholders with major holdings of FAMUR S.A. shares as at the relevant reporting date. The materiality level is 5% of the share capital.

The parent of TDJ Equity I Sp. z o.o. is TDJ S.A. TDJ S.A. is directly controlled by Tomasz Domogała, Chairman of the Supervisory Board, who thus indirectly controls the majority interest in FAMUR S.A.

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Shareholding structure

FAMUR S.A. shareholding structure as at December 31st 2020

Shareholder	Number of shares held	Number of voting rights at GM	Equity interest
TDJ Equity I Sp. z o.o.	271,853,785	271,853,785	47.3%
Nationale-Nederlanden OFE*	61,800,000	61,800,000	10.7%
OFE AVIVA Santander	55,400,000	55,400,000	9.6%
FAMUR S.A.**	4,616	4,616	0.0%
Other shareholders	185,704,811	185,704,811	32.3%
Total	574,763,212	574,763,212	100%

Source: the Company's knowledge acquired during the most recent Annual General Meeting of June 29th 2020 (Current Report No. 18/2020)

* Aggregate value for accounts of OFE and DFE funds managed by NN PTE.

** Indirectly through subsidiaries.

FAMUR S.A. shareholding structure as at January 18th 2021

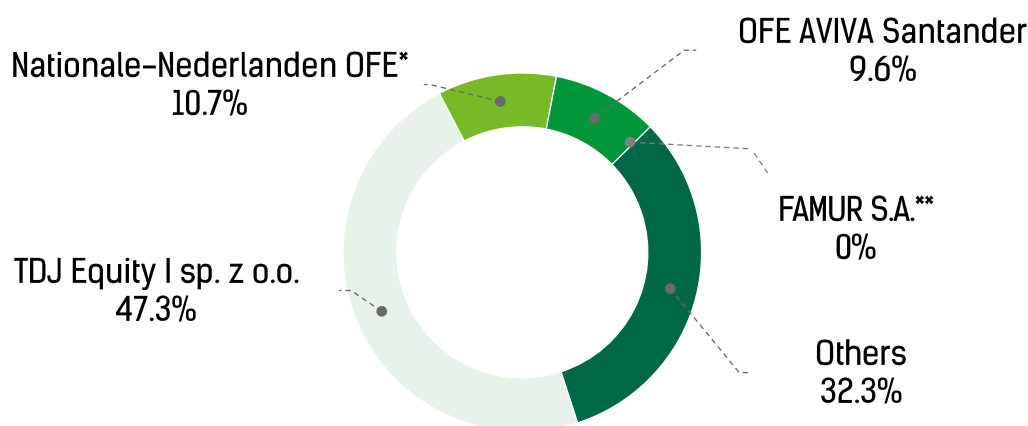
Shareholder	Number of shares held	Number of voting rights at GM	Equity interest
TDJ Equity I Sp. z o.o.	271,853,785	271,853,785	47.3%
Nationale-Nederlanden OFE*	61,799,000	61,799,000	10.8%
OFE PZU ZŁOTA JESIEŃ	22,300,000	22,300,000	3.9%
FAMUR S.A.**	4,616	4,616	0.0%
Other shareholders	218,805,811	218,805,811	38.1%
Total	574,763,212	574,763,212	100%

Source: the Company's knowledge acquired during the most recent Extraordinary General Meeting of January 18th 2021 (Current Report No. 4/2021)

* Aggregate value for accounts of OFE and DFE funds managed by NN PTE.

** Indirectly through subsidiaries.

Shareholding structure as at December 31st 2020 is presented below:

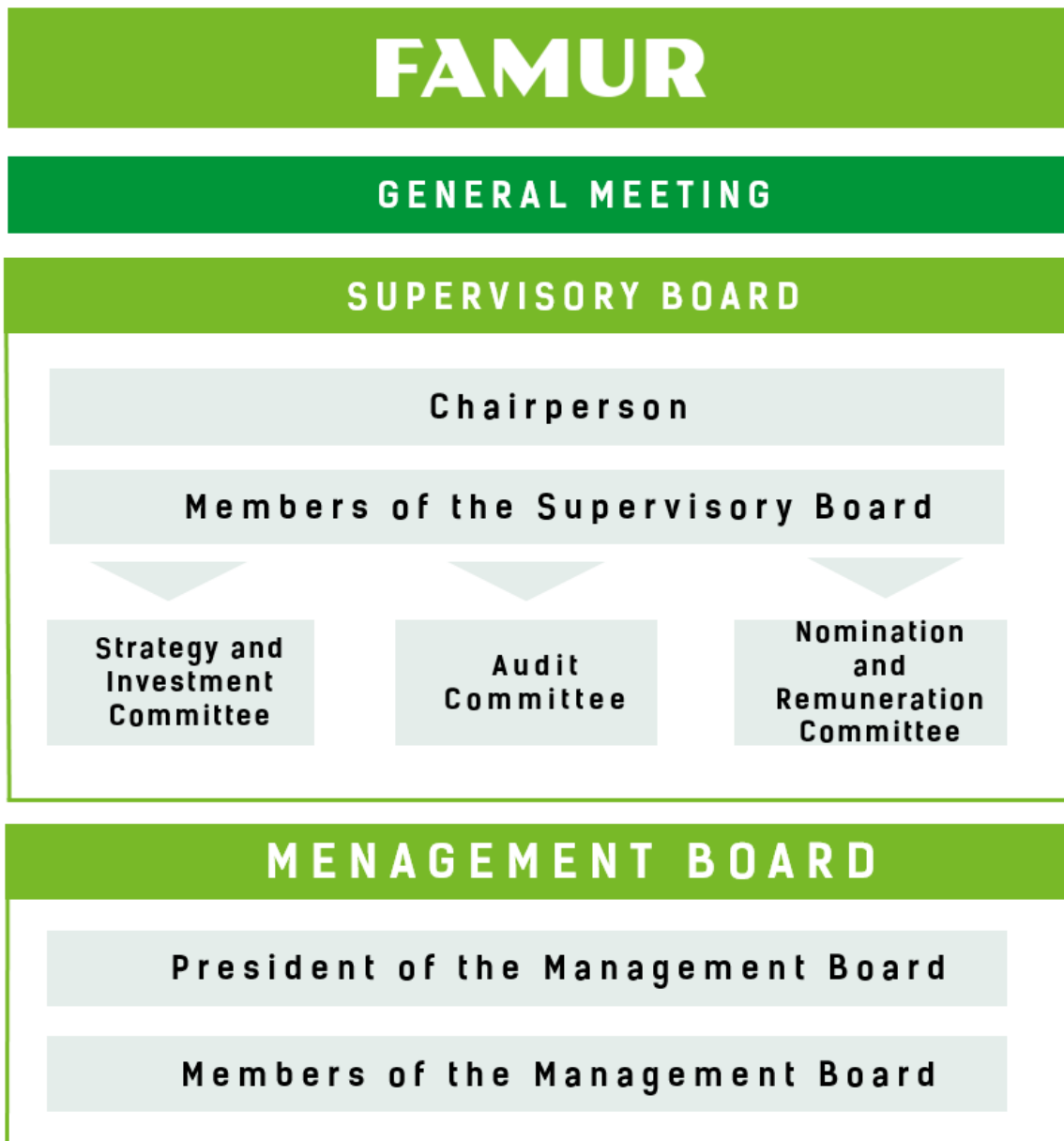


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[GRI 102-18, GRI 102-22, GRI 102-23]

Governance Structure

FAMUR S.A.'s governing bodies are:



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General Meeting

Operation and key powers of the General Meeting; shareholder rights and how they are exercised

The General Meeting of FAMUR S.A. operates in accordance with the Rules of Procedure for the General Meeting, the Company's Articles of Association, and the Commercial Companies Code. Apart from other matters provided for in relevant laws, key powers of the General Meeting include:

- Appointment and removal from office of Supervisory Board members;
- Determination of the rules of remuneration of Supervisory Board members;
- Determination of the amounts of remuneration for the Supervisory Board members delegated to individually perform certain supervisory functions on a permanent basis.

For a detailed description of matters reserved for the General Meeting and the list of General Meetings, go to <https://famur.com/en/corporate-governance> - Materials to download - Rules of Procedure for the General Meeting and <https://famur.com/en/general-shareholders-meeting>

The General Meeting of a public company is convened by publishing a relevant notice on the company's website and in the manner required for the publication of current information pursuant to the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies. Such notice should be published at least twenty-six days prior to the date of the General Meeting. A notice of a public company's General Meeting should include as a minimum:

- The date, time and place of the Meeting and a detailed agenda for the Meeting;
- Precise description of procedures for participating in the General Meeting and exercising voting rights, including in particular information on:
 - a shareholder's right to request that certain items be placed on the agenda of the General Meeting,
 - a shareholder's right to propose draft resolutions on matters which have been placed or are to be placed on the agenda prior to the General Meeting,
 - a shareholder's right to propose draft resolutions on matters which have been placed on the agenda during the General Meeting,
- voting through a proxy, including information on the proxy voting forms, and the manner of notifying the Company of appointment of a proxy using electronic means of communication,
- the possibility and manner of participation in the General Meeting using electronic means of communication,
- information on how to take the floor at the General Meeting using electronic communication means,
- voting by postal ballot or by using electronic means of communication,
- the record date for participation in the General Meeting referred to in Art. 406¹ of the Commercial Companies Code,
- information that only persons being the Company's shareholders as at the date of registration of attendance for the General Meeting may attend the Meeting,
- information on where and how a person entitled to attend the General Meeting may access a complete set of documents to be presented to the Meeting, as well as draft resolutions or, if no resolutions are to be passed, comments from the Management Board or the Supervisory Board on matters which have been placed on the agenda or are to be placed on the agenda before the date of the Meeting,
- address of the website on which information on the Meeting will be made available.

Only persons who are Company shareholders sixteen days prior to the date of the General Meeting (the record date for participation in the General Meeting) have the right to attend the Meeting. The record date for participation in the General Meeting is the same for holders of rights attached to bearer shares and registered shares.

Shareholders' rights and obligations are set out in Art. III.6 of the Articles of Association, available at <https://famur.com/en/corporate-governance> - Materials to download - FAMUR S.A. - the consolidated text of the Articles of Association following the EGM of April 13th 2018 <https://famur.com/en/download/filedisplay/famur-sa-articles-of-association-consolidated-text-after-egm-of-april-13th-2018>.

The Chairperson's role is to open and chair the General Meeting, and to ensure that the Meeting proceeds smoothly and that the rights and interests of all the shareholders are respected. After presentation of each item on the agenda

GOVERNANCE

by a rapporteur, the Chairperson of the General Meeting opens the discussion. More than one agenda item may be discussed at the same time. Participants take the floor in the order in which they requested to speak. With respect to each agenda item and procedural matter, a shareholder is only entitled to speak and reply once. The General Meeting may only pass resolutions concerning matters on its agenda.

One share carries the right to one vote at the General Meeting. A shareholder may vote each of their shares in a different manner. A shareholder has the right to vote on each proposal once.

Resolutions of the General Meeting are passed with an absolute majority of votes, unless the Company's Articles of Association or the Commercial Companies Code provide otherwise. Resolutions are voted on in an open ballot. A secret ballot is ordered in the case of voting on appointment or removal from office of members of the Company's governing bodies or its liquidators, on bringing somebody to account and on personnel matters.

The Chairperson of the General Meeting announces the results of a vote, which are then recorded in the minutes of the meeting. The minutes of a General Meeting are drawn up by a notary public. Shareholders and members of the Company's governing bodies have the right to review the minutes of General Meetings and to request to be issued their copies certified as true by the Management Board.

The Annual General Meeting held on June 29th 2020 approved the Directors' Report on the operations of FAMUR S.A. and the FAMUR Group in the 2019 financial year, the financial statements of FAMUR for the 2019 financial year, the consolidated financial statements for the 2019 financial year, and the non-financial statement of the FAMUR Group and FAMUR S.A. for 2019, granted liability discharge to members of FAMUR S.A.'s governing bodies in respect of their duties for the 2019 financial year, passed a resolution on the distribution of FAMUR's profit for the 2019 financial year, pursuant to which the Company's entire net profit earned in the financial year ended December 31st 2019, of PLN 161,369,959.20 was allocated to the Company's statutory reserve funds, adopted the Remuneration Policy for Members of the Company's Management and Supervisory Boards and authorised the Supervisory Board to specify the details of the Remuneration Policy.

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[GRI 102-18, GRI 102-22, GRI 102-23]

Governance structure

The Supervisory Board of FAMUR S.A. and its committees

The governance structure of FAMUR S.A. includes the Supervisory Board, appointed by the General Meeting and including the Supervisory Board Committees established to oversee particular areas in the Company's operations, and the Management Board appointed by the Supervisory Board.

Corporate governance structure of FAMUR S.A.



Composition of the Supervisory Board as at December 31st 2020 and as at the date of this Report

Full name	Position
Tomasz Domogala	Chairman of the Supervisory Board
Czesław Kisiel	Deputy Chairman of the Supervisory Board
Jacek Leonkiewicz	Member of the Supervisory Board
Magdalena Zajączkowska-Ejsymont	Member of the Supervisory Board
Dorota Wyjadłowska*	Member of the Supervisory Board
Tomasz Kruk*	Member of the Supervisory Board

* Supervisory Board member meeting statutory independence criteria.

The Supervisory Board exercises ongoing supervision over the Company's activities. It performs its responsibilities collectively; however, it may appoint standing or ad hoc committees to supervise particular areas of the Company's operations.

Gender diversity on the Supervisory Board

Period	Share of women [%]	Share of men [%]
Dec 31 2020	28.6%	71.4%
Dec 31 2019	28.6%	71.4%

In performing their duties, a member of the Supervisory Board should exercise due professional care. The provisions of the Act on Statutory Auditors, the Accounting Act and the principles laid down in the Best Practice for WSE-Listed Companies require that a member of the Supervisory Board should also have appropriate expertise and experience in the industry in which the Company operates, while members of the Audit Committee should additionally meet the independence criteria defined in the above-mentioned regulations.

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Information on the educational backgrounds, qualifications, previously held positions, and employment records of all Members of the Supervisory Board was published by the Company in Current Report No. 40/2019 of June 17th 2019 and on the webpage <https://famur.com/en/management-supervisory-board>.

The committees operating within the Supervisory Board of FAMUR S.A. since 2018 are the Nomination and Remuneration Committee, Strategy and Investment Committee, and Audit Committee. The composition of each committee is presented below.

Strategy and Investment Committee

- Czesław Kisiel
- Magdalena Zajączkowska-Ejsymont
- Jacek Leonkiewicz

Nomination and Remuneration Committee

- Czesław Kisiel
- Magdalena Zajączkowska-Ejsymont
- Jacek Leonkiewicz

Audit Committee

- Tomasz Kruk, Chairman of the Audit Committee
- Dorota Wyjadłowska
- Jacek Leonkiewicz

Independent Supervisory Board Members:

- Tomasz Kruk
- Dorota Wyjadłowska

The appointed Supervisory Board Members are not engaged in any activities competing with the Company's business and are not partners in any competing partnership under civil law or another type of partnership, or members of the governing bodies of other companies. None of the persons specified above is entered in the Register of Insolvent Debtors maintained under the National Court Register Act. Dorota Wyjadłowska and Tomasz Kruk meet the statutory independence criteria for a member of the Company's Supervisory Board.

Description of the internal control system

Key features of the internal control and risk management systems used in the process of preparing financial statements are as follows:

1. Transactions are carried out on the basis of general or specific authorisations by management (depending on the importance of a document);
2. Documents are checked, accepted and described by persons responsible both for the subject matter they relate to and for the accounting aspects;
3. Each material transaction is duly reviewed by the legal department to ensure that it is properly accounted for in accordance with the accounting and tax laws;
4. Appropriate control procedures put in place by the management are used, including:
 - checking the correctness of accounting entries by responsible persons,
 - control of computer programs and the IT environment by assigning care of the programs and the IT environment to IT specialists and firms,
 - maintaining and reviewing subsidiary ledger accounts and statements of ledger transactions and account balances,
 - approval and control of documents,
 - comparing actual performance against targets and analysis of the results,

GOVERNANCE

5. All transactions and other events are promptly recorded in correct amounts, in appropriate accounts and in proper accounting periods so as to enable the preparation of financial statements in accordance with the adopted financial reporting policy;
6. Access to assets and records is only possible with the management's authorisation;
7. Assets revealed in accounting records are compared against physical assets based on the provisions of the accounting laws; relevant measures are taken whenever any discrepancies are found;
8. A uniform accounting policy has been developed for all the Group companies;
9. The accounting policy is updated as needed so that it is always in line with the current accounting laws;
10. In the previous financial year, the Company's Extraordinary General Meeting appointed to the Supervisory Board additional Supervisory Board members meeting independence criteria, as defined in the Act on Statutory Auditors, Audit Firms, and Public Oversight of May 11th 2017. At the same time, an Audit Committee was established within the Supervisory Board.

Audit Committee

The Audit Committee is an advisory and opinion giving body, acting collectively within the Supervisory Board and supporting the Supervisory Board, particularly with its recommendations, proposals, opinions and reports. Its responsibilities include monitoring of the effectiveness of the internal control and risk management systems as well as of the internal audit function, also with respect to financial reporting.

Two Audit Committee members meet the independence criteria specified in Art. 129.3 of the Act on Statutory Auditors, Audit Firms and Public Oversight of May 11th 2017 (Dz.U. of 2017, item 1089, as amended). In addition, at least one member of the Audit Committee has knowledge of and skills in accounting or financial statements auditing and at least one member of the Audit Committee has knowledge and skills relevant for the industry in which the Company operates, or the individual members of the Audit Committee have knowledge and skills relevant for different aspects of that industry.

In 2020, the Audit Committee was composed of:

- Tomasz Kruk, Chairman of the Audit Committee, meeting the statutory independence criteria
- Dorota Wyjadłowska, Audit Committee member meeting the statutory independence criteria
- Jacek Leonkiewicz

Members of the Supervisory Board and members of Supervisory Board Committees act on the basis of The Commercial Companies Code, the Company's Articles of Association and the Rules of Procedure for the Supervisory Board published on the Company's website at <https://famur.com/en/corporate-governance> and are required to comply with the corporate governance principles stipulated in the Code of Best Practice for WSE Listed Companies, except where the Company has submitted a statement of non-compliance (in accordance with the FAMUR S.A. corporate governance statement)

On December 22nd 2017, the Company updated its corporate governance statement. The full text of the statement is available on the Company's website at <https://famur.com/en/corporate-governance>.

For details regarding education and professional experience of the appointees, see section 'The Supervisory Board of FAMUR S.A. and its committees'.

Having analysed the practices and procedures set out in Art. 130.1.5–7 of the Act on Statutory Auditors, Auditing Firms, and Public Oversight, the Audit Committee adopted:

- a policy for selection of an auditing firm to perform audits,
- the auditing firm selection procedure,
- a policy for the provision of non-audit services by the auditing firm, its affiliates and members of its network.

At the beginning of January 2019, an Internal Audit Department was established at the Company.

In 2019 the Company did not establish any additional internal audit units, and all internal control, risk management and compliance functions were performed within the internal audit, corporate controlling and legal departments.

Additional information on the Audit Committee

- No permitted non-audit services were provided to the Company by the audit firm auditing its financial statements, save for the review of its interim financial statements.

GOVERNANCE

- Key assumptions of the Company's policy for the selection of the audit firm to perform statutory audit of the Company's financial statements and a policy for the provision of permitted non-audit services by the audit firm, its affiliates and members of its network.
 - The internal regulations governing selection and rotation of the audit firm and the lead auditor have been introduced pursuant to the Act on Statutory Auditors and Their Self-Government, Entities Qualified to Audit Financial Statements and Public Oversight of May 11th 2017 (Dz.U. of 2017, item 1089, as amended).
 - The audit firm is selected in keeping with the principle of audit firm and lead auditor rotation so that the maximum duration of uninterrupted statutory audit engagements with an audit firm, any of its affiliates or members of its network operating in the territory of the European Union does not exceed five years, and that a lead auditor does not carry out statutory audits of the Company's financial statements for a period longer than five years (in which case the lead auditor may again carry out statutory audits of the Company's financial statements after at least three years from the end of the most recent statutory audit).
 - The audit firm is selected by the Company's Supervisory Board after having considered the Audit Committee's recommendation.
 - The audit firm is selected sufficiently in advance to enable it to take part in inventory taking of significant assets and a review of interim reports.
 - When selecting the audit firm, the Audit Committee and the Supervisory Board must pay particular attention to ensuring independence of the audit firm and the auditor.
 - The independence of the statutory auditor and the audit firm is verified and monitored at each stage of the selection procedure.
 - The Supervisory Board, during the selection process, and the Audit Committee, when preparing its recommendation, apply the following criteria: the auditor's confirmed impartiality and independence, price offered by the auditor, the audit firm's reputation and experience, its human resources and qualifications and experience of its personnel directly involved in the audit process, the ability to perform an audit within the time frame specified by the Company, and completeness of the service range.
 - The provision of permitted non-audit services is allowed to the extent provided for in Art. 136.2 of the Act on Statutory Auditors, Audit Firms and Public Oversight.
 - The provision of permitted non-audit services is only allowed to the extent they do not relate to the Company's tax policy, after a risk assessment has been performed and independence referred to in Art. 69–73 of the Act on Statutory Auditors, Audit Firms and Public Oversight has been ensured by the Audit Committee.
 - An agreement for the provision of permitted non-audit services is signed on the initiative of the Company's Management Board, subject to the Audit Committee's approval.
 - When entering into an agreement for the provision of permitted non-audit services, the Company's Management Board must pay particular attention to ensuring the auditor's and audit firm's independence.
 - Permitted non-audit services are performed in compliance with the independence requirements laid down in relevant professional ethics policies and standards of performance of non-audit services.
- The Audit Committee's recommendation on the selection of the audit firm to audit the Company's and the Group's financial statements met relevant requirements stipulated in the Polish Accounting Act of September 29th 1994 (Dz.U. of 2019, item 351, as amended), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April 16th 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC, and complied with the adopted policy on selecting the audit firm to perform statutory audits of the Company's financial statements. The recommendation was prepared following an audit firm selection procedure carried out by the Company.

The number of audit committee meetings or supervisory board meetings or meetings held by any other supervisory or governing body, devoted to performance of duties of the audit committee

In 2020, the Audit Committee meetings were held as conference calls, and its resolutions were voted on in writing. In 2020, the Audit Committee held three votes and its members took part in three conference calls.

GOVERNANCE

[GRI 102-18]

The Management Board of FAMUR S.A.

The Composition of the Management Board of FAMUR S.A.

Full name	Position
Mirosław Bendzera	President of the Management Board
Beata Zawiszowska	Vice President, Chief Financial Officer
Adam Toborek	Vice President of the Management Board, Underground Export Sales
Dawid Gruszczyk	Vice President of the Management Board, Underground Segment Domestic Sales
Tomasz Jakubowski	Vice President, Chief Operating Officer, Underground segment
Ireneusz Kazimierski	Vice President of the Management Board, Business Development

The Management Board is a body authorised to manage the Company's affairs and represent the Company before third parties. It ensures the transparency and effectiveness of the Company's management system and the conduct of its affairs in compliance with the applicable laws and best practices. The scope of its activity covers matters which do not fall within the exclusive scope of competence of the Company's other governing bodies under applicable laws or the Articles of Association. The scopes of powers and responsibilities and the responsibility areas of individual members of the Management Board are defined in the Company's Organisational Rules.

The Company's Management Board consists of five or more members appointed for a joint three-year term of office. Appointment of members of the Management Board is based on the criteria of professionalism, expertise and professional skills, which ensure appointment of candidates with the highest possible qualifications. In accordance with its Diversity Policy, the Company strives to ensure diversity, particularly with respect to gender, fields of education, age and professional experience.

The President of the Management Board is not simultaneously the managing director of the Company.

The Rules of Procedure for the FAMUR S.A. Management Board are available at <https://famur.com/en/corporate-governance> - Materials to download - Rules of Procedure for the Management Board, while information about the scope of duties, education and qualifications is available at <https://famur.com/en/management-supervisory-board>. For a full description of positions held and functions performed by Members of the Management Board, see Current Reports No. 35/2019 of June 13th 2019 and No. 57/2019 of November 12th 2019.

[GRI 405-1]

Composition of FAMUR S.A. Management Board by diversity criteria

Company	criteria	at year end			
		2020		2019	
		% of persons meeting the criterion	Number of persons	% of persons meeting the criterion	Number of persons
FAMUR S.A. Management Board	women	17%	1	17%	1
	men	83%	5	83%	5
	age 30–50	50%	3	67%	4
	age > 50	50%	3	33%	2

GOVERNANCE



Mirosław Bendzera President of the Management Board

Responsible for the FAMUR Group's strategy and development.

He holds a master's degree in Management and Marketing from the Kraków University of Economics. He served on the governing bodies of Ponar Wadowice S.A., Ponar Silesia S.A. and held a managerial position at Toyota Motor Poland Co. Ltd. Since 2009, he has served on the management boards of companies affiliated with the TDJ Group. He was President of the Management Board of Odlewnia Żeliwa Śrem S.A., Pioma-Odlewnia sp. z o.o. and Polska Grupa Odlewnicza S.A. In October 2014, he assumed the position of President of FAMUR S.A. From January to July 2015, he was also a member of the Management Board of Elgór+Zamet Sp. z o.o.



Beata Zawiszowska Vice President, Chief Financial Officer

Coordinates the Group's finance and accounting functions, is responsible, inter alia, for ensuring new Group companies' compliance with International Accounting Standards and for raising financing.

She has been a member of the Management Board of FAMUR S.A. since the beginning of the Group inception process in 2002.



Tomasz Jakubowski Vice President, Chief Operating Officer, Underground segment

Responsible for the operational management of the Underground segment.

He was appointed Vice President of the FAMUR S.A. Management Board in 2018. In 2003–2010, he was also President and Vice President of the Management Board of FAMUR S.A. and served as President of the Management Board of Fabryka Zmechanizowanych Obudów Ścianowych FAZOS S.A.



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Adam Toborek
Vice President of the
Management Board,
Underground Segment
Export

Underground Segment Export Sales
Manages export sales in the
Underground segment Associated
with Famur SA since 2017. Previously,
he held, among others, managerial
positions in NIUW Glinik, a portfolio
company of TDJ.

On June 14th 2021, Adam Toborek
submitted to the Company his
resignation from the FAMUR S.A.
Management Board with effect from
June 21st 2021.
The reason for the resignation is the
assignment of tasks within the TDJ
Group structures (the resignation was
announced by the Company in
Current Report No. 25/2021)



Dawid Gruszczyk
Vice President of the
Management Board,
Underground Segment
Domestic

Underground Segment Domestic Sales
Manages domestic sales in the
Underground segment He has served
on the Management Board of Famur
S.A. since January 2016. Previously, he
worked for ELGÓR + HANSEN Sp. z
o.o., currently member of the FAMUR
Group.



Ireneusz Kazimierski
Vice President of the
Management Board,
Business Development

Vice President of the Management
Board, Business Development
Responsible for providing support to
the Management Board, sales and
R&D, liaising with existing and
prospective customers, driving growth
in new and existing markets,
supporting product development, and
developing strategic partnerships. He
exercises supervision of associated
companies operating in the Surface
segment.

GOVERNANCE

Remuneration policy

The remuneration policy for members of the Management Board and Supervisory Board of FAMUR S.A. was approved by the Annual General Meeting of the Company in Resolution No. 23 of June 29th 2020.

The policy sets out the framework for awarding remuneration to members of the Management Board and Supervisory Board of FAMUR S.A., forms part of the Company's governance and corporate culture consisting of a transparent organisational structure, ethical values, personnel competencies and skills, powers and responsibilities, information channels, controls, and a risk management system. The full text of the remuneration policy is available from the Company's website at: <https://famur.com/en/general-shareholders-meeting>

All remuneration paid to Management Board and Supervisory Board members is subject to compliance with the Company's remuneration policy.

For details on remuneration of members of the Management Board and Supervisory Board, see Note 51 to the consolidated financial statements of the FAMUR Group for 2020.

Corporate governance statement

Corporate governance principles applicable to FAMUR S.A. and where they can be accessed by the public

The Company issues current and periodic reports, which are published on its corporate website. The website also includes key corporate events, financials and news.

In 2020, FAMUR complied with the corporate governance rules laid down in the 'Best Practice for WSE Listed Companies 2016'. The amended text of the rules is available on the Warsaw Stock Exchange's official website, in the section devoted to corporate governance, www.gpw.pl/dobre-praktyki and on the Company's website at <https://famur.com/en/corporate-governance>

Extent of non-compliance

Based on the current status of compliance with Best Practices, the Company does not apply six recommendations (I.R.2., II.R.2., IV.RMSR.2., VI.R.1., VI.R.2., VI.R.3.) and 20 detailed principles: I.Z.1.3., I.Z.1.8., I.Z.1.10., I.Z.1.16., I.Z.1.20., II.Z.1., II.Z.2., II.Z.4., II.Z.7., II.Z.10.3., II.Z.10.4., II.Z.11., III.Z.2., III.Z.3., III.Z.4., III.Z.6., IV.Z.2., V.Z.6., VI.Z.2., VI.Z.4.

Under Section 29.3 of the WSE Rules, information on the corporate governance rules which the Company does not comply with, including the extent of and reasons for such non-compliance, was provided on December 22nd 2017 in EBI Current Report No. 1/2017, available on the Company's website at <https://famur.com/en/corporate-governance>. The supplementary information contained in the report, relative to FAMUR S.A.'s previous report on the scope of application of Best Practices, mainly related to the appointment of an Audit Committee within the Supervisory Board, and the appointment of Supervisory Board members meeting independence criteria, as referred to in the Act on Statutory Auditors, Audit Firms, and Public Oversight of May 11th 2017 (Dz.U. of 2017, item 1089).

Diversity policy

The FAMUR Group has in place a diversity policy requiring the Group companies to:

- Prevent any discrimination based on gender, racial, national or ethnic origin, religion or religious denomination, philosophy of life, degree or type of disability, health, age, psychosexual orientation or gender identity, family status, lifestyle or any other possible discriminatory grounds (policy of equal treatment);
- Manage diversity by developing strategies, policies and programmes that help create a work environment in which each employee can feel appreciated, contributing to the success of the entire FAMUR Group.

Furthermore, the diversity policy assumes that in electing members to the Group companies' governing bodies and their key managers, the FAMUR Group seeks to ensure diversity, especially in terms of gender, educational background, age, and professional experience. High qualifications and professional preparation to perform a given function are the key factors in determining whether a person may take up a particular position.

RISK MANAGEMENT



RISK MANAGEMENT

[GRI 103-2, GRI 103-3]

Management approach

In the FAMUR Group, risks are identified in all areas of activity and are of a diverse nature. Many risks are interlinked; therefore, their interaction is examined while seeking ways to mitigate them.

The identified risks are assessed in the context of strategic and operational objectives pursued by FAMUR. The criteria for risk assessment include both financial and reputational impacts on the organisation, as well as consequences for the environment, employees and members of the community affected by the Group's operations. For each of the identified risks, risk treatment procedures and precautionary measures are determined. Periodically, the risks are reviewed for relevance and adequacy in the context of changes in the Group's operating environment. A review of the identified risks is discussed in the Directors' Reports on the operations of the Company and the Group.

In all key non-financial areas, i.e. relating to environmental, social, and labour matters, diversity, human rights, anti-corruption and anti-bribery, FAMUR has implemented policies that are also applicable to the Group's subsidiaries. The FAMUR Group subsidiaries are obliged to comply with each of those policies in their operations and to communicate the policies to their employees.

As part of due diligence procedures, FAMUR, as the parent, also monitors compliance with a given policy and ensures that all necessary remedial measures are worked out and implemented immediately.

Any discrepancies between a given policy and applicable national regulations or other standards are subject to assessment by the Company in collaboration with the Group companies. The FAMUR Group periodically reviews its policies for relevance to the identified risks and usefulness in view of the Group's strategic objectives.

In 2020, an analysis of risks in non-financial areas was carried out in the FAMUR Group, determining the level of significance of particular non-financial matters in the Group's operations taking into account the information needs of key stakeholder groups.

Management systems

To ensure the required quality of their products and services, individual companies of the FAMUR Group have implemented **Integrated Management Systems (IMS)**, whose scope is consistent with their business profiles. The Management Systems are process-based. Processes identified in connection with the adopted business strategy have been organised into a uniform system defining their sequence and interaction. Continuous improvement of the Integrated Management Systems boosts competitiveness while mitigating environmental impacts and fostering occupational health and safety.

In the fulfilment of the requirements of the PN-EN ISO 9001:2015, PN-EN ISO 14001:2015, and PN-EN 45001:2018 standards and industry standards for quality, health, safety and environment (QHSE) management, IMS documentation has been developed, comprising IMS Policies, IMS Objectives, as well as procedures and instructions.

The systems undergo annual surveillance audits and re-certification audits, carried out every three years by accredited certification bodies.

RISK MANAGEMENT

QUALITY

1. Responsibility of each employee for the quality they achieve in their job
2. Work with all material and service suppliers to ensure that high quality standards are maintained throughout the supply chain
3. Operational excellence guaranteeing maximum operational efficiency
4. Taking care to ensure high quality of aftersales service and improvement of servicing processes
5. Steady increase of sales on the global market while maintaining the leading position on the Polish market and diversifying the business profile
6. Creating a work environment that motivates employees to develop and improve their professional skills
7. Investing in the development of new innovative products, technologies, intelligent solutions ensuring efficiency, security and reliability (SmartTechnology)

Integrated Management System Policy

OCCUPATIONAL HEALTH AND SAFETY

One of the primary objectives of the FAMUR Group is to maintain a high level of occupational safety. This approach is demonstrated in the following measures we take to prevent injuries, accidents at work and occupational diseases:

- Striving for continuous improvement of health and safety conditions at work
- Raising employees' awareness and qualifications to ensure that employees are familiar with their responsibilities as regards health and safety at work
- Identifying and eliminating hazards and mitigating health and safety risks

NATURAL ENVIRONMENT

In our operations, we seek to minimise the significant environmental impacts associated with the FAMUR Group's business through:

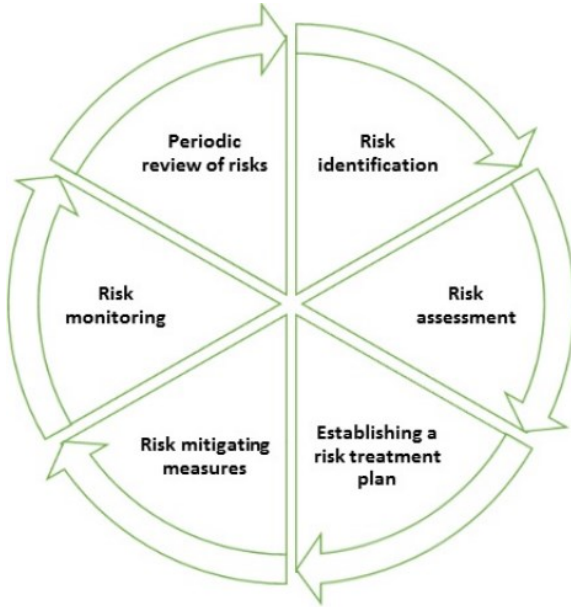
- * Rational waste management through waste reclamation and recycling.
- * Introducing changes to the applied environmentally-friendly technologies.
- * Raising employees' environmental awareness by promoting behaviour that reduces the risk of hazards to humans
- * Rational management of utilities and increasing energy efficiency
- * Reduction of emissions

Commitment

We undertake to comply with legal and other requirements, including those relating to OHS risks and environmental aspects, applicable to the operations of FAMUR S.A., and to prevent pollution and protect the environment.

RISK MANAGEMENT

Risk management process at the FAMUR Group



The identified risks are assessed in the context of strategic and operational objectives pursued by FAMUR. The criteria for risk assessment include both financial and reputational impacts on the organisation, as well as consequences for the environment, employees and members of the community affected by the Group's operations. For each of the identified risks, risk treatment procedures and precautionary measures are determined. Periodically, the risks are reviewed for relevance and adequacy in the context of changes in the Group's operating environment. A review of the identified risks is discussed in the Directors' Reports on the operations of the Company and the Group.

In all key non-financial areas, i.e. relating to environmental, social, and labour matters, diversity, human rights, anti-corruption and anti-bribery, FAMUR has implemented policies that are also applicable to the Group's subsidiaries.

[GRI 102-15]

Material risks and threats and the degree of the Company's exposure

The FAMUR Group has identified risks related to the non-financial aspects of its operations. The risk factors discussed below are typical both for the FAMUR Group and for FAMUR S.A.

1. Environmental risks
2. Social risks
3. Employee risks
4. Financial risks

RISK MANAGEMENT

Environmental risks

Risk description	Risk mitigating measures	Risk exposure
1. Risk associated with generation of office waste: hazardous (waste toners, light sources, and electrical and electronic equipment) and non-hazardous office waste (municipal waste, paper, plastics and glass).	The FAMUR Group has put in place internal instructions for waste management and obtained a permit for waste generation. In addition, the Group meets all the conditions required to obtain a waste generation permit, and its employees receive training in proper waste management.	medium
2. Risk associated with generation of production waste: hazardous (used water and oil emulsion, wiping cloths, sorbent, sludge from treatment of metal, grinding materials, paint, varnish, solvent and spray containers, used polymer emulsion, used quench oil, paint and solvent leftovers, cleaning the tanks of wash booths) and other (metal shavings, pure metal, scrap, mill scale, paper, plastic film, wood).	The FAMUR Group has developed instructions for waste management and obtained a permit for waste generation. In addition, waste collection areas have been designated and appropriate waste containers have been provided. Waste volumes are monitored and recorded.	medium
3. Risk associated with air emissions of dust from production processes, nitrogen dioxide, carbon dioxide, sulfur dioxide, carbon monoxide, acroleins, aliphatic hydrocarbons, xylene, butyl acetate, butanol, and ethylbenzene.	The FAMUR Group has obtained a permit to release gases and dusts into the air. The volumes of emitted substances are monitored, and the equipment used for reducing emissions undergoes inspections and maintenance.	medium
4. Risk associated with generation of hazardous waste during continuous plant operation processes, including used oils, emulsions, lubricants, wiping cloths.	The FAMUR Group has developed instructions for waste management and obtained a permit for waste generation. In addition, waste collection areas have been designated and appropriate waste containers have been provided. Waste volumes are monitored and recorded.	medium
5. Risk resulting from the need to adapt the Company's operations to the rapidly changing climate policy: Pursuant to the objectives of the Paris Agreement, the European Union intends to achieve climate neutrality by 2050.	The FAMUR Group keeps track of any changes in the EU climate policy and the related legal requirements.	medium

RISK MANAGEMENT

Risk description	Risk mitigating measures	Risk exposure
<p>6. Risks related to the impact of the COVID-19 pandemic on the Company's and the Group's non-financial activities: The dynamics and spread of the SARS-CoV-2 virus in Poland and globally, as well as the related preventive measures introduced by individual countries, have upset the balance of global trade and of the Polish and global economy. As at the date of this Report, the Company's Group was operating without any major disruptions, but given the nature of the Company's operating model as well as the epidemic-related upheaval across the business environment, it is expected to have a material impact on the Company's operations. The magnitude of unfolding impacts of the pandemic on Poland's and global economic growth cannot be accurately estimated today, and it remains beyond the actual influence or control of the Company and its Group. The Company predicts that its implications will be felt across various business areas as well as by society.</p>	<p>The Company's Management Board has taken a number of steps to mitigate the impact of the COVID-19 epidemic on the Group's business, in particular to ensure staff safety and to safeguard the operational continuity of the FAMUR Group. In order to restrict human contact and thus minimise the risk that key functions would be incapacitated, production facilities have been divided into zones, and office employees of each organisational unit have, as far as possible, been allocated into fully substitutable teams operating at two different locations, including through remote work. The Company has ensured the continued provision of aftermarket maintenance services, where three separate locations have been set up for three maintenance teams (their interaction having been limited to remote communication). Additional teams have been put on home standby duty, their physical contact with the head office limited, special procedures have been put in place for warehouse retrievals and an alternative location for the dispatch centre has been set up. The Company is also striving to ensure that the units responsible for day-to-day interaction with customers and other support functions can carry on their work in order to ensure the continuity of business processes. The Management Board keeps monitoring the development of risks associated with the COVID-19 pandemic, their potential impact on the markets where the FAMUR Group operates and, consequently, on its operating position. A full description of business risks associated with the impact of the COVID-19 pandemic on the FAMUR Group's operations and of measures taken to mitigate those risks is also provided in the section of this Report on the strategy and factors important for the Group's development.</p>	<p>medium</p>

In order to mitigate environmental risks, the Company actively engages in **promoting environmental awareness and fostering eco-friendly attitudes among its employees.**

Minimising the impact on the environment

We monitor our major environmental impacts by:

- Promoting eco-friendly attitudes and environmental awareness
- We engage in initiatives to increase environmental awareness and promote eco-friendly attitudes among our employees, business partners as well as children and youth from local institutions of education.
- We are determined to reduce paper consumption through electronic workflow.
- Minimising waste
- Focus on proper waste management, waste reduction measures and recycling
- Enhancing rational use of raw materials in the supply chain
- We implement procurement plans through efficient and well-thought-out resource management.

With regard to **climate change** issues and the new **European Commission Guidelines** on non-financial reporting of climate-related information (2019/C 209/01), the FAMUR Group focuses on the analysis of non-binding guidelines which began in late 2019 and early 2020 and which is expected to enter the planning phase in subsequent reporting years so that the Company can present progress in their implementation in its future non-financial reports.

RISK MANAGEMENT

The FAMUR Group is aware of the impact of its operations on rapidly changing climate and of the impact of climate on its own operations observed in the following areas:

- fuel and energy consumption and related greenhouse gas emissions from operating activities;
- greenhouse gas emissions from manufacturing activities;
- waste management (supply chain).



RISK MANAGEMENT

Social risks

Risk description	Risk mitigating measures	Risk exposure
1. Risk of a potential increase in social expectations regarding the scale of the FAMUR Group's involvement along with the expansion of its social initiatives.	When selecting community engagement projects, the Group considers their consistency with its overall sponsorship policy and business areas in order to ensure the highest possible correspondence between its activities and the challenges identified within its area of influence. In addition, members of the public and employees of the FAMUR Group companies with their families may volunteer to participate in social programmes and campaigns organised by TDJ Foundation.	medium
2. Risk of employees being reluctant to commit to new social projects or social projects implemented in new locations	Early probing to determine the extent to which new initiatives will appeal to the employees and meet their needs. Exhaustive information on a given initiative.	medium

To mitigate the risk associated with campaigns and programmes targeted at local communities, the FAMUR Group companies are required to follow a comprehensive, periodically reviewed Community Engagement Policy.

In 2020, no events were reported at the FAMUR Group which would confirm that any of the social risks had materialised. Beneficiaries and social partners of the Group's CSR programmes and initiatives are regularly asked for feedback, which shows that they are very satisfied with cooperation with the Group.

The extent of support for the community engagement initiatives is evident in the fact that 300 employees have been involved in the five CSR projects implemented to date by the FAMUR Group.



RISK MANAGEMENT

Employee risks

[GRI 102-15]

With regard to HR management, the FAMUR Group has identified the following risks:

Risk description	Risk mitigating measures	Risk exposure
1. Risk of occupational accidents	Due diligence procedures have been put in place across the FAMUR Group to support the 'zero accident' policy.	medium
2. Risk of non-compliance with local or international labour laws or regulations	The FAMUR Group monitors changes in employment-related legislation through its HR management team and requires its foreign subsidiaries to do the same in the countries where their staff is based	medium
3. Risk of recruiting inadequately qualified staff, resulting in improper performance of tasks and responsibilities and occurrence of related errors at work	The recruitment processes at the FAMUR Group take account of the specific requirements for a given job. Candidates take additional tests verifying their skills and level of expertise	medium
4. Risk of staff shortages, which may result in failure to meet project deadlines set by customers and in excessive workload for existing employees	The FAMUR Group organises wide-ranging and effective recruitment processes and communicates its job offers to a large group of potential candidates with competencies and skills meeting its current needs. The Group uses various channels to communicate with candidates, including organisation of meetings at universities and opening classes under its patronage at occupational schools whose profile corresponds with that of its companies	medium
5. Risk of production staff turnover	If the FAMUR Group hires employees with qualifications below the required level of expertise, it places them in positions appropriate for their capabilities while taking steps to ensure that they learn the necessary skills. The Group cares for the needs of new employees and offers them opportunities to grow professionally and gain experience	medium
6. Risk of incurring costs of staff training which will not translate into employees fully or effectively applying their newly gained skills or know-how	The FAMUR Group tailors its training programmes to the actual needs of its plants at a given time and carefully selects employees to be trained. Where external training is offered, participants are given post-training questionnaires which they complete to evaluate the material presented during the training and the manner in which the training was conducted, as well as the training's usefulness at work	medium

RISK MANAGEMENT

Risk description	Risk mitigating measures	Risk exposure
7. Risk related to the generation gap in the labour market	<p>The FAMUR Group:</p> <ul style="list-style-type: none"> • Identifies employees whose employment may terminate in the next three years; • Identifies potential replacements among staff; if there are none, the Group starts an external recruitment process; • Ensures employee development through dedicated programmes, which include assessment of the participants' learning progress; • Develops solutions for people whose employment with the Company may terminate to enable them to stay professionally active following termination of employment, including offering flexible forms of employment; • Recruits foreign employees, including providing team induction and integration programmes; • Carries out recruitment activities, including placing job adverts in local papers and posting them on online job portals and in social media; • Stays in regular contact with local job centres and participates in meetings organised by them to present recruitment opportunities; • Partners with secondary schools in organising vocational classes under the Group's patronage (which allows it to tailor the curriculum to the actual needs of the company and train future staff), organising study visits to the company, and offering apprenticeship programmes to students (where students' qualifications are verified for the first time); • Runs apprenticeship and job placement programmes, whereby younger employees are able to learn valuable practical know-how from older, more experienced personnel, who will be gradually retiring; 	medium
8. Risk of shortage of foreign workforce who could work in Poland	<p>The FAMUR Group monitors opportunities for recruiting foreign workforce and takes measures to retain valuable employees. This risk is related to the language barrier, the fact that foreign workers lack the required skills and competencies and plan to soon move and work in other Western European countries, as well as to the long and complex process of foreign workforce placement in Poland.</p>	medium
9. Risk of uneven integration of employees from different FAMUR Group companies, branches, or plants	<p>When carrying out projects to develop employee skills (such as the Social and Civic Competence Building Studio and New Hire Assistant), the Group faces a challenge to integrate employees from across the Group companies, which affects the implementation of such projects. To mitigate this risk, the FAMUR Group consistently carries out activities to develop the skills of employees from across the Group companies and branches, keeping in mind that integrating employees from different companies is a process which requires a long-term approach.</p>	medium
10. Risk of employee solicitation by competitors, i.e. companies established in certain markets by former employees of the Group, which recruit staff with the same skills as those sought by the Group	<p>The FAMUR Group enhances employee loyalty and attractiveness of the Group as an employer by offering training and introducing various types of programmes for employees (e.g. employee referrals within the Group).</p>	medium
11. Risk related to competition from other FAMUR Group companies as employers located in the same area and seeking job candidates with similar qualifications	<p>Risk related to competition from other FAMUR Group companies as employers located in the same area and seeking job candidates with similar qualifications.</p>	medium

RISK MANAGEMENT

Risk description	Risk mitigating measures	Risk exposure
12. Risk of deterioration of the FAMUR Group's image due to negative portrayal of the traditional mining industry in the media, in particular in the European Union	The FAMUR Group undertakes efforts to create the media image of the company itself as well as the industry at large by stressing its long-term stability and a modern approach to business in a volatile environment. The Group supports the development of technologies which offer improved control over and efficiency of production, mining, and product supply processes and thus help reduce the risk of mismanagement and losses.	medium
13. Risk related to limited staff availability and significant absenteeism due to unforeseeable force majeure events, including epidemics and pandemics.	The FAMUR Group: <ul style="list-style-type: none"> • Implements a substitution procedure within each business unit of the Company's and the Group's organisation to ensure smooth and uninterrupted flow of information • Divides the Company's and Group's employees into task teams and deploys them in different locations, providing them with an option to work remotely (home office) to minimise the risk of contracting the disease in the workplace, and divides manufacturing plants into zones. • Screens temperature of employees entering administrative buildings and manufacturing areas; • Limits physical access of third parties and trading partners to the Company's buildings and facilities. 	medium

To mitigate the risk associated with the acquisition and retention of employees meeting the criteria relevant to the FAMUR Group's operations, the individual companies are obliged to follow the adopted comprehensive HR Policy, which is subject to periodic reviews.

Financial risks

Risk description	Risk mitigating measures	Risk exposure
1. Risk related to economic conditions in Poland and globally	Continued optimisation of production processes and further implementation of the lean management culture, as well as flexible organisational structure adaptable to changes in market environment. The FAMUR Group's operating model, based on cooperation with sub-suppliers and subcontractors, with the key components manufactured at the Group's own plants, allows the Group to flexibly follow developments in the macro environment. Increasing export sales and aftermarket services (development of maintenance centres abroad). Keeping debt ratios low and close monitoring of payment of receivables. Work commenced to build a renewable energy arm as one of the Group's revenue diversification directions. Work enabling diversification into the hard rock mining segment and active search for potential acquisition targets in promising sectors outside the mining industry to leverage both market, production and technological synergies.	high
2. Risk of changes in the global energy market and environmental pressure	Ongoing monitoring of current and forecast trends on the global and local energy markets and in the mining sector, which indicate that the global demand for coal will remain relatively stable in the coming years, although the overall share of coal in the energy mix will be steadily decreasing. Strengthening the Group's export focus Work commenced to build a renewable energy arm as one of the Group's revenue diversification directions. Steps to expand the FAMUR Group's operations into related business areas, including hard rock mining and new promising sectors outside the mining industry, to leverage both market, production and technological synergies.	high
3. Risk of financial institutions reducing funding for thermal coal projects	Steps to expand the FAMUR Group's operations into related business areas, including hard rock mining and new promising sectors outside the mining industry, to leverage both market, production and technological synergies. Keeping debt ratios low and diversifying the sources of funding (both in terms of financing institutions and products used). Work commenced to build a renewable energy arm as one of the Group's revenue diversification directions. Analysis of alternative sources of financing.	medium

RISK MANAGEMENT

Risk description	Risk mitigating measures	Risk exposure
4. Risk of higher prices of materials, energy and labour, significant disruptions in supply chains or significant shortages of materials	Steps aimed at maintaining satisfactory profitability, including adoption of appropriate pricing frameworks for products, execution of long-term contracts with suppliers of materials, and building a wide network of suppliers and cooperating partners. Control mechanisms mitigating this risk of shortage of qualified staff by implementing various incentive and development programmes, enhancing employee loyalty and attractiveness of the FAMUR Group as an employer, monitoring the market for opportunities to hire foreign employees, and implementing a broad range of measures to win and retain top talent at the FAMUR Group, including in local markets. Increasing automation of manufacturing processes (e.g. deployment of robotic workstations). Monitoring the profitability of contracts in progress on an ongoing basis and adjusting proposed prices to current and forecast market conditions. Gradual improvements across the organisation, implemented as part of measures based on the LEAN MANUFACTURING programme, including both broadly defined manufacturing processes and optimisation of support functions.	high
5. Epidemiological risk	Ongoing monitoring of recommendations issued by the central government. An employee safety procedure prepared. Procedures developed to ensure operational continuity.	high
6. Risk of a lower volume of orders coming from the Polish market as mining companies set up manufacturing facilities to build certain types of mining machinery	Ongoing monitoring of developments on the Polish market. Maintaining a flexible cost structure, continuous productivity improvement. Offering products which are competitive in terms of technology, quality and price. Adapting production capacities to expected market needs. Adapting the operating asset base to changes in demand while maintaining technological and manufacturing capabilities.	high
7. Risk of changes in tax laws or their interpretation	Control mechanisms implemented at various levels of the FAMUR Group's organisation. Ongoing monitoring of changes in and comprehensive analysis of statutory interpretations and recent judicial decisions. Implementation of appropriate organisational, legal and systemic solutions, with a particular focus on data security protection and adequate IT system safeguards. Implementation of a transfer pricing policy and rules for executing transactions between companies on an arm's length basis.	high
9. Risk of inadequate diversification of revenue sources	Active marketing and sales promotion policy targeted at promising export markets, such as Russia, Kazakhstan, India, Indonesia, Turkey, the Middle East, Mexico, and South American countries, with a view to winning new trading partners and consolidating existing business relations. Work commenced to build a renewable energy arm as one of the Group's revenue diversification directions. Work enabling diversification into the hard rock mining segment. Active search for potential acquisition targets in new promising sectors outside the mining industry to leverage both market as well as production and technological synergies.	high
10. Risk of inability to meet expectations of end users in the mining sector concerning mining equipment	Investing in research and development of new solutions, products and services. Offering products that increase the operational efficiency and safety of our customers. Offering competitively priced solutions thanks to productivity boost achieved following the implementation of improvements across the organisation as part of the LEAN MANUFACTURING programme. Services complementary to the product offering: supporting customers in the investment process, including by helping them raise and arrange financing to purchase the equipment.	low
11. Risk related to strategic investments and potential M&As	Selection of the operational team, engagement of responsible operational leaders in the due diligence process, ensuring the necessary commitment and discipline during transaction execution, smooth integration of the acquired company within the FAMUR Group after transaction closing. Engaging external advisors in the due diligence process to maintain an objective assessment of the transaction. Exercising due diligence to obtain access to the data required for valuing the target company and assessing whether all synergies will be achieved. Identifying companies with strong fundamentals that can be acquired at a reasonable price. Developing plans of target company's integration already at the start of the due diligence process and estimating potential risks related to the process; engagement, sufficiently in advance, of the operational team responsible for integration, accounting for and achievement of post-transaction objectives. Examination of sales functions/customers during the due diligence process and early communication with the target company's key customers in order to maintain customer loyalty.	medium

RISK MANAGEMENT

Risk description	Risk mitigating measures	Risk exposure
12. Risk of deterioration of mining companies' financial condition	Active management of the collection and payment periods. Steps to expand the FAMUR Group's operations into related business areas, including hard rock mining and new promising sectors outside the mining industry, to leverage both market, production and technological synergies. Verification of trading partners' reliability, ongoing monitoring and assessment of their financial condition (no contracts with foreign companies in a highly unstable financial position). Use of trade credit limits. Use of credit risk management instruments: prepayments, bank security (letters of credit, guarantees), insurance for export contracts with Korporacja Ubezpieczeń Kredytów Eksportowych (KUKE). Diversification and management of the amounts of available credit facilities and other financing sources to reduce the occurrence of potentially adverse events related to delays in payments by customers. Keeping debt ratios low and close monitoring of payment of receivables. Active forecasting of future cash flows.	high
13. Risk of exchange rate fluctuations	Ongoing monitoring of the FAMUR Group's cash flows and currency position. Use of natural hedging, application of hedging policies and hedge accounting, entering into forward transactions. Taking into account the currency risk when calculating prices in offers and contracts. Inclusion in contracts of clauses providing for price adjustment in the event of changes in raw material prices caused by exchange rate movements.	medium
14. Risk of interest rate volatility	Execution of interest rate swaps (IRS). Ongoing monitoring of the Polish Monetary Policy Council's decisions. Negotiations, if any, with banks financing the FAMUR Group's operations of the terms and conditions of borrowings contracted and free cash invested.	low
15. Risk of exceeding financial ratios under credit facility agreements	Ongoing monitoring of the ratios. Regular cooperation with the financing institutions. Maintaining optimum debt levels.	low

FAMUR

RISK MANAGEMENT

FAMUR AT JOB FAIR

In March, FAMUR took part in the 22nd Engineering Career and Entrepreneurship Fair held in the 'Nowa' Hall of the Sports Centre of the Silesian University of Technology.

Our employees talked about working in our plants and encouraged students to apply for apprenticeship and job placement programmes and take up employment with our Company. In a dedicated Consultancy Zone, students were also given the opportunity to take part in a mock job interview.





APPRENTICESHIP PROGRAMMES FOR PATRONAGE CLASSES

Together with the students from the Wincenty Pol Technical School Complex in Gorlice who learn in the class under our Company's patronage we eagerly launched apprenticeship programmes during which our experts happily shared their knowledge and experience.

FAMUR

FAMUR

OUR VALUES

OUR VALUES



OUR VALUES

[GRI 102-16]

Mission, vision and values

OUR MISSION

We are a team of people who share a passion for supporting customers in achieving their goals by providing effective solutions meeting the highest environmental standards

OUR VISION

Towards a holding company investing in green transition.

Being responsible for ourselves, our co-workers, the natural environment and local communities in the area where we conduct business is part of the FAMUR Group's core values.

OUR VALUES



We believe our shared vision can be accomplished

We are true to our system of values

We focus on the future

We believe that investing in education and development is the most valuable contribution to society



We make bold, well thought-out decisions

We take responsibility for our and our team's decisions and actions

We take the initiative

We always act in the best interests of our company



We are a close-knit team of people who trust one another

We listen to and learn from others, making sure all voices are heard in a discussion

Once a decision is made, we work together towards the goal

We are happy about achievements of our people, promoting them within the organisation



We are loyal to one another and we communicate openly and honestly

We respect diversity of views and opinions

We are open to change and innovation

We talk about and learn from our mistakes



We always deliver on our promises

We are reliable and honest

We play fair

We fulfil our obligations

OUR VALUES

Ethics

In recent years, the FAMUR Group has undergone a true make-over related to the acquisition, restructuring and transformation of a number of plants.

The FAMUR Group and TDJ jointly developed a new system of values that the companies want to follow in their daily work in order to consistently achieve our goals. Further work is now required to improve the corporate culture and to implement the adopted values across the complex organisational structure. Improved communication, including the ability to openly and honestly discuss difficulties and to draw constructive conclusions, will be an essential part of these efforts.

In addition to the adopted new system of values, in 2020 the organisation developed a Code of Ethics to be followed by all employees and implemented an ethical education system which facilitates promoting the accepted standards of conduct. Also, a code of ethics for suppliers was adopted in April 2020. The full text of the Code of Ethics is available on the Company's website.

Counteracting corruption and misconduct

[GRI 102-17, GRI 103-2, GRI 103-3, GRI 205-2]



To counteract unacceptable practices, including corruption, conflicts of interest and other similar types of misconduct, in early 2018 FAMUR Group companies implemented an Anti-Corruption Policy. It defines uniform procedures to be followed to deal with any identified instances of misconduct as well as to prevent and counteract misconduct

resulting in damage to the FAMUR Group and any activities that are inconsistent with the principles applicable at the Group. The Group also ensures transparency of its activity's vis-a-vis trading partners.

In accordance with the Anti-Corruption Policy, the FAMUR Group follows the principle of not making any business decisions potentially involving corrupt activities.

The Anti-Corruption Policy of the FAMUR Group is implemented by:

Training employees and informing other persons and business entities cooperating with the Group companies about matters related to the Group's Anti-Corruption Policy;

Encouraging employees and co-workers to report any violations of the organisation's policies and unethical behaviour;

Reporting any violations of the law to law enforcement agencies.

The Policy also defines the rules for preventing conflicts of interest, their disclosure and resolution, especially in such cases as personal relationships in the workplace, engagements outside of the organisation, relations with trading partners and competitors, accepting gifts, financing meals, travel or entertainment, as well as charging fees or commissions, and provision or use of services.

In 2018, employees and representatives of FAMUR Group companies' management bodies were informed about the Policy. Administration staff were obliged to read the document themselves. The responsibility for ensuring that production employees who have no access to email know the content of the Policy was given to heads of organisational units. Additionally, in accordance with the applicable regulations, the Anti-Corruption Policy has been communicated to supervisory authorities, namely the Polish Financial Supervision Authority and the Warsaw Stock Exchange.

OUR VALUES

The FAMUR Group employees have a choice of various channels for communicating information on suspected incidents of corruption or any other instance of misconduct or breach of ethical conduct. They can also be used to receive advice when there is reasonable doubt as to the interpretation of ethically challenging or ambiguous behaviour. Such cases may be escalated first through a given employee's direct supervisor or their superiors.

Anonymity is guaranteed for each reporting employee, and no such employee will suffer any negative consequences at the Group.

Starting from 2019, in addition to adopting the Code of Ethics, Group companies plan to gradually build a system of training and communication on preventing corruption, which will also cover external partners.

[GRI 205-3]

In 2020, there were no confirmed incidents of corruption at FAMUR Group companies covered by non-financial reporting.

[GRI 102-12, GRI 103-2]

Sustainable development

The FAMUR Group conducts its business on the basis of consistently built relationships with all key stakeholder groups. In accordance with its system of values, the Group feels responsible for the impact of its decisions and activities on the public and the environment. The FAMUR Group attaches great importance to the creation of safe jobs, transparent rules of operation, as well as dialogue with the local community and engaging in social outreach initiatives. In particular for the communities in which the Group operates and where its employees and their families come from.

Given the Group's direct involvement with the mining sector, which has significant impact on natural resources both in Poland and in a number of the world's regions where the Group is present through its products and services, the Group focuses on environmental issues, and by building partnerships with industry players it actively participates in the national Sustainable Development Strategy for the Polish mining sector. In doing so, the FAMUR Group engages in activities that are consistent with international standards of conduct and the capabilities acquired over the years in the area of technology and innovation.

The overriding objective of the FAMUR Group's corporate social responsibility is to contribute to sustainable development within its area of influence.

In 2016, the Group based its social responsibility policy on pursuing this objective. In 2018, in connection with the adoption of the FAMUR Group Growth Strategy for 2019–2023, the Group commenced the process of revising its CSR objectives to make sure they adequately address the challenges currently faced by the organisation and its industry. In updating the CSR objectives, the Group took into account the UN Sustainable Development Goals, identified and adopted as part of the 2030 Agenda for Sustainable Development, and the UN Guiding Principles on Business and Human Rights, which define companies' responsibility for respecting human rights in their business.

OUR VALUES

CSR strategic goals

The FAMUR Group's CSR policy defines objectives for activities in the four key areas: employees, local communities, natural environment and management of the organisation.

EMPLOYEES

The FAMUR Group is aware that its success depends mainly on its employees. The Group's objective is to provide them with safe and fair working conditions that comply with national and international labour laws, and adequately take into account the employees' skills on one hand and their company's business standing on the other.

LOCAL COMMUNITIES

The FAMUR Group is not only one of the largest employers in Poland, but also a corporate neighbour and partner in local initiatives. It would like its success to be confirmed by the development of local communities, particularly in the immediate environment of its production plants. The Group also wishes to build cross-sectoral partnerships based on mutual respect and benefits.

NATURAL ENVIRONMENT

The FAMUR Group's objective is to deliver an excellent product which is manufactured in a process that minimises adverse environmental impacts. The Group meets the legal requirements applicable in the European Union and conducts its operations in accordance with the ISO 14001 standard, which promotes environmental protection and prevention of pollution while accommodating social and economic needs.

MANAGEMENT OF THE ORGANISATION

Good corporate management which takes into account public interest in the broad sense, respect for stakeholders and principles of ethics, requires good corporate governance and fair market practices. Being aware of the processes occurring in modern economy, the FAMUR Group wants its suppliers and trading partners to follow the same rules.

OUR VALUES

Areas of the FAMUR Group's CSR policy



The UN Sustainable Development Goals were formulated as global challenges, with the belief that the complex world of today requires that any measures towards preventing the destruction of the natural environment and climate change and supporting creation of decent living conditions need to be undertaken globally in a synchronised manner to be effective, and that the business sector plays a key role in the process. The FAMUR Group's CSR strategy provides for activities supporting over the long term the achievement of the following nine UN Goals:

- Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work.
- Ensure inclusive and quality education and promote lifelong learning.
- Achieve gender equality and empower all women and girls.
- Ensure healthy lives and promote well-being for all at all ages.
- Ensure access to affordable, reliable, sustainable and modern energy.
- Ensure availability and sustainable management of water and sanitation.
- Build resilient infrastructure, promote sustainable industrialisation.
- Ensure sustainable consumption and production patterns.
- Promote peaceful and inclusive societies, provide access to justice and build effective, accountable and inclusive institutions.

Best practice

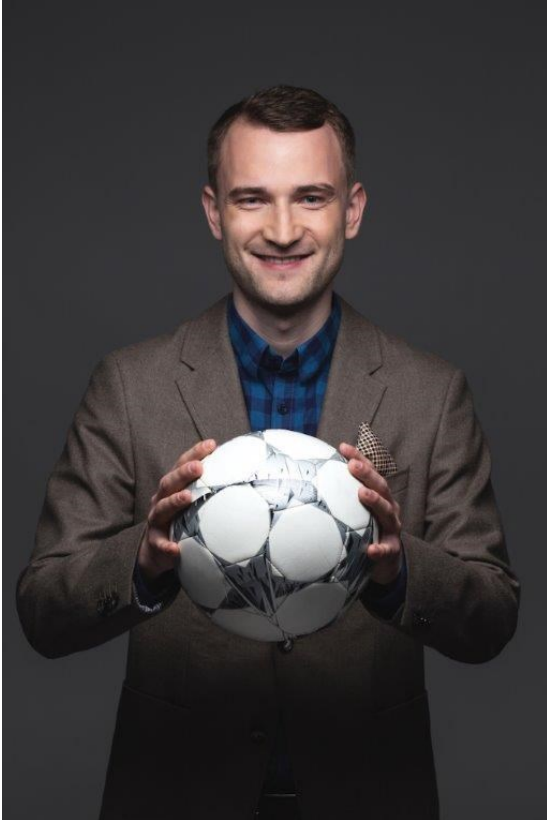
The FAMUR Group's practices contribute to the achievement of the Sustainable Development Goals through activities aimed at ensuring high quality education and promotion of lifelong learning, including increasing the numbers of young people and adults having the appropriate technical and professional skills necessary to find employment and develop entrepreneurship.

The Group collaborates with universities and secondary schools to improve the quality of technical education and acquire new qualified employees. As part of our school patronage programme we support vocational classes in secondary schools, whose students, apart from the possibility of broadening their knowledge and gaining their first professional experience through apprenticeship at our plants, may receive monthly scholarships. The scholarships are awarded to all first-grade students and, in subsequent years, to the best-performing ones. In addition, patronage class arrangements envisage financial prizes to be granted for outstanding school achievements to students and school leavers. The best graduates, especially those leaving patronage classes, are offered employment. Students of patronage classes can do their apprenticeship at the Group's production plants and participate in educational trips with access to machines and equipment, which supplements the knowledge passed to them at school by teachers of vocational subjects.

The schools can count on support in the financial form or in the form of equipment for their vocational training laboratories.

OUR VALUES

Piotr Gruszecki, member of the Management Board of Aktywna Firma sp. z o.o. – organiser of the Sports Business League



“The Sports Business League organises sports games among Silesian companies. The main idea behind the project was to create a physically active community in which employees get together by practising team sports of their choice. Competing against a team representing another company infuses the participants with a sporting spirit and promotes fair play.

FAMUR, whose employees chose football, has so far played as many as 44 matches in the League, which means that they spent a total of 1,760 minutes on the pitch, having fun and building mutual trust and interpersonal relationships. I say this for a reason, because it is usually time that we need the most to get to know each other better as we go through the hustle and bustle of today’s world. I believe that the Sports Business League creates a space for get-togethers that no one feels forced to attend, because the employees themselves want to join and pursue their own sporting passion while at the same time building something more – a team whose members understand each other.

Judging by the FAMUR team’s performance on the football pitch, the Company perfectly understands the importance of having well-integrated staff. I would like to congratulate the team on their successes so far and wish them even more success in the future.”

OUR VALUES

Elżbieta Jabłońska, Headmistress of the Complex of Technical Schools in Mikołów



“For three years now, we have been successfully working with FAMUR S.A.’s REMAG Gallery Systems Branch as part of the patronage of students training to become cutting machine operators. Almost 60 students from first, second and third forms of the vocational school of the Complex of Technical Schools in Mikołów have regular workshop classes at REMAG’s production halls. This gives them a unique opportunity to learn about modern technologies currently used by the industry. The best students are granted scholarships by the company – this does not apply to first graders, who receive scholarships regardless of their school performance.

When drafting the curriculum of the Complex of Technical Schools in Mikołów, we focus first of all on the fact that a modern vocational school must keep up with the demands of the labour market and serve the needs of the economy. The need to meet employers’ expectations and furnish students with professional knowledge, skills and personal competencies required for pursuing a career is unquestionable. This is why we are looking for partners who understand that secondary vocational education is in the interest of the state, local governments, employers and teachers alike. The FAMUR Group is that kind of partner to us. Back in 2018, we signed a cooperation agreement to run apprenticeship programmes at Remag for students from the patronage classes of the lower secondary vocational school who train to become cutting machine operators. Our collaboration also includes organising apprenticeship programmes for technical school students and teacher training. It is based on the following common goals and shared values:

- Providing quality education for young people;
- Raising the standard of technical education;
- Aligning the core curriculum in vocational education to the needs of the labour market;
- Increasing student and teacher access to modern techniques and technologies;
- Promoting the idea of lifelong learning;
- Fostering the work ethos.

Supervised by expert tutors and vocational teachers, the students not only further their knowledge and skills, but also learn to design their future by gaining their first hands-on experience in a real workplace. Another incentive for them to learn harder are scholarships financed by Famur, non-cash prizes and the opportunity of employment on leaving school.

What matters for us as teachers and educators is Famur’s enormous contribution to upbringing young people by instilling in them such values as integrity, conscientiousness, diligence and loyalty, but also by stirring their creativity and entrepreneurship.

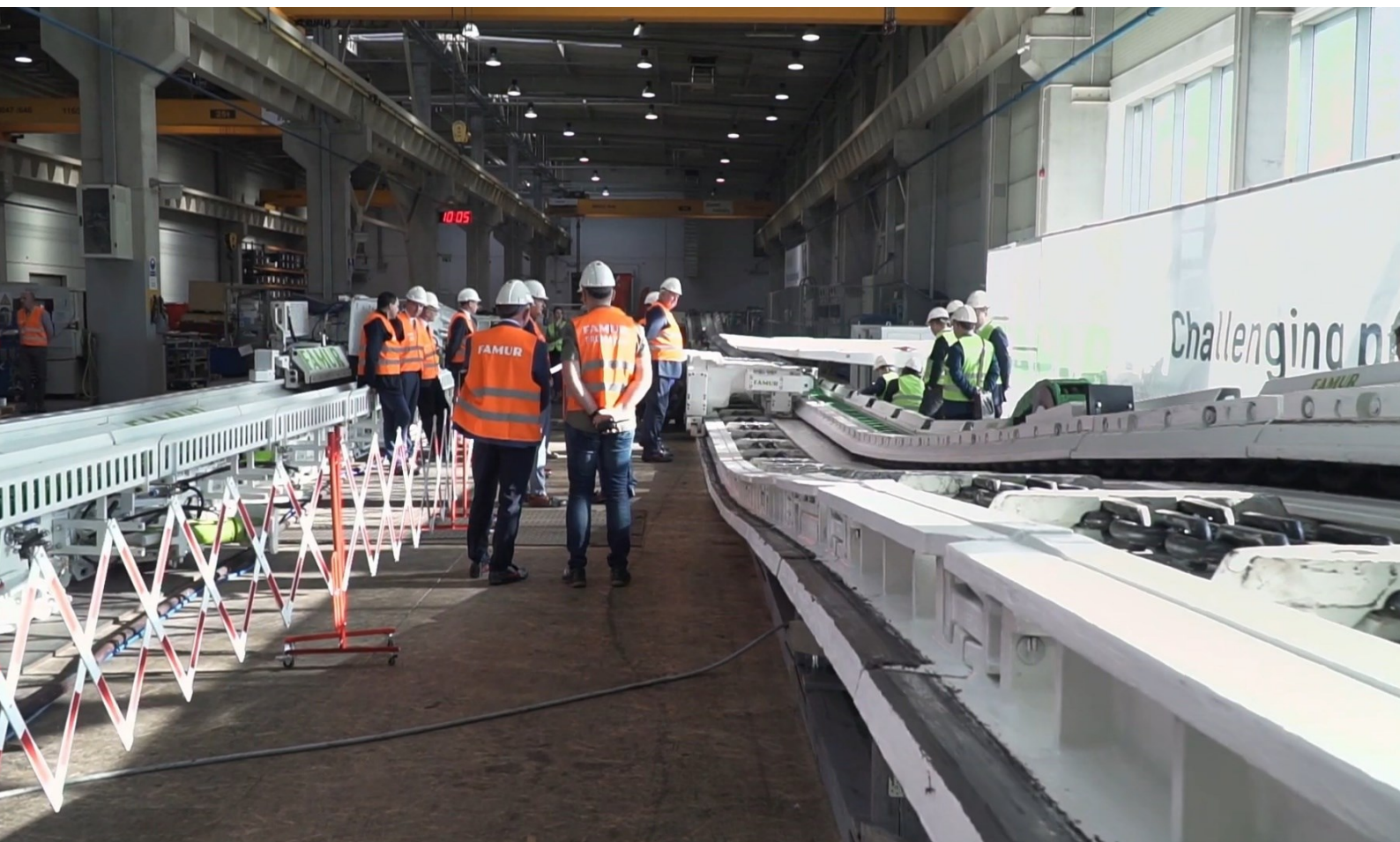
This is because we strive to educate school-leavers who can smoothly adapt their knowledge and skills to employer-specific needs while at the same time, bearing in mind the ongoing changes in the economy, we do not want vocational training to get in the way of their further professional development or retraining.

Given the current situation of the school and its needs, we hope to expand cooperation with the FAMUR Group not only with regard to the dual-training system, but also in the areas such as educational content, methods and forms of work, provision of additional teaching aids for schools, and exchange of experience relating to modern vocational education, making people understand that in today’s world this type of education is the foundation of economic growth and technological progress.

FAMUR

EMPLOYEES AND HUMAN RIGHTS

EMPLOYEES AND HUMAN RIGHTS



EMPLOYEES AND HUMAN RIGHTS

Human rights

The HR policy in place at the FAMUR Group sets out four main strategic goals.

1. Ensure safe working conditions.
2. Develop employee skills.
3. Maintain a stable team of qualified staff.
4. Ensure that the FAMUR Group and its companies are perceived as good employers.

In accordance with the adopted policy, the criteria to be taken into account when hiring a new employee are their appropriate skills and experience and the candidate's readiness to respect the rules applicable at the Group.

The FAMUR Group also aims to provide its employees with safe working standards and fair terms of employment, reflecting the employee's qualifications and the company's business standing. Moreover, the Group adheres to the principle that employees should be fairly and adequately remunerated considering the work they actually perform, irrespective of their position.

At FAMUR Group companies, part-time employees are entitled to the same benefits as full-time staff. Employees are eligible for benefits provided for in the labour law, as well as additional benefits, e.g. granted from the Company Social Benefits Fund (which vary from branch to branch), or under the collective bargaining agreement in force at a given Group company, regardless of what part of an FTE their contract provides for. Depending on the company, employee category, and the terms and conditions set out in individual collective bargaining agreements, additional benefits include, for instance, group life insurance on preferential terms, additional disability and old-age retirement severance payments, length-of-service awards or Miner's Day benefits.

At FAMUR, employees have the option to use private medical care on a co-funded basis, with a part of the cost covered by the employer.

[GRI 102-41]

Collective bargaining agreements

FAMUR is a multi-branch organisation, in which each of the branches is a separate employer. Each employer applies its own collective bargaining agreement or remuneration rules. In accordance with Art. 23¹ of the Labour Code, in the event of a business combination the new employer takes over employees together with their collective bargaining agreement.

Collective bargaining agreements

COMPANY	percentage of employees covered by collective bargaining agreements	
	2020	2019
FAMUR S.A.	97.2%	99.7%

The FAMUR Group cares for all staff and requires its service providers to ensure appropriate working conditions for their employees. Harassment and discrimination, in any form, are unacceptable. Managers are required to build and maintain a sense of mutual trust and atmosphere of dialogue within their teams and in the business environment.

Most of the Group companies have in place documented internal policies governing training and facilitating effective management of human resources. These documents also define training requirements and set growth priorities.

The FAMUR Group does not in any way restrict the employees' freedom of association or their right to form unions and associations under the local law. It is also engaged in dialogue with the trade unions operating within the Group companies. Regular meetings are held with trade union representatives, who also sit on the Company Social Benefits Fund committees.

EMPLOYEES AND HUMAN RIGHTS

Each employee may join a company trade union organisation, and no activities restricting this freedom were reported in 2020.

The FAMUR Group seeks to create a stable team of qualified employees by such means as building relationships with potential candidates, cooperating with technical and vocational schools and universities, and offering apprenticeships and work placements for secondary school and university students at the Group's companies and branches. Representatives of the Group take part in educational fairs and scientific industry conferences, presenting work at the FAMUR Group to potential candidates.

[GRI 408-1, GRI 409-1]

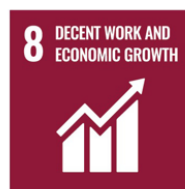
Human rights policy

In accordance with the requirements of the Human Rights Policy adopted at the Group, compliance with its terms is monitored by FAMUR S.A.

In 2020, there were no confirmed cases of human rights violation at the Group companies covered by non-financial reporting, including no cases of child labour or practices involving the risk of forced or compulsory labour. There were no identified violations of personal data protection which would require notification to the President of the Office for Personal Data Protection and to persons to whom data affected by the violation relates.

[GRI 103-2, GRI 103-3]

HR policy



In 2019, the FAMUR Group implemented a HR Policy whose main strategic objectives include:

In accordance with the adopted policy, the criteria to be taken into account when hiring a new

- Ensure safe working conditions.
- Develop employee skills.
- Maintain a stable team of qualified staff.
- Ensure that the FAMUR Group and its companies are perceived as good employers.

employee are their appropriate skills and experience and the candidate's readiness to respect the rules applicable at the Group.

The FAMUR Group also aims to provide its employees with safe working standards and fair terms of employment, reflecting the employee's qualifications and the company's business standing. Moreover, the Group adheres to the principle that employees should be fairly and adequately remunerated considering the work they actually perform, irrespective of their position.

[GRI 102-41, GRI 401-2]

At FAMUR Group companies, part-time employees are entitled to the same benefits as full-time staff. Employees are eligible for benefits provided for in the labour law, as well as additional benefits, e.g. granted from the Company Social Benefits Fund or in accordance with the collective bargaining agreement in force at a given Group company, regardless of what part of an FTE their contract provides for. Depending on the company, employee category, and the terms and conditions set out in individual collective bargaining agreements, additional benefits include, for instance, group life

EMPLOYEES AND HUMAN RIGHTS

insurance, partial funding of commuting expenses, additional disability and old-age retirement severance payments, length-of-service awards or Miner's Day benefits.

At FAMUR, employees have the option to use private medical care on a co-funded basis, with a part of the cost covered by the employer.

The FAMUR Group cares for all staff and requires its service providers to ensure appropriate working conditions for their employees. Harassment and discrimination, in any form, are unacceptable. Managers are required to build and maintain a sense of mutual trust and atmosphere of dialogue within their teams and in the business environment.

Most of the Group companies have in place documented internal policies governing training and facilitating effective management of human resources. These documents also define training requirements and set growth priorities.

[GRI 407-1]

The FAMUR Group does not in any way restrict the employees' freedom of association or their right to form unions and associations under the local law. It is also engaged in dialogue with the trade unions operating within the Group companies. Regular meetings are held with trade union representatives, who also sit on the Company Social Benefits Fund committees.

Each employee may join a company trade union organisation, and no activities restricting this freedom were reported in 2019.

The FAMUR Group seeks to create a stable team of qualified employees by such means as building relationships with potential candidates, cooperating with technical and vocational schools and universities, and offering apprenticeships and work placements for secondary school and university students at the Group's companies and branches. Representatives of the Group take part in educational fairs and scientific industry conferences, presenting work at the FAMUR Group to potential candidates.

[GRI 102-7]

FAMUR Group total headcount

COMPANY	as at	
	Dec 31 2020	Dec 31 2019
FAMUR S.A.	2,002	2,662
ELGÓR + HANSEN S.A.	226	261
ŚTW DALBIS Sp. z o.o.	76	75
Total	2,304	2,998

EMPLOYEES AND HUMAN RIGHTS

[GRI 401-1]

New hires and employee turnover at the FAMUR Group

COMPANY	Diversity criteria	number of new hires in	
		2020	2019
FAMUR S.A.	age < 30	40	146
	age 30–50	43	202
	age > 50	9	55
	women	5	70
	men	87	333
	Silesia region	62	305
	Łódź region	4	38
	Lesser Poland region	26	60
	employee turnover	34.3%	13.10%
ELGÓR + HANSEN S.A.	age < 30	3	16
	age 30–50	3	22
	age > 50	2	10
	women	2	8
	men	6	40
		employee turnover	17%
ŚTW DALBIS Sp. z o.o.	age < 30	1	4
	age 30–50	3	4
	age > 50	0	2
	women	0	0
	men	4	10
		employee turnover	50%

[GRI 102-8]

FAMUR Group headcount

COMPANY	Type of employment	as at			
		Dec 31 2020		Dec 31 2019	
		women	men	women	men
FAMUR S.A.	employment contract	233	1,769	316	2,346
	of which open-ended employment contracts	217	1,575	273	1,973
ELGÓR + HANSEN S.A.	employment contract	39	187	47	214
	of which open-ended employment contracts	31	141	32	139
ŚTW DALBIS Sp. z o.o.	employment contract	4	72	4	71
	of which open-ended employment contracts	4	59	4	66

Human rights policy

The FAMUR Group's Human Rights Policy has been formulated on the basis of the Universal Declaration of Human Rights (1948), International Bill of Rights, United Nations Guidelines on Business and Human Rights, and the United Nations Global Compact initiative.

The Policy defines the rules of activities and conduct relating to human rights at the FAMUR Group, including in the supply chain and in relations with stakeholders.

EMPLOYEES AND HUMAN RIGHTS

The Group understands respecting human rights as refraining from violating the rights of others, active prevention of any such violations, and taking remedial measures should any of the Group companies directly or indirectly contribute to any such violation.

The FAMUR Group pledges to respect the human rights of its employees and to continuously raise their awareness of the human rights they have. The Group respects and promotes human rights in relations with its trading partners. It seeks to respect human rights and to understand the needs, customs and values of the local communities where it directly or indirectly conducts its operations.

Matters covered by the FAMUR Group's Human Rights Policy include:

- Occupational health and safety,
- Ensuring freedom of expression,
- Prevention of child labour,
- Elimination of exploitation,
- Observance of terms and conditions of employment,
- Prevention of discrimination, and
- Protection of personal data.

With regard to the last matter, i.e. personal data protection, in 2018, in accordance with new legislation that came into effect, the Group companies were required to take measures to ensure that the provisions of the General Data Protection Regulation (GDPR⁷) are complied with in their relations with current and former employees, their families, as well as job applicants and external partners. These matters are treated not only as a legal requirement, but also as part of a broader commitment to respecting privacy, which is a human right.

On May 24th 2018, the FAMUR Group implemented its **Personal Data Protection Policy**, along with the necessary physical and ICT security procedures and instructions as well as relevant compliance and organisational solutions, all of which are updated on an ongoing basis. The method of securing personal data and the tools used for this purpose have been chosen following a relevant risk analysis. Moreover, in order to raise the employees' awareness of personal data issues, regular training on personal data protection is provided and supported by interestingly presented information disseminated via internal communication channels.

A Personal Data Protection Officer (PDPO) has been appointed at FAMUR and notified to the President of the Office for Personal Data Protection. The PDPO is responsible for monitoring the Company's compliance with the GDPR and the due diligence procedures adopted by the Company in this respect.

The PDPO's unit is composed of the following officers: the Personal Data Protection Officer and the Personal Data Protection Coordinator. The person serving as PDPO at FAMUR S.A. also serves in the same capacity at Famur Institute Sp. z o.o., DALBIS Sp. z o.o., Elgór+Hansen S.A. and PRIMETECH S.A., which have appointed their Personal Data Protection Coordinators to cooperate directly with the PDPO. One of the main responsibilities of the Personal Data Protection Officer is to collaborate with the Data Controller and act on its behalf.

The PDPO's activities included another review of risks involved in the protection of personal data processed by FAMUR S.A., carried out from October to December 2020 as part of the personal data protection risk management process. The risk review report and the risk management plan were submitted and approved on January 4th 2021.

In addition, a risk analysis was conducted in May 2020 following the introduction of a new process: **taking action on the COVID-19 coronavirus outbreak**.

The risk analysis report was presented and approved in May 2020.

⁷ Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC.

EMPLOYEES AND HUMAN RIGHTS

In 2020, the Company organised several training sessions in personal data protection across its units, including:

- March 26th 2020 – Protect yourself by protecting your personal data – e-learning training for employees with access to a computer.
- June 16th 2020 – Personal data protection violations: what the controller pays for – e-learning training for employees with access to a computer.
- September 16th 2020 – When GDPR does not apply – e-learning training for employees with access to a computer.
- November 23rd 2020 – Personal data processing at FAMUR S.A. – workshops for HR and Payroll Department employees.
- Throughout 2020, dedicated personal data protection training was provided to all new hires as part of their induction process, each of them receiving a 'Personal Data Protection in a Nutshell' brochure and the compilation 'Surfing the applicable data protection regulations – policies, procedures and instructions' with excerpts from the personal data protection regulations in place at FAMUR S.A.

Information activities

- Disseminating articles published by the Personal Data Protection Office that affect the everyday security of our personal data;
- Editing the 'Information Security' section, where one can find the current personal data protection documents, disclosure requirements that the Data Controller is obliged to meet, GDPR – questions.

In addition, dedicated personal data protection training is provided to all new hires as part of their induction process, each of them receiving a 'Personal Data Protection in a Nutshell' brochure and the compilation 'Surfing the applicable data protection regulations – policies, procedures and instructions' with excerpts from the personal data protection regulations in place at FAMUR S.A.

[GRI 408-1, GRI 409-1]

In accordance with the requirements of the Human Rights Policy adopted at the Group, compliance with its terms is monitored by FAMUR S.A. In 2019, there were no confirmed cases of human rights violation at the Group companies covered by non-financial reporting, including no cases of child labour or practices involving the risk of forced or compulsory labour. There were no identified violations of personal data protection which would require notification to the President of the Office for Personal Data Protection and to persons to whom data affected by the violation relates.

[GRI 401-2]

At FAMUR Group companies, part-time employees are entitled to the same benefits as full-time staff. Employees are eligible for benefits provided for in the labour law, as well as additional benefits, e.g. granted from the Company Social Benefits Fund or in accordance with the collective bargaining agreement in force at a given Group company, regardless of what part of an FTE their contract provides for. Depending on the company, employee category, and the terms and conditions set out in individual collective bargaining agreements, additional benefits include, for instance, group life insurance, partial funding of commuting expenses, additional disability and old-age retirement severance payments, or length-of-service awards. At FAMUR, employees have the option to use private medical care on a co-funded basis, with a part of the cost covered by the employer.

EMPLOYEES AND HUMAN RIGHTS

Diversity policy

FAMUR
SUPPORT

Sustainable Development Goals



The purpose of the FAMUR Group Diversity Policy is to fully leverage the potential of employees, their skills, experience and talents, in an atmosphere of respect and support.

The Diversity Policy requires the Group companies to:

- Prevent any discrimination based on gender, racial, national or ethnic origin, religion or religious denomination, philosophy of life, degree or type of disability, health, age, psychosexual orientation or gender identity, family status, lifestyle or any other possible discriminatory grounds (policy of equal treatment);
- Manage diversity by developing strategies, policies and programmes that help create a work environment in which each employee can feel appreciated, contributing to the success of the entire FAMUR Group.

The measures taken in this area are aimed at building a corporate culture which, by ensuring respect for diversity, makes all employees feel respected, valued, and confident that they can develop to their full professional potential. The Group fosters a culture of dialogue, openness, tolerance and teamwork, and takes an approach that minimises the risks of loss of valuable employees.

[GRI 405-1]

Percentage of FAMUR Group employees by employee category

COMPANY	Gender	percentage of employees in the category			
		2020		2019	
		White-collar workers	Blue-collar workers	White-collar workers	Blue-collar workers
FAMUR S.A.	women	22%	4%	24%	4%
	men	78%	96%	76%	96%
ŚTW DALBIS Sp. z o.o.	women	14%	2%	14%	2%
	men	86%	98%	86%	98%
ELGÓR + HANSEN S.A.	women	22%	11%	23%	13%
	men	78%	89%	77%	87%

EMPLOYEES AND HUMAN RIGHTS

Percentage of FAMUR Group employees by age

COMPANY	age	Percentage of employees in the age group			
		2020		2019	
		White-collar workers	Blue-collar workers	White-collar workers	Blue-collar workers
FAMUR S.A.	< 30	11%	8%	12%	10%
	30-50	60%	41%	55%	37%
	> 50	29%	51%	33%	53%
ŚTW DALBIS Sp. z o.o.	< 30	9%	17%	9%	15%
	30-50	50%	54%	50%	55%
	> 50	41%	30%	41%	30%
ELGÓR + HANSEN S.A.	< 30	10%	12%	9%	23%
	30-50	74%	61%	73%	52%
	> 50	16%	27%	18%	25%

Composition of FAMUR S.A. Management Board by diversity criteria

COMPANY	criteria	at year end			
		2020		2019	
		% of persons meeting the criterion	Number of persons	% of persons meeting the criterion	Number of persons
FAMUR S.A. Management Board	women	17%	1	17%	1
	men	83%	5	83%	5
	age 30–50	50%	3	67%	4
	age > 50	50%	3	33%	2

Employee relationship practices

Training and education

FAMUR
SUPPORT



Seeking to create a value-based community of employees and to ensure their continuous professional advancement and improvement of skills, the FAMUR Group provides:

Sustainable Development Goals

- **Specialist training** – as its industry requires specialist skills, the Group helps its employees to acquire them through, for instance, internal and external training courses and sessions;
- **Partial funding of university studies** – the employees may apply for and receive partial funding of bachelor's, engineering, master's, postgraduate and MBA programme tuition fees;
- **Skills development programmes** – employees are offered an opportunity to develop their professional and personal skills through participation in voluntary skills sharing initiatives, which are held on a regular basis. To facilitate their organisation, the dedicated Social and Civic Competence Building Studio was established. May be joined by those employees who wish to share their knowledge both inside and outside of the organisation. One of the goals provided for in the CSR strategy is to gradually increase the number of internal coaches in subsequent years.

EMPLOYEES AND HUMAN RIGHTS

[GRI 404-1]

Average hours of training received by FAMUR Group employees by gender and employee category

COMPANY	Diversity criteria	average number of hours	
		2020	2019
FAMUR S.A.	women	1.46	9.40
	men	4.68	10.60
	blue-collar workers	3.74	7.3
	specialists	4.58	28.80
	managers	6.77	9.40
ELGÓR + HANSEN S.A.	women	7.18	2.81
	men	7.93	5.42
	white-collar workers	8.69	7.61
	blue-collar workers	6.65	2.55
ŚTW DALBIS Sp. z o.o.	women	0	0
	men	0	0
	white-collar workers	0	0
	blue-collar workers	0	0

Occupational safety

FAMUR SUPPORT Sustainable Development Goals



One of the FAMUR Group's priority objectives is to maintain a high level of occupational safety for both its own employees and employees of sub-contractors performing work for or on behalf of the Group, as well as for all visitors to its production plants. In addition to strict compliance with

the law, additional non-mandatory measures are taken to prevent injuries, accidents at work and occupational diseases and to raise employees' OHS knowledge and awareness.

In 2018, the Group started to implement a lean culture, in which particular attention is paid to occupational safety, health and ergonomics through consistent improvement of processes related to OHS aspects. Lean culture is about improving work organisation, eliminating waste, minimising inventory levels, constantly enhancing processes, and increasing efficiency. Guided by the principles of lean management, the FAMUR Group supports and rewards employees who, while being committed to safety at work, achieve the best results in terms of efficiency and work organisation.

EMPLOYEES AND HUMAN RIGHTS

FAMUR Group



- Implements best OHS practices, promoting safe behaviour (not only among its own personnel and contractors' staff, but also among, for instance, drivers of delivery vehicles on the premises of the Group's plants, or visiting guests);
- Develops corporate safety programmes and standards (including Lean Boards), encouraging its employees to constantly seek efficiency and improve everyday behaviour;
- Detects negative incidents, identifying the causes of actual or potential irregularities;
- Conducts behavioural audits, which involve employees watching each other to identify unsafe behaviours that may cause accidents and takes action to prevent their recurrence. Each employee

subjected to such audit is provided with feedback.

The objective of ensuring safe working conditions as part of the FAMUR Group's CSR efforts is pursued through constant efforts to reduce accident severity and frequency rates and to eliminate fatalities.

[GRI 403-2]

Severity and frequency rates of accidents, injuries, occupational diseases, days lost, and total number of work-related fatalities at the FAMUR Group

COMPANY		12 months of		
		2020	2019	
FAMUR S.A.	number of	occupational diseases in former employees	5	2
		work-related fatalities	0	0
		accidents at work	32	60
		days lost due to accidents ⁸	1,348	2,254
indicator	frequency	13	23	
	severity	42	38	
ELGÓR + HANSEN S.A.	number of	occupational diseases in former employees	-	0
		work-related fatalities	-	0
		accidents at work	2	6
		days lost due to accidents	149	216
indicator	frequency	8	23	
	severity	74	36	
ŚTW DALBIS Sp. z o.o.	number of	occupational diseases in former employees	0	0
		work-related fatalities	0	0
		accidents at work	1	1
		days lost due to accidents	180	74
indicator	frequency	13	12	
	severity	180	74	

⁸Days lost days are counted as of (and including) the day of the accident.

EMPLOYEES AND HUMAN RIGHTS

Accidents at work at the Group companies in 2020 led only to minor injuries. The causes of each accident are analysed to prevent similar events in the future. There were no fatal accidents at any of the companies covered by non-financial reporting.

The identified cases of occupational diseases relate to retired employees who, while on retirement, requested the former employer to deliver their professional career description for the purposes of an occupational exposure assessment. Occupational diseases to which our employees are exposed are pneumoconiosis and hearing loss. In cooperation with specialist organisations, Group companies conduct working environment surveys to identify harmful and burdensome factors and analyse the causes of identified diseases. Organisational and technical measures are also being implemented to reduce employees' exposure to harmful factors, such as noise.

[GRI 403-1, GRI 403-4]

In accordance with legal requirements, each Group company with a workforce of more than 250 has established an OHS Committee, consisting of representatives of the employees acting as social labour inspectors and, if trade unions operate at a given company, trade union representatives. Meetings of the OHS Committees at Group companies are also attended by managers of selected organisational units, managers of current projects, representatives of technical inspection authorities, and an occupational physician. At each Group company where an OHS Committee has been established, 100% of the employees are represented in the Committee. Committee members' responsibilities include evaluation and submission of proposals to periodic OHS standard improvement plans adopted by Group companies, as well as analysis of follow-up recommendations of the National Labour Inspectorate. Those companies which are not required to establish an OHS Committee appoint Social Labour Inspectors. Occupational safety matters are not separately regulated under collective bargaining agreements, except for matters such as employees' right to benefits, additional remuneration for night-time work, or accounting for overtime work.

FAMUR

FAMUR'S COMMUNITY ENGAGEMENT

FAMUR'S COMMUNITY ENGAGEMENT



FAMUR'S COMMUNITY ENGAGEMENT

FAMUR SUPPORT

Sustainable Development Goals



The FAMUR Group's community engagement programmes are pursued consistently and are joined by employees on a voluntary basis. In its efforts to counteract the social exclusion, the Group focuses on supporting the youngest members of the community in need, i.e. children and teenagers living

in the areas where its plants are located. The Company helps them by investing in their education and development, starting with providing them with decent and healthy living conditions. What sets FAMUR's social engagement projects apart is the very large number of employee volunteers they attract.

Community engagement programme

Engagement in corporate social initiatives

Ranking among the largest employers in Poland, we are a partner to our local communities, particularly those living near our manufacturing plants. We want our success to drive development of our external environment.

Corporate social initiatives

The best example of the FAMUR Group's community involvement is its participation in various campaigns and projects, including the Mining for Engagement, Social and Civic Competence Building Studio, Paint the World for Children and Kilometres of Good programmes, as well as Christmas collections for aid organisations.

Collaboration with schools and universities

We are a company with a long history, which has employed successive generations of workers. Therefore, we strive to foster strong relationships with technical and vocational schools and universities providing education to our potential future workforce. We try to help them grow by offering professional development opportunities in the form of internship and work placement programmes run at the FAMUR Group. We take part in educational fairs and scientific trade conferences to showcase our achievements, and we support classes organised under our patronage.

TDJ Foundation

The mission of the TDJ Foundation is to provide support to children of people employed at FAMUR S.A.'s related company TDJ S.A. The TDJ Foundation invests in education to create optimal development opportunities for future generations.

KEY CSR FIGURES

5

5 corporate social initiatives

+300

+300 employees involved

+550

+550 recipients

The FAMUR Group's practices contribute to the achievement of the Sustainable Development Goals through activities aimed at ensuring high quality education and promotion of lifelong learning, including increasing the numbers of young people and adults having the appropriate technical and professional skills necessary to find employment and develop entrepreneurship.

The Group collaborates with universities and secondary schools to improve the quality of technical education and acquire new qualified employees. As part of our school patronage programme we support vocational classes in secondary schools, whose students, apart from the possibility of broadening their knowledge and gaining their first professional experience through apprenticeship at our plants, may receive monthly scholarships. The scholarships are awarded to all first-grade students and, in subsequent years, to the best-performing ones. In addition, patronage class arrangements

FAMUR'S COMMUNITY ENGAGEMENT

envisage financial prizes to be granted for outstanding school achievements to students and school leavers. The best graduates, especially those leaving patronage classes, are offered employment. Students of patronage classes can do their apprenticeship at the Group's production plants and participate in educational trips with access to machines and equipment, which supplements the knowledge passed to them at school by teachers of vocational subjects. The schools can count on support in the financial form or in the form of equipment for their vocational training laboratories.

The schools with patronage class arrangements supported by the FAMUR Group include:

- Complex of Secondary Schools No. 2 in Piotrków Trybunalski,
- Complex of Technical Schools in Mikołów,
- Complex of Technical Schools in Rybnik,
- Complex of Technical and General Education Schools No. 3 in Chorzów,
- Wincenty Pol Technical School Complex in Gorlice.

FAMUR'S COMMUNITY ENGAGEMENT

Community outreach initiatives

The best example of the FAMUR Group's community outreach initiatives is participation in events and projects for the benefit of local communities.

In pursuit of the objective of supporting local communities through cross-sectoral partnerships, which is part of the FAMUR Group's CSR efforts, the following initiatives were undertaken in 2020:

- ✓ As part of the initiative to collect bottle caps for the 'Wspólna Nadzieja' Foundation of Chorzów, whose objectives include help for children and their families struggling with serious diseases, FAMUR donated 115 kg of collected caps.



HOOKED ON HELPING

The initiative to collect bottle caps is aimed at helping the most needy. In February, we once again supported the 'Wspólna Nadzieja' Foundation of Chorzów

by donating

115 KG

of plastic bottle caps!

FAMUR

FAMUR'S COMMUNITY ENGAGEMENT

- ✓ The FAMUR football team organised football practice for the charges of the 'Guardian Angels House'.

FOOTBALL PRACTICE WITH ENAGELS

AFTER WORK WE PLAY SOCCER AND HELP OUT!

Our players, who in the Winter 2020 season of the Silesia Sports Business League took the second place in their league, came up with an initiative to donate the prize they received to the charges of the 'Guardian Angels House' Youth Assistance Association.

In September 2020, a special football practice for kids from the Sosnowiec branch of the 'Guardian Angels House' Youth Assistance Association took place. Under the watchful eyes of our employees and our team players they honed their football skills.



FAMUR'S COMMUNITY ENGAGEMENT

- ✓ As part of pandemic-related initiatives, FAMUR lent computer equipment (laptops) to its employees for use by their children during remote learning.

LEARN REMOTELY LEARN SMARTLY

**OVER 60 COMPUTERS
DISTRIBUTED!**

At FAMUR, not only our employees, but also their children can count on support. As remote learning is gradually becoming an integral part of our reality, we decided to once again provide computer equipment to those of our employees' children who need this form of support the most.

65 computers were lent for the time of remote learning to the employees of the Head Office and the Katowice, Zabrze and Gorlice branches.



FAMUR'S COMMUNITY ENGAGEMENT

- ✓ In the pre-Christmas period, a collection of cleaning products, disinfectants, hygiene and cosmetic products as well as toys and school and office supplies was conducted for the Guardian Angels House Youth Assistance Association, Saint Callistus Hospice of Tychy, and Regional Therapy and Care Facility No. 1 and No. 2 of Gliwice.
FAMUR employees also recorded a CD of their reading of fairy tales for the children under the care of the above institutions.



FAMUR

The Elves do not
idle! Christmas
is just around
the corner!

- ✓ FAMUR purchased practice volleyballs for the girls' volleyball team SKS Radzionków.



WE SUPPORT SPORT
AND HELP YOUNG
PEOPLE

In December 2020,
FAMUR purchased
practice volleyballs
for the girls'
volleyball team SKS
Radzionków.

FAMUR

FAMUR'S COMMUNITY ENGAGEMENT

The Charitable Giving Policy



CHARITABLE GIVING POLICY

PROGRAM
COMPLIANCE

On January 18th 2021, the FAMUR Extraordinary General Meeting adopted the Charitable Giving Policy of FAMUR S.A. The corporate image of FAMUR is built based on sound financial performance but also on our openness to the needs of local communities and strong, trusting stakeholder relationships. Our charitable giving policy and corporate social responsibility play a central role in our decision making and corporate culture. Our sponsorship activities target mainly local community initiatives and needs in our immediate environment. Our sponsorship activities also include initiatives aimed at promoting FAMUR and its business at conferences, trade fairs and other events

held under our patronage. The purpose of our sponsorship efforts is to implement our strategy by showcasing our operational and corporate strength. The full text of the Charitable Giving Policy in place at the FAMUR Group is available in the home section of the Company's website at www.famur.com and in section Investor Relations: Corporate governance:

<https://famur.com/en/corporate-governance> (materials to download).

As a socially responsible corporate citizen, in 2020 the FAMUR Group donated over PLN 1.3m in non-cash and cash donations to several hospitals in Katowice (the Professor K. Gibiński Clinical Centre of the Silesian Medical University, Brothers of Mercy Hospital and Murcki Hospital), Piotrków Trybunalski, Gorlice, Kraków, Tychy, Poznań, Bełchatów, Nowy Sącz, Zabrze, Mikołów and Ruda Śląska, to support them in the fight against the SARS-CoV-2 epidemic.

[GRI 102-12]



Sustainable Development Goals



Given the close cooperation of the FAMUR Group with mining companies, all initiatives supporting the Sustainable Development Goals and oriented towards building stable infrastructure, promoting sustainable industrialisation and fostering innovation, are particularly important in the

Group's activities. According to the United Nations *2030 Agenda*, the business community is obliged to promote global partnership for sustainable development. This goal requires a partnership between governments, the private sector and civil society that is built upon principles and values, a shared vision and goals which place people and the future of our planet at the centre.

For the FAMUR Group, this goal means cooperation with other entities on the market to provide high quality products and services that are safe for people (employees, local communities, other stakeholders) and the environment. Its implementation is furthered by the Group's involvement with 'Górnictwo OK' and putting into effect the Industry 4.0 concept, focused on system upgrades and consolidation as well as integrated cooperation between people and digitally controlled machines relying on wireless networks and ICT technologies.⁹

⁹A family of technologies that process, collect and transmit information in electronic form.

FAMUR'S COMMUNITY ENGAGEMENT

Strategic project included in the national Sustainable Development Strategy and supporting the UN Sustainable Development Goal: 'Ensure access to affordable, reliable, sustainable and modern energy for all'

Restructuring of the hard coal mining sector – creating conditions supporting development of a profitable, efficient and modern hard coal mining sector.

Best practice

FAMUR is a signatory of 'Górnictwo OK' initiative undertaken in 2017 together with Jastrzębska Spółka Węglowa, Polska Grupa Górnicza, Tauron Wydobycie, Przedsiębiorstwo Wydobycze Silesia, the AGH University of Science and Technology in Kraków and the Silesian University of Technology. 'Górnictwo OK' is the name given to the Joint Social Initiatives Group established to work towards the following goals:

- To implement corporate social responsibility principles in the mining industry in Poland and share CSR knowledge with the Joint Social Initiatives Group members;
- To optimise social initiatives, as well as develop and implement common CSR best practices in the industry;
- To work out and implement a CSR support policy for the mining industry as an important, necessary and responsible branch of Polish and European industry.

Best practice

FAMUR

SUPPORT

Sustainable Development Goals



One of the Group's priority projects is the '**Smart Mine**', i.e., a set of machinery, facilities, processes, as well as technical and organisational solutions, which are key to improving safety and work efficiency at mines. The project comprises a fully automated manufacturing plant based on the Industry 4.0 concept, where management of

the mining process is transferred to control stations on the surface. The concept paves the way for creating an innovative mining company of the future. Four basic systems are planned to be built as part of the 'Smart Mine':

- Smart Wall System – a high-performance, automated mining system;
- Smart Haulage System – a smart automated belt conveyor system;
- Smart Roadheader System – an automated roadway drilling system;
- Diagnostics and Prediction System – a system for the supervision of mechanical treatment processes, material engineering technologies, as well as control systems and software.

NATURAL ENVIRONMENT

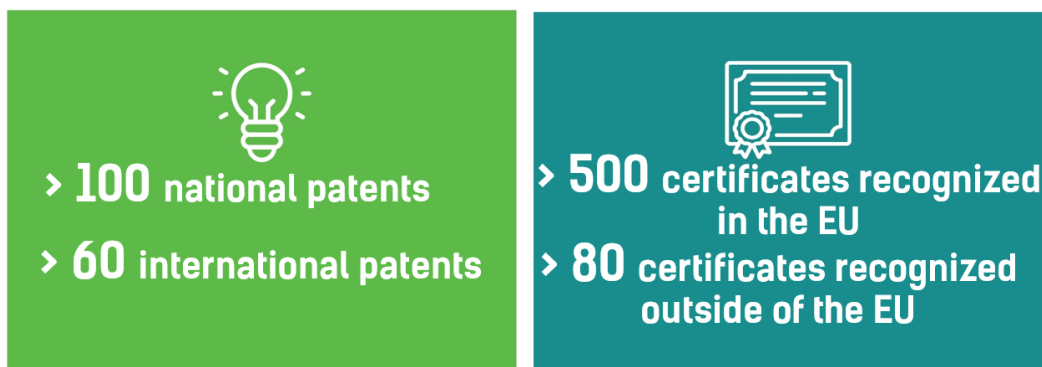
The solutions are intended to ensure full control of the production process, increase efficiency of production and improve work safety, which is expected to translate into higher operating profitability of mines over a longer time horizon. This approach leads to:

- Use of fully automated mining machinery and less energy-intensive transport systems;
- Reduction of the number of workers required at the production site to the minimum, and thus improvement of work safety;
- Connection of the production facility to an ITC network for real-time control and management of the entire mining process.

Automated production processes and wireless connectivity, e.g., with underground transport units, facilitate rapid detection and location of faults. This seems only natural in the era of computerisation of production processes.

- Big data – optimisation and remote control of production processes in mines through an operating centre collecting data provided by sensors, as well as through horizontal and vertical integration of data from multiple sources;
- Simulations – simulations of extraction processes to optimise production lines and increase efficiency of production and processes taking place along the value chain with a view to eliminating inefficiencies and bottlenecks;
- Robotics – using autonomous mining machines, handling systems and robots to create 3D images of shafts, roadways and workings;
- 3D printing – using 3D printing for prototyping and in the production of spare parts (initial phase);
- Virtual reality – using virtual models of mining machines to forecast the degree of spare parts wear and tear, and conducting training with the use of virtual reality technologies.

The FAMUR Group invests in intellectual capital by expanding its R&D activities. With the commitment of the Group's engineers, product innovations are created which improve the safety and efficiency of mineral extraction and reduce its costs. This makes the Group a strong leader in implementing the Industry 4.0 concept, not only in Poland but also internationally.



FAMUR

NATURAL ENVIRONMENT

NATURAL ENVIRONMENT



NATURAL ENVIRONMENT

[GRI 102-11]

Environmental protection

In its business activities, FAMUR S.A. takes into account the existing and future environmental impacts of the processes applied at each of its manufacturing plants. The Company has implemented a certified ISO 14001 Environmental Management System to minimise any significant environmental impacts. The environmental goals set and implemented by the Company in this area follow from the Environmental Policy adopted by the FAMUR S.A. Management Board. They include better waste management, use of environmentally friendly technologies, raising the environmental awareness of staff, and rational use of energy resources. Moreover, by effectively monitoring all the environmental aspects we are able to control our environmental footprint and take, if required, immediate steps to reduce the risk of adverse environmental impacts.

The Company operates in compliance with the applicable environmental protection requirements and based on valid sectoral permits (including permits for waste generation, permits for gas and dust emissions, and water permits), fulfilling its reporting obligations stipulated in the environmental laws in a timely manner.

In 2018, the FAMUR Group developed and implemented an Environmental Policy. In order to properly manage environmental matters, some of the FAMUR Group subsidiaries have implemented Integrated Management Systems, which include Integrated Management System Policies (specific to the individual companies) as their integral parts. All the FAMUR Group companies have in place internal regulations designed to ensure top quality and safety of their products and services. They also seek to minimise, wherever possible, the environmental impact of their operations.

The management boards of individual Group companies, their managers and employees are committed to developing environmental protection initiatives so that quality improvements of products and services are inextricably connected with efforts towards reducing their environmental impact, including by preventing contamination, taking into account the social and economic needs of the local community.

NATURAL ENVIRONMENT

Mitigation of environmental impacts

In its Environmental Policy, the FAMUR Group has declared that it continuously mitigates the impact of its operations on the environment through:

1. Rational waste management, including waste reclamation and recycling.
2. Introducing changes to the applied environmentally friendly technologies.
3. Rational management of energy and water.
4. Efficient management of hazardous substances and reduction of emissions of substances harmful to the environment.

In order to achieve its objectives, the FAMUR Group carries out the following activities:

- Rational use of utilities
- Improving waste management
- Rational management of packaging
- Prevention of environmental incidents
- Use of recyclable materials
- Optimising the use of raw materials
- Planning investment activities based on an analysis of risks and opportunities associated with environmental impact
- Implementation of innovative solutions in the manufactured equipment.
- Analysing, on a case-by-case basis, whether the applicable environmental protection standards and requirements are met whenever new machinery and equipment are purchased and solutions are selected for use, as well as during the operation of the existing units and facilities.
- Building lean culture aimed at raising employees' awareness of the need to reduce the environmental impact of operations, implementing tools and methods to improve the efficiency of production processes and making the necessary improvements.

By effectively monitoring all the environmental aspects, the Group companies are able to control their environmental footprint and take, if required, immediate steps to reduce the risk of adverse events. The Group companies operate in compliance with the applicable environmental protection requirements and based on valid sectoral permits (including permits for waste generation, permits for gas and dust emissions, and water permits), fulfilling its reporting obligations stipulated in the environmental laws in a timely manner.

[GRI 102-11]

An important aspect of the organisation's approach to ensuring appropriate environmental standards in the Group's value chain is the inclusion of environmental criteria in supplier evaluation procedures. Each supplier of goods and services that represent at least 0.1% of the value of total annual supplies is subject to periodic evaluation and qualification. This applies in particular to suppliers of raw materials, utilities and other materials, parts for resale, transport services and production services. The evaluation takes into account environmental criteria such as:

- Having a certified Environmental Management System in place;
- Use of environmentally friendly solutions, e.g. green energy sources, biofuels in means of transport, eco-labelled products;
- Application of internal environmental policies and instructions.

With regard to environmental management, the FAMUR Group has identified the following risks (significant direct aspects with a negative impact according to the Register of Environmental Aspects¹⁰):

¹⁰FAMUR S.A.'s Register of Environmental Aspects as well as the Environmental Monitoring Plan and Environmental Aspects Assessment were updated in April 2020.

NATURAL ENVIRONMENT

In order to mitigate environmental risks, the FAMUR Group companies are obliged to observe the Comprehensive Environmental Policy in their operations. Compliance with the Policy is monitored, and the Policy itself undergoes periodic reviews.

In order to mitigate environmental risks, the Company actively engages in →

promoting eco-friendly attitudes and environmental awareness among its employees

We monitor our major environmental impacts by:

1. Promoting eco-friendly attitudes and environmental awareness

We engage in initiatives to increase environmental awareness and promote eco-friendly attitudes among our employees, business partners as well as children and youth from local institutions of education.

We are determined to reduce paper consumption through electronic workflow.

2. Minimising waste

Focus on proper waste management, waste reduction measures and increased recycling

3. Enhancing rational use of raw materials in the supply chain

We implement procurement plans through efficient and well thought-out resource management.

With regard to climate change issues and the new European Commission Guidelines on non-financial reporting of climate-related information (2019/C 209/01), the FAMUR Group focuses on the analysis of non-binding guidelines which began in late 2019 and early 2020 and which is expected to enter the planning phase in subsequent reporting years so that the Company can present progress in their implementation in its future non-financial reports.

The FAMUR Group is aware of the impact of its operations on rapidly changing climate and of the impact of climate on its own operations observed in the following areas:

1. fuel and energy consumption and related greenhouse gas emissions from operating activities;
2. greenhouse gas emissions from manufacturing activities;
3. waste management (supply chain).

[GRI 102-11]

An important aspect of the organisation's approach to ensuring appropriate environmental standards in the Group's value chain is the inclusion of environmental criteria in supplier evaluation procedures. Each supplier of goods and services that represent at least 0.1% of the value of total annual supplies is subject to periodic evaluation and qualification. This applies in particular to suppliers of raw materials, utilities and other materials, parts for resale, transport services and production services. The evaluation takes into account environmental criteria such as:

- Having a certified Environmental Management System in place;
- Use of environmentally friendly solutions, e.g. green energy sources, biofuels in means of transport, eco-labelled products;
- Application of internal environmental policies and instructions.

NATURAL ENVIRONMENT

Key indicators

FAMUR
SUPPORT

12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



Sustainable Development Goals

[GRI 302-1, GRI 305-1, GRI 306-2]

Consumption of utilities, volumes of emissions and waste generated at the FAMUR Group

COMPANY	INDICATOR	UNIT OF MEASURE	total for 12 months	
			2020	2019
FAMUR S.A.	Electricity	[MWh]	18,409	26,652
	Water withdrawal	[m3]	46,667	58,893
	Carbon dioxide	[kg]	438,589	489,271
	Carbon monoxide	[kg]	-	-
	Industrial F-gases	[kg]	-	-
	Nitrogen oxides	[kg]	713	841
	Industrial post-installation waste	[Mg]	7,870	18,010
	Municipal waste	[Mg]	415	667
	Reclaimed waste	[Mg]	111	91
ŚTW DALBIS Sp. z o.o.	Electricity	[MWh]	116	193
	Water withdrawal	[m3]	1,200	1,966
	Carbon dioxide	[kg]	-	36
	Carbon monoxide	[kg]	-	-
	Industrial F-gases	[kg]	-	-
	Nitrogen oxides	[kg]	-	-
	Industrial post-installation waste	[Mg]	-	7
	Municipal waste	[Mg]	7	12
	Reclaimed waste	[Mg]	-	-
ELGÓR + HANSEN S.A.	Electricity	[MWh]	564	628
	Water withdrawal	[m3]	1,799	1,680
	Carbon dioxide	[kg]	32,480	31,315
	Carbon monoxide	[kg]	-	-
	Industrial F-gases	[kg]	-	-
	Nitrogen oxides	[kg]	25	24
	Industrial post-installation waste	[Mg]	43	28
	Municipal waste	[Mg]	24	32
	Reclaimed waste	[Mg]	6	6

NATURAL ENVIRONMENT

A significant share of the raw materials and other materials used at the FAMUR Group companies is represented by packaging, chemical materials (oils, paints, solvents), metallurgical materials (e.g. crude steel) and industrial gases. In subsequent reporting periods, the Group plans to expand the scope of reported data on the consumption of raw materials and other materials. This will be possible after carrying out the necessary analyses which will take into account diversified business profiles of individual entities.

[GRI 301-1]

A significant share of the raw materials and other materials used at the FAMUR Group companies is represented by packaging, chemical materials (oils, paints, solvents), metallurgical materials (e.g. crude steel) and industrial gases. In subsequent reporting periods, the Group plans to expand the scope of reported data on the consumption of raw materials and other materials. This will be possible after carrying out the necessary analyses which will take into account diversified business profiles of individual entities.

Raw materials and other materials used by the FAMUR Group

COMPANY	MATERIAL/RAW MATERIAL [kg]	Total for 12 months	
		2020	2019
FAMUR S.A.	paper and cardboard packaging	2,302	2,482
	plastic packaging	2,778	9,970
	steel packaging	19,644	39,877
	wood packaging	61,566	165,719
ELGÓR + HANSEN S.A.	paper and cardboard packaging	51	169
	plastic packaging	282	237
	steel packaging	-	-
	wood packaging	-	2,185
ŚTW DALBIS Sp. z o.o.	paper and cardboard packaging	-	-
	plastic packaging	-	-
	steel packaging	-	-
	wood packaging	-	-

FAMUR

ADDITIONAL INFORMATION

ADDITIONAL INFORMATION



ADDITIONAL INFORMATION

[GRI 102-55]

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DIVERSITY AND EQUAL OPPORTUNITIES				
GRI 405-1	Diversity of governance bodies and employees	5, 8	– Composition of the Management Board – Diversity policy	60 97

ADDITIONAL INFORMATION

GRI	DESCRIPTION	UN GOAL	COMMENT / DESCRIPTION	PAGES
NON-DISCRIMINATION				
GRI 406-1	Incidents of discrimination and corrective actions taken		<ul style="list-style-type: none"> – Key risks affecting non-financial aspects There were no incidents of discrimination in 2020 	12, 31, 66
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING				
GRI 407-1	Operations and suppliers in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights		<ul style="list-style-type: none"> – HR policy – The FAMUR Group does not identify any risk of violation of freedom of association and collective bargaining at its suppliers. 	90
CHILD LABOUR				
GRI 408-1	Operations and suppliers at significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour		<ul style="list-style-type: none"> – Key risks affecting non-financial aspects – Human rights policy 	12, 30, 66 88,92
FORCED OR COMPULSORY LABOUR				
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour, and measures taken to effectively eliminate all forms of forced or compulsory labour		<ul style="list-style-type: none"> – Key risks affecting non-financial aspects – Human rights policy 	12, 30, 66 88,92
ENVIRONMENTAL COMPLIANCE				
GRI 419-1	Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area	16	– None	

ADDITIONAL INFORMATION

Glossary of terms

C

UN Sustainable Development Goals

The Agenda for Sustainable Development 2030, containing the Sustainable Development Goals (SDGs), was adopted by 193 Member States of the UN under the General Assembly Resolution of September 25th 2015 in New York. The Agenda identifies 17 Sustainable Development Goals and 169 related tasks to be achieved by the world by 2030. They involve five areas – people, planet, welfare, peace and partnership. The SDGs replaced the Millennium Development Goals which were to be completed by 2015. Activities undertaken to achieve the SDGs and perform the tasks are monitored globally by means of respective indicators. In Poland, Statistics Poland (GUS) is responsible for their monitoring. The first Sustainable Development Goals Report in Poland was adopted by the Council of Ministers on June 5th 2018. It outlines the implementation of 17 goals in Poland and describes the national priorities for sustainable development and the association of the 2030 Agenda with the national Sustainable Development Strategy.

D

Donation

An agreement by which a donor agrees to transfer property to the recipient free of charge from its assets. A donation may be made by a legal or natural person. It may comprise real property, movables, money as well as property rights, but may not involve provision of services for free.

Social dialogue

The exchange of information and presentation of positions on social problems and issues between parties such as public institutions, businesses or NGOs. It is a form of representing the interests of parties. The success of social dialogue depends on reliable information exchange between the parties and their cooperation.

Discrimination

The act of or the result of treating people unequally by imposing unequal burdens or denying benefits rather than treating each person fairly on the basis of individual merit. Discrimination may also include harassment, understood as comments or actions that are unwelcome, or should reasonably be known to be unwelcome, by the person towards whom they are addressed.

E

Business ethics

Taking account of the moral aspect in business, i.e. applying solutions that reconcile ethical requirements with the strategic interests of a business. Business ethics determines ethical standards of behaviour, norms and values as well as conduct in a company.

G

GRI

Global Reporting Initiative (GRI) is an independent institution based in the Netherlands. Since the 1990s, it has been developing and promoting the Sustainability Reporting Guidelines. The GRI Guidelines are applied globally – they may be used by all organisations wishing to report comprehensively on their economic, environmental and social activities. Until 2017, the fourth version of the GRI Guidelines (G4) was in force. In 2016, new GRI Standards were introduced, which since 2018 have entirely replaced the GRI Guidelines. The GRI Standards include three universal standards – Foundation (GRI 101), General Disclosures (GRI 102), Management Approach (GRI 103), and 33 Topic-specific Standards in three series: Economic (GRI 200), Environmental (GRI 300), and Social (GRI 400). Sustainability reports based on the Standards provide information on the organisation's positive or negative contribution to sustainable development.

I

Stakeholder

A person or entity interested in the company activities and exposed to various risks related to its operations, as well as persons or entities that are affected by the company's activities. Unlike shareholders, who are primarily interested in business profits of the company, stakeholders are a much wider group including: employees, customers, lenders, suppliers, government administration and, in a wider context, local communities, natural environment, public opinion. This term was introduced by Stanford Research Institute in 1963.

ADDITIONAL INFORMATION

K

Code of ethics / code of conduct

A set of standards and principles of conduct applicable at an organisation, based on adopted core values and issues identified by employees as needing regulation. In addition to laying down general guidelines concerning reliability and integrity required in business and actions that are conducive to social development and not contradictory to moral standards and common customs, a code of business ethics defines specific conduct to be pursued by an organisation.

Conflicts of interest

A conflict of interest is a situation where a person (or organisation) is bound by dual loyalty, i.e. where the person's or organisation's interest (their own or the interest of the entity they have commitments to) is, or may be, incompatible with that of another entity to whom this person or organisation should also be loyal. The interest may be financial or non-financial. One may find oneself in a position of conflict of interest due to external circumstances or as a result of one's own actions. While certain conflicts of interest are addressed by provisions of law or self-regulation, a significant proportion of such conflicts remains unregulated.

Corruption

Corruption is 'the abuse of entrusted power for private gain' (according to *Business Principles for Countering Bribery*, Transparency International, 2011) and can be instigated by individuals or organisations. In the Transparency International Guidelines, corruption includes practices such as bribery, facilitation payments, fraud, extortion, collusion, and money laundering. It also includes an offer or receipt of any gift, loan, fee, reward, or other advantage to or from any person as an inducement to do something that is dishonest, illegal, or a breach of trust in the conduct of the enterprise's business. This may include cash or in-kind benefits, such as free goods, gifts, and holidays, or special personal services provided for the purpose of an improper advantage or that may result in moral pressure to receive such an advantage.

Corporate culture

A set of standards, values, patterns of behaviour, attitudes, assumptions and symbols that determine the mode of thinking and acting in a company and define standards of conduct and communication.

M

Mission (corporate mission)

A set of fixed goals and ambitions of a business. It incorporates values which are upheld by the management and provides the main guiding principle for the company's actions. The corporate mission determines the identity of a company and its corporate culture.

Workplace bullying (mobbing)

Actions or behaviour referring to an employee, or directed against an employee, comprising persistent and drawn-out harassment or intimidation of that employee, resulting in the employee's underestimation of their vocational value, and causing – or aimed at – humiliation or ridicule of the employee and/or their isolation or elimination from the workplace team. Subjective feelings of the workplace bullying victim are not sufficient; the occurrence of the above must be determined in an objective manner.

N

Misconduct

Intentional act or omission which constitutes violation of the law or a breach of the organisation's internal regulations, committed to secure an unlawful gain or causing the company to sustain an undue loss. These gains may be financial or material, but they may also be intangible, involving access to information or special status. The perpetrator of the misconduct meets three conditions: experiences pressure, sees an opportunity for misconduct and, at the same time, is able to explain his/her behaviour rationally to himself/herself. All forms of corruption are deemed misconduct.

O

Non-governmental organisation (NGO)

A voluntary organisation that operates independently of state or political structures and whose operation is not profit oriented. It works for social causes and public good. Its operation is largely based on voluntary work.

ADDITIONAL INFORMATION

P

Forced or compulsory labour

All work and service which is exacted from any person under the menace of any penalty and for which the said person has not offered herself or himself voluntarily (ILO Convention 29 'Forced Labour Convention'). The most extreme examples are slave labour and bonded labour, but debts can also be used as a means of maintaining workers in a state of forced labour. Examples of forced labour include: withholding identity papers; requiring compulsory deposits; compelling workers, under threat of firing, to work extra hours to which they have not previously agreed.

Anti-trust and monopoly practices

Actions of the organisation that may result in collusion to erect barriers to entry to the sector; unfair business practices; abuse of market position; cartels; anti-competitive mergers; price-fixing; and other collusive actions which prevent competition.

Community engagement programme

A set of planned actions aimed at solving or counteracting a specific social problem. They may be implemented jointly or independently by public institutions, businesses or social organisations.

R

Corporate social responsibility report (CSR report)

A report issued by a company that presents a comprehensive view of its strategy and social policy. It describes economic, social and environmental aspects of its operations.

S

SDGs

The Sustainable Development Goals – see the UN Sustainable Development Goals above.

Corporate social responsibility

A management concept whereby an organisation is responsible for the impact of its decisions and activities on society and the environment through transparent and ethical conduct that contributes to sustainable development. It promotes observance of ethical principles, employee rights, and human rights, as well as respect for the social and natural environment. It is generally accepted that corporate social responsibility should be, next to business ambitions, an integral part of any company's policy.

Local community

The people living in a specific area and bound by social relationships, common traditions and culture. A local community is formed by inhabitants of villages, towns, cities or municipalities.

Z

Anti-competitive behaviour

Actions of an organisation or its employees that may result in collusion with potential competitors to fix prices; coordinate bids; create market or output restrictions; impose geographic quotas; or allocate customers, suppliers, geographic areas, and product lines, with the purpose of limiting the effects of market competition.

Sustainable development

Social and economic growth in harmony with the natural environment. The idea behind sustainable development is to make wise use of resources (social, human and natural), so that they can be used by future generations.

ADDITIONAL INFORMATION

Appendices

Consolidated statement of profit or loss of the FAMUR Group

in PLNm, except for earnings per share	12 months to	
	Dec 31 2020	Dec 31 2019
Revenue	1,139	2,165
Cost of sales	752	1,565
Gross profit	387	600
Distribution costs	22	40
Administrative expenses	107	154
Other income	79	59
Other expenses	98	176
Operating profit	239	289
Gains (losses) on expected credit loss allowances	4	-20
Finance income	38	35
Finance costs	34	47
Gains (losses) recognised when control of subsidiary is lost	14	136
Share in net profit/(loss) of equity-accounted subordinates	-9	0
Goodwill impairment loss	0	60
Profit before tax	252	333
Income tax	64	81
Net profit from continuing operations	188	252
Discontinued operations	2	-3
Net profit, attributable to:	190	249
owners of the parent	185	245
non-controlling interests	5	4
Earnings per share		
Earnings per ordinary share (PLN)	0.33	0.44
Diluted earnings per ordinary share (PLN)	0.33	0.44

ADDITIONAL INFORMATION

Consolidated statement of comprehensive income of the FAMUR Group

(PLNm)	12 months to	
	Dec 31 2020	Dec 31 2019
Net profit	190	249
Other comprehensive income that may be reclassified to profit or loss in subsequent reporting periods:	-19	8
Cash flow hedges	-3	2
Exchange differences	-16	6
Other comprehensive income that will not be reclassified to profit or loss in subsequent reporting periods:	2	-2
Actuarial gains/(losses)	2	-2
Total other comprehensive income, net of tax	-17	6
Total comprehensive income	173	255
including income attributable to owners of the parent	168	251
including income attributable to non-controlling interests	5	4

ADDITIONAL INFORMATION

Consolidated statement of financial position of the FAMUR Group

(PLNm)	Dec 31 2020	Dec 31 2019
Non-current assets	774	936
Goodwill	162	162
Other intangible assets	23	36
Property, plant and equipment	441	598
Long-term receivables	2	5
Investment property	62	43
Investments in subsidiaries and associates	37	13
Other non-current financial assets	8	8
Deferred tax assets	39	71
Current assets	1,718	2,039
Current assets other than assets classified as held for sale	1,655	1,940
Inventories	229	303
Short-term trade and other receivables	520	1,020
Current tax assets	5	4
Other current financial assets	2	11
Cash and cash equivalents	899	602
Non-current assets classified as held for sale	63	99
Total assets	2,492	2,975

(PLNm)	Dec 31 2020	Dec 31 2019
Equity	1,682	1,511
Share capital	6	6
Other components of equity	910	756
Retained earnings	794	795
Equity attributable to owners of the parent	1,710	1,557
Equity attributable to non-controlling interests	-28	-46
Liabilities	810	1,464
Non-current liabilities	468	526
Long-term provisions	30	38
Deferred tax liabilities	1	3
Other non-current financial liabilities	437	482
Long-term trade and other payables	0	3
Current liabilities	342	938
Current liabilities other than liabilities included in disposal groups classified as held for sale	330	921
Short-term provisions	21	80
Short-term trade and other payables	266	451
Current tax liabilities	1	50
Other current financial liabilities	42	340
Liabilities included in disposal groups classified as held for sale	12	17
Equity and liabilities	2,492	2,975

ADDITIONAL INFORMATION

Consolidated statement of changes in equity of the FAMUR Group

	Share capital	Other capital reserves	Retained earnings	Equity attributable to owners of FAMUR S.A	Equity attributable to non-controlling interests	Total equity
Jan 1 2020	6	756	795	1,557	-46	1,511
Net profit	0	0	185	185	5	190
other comprehensive income	0	-19	2	-17	0	-17
total comprehensive income	0	-19	187	168	5	173
transfer of profit to statutory reserve funds and other reserves	0	173	-173	0	0	0
loss of control	0	0	0	0	0	0
purchase of non-controlling interests	0	0	-15	-15	13	-2
dividend	0	0	0	0	0	0
changes in equity in the period	0	154	-1	153	18	171
Dec 31 2020	6	910	794	1,710	-28	1,682

	Share capital	Other capital reserves	Retained earnings	Equity attributable to owners of FAMUR S.A	Equity attributable to non-controlling interests	Total equity
Jan 1 2019	6	902	716	1,624	-37	1,587
Net profit	0	0	245	245	4	249
other comprehensive income	0	8	-2	6	0	6
total comprehensive income	0	8	243	251	4	255
transfer of profit to statutory reserve funds and other reserves	0	-3	4	1	0	1
loss of control	0	0	0	0	-27	-27
purchase of non-controlling interests	0	0	-15	-15	14	-1
dividend	0	151	153	304	0	304
changes in equity in the period	0	-146	79	-67	-9	-76
Dec 31 2019	6	756	795	1,557	-46	1,511

ADDITIONAL INFORMATION

Consolidated statement of cash flows of the FAMUR Group

(PLNm)	12 months to	
	Dec 31 2020	Dec 31 2019
Cash flows from operating activities – indirect method		
Profit before tax	252	333
Total adjustments, including	470	224
Inventories	46	61
trade receivables	485	73
other operating receivables	-51	13
trade payables	-144	-30
other operating payables	-15	-20
depreciation and amortisation	177	182
impairment loss (reversal of impairment loss) recognised in profit or loss	7	60
Provisions	-28	-22
exchange differences	-9	2
undistributed profits of associates	-9	0
(gain)/loss on disposal of non-current assets	-25	-117
Other adjustments producing cash effects in the form of investing or financing cash flow	19	15
other adjustments to reconcile profit (loss)	-1	7
total gross profit and adjustments	722	557
Income tax paid (refunded)	82	53
Net cash from operating activities	640	504
Cash flows from investing activities		
Cash flows from losing control of subsidiaries	-19	182
Proceeds from sale of property, plant and equipment	35	26
Purchase of property, plant and equipment	157	243
Purchase of intangible assets	5	5
Cash receipts from repayment of advances and loans made to other parties	32	13
Dividends received	3	7
Interest received	0	1
Other inflows (outflows) of cash	6	4
Net cash from investing activities	-105	-15
Cash flows from financing activities		
Proceeds from borrowings and other debt instruments	23	367
Repayment of borrowings and other debt instruments	244	206
Payment of lease liabilities	5	23
Dividends paid	0	305
Interest paid	10	12
Other inflows (outflows) of cash	0	-1
Net cash from financing activities	-236	-180
Increase (decrease) in cash and cash equivalents before effect of exchange rate changes	299	309
Effect of exchange rate changes on cash and cash equivalents	-2	-5
Increase (decrease) in cash and cash equivalents	297	304
Cash and cash equivalents at beginning of period	602	298
Cash and cash equivalents at end of period	899	602

ADDITIONAL INFORMATION

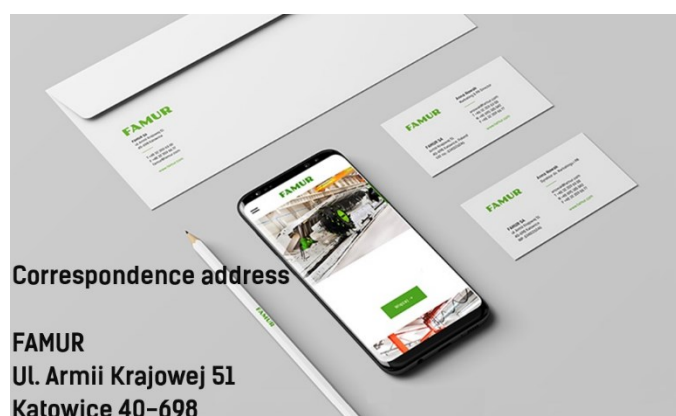
[GRI 102-53]

Contact person in matters relating to this Report

For more information on the business as well as social and environmental aspects of the FAMUR Group operations, see <https://famur.com>

Questions concerning this CSR Report should be submitted to csr@famur.com.pl or directly to the following persons:

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Signatures of members of the Management Board of FAMUR S.A.

/ INTEGRATED REPORT OF THE FAMUR GROUP FOR 2020 /

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