

2018 Corporate Social Responsibility Report of the FAMUR Group

FOCUS ON PEOPLE



The FAMUR Group, as a Polish organisation that expands dynamically on foreign markets, makes a positive contribution to the social, environmental and economic growth of the regions where it conducts its business, fostering sustainable development within the sphere of its influence. By focusing on customers' needs and taking responsibility for people and the natural environment, the FAMUR Group seeks to effectively support the UN Global Sustainable Development Goals, which provide businesses around the world with guidance on how to effectively respond to such challenges as poverty, health, education, equal treatment, sustainable development, climate change, peace and social justice.

FAMUR

CELE 
**ZRÓWNOWAŻONEGO
ROZWOJU**

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2018 overview

GRI 102-7, GRI 102-8

FAMUR S.A. – HIGHLIGHTS				
FINANCIAL DATA	Company	Year ended Dec 31 2018	Year ended Dec 31 2017	Change [%]
Revenue	PLN '000	1,384,366	941,488	47%
Operating profit/(loss)	PLN '000	228,557	92,646	147%
Gross profit/(loss)	PLN '000	191,384	76,440	150%
Net profit/(loss)	PLN '000	153,435	41,125	273%
Total comprehensive income	PLN '000	152,720	40,624	276%
Net cash from operating activities	PLN '000	188,828	119,614	58%
Net cash from investing activities	PLN '000	-33,010	-366,561	-91%
Net cash from financing activities	PLN '000	-410,921	383,621	-207%
Total net cash flows	PLN '000	-255,103	136,674	-287%
Basic earnings/(loss) per share	PLN	0.27	0.08	234%
Total assets	PLN '000	2,164,124	2,055,359	5%
Equity	PLN '000	1,311,613	1,134,116	16%
Charitable donations	PLN '000	3,900	508	667
NON-FINANCIAL DATA	Company	Year ended Dec 31 2018	Year ended Dec 31 2017	Change
Employees	number of employees	2,564	1,988	29%
Employee turnover ¹	%	10.7	16.3	- 5.6 pp
Accident frequency rate ²		17	13	36.6%
Total water withdrawal	m3	66,047	80,482	-17.9%
Carbon dioxide emissions	kg	641,661	277,913.9	131 ³

¹Based on the average annual workforce number calculated according to Statistics Poland (GUS) rules.

²Accident frequency calculated according to the following formula: number of accidents/number of employees x 1,000.

NOTE: Synthetic rate calculated for the purposes of this Report based on the aggregate data of FAMUR S.A. and its branches.

³As a result of organisational changes, in 2018 the number of branches within the FAMUR S.A.'s structure rose by three, leading to increased production and higher emission levels.

FAMUR GROUP – SELECTED CONSOLIDATED DATA ⁴				
FINANCIAL DATA	Company	Year ended Dec 31 2018	Year ended Dec 31 2017	Change [%]
Revenue	PLN '000	2,229,144	1,459,602	53
Operating profit/(loss)	PLN '000	300,200	132,926	126
Gross profit/(loss)	PLN '000	269,389	99,549	171
Net profit	PLN '000	219,524	56,830	286
Net profit attributable to owners of the parent	PLN '000	207,876	48,529	328
Net profit attributable to non-controlling interests	PLN '000	11,648	8,301	40
Total comprehensive income	PLN '000	208,924	57,718	262
Total comprehensive income attributable to owners of the parent	PLN '000	197,333	48,966	303
Total comprehensive income attributable to non-controlling interests	PLN '000	11,589	8,752	32
Net cash from operating activities	PLN '000	215,325	192,211	12
Net cash from investing activities	PLN '000	-138,409	-231,332	-40
Net cash from financing activities	PLN '000	-459,595	286,940	-260
Total net cash flows	PLN '000	-382,679	247,818	-254
Basic earnings per share	PLN	0.37	0.09	324
Total assets	PLN '000	2,879,554	3,138,065	-8
Equity attributable to owners of the parent	PLN '000	1,624,582	1,435,666	13
Non-controlling interests	PLN '000	-37,222	114,316	-133
Total equity	PLN '000	1,587,360	1,549,981	2
⁵ Charitable donations	PLN '000	4,114	509	708
NON-FINANCIAL DATA	Company	Year ended Dec 31 2018	Year ended Dec 31 2017	Change
Employees	number of employees	4,985	4,406	13.1%
Accident frequency rate ⁶		19.1	Not reported	-

GRI 102-14

⁴The presented financial data is data of the FAMUR Group and was sourced from the consolidated financial statements, whereas the non-financial data includes the following companies consolidated for the purposes of non-financial reporting: FAMUR S.A. (including branches), ELGÓR+HANSEN S.A., FAMUR FAMAŁ S.A., FUGO Sp. z o.o., FUGO S.A., PEMUG Sp. z o.o., PBSz S.A., ŚTW DALBIS Sp. z o.o., Ex Coal Sp. z o.o., and RELT Sp. z o.o.

⁵Charitable donations of the FAMUR Group based on data of FAMUR S.A., ELGÓR+HANSEN S.A., and FAMUR FAMAŁ S.A.

⁶Synthetic rate calculated for the purposes of this Report based on the aggregate data of the FAMUR Group companies included in the non-financial report.

Letter from the President of the Management Board

Dear Stakeholders,

we present to you the FAMUR Group's first corporate social responsibility report. Our organisation has a history dating back to over 100 years ago. All our Polish companies have established strong ties with their local communities, and our history is inextricably linked to their culture and economy. It is those communities that the majority of our staff come from, and our activities contribute to unlocking the social and economic potential of regions in which we are present. In 2018 we closed an important chapter. Behind us is an over a decade-long process of building the Group's position through industry consolidation and of accumulating know-how, knowledge and experience with our newly integrated subsidiaries. We moved from being a manufacturer of stand-alone machines and systems for the Silesia region's leading mining industry to delivering complete end-to-end solutions to customers in the mining, transport, cargo handling and energy industries in more than 40 countries on six continents.

We aim to provide you with even more information on factors with a bearing on our commitment and determination in making business decisions, including those related to international expansion. Human and intellectual capital is one of those factors, directly contributing to the long-term success of our strategy. We would like to present to you the system of values upheld by the people who build the position of the FAMUR brand. In our corporate social responsibility reports, we want to present the non-financial aspects of our activities in conformity with relevant regulations in force in Poland and the European Union and in line with best practices applied in our competitive environment.

By doing so, we will be implementing the European Commission's requirement for more transparency in corporate social responsibility but also responding to information needs of our stakeholders. The quality of reporting on financial results and, increasingly, on environmental, social, employee, human rights, diversity, ethics and anti-corruption performance today helps to build business credibility. Seeking to meet those expectations, we decided that we would use the internationally recognised Global Reporting Initiative standards to present our CSR performance every year.

We strive for profitable and efficient operations while refining our management techniques and scaling up our community and environmental initiatives. We understand that what we do has impacts on our external environment, therefore we want to contribute to the achievement of the United Nations Sustainability Targets by following the principles of sustainable development and corporate social responsibility.

The FAMUR Growth Strategy for 2019–2023 adopted in 2018 identifies three tools to drive strategy implementation: operational excellence, which will help us maximise operational efficiency, scaling up the use of smart solutions, and building our scale through organic growth, strategic partnerships and mergers and acquisitions. The common denominator of this approach is our intangible assets – our corporate culture, our values and the people who put them in practice.

A measure of a company's responsibility is how it builds its relationships with employees. We are among the region's largest employers today. Together we have worked out a new system of values, vision and mission for the company in 2018, which was a necessary step crowning the 15-year-long consolidation. We consistently integrate various functions within the Group, including the human resources management system. Based on our shared values, we want to provide all employees with conditions conducive to development that match contemporary challenges and cater to employee needs. Enhancing workplace safety is high on our agenda. We value community engagement of our employees as it makes a big difference for our local communities and helps

the company to build its social responsibility competency. We want our success to drive growth of our impact areas.

The FAMUR Group has long invested in the know-how and competence of its personnel, so today we have teams of highly qualified specialists and excellent engineering staff. That said, market competition is strong, encouraging us to care even more for our existing and future employees. Through our school patronage programme, we systematically support public education, particularly vocational and profiled schools, building competences of future employees not only for the benefit of the Group but for the benefit of the entire economy.

In the pursuit of sustainable development goals, one cannot act alone. The FAMUR Group is open to partnerships within its industry and across sectors, and to collaboration with specialised government agencies, including the Polish Development Fund Group entities. We support the objectives of the government's Sustainable Development Strategy through participation in innovation programmes for the mining industry, such as the 'Smart Mine' project. Thanks to these efforts we can influence the process of modernising the mining industry by implementing pro-ecological solutions that increase production efficiency while reducing the adverse impacts of mining on the environment. Coal mining is a vital part of Poland's energy mix, therefore innovations that help save energy, like the Smart Mine and Industry 4.0, are of paramount importance. The global trend towards clean energy is occurring in parallel to conventional energy production. With its advanced technology, the FAMUR Group ensures that innovations applied in its equipment go hand in hand with efforts to reduce emissions into the environment.

In the new strategy for the Group, we have put emphasis on close cooperation with customers. We focus on sales of end-to-end systems offering added value. We support our clients throughout the entire investment process, from fundraising, through consultancy, design and execution, to operation and maintenance. Our customers can count on us to deliver a modern and broad suite of products. We invest in research and development, automate processes and want to ultimately eliminate human work in particularly hazardous areas. Technological advances in robotics, virtual reality, simulation and big data that embody the concept Industry 4.0 are the future of economic growth, to which the FAMUR Group is already significantly contributing today.

We not only think about the present but also about the future that we are creating for next generations. But none of this would have been possible without our employees. We believe people are our greatest asset. Taking care of our employees and acting responsibly towards our environment allows us to aspire to be a responsible company 4.0. I am confident the new sustainability reporting model adopted by the FAMUR Group will enable us to present progress towards this goal over the coming years.

Have a pleasant read.

With kindest regards

Miroslaw Bendzera

President of the Management Board of FAMUR S.A.

1. The organisation and its report

GRI 102-1

This non-financial statement of the FAMUR Group and FAMUR S.A. for 2018 (“CSR Report 2018”) includes information on the activities of the FAMUR Group (the “FAMUR Group” or the “Group”), and in particular of the parent, i.e. FAMUR S.A. (“FAMUR” or the “Company”) as well as the subsidiaries which are material in terms of non-financial aspects of the Group’s activities, i.e. ELGÓR+HANSEN S.A., FAMUR FAMAK S.A., FUGO Sp. z o.o., FUGO S.A., PEMUG Sp. z o.o., PBSz S.A., ŚTW DALBIS Sp. z o.o., Ex Coal Sp. z o.o., and RELT Sp. z o.o., unless stated otherwise.

1.1. Organisation

GRI 102-2, GRI 102-3, GRI 102-7

The FAMUR Group is one of the few manufacturers of mining and power industry machinery and equipment in the world able to supply complete mining systems for mines, turn-key coal feeding systems for power plants, and specialist loading and handling equipment for ports. The Group specialises in delivery of comprehensive mechanised longwall systems for coal mines; design and delivery of IT systems for back-to-back management of coal mining processes (from the face to the surface); delivery of reloading and handling systems for the power sector and ports; and delivery of surface mining systems.

As at December 31st 2018, the Group consisted of the parent, FAMUR S.A. of Katowice, and 41 subsidiaries based in Poland (Bytom, Chorzów, Katowice, Kluczbork, Konin, Przeciszów and Tarnowskie Góry) and abroad (China, Indonesia, Kazakhstan, Germany, Russia, South Africa and Serbia).

The process of building the Group started in 2003, when FAMUR acquired NFUG NOWOMAG S.A. After a few 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 supplier of comprehensive solutions for the mining, power and cargo handling sectors.

Simplified organisational structure of the FAMUR Group



GRI 102-5

In August 2006, the shares of FAMUR S.A. (formerly: FABRYKA MASZYN FAMUR SPÓŁKA AKCYJNA) were floated on the Warsaw Stock Exchange (WSE). Starting from December 2017, the Company stock has been included in the mWIG40 index. In 2017, the FAMUR S.A. acquired control over the PRIMETECH (formerly: KOPEX) Group through the purchase of a controlling stake in PRIMETECH of Katowice, which is listed on the WSE as well.

The FAMUR Group consists of entities manufacturing equipment and machines for underground mining (the Underground segment), for open-pit mines, the power industry and the cargo handling sector (the Surface segment); entities specialising in providing power supply, automation, and control solutions and products for the mining industry (the Electrical Equipment segment), as well as those specialising in services and underground construction (the Mining Services segment). The structure of the organisation also includes engineering design and service offices, as well as foreign trade companies.

All the production plants are located in selected regions of Poland, and their operations are efficiently organised based on practices and models adopted by the Group.

MORE THAN 100 YEARS ON THE MARKET

In 1897, a decision was made to expand Galicyjskie Karpackie Towarzystwo Akcyjne (Galician Carpathian Joint Stock Company). As a result, Warsztaty Naprawcze (Repair Workshops) was transformed into Fabryka Maszyn i Narzędzi Wiertniczych (Drilling Machines and Tools Production Plant) of Glinik Mariampolski, which manufactured drilling tools and equipment, as well as production equipment for oil refineries and oil production plants in the then Austro-Hungarian province of Galicia. The current branch of the FAMUR Group in Gorlice is the heir to the tradition of those plants.

The FAMUR Group currently employs more than 5,000 people.

FAMUR is listed in key rankings of Poland's largest companies.

In the 2018 jubilee edition of *Lista 500*, published for the 20th time by the *Rzeczpospolita* daily, FAMUR ranked 222nd among the largest 500 companies ⁷in Poland by revenue. The list is modelled after the American *Fortune* magazine's 500 list.

In the ranking of the 2,000 largest companies in Poland published by⁸ the same daily, FAMUR ranked 219th.



GRI 201-1

Each of the Group's key production plants is important to its local community. The scale of FAMUR's operations and material assets make it a significant taxpayer, contributing to the improvement of the quality of life of the Group companies' local communities. In addition, through the Dividend Policy adopted in 2018, the Company supports its investors (shareholders).

⁷Financial figures for 2017 were used in the ranking. In the ranking edition using the figures for 2016, FAMUR ranked 285th.

⁸The list of 2,000 largest companies was prepared based on data from the business intelligence agency Bisnode, with companies classified by revenues achieved in 2017. The list did not include financial sector companies. In the edition of the 2,000 list using the figures for 2016, FAMUR ranked 350th.

Direct economic value generated and distributed⁹

FAMUR S.A. – separate highlights (PLN '000)	Year ended Dec 31 2018	Year ended Dec 31 2017
Total capitalisation – debt and equity:	2,164,123,607	2,055,358,527
- total liabilities	852,510,948	921,242,877
- total equity	1,311,612,658	1,134,115,650
Total assets	2,164,123,607	2,055,358,527
Direct economic value generated:	1,407,228,502	959,820,754
- revenue	1,407,228,502	959,820,754
Economic value distributed:	1,443,648,646	867,422,383
- operating expenses	924,128,207	671,859,289
- salaries, wages and employee benefits	200,510,000	144,928,000
- payments to providers of capital	272,250,709	20,268,746
- payments to governments	46,759,730	30,366,347
FAMUR GROUP – consolidated highlights (PLN '000)	Year ended Dec 31 2018	Year ended Dec 31 2017
Total capitalisation – debt and equity:	2,861,623,228	3,126,312,676
- total liabilities	1,274,263,114	1,576,331,360
- total equity	1,587,360,114	1,549,981,316
Total assets	2,879,554,095	3,138,064,812
Direct economic value generated:	2,256,022,133	1,483,454,343
- revenue	2,256,022,133	1,483,454,343
Economic value distributed:	2,252,791,997	1,394,291,024
- operating expenses	1,459,541,546	1,014,672,520
- salaries, wages and employee benefits	448,141,000	308,028,000
- payments to providers of capital	279,532,079	26,262,812
- payments to governments	65,577,372	45,327,691

The FAMUR Group's principal source of revenue is the sale of new, high-performance machinery and equipment for the mining sector, heat and power producers, and the cargo handling industry. Another important source of revenue is also lease of the machinery. The Group has a fleet of equipment, including shearer loaders and roadheaders, which are leased to coal producers. The Group also earns revenue on after-sales support, repairs, maintenance and sale of spare parts.

In 2018, revenue earned in Poland accounted for 67% of the FAMUR Group's total revenue (2017: 62%).

The FAMUR Group plans to generate at least 50% of its revenue from foreign operations in 2023.

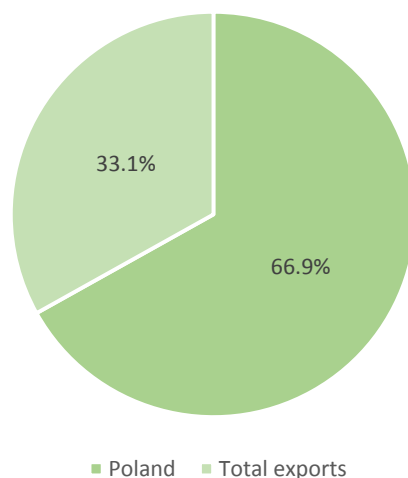
A significant portion of the revenue comes from export contracts. The FAMUR Group's brand awareness on international markets is increasing. It is associated with the high quality of products 'made in Europe', their technological advancement, stable aftermarket service, and competitive prices.

⁹The presented financial data is data of FAMUR S.A. and the FAMUR Group, respectively, and is consistent with the disclosures in the separate and consolidated financial statements. 2018 is the first period in which the data is aggregated according to GRI Standards.

The FAMUR Group's revenue structure (PLN '000)

	2018	2017	% share
Poland	1,491,483	912,189	66.9
Export, including:	386,799	547,413	17.4
Russia and CIS	256,242	288,281	11.5
European Union	22,764	178,165	1.0
Other Europe	22,764	7,960	1.0
Other ¹⁰	71,857	73,008	3.2
Total	2,229,144	1,459,602	100

Geographical split of the FAMUR Group's revenue in 2018



GRI 102-4, GRI 102-6

The FAMUR Group is present in more than 40 countries. Its machines, equipment and solutions operate in Russia, Kazakhstan, Turkey, the Balkans, the Netherlands, Austria, Germany, China, India, Argentina, South Africa, Mexico and other countries. Outside Poland, the Group's operations are coordinated by the parent, FAMUR S.A., with the exception of the Surface segment, where the coordinating company is the subsidiary FAMUR FAMAK S.A., and selected foreign markets, where the operations are coordinated by foreign subsidiaries or commercial agents.

¹⁰America, Asia, Africa, Australia.

Globalna obecność



Globalna obecność	Global presence
Kraje, w których pracuje sprzęt Grupy FAMUR	Countries where FAMUR Group equipment is used
Niemcy- Biura sprzedaży	Germany – sales offices
Serbia- Zakłady produkcyjne	Serbia – production plants
RPA – Zakłady produkcyjne	South Africa – production plants
Indie- Biura sprzedaży i centrum R&D	India – sales offices and R&D centre
Indonezja – Przedstawicielstwo	Indonesia – representative office
Chiny- Joint venture, zakład produkcyjny i centrum serwisowe	China – joint venture, production plant and service centre
Rosja- Biura sprzedaży i centrum serwisowe	Russia – sales offices and service centre
Kazachstan- Centrum serwisowe	Kazakhstan – service centre
Rynek międzynarodowy	International market
Wybrani klienci:	Selected customers:
Rynek krajowy	Domestic market

1.1.1. Business model

The FAMUR Group offers technologically advanced machinery and equipment as well as end-to-end solutions for the mining, transport, cargo handling and power sectors. 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 hard coal mining, from 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.

Key processes



CONSULTANCY, WITH OPTIONAL ASSISTANCE IN PROVIDING THE OPTIMUM FINANCING MODEL

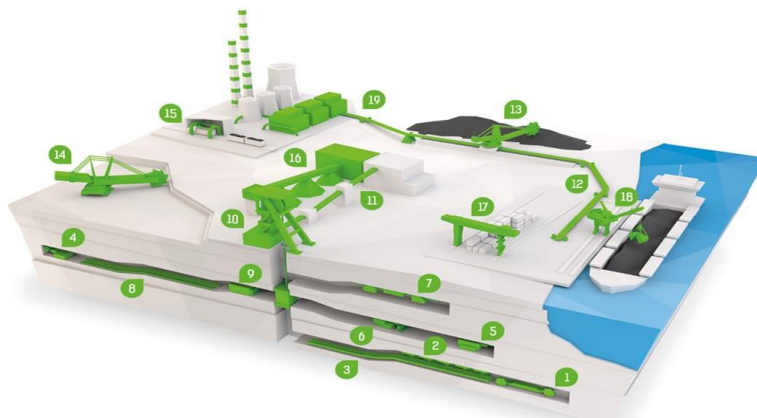
Projekt	Design
Produkcja	Manufacture
Dostawa	Delivery
Montaż	Assembly
Uruchomienie	Commissioning
Serwis	Maintenance

GRI 102-2

The FAMUR Group's offering includes:

- For **mines** – comprehensive design and construction of new, as well as upgrades of existing shafts and surface infrastructure, including coal dressing plants, complete deep and surface mining systems, power supply equipment and solutions, automation and industrial control systems;
- For **power plants** – delivery of complete coal feeding systems, tailored to the needs of individual plants;
- For **ports, handling and in-plant transport terminals** – specialist handling equipment.

- 1 Kombajny ścianowe
- 2 Obudowy zmechanizowane
- 3 Przenośniki zgrzeblowe
- 4 Kombajny chodnikowe
- 5 Wozy wierzące i kotwiące
- 6 Ładowarki i spagoladawarki
- 7 Kolejki podwieszane
- 8 Przenośniki taśmowe dolowe
- 9 Aparatura elektryczna
- 10 Szyb kopalniany
- 11 Transport ciągły w zakładach
- 12 Przenośniki taśmowe powierzchniowe
- 13 Ładowarko-zwalowarki
- 14 Koparki wielonaczyniowe
- 15 Wyrobnice wagonowe
- 16 Infrastruktura powierzchniowa
- 17 Suwnice kontenerowe
- 18 Suwnice bramowe nabrzeżne
- 19 Układ nawigacji elektrowni



Kombajny ścianowe	Shearer loaders
Odbudowy zmechanizowane	Powered roof support systems
Przenośniki zgrzeblowe	Scraper conveyors
Kombajny chodnikowe	Roadheaders

Wozy wierzące i kotwiące	Drill rigs and roof bolters
Ładowarki i spągładowarki	Loaders and dinting loaders
Kolejki podwieszane	Suspended monorail systems
Przenośniki taśmowe dołowe	Underground belt conveyors
Aparatura elektryczna	Mining electrical equipment
Szyb kopalniany	Mine shaft
Transport ciągły w zakładach	In-plant continuous transport
Przenośniki taśmowe powierzchniowe	Surface belt conveyors
Ładowarko-zwałowarki	Stacker-reclaimers
Koparki wielonaczyniowe	Bucket-wheel excavators
Wywrotnice wagowe	Wagon tippers
Infrastruktura powierzchniowa	Surface infrastructure
Suwnice kontenerowe	Container cranes
Suwnice bramowe nabrzeżne	Ship-to-shore gantry cranes
Układ nawęglania elektrowni	Power plant's coal feeding system

The FAMUR Group products meet the requirements of local regulations, as well as the national and international standards applicable in a given country. In addition, all plant and equipment manufactured by the FAMUR Group and marketed in the European Union meet the requirements of applicable Directives of the European Parliament and of the Council.

GRI 102-9

Suppliers

The majority of materials supplies are coordinated by FAMUR, which centralises management of the supply chain for the necessary feedstocks and materials in the Underground segment. The FAMUR Group has access to diversified sources of raw materials and is not dependent on one or more suppliers. As the Group's operations expand, the efficiency of procurement processes is improving, mainly by leveraging the economies of scale and 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 delivered to the 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.

1.1.2. Shareholding structure¹¹

GRI 102-7, GRI 102-10

As at December 31st 2018, FAMUR S.A.'s share capital amounted to PLN 5,747,632.12 and was divided into 574,632,212 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 powers.

Shareholding structure of FAMUR S.A. as at December 31st 2018

Shareholder	Number of shares	Number of voting rights at GM	% of total voting rights at GM	% of share capital
TDJ Equity I Sp. z o.o.*	327,009,251	327,009,251	56.89%	56.89%
Nationale-Nederlanden OFE**	39,849,000	39,849,000	6.93%	6.93%
OFE AVIVA Santander ^{12**}	52,400,000	52,400,000	9.12%	9.12%
Treasury shares**	4,616	4,616	0.0008%	0.0008%
Other shareholders (excluding treasury shares)	155,500,345	155,500,345	27.05%	27.05%
Total	574,763,212	574,763,212	100.00%	100.00%

* Data as at December 21st 2018 (based on notifications).

** Data based on the last General Meeting of the Company held in 2018 (October 10th 2018) and the received notifications.

*** Held indirectly through subsidiaries.

Shareholding structure of FAMUR S.A. as at the date of issue of this CSR Report

Shareholder	Number of shares	Number of voting rights at GM	% of total voting rights at GM	% of share capital
TDJ Equity I Sp. z o.o.*	271,852,288	271,852,288	47.30%	47.30%
Nationale-Nederlanden OFE**	57,974,127	57,974,127	10.09%	10.09%
OFE AVIVA Santander***	52,400,000	52,400,000	9.12%	9.12%
Treasury shares****	4,616	4,616	0.0008%	0.0008%
Other shareholders (excluding treasury shares)	192,532,181	192,532,181	33.50%	33.50%
Total	574,763,212	574,763,212	100.00%	100.00%

* Data as at March 11th 2019 (based on notifications).

** Data as at April 8th 2019 (aggregate value for accounts of OFE and DFE funds managed by NN PTE).

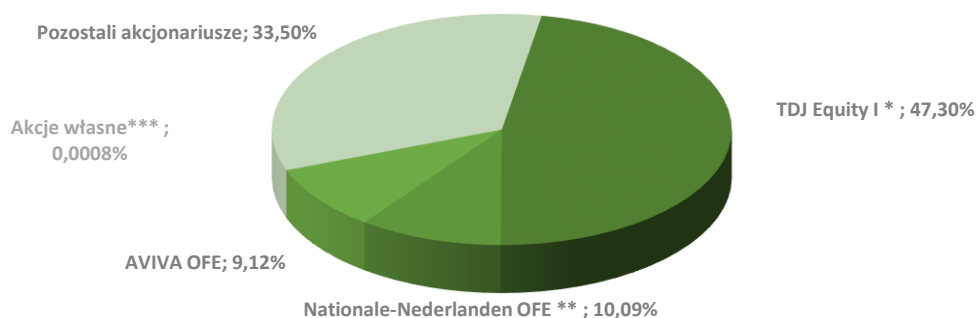
*** Data based on the last General Meeting of the Company held in 2018 (October 10th 2018) and the received notifications.

**** Held indirectly through subsidiaries.

¹¹For complete information on changes in the FAMUR S.A.'s capital and ownership structure (in accordance with the Minister of Finance's Regulation on current and periodic information), see the Directors' Report for 2018. Information is also available at <https://famur.com/relacje-inwestorskie/raporty/>.

¹² OFE AVIVA Santander (formerly AVIVA OTWARTY FUNDUSZ EMERYTALNY AVIVA BZ WBK of Warsaw; change of name as of November 15th 2018).

Shareholding structure of FAMUR S.A. as at the date of issue of this CSR Report



* Data as at March 11th 2019.

** Data as at April 8th 2019 (aggregate value for accounts of OFE and DFE funds managed by NN PTE).

** Data as at October 10th 2018 (EGM).

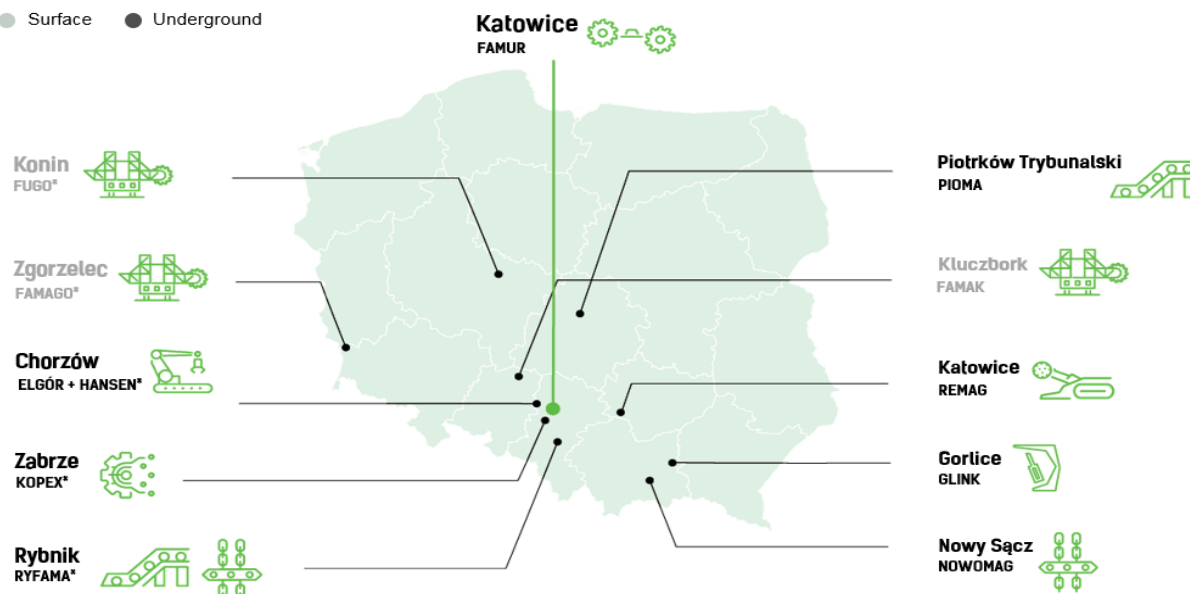
**** Held indirectly through subsidiaries.

1.1.3. Organisational structure

GRI 102-5

Kluczowe zakłady produkcyjne

● Surface ● Underground



* Akwizycje w 2017 r.

At the end of 2018, the FAMUR Group owned the following key manufacturing plants in Poland:

- 8 plants in the Underground segment:
 - 1 plant manufacturing shearer loaders and gearboxes, at FAMUR S.A. Longwall Systems Branch in Katowice,
 - 1 plant manufacturing roadheaders, drills, anchor drill rigs, loaders, and dinting loaders, at FAMUR S.A. REMAG Gallery Systems Branch in Katowice,

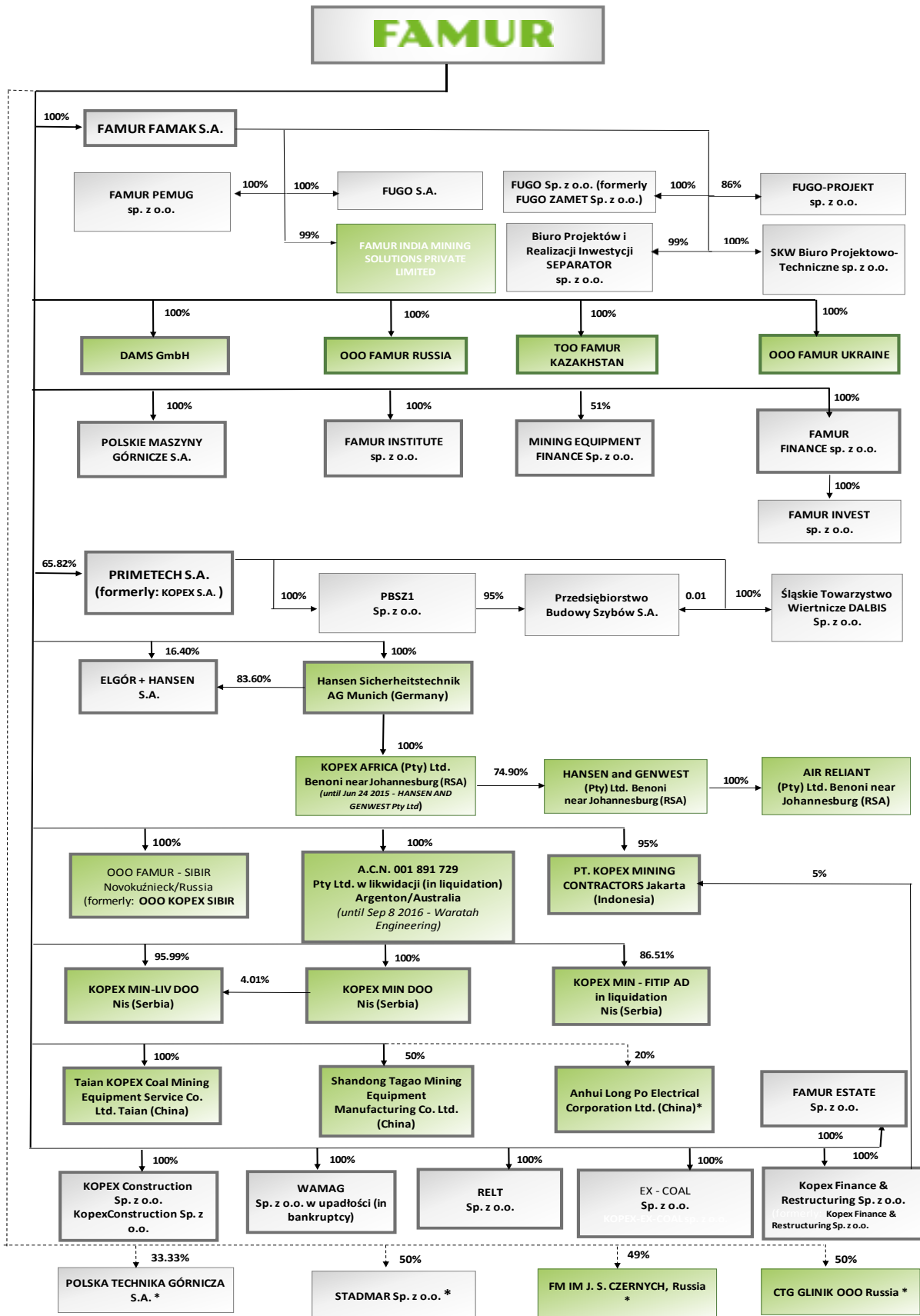
FAMUR

- 1 plant manufacturing powered roof supports, at FAMUR S.A. GLINIK Longwall Systems Branch in Gorlice,
- 2 plants manufacturing scraper conveyors and crushers – FAMUR S.A. NOWOMAG Longwall Systems Branch in Nowy Sącz and RYFAMA Longwall Systems Branch in Rybnik,
- 1 plant manufacturing transport/handling systems for underground and surface mining – FAMUR S.A. PIOMA Transport/Handling Systems Branch in Piotrków Trybunalski,
- Service Centre of FAMUR S.A. Longwall Systems Mining Machinery Diagnostics and Maintenance Centre Branch in Zabrze and FAMUR S.A. Longwall Hydraulic Systems Branch in Zabrze;
- 3 plants manufacturing machinery and equipment as part of the Surface segment, i.e. loading and handling as well as transport and mining equipment used in surface mining: FAMUR FAMAK S.A. of Kluczbork, FUGO S.A. of Konin and FUGO S.A. of Zgorzelec;
- 1 plant based in Chorzów, operating in the Electrical Equipment segment (ELGÓR+HANSEN S.A.).

In 2018, the operations of the FAMUR Group were complemented with the Mining Services segment, comprising mainly Przedsiębiorstwo Budowy Szybów S.A. and ŚTW DALBIS Sp. z o.o. of Tarnowskie Góry. The service and design offices – FUGO Projekt Sp. z o.o., Biuro Projektów i Realizacji Inwestycji SEPARATOR Sp. z o.o. and SKW Biuro Projektowo-Techniczne Sp. z o.o. – provide significant support for the FAMUR Group's operating activities. Another important Group member is FAMUR INSTITUTE Sp. z o.o., a research and development company.

As at December 31st 2018, the structure of the FAMUR Group was as follows:

Organisational structure of the FAMUR Group as at December 31st 2018



🌐 Note: Companies based abroad are marked in green.

*) The entities are not subsidiaries.

Source: FAMUR Group, Kopex Group

Changes in the FAMUR Group in 2018 and subsequent to the reporting date of December 31st 2018 – until the issue date of this report

1. **Changes related to the acquisition of PRIMETECH S.A. (formerly: KOPEX S.A.) and its demerger:** In connection with the acquisition by FAMUR S.A. of a majority interest in KOPEX S.A. from TDJ S.A. subsidiaries in June 2017, intensive work was underway in subsequent periods to integrate the FAMUR and KOPEX Groups. On April 13th 2018, the Extraordinary General Meeting of FAMUR S.A. resolved to demerge KOPEX S.A. (the “Demerged Company”) through the transfer of a part of its assets to FAMUR S.A. (the “Acquirer”) and to amend the Acquirer’s Articles of Association accordingly. Upon the court registration of the Company’s share capital increase on May 7th 2018, KOPEX S.A. was effectively demerged through the transfer of a part of its assets to FAMUR S.A., as a result of which the Company assumed all the rights and obligations in relation to the assets spun off from KOPEX S.A. For detailed information on the demerger, see the Directors’ Report for 2018.
2. **Change of name of FAMUR INDIA MINING SOLUTIONS Private Limited** On October 13th 2018, a change of FAMUR INDIA MINING SOLUTIONS Private Limited’s name to FAMAK INDIA Private Limited (abbreviated name: Pvt Ltd) was registered.
3. **Liquidation of HANSEN CHINA:** On November 27th 2018, the Company was notified that Hansen China, a Group company based in the People’s Republic of China, had been deleted from the business register.
4. **Change of name of KOPEX EX-COAL:** On November 5th 2018, the change of KOPEX-EX-COAL Sp. z o.o.’s name to EX-COAL Sp. z o.o. was registered by court.
5. **Sale of organised part of business within the Group:** On November 6th 2018, FUGO S.A. (as the seller) and FUGO Sp. z o.o (as the buyer) entered into an agreement for the sale of an organised part of business, i.e. the manufacturing plant in Zgorzelec. The operations associated with the organised part of business that had been previously performed by FUGO S.A. were taken over by FUGO Sp. z o.o. In connection with the transaction, some of the FUGO S.A. employees changed employer to FUGO Sp. z o.o. Since the agreement date, the manufacturing activities previously conducted by FUGO S.A. have been carried out by FUGO Sp. z o.o. and have continued to be located in Zgorzelec.
6. **Establishment of FAMUR ESTATE:** On November 15th 2018, FAMUR S.A. established FAMUR Estate Sp. z o.o. of Katowice. FAMUR Estate was registered on November 28th 2018.
7. **Change of name of KOPEX CONSTRUCTION:** On November 22nd 2018, the change of KOPEX CONSTRUCTION Sp. z o.o.’s name to K-CONSTRUCTION Sp. z o.o. was registered by court.
8. **Change of name of KOPEX FINANCE&RESTRUCTURING:** On November 22nd 2018, the change of KOPEX FINANCE & RESTRUCTURING Sp. z o.o.’s name to FAMUR FINANCE & RESTRUCTURING Sp. z o.o. was registered by court.
9. **Change of name of OOO KOPEX SIBIR:** The change of OOO KOPEX Sibir’s name to OOO FAMUR Sibir was registered on December 5th 2018.
10. **Liquidation of OOO FAMUR UKRAINE:** On January 22nd 2019, i.e. after the reporting date, OOO FAMUR Ukraine was deleted from the business register.
11. **Change of name of FAMUR PEMUG:** On January 23rd 2019, i.e. after the reporting date, the change of FAMUR PEMUG Sp. z o.o.’s name to PEMUG Sp. z o.o. was registered by court.
12. **Sale of FUGO PROJEKT shares:** An agreement of March 5th 2019 for the sale of 1,720 shares in Fugo Projekt Sp. z o.o. came into effect on March 8th 2019, i.e. after the reporting date. Under the agreement, FAMUR FAMAK S.A. sold all of its holding (i.e. 1,720 shares) to a buyer outside the Group, and the company ceased to be a member of the FAMUR Group as of March 8th 2019.

1.1.4. Products and business segments

GRI 102-2

Underground segment

The FAMUR Group is a leading global manufacturer of longwall machinery and systems for underground mining. The Group’s key products and services include:

- **Longwall systems**

The components of a longwall system include shearer loaders, powered roof supports, scraper conveyors, and other auxiliary equipment. The shearer loaders' installed capacities range from 250 to 1,300 kW, while the powered roof supports' range of operation is from 0.8 to 6 metres. The FAMUR Group's offering also includes power and control hydraulics. The diameters of hydraulic supports and actuators range from 50 to 440 mm. The equipment can be used for mining coal seams with thickness ranging from 1 to 6 metres.

- **Equipment for transport and handling of various bulk materials used in underground mines, for personnel transport, etc.**

The products include underground belt conveyors, surface belt conveyors, various underground means of transport for logistics purposes, such as cable-driven floor-mounted railways, diesel-powered suspended monorails, diesel-powered floor-mounted railways, diesel-powered locomotives, mechanical winches, and complete equipment for material transport and man-riding units.

- **Gallery systems**

The key element of a gallery system is roadheaders, which are used to excavate galleries and drill tunnels. The roadheaders manufactured by the FAMUR Group can excavate galleries with sections of up to 37 m², in rocks with a compressive strength up to 110 MPa.



Roof supports and shearer loaders



Roadheaders



Underground transport and handling systems and bulk materials handling systems

Surface segment

Another important segment of the Group's operations is the production of equipment for surface works, used in surface mines, handling and loading terminals, power plants, and in storage yards.

Those activities are concentrated in FAMUR FAMA S.A. and its direct subsidiaries. The product portfolio includes:

- Continuous transport systems and equipment;
- Hoisting equipment;
- Machinery and equipment for surface mining;
- Complete design and delivery of minerals processing and beneficiation plants;
- Construction and delivery of equipment for complete mine shaft hoists;
- Turnkey delivery of process systems.

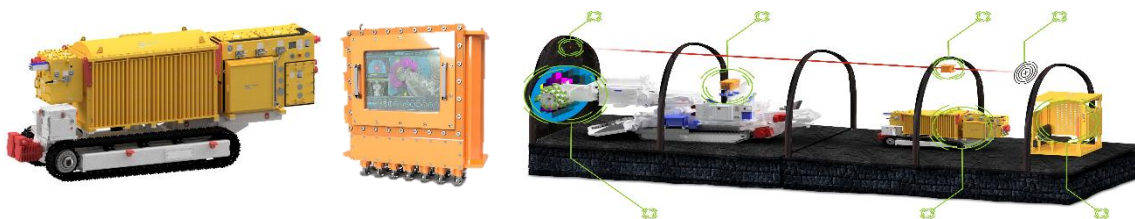


Machinery and equipment for surface mining and loading and handling equipment

Electrical Equipment

This segment includes 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. The Group also provides a 24x7 servicing of equipment used in mining, as well as equipment repairs and upgrades.

The key company in this segment is ELGÓR+HANSEN S.A.



Explosion-proof devices and solutions

Mining Services

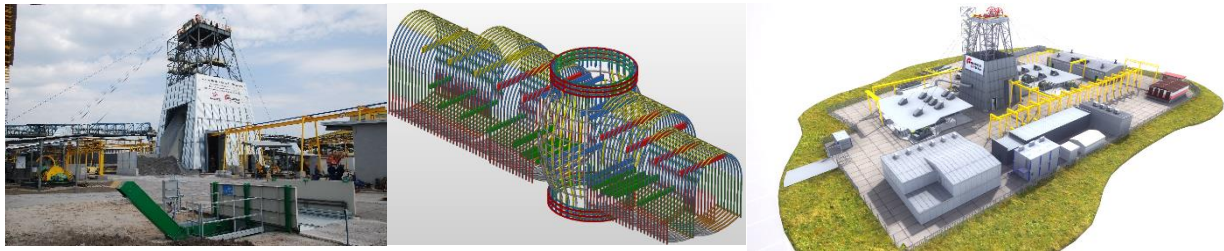
The segment covers a wide range of engineering design services related to coal, ore, salt and other minerals mining, in particular vertical (mainly shafts and winzes) and horizontal excavations and tunnels. The segment also provides mining construction services, including:

- Shaft and sub-shaft sinking;
- Deepening of existing shafts and sub-shafts;
- Installation of shaft reinforcement, ancillary shaft equipment, pipelines and cables;
- Comprehensive modernisation of shaft hoists;

FAMUR

- Construction of storage facilities for excavated material and reservoirs;
- Repairs of shaft supports and entries, shafts outfitting, storage facilities for excavated material;
- Stone and stone/coal excavating;
- design services and commercial activities in the area of commodity trading.

The segment's main company is Przedsiębiorstwo Budowy Szybów S.A. ("PBSz"), which has over 70 years of experience and belongs to the small group of highly specialised companies providing underground construction services in Poland and abroad. The segment also combines the operations of ŚTW DALBIS Sp. z o.o. and the service and trade operations of PRIMETECH S.A.



Designs and infrastructure made by the FAMUR Group

In connection with the FAMUR Group's focus on continuing its core business activities, steps have been taken with a view to selling PBSz to an external investor. In December 2018, a conditional agreement was concluded between the Company's subsidiaries and Jastrzębska Spółka Węglowa ("JSW") for the sale of 95.01% of PBSz shares. On April 3rd 2019, shareholders of JSW approved the acquisition of the PBSz shares. The signing of the final sale agreement and closing of the transaction are subject to prior satisfaction of conditions precedent (with one remaining to be satisfied, namely the registration of amendments to PBSz's Articles of Association), agreement of the terms of a corporate guarantee to be issued by the Company to secure JSW's potential claims, and execution of agreements with financial creditors of PRIMETECH S.A., specifying the procedures for the transaction execution and settlement of the sale price.

1.1.5. The markets

GRI 102-6

The FAMUR Group's revenue is largely dependent on capital expenditures made by coal mines, and by heat and power producers and transport and cargo handling operators. Such capex involves upgrades and repairs of the mines' existing machinery, as well as purchases of new machines when preparing access to new longwall panels. Delivery of spare parts and provision of maintenance services are additional revenue sources. Because the Group derives a substantial part of its revenue from the domestic market, capital expenditure of the Polish mining industry is a significant revenue driver. Since 2017, there has been a recovery in this market, which is reflected in the FAMUR Group's execution of significant contracts with Polish mining companies.

Global markets

Global annual production of both hard coal and lignite is approximately 7.4bn tonnes. The largest coal producers are: China (around 45% of world output), India (around 9%) and the US (around 9%). Poland ranked ninth, with some 2% share in global production¹³. Poland is a leading hard coal producer in the European Union: according to available market information, in 2018 its output was in excess of 63 million tonnes. To compare, the Czech

¹³ Source: World Coal Association; Coal Information, Overview 2017, International Coal Agency.

Republic produced 6.8 million tonnes, the UK 4.2 million tonnes, Germany 4.1 million tonnes, and Spain 1.7 million tonnes¹⁴.

It is estimated that coal is used to generate a third of all energy used worldwide and accounts for ca. 40% of electricity generation. It also plays a crucial role in the iron and steel making industries. Since approximately 65% of extracted coal is used to produce electricity and heat, the demand for coal depends mainly on trends in the heat and power sector, i.e. on changes in energy demand and in the energy mix¹⁵(structure of energy production and consumption). Over the last twenty years, the demand for electricity has been rising, by approximately 2% a year on average. The growing trend is expected to continue in the future.

The global commodity market is cyclical. Coal prices reached USD 85 per tonne in the ARA ports (Amsterdam-Rotterdam-Antwerp) at the end of 2018 (end of 2017: USD 96). Long-term forecasting of market trends is related to developments in the energy market, which relies on the assumption that within the next several decades the populations and incomes will grow, stimulating higher consumption of energy globally. Demand for coal is estimated to continue growing moderately in the long term. Despite a decline in the share of coal in the global energy mix, its output in nominal terms is expected to increase globally from the current 9 billion tonnes to 10 billion tonnes in 2040.¹⁶ The domestic hard coal resources, which guarantee Poland's energy security, should make coal the key fuel for energy generation over the next several decades.

Price of 1 tonne of coal in USD, Amsterdam-Rotterdam-Antwerp and Richards Bay (South Africa)¹⁷



Poland

Hard coal and lignite were Poland's basic sources of energy – they accounted for 82% of all electricity produced. Hard coal, mainly of domestic origin, remains the main source of energy. The decrease in its production is related to one of the major threats faced by the coal mining sector, namely delays in the implementation of investment plans as some projects were put on hold in previous years. While increased demand for coal has resulted in gradual sell-off of stocks, it is not possible to rapidly ramp up production from Polish mines. The launch of mining operations involves prior preparatory work to access new coal deposits, which requires a sufficiently long project implementation time. Under current conditions, rapid launch of projects in this area is becoming the key priority. At the same time, raising financing for announced investment plans, whose execution is necessary in order to maintain uninterrupted production, poses some challenge for the mining sector.

¹⁴ Source: Programme for Poland's Hard Coal Mining Sector, Ministry of Energy, 2018.

¹⁵ Source: Coal information, Overview (2017 edition), International Energy Agency.

¹⁶ Source: IEA's 2017 World Energy Outlook's New Policies Scenario.

¹⁷Source: www.gornictwo.wnp.pl

The key players in the Polish hard coal mining sector include:

- Polska Grupa Górnicza S.A. (PGG)
- Jastrzębska Spółka Węglowa S.A. (JSW)
- Lubelski Węgiel Bogdanka S.A.
- TAURON Wydobycie S.A.
- Węglkoks Kraj Sp. z o.o.
- Przedsiębiorstwo Górnicze Silesia Sp. z o.o.¹⁸

The first three companies, which control approximately 80% of Poland's hard coal mines, are the key customers on the Polish market for mining equipment.

Between 2007 and 2015, the key issues faced by Polish coal companies included low productivity, overstaffing, high fixed costs and their sensitivity to fluctuations in coal demand and prices. After coal prices began to rise and restructuring programmes were launched, in H2 2016 the financial situation of the main Polish coal producers started to improve. As a result, almost all Polish coal companies generated positive financial results, and the aggregate net profit of the JSW, PGG and LW Bogdanka Groups in 2018 (based on available market data and stock exchange reports) reached PLN 2.3bn.

The improved performance of the key Polish producers of coal encouraged decisions to increase capital expenditure. Practically all domestic coal-producing companies have stepped up their capital expenditures. In the long term though, the spending will also depend on a sustained improvement in production efficiency and company earnings, as well as on the continued implementation of a recovery plan by Poland's largest coal producer.

Lignite is another important strategic component of Poland's energy mix. In May 2018, the Polish Council of Ministers approved the Programme for Poland's Lignite Mining Sector for 2018–2030 with an outlook until 2050¹⁹. The main objective of the programme is to create conditions supporting lignite-based electricity generation using innovative and efficient technologies, including the use of lignite for the manufacturing of liquid and gaseous fuels. Lignite resources in the currently producing deposits ensure a stable level of output and operation of fuel and energy production facilities for a limited time. Based on the available analyses, it is necessary to discover new lignite deposits and build new facilities, as well as to upgrade the existing generating units, as the currently producing deposits will support maintaining a stable level of production and operation of such facilities only until about 2030–2035.

Lignite is currently mined in five surface mines in Poland, in: Bełchatów, Turów, Konin, Adamów and Sieniawa.

¹⁸A private company, with most of the share capital held by foreign investors.

¹⁹ Source: <https://www.gov.pl/web/energia/rada-ministrow-przyjela-program-dla-sektora-gornictwa-wegla-brunatnego-w-polsce>.

IMPACT OF LIGNITE ON POLAND'S ECONOMY

Addressing the trilemma in line with the EU approach to energy sustainability

IMPACT OF LIGNITE ON POLAND'S ECONOMY

- Lignite is currently the cheapest primary energy source in Poland.
- The cost of lignite is predictable in the long term and practically insensitive to fluctuations in global commodity and currency markets.
- Lignite-fired power plants operating at the base load of the National Power Grid, with moderate CO₂ prices, stabilise electricity prices for households and industry in Poland.
- The cost of fuel from new prospective deposits, calculated over the entire life cycle, is competitive (lower than the forecast costs of hard coal and natural gas).

ENVIRONMENTAL SUSTAINABILITY

- CO₂ emissions from new lignite-fired units are more than 30% lower than from the currently operating ones.
- The available technologies for reduction of SO_x, NO_x, dust and mercury emissions help meet all EU requirements in this respect.
- Designers of new facilities may use a full range of the most innovative technologies, which ensure production efficiency of more than 45% net, and mitigate the environmental impacts.
- The borders of the new deposits to be mined are optimised in order to minimise the impact on the environment and guarantee protection of Natura 2000 sites.
- Thanks to careful reclamation, unattractive areas may be transformed into valuable recreational areas (ski slopes, water sports centres, etc.); was it not for lignite mining, they could not be built because of high cost. Future generations of Poles will use those attractions, usually located near urban centres and in rural areas, which will make the places more appealing as tourist destinations.
- The rich deposits of lignite may also be used by future generations.

ENERGY SECURITY

- The use of own lignite resources increases Poland's energy independence.
- Currently providing 25% of the capacity of the National Power Grid and accounting for 30–35% of the national energy production, lignite-fired power plants are a pillar of the national power system.
- Prospective deposits, which are unique in the EU, may guarantee a fuel base for the power sector for at least the next 100 years.
- The prospective new mining and energy complexes may satisfy at least 20–25% of Poland's demand for electricity after the currently mined fields are depleted.

SOCIAL AND ECONOMIC BENEFITS

FOR POLAND'S ECONOMY AND REGIONAL DEVELOPMENT:

- Affordable electricity cost and energy security.
- Stable and attractive jobs.
- Development of road, railway and public utility infrastructure.
- Emergence of industrial and urban centres in rural regions.
- Source of significant revenue from fees and taxes for provinces and municipalities.
- Improvement of macro-economic indicators of the region.

FOR THE POWER SYSTEM:

- Lignite-fired power plants operate at the base load of the National Power Grid, ensuring stable supplies of energy throughout most of the year.
- The location of mining and energy facilities (in Bełchatów and Konin in the centre of Poland, and Turdów in the west) supports even load distribution on the power grids, since most hard coal-fired power plants are located in the south of Poland.

Source: Programme for Poland's Lignite Mining Sector, Ministry of Energy, 2018.

1.1.6. Development drivers of the industry

Global markets

Global demand for energy is expected to slowly rise in the coming years, by some 1.3% annually²⁰, driven by:

- Expected faster pace of growth in the global economy: According to the International Monetary Fund, global GDP will grow at an annual rate of around 3.7% until 2022²¹, with a major contribution from developing economies like China and India. However, the technological advancement will reduce energy intensity of the growth – it is estimated that as global GDP doubles, electricity demand will rise by 30%;
- Global population growth;
- Increasing wealth and rising living standards: it is expected that by 2035 around two billion people will rise out of poverty, with a growing share of the world's population (mainly in Africa and Asia) enjoying increased access to electricity. The urbanisation process will accelerate, fuelling growth in energy demand²².

The energy mix will continue to change. Although it is estimated that in the long term (by 2040) the share of coal in the energy production mix will decline from 29% to 24%, the overall demand for coal in nominal terms (Mtoe) will increase slightly on the rising global demand for energy²³. These changes will be led primarily by environmental protection and climate warming prevention measures as well as the use of other fuels for energy production, such as crude oil, natural gas, and renewable energy sources (RES). The share of coal in the energy mix will fall the fastest in OECD member countries.

One of the factors slowing down global demand for conventional energy sources could be China's policy of replacing coal with low carbon fuels to produce energy. Despite that, China will remain the world's largest coal market, accounting for almost half of the global coal consumption until 2035. The largest market where coal consumption is expected to continue to grow is India. The country's share of global demand for coal will rise from around 10% in 2015 to 20% in 2035²⁴; India will thus overtake the US as the second largest global consumer of coal. The Indian coal demand is expected to increase by over two thirds, driven by demand from India's heat and power sector. Overall, global coal consumption will go up by 30.5% between 2015 and 2030, chiefly driven by developing economies.²⁵

Poland

Poland will also see some major shifts in its energy mix in the long term. These shifts will be driven by the tightening of environmental standards and regulations, challenges arising from the need to improve the efficiency and profitability of domestic coal producers, and competition from other energy sources, particularly RES and natural gas, as their share in the domestic and global energy mix expands.

²⁰ Source: BP Energy Outlook 2017.

²¹ Source: International Monetary Fund's World Economic Outlook, October 2017.

²² Source: BP Energy Outlook 2017.

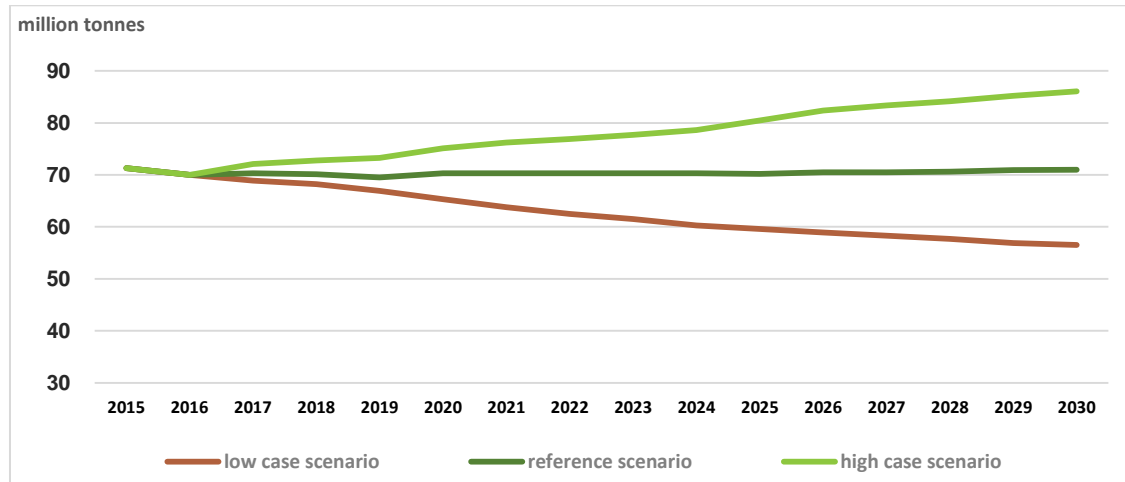
²³ Source: U.S. Energy Information Administration, International Energy Outlook 2016; BP Energy Outlook 2017; data in Btoe.

²⁴ Source: BP Energy Outlook 2017.

²⁵ Source: World Energy Outlook 2017, International Energy Agency.

In view of these considerations, the Polish government has included coal production into long-term programmes, including in particular the Sustainable Development Strategy until 2020 (with an Outlook until 2030), adopted in 2017, and the Programme for Poland’s Hard Coal Mining Sector, approved in January 2018. The reference scenario in the latter document anticipates that the nominal coal production volumes will remain at today’s levels until 2030 despite a decline in the share of coal in the energy mix in real terms.

Forecast of domestic demand for hard coal until 2030²⁶



Hard coal, which is a more expensive fuel than lignite, has a higher calorific value and remains Poland’s primary energy source. As the financial condition of domestic coal producers and the overall situation in the coal market have improved, Poland’s leading industry players have significantly increased their capex plans for the coming years. According to the data presented in the government’s programme for Poland’s mining sector until 2030, as of 2021 the average projected capital expenditure is to reach approximately PLN 2bn. Successful delivery of these investment plans is contingent on many factors, including improvement of production efficiency and sustained profitability. Today, the challenge for the mining sector is to raise financing for the announced investment plans, whose implementation is necessary to maintain the continuity of production.

Lignite is the cheapest available primary source of energy in Poland. Poland has very large deposits of lignite, but the fuel reserves in the currently producing deposits will support the current level of production only until the early 2030s. For this reason it is necessary to develop new deposits and build new fuel and energy production facilities. In planning the development of new deposits, the prospective producers need to account for the necessity to secure demand from the heat and power generation sector, but also the changing environmental protection regulations.

Thanks to the effective consolidation of the Surface segment’s potential, quality certificates and contractor licences generally recognised in the EU markets, the FAMUR Group has developed strong credentials in a prospective market. On the cargo handling market, the Group sees development opportunities in:

- Expansion of handling terminals in ports;
- Expansion of coal-fired generation capacities, including programmes in Indonesia and Turkey;
- Business development in India.

²⁶ Source: Programme for Poland’s Hard Coal Mining Sector, Ministry of Energy, 2018.

Competitive environment of the FAMUR Group

Following the many years' process of competence consolidation and building the position of a supplier of end-to-end solutions for soft rock mining, the FAMUR Group is able to successfully compete on selected markets with such corporations as the American Caterpillar and the Japanese Komatsu Mining Corp (formerly: Joy Global) in the global market of machinery and equipment for soft rock underground longwall mining. The main competitors in the Surface segment include German ThyssenKrupp, Tenova Takraf and FAM, Danish FLSmidth & Co., and the Italian family-run business Bedeschi.

1.2. About this report

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

Since 2018, the FAMUR Group has been subject to the extended non-financial reporting requirements under the amended Accounting Act²⁷, 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 groups²⁸. 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 good 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 2019, the Company has held consultations with its stakeholders to identify their expectations with respect to disclosure of non-financial information on the Company's activities. The starting point for the consultations was the FAMUR Group's non-financial statement for 2017, published in 2018 in accordance with the G4 version of the Global Reporting Initiative's (GRI's) Sustainability Reporting Guidelines.

Based on the analytical material obtained in the consultation process, the Company's Management Board decided to extend the scope of non-financial reporting beyond the scope of the non-financial statement by preparing the first corporate social responsibility report of the FAMUR Group, which is expected to support building a reputation of a reliable trading partner and a responsible participant of social and economic life.

It is the Company's intention to gradually expand the scope of non-financial reporting in order to present as fully as possible the context of its decisions and significant results obtained in implementing the CSR policy by individual FAMUR Group companies. The Company has chosen to base the methodology of CSR reporting on the Global Reporting Initiative's international non-financial reporting standards of 2016, in the core option.

²⁷Act of December 15th 2016 amending the Accounting Act of September 29th 1994 (Dz.U. of 1994, No. 121, item 591).

²⁸Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial information and diversity information by certain large undertakings and groups.

The FAMUR Group's CSR Report 2018 meets the requirements applicable to a non-financial statement, which is a separate part of the full-year Directors' Report on the operations of the parent, FAMUR S.A., and the consolidated report of the FAMUR Group, approved by the Company's Management Board.

The FAMUR Group has chosen to prepare its CSR reports as full-year reports. This report covers the results achieved in the financial year 2018, unless indicated otherwise.

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 2018 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 is subject to the requirements of the Accounting Act. In addition, 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.

This report presents the results of the FAMUR Group, including the parent, FAMUR S.A. together with its branches (being separate employers within the meaning of Art. 3¹ of the Labour Code) and, where possible given the current level of implementation of the extended reporting requirements and the materiality level, partially also the following consolidated subsidiaries: FAMUR FAMAŁ S.A., PEMUG Sp. z o.o., FUGO S.A., FUGO Sp. z o.o., Ex Coal Sp. z o.o., ELGÓR+HANSEN S.A., PBSz S.A., RELT Sp. z o.o., and ŚTW DALBIS Sp. z o.o.

In this report, in addition to the general disclosures, we have included 22 topic-specific standard indicators, corresponding to the material aspects confirmed through the consultations with the stakeholders.

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.

1.3. Stakeholders

GRI 102-40, GRI 102-42, GRI 102-43

The FAMUR Group's CSR policy identifies key stakeholder groups, acknowledging that the mutual interaction between an organisation and its stakeholders translates into the value of the organisation and the quality of life in its environment. Each of the key stakeholder groups is taken into account in the decision making processes as a result of which the FAMUR Group exerts or may exert impact on representatives of those groups. Every effort is made to build positive relations with all the stakeholders, even though the scale and nature of that impact and the expectations towards the organisation vary. Each CSR project undergoes a periodic evaluation, which includes receiving feedback from the project beneficiaries.

In February 2019, the FAMUR Group stakeholder groups were reviewed again to ensure that each key group was correctly identified and the mutual impacts and expectations were well recognised in the light of the FAMUR Group's newly adopted Growth Strategy for 2019–2023.

As a result, the following key stakeholder groups were confirmed:

MARKET STAKEHOLDERS: have economic interests in the FAMUR Group	NON-MARKET STAKEHOLDERS: 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)

Each of the identified key stakeholder groups was assessed in terms of the scale of the impact of or on the FAMUR Group and of their interest/risk in relations with Group companies.

This assessment is reflected in the matrix below, which takes into account the stakeholder groups that affect or are affected by the organisation the most, and which are thus exposed to significant risks in their relations with the organisation, so their expectations concerning non-financial disclosures should be taken into account to the greatest extent. Those stakeholders and persons are shown in the upper right-hand corner of the matrix, which illustrates the materiality of key stakeholders and their interests in the FAMUR Group's activities. The matrix defines direction and nature of the methods of stakeholder relations management with respect to the Group's key stakeholders.

The FAMUR Group uses a range of diverse communication tools and methods to ensure that relations with each stakeholder group are built in a responsible manner and address their expectations. The possibility of contacting stakeholders to learn about their needs and expectations is a valuable opportunity for the Company to improve its performance.

KEY STAKEHOLDER GROUPS OF THE FAMUR GROUP 2019



Selected tools and methods used in stakeholder relations management in 2018

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	Meetings, social media, information website, CSR programmes and campaigns, public consultations

Media	Meetings, satisfaction surveys, social media, conferences and industry events, information website, telephone contact, site visits at our plants
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1.3.1. Stakeholder engagement

GRI 102-44, GRI 102-46, GRI 102-47

For the purpose of preparing this report, a series of consultations was conducted in the form of social dialogue with key external and internal stakeholders to understand the individual stakeholder groups' needs with regard to the disclosure of non-financial aspects of the FAMUR Group's activities.

In January and February 2019, in-depth interviews were carried out with selected executives and specialists of FAMUR Group companies from the following areas: human resources management, work safety, organisation development department, procurement and supply chain, environmental protection, domestic and export sales, and marketing.

Similar individual meetings were held with representatives of external stakeholders.

Additionally, a series of workshops were organised, which were attended by a group of specialists representing individual business segments of the FAMUR Group companies (FAMUR S.A., FAMUR FAMAK S.A., ELGÓR+HANSEN S.A., FUGO S.A., FUGO Sp. z o.o. and PBSz S.A.). During the workshops, key non-financial issues of the Group's operations were identified and the internal and external stakeholder groups were reviewed. Also, the quality of non-financial statements of companies from the Group's competitive environment was assessed, and a gap analysis was performed on the basis of the Group companies' internal documentation.

Below is presented a list of issues for inclusion in the FAMUR Group first corporate social responsibility report for 2018 and – as the Group develops and improves its CSR activities – in reports on its non-financial performance in subsequent years. The issues have been divided into groups, reflecting results of the analyses of their materiality to the FAMUR Group and its key stakeholders.

The list of issues set out below has been reviewed in the course of consultations with internal and external stakeholders (70 and 25 persons, respectively), performed in the form of a concise survey carried out among administration and production employees (36 and 34 persons, respectively), capital market participants (9 institutions), media (9 persons) and banks (7 institutions).

The first group of issues includes topics which are of highest materiality to the FAMUR Group's activities, and which in the following years will need to be presented both in terms of the management approach and in terms of performance. This group of issues have been assessed as highly material. The second group of issues includes topics having a high impact on stakeholders and high significance to the success of the organisation's strategy. This group of issues have been assessed as material.

Key issues 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 of Poland	Highly material (E)
ASPECTS THAT ARE MOST MATERIAL TO INTERNAL STAKEHOLDERS	
Responsible marketing communication	Highly material (I)
Protection of privacy	Highly material (I)
Quality of service	Highly material (I)
OTHER ASPECTS	
Responsibility in the supply chain	Material (E) / (I)
Environmental education	Material (E)
Employee engagement, managing expertise and talent	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)

1.3.2. Membership of organisations

GRI 102-12, GRI 102-13

The companies of the FAMUR Group are members of industry organisations. Through this involvement, they can benefit from cooperation with other companies, participate in legislation processes, and work to promote best CSR practices.

FAMUR

Joint Social Initiatives Group 'Górnictwo OK'

'Górnictwo OK' is a communication platform between mining sector companies and the public, established in order to promote a positive image of the mining industry by pursuing joint initiatives in the area of corporate social responsibility. Members of the Joint Social Initiatives Group share their experience in best CSR practices, including in environmental protection, and implement and promote projects that present a fact-based picture of the mining industry and improve the communication of the industry with the environment. They include Poland's major coal producers, such as Polska Grupa Górnicza, Jastrzębska Spółka Węglowa, Tauron Wydobycie, and Przedsiębiorstwo Górnictwa Silesia, universities and research institutions, including faculties of the AGH University of Science and Technology in Kraków and Silesian University of Technology in Gliwice, as well as the Central Mining Institute.



National Organisation of Industry Innovators 'Innovo'

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 Innovo. 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. In particular, it provides legal advisory services and helps in acquisition of funding for innovation and intensification of export activity, engages in trade show events, and organises meetings with representatives of the state administration. The members share a common goal, which is to build a positive image of Poland's mining industry.



Mining Machinery Cluster

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

FAMUR

and business institutions. Their efforts are aimed at developing technological solutions that will help maintain and strengthen the competitive edge of Poland's mining support industry on global markets. During meetings, the cluster members work to identify joint projects to make use of the existing potential.



Polish Mining Chamber of Industry and Commerce

The Polish Mining Chamber of Industry and Commerce (GIPH) is a self-government organisation having among its members hard coal and lignite mines, 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.

FAMUR FAMAŁ



Opole Chamber of Commerce (OIG)

The Chamber is a self-government organisation representing the economic interests of its members. It is currently one of the most dynamic business support institutions in the Opole Province, associating more than 400 companies from the region as well as other parts of Poland. For 25 years, it has been a platform for dialogue and cooperation between companies from the Opole region and the central and local government authorities. It conducts promotional activities for its members and helps them liaise with partners at home and abroad. The quality of OIG's activities has been confirmed with the PN-EN ISO 9001-2009 certificate covering operations of a self-government organisation.

1.4. Awards and distinctions

In 2018, FAMUR received a number of awards and distinctions for professional company management, quality of products and services, and corporate social responsibility.

Investor without Borders title in the category of Polish investors abroad



The competition is organised by the PTWP Group, and the winners are announced at the European Economic Congress. The objective is to promote partnership and transparency of relations between investors, the market and the administration, that are based on trust and responsibility and accompanied by economic effectiveness in the implementation of investment strategies. FAMUR was distinguished for creating a group of companies capable of competing with world tycoons.

FAMUR

Economic Patriotism Index, award in the large enterprises category



The ranking is compiled by the *Rzeczpospolita* daily and the Foundation for Economic Patriotism. The awards and distinctions are a tribute to companies which make outstanding contribution to the development of Poland and economic patriotism, and at the same time do not evade their duties towards the state and the society.

Gold Payer Certificate 2017 awarded to FAMUR for maintaining the highest payment standards



The poll is organised by Euler Hermes Collections. Golden Payer is a prestigious distinction for maintaining the highest standards of payment discipline, awarded to companies that meet all of the following criteria: have a PMI (Payment Morality Index) of 100 points, are rated above CCC, and no debt collection proceedings are being conducted against them.

Best-Performing CEOs 2017

Mr Mirosław Bendzera, President of the FAMUR Management Board, was distinguished as the best-performing leader among members of management boards of the mWIG40 companies. The title is awarded by the Harvard Business Review publishing house.

The **One Who Changes Polish Industry** award for TDJ and FAMUR



The award, granted by the editorial board of the *Nowy Przemysł* business magazine, its publisher – the PTWP Group, and the wnp.pl website, distinguishes individuals, businesses, institutions and events that drive positive changes in Polish industry. The 2018 distinctions were awarded for accomplishments made over the past 20 years. The idea was to single out the greatest contributors to the development of the Polish economy in 1998–2018, who set the tone, rate and direction of changes.

Silver medal at the iENA trade fair



FAMUR received an award for a device for measuring dynamic loads of cutting picks in the mining process under operating conditions. The device had been developed cooperatively by representatives of FAMUR, FAMUR Institute and the Silesian University of Technology, Faculty of Mining and Geology. The award was granted at the iENA Nuremberg International Trade Fair 'Ideas – Inventions – New Products' 2018, one of the largest exhibitions of inventions in Europe. The event featured 750 inventions, showed by exhibitors from 28 countries, and was visited by business representatives from 40 countries.

2. Governance

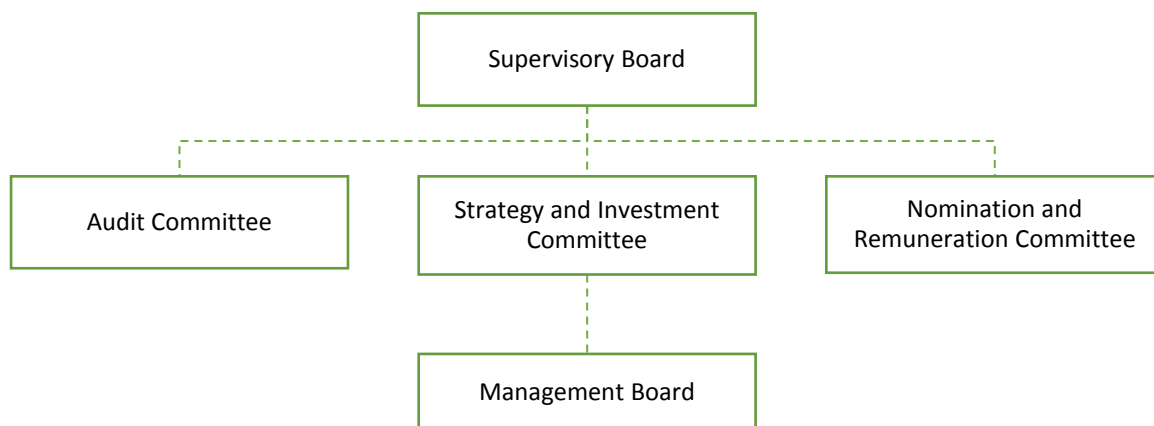
Governance is important to the credibility of FAMUR as an entity listed on the WSE’s regulated market, and thus the competitiveness of the FAMUR Group as a whole. The Company makes every effort to ensure that its disclosure policy is consistent with best practices, supports the transparency of the organisation's operations, fosters trust in relations with key stakeholders, and helps build shareholder value. The Company provides detailed information on its compliance with the principles and recommendations set forth in the Best Practice for GPW Listed Companies 2016.²⁹

2.1. Governance structure

GRI 102-18, GRI 102-22, GRI 102-23

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.



2.1.1. Supervisory Board

2.1.1.1. Powers and responsibilities

The Supervisory Board³⁰ 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.

²⁹Information on the scope of application of the *Best Practice for GPW Listed Companies 2016* is available at <https://famur.com/relacje-inwestorskie/lad-korporacyjny/>.

³⁰ The principles of operation of the Supervisory Board are specified in the Articles of Association and the Rules of Procedure for the Supervisory Board available at <https://famur.com/relacje-inwestorskie/lad-korporacyjny/>. Information on the professional qualifications of the Supervisory Board members is available at <https://famur.com/relacje-inwestorskie/zarzadzanie-nadzorcza/>.

In performing their duties, a member of the Supervisory Board should exercise due professional care. In accordance with the provisions of the Act on Statutory Auditors³¹, the Accounting Act³² and the principles contained in Best Practice for GPW Listed Companies, a member of the Supervisory Board should also have appropriate expertise and experience in the industry in which the Company operates, and members of the Audit Committee should additionally meet the independence criteria defined in the above regulations.

2.1.1.2. Composition of the Supervisory Board

The Supervisory Board consists of five or more members, appointed for a joint two-year term of office.

Composition of the Supervisory Board as at December 31st 2017

Tomasz Domogała	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	Supervisory Board member meeting statutory independence criteria ³³
Robert Rogowski	Supervisory Board member meeting statutory independence criteria.
Michał Nowak	Member of the Supervisory Board

On September 13th 2018, the Company was notified of Robert Rogowski's resignation from the position of Supervisory Board member with effect from September 30th 2018. The resignation was connected with his planned involvement with TDJ S.A. in the future, which would lead to Mr Rogowski no longer being an independent Member of the Supervisory Board. By virtue of the Company's Extraordinary General Meeting Resolution of October 10th 2018, Tomasz Kruk was appointed as member of the Supervisory Board.

Composition of the Supervisory Board as at December 31st 2018 and the date of issue of this report

Tomasz Domogała	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	Supervisory Board member meeting statutory independence criteria ³⁴
Tomasz Kruk	Supervisory Board member meeting statutory independence criteria
Michał Nowak	Member of the Supervisory Board

Gender diversity on the Supervisory Board

Period	Share of women [%]	Share of men [%]
Dec 31 2018	28.6	71.4
Dec 31 2017	28.6	71.4

³¹Act on Statutory Auditors, Audit Firms and Public Supervision of May 11th 2017 (Dz. U., item 1089).

³²Accounting Act of September 29th 1994 (Dz. U. of 2016, item 1047, as amended).

³³ The independence criteria are defined by the European Commission in Annex II to the Commission Recommendation of February 15th 2005 on the role of non-executive or supervisory directors of listed companies and committees of the (supervisory) board, the requirements set out in the *Best Practice for GPW Listed Companies* and the Act on Statutory Auditors, which provides detailed rules for the appointment and operation of audit committees in public interest entities, including the requirement for the majority of audit committee members, including the chairman, to be independent of the public interest entity.

³⁴See above.

2.1.1.3. Standing committees of the Supervisory Board

In 2017, the Supervisory Board of FAMUR resolved on the appointment of the Audit Committee, the Strategy and Investment Committee, and the Nomination and Remuneration Committee.

Responsibilities of the Audit Committee

The Committee is a consultative, advisory and supportive body of the Supervisory Board; in particular, it presents recommendations, proposals, opinions and reports to the Supervisory Board. 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.

Composition of the Audit Committee as at December 31st 2018

Tomasz Kruk
Dorota Wyjadłowska
Jacek Leonkiewicz

Responsibilities of the Strategy and Investment Committee

The Committee is a consultative, advisory and supportive body of the Supervisory Board; in particular, it presents recommendations, proposals, opinions and reports to the Supervisory Board. Its responsibilities include, without limitation, supporting the Supervisory Board in the following areas:

- Issuing opinions on the strategy for the Company and the Group recommended by the Management Board;
- Issuing opinions on strategic projects recommended by the Management Board, related to the development of the Company and the Group;
- Issuing opinions on investments and divestments recommended by the Management Board, which would have a significant impact on the Company's and the Group's assets or operations;
- Monitoring the progress and effects of the strategy implemented by the Company and the Group, strategic projects, as well as investments and divestments having a significant impact on assets or operations.

Composition of the Strategy and Investment Committee as at December 31st 2018

Czesław Kisiel
Magdalena Zajączkowska-Ejsymont
Jacek Leonkiewicz

Responsibilities of the Nomination and Remuneration Committee

The Committee is a consultative, advisory and supportive body of the Supervisory Board; in particular, it presents recommendations, proposals, opinions and reports to the Supervisory Board. Its responsibilities include, without limitation, supporting the Supervisory Board in the following areas:

- Control and supervision of the remuneration system, including monitoring of the remuneration and bonus policies for key management personnel;
- Supervision of the variable remuneration components policy for key management personnel;
- Appointing members of the Management Board.

Nomination and Remuneration Committee composition as at December 31st 2018

Czesław Kisiel
Magdalena Zajączkowska-Ejsymont
Jacek Leonkiewicz

2.1.2. Management Board

2.1.2.1. Powers and responsibilities

The Management Board is a body authorised to manage the Company's affairs and represent the Company before third parties.³⁵ 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.

2.1.2.2. Composition of the Management Board

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.

Composition of the Management Board as at January 1st 2018

Mirosław Bendzera	President of the Management Board
Beata Zawiszowska	Vice-President of the Management Board
Adam Toborek	Vice-President of the Management Board
Zdzisław Szypuła	Vice-President of the Management Board
Dawid Gruszczyk	Vice-President of the Management Board
Bartosz Bielak	Vice-President of the Management Board

On September 26th 2018, the Management Board was notified that on September 25th 2018 Zdzisław Szypuła resigned as Vice President of the Management Board with effect as of December 31st 2018. The resignation was submitted in connection with the implementation, as of January 1st 2019, of a new organisational structure consistent with the Company's strategy for 2019–2023 and his planned appointment as Vice President of the Management Board at FAMUR FAMA S.A. Concurrently, pursuant to the Supervisory Board's resolutions of

³⁵The principles of operation of the Management Board are specified in the Articles of Association and the Rules of Procedure for the Management Board available at <https://famur.com/relacje-inwestorskie/lad-korporacyjny/>. Information on the professional qualifications of the Management Board members is available at <https://famur.com/relacje-inwestorskie/zarzad-rada-nadzorcza/>.

September 25th 2018, Tomasz Jakubowski was appointed as Vice President of the Management Board, Chief Operating Officer, Underground Segment, and Waldemar Łaski was appointed as Vice President of the Management Board, Surface Segment. The appointments took effect on September 26th 2018.

In addition, the functions of individual Management Board members were changed.

As of September 26th 2018, Beata Zawiszowska was appointed as Vice President, Chief Financial Officer, and Bartosz Bielak as Vice President, Chief Strategy and Development Officer (before that, Beata Zawiszowska and Bartosz Bielak held the positions of Vice Presidents of the Management Board). As of January 1st 2019, Adam Toborek was appointed as Vice President, Underground Segment Export Sales and Dawid Gruszczyk as Vice President, Underground Segment Domestic Sales (earlier Adam Toborek and Dawid Gruszczyk held the positions of Vice Presidents of the Management Board).

Composition of the Management Board as at December 31st 2018

Mirosław Bendzera	President of the Management Board
Beata Zawiszowska	Vice President, Chief Financial Officer
Adam Toborek	Vice-President of the Management Board
Zdzisław Szypuła	Vice-President of the Management Board
Bartosz Bielak	Vice President of the Management Board, Chief Strategy and Development Officer
Dawid Gruszczyk	Vice-President of the Management Board
Tomasz Jakubowski	Vice President of the Management Board, Chief Operating Officer, Underground Segment
Waldemar Łaski	Vice President of the Management Board, Surface Segment

On February 26th 2019, Bartosz Bielak resigned as Vice President of the Management Board, Chief Strategy and Development Officer, with effect as of February 28th 2019, citing personal reasons for his resignation. From September 2017, Bartosz Bielak had been responsible, among other things, for the preparation of the Company's growth strategy for 2019–2023, which was announced in September 2018, and for divestment processes. Bartosz Bielak will work for the FAMUR Group as an adviser, providing advice on such issues as the Company's growth through acquisitions, including in the hard rock mining segment, and remains Vice President of the Management Board of PRIMETECH S.A.

Composition of the Management Board as at the date of issue of this report

Mirosław Bendzera	President of the Management Board
Beata Zawiszowska	Vice President, Chief Financial Officer
Adam Toborek	Vice President of the Management Board, Underground Segment Export Sales
Dawid Gruszczyk	Vice President of the Management Board, Underground Segment Domestic Sales
Tomasz Jakubowski	Vice President of the Management Board, Chief Operating Officer, Underground Segment
Waldemar Łaski	Vice President of the Management Board, Surface Segment

GRI 405-1

Composition of the Management Board by diversity criteria as at December 31st 2018

Diversity criteria	Persons meeting the criteria [%]
Women	12.5
Men	87.5
Aged 30-50 years	75
Over 50 years of age	25

2.2. Management systems

GRI 102-16

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, PN-N-18001:2004, OHSAS 18001:2007 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.

Due to the number of companies in the FAMUR Group, the different times of their incorporation into the Group structure, and the different degrees of advancement of their management solutions, the individual management system standards are being implemented gradually and their implementation status varies. The Group wants to present more information on the implementation status of the management system standards by the companies in subsequent reporting periods.

In order to further improve the organisation's management model, the lean management programme was initiated in the FAMUR Group in mid-2018. It is a management system facilitating continuous enhancement of results by improvement initiatives aimed at optimisation of all key processes in the organisation, including management and production processes, with due regard to the needs of customers. The programme allows us to focus on creating maximum value for the customer with minimal resources, which is made possible by perfectly organised management processes resulting from the use of talent at every level of the organisation.

When the lean management programme was initiated, strategic directions for the transformation of the FAMUR Group were presented:

- AWARENESS REVOLUTION – knowledge dedicated to all employees, promoting appropriate attitudes and awareness building through numerous lean workshops and training;
- PROCESS OPTIMISATION – implementation of tools and methods to improve the efficiency of all processes;

- EFFICIENCY BOOST – activities which give an insight into the current situation of a process/area and help control its effectiveness visually.

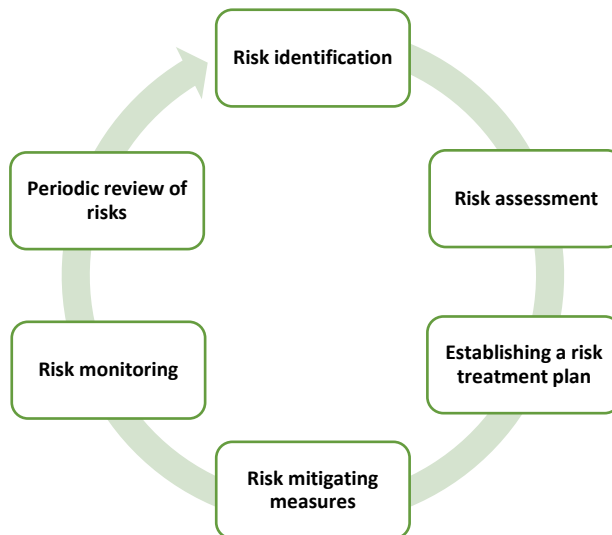
3. Risk management

3.1. Management approach

GRI 103-2, GRI 103-3

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.

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, and 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 Q1 2019, risks in the non-financial areas were additionally analysed by the Group's specialists taking part in the workshop held to determine materiality of particular non-financial issues with regard to the information needs of key stakeholder groups.

3.2. Key risks affecting non-financial issues

GRI 102-15

The FAMUR Group has identified risks related to non-financial issues in its operations. The risk factors discussed below apply both to the FAMUR Group and to FAMUR S.A.

ENVIRONMENTAL ISSUES

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 Aspects³⁶):

- 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).
RISK MITIGATION MEASURES: The FAMUR Group has introduced internal instructions for waste management. In addition, the Group meets all the conditions required to obtain a waste generation permit, and its employees receive training in proper waste management.
- 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).
RISK MITIGATION MEASURES: The FAMUR Group has developed instructions for waste management and obtained a permit for waste generation.
- 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.
RISK MITIGATION MEASURES: The FAMUR Group has obtained a permit to release gases and dusts into the air.
- 4. Risk associated with generation of hazardous waste during continuous plant operation processes,** including used oils, emulsions, lubricants, wiping cloths.
RISK MITIGATION MEASURES: The FAMUR Group has developed instructions for waste management and obtained a permit for waste generation.

GRI 307-1

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.

³⁶FAMUR S.A.'s Register of Environmental Aspects as well as the Environmental Monitoring Plan and Environmental Aspects Assessment were updated in April 2018.

The effectiveness of those measures is confirmed by the fact that in 2018 no sanctions for non-compliance with environmental laws and regulations were imposed on the FAMUR Group companies covered by non-financial reporting on environmental protection (FAMUR, FAMUR FAMAK, FUGO, FUGO, ELGÓR+HANSEN, PBSz).

SOCIAL ISSUES

With regard to its community engagement, the FAMUR Group has identified the following risks:

1. Risk of a potential increase in social expectations regarding the scale of the Group's involvement along with the expansion of its social initiatives

RISK MITIGATION MEASURES: 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.

2. Risk of employees being reluctant to commit to new social projects or social projects implemented in new locations

RISK MITIGATION MEASURES: 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.

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 2018, 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.

In recognition of the community engagement of the Group employees as part of the skills based employee volunteering programme, in 2018 the TDJ Foundation nominated of the Company in the 'Benefactor of the Year' competition for its Social and Civic Competence Building Studio project. The 'Benefactor of the Year' is Poland's largest and oldest competition whose aim is to promote companies' CSR activities.

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.

EMPLOYEE ISSUES

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

1. Risk of occupational accidents

RISK MITIGATION MEASURES: Due diligence procedures have been put in place across the FAMUR Group to support the 'zero accident' policy.

2. Risk of non-compliance with local or international labour laws or regulations

RISK MITIGATION MEASURES: The FAMUR Group's HR department monitors changes in employment-related legislation through its HR management services, and the Group's foreign subsidiaries are required to do the same in the countries where they hire staff.

3. Risk of recruiting inadequately qualified staff, resulting in improper performance of tasks and responsibilities and occurrence of related errors at work

RISK MITIGATION MEASURES: 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.

4. Risk of staff shortages, which may result in failure to meet project deadlines set by customers and in excessive workload for existing employees

RISK MITIGATION MEASURES: 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.

5. Risk of production staff turnover

RISK MITIGATION MEASURES: 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.

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

RISK MITIGATION MEASURES: 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.

7. Risk related to the generation gap in the labour market: The FAMUR Group's contract execution capabilities depend to a large extent on the ability to efficiently and independently prepare complete technical documentation for the manufactured machinery and equipment. The process of preparing for the manufacture of each machinery item involves the performance of a number of engineering and technical design tasks. The ability to manufacture a product that meets specific technical requirements depends on highly qualified engineering staff. Technical and engineering staff are the Group's and FAMUR's key employees. The Group's business also entails the need to employ highly qualified manual workers with extensive experience and skills required in the manufacture of technologically advanced machinery. Also the implementation of new designs requires specialists with relevant engineering experience. There is a risk of future shortage of personnel with appropriate experience, educational background and professional skills, which may limit the Group's ability to increase production and introduce new machinery, designs, and technological solutions. This shortage is caused by the very limited number of vocational schools offering desired career training profiles. The problem is further aggravated by:

- Changes in the educational system at the level of vocational and secondary schools (insufficient number of educational institutions offering desired vocational training profiles);
- Generation gap, primarily among production staff;
- Shortages in some of the geographical markets where the Group's subsidiaries operate, due to local conditions.

RISK MITIGATION MEASURES: The FAMUR Group:

- 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;
- Identifies mentors/internal coaches,
- Identifies a competency gap among replacement staff in order to provide them with adequate training to fill vacancies resulting from the generation gap, based on development programmes;

- Ensures employee development through dedicated programmes, which include assessment of the participants' learning progress;
- Develop 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;
- Recruit 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;
- Begins to recruit non-EU nationals, keeping in mind that this may pose translation/interpreting-related challenges (fewer translators/interpreters available);
- Acquires new plants; by acquiring companies and their workforce, the Group reduces the risk of staff shortages.

8. Risk of shortage of foreign workforce who could work in Poland 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.

RISK MITIGATION MEASURES: The FAMUR Group monitors opportunities for recruiting foreign workforce and takes measures to retain valuable employees.

9. Risk of uneven integration of employees from different FAMUR Group companies, branches, or plants

RISK MITIGATION MEASURES: When carrying out projects to develop employees' skills (such as the Trainers Academy programme), 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.

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

RISK MITIGATION MEASURES: 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, etc.).

11. Risk related to competition from other FAMUR Group companies as employers located in the same area and seeking job candidates with similar qualifications

RISK MITIGATION MEASURES: The FAMUR Group is planning to put in place a single Group-wide recruitment process with a clear set of guidelines applicable to employees who migrate from one member of the Group to another.

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

RISK MITIGATION MEASURES: 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.

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.

ISSUES RELATED TO RESPECTING DIVERSITY

The main risk associated with diversity involves potential violations of human rights, both in the FAMUR Group's operations and in its supply chain. Any violations in this area may entail significant reputational and business risks to the Group. To counteract negative practices in this area, the Group has adopted a comprehensive Diversity Policy, supported by the Policy for Counteracting Discrimination and Workplace Bullying, which require the employees to treat other employees equally and to prevent any form of discrimination.

Furthermore, in line with the *Best Practice for GPW Listed Companies*: "A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation: information about the company's diversity policy applicable to the company's governing bodies and key managers"; the description should cover the following elements of the diversity policy: gender, education, age, professional experience, and specify the goals of the diversity policy and how it is to be implemented in the reporting period. The Company has published relevant statements, as required by the above regulation³⁷. Information on the proportion of women and men on the Management Board and Supervisory Board of FAMUR in 2012–2019 is also available on the Company's website³⁸.

ISSUES RELATED TO RESPECTING HUMAN RIGHTS

GRI 408-1, GRI 409-1

The main risk associated with human rights involves their potential violations, both in the FAMUR Group's operations and in its supply chain. Any violations in this area may entail significant reputational and business risks to the Group. To counteract this, the Group companies are obliged to observe the comprehensive Human Rights Policy in their operations. Compliance with the Policy is monitored, and the Policy itself undergoes periodic reviews.

However, no steps are being taken at present to obtain confirmation that human rights are also respected in the business partners' supply chains abroad. The risk of violation of these rights exists particularly with respect to suppliers from outside the European Union. The Group companies that identify such risk in their operations will consider including questions related to respect for human rights, such as prohibition of child labour or forced labour, in questionnaires for its suppliers.

GRI 406-1

³⁷Statements of compliance with *Best Practice for GPW Listed Companies* are part of the Directors' Reports on the Company's and the Group's operations, which are available on the website containing financial reports of FAMUR S.A. at <https://famur.com/relacje-inwestorskie/raporty/>.

³⁸ <https://famur.com/relacje-inwestorskie/lad-korporacyjny/>.

In 2018, there were no confirmed incidents of discrimination at FAMUR Group companies covered by non-financial reporting.

ISSUES RELATED TO COUNTERACTING CORRUPTION

The risk of corruption relates to all FAMUR Group companies and branches, especially those that directly cooperate with customers or suppliers, as well as the technical departments which search for solutions and suppliers on their own. To counteract this, the FAMUR Group companies are obliged to observe the comprehensive Anti-Corruption Rights Policy in their operations. Compliance with the Policy is monitored. In addition, those matters are regulated by due diligence procedures adopted by FAMUR, such as the Supplier Selection Procedure and the Rules of Cooperation with Suppliers and Trading Partners.

GRI 205-3

In 2018, there were no confirmed incidents of corruption at FAMUR Group companies covered by non-financial reporting.

ISSUES RELATED TO THE BUSINESS MODEL

The FAMUR Group's key customers operate in the mining sector, which is cyclical. Therefore, the current economic cycle and the situation of the mining sector impact the FAMUR Group's operations and financial performance.

Material risk factors and threats with a bearing on the Company's business also include:

- Risk of inadequate diversification of revenue sources;
- Risk of deterioration in mining companies' financial position and insolvency of mines;
- Risk of macroeconomic volatility;
- Risk of changes in the global energy market;

RISK MITIGATION MEASURES: In view of the situation of the Polish mining industry, the FAMUR Group has decided to diversify its product range and develop its portfolio of products and services, in particular those targeted at the industries of strategic economic importance (mining, heat and power generation, and cargo transport and handling), as well as electricity products and solutions. At the same time, the Group has decided to expand its footprint on foreign markets. This decision led to the implementation of the GO GLOBAL international expansion programme, which provides for gradual expansion on foreign markets, especially in countries with expected high economic growth rates and high energy demand, as set out in detail in the FAMUR Group Growth Strategy until 2023, adopted in 2018. In addition to the above objectives, the strategy envisages further diversification of the Group's operations through entering the hard rock mining sector, as well as enhancing the operational efficiency. The FAMUR Group also wants to actively improve the efficiency and advancement of the mining sectors in those countries where the Group offers its solutions, including in Poland, by pursuing the 'Industry 4.0' project.

According to the report of the World Economic Forum³⁹, technology is one of the key drivers which can ensure evolution and continued existence of the mining industry. The Polish government also sees the need to restructure and modernise coal mines. The principal causes of the present situation in the mining industry are

³⁹ Mining & Metals in a Sustainable World 2050, World Economic Forum 2015.

high costs of hard coal production, due to difficult mining conditions and persistently low efficiency, especially when compared with leading global producers.

The government's Sustainable Development Strategy assumes development of products which would enable Polish industry to gain a significant position in the global market of mining and construction machinery under the 'Smart Mine' programme.⁴⁰ With energy security in mind, the Polish government's plans provide for focusing on enhancing the efficiency of the Polish mining sector.

4. Our values

4.1. Mission, vision, values

GRI 102-16

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

Preferred global supplier of innovative end-to-end solutions for the mining and material handling industries

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



Wiera

- 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



Odpowiedzialność

- 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

⁴⁰ Sustainable Development Strategy until 2020 (with an Outlook until 2030) [Strategia na rzecz Odpowiedzialnego Rozwoju do roku 2020 (z perspektywą do 2030 r.)], the Ministry of Development, 2017.



Współpraca

organisation

- 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



Otwartość

- 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



Wiarygodność

- We always deliver on our promises
- We are reliable and honest
- We play fair
- We fulfil our obligations

Wiara	Faith
Odpowiedzialność	Responsibility
Współpraca	Cooperation
Otwartość	Openness
Wiarygodność	Reliability

4.2. 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 successful execution of 16 acquisitions provided the Group with knowledge, experience and know-how which allow it to offer end-to-end solutions to its customers. In addition, an optimised production network was created comprising 11 key plants. The Group employs more than 5,000 staff.

2018 was a year marked with significant events related to defining the organisation's vision for the future as The FAMUR Group Growth Strategy for 2019–2023 was adopted. 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 2018 and subsequent years, the FAMUR Group will undergo internal changes and the entire organisation will be streamlined and transformed. In addition to the adopted new system of values, the organisation is planning to define, by 2020, a Code of Ethics to be followed by all employees and to implement an ethical education system which will facilitate promoting the accepted standards of conduct.

In 2018, two meetings of Group managers were held, during which the participants jointly confirmed the need to focus on the organisation's key capital, that is people – its employees, customers, or job candidates. With them in mind, the Group defined measures to be taken to support the value-based corporate culture and employer branding of the Group.

4.3. Counteracting corruption and misconduct



FAMUR wspiera
Cele Zrównoważonego Rozwoju

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 activities 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:

1. Training employees and informing other persons and business entities cooperating with the Group companies about matters related to the Group's Anti-Corruption Policy;
2. Encouraging employees and co-workers to report any violations of the organisation's policies and unethical behaviour;
3. 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.

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.

5. Sustainable development

GRI 102-12, GRI 103-2

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 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 Development⁴¹, and the UN Guiding Principles

⁴¹The Sustainable Development Goals were agreed at the United Nations General Assembly in September 2015. The *UN 2030 Agenda* includes a framework plan for development, indicating 17 Sustainable Development Goals (SDGs) and 169 associated targets to stimulate development in the most important areas for people and the planet. The fundamental message is to strive for development that guarantees a decent life for all.

on Business and Human Rights, which define companies' responsibility for respecting human rights in their business.

5.1. Strategic goals

The FAMUR Group's CSR policy defines objectives for activities in 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.

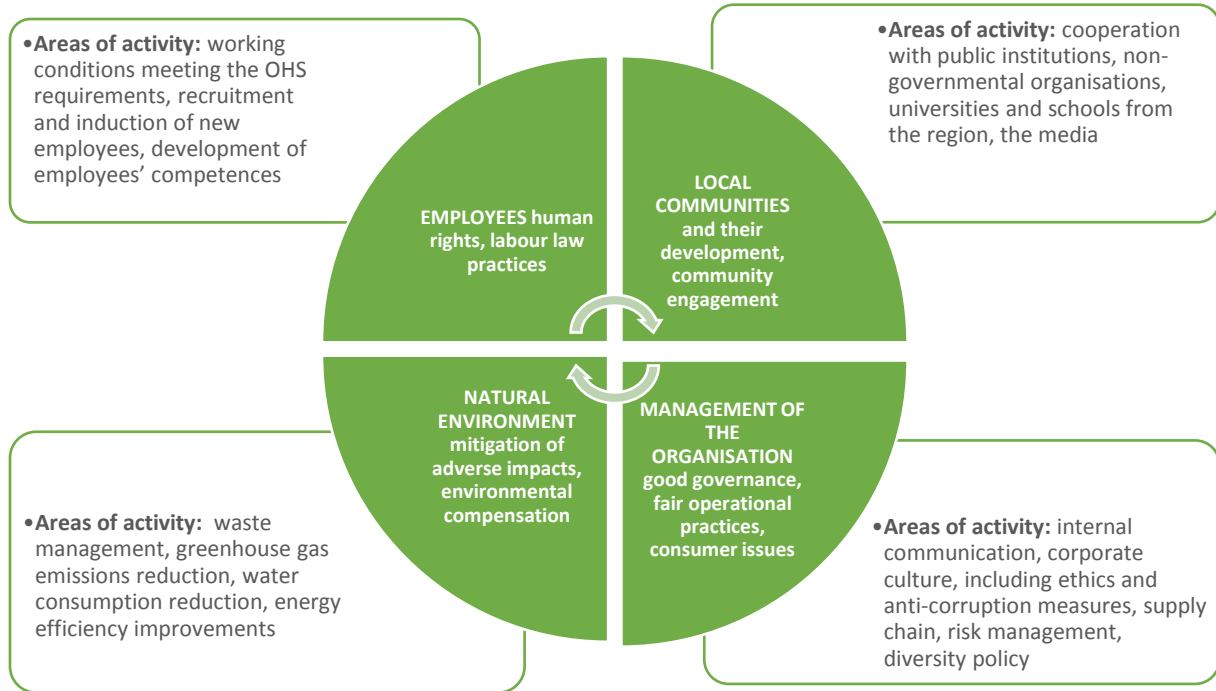
NATURAL ENVIRONMENT

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.

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 in 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.

5.2. Employees and human rights

GRI 103-2, GRI 103-3

5.2.1. HR policy

FAMUR



FAMUR wspiera
Cele Zrównoważonego Rozwoju

In 2018, the FAMUR Group implemented a HR Policy whose main strategic objectives include:

1. **Ensuring safe working conditions;**
2. **Developing employee skills;**
3. **Maintaining a stable team of qualified staff;**
4. **Ensuring 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.

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 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.

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.

At FAMUR, 99.97% of employees are covered by collective bargaining agreements, at FAMUR FAMAK and FUGO 100%⁴² of employees are covered by such agreements, at PEMUG – 97.6%, and at PBSz of Bytom the collective bargaining agreement covers 61.82% of the employees.

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 2018.

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.

In 2018, the Group companies participated in a number of events such as the 3rd Employers' Fair organised by the Silesian Technical School SLTZN of Katowice, and the 12th Edition of the Autumn Job and Entrepreneurship Fair in Gliwice accompanied by the Employer's Day, organised by the Faculty of Materials Engineering and Metallurgy of the Silesian University of Technology. For students interested in the programme of apprenticeships and work placements offered by the FAMUR Group, a VR-goggles application was prepared so that they could virtually move deep into the mine to see how the machines produced at the Group's plants work.

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.

⁴² An employee covered by a collective bargaining agreement at any of these companies is an employee who is bound by and benefits from the terms of the agreement.

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.

Currently, the schools with patronage class arrangements supported by the FAMUR Group include the Complex of Secondary Schools No. 2 in Piotrków Trybunalski (FAMUR), Complex of Technical Schools in Mikołów (FAMUR), Complex of Technical Schools in Rybnik (FAMUR), Complex of Technical and General Education Schools No. 3 in Chorzów (ELGÓR+HANSEN), Complex of Secondary Schools No. 2 at the Lifelong Education Centre in Kluczbork (FAMUR FAMAK) and Complex of Energy and Mining Schools in Konin (FUGO).

Furthermore, FAMUR works on joint research initiatives, as well as work placement programmes and internships for students, with the E. Abramowski Technical School and General School Complex No. 3 in Katowice, the Faculty of Mining and Geoengineering of the AGH University of Science and Technology in Kraków, the National Higher Vocational School in Racibórz, and the Department of International Economic Relations of the University of Economics in Katowice.



Arkadiusz Kustra, Eng., ScD (habilitated doctor), Vice Dean for Academic and Financial Matters at the Faculty of Mining and Geoengineering, AGH University of Science and Technology in Krakow, Chairman of the Mining Economic Forum Organisation Committee

The Faculty of Mining and Geoengineering at the AGH University of Science and Technology in Kraków partners with its stakeholders in strategic development initiatives focused on value growth. FAMUR is one of the stakeholders with whom the Faculty has been actively cooperating as part of its teaching, research and science popularisation activities. Teaching work that aims to effectively prepare students for the needs of the mining industry in the broad sense requires the transfer of up-to-date theoretical knowledge and its presentation in practice. FAMUR has organised apprenticeships, work placements and study visits for our students – not only Poles but also young people from other countries, such as Vietnam, India or China. Thanks to such encounters, future mining sector professionals could learn about the latest solutions and technologies used in the industry. At the same time, those meetings perfectly complemented the lectures given at our Faculty, providing practical confirmation of the knowledge gained by the students.

As far as research is concerned, FAMUR has cooperated with our Faculty in various types of work and projects, designed to leverage the Faculty's scientific potential and combine it with the practical experience represented by FAMUR. Such projects often involve end-to-end solutions in the field of geology and mining of mineral resources that can be applied in execution and planning of mining projects in Poland or abroad.

The harmonious cooperation between FAMUR and our Faculty includes various knowledge popularisation initiatives such as scientific conferences, where the Company's management actively participate in discussions, present results of research work, or talk about their practical experiences with various mining, mechanical or even financial solutions. A case in point is the

Mining Economic Forum, during which Mr Bartosz Bielak, Vice President and Chief Strategy and Development Officer at FAMUR, discussed the Company's foreign expansion and the challenges it had encountered in financing its operations in the export markets, which are an important element of the Company's strategy from the point of view of revenue diversification.

GRI 102-7

Total number of FAMUR Group employees⁴³

Company	Dec 31 2018	Dec 31 2017
FAMUR S.A. ⁴⁰	2,564	1,988
FAMUR FAMAK S.A.	483	496
ELGÓR+HANSEN S.A.	231	184
FUGO Sp. z o.o.	482	355
FUGO S.A.	0 ⁴⁴	156
PEMUG Sp. z o.o.	82	77
Ex Coal Sp. z o.o.	4	4
PBSz S.A.	998	1,002
RELT Sp. z o.o.	12	13
ŚTW DALBIS Sp. z o.o.	85	73
TOTAL	4,985	4,406

GRI 401-1

New hires and employee turnover at the FAMUR Group in 2018

Company	Diversity criteria	Number of new employee hires
FAMUR S.A. ⁴⁵	Aged less than 30 years	127
	Aged 30-50 years	159
	Aged more than 50 years	34
	Women	35
	Men	285
	Silesia Region	222
	Łódź Region	25
	Lesser Poland Region	73
	Employee turnover	10.7
FAMUR FAMAK S.A.	Aged less than 30 years	30
	Aged 30-50 years	15
	Aged more than 50 years	9
	Women	10
	Men	44

⁴³Companies consolidated for non-financial reporting purposes.

⁴⁴On November 7th 2018, 138 employees of FUGO S.A. were transferred to FUGO Sp. z o.o. pursuant to Art. 23¹ of the Labour Code (acquisition of an organised part of business).

⁴⁵Data for FAMUR S.A. and its branches having the status of separate employers, i.e. PIOMA Transport/Handling Systems Branch in Piotrków Trybunalski, GLINIK Longwall Systems Branch in Gorlice, REMAG Gallery Systems Branch in Katowice, Longwall Systems Branch in Katowice, NOWOMAG Longwall Systems Branch in Nowy Sącz, RYFAMA Longwall Systems Branch in Rybnik, and Longwall Hydraulic Systems Branch in Zabrze. The data does not include persons who were transferred to individual employers/branches pursuant to Art. 23¹ of the Labour Code.

	Konin	2
	Zabrze	7
	Zgorzelec	0
	Kluczbork	45
	Employee turnover	14.4
ELGÓR+HANSEN S.A.	Aged less than 30 years	20
	Aged 30-50 years	33
	Aged more than 50 years	13
	Women	10
	Men	56
	Employee turnover	6.32
FUGO Sp. z o.o. ⁴⁶	Aged less than 30 years	20
	Aged 30-50 years	67
	Aged more than 50 years	84
	Women	12
	Men	159
	Kluczbork	0
	Konin	33
	Zabrze	30
	Zgorzelec	138
	Employee turnover	11.6
PEMUG Sp. z o.o.	Aged less than 30 years	5
	Aged 30-50 years	8
	Aged more than 50 years	3
	Women	0
	Men	16
	Employee turnover	16.5
PBSz S.A.	Aged less than 30 years	120
	Aged 30-50 years	95
	Aged more than 50 years	12
	Women	1
	Men	226
	Poland	224
	Other countries	3
	Employee turnover	25.65
RELT Sp. z o.o.	Aged less than 30 years	0
	Aged 30-50 years	0
	Aged more than 50 years	0
	Women	0
	Men	0
	Employee turnover	8.33
ŚTW DALBIS Sp. z o.o.	Aged less than 30 years	1
	Aged 30-50 years	2
	Aged more than 50 years	2
	Women	0
	Men	5
	Employee turnover	21.25

⁴⁶ On November 7th 2018, 138 employees of FUGO S.A. were transferred to FUGO Sp. z o.o. pursuant to Art. 23¹ of the Labour Code. The employee turnover was calculated assuming that employees taken over from FUGO S.A. are new hires.

Information about FAMUR Group employees (persons)

Company	Basis of employment	Dec 31 2018		Dec 31 2017	
		Women	Men	Women	Men
FAMUR S.A. ⁴⁷	Employment contracts	277	2,287	240	1,748
	of which: open-ended employment contracts	245	1,951	211	1,439
FAMUR FAMA S.A.	Employment contracts	54	429	47	449
	of which: open-ended employment contracts	42	391	36	397
FUGO S.A.	Employment contracts	0	0	16	147
	of which: open-ended employment contracts	0	0	14	119
FUGO sp. z o.o.	Employment contracts	36	446	26	329
	of which: open-ended employment contracts	33	409	22	290
PEMUG Sp. z o.o.	Employment contracts	6	76	8	69
	of which: open-ended employment contracts	5	57	6	52
K-CONSTRUCTION Sp. z o.o.	Employment contracts	3	41	3	34
	of which: open-ended employment contracts	3	27	3	28
Ex-Coal Sp. z o.o.	Employment contracts	1	3	1	3
	of which: open-ended employment contracts	1	3	1	3
PBSz S.A.	Employment contracts	63	935	69	933
	of which: open-ended employment contracts	62	619	65	
RELT Sp. z o.o.	Employment contracts	2	4	2	5
	of which open-ended employment contracts	2	4	2	5
ELGÓR + HANSEN S.A.	Employment contracts	42	189	37	147
	of which: open-ended employment contracts	32	140	35	140
ŚTW DALBIS Sp. z o.o.	Employment contracts	4	81	4	69
	of which: open-ended employment contracts	4	81	4	64

5.2.2. 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.

⁴⁷ Data for FAMUR S.A. and its branches having the status of separate employers, i.e. PIOMA Transport/Handling Systems Branch in Piotrków Trybunalski, GLINIK Longwall Systems Branch in Gorlice, REMAG Gallery Systems Branch in Katowice, Longwall Systems Branch in Katowice, NOWOMAG Longwall Systems Branch in Nowy Sącz, RYFAMA Longwall Systems Branch in Rybnik, and Longwall Hydraulic Systems Branch in Zabrze. The data does not include persons who were transferred to individual employers/branches pursuant to Art. 23¹ of the Labour Code.

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.

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.

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

1. Occupational health and safety,
2. Ensuring freedom of expression,
3. Prevention of child labour,
4. Elimination of exploitation,
5. Observance of terms and conditions of employment,
6. Prevention of discrimination, and
7. Protection of personal data.

With regard to the latter issue, 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 provisions of the General Data Protection Regulation (GDPR⁴⁸) are complied with in their relations with current and former employees, their families, as well as job applicants and external partners. These issues are treated by the Group not only as a legal requirement, but as part of a broader commitment to respecting privacy, which is a human right.

In 2018, the FAMUR Group implemented its Personal Data Protection Policy, along with the necessary physical and ICT security procedures and instructions. 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 Inspector has been appointed at FAMUR and notified to the President of the Office for Personal Data Protection. He is responsible for monitoring the Company's compliance with the GDPR and the due diligence procedures adopted by the Company in this respect.

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 2018, 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.

5.2.3. Diversity policy

⁴⁸ 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.



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:

1. 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);
2. 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 and diversity criteria (gender and age) as at December 31st 2018

Company	Persons meeting diversity criteria [%]	
	White-collar workers	Blue-collar workers
FAMUR S.A. ⁴⁹		
Women	24	4
Men	76	96
FAMUR FAMA K S.A.		
Women	25	1
Men	75	99
FUGO Sp. z o.o.		
Women	18	4
Men	82	96
PEMUG Sp. z o.o.		
Women	20	0
Men	80	100
ELGÓR+HANSEN S.A.		
Women	20	16

⁴⁹ Data for FAMUR S.A. and its branches having the status of separate employers, i.e. PIOMA Transport/Handling Systems Branch in Piotrków Trybunalski, GLINIK Longwall Systems Branch in Gorlice, REMAG Gallery Systems Branch in Katowice, Longwall Systems Branch in Katowice, NOWOMAG Longwall Systems Branch in Nowy Sącz, RYFAMA Longwall Systems Branch in Rybnik, and Longwall Hydraulic Systems Branch in Zabrze.

Men	80	84
PBSz S.A.		
Women	24	1
Men	76	99

Company	Persons meeting diversity criteria [%]	
	White-collar workers	Blue-collar workers
FAMUR S.A.⁵⁰		
Aged less than 30 years	10	9
Aged 30-50 years	56	41
Aged more than 50 years	34	50
FAMUR FAMA S.A.		
Aged less than 30 years	16.4	17.0
Aged 30-50 years	59.4	39.5
Aged more than 50 years	24.2	43.5
FUGO Sp. z o.o.		
Aged less than 30 years	5	7
Aged 30-50 years	53	35
Aged more than 50 years	42	58
PEMUG Sp. z o.o.		
Aged less than 30 years	9.6	2
Aged 30-50 years	45.2	39.2
Aged more than 50 years	45.2	58.8
ELGÓR+HANSEN S.A.		
Aged less than 30 years	7	23
Aged 30-50 years	76	51
Aged more than 50 years	17	26
PBSz S.A.		
Aged less than 30 years	13	25
Aged 30-50 years	60	53
Aged more than 50 years	27	22

5.2.4. Employee relationship practices

5.2.4.1. Training and education

FAMUR



FAMUR wspiera
Cele Zrównoważonego Rozwoju

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

⁵⁰ Data for FAMUR S.A. and its branches having the status of separate employers, i.e. PIOMA Transport/Handling Systems Branch in Piotrków Trybunalski, GLINIK Longwall Systems Branch in Gorlice, REMAG Gallery Systems Branch in Katowice, Longwall Systems Branch in Katowice, NOWOMAG Longwall Systems Branch in Nowy Sącz, RYFAMA Longwall Systems Branch in Rybnik, and Longwall Hydraulic Systems Branch in Zabrze.

- **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 session;
- **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** – the employees can develop their professional and personal skills by taking part in regularly organised initiatives under the skills based employee volunteering programme. To this end, the Trainers Academy was established, which may be joined by those employees who wish to share their knowledge both inside and outside of the organisation. The project is a continuation of the previous Social and Civic Competence Building Studio programme. One of the goals provided for in the CSR strategy is to gradually increase the number of internal coaches in subsequent years.

GRI 404-1

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

Diversity category	2018	2017
FAMUR S.A.⁵¹		
Women	8.51	11.06
Men	11.66	9.94
Blue-collar workers	8.41	5.4
Specialists	18.67	18.62
Managers	8.59	10.79
FAMUR FAMAK S.A.		
Women	6.58	2.51
Men	10.08	3.68
White-collar workers	6.52	6.74
Blue-collar workers	12.07	1.39
ELGÓR+HANSEN S.A.		
Women	2.18	2.00
Men	3.9	2.86
White-collar workers	4.1	3.09
Blue-collar workers	3.31	1.89
PEMUG Sp. z o.o.		
Women	4.00	4.13
Men	7.22	6.52
White-collar workers	2.90	2.71
Blue-collar workers	9.47	8.67
FUGO Sp. z o.o. Konin		
Women	3.14	8.27
Men	2.29	9.73
White-collar workers	3.65	3.10
Blue-collar workers	1.94	11.64
PBSz S.A.		
Women	0.64	0.60
Men	16.26	15.99
Administration staff	2.04	2.00
Technical support staff	2.20	2.10
Senior supervisors	3.16	3.17
Production workers	19.88	18.96

⁵¹ Data for FAMUR S.A. and its branches having the status of separate employers, i.e. PIOMA Transport/Handling Systems Branch in Piotrków Trybunalski, GLINIK Longwall Systems Branch in Gorlice, REMAG Gallery Systems Branch in Katowice, Longwall Systems Branch in Katowice, NOWOMAG Longwall Systems Branch in Nowy Sącz, RYFAMA Longwall Systems Branch in Rybnik, and Longwall Hydraulic Systems Branch in Zabrze.

BEST PRACTICE

In 2017, the FAMUR Group launched the Social and Civic Competence Building Studio project, co-financed by the Ministry of Labour and Social Policy under the Civic Initiatives Fund Operational Programme. As part of this initiative, employees of the Group's production plants from the provinces of Katowice, Kraków and Łódź were involved in skills-based employee volunteering activities. A series of workshops designed to develop caching skills (e.g. coaching, mentoring, training, self-presentation, storytelling) prepared them to act as civic educators. This model, combining social responsibility and industrial operations, was put forward by the TDJ Association.

Since 2018, the project has been fully financed with the Company's funds. The civic educators take part in workshops for primary and secondary school students, where they teach soft skills necessary for young people entering the labour market and present safe ways of using modern technologies. They also meet with young students from the FAMUR Group's patronage classes during their study visits at production plants.

5.2.4.2. Occupational safety

FAMUR



FAMUR wspiera
Cele Zrównoważonego Rozwoju

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 subcontractors 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 mid-2018, the Group started to implement 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.

The 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 CSR objective of ensuring safe working conditions is pursued through constant efforts to reduce accident severity and frequency rates and to eliminate fatalities.

GRI 403-2

Severity and frequency rates of accidents⁵², injuries, occupational diseases, days lost, and total number of work-related fatalities at the FAMUR Group

COMPANY	INDICATOR	2018	2017
FAMUR S.A. ⁵³	Number of occupational diseases in former employees	3	7
	Number of work-related fatalities	0	0
	Number of accidents at work	44	24
	Number of days lost due to accidents	2,360	1,262
	Frequency rate	17	13
	Severity rate	54	53
FAMUR FAMA S.A.	Number of occupational diseases	0	0
	Number of work-related fatalities	0	0
	Number of accidents at work	6	4
	Number of days lost due to accidents	440	345
	Frequency rate	12	8
	Severity rate	73	86.25
PEMUG Sp. z o.o.	Number of occupational diseases	1	0
	Number of work-related fatalities	0	0
	Number of accidents at work	1	2
	Number of days lost due to accidents	182	91

⁵²Accident frequency rate: number of accidents/number of employees x 1,000. Accident severity rate: number of days lost/number of affected employees.

⁵³ Data for FAMUR S.A. and its branches having the status of separate employers, i.e. PIOMA Transport/Handling Systems Branch in Piotrków Trybunalski, GLINIK Longwall Systems Branch in Gorlice, REMAG Gallery Systems Branch in Katowice, Longwall Systems Branch in Katowice, NOWOMAG Longwall Systems Branch in Nowy Sącz, RYFAMA Longwall Systems Branch in Rybnik, and Longwall Hydraulic Systems Branch in Zabrze.

	Frequency rate	12	36.29
	Severity rate	182	91
FUGO Sp. z o.o. of Konin	Number of occupational diseases in former employees	1	1
	Number of work-related fatalities	0	0
	Number of accidents at work	6	4
	Number of days lost due to accidents ⁵⁴	282	330
	Frequency rate	17.99	11.33
	Severity rate	47	82.5
FUGO Sp. z o.o. Zgorzelec	Number of occupational diseases	0	n/a
	Number of work-related fatalities	0	n/a
	Number of accidents at work	8	n/a
	Number of days lost due to accidents	245	n/a
	Frequency rate	58	n/a
	Severity rate	30	n/a
K-Construction Sp. z o.o.	Number of occupational diseases	0	0
	Number of work-related fatalities	0	0
	Number of accidents at work	3	2
	Number of days lost due to accidents	175	248
	Frequency rate	68	54.1
	Severity rate	58	74.0
ELGÓR + HANSEN S.A.	Number of occupational diseases	0	0
	Number of work-related fatalities	0	0
	Number of accidents at work	1	3
	Number of days lost due to accidents	29	45
	Frequency rate	4.39	15.9
	Severity rate	29	15
ŚTW DALBIS Sp. z o.o.	Number of occupational diseases	0	n/a
	Number of work-related fatalities	0	n/a
	Number of accidents at work	2	n/a
	Number of days lost due to accidents	148	n/a
	Frequency rate	24	n/a
	Severity rate	74	n/a

Accidents at work at the Group companies in 2018 were minor accidents.

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

⁵⁴Days lost are counted as of (and including) the day of the accident.

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 issues are not separately regulated under collective bargaining agreements, except for issues such as employees' right to benefits, additional remuneration for night-time work, or accounting for overtime work.

5.3. Society

GRI 103-2, GRI 103-3

The FAMUR Group companies are obliged to observe a comprehensive Community Engagement Policy, embodying their commitment to building relations with their local communities and to support them in a way that would maximise benefits to all parties.

The Group's community engagement objectives:

- **To build cross-sectoral partnerships based on respect and mutual benefits;**
- **To remain open to important needs voiced by local communities, especially when the needs are related to the company's close environment.**

Those objectives are to be achieved through:

- Cross-sectoral partnership for local communities – activities undertaken (mainly in the vicinity of the Group's facilities) with the volunteer support of employees to address identified community needs;
- Assisting in the activities conducted by the TDJ Foundation, which provides wide-ranging support to children of the FAMUR Group employees and local communities to help them take advantage of development and education opportunities (including by funding scholarships and organising holiday camps for children and youth);
- Strengthening stakeholder relationships in areas related to the Group companies' operations, including through the 'Górnictwo OK' initiative and cooperation with universities and technical schools.

5.3.1. Development of the Polish mining sector

FAMUR

FAMUR wspiera
Cele Zrównoważonego Rozwoju



GRI 102-12

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.⁵⁵

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.

⁵⁵A family of technologies that process, collect and transmit information in electronic form.

In 2018, FAMUR participated in a number of events as part of the 'Górnictwo OK' project, including:

- February 26th 2018 – a panel discussion entitled 'CSR – Its Place in Sustainable Development – Cooperation with Local Governments', held during the School of Underground Mining;
- April 10th–12th 2018 – EU-LA Mining & Exploration Convention and Trade Show METS 2018 in Madrid, one of the largest events in the world (with almost 400 participants) organised to share opinions and best practices in the field of social responsibility in the mining sector; it was organised by the European Commission and the main message of this year's edition was development of cooperation between the mining sectors in Europe and Latin America;
- May 24th 2018 – Responsible Business Conference at the Faculty of Mining and Geoengineering of the AGH University of Science and Technology, organised by the Management Students Science Club; the conference was the largest student community event of this type in Poland in 2018, and was attended by more than 100 students interested in CSR issues.
- August 8th–12th 2018 – Social PreCOP 24 in Katowice, one of the series of events under the banner 'The Polish Way to a Clean Environment'; FAMUR contributed to formulating a common position of Polish mining companies on climate change for the COP24 summit, participated in the plenary session 'Polish Mining Sector on the Way to a Clean Environment – as Seen and Implemented by the Members of the 'Górnictwo OK' Initiative', and organised and took part in the panel 'Mining is OK for the Natural Environment', focused on two thematic areas:

Efficient mining production:

- economic use of (old) post-production waste,
- pro-environmental and pro-social management of production landfills,
- towards optimised deposit management,
- towards an innovative product.

Minimising the adverse impact on the environment:

- pro-environmental solutions in the field of heating fuels and combustion technologies,
- rational management of production utilities,
- revitalisation of post-mining facilities.

- December 12th and 13th 2018 – COP24: the Company provided industry-related expertise in the following events: Clean Fuels Day: 'From Coal to Steel'; and Heating Day: 'The Ways of Solving Low Emission Problems – on the Basis of Technology, Science'; 'ENERGY24' conference accompanying COP24 – a FAMUR representative participated in the panel 'Innovative Technical and Technological Solutions for the Mining and Energy Sectors'.

The new FAMUR Group Growth Strategy places great emphasis on the implementation of product innovations, as well as the use of IT systems that increase safety and efficiency and optimise the costs of mineral extraction. The Group works with state institutions and academic centres on raising the standards of Polish and world mining techniques, having joined in the development and implementation of the national Sustainable Development Strategy for the Polish mining sector. Those partnerships broaden the Group's capabilities and build synergies in the area of technology, product portfolio development and know-how.



Professor Franciszek Plewa, ScD (habilitated doctor), Dean of the Faculty of Mining and Geology of the Silesian University of Technology

The Faculty of Mining and Geology of the Silesian University of Technology engages in joint projects with research centres and institutes, as well as with representatives of industry, in order to develop mutual cooperation. One of the Faculty's key partners is the FAMUR Group. This partnership involves combining theoretical problems and considerations with practical solutions and modern technologies.

The annual Scientific Conference on Sustainable Mining held at the Faculty of Mining and Geology as part of the St Barbara's Day celebration is an excellent opportunity to share knowledge and experience. Lectures by FAMUR Group employees presented during the Plenary Session provide a valuable, practical perspective on mining and its sustainable development. The Group's support for the Faculty is highly appreciated and this year FAMUR was honoured with the Diamond Sponsor statuette. The Faculty of Mining and Geology is committed to expanding its cooperation with the FAMUR Group. At present, arrangements are being made for FAMUR employees to take part in the EU Safe Deep Mining project carried out at the Faculty. The employees will have an opportunity to attend a course whose main objective is improving safety of mining operations. Upon its completion, each graduate will obtain the title of 'Academic Accredited Rock Engineer for Deep Mines'.



- In late 2017, the FAMUR Group started cooperation with the **Polish Development Fund** through a joint investment in Mining Equipment Finance Sp. z o.o. (a company of the FAMUR Group), with a focus on financing Polish mining companies' projects that are of strategic importance to modernising the mining and power sectors in Poland. This joint initiative involves providing funds for the purchase of modern mining machinery and equipment manufactured by FAMUR. It indirectly stimulates a gradual increase in the efficiency and safety of mineral extraction in Poland.



Krzysztof Perdzyński, CFA, Senior Investment Manager, Polish Development Fund (OFR)

In November 2017, the Polish Development Fund, acting as the manager of a part of the investment portfolio of Fundusz Inwestycji Infrastrukturalnych – Kapitałowy FIZAN (the "Fund"), joined special purpose vehicle Mining Equipment Finance Sp. z o.o., in which FAMUR is the majority shareholder (51%), while the Fund holds a 49% equity interest. The core business of this FAMUR Group company is the financing of investments of strategic importance to the modernisation of the Polish mining and power sectors, which is consistent with the 'Smart Mine' project under the national Sustainable Development Strategy. This joint initiative involves providing funds for the purchase of modern mining machinery and equipment manufactured by FAMUR.

The cooperation is proceeding successfully and the project is being implemented as planned. FAMUR is responsible for all technical matters, including the manufacture, delivery and installation of machinery in mines, as well as for day-to-day maintenance and warranty repairs. After completion of the first full year of cooperation, I acknowledge that FAMUR has complied fully with its commitments under the investment agreement between us. In the course of the cooperation, we have ongoing relationships with the Company with respect to disclosure requirements. We regularly receive reports on the Company's performance of contracts with production companies. All related activities are carried out in a timely manner and the collaboration between us as investment partners runs smoothly.

Before establishing cooperation, we always assess the production and financial capacities of our prospective partner in terms of their ability to perform obligations. We also analyse publicly available information which affects the company's reputation on the market, including its CSR initiatives. In the case of FAMUR, we had no doubts as to whether cooperation was possible. The Company is a very interesting and rare in Poland example of professionally managed family succession process. In addition, strong focus on state-of-the-art and innovative solutions under the Industry 4.0 concept helps FAMUR stand out from the competition and build its position on the international market. Cooperation of the PFR Group's entities with FAMUR, and more widely with the TDJ Group, on economic diplomacy aimed to promote the Polish economy and Polish enterprises abroad, reaffirms the Company's potential.

- capabilities, know-how and experience by sharing knowledge, analysing particular technological solutions, and providing mutual support in the implementation of the latest IT solutions for the mining industry. The cooperation allows both partners to expand their comprehensive offering and the added value it generates, as well as share their extensive experience in business activities conducted abroad.
- In April 2018, the Company partnered with **Jastrzębska Spółka Węglowa** ("JSW") with a view to developing innovative technical and technological solutions designed to increase efficiency and enable monitoring of coal production while improving work safety. The reason for signing the cooperation agreement was the complementary nature of both companies' business, and its overriding objective is to develop and promote Polish technologies for deep mining. The agreement allows both companies to achieve synergies from long-term market experience, unique know-how and a broad portfolio of innovative projects.
- **Jastrzębska Spółka Węglowa, ADVICOM** (currently JSW IT Systems) and the FAMUR Group are partners in the implementation of predictive maintenance of machinery provided to JSW by FAMUR. The cooperation includes monitoring of current operating parameters of the machinery, their archiving in the central system, implementation of methods for predicting potential breakdowns, establishing the right sequence of preventive measures, and detection of causes of increased machine wear and incidence of failures. The letter of intent was signed in June 2018.
- In November 2018, the FAMUR Group and the **Central Mining Institute** (Główny Instytut Górnictwa) signed a strategic cooperation agreement concerning implementation of research projects in the following areas: mining, geoengineering, coal processing, energy and environmental engineering, as well as development of innovative technologies and solutions for the mining sector. The aim of the cooperation is to acquire and promote hands-on experience required to develop innovative solutions increasing the efficiency of mineral production and work safety, especially in hazardous areas. The alliance also covers educational and promotional initiatives, including organisation of industry conferences promoting research, development and innovation, as well as posting publications in Polish and foreign academic periodicals.

- In mid-2017, the FAMUR Group and **KGHM ZANAM** entered into an agreement on joint ventures covering distribution of mining machinery and equipment and after-sales services on foreign markets, as well as research and development projects. Both companies have been working towards developing comprehensive and long-term cooperation on global markets, as well as increasing the complementarity of their offering for foreign partners.
- In the first half of 2018, together with the **Polish Development Fund**, FAMUR joined the initiative of **JSW, PeBeKa** and the **Indo Polish Chamber of Commerce and Industry**, creating an industry cooperation platform for the purpose of bidding for contracts in India's mining and power sectors. Using the full leverage of the partners' capabilities and potentials, the agreement makes it possible to develop a comprehensive offering tailored to the specific nature, needs and expectations of the Indian market. Such form of cooperation facilitates professional management of large projects and improves effective raising of funds for their implementation.



Janusz Władyczak, President of the Management Board of Korporacja Ubezpieczeń Kredytów Eksportowych S.A.

Social responsibility is the awareness that an enterprise is not only a market player, but that its role and impact reach far wider and thus impose an obligation to create social welfare.

What it means in practice is that an enterprise is not only supposed to abide by the market rules and not affect adversely its environment (e.g., the natural environment), but also to contribute to the public welfare, taking care to act in a predictable and transparent way and give voice to all its stakeholders, including employees, who should have a say in determining the direction of development and conduct of the company. Social responsibility is also about the company itself working actively for the benefit of the local community while also supporting its employees in such activities. What I have in mind are initiatives that create an emotional link between the company's business profile and the activities of individuals.

As far as the FAMUR Group is concerned, corporate social responsibility is inextricably linked to environmental issues. Since the Company works with the coal mining industry, which is commonly associated with activities harmful to the environment – from coal production to coal combustion – it is particularly important that the public be informed about the actions taken by FAMUR to mitigate the negative environmental impact, to leave no doubt that the society matters. Therefore, it is essential to communicate effectively that, as a result of FAMUR's use of smart technologies and innovative solutions in design processes and further in the manufacture of mining machinery, and owing to the use of environmentally friendly, state-of-the-art technologies, the subsequent human intervention becomes less harmful to the natural environment, less onerous to local communities, more efficient, and safer for people. Transparency of the Company's activities and informing the public about their quality is vital both for the reputation of the Company itself, as well as for the people and the environmental organisations that represent them. Therefore, establishing itself as a socially responsible business should involve a holistic approach to processes and analysis of their impacts on its environment.

Looking at the cooperation between KUKI and the FAMUR Group, it should be stressed that the Group is one of the largest exporters in the region. It boldly enters into markets that are hardly the first choice for Polish businesses, such as Australia or Latin America, which is a positive manifestation of the global expansion of Polish companies.

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FAMUR wspiera
Cele Zrównoważonego Rozwoju

BEST PRACTICE

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.

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.

The FAMUR Group is working on new solutions that will help extend the effective working life of mines. To this end, it intends to develop smart technologies, in particular through:

- **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;

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- **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.

5.3.2. Community engagement programmes

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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.



In pursuit of the CSR objective of supporting local communities through cross-sectoral partnerships the following initiatives were undertaken in 2018:

- Group employees took part in two charity collections to support the Guardian Angels House Youth Assistance Association (Stowarzyszenie Pomocy Dzieciom i Młodzieży Dom Aniołów Stróżów) of Katowice as part of the ‘Kilometres of Good to MAKE A DIFFERENCE in the Lives of Children and Youth from Underprivileged Backgrounds’ and ‘We Give Wings’ campaigns.
 - ‘Kilometres to MAKE A DIFFERENCE’ is the slogan of a project that consists in collecting one złoty coins, held annually in Katowice. The coins collected at the head office of FAMUR and the REMAG Gallery Systems Branch were donated to finance organising summer holidays for the children and youths under the care of the Guardian Angels House.
 - FAMUR was among the companies that took part in the ‘We Give Wings’ campaign organised by the Guardian Angels House. Gingerbreads were sold at the Company throughout December, and the proceeds were donated to the Guardian Angels House in Katowice.
- Assistance was provided to the Regional Foster Care and Therapeutic Centre in Gliwice and the ‘Zakątek’ Children’s Home in Katowice.
 - FAMUR and ELGÓR+HANSEN jointly organised sound editing workshops for the children under the care of those two institutions. The workshops were conducted by a Group employee whose hobby is sound editing.
 - Employees of ELGÓR+HANSEN, FAMUR, the Longwall Systems Branch of Katowice and TDJ Estate helped organise a Football Tournament for those children, held at the auxiliary pitch of the Municipal Stadium of GKS Piast in Gliwice on the occasion of the Children’s Day. Six teams, consisting of the children and Group employees, took part in the tournament
 - A special concert was organised, where the youngest charges sang carols and Christmas songs to the accompaniment of FAMUR Institute employees.
- Furniture was donated for the Polish Association for Persons with Intellectual Disabilities, the Katowice - Giszowiec Branch, in response to a request from the Maria Trzcińska-Fajforowska Education and Rehabilitation Centre in Katowice. The Centre’s activities focused on helping disabled children and teenagers, providing daily care for approximately 60 children and outpatient treatment for 300–400 disabled children a month. The Centre was set on fire in the middle of the year, which caused enormous damage.
- 180 litres of paint was donated for repainting the Paediatric Surgery Ward of the Provincial Specialist Hospital No. 3 in Rybnik. One of the Group’s production plants is located in the town.
- A collection of bottle caps was initiated for the benefit of the ‘Wspólna Nadzieja’ Foundation of Chorzów, which raises funds for the treatment of seriously ill children and provides support to their families. It also supports the activities of medical and educational institutions. The charity event

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was joined by the Group's Head Office, the Longwall Systems Branch of Katowice, the Gallery Systems Branch of Katowice, and TDJ Estate. The proceeds from the sale of bottle caps were donated for the treatment of the children and teenagers under the Foundation's care.

- A charity collection was organised for the upkeep of animals from the FAUNA Shelter and the WEGETYKA Foundation of Ruda Śląska during the winter season. The collection, initiated by a Company employee, was joined by FAMUR branches from Katowice and Zabrze. It was completed by virtual adoption of an animal from the shelter by FAMUR.



Małgorzata Krakowiak, the Factory of Local Initiatives Association (Stowarzyszenie Fabryka Inicjatyw Lokalnych) of Katowice

FAMUR lends support to the Factory of Local Initiatives Association in connection with the Nikiszowiec Fair event we organise. In addition to bringing tangible benefits, this partnership is important to us because we consistently seek to build relationships with businesses. In our activities, we attach more and more importance to collaborating with commercial entities, partly to understand their perspective and learn the 'language of business'. As an organisation, we have been a social economy entity for less than four years. Each day, we learn to think 'economy-wise', which requires looking at our own operations from a different angle. In collaboration with FAMUR, continued for two years now, we have organised two editions of the Nikiszowiec Fair. We believe that confirms that this partnership is profitable – for different reasons – to both parties.

5.4. Natural environment

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GRI 103-2, GRI 103-3

In 2018, the FAMUR Group developed and implemented an Environmental Policy. In order to properly manage environmental issues, 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.

5.4.1. 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,
- Use of recyclable materials,
- Optimising the use of raw materials,
- 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.

5.4.2. Key results

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GRI 302-1, GRI 303-1, GRI 305-1, GRI 306-2

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

COMPANY	INDICATOR	2018	2017
FAMUR S.A. ⁵⁶	Electricity [MWh]	27,950	18,833.4
	Heat drawn from the distribution network [GJ]	78,213	Not reported
	Water abstraction [m ³]	66,047	80,482
	Carbon dioxide [kg]	641,661	277,913.9
	Carbon monoxide [kg]	3,650	Not reported
	Industrial F-gases [kg]	0	63.5
	Nitrogen oxides [kg]	1,084	721.4
	Industrial post-installation waste [Mg]	11,531	10,885.9
	Municipal waste [Mg]	782	708.4
	Reclaimed waste [Mg]	19	24.5
FAMUR FAMAK S.A.	Electricity [MWh]	5344.25	5,769.8
	Water abstraction [m ³]	10851	11,373
	Carbon dioxide [Mg]	6,151.7	4,998.1
	Industrial F-gases [kg]	0	0
	Nitrogen oxides [Mg]	7.9	6.1
	Industrial waste [Mg]	1,717.6	1,873.6
	Municipal waste [m ³]	226.2	221.8
	Reclaimed waste [Mg]	8.9	9.4
PEMUG Sp. z o.o.	Electricity [MWh]	1.25	0.9
	Water abstraction [m ³]	120	127
	Carbon dioxide (CO ₂) [kg]	13.5	14.5
	Industrial F-gases [kg]	0	0
	Nitrogen oxides [kg]	0	0
	Industrial waste [Mg]	1.75	7
	Municipal waste [Mg]	2.33	13.2
	Reclaimed waste [Mg]	0	0
FUGO Sp. z o.o. of Konin	Electricity [MWh]	6,420.7	7,529.7
	Water abstraction [m ³]	25,413	16,723
	Carbon dioxide [Mg]	5.68	-
	Industrial F-gases [kg]	0	0
	Nitrogen oxides [kg]	0	0

⁵⁶ Data for FAMUR S.A. and its branches having the status of separate employers, i.e. PIOMA Transport/Handling Systems Branch in Piotrków Trybunalski, GLINIK Longwall Systems Branch in Gorlice, REMAG Gallery Systems Branch in Katowice, Longwall Systems Branch in Katowice, NOWOMAG Longwall Systems Branch in Nowy Sącz, RYFAMA Longwall Systems Branch in Zabrze, and Longwall Hydraulic Systems Branch in Zabrze.

	Hazardous industrial waste ⁵⁷ [Mg]	22.5	34
	Non-hazardous industrial waste [Mg]	1,242.9	1,036.6
	Municipal waste [Mg]	46,750	180
	Reclaimed waste [Mg]	5.08	14
ELGÓR + HANSEN S.A.	Electricity [MWh]	579.7	507.7
	Water abstraction [m ³]	1,544.7	1,339.3
	Carbon dioxide [kg]	31,597.1	32,287.7
	Industrial F-gases [kg]	0	0
	Nitrogen oxides [dm ³]	24.0	24.7
	Industrial waste [Mg]	29.8	17.0
	Municipal waste [dm ³]	164,320	82,160
	Reclaimed waste [Mg]	4.8	5
PBSz S.A.	Electricity [MWh]	732.7	1,154.4
	Water abstraction [m ³]	3,522	4,424
	Carbon dioxide [kg]	0	0
	Industrial F-gases [kg]	262.1	392
	Nitrogen oxides [kg]	414.1	774.5
	Industrial waste [Mg] ⁵⁸	49.43	3,371.7
	Municipal waste [Mg]	21	16.5
	Reclaimed waste [Mg]	0.9	4.6

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. The table below presents data concerning primarily packaging placed on the market in 2018.

Raw materials and other materials used by the FAMUR Group

Company	Material/raw material	2018
FAMUR S.A. ⁵⁹	PACKAGING PLACED ON THE MARKET	
	Paper and cardboard packaging [kg]	1,406
	Plastic packaging [kg]	4,415
	Steel packaging [kg]	23,233
	Wood packaging [kg]	125,055
FAMUR FAMAK S.A.	Wooden packaging placed on the domestic and foreign markets [kg]	78,380
	Plastic packaging placed on the domestic and foreign markets [kg]	218.4

⁵⁷Waste transferred to licenced entities for collection or processing, collected selectively in labelled containers in production halls on the plant premises. The waste is adequately stored to prevent soil and water contamination, as well as protected against weather conditions and unauthorised access.

⁵⁸ *) In the non-financial statement for 2017 industrial waste was reported as an aggregate figure (i.e., industrial waste generated during the provision of services and from installations), without the breakdown. In 2018, industrial waste comprises only waste from the operation of the plant (49.43Mg). The total industrial waste generated in 2018 (plant operation and services provided) amounted to 992.99 Mg.

⁵⁹Data for FAMUR S.A. and its branches having the status of separate employers, i.e. PIOMA Transport/Handling Systems Branch in Piotrków Trybunalski, GLINIK Longwall Systems Branch in Gorlice, REMAG Gallery Systems Branch in Katowice, Longwall Systems Branch in Katowice, NOWOMAG Longwall Systems Branch in Nowy Sącz, RYFAMA Longwall Systems Branch in Zabrze, and Longwall Hydraulic Systems Branch in Zabrze.

ELGÓR+HANSEN S.A.	Paper and cardboard packaging placed on the domestic and foreign markets [kg]	118
	Plastic packaging placed on the domestic and foreign markets [kg]	139.5
FUGO Sp. z o.o.	Plastic packaging [kg]	2,253
	Steel packaging [kg]	1,284
	Wood packaging [kg]	162,200

The FAMUR Group companies have concluded appropriate agreements with recycling organisations, and the packaging waste recovery and recycling rates specified in applicable laws are observed.

6. Useful information

6.1. Key events in 2018

CALENDAR OF THE EVENTS DISCUSSED IN THIS REPORT

- February 26th** FAMUR FAMAK S.A. entered into an agreement to take patronage of the electrical technician training programme at Secondary School No. 2 at the Lifelong Education Centre in Kluczbork.
- April 19th** FAMUR entered into a cooperation agreement with Jastrzębska Spółka Węglowa (JSW) for the development of innovative technical and technological solutions improving coal mining efficiency and work safety.
- May 15th** FAMUR received the 'Investor Without Borders' title.
- May 15th** FAMUR and the Polish Development Fund joined the initiative of Jastrzębska Spółka Węglowa, PeBeKa and the Indo Polish Chamber of Commerce and Industry to create an industry platform for cooperation in bidding for contracts in the mining and energy sectors in India.
- June 7th** FAMUR signed a contract for the opening of a patronage class at the Complex of TechnICAL Schools in Mikołów.
- June 15th** The FAMUR Group signed a cooperation agreement with ABB in Poland, seeking to leverage the combined capabilities, know-how and experience of the parties and ensure mutual support in implementing IT solutions in the mining industry.
- June 18th** FAMUR received the Economic Patriotism Index award.
- June 21st** The FAMUR Group joined the community project 'Kilometers of Good' for the Guardian Angels House Youth Assistance Association.
- June 29th** FAMUR signed a letter of intent with Jastrzębska Spółka Węglowa and ADVICOM (currently JSW IT Systems) on cooperation in implementing preventive maintenance of machines supplied to JSW by FAMUR.

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- July 9th** FUGO Sp. z o.o. of Konin entered onto an agreement with the Complex of Energy and Mining Schools on cooperation in the provision of practical training for renewable energy equipment and systems technicians, electronics technicians, electrical technicians, and mechatronics technicians.
- July 19th** The FAMUR Group and Jastrzębska Spółka Węglowa entered into a cooperation agreement concerning innovative deep mining solutions.
- July 23rd** FAMUR and KGHM ZANAM signed a letter of intent on joint ventures covering distribution of mining machinery and equipment and after-sales services on foreign markets, as well as research and development projects.
- August 13th** FAMUR acceded to the agreement establishing the Joint Social Initiatives Group 'Górnictwo OK', signed by 12 energy and mining companies, research institutions and industry media during the PRE_COP24 conference in Katowice. The letter of intent was signed on April 12th 2017.
- September 7th** FUGO Sp. z o.o. of Konin entered into a patronage agreement with the Complex of Energy and Mining Schools, taking patronage of classes for renewable energy equipment and systems technicians, mechanical technicians, and mechatronics technicians.
- September 26th** The new FAMUR Group Growth Strategy for 2019–2023 was announced. The key strategic goals include rapid international expansion, strengthening leadership position in Poland, offering end-to-end solutions that rely on technological innovation, and entering the hard rock mining segment.
- October 31st** FAMUR and the Central Mining Institute signed a strategic cooperation agreement concerning implementation of research projects in the following areas: mining, geoengineering, coal processing, energy and environmental engineering, as well as development of innovative technologies and solutions for the mining sector.
- November 4th** The device for measuring dynamic loads of cutting picks on cutter units, invented by FAMUR, FAMUR Institute Sp. z o.o. and the Silesian University of Technology, won a silver medal during the 2018 International Trade Fair 'Ideas-Inventions-New Products' (IENA) in Nuremberg.

6.2. GRI Content Index

GRI 102-55

INDICATOR	DESCRIPTION	UN GOAL	COMMENT / DESCRIPTION	PAGES
STRATEGY AND ANALYSIS				
GRI 102-14	Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and the organisation's strategy		[Letter from the President of the Management Board]	7
GRI 102-15	Description of key impacts, risks, and opportunities		[Key risks affecting non-financial issues]	44
ORGANISATIONAL PROFILE				
GRI 102-1	Name of the organisation		[The organisation and its report]	9
GRI 102-2	Primary brands, products, and/or services		[Organisation]; [Business model]; [Products and business segments]	9, 19
GRI 102-3	Location of headquarters		[Organisation]	9
GRI 102-4	Number of countries where the organisation operates, and the names of those countries		[Organisation]	12
GRI 102-5	Ownership and legal form		[Organisation]; [Organisational structure]	9, 16
GRI 102-6	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)		[Organisation]; [Markets served]	12, 22
GRI 102-7	Scale of the organisation		[2018 overview]; [Organisation]; [Shareholding structure]; [HR policy]	5, 9, 15, 59
GRI 102-8	Total number of employees by region of activity, age, gender and type of contract	8	[2018 overview]; [HR policy]	5, 61
GRI 102-9	Supply chain		[Business model]	14
GRI 102-10	Significant changes to the organisation and its supply chain during the reporting period		[Shareholding structure]	15
GRI 102-11	Precautionary principle or approach		[Reduction of environmental impacts]	80
GRI 102-12	External initiatives to which the organisation subscribes	9, 12	[Membership of organisations]; [Sustainable development]; [Development of the Polish mining sector]	34, 53, 70
GRI 102-13	Membership of associations		[Membership of organisations]	34
ETHICS				
GRI 102-16	Values, principles, standards, and norms of behaviour	16	[Management systems]; [Mission, vision, values]	42, 50
GRI 102-17	Mechanisms for advice and concerns about ethics	16	[Counteracting corruption and misconduct]	52
GOVERNANCE				
GRI 102-18	Governance structure	16	[Governance structure]	37
GRI 102-22	Composition of the highest governance body and its committees	16	[Governance structure]	37

GRI 102-23	Chair of the highest governance body		[Governance structure]	37
STAKEHOLDER ENGAGEMENT				
GRI 102-40	List of stakeholder groups		[Stakeholders]	29
GRI 102-41	Collective bargaining agreements	8	[HR policy]	56
GRI 102-42	Identifying and selecting stakeholders		[Stakeholders]	29
GRI 102-43	Approach to stakeholder engagement		[Stakeholders]	29
GRI 102-44	Key topics and concerns raised		[Stakeholder engagement]	32
REPORTING PRACTICE				
GRI 102-45	Entities included in the consolidated financial statements		Consolidated financial statements [About this report]	28
GRI 102-46	Defining report content and topic Boundaries		[Stakeholder engagement]	32
GRI 102-47	List of material topics		[Stakeholder engagement]	32
GRI 102-48	Restatements of information		No restatements were made.	85
GRI 102-49	Changes in reporting		[About this report]	28
REPORT PROFILE				
GRI 102-50	Reporting period		[About this report]	28
GRI 102-51	Date of most recent report		This report is the first corporate social responsibility report of the FAMUR Group.	86
GRI 102-52	Reporting cycle		[About this report]	28
GRI 102-53	Contact point for questions regarding the report		[Contact person for questions regarding this report]	91
GRI 102-54	Claims of reporting in accordance with the GRI Standards		[About this report]	28
GRI 102-55	GRI content index		[GRI Content Index]	84
GRI 102-56	External assurance		[About this report]	28
MANAGEMENT APPROACH TO MATERIAL TOPICS				
GRI 103-1	Explanation of the material topic and its Boundary		[About this report]	28
GRI 103-2	The management approach and its components		[Management approach]	43, 52, 53, 56, 69, 79
GRI 103-3	Evaluation of the management approach		[Management approach]	43, 52, 56, 69, 79
TOPIC-SPECIFIC DISCLOSURES				
ECONOMIC PERFORMANCE				
GRI 201-1	Direct economic value generated and distributed		[Organisation]	10
ANTI-CORRUPTION				
GRI 205-2	Communication and training about anti-corruption policies and procedures	16	[Counteracting corruption and misconduct]	52
GRI 205-3	Confirmed incidents of corruption and actions taken		[Key risks affecting non-financial issues]	49
52				
49	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices		None.	86
ENVIRONMENTAL PERFORMANCE				
MATERIALS				
GRI 301-1	Materials used by weight or volume	8, 12	[Key results in 2018]	82
ENERGY				
GRI 302-1	Energy consumption within the organisation	7, 12	[Key results in 2018]	80
WATER				
GRI 303-1	Total water withdrawal by source	6	[Key results in 2018]	80
EMISSIONS				
GRI 305-1	Direct (Scope 1) GHG emissions		[Key results in 2018]	80
EFFLUENTS AND WASTE				

GRI 306-2	Waste by type and disposal method	12	[Key results in 2018]	80
ENVIRONMENTAL COMPLIANCE				
GRI 307-1	Non-compliance with environmental laws and regulations	16	[Key risks affecting non-financial issues]	45
SOCIAL PERFORMANCE				
EMPLOYMENT				
GRI 401-1	New employee hires and employee turnover	5, 8	[HR policy]	59
GRI 401-2	Benefits provided to full-time employees	5, 8	[HR policy]	56
OCCUPATIONAL HEALTH AND SAFETY				
GRI 403-1	Workers representation in formal joint management–worker health and safety committees	8	[Occupational safety]	69
GRI 403-2	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities		[Occupational safety]	68
GRI 403-4	Health and safety issues covered in formal agreements with trade unions		[Occupational safety]	69
TRAINING AND EDUCATION				
GRI 404-1	Average hours of training per employee	4, 5, 8	[Training and education]	66
DIVERSITY AND EQUAL OPPORTUNITY				
GRI 405-1	Diversity of governance bodies and employees	5, 8	[Composition of the Management Board]; [Diversity policy]	41, 64
NON-DISCRIMINATION				
GRI 406-1	Incidents of discrimination and corrective actions taken		[Key risks affecting non-financial issues]	49
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		[HR policy] The FAMUR Group does not identify any risk of violation of freedom of association and collective bargaining at its suppliers	57, 87
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		[Key risks affecting non-financial issues]; [Human rights policy]	49, 63
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		[Key risks affecting non-financial issues]; [Human rights policy]	49, 63
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.	87

6.3. Glossary of social terms⁶⁰

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.
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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.
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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.
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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.
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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.
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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.
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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
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⁶⁰ Source: Global Reporting Initiative.

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.

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 <i>Business Principles for Countering Bribery</i> , 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.
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.

6.4. Contact person in matters relating to this report

GRI 102-53

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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