

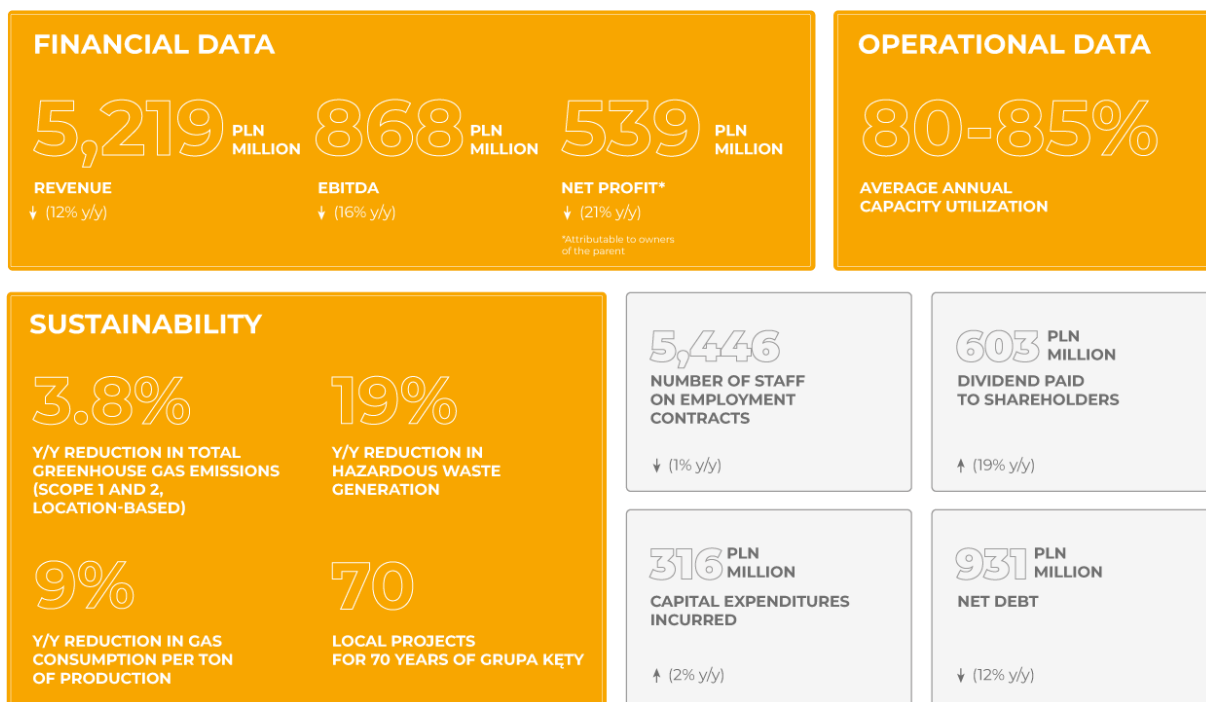
**REPORT OF THE
MANAGEMENT BOARD
OF GRUPA KĘTY S.A.**

ON THE OPERATIONS OF THE COMPANY
AND THE CAPITAL GROUP IN **2023**

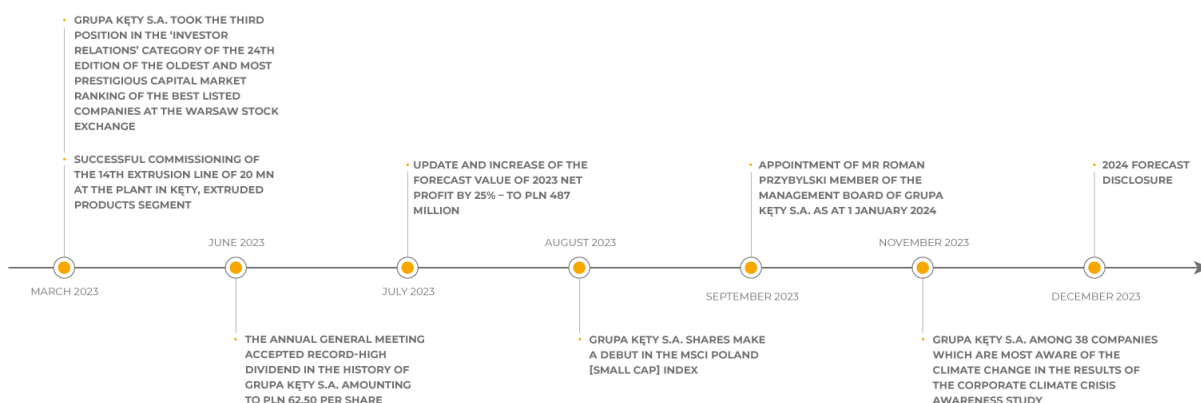


Year 2023 Overview

Major figures:



Major events:



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1. LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD

GRI 2-22



Dear Ladies and Gentlemen,

We commenced year 2023 in a situation of high uncertainty as regard the world's market situation. Clearly decreasing demand, which started in 2022, war in Ukraine, and potential shortages of power forced a cautious approach to forecasts.

That is why I am hugely satisfied to be able to share good news with you that the results generated in 2023 exceeded the initial assumptions and the development perspectives still remain positive.

With 20-30% drops in the prices of basic materials (aluminium and plastic granulates), sales revenue exceeded PLN 5.2 billion and was only 12% lower than the record level of 2022. Sales to our foreign customers in over 60 countries reached the value of PLN 2.6 billion, representing 51% of the Capital Group's total revenue.

Year 2023 was a difficult one and we faced several challenges, mainly with regard to operation efficiency maintenance. In the environment of limited orders, pressure on margins, high inflation and expensive loans, the Capital Group generated high EBITDA of PLN 868 million and net profit of PLN 539 million. Stable financial standing allowed the Company to pay out a record dividend in the total amount of PLN 603 million, i.e. PLN 62.50 per share, while maintaining safe financial ratios.

Despite the slow-down, which we consider to be periodical, we have not stopped investing in development. The total expenditure of the Group on investment projects amounted to PLN 300 million in 2023. They referred mainly to the Extruded Products Segment and Aluminium Systems Segment. In compliance with the binding Strategy 2025, the production capacity of the Segments will be increased by roughly 25%. In 2023 we commissioned one of two profiles extrusion presses in Kęty and completed the construction of a hall of a new plant in Złotów. Both projects, which are most important from the point of view of the Group's organic development, are planned to be completed in the middle of this year.

We have introduced a series of innovative products, including environmentally-friendly and sustainable-development-supporting architectural systems, or technologies contributing to the growth of circular economy. We have also implemented a series of actions in the area of social engagement and limitation of our impact on the environment. I am delighted to present to you the details of our activities in that area in the Non-financial Information Statement.

Summing up the year 2023, worth mentioning are the examples of our achievements. At the 27th Wall Street Conference organised by the Individual Investors Society, Grupa Kęty was awarded the title of the 'Hero of the Capital Market' in the category of dividend-paying WIG20 and mWIG40 companies. We took the third position in the main ranking of the 23rd edition of the 'The Stock Exchange Company of the Year', organised by the *Puls Biznesu* news portal, in the category of Investor Relations. Grupa Kęty counts among 38 most aware companies in the Corporate Climate Crisis Awareness Study run the Reporting Standards Foundation, the Association of Stock Issuers and Bureau Veritas. We were also honoured with the Silver CSR Leaf, an award by the *Polityka* weekly, Deloitte and Responsible Business Forum.

All our activities contribute to building the Group's goodwill. Grupa KĘTY S.A. market capitalisation at the Warsaw Stock Exchange grew in 2023 from around PLN 4.7 billion to nearly PLN 7.2 billion, whereas the shares of Grupa KĘTY S.A. were included in the MSCI Poland (Small Cap) index in August 2023.

Sharing the good results with you, I would like to cordially thank all the Employees of the Capital Group for their engagement in this requiring year, and on the occasion of the 70th anniversary of Grupa KĘTY S.A. celebrated in 2023 I wish you satisfaction from work and further development opportunities.

I am also proud of continued help to our Ukrainian employees and their families as well as Ukrainian refugees.

I would also like to thank the Shareholders and the Supervisory Board for their trust and support, which helps us manage the Company in an efficient way.

The modern world poses huge challenges in front of us, including geopolitics, climate change, artificial intelligence and many others. We are going to effectively cope with them but at the same time we wish to avail of the opportunities that stem from the situation. According to experts, aluminium is a desired raw material on our way to climate neutrality, perfectly suited to the circular economy concept, which is going to play a key role in the leading sectors of economy. Therefore, with huge optimism, we have already been discussing strategic goals for the coming years. We aim to present to you the directions of the new strategy by the end of the year.

Yours faithfully,

Dariusz Mańko

President of the Management Board of Grupa KĘTY S.A.

2. MAJOR EVENTS AND ACHIEVEMENTS

Year 2023 was special to the Capital Group owing to the 70th anniversary of Grupa KĘTY. On that occasion, the Company celebrations were combined with community engagement activities.

‘70 local projects for 70 years of Grupa KĘTY’ was the motto of the 9th edition of the ‘Together with the Group’ programme. The voluntary engagement of the staff and the financial means provided by Grupa KĘTY S.A. translated into 70 various-area projects promoting education through sports, supporting education, or contributing to the development of interests and passions among children and youths, and many others. Detailed information and summary of the programme are provided in the report on the 9th edition of the ‘Together with the Group’ programme available on the corporate website at: <https://grupakety.com/zrownowazon-y-rozwoj/spoleczenstwo/dzialalnosc-na-rzecz-spolecznosci-lokalnych/>.

Another jubilee project carried out in the years 2021-2022 was the initiative of ‘70 thousand trees for 70 years of Grupa KĘTY’. Together with our employees and the children under the care of the ‘Grupa Kęty for the Children of the Podbeskidzie Region’ Foundation, the Arka Ecological Foundation, and the local Forestry Departments, we planted 70 thousand tree seedlings, which complies with our mission ‘For the future...’.

This exceptional year was also full of other major events for the Capital Group related to its operations, finance and corporate affairs. Among them was the appointment of a new member of the Management Board of Grupa KĘTY S.A., Mr Roman Przybylski, changes in the shareholding structure of the Issuer owing to the consolidation on the market of universal pension funds, entry of the shares of Grupa KĘTY S.A. into the MSCI Poland (Small Cap) index, payout of historically record-high dividend by the Company, as well as performance of strategic projects, including those in the green energy area.

The companies of the Capital Group were awarded a series of prizes and honourable titles. Grupa KĘTY S.A. won the 3rd place in the ‘Investor Relations’ category of the 24th edition of the oldest capital market ranking of the Best Listed Companies. It was also awarded the title of the ‘Hero of the Capital Market’ in the category of dividend-paying WIG20 and mWIG40 companies. Aluprof S.A. was honoured with the title of ‘The Building Company of the Year’, while its CEO and member of the Management Board of Grupa KĘTY S.A. Mr Tomasz Grela obtained the title of the ‘Personality of the Sector’.

TABLE 1: MAJOR EVENTS AND ACHIEVEMENTS IN 2023 AND 2024, BY THE DATE OF THE REPORT PUBLICATION

Event	Date	Additional information
Q.1, 2023		
The Management Board of Grupa KĘTY S.A. received from PTE Allianz Polska S.A., managing the Allianz Polska Otwarty Fundusz Emerytalny (hereinafter referred to as Allianz OFE) and Allianz Polska Dobrowolny Fundusz Emerytalny (hereinafter referred to as Allianz DFE), a notification stating that as a result of merger with Aviva PTE Aviva Santander S.A., managing the Drugi Allianz Polska Otwarty Fundusz Emerytalny (hereinafter referred to as Drugi Allianz OFE) the percentage of the share capital held and the total number of votes at Grupa KĘTY S.A. in the Allianz OFE, Allianz DFE and Drugi Allianz OFE accounts grew over 15%.	5 January	Current report No. 1/2023
Aluprof S.A. counted in the Top 10 largest manufacturers of construction materials in Poland, in the ranking created by the <i>Builder Polska</i> magazine and Dun & Bradstreet, in liaison with PwC Polska.	18 January	https://www.pwc.pl/pl/pdf-nf/2023/RANKING_BUILDER_PRODUCENCI_IV.pdf
The Management Board of Grupa KĘTY S.A. received from Generali PTE S.A. (hereinafter referred to as Society), managing Generali Otwarty Fundusz Emerytalny (hereinafter referred to as Generali OFE) and Generali Dobrowolny Fundusz Emerytalny (hereinafter referred to as Generali DFE), a notification stating that as a result of management take-over by the Society of the NN Life Otwarty Fundusz Emerytalny (hereinafter referred to as NN Life OFE) and NN Life Dobrowolny Fundusz Emerytalny (hereinafter referred to as NN Life DFE) on 1 February 2023, the share in equity of Grupa KĘTY S.A. and the total number of votes recorded in the accounts of the funds of Generali OFE, Generali DFE, NN LIFE OFE, and NN Life DFE exceeded the threshold of 5%.	3 February	Current report No. 3/2023

Grupa KĘTY S.A. took the third position in the 'Investor Relations' category of the 24th edition of the oldest and most prestigious capital market ranking of the Best Listed Companies. The companies are selected by 100 stock analysts, investment advisers and managers, who represent brokerage houses, pension funds and investment funds.	20 March	https://gsr.pb.pl/
A series of prizes and honourable titles for Aluprof S.A. (a subsidiary of Grupa Kęty S.A.), including: 8th position among 100 largest manufactures of construction materials in Poland, developed in liaison with PwC by the <i>Builder Polska</i> magazine and Dun & Bradstreet; a golden emblem of the 'Consumer Quality Leader 2023' in the category of 'Aluminium profiles and systems'; honours in the competition organised by the <i>Builder</i> magazine in the category of 'The Building Company of the Year' and the title of the 'Personality of the Sector' for Tomasz Grela, CEO of Aluprof S.A.	31 March	https://aluprof.com/firma/aktualnosci/aluprof-pnie-sie-w-gore-kolejne-biznesowe-i-branzowe-wyroznienia-potwierdzeniem-silnej-pozycji-spolki
Q.2, 2023		
The Management Board of Grupa KĘTY S.A. received from PTE Allianz Polska S.A., managing the Allianz Polska Otwarty Fundusz Emerytalny (hereinafter referred to as Allianz OFE) a notification informing that on 12 May 2023, as a result of liquidation of Drugi Allianz Polska Otwarty Fundusz Emerytalny by way of transfer of its assets to Allianz OFE, the percentage in the total number of votes in Grupa KĘTY S.A. in Allianz OFE accounts exceeded 15%.	16 May	Current report No. 7/2023
Grupa KĘTY S.A. received the Performance Standard certificate for sustainable use of aluminium, fulfilling the requirements of the Aluminium Stewardship Initiative (ASI), an international non-profit organisation supported by industrial associations, aluminium producers, and processing companies. The certificate confirms responsible practices in the areas of production, materials sourcing and product management, as well as determines the principles and criteria for environmental, social and corporate governance (ESG).	19 May	https://grupakety.com/grupa-kety-uzyskala-certyfikat-aluminium-stewardship-initiative-performance-standard/
At the 27th Wall Street Conference, the largest meeting of individual investors in Poland organised by the Individual Investors Society, Grupa KĘTY was awarded the title of the 'Hero of the Capital Market' in the category of dividend-paying WIG20 and mWIG40 companies.	31 May	https://grupakety.com/grupa-kety-z-tytulem-herosa-rynku-kapitalowego/
Aluprof S.A. took leadership in the 'Golden Building Brand of the Year', obtaining the titles of the 'Golden Champion of Year 2023' and 'Golden Building Brand of Year 2023'.	16 June	https://aluprof.com/firma/aktualnosci/aluprof-umacnia-sie-na-pozycji-lidera-branzы-spolka-po-raz-9-na-podium-rankingu-budowlana-marka-roku
Grupa KĘTY S.A. was honoured with the Silver CSR Leaf, an award by the <i>Polityka</i> weekly, Deloitte and Responsible Business Forum.	20 June	https://grupakety.com/grupa-kety-zostala-wyrozniona-srebrnym-listkiem-csr-nagrody-tygodnika-polityka-deloitte-i-forum-odpowiedzialnego-biznesu/
The Annual General Meeting of the Company passed resolutions on new incentive plan for the key staff of the Company and the Capital Group, Company Articles amendment, as well as on dividend payment, based on which it was decided to assign to the payment of dividend to the Company shareholders the total amount of PLN 603,134,500.00, which means PLN 62.50 per share in reference to the number of shares of the Company as at the date of passing this resolution (9,650,152).	21 June	Current report No. 11/2023
Q.3, 2023		
The Management Board of Grupa KĘTY S.A. received from Generali PTE S.A. a notification informing that on 21 July 2023, in relation to the completion of liquidation of NN Life Otwarty Fundusz Emerytalny (hereinafter referred to as NN Life) and transfer as at the date of the liquidation of the assets of NN Life to Generali Otwarty Fundusz Emerytalny (hereinafter referred to as Generali OFE), the share of Generali OFE in the share capital and the total number of votes at the Issuer exceeded the threshold of 5%.	25 July	Current report No. 15/2023
The shares of Grupa KĘTY S.A. make their début in the MSCI Poland (Small Cap) index.	29 August	https://grupakety.com/indeks-msci/
The Supervisory Board of Grupa KĘTY S.A. passed a resolution on appointing Mr Roman Przybylski Member of the Management Board starting from 1 January 2024, entrusting him with the function of Vice President of the Management Board, Director for Investments and Development.	15 September	Current report No. 21/2023
Commencement of works on installing a photovoltaic 500 kW power system on the roof of the new 20/40 hall in Kęty. The	26 September	https://grupakety.com/odnawialne-zrodla-energii-inwestycja-pv-w-ketach/

project is planned to be completed and commissioned in the first half of 2024. The expected annual carbon footprint reduction is 335 tons of CO ₂ e a year (335 tons of carbon dioxide equivalent a year).		
Q.4, 2023		
The Management Board of Grupa KĘTY S.A. made a decision on the acceptance of the terms proposed by Bank POLSKA KASA OPIEKI S.A. with regard to amendment of the credit limit agreement concluded with the bank, and signing an annex to the agreement together with the other borrowers. Pursuant to the annex, the period of the credit limit availability to all borrowers in the amount of PLN 530 million was extended until 31 October 2024.	23 October	Current report No. 24/2023
Aluprof S.A. was honoured with the double leader's title in the segment of aluminium and roller-shutter systems in Poland in this-year's edition of the Polish Joinery Forum.	2 November	https://aluprof.com/firma/aktualnosci/aluprof-z-15-tytulem-lidera-rynku-stolarki-2023
The Management Board of Grupa KĘTY S.A. received from Nationale-Nederlanden PTE S.A. a notification on 2% reduction in the number of shares and the percentage of the total number of votes in the Annual General Meeting held by Nationale-Nederlanden Otwarty Fundusz Emerytalny.	7 November	Current report No. 25/2023
During the webinar entitled 'Climate Reporting in Poland – the CCA Study Results', the results of the Corporate Climate Crisis Awareness Study were presented. The study states that Grupa KĘTY S.A. counts among 38 companies which are most aware of the climate change.	24 November	https://grupakety.com/grupa-kety-w-grupie-spolek-najbardziej-swiadomych-klimatycznie/
The Management Board of Grupa KĘTY S.A. made a decision on the acceptance of the terms proposed by BNP Paribas Bank Polska Spółka Akcyjna with regard to amendment of the multipurpose credit facility agreement concluded with the bank and signing an annex to the agreement together with the other borrowers. Pursuant to the annex, the maturity date of the credit facility worth PLN 400 million was postponed to 20 November 2025.	4 December	Current report No. 27/2023
The Management Board of Grupa KĘTY S.A. made a decision on the acceptance of the terms proposed by Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna and signing an agreement with regard to the multipurpose credit facility in the total amount of PLN 400 million, to which a party, apart from the Issuer, are its subsidiaries Alupol Packaging S.A., Alupol Packaging Kęty Sp. z o.o., and Aluprof S.A. The Agreement was concluded in order to replace the previous agreement in the same amount, which was concluded with the Bank on 3 July 2008 and subsequently amended. The credit limit has been committed for the period ending 31 May 2026.	4 December	Current report No. 28/2023
The General Meeting passed a resolution on amending the incentive plan adopted with Resolution No. 27/20 of the Annual General Meeting of 20 August 2020, and on amending the Company Articles.	13 December	Current report No. 30/2023
Forecast of the selected financial and operating results for the year 2024	19 December	Current report No. 33/2023
Q.1, 2024 – until the date of the report publication		
At the 21st Builder Awards final gala, Aluprof S.A. was honoured with the title of 'The Building Company of the Year', while its CEO Tomasz Grela received the title of the 'Personality of the Sector', a second year in a row.	8 February	https://aluprof.com/firma/aktualnosci/aluprof-budowlana-firma-roku-2023-tomasz-grela-osobowoscia-branzy-2023

3. CHARACTERISTICS OF THE COMPANY AND THE CAPITAL GROUP

3.1 Basic information about the Company and the Capital Group

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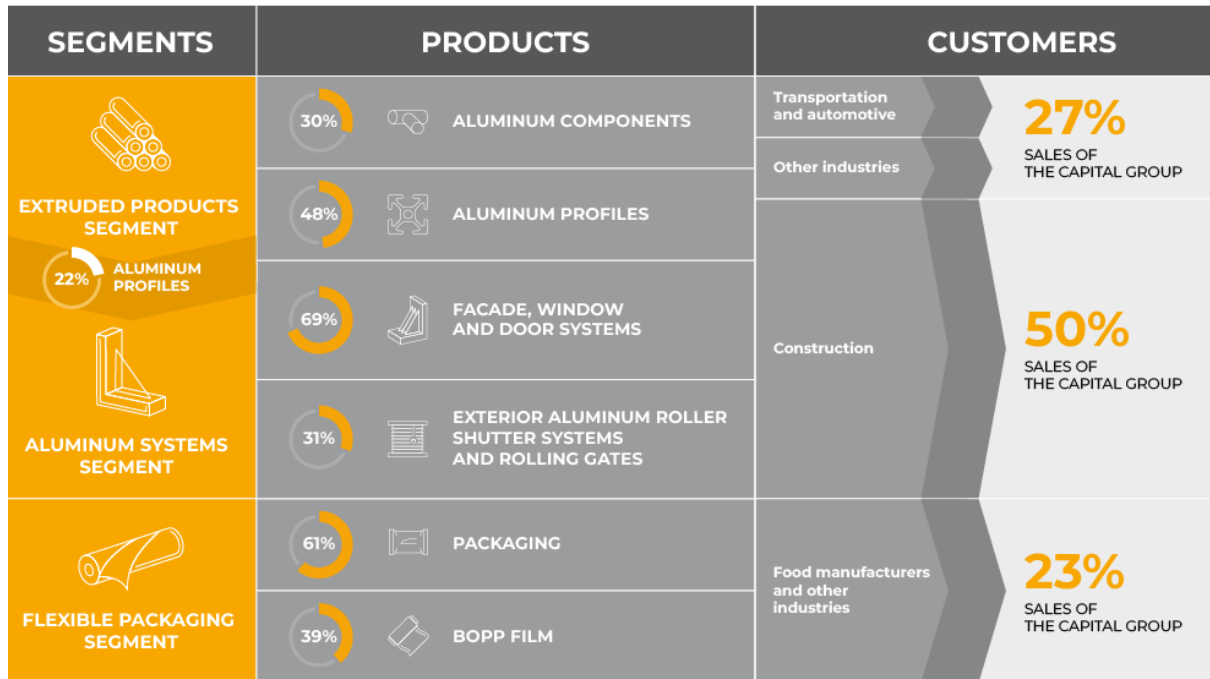
Grupa KĘTY S.A. (hereinafter referred to as the Company or the Issuer) is a parent of the Capital Group of Grupa KĘTY S.A. (hereinafter referred to as the Capital Group), composed of three business segments operating in the following areas, which are presented in more detail in section 5.1 of this report.

- EXTRUDED PRODUCTS SEGMENT (EPS) – production and sales of aluminium profiles and components used in construction, automotive business, transport, electrical engineering and many other sectors;

- ALUMINIUM SYSTEMS SEGMENT (ASS) – production and sales of aluminium façades, doors and windows, internal structures as well as external aluminium roller shutters and roll-up gates for the construction business;
- FLEXIBLE PACKAGING SEGMENT (FPS) – production and sales of printed flexible packaging and BOPP films for food manufacturers and other sectors.

Diversification of activities in the three areas of various natures and customer groups reduces the market risk resulting from economic volatility in the particular industries, and improves the stability of the Capital Group financial performance.

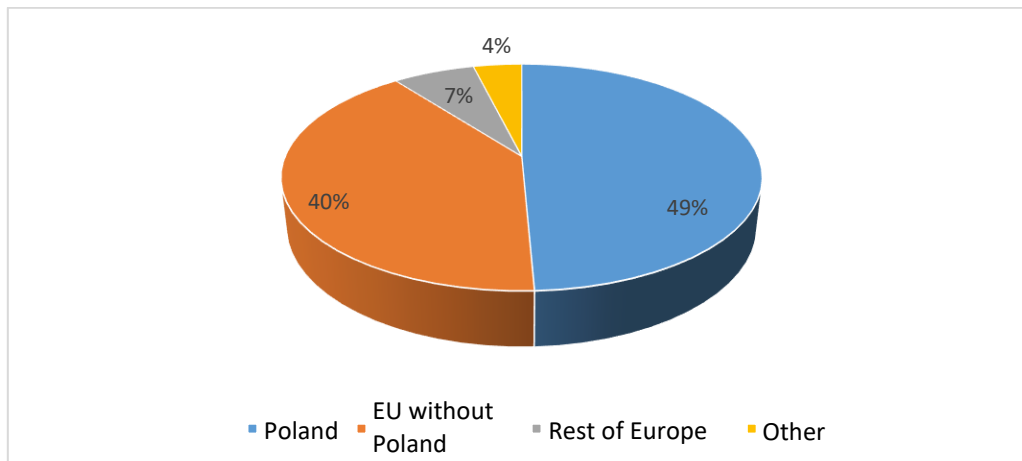
CHART 1: ACTIVITIES CARRIED OUT BY THE CAPITAL GROUP



Source: Company own materials.

The Capital Group of Grupa KĘTY S.A. is an international concern with approximately 5,500 employees and 14 foreign companies, selling products to over 4,500 customers on over 60 markets. In 2023, more than half of the PLN 5.2 billion Capital Group’s sales revenue was invested outside Poland, specifically on the European market, where 47% of sales are generated, including 40% in the European Union member states, such as Germany, the Czech Republic, the United Kingdom and the Netherlands. Outside Europe sales are generated in the United States, Vietnam, Saudi Arabia and the United Arab Emirates, among others.

CHART 2: SALES BY TERRITORIES



Source: Company own materials.

The Capital Group has 12 production plants, out of which four belong to the EPS and are located in Kęty, Tychy, Borodianka (Ukraine) and Slovenska Bistrica (Slovenia), five belong to the ASS and are located in Bielsko-Biała, Złotów, Opole, Goleszów and Ogrodzona, and three belong to the FPS and are located in Kęty, Tychy and Oświęcim. The Capital Group has its in-house Research and Development Centre based in Kęty, within the Extruded Products Segment, as well as the Research and Innovation Centre in Ogrodzona, within the Aluminium Systems Segment.

CHART 3: PRODUCTION PLANTS AND RESEARCH CENTRES OF THE CAPITAL GROUP



Source: Company own materials.

The Capital Group development directions, as well as its operational and financial objectives are formulated each time by the Company Management Board in the form of an announced development strategy covering for the ESG area and including parameterised commitments related to sustainable development that the Group aims to achieve. The cornerstones of each strategy are the Mission, Vision and Values adopted for the Capital Group and the constant endeavour to maintain corporate governance and open information policy at the highest level.

CHART 4: MISSION, VISION AND VALUES OF THE CAPITAL GROUP



Source: Company own materials.

3.2 Major events in the history of the Company and the Capital Group

The history of Grupa KĘTY S.A. is 70 years long. The beginnings date back to the mid 20th century, when a decision was made on building an aluminium processing plant in Kęty which started manufacturing casting

alloys in 1953. In the years 1953-1992, the Issuer operated in the form of a state-owned company under the name of Zakłady Metali Lekkich ‘Kęty’ [‘Kęty’ Light Metals Plant], to be transformed in 1992 into a sole-shareholder company of the State Treasury. In 1995, the Company privatisation process was carried out, and in January 1996 the Company shares were introduced to trading at the Warsaw Stock Exchange. In 2001, the Company name was changed to Grupa KĘTY S.A.

Below presented are the selected major events in the history of Grupa KĘTY S.A. that led to the origination of the current structure of the Capital Group.

TABLE 2: MAJOR EVENTS IN THE HISTORY OF THE CAPITAL GROUP OF GRUPA KĘTY S.A.

1953	Commencement of casting alloys manufacturing in Kęty by Zakłady Metali Lekkich ‘Kęty’
1956	Creation of the first Foil Rolling Department
1958	Creation of the first Press and Drawing Mill Department
1992	Transformation of Zakłady Metali Lekkich ‘Kęty’ into a sole-shareholder company of the State Treasury
1995–1996	Zakłady Metali Lekkich ‘Kęty’ (now Grupa KĘTY S.A.) privatisation and début at the Warsaw Stock Exchange
1996	Acquisition of 47.62% of shares of Metalplast Bielsko S.A. (now Aluprof S.A.), leading to the process of the Capital Group formation. In the subsequent years the share in the company equity had been increased to 100%
1998	Creation of Alupol sp. z o.o. with its registered office in Tychy, in the Katowice Special Economic Zone
1999	Separation of the Research and Development Department, the Foundry, and the Engineering Services Department from ZML ‘Kęty’ and transformation into newly established companies of Alutest sp. z o.o. (in 2002 the object of the company operations changed and it was renamed into Dekret Sp. z o.o.), Alumetal sp. z o.o. (company sold in 2002), and Alutech sp. z o.o. (company wound up in 2018)
2000	Transformation of the Aluminium Joinery Production Department of Metalplast-Bielsko S.A. into a new company of Metalplast-Stolarka Sp. z o.o.
2005	Creation by Metalplast-Stolarka Sp. z o.o. of the company of MERTZ s.r.o. with its registered office in Ostrava (now Aluprof System Czech s.r.o.)
	Creation by Metalplast-Bielsko S.A. of the companies of Metalplast Deutschland GmbH with its registered office in Düsseldorf (now Aluprof Deutschland GmbH) and Metalplast Romania s.r.l. (now Aluprof System Romania s.r.l.), and acquisition of 100% shares at Metalplast Zalur Kft with its registered office in Dunakeszi (now Aluprof Hungary Kft)
	Creation by the Issuer of the company of Alupol LLC with its registered office in Borodianka, Ukraine
2006	Acquisition by Grupa KĘTY S.A. of 100% shares in Aluprof sp. z o.o. with its registered office in Opole, and its merger with Metalplast Bielsko S.A. together with a change of name into Aluprof S.A. The change of name from Metalplast to Aluprof also referred to all foreign commercial companies of the ASS segment
	Acquisition by Aluprof S.A. of 100% shares in Aluprof UK Ltd with its registered office in the United Kingdom
	Disposal by Aluprof S.A. in favour of the Issuer of 100% shares at Metalplast-Stolarka Sp. z o.o.
	Acquisition by Aluprof S.A. of 100% of shares of Aluprof System Czech s.r.o. from Metalplast-Stolarka Sp. z o.o.
2007	In the process of privatisation, acquisition by Aluprof S.A. of 85% shares in Fabryka Elementów Wyposażenia Budownictwa Metalplast Złotów S.A. with its registered office in Złotów (name changed to ROMB S.A.). As a result of taking-up new shares of that company and acquisition of the remaining shares, Aluprof S.A. increased its share to 100%
2009	Acquisition by Aluprof S.A. of 100% shares in Aluprof System Ukraina LLC
	Division of Alupol sp. z o.o. with its registered office in Tychy into Aluform Sp. z o.o. and Alupol sp. z o.o. Aluform Sp. z o.o. being a 100% subsidiary of Grupa KĘTY S.A. took over the assets related to the operations of the Extruded Products Segment, whereas Alupol sp. z o.o. took over the production assets related to the Flexible Products Segment
2010	Transformation of Alupol sp. z o.o. into Alupol Packaging S.A. Creation by Grupa KĘTY S.A. of Alupol Packaging Kęty Sp. z o.o., which took over the assets related to packaging production in Kęty and transfer of its shares to Alupol Packaging S.A.
2011	Creation by Grupa KĘTY S.A. of the ‘Grupa Kęty for the Children of the Podbeskidzie Region’ Foundation
2012	Creation by Aluprof S.A. of Aluprof Serwis sp. z o.o. (now Glassprof sp. z o.o.)
2014	Creation by Alupol Packaging S.A. of Alupol Films Sp. z o.o. and commencement of BOPP films production in Oświęcim by that company in 2016
	Creation by the Grupa KĘTY S.A. of Grupa Kety Italia s.r.l. with its registered office in Milan
	Creation by Aluprof S.A. of Aluprof System USA Inc., which further took up 45% shares in Aluprof USA LLC with its registered office in New York, created together with two American partners (now being wound up)
2015	Creation by Aluprof S.A. of Aluprof Belgium N.V. with its registered office in Dendermonde
2016	Acquisition by Aluform Sp. z o.o. of AHA EMMI Predelava aluminija, d.o.o. in Slovenia (now Aluminium Kety Emmi d.o.o)
	Creation by Aluform Sp. z o.o. of Aluminium Kety Deutschland GmbH with its registered office in Dortmund
2017	Creation by Aluform Sp. z o.o. of Aluminium Kęty CSE s.r.o. with its registered office in Ostrava

	Take-over by Aluprof S.A. of Metalplast-Stolarka Sp. z o.o. as a result of merger
2023	Take-over by Aluprof S.A. of Romb S.A. as a result of merger

3.3 Company and Capital Group organisational chart and management structure

3.3.1 Capital Group organisational Structure

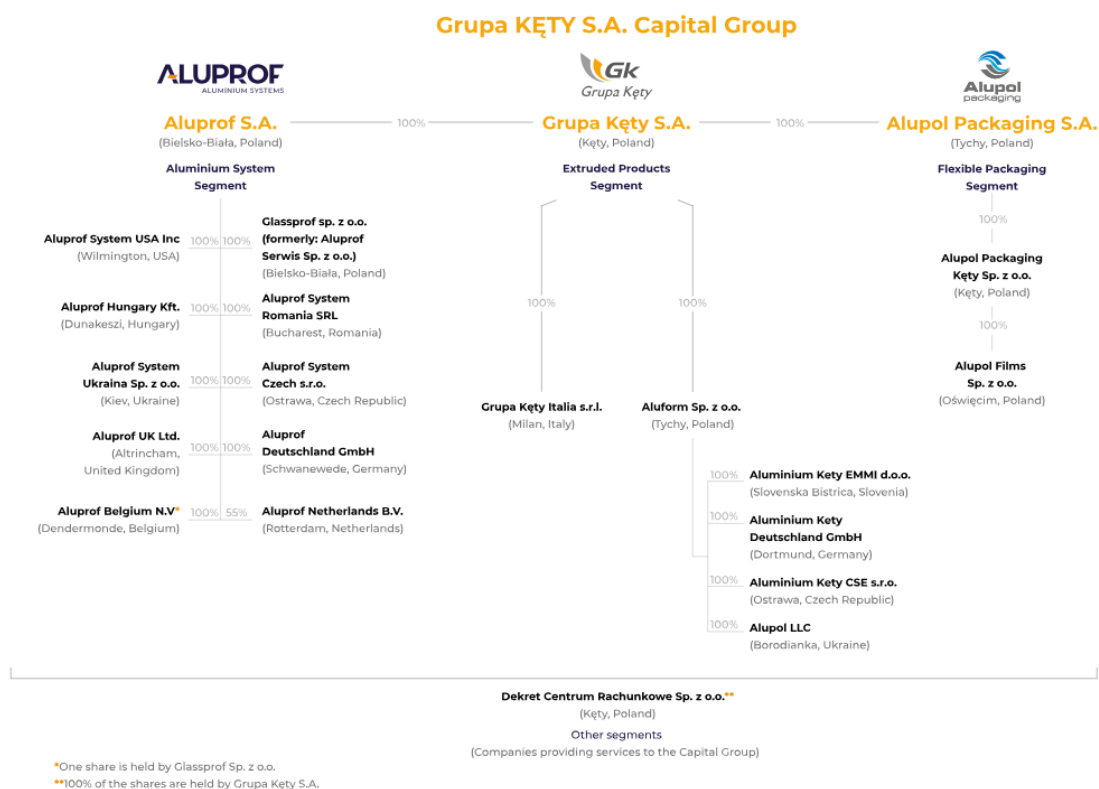
GRI 2-1, 2-2

Grupa KĘTY S.A. with its registered office in Kęty at ul. Kościuszki 111, 32-650 Kęty, is a parent of the Capital Group of Grupa KĘTY S.A. consisting of 22 companies, in which the Issuer holds directly or indirectly 100% share in the share capital and all votes in General Meetings, respectively (except Aluprof Netherlands B.V., in which the Issuer holds indirectly through Aluprof S.A. a 55% share in the share capital and the total number of votes in the General Meeting), that are subject to full consolidation. Grupa KĘTY S.A. also holds indirectly, through Aluprof S.A. and Aluprof System USA Inc, 45.5% shares in Aluprof USA LLC with its registered office in New York (associated company, recognised using the equity method), which is now being wound up.

Apart from Dekret Centrum Rachunkowe Sp. z o.o., which provides accounting and human resources services to all Capital Group companies, the other companies run business within three business segments: Extruded Products Segment (EPS), Aluminium Systems Segment (ASS), and Flexible Packaging Segment (FPS). Each Segment has a leading company, the name of which is at the same time the main brand by which the products of the particular segment are recognised. Each Segment has in its structures the services necessary to carry out business in the area of both production and trade. Some of the corporate and coordination functions availed of by all companies of the Capital Group have been concentrated in the form of the Corporate Centre of Grupa KĘTY S.A. The central areas comprise: human resources, corporate social responsibility and sustainable development, communication, investor relations, IT, finance, accounting, management and financial reporting, corporate supervision and capital investments, risk and compliance management, and internal audit.

In 2023 Romb S.A. was merged with Aluprof S.A. (acquiring company) and the process of winding up the company of Marius Hansen Facader A/S was completed.

CHART 5: CAPITAL GROUP ORGANISATIONAL CHART



Source: Company own materials.

TABLE 3: OBJECT OF BASIC ACTIVITIES OF THE COMPANIES WITHIN THE CAPITAL GROUP OF GRUPA KĘTY S.A.

Company name	Core business
EPS	
Grupa KĘTY S.A.	Holding company, production and sales of aluminium profiles
Aluform Sp. z o.o.	Production of aluminium profiles
Grupa Kęty Italia SRL	Trade and marketing services
Alupol LLC	Production of aluminium profiles
Aluminium Kety EMMI d.o.o.	Production and working of aluminium profiles
Aluminium Kety Deutschland GmbH	Trade and marketing services
Aluminium Kety CSE s.r.l.	Trade and marketing services
ASS	
Aluprof S.A.	Production and sales of aluminium systems and roller-shutter systems for construction business
Aluprof Hungary Kft.	Trade and marketing services
Aluprof Deutschland GmbH	Trade and marketing services
Aluprof System Romania SRL	Trade and marketing services
Aluprof System Czech s.r.o.	Trade and marketing services
Aluprof UK Ltd.	Trade and marketing services
Aluprof Belgium N.V.	Trade and marketing services
Aluprof System Ukraina LLC	Trade and marketing services
Aluprof Netherlands B.V.	Trade and marketing services
Glassprof Sp. z o.o.	Production and trade in fire glass
Aluprof System USA Inc	Trade and marketing services
FPS	
Alupol Packaging S.A.	Production and trade in plastic packaging
Alupol Packaging Kęty Sp. z o.o.	Production and trade in plastic packaging
Alupol Films Sp. z o.o.	Production and trade in plastic films
Other	
Dekret Centrum Rachunkowe Sp. z o.o.	Accounting and bookkeeping services

Neither Grupa KĘTY S.A., nor other Capital Group companies have branches (divisions) within the meaning of the Act on Accounting.

3.3.2 Organisation and management of the Company and the Capital Group

GRI 2-9

Grupa KĘTY S.A. operates on the basis of a notarised deed of 3 March 1992 on the transformation of a state-owned company into a joint stock company, the Articles of Association of the Company dated 3 March 1992, as amended, decisions of the District Court in Bielsko-Biała of 1 April 1992 on entering the Company into the Commercial Register, as amended, the District Court in Kraków of 9 July 2002 on entering the Company into the Register of Entrepreneurs of the National Court Register, as amended, as well as on the basis of the applicable legal regulations, including the Code of Commercial Companies.

The internal organisation of Grupa KĘTY S.A. results from the organisational regulations, which define, among other things, the manner of managing the Company affairs as well as performing tasks and competencies at the particular management levels, with the use of internal legal acts indicated in the regulations, e.g. resolutions of the governing bodies of the Company, regulations, internal orders, instructions, procedures and policies. All internal documents related to the operations of the Company may be found on the OrangeBook platform. The particular areas of operation of the Company and the Capital Group are managed by Members of the Management Board, acting under the chairmanship of the President of the Management Board and appointed by the Supervisory Board. The Management Board are assisted in their activities by the Management Board Bureau and a detailed principles of operation are determined in the adopted Management Board By-law.

In 2023 there were not made any major changes in the distribution of responsibility among the particular Management Board Members, except of for some organisational changes reflected in the below chart, which was valid on the balance-sheet date.

CHART 6: INTERNAL DISTRIBUTION OF RESPONSIBILITY AMONG MANAGEMENT BOARD MEMBERS

Internal distribution of responsibility for the particular areas of the Company operations among the Management Board Members			
Dariusz Mańko	Rafał Warpechowski	Piotr Wysocki	Tomasz Grela
President of the Management Board CEO	Member of the Management Board in charge of Finance	Member of the Management Board in charge of the Extruded Products Segment	Member of the Management Board in charge of the Aluminium Systems Segment
<ul style="list-style-type: none"> Directing the Management Board's work Coordination of the operating segments activities Sustainable development (ESG) Human resources (HR) and occupational health and safety (OHS) Internal audit Legal service Dialogue with the stakeholders Supervision of strategic affairs at the Flexible Products Segment (FPS) 	<ul style="list-style-type: none"> Accounting and statutory reporting Controlling and management reporting Treasury and insurance affairs IT Risk and compliance management (ERM) Investor relations (IR) Corporate supervision and capital investments Supervision of strategic affairs of the Shared Services Centre (accounting and payroll services) and cooperation with other operating segments 	<ul style="list-style-type: none"> Supervision and implementation of strategic and operational affairs at the Extruded Products Segment (EPS) Energy policy Cooperation with other operating segments 	<ul style="list-style-type: none"> Supervision and implementation of strategic and operational affairs at the Aluminium Systems Segment (ASS) Cooperation with other operating segments

Source: Company own materials.

On 15 September 2023 the Supervisory Board of Grupa Kęty S.A. passed a resolution on appointing Mr Roman Przybylski Member of the Management Board starting from 1 January 2024, entrusting him with the function of Vice President of the Management Board, Director for Investments and Development. With regard to the appointment of the new Management Board Member, post the balance-sheet date the above distribution of responsibility was updated.

The Capital Group applies a management model based basically on the systems of:

- internal control,
- risk and compliance management,
- internal audit.

The model defines roles and duties within the particular systems, the efficiency of which is supported by management staff supervision, i.e. the Management Board and the Supervisory Board of the Company.

Within the internal control system there were established and designed key organisational and process solutions, which make up the framework of the system. The current monitoring and assessment of the system solutions are carried out, including verification of the Capital Group procedures and policies at least once a year. An element of the internal control system is the OrangeBook platform for all Capital Group companies, which merges the elements of strategic and operating management of the Capital Group into one homogeneous supervision system and ensures proper implementation of the tasks.

The risk management system is based on the implemented Risk Management Policy (ERM), which sanctions the roles and duties of the appointed system participants, together with the formally appointed Risk and Compliance Committee. The defined frameworks of the system functioning represent a major element supporting the process of the Company and the Capital Group management.

The solutions defined within the compliance system are focused on ensuring compliance of the Company and the Capital Group processes with the provisions of the generally binding laws, as well as the adopted internal regulations (including compliance of the internal regulations with the provisions of the generally binding laws). The system comprises solutions for informing the employees about changes in laws and regulations.

Internal audit supports the Company and the Capital Group in achieving the set out objectives by way of verification and ensuring the efficiency of risk management, control and organisational governance processes as well as consultancy and advice.

Detailed information on the functioning of internal audit, compliance and risk management has been presented in section 3.4 of the report.

3.4 Internal audit, compliance and risk management at the organisation

3.4.1 Risk management

Risk management within the Capital Group is implemented based on the adopted policy, which makes it an integral part of processes and a major element affecting the decisions made. The basic objective of the policy is to implement mechanisms that will enable the earliest possible risk identification, limitation of its probability as well as the potential consequences representing a threat to the goals of the Capital Group.

The risk management process leads to:

- providing complementary expert knowledge in monitoring and prevention of the negative consequences of risk realisation;
- continuous improvement of the risk management process at the Capital Group;
- provision of relevant information to the Management Board and Supervisory Board of Grupa KĘTY S.A. on the threats within the organisation and in its environment.

Risk management is implemented at the level of the Capital Group, the operating segments, and the particular companies. The process covers for example:

- determination of the maximum acceptable risk level;
- identification of risk areas and assessment of their influence on business decisions;
- creation, maintenance, and improvement of the processes of risk identification, assessment and monitoring;
- inclusion of risk management in business processes, as well as decision-making processes;
- determination of management priorities and effective use of resources;
- implementation of processes ensuring business continuity in case of extraordinary situations;
- creation of risk management framework within the performed projects;
- assessment of risk related to regulatory environment, and supporting the compliance function in ensuring operations compliant with the binding legal regulations;
- identification and ensuring control over financial risk areas;
- implementation of control mechanisms (blockers), which limit the probability and consequences of risk occurrence.

Responsible for implementation of the risk management system in compliance with the adopted policy as well as monitoring is the Management Board of Grupa KĘTY S.A., supported by the Risk and Compliance Committee. The risk management system is monitored by the Supervisory Board of Grupa KĘTY S.A. The Risk Management and Compliance Director was responsible in 2023 for the proper functioning of the risk management process.

Risk management takes place at three levels:

- the Capital Group (GKK) – refers to strategic and operating risks related to GKK as a whole, and other risks subject to consolidation at GKK level;
- Operating Segment – refers to Segment risks and risk directly related to the respective Segment;
- Company/Location – refers to specific risks applicable to the respective company or location, which do not apply to the whole GKK or a segment.

In 2023, there were held 11 meetings of the Risk and Compliance Committee, in which there were:

- discussed and recommended the approval of risk charts updated during the annual risk review;
- discussed and recommended the exclusion of insignificant risks from the risk register, consolidation of similar risks, and introduction of new risks significant to the Capital Group;
- discussed and recommended the acceptance of the updated register of risks significant to the Capital Group;
- discussed the Key Risk Indicators (KRIs) which serve the monitoring of defined risk materialisation and are reported within the accepted frequency intervals;
- discussed the principles of operation and functionalities of an application enabling the registration of significant risks and opportunities, their measuring and reporting in the form of the adopted indicators.




As a result of the annual risk review carried out in 2023 there was prepared a list of risks that are major to the Capital Group. The applied general risk rating (scale from 1 to 125) is the product of three parameters assessed at the scale of 1 to 5:



- probability,
- financial impact,
- reputation-related impact.

Based on the carried out measurement, risks are rated as low or acceptable (scored at up to 8 points), medium or requiring control (scored at 8 to 24 points), and high or critical (scored at over 24 points). Blockers intended to keep the risk at acceptable level or reduce the risk are assigned to each type of risk. The effectiveness of the introduced mitigants is assessed with the use of KRIs reported with varied frequency, which reflect the risk level in reference to the assumed critical level.


In 2023, the Risk and Compliance Committee recommended the adoption of the risk register containing 31 risks major to the Capital Group, including 26 of high and medium rating. Each risk has an assigned risk owner. Below presented are risks applicable to the Capital Group in 2023 of high and medium rating, along with the updated risk level and reflection of change compared with the preceding year.

Key:

Risk level increase 	Risk level unchanged 	Risk level decrease 
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1. Risk of disturbances or breaks in IT infrastructure operation	Risk level: High	Risk level change: 
Area: IT		
The risk of IT systems failure which may result in downtimes or inability to perform tasks by the business units. Comment: Lower risk rating compared with the preceding year results from the process of development and modernisation of IT infrastructure, as well as implementation of risk-mitigating measures.		
Risk-mitigating measures:		
<ul style="list-style-type: none"> • Outsource contract for IT operations • Back-up policy • IT staff participation in preparing strategic plans and budgets of the Segments • HR procedures with regard to staff management • Stress tests/socio-technical tests (penetration tests) • Data Centre protection in compliance with the best sector practices (independent power supply, UPS, precise air-conditioning, extinguishing systems, monitoring, burglar control and access control systems) 		
2. Risk of profitability loss	Risk level: High	Risk level change: 
Area: Finances		
The risk of profitability loss as a result of financial risks related to instability of financial and commodity markets results from the fact that the Capital Group companies carry out exports, imports, sales and purchases based on variable prices depending on FX rates (denominated transactions). The prices of base materials, including aluminium for the EPS and the ASS, and petrochemicals for the FPS, undergo changes on the world's markets, which is translated into changes in the costs of production and finished products prices.		
Risk-mitigating measures:		
<ul style="list-style-type: none"> • Price formulas in trade contracts • Duty to close term and derivative transactions as soon as they lose the financial risk hedging nature • Defining hedge instruments allowed to be used • Current effectiveness control, use of derivative instruments that are highly correlated with the underlying instrument • Monitoring of interest in total costs, application of fixed interest rates 		
3. Risk related to cloud infrastructure utilisation	Risk level: High	Risk level change: New risk
Area: IT		
In relation to implementing cloud-storage IT solutions at Grupa KĘTY, risk related to data leakage, data loss or limited access to the data has been identified.		
Risk-mitigating measures:		





- Redundant connections to cloud resources, alternative communication methods and tools
- Data encryption, two-factor authentication, security monitoring, data backup
- Dedicated data processing and entrusting agreements
- Audits of services and service providers, changes and modifications
- Dedicated service agreements

4. Risk of effective cyber attacks	Risk level: High	Risk level change: 
Area: IT		
<p>Rapid growth of cyber threats is related to a growing number of attacks resulting in the risk of IT systems being stopped or destroyed, which may cause downtimes or inability of business units to complete their tasks.</p> <p>Comment: In 2023, Grupa KĘTY implemented a series of actions focusing on introducing state-of-the-art IT solutions in cyber-security and improvement of employee awareness. In order to ensure better traffic control between the particular segments, and specifically to improve the security of server segments and create protected segments for production areas, solutions securing traffic between the particular segments were introduced in LAN. New methods of securing the authorised logging into the network were introduced. A complete Security Operating Center (SOC) and EDR system were implemented. Also, standing cooperation with external consultants in cyber-security has been established.</p>		
Risk-mitigating measures:		
<ul style="list-style-type: none"> • Procedures of testing the changes introduced in systems • Requirement to conclude support and guarantee agreements • Training • Cyber-Edge insurance 		





5. Risk of IT infrastructure inadequacy for strategic goals	Risk level: High	Risk level change: 
Area: IT		
<p>Risk of IT infrastructure engineering condition being inadequate to the needs and strategy of the Group</p>		
Risk-mitigating measures:		
<ul style="list-style-type: none"> • IT staff participation in creating strategic plans and budgets of the Segments • IT Committee consisting of the Capital Group Financial Director, Capital Group IT Director, Financial Directors of the Segments and Dekret CEO. The IT Committee was appointed to specify business objectives performed with the use of IT tools. It develops, coordinates and supports the central IT Department in building the IT strategy • Creation of in-house IT solutions 		






6. Risk of IT system implementation failure	Risk level: High	Risk level change: New risk
Area: IT		
<p>Risk of failure in the implementation of a ERP IT system</p>		
Risk-mitigating measures:		
<ul style="list-style-type: none"> • Committees controlling work at various levels • Structured project team • Stage control during the implementation process • Acceptance tests and system capacity tests 		

7. Risk of staff shortages	Risk level: Medium	Risk level change: 
Area: HR		
<p>Risk of appropriate staff shortages which may result in a failure to secure business areas with regard to the performance of strategic and operating goals and/or failure to comply with legal requirements or customers' expectations.</p> <p>Comment: Higher risk rating results from the changed methods of risk valuation (acceptance of the value of comprehensive parameters of risk measurement compared with the previously applied consolidated average values, and further challenges in recruiting staff, such as duration of the recruitment process and offers availability).</p>		
Risk-mitigating measures:		
<ul style="list-style-type: none"> • Payroll reports, payroll analyses • Information collected in recruitment processes, exit interviews • Meetings with Labour Unions • Additional pay for shift work and hard working conditions • Suggestions systems (possibility to improve work, bonuses for inventors) • Zero accidents programme • Automation of processes • Medical care, insurance • Knowledge base, back-up staff, delegation of tasks 		


8. Risk of limitations in natural gas consumption	Risk level: Medium	Risk level change: 
Area: Production and quality systems		
Risk of gas supply limitation based on the binding legal regulations (Regulation of the Council of Ministers of 17 February 2021 on the methods and modes of imposing gas consumption limitations), and the resulting possible gas supply limitations.		
Comment: Lower risk rating results from the lack of the risk materialisation in the period of 2022/2023, when alternative sources of gas supply were used (Baltic Pipe and LPG Terminal) on the domestic level, and installation of dual-fuel burners (gas and electric energy) at selected lines.		
Risk-mitigating measures:		
<ul style="list-style-type: none"> • Monitoring of natural gas consumption limitations • Procedures to limit gas consumption • Supervision of the current capacity and its adjustment to the degrees of natural gas supply limitations • System of natural gas consumption monitoring per device/plant ('power guardian') • Verification of the possibility of including certain recipients in the group of 'protected recipients' • Appointment of persons responsible for contacts with natural gas distributor/seller • Analysis of contracted power vs production plans 		
9. Risk of electric energy consumption limitations	Risk level: Medium	Risk level change: 
Area: Production and quality systems		
Risk of electric energy supply limitation based on the binding legal regulations (Regulation on the detailed principles and methods of imposing limitations in fossil fuels sales as well as supply and consumption of electric energy and heat).		
Comment: Lower risk rating results from the lack of the risk materialisation in the period of 2022/2023 and installation of dual-fuel burners (gas and electric energy) at selected lines.		
Risk-mitigating measures:		
<ul style="list-style-type: none"> • Monitoring of electric energy consumption limitations • Procedures to limit electric energy consumption • Supervision of the currently used power and its adjustment to the limitation degrees • Verification of excessive consumption on 15-minutes' basis • System of electric energy consumption monitoring ('power guardian') • Appointment of persons responsible for contacts with electric energy distributor/seller • Analysis of contracted power vs production plans 		
10. Risk of polluting the environment	Risk level: Medium	Risk level change: 
Area: Production and quality systems		
Risk of polluting the environment as a result of the operations carried out, resulting in the plant closure and high administrative penalties imposed on the operations causing water, air or soil pollution with substances or radiation in quantities or in the form which may threaten human life or health, or bring about water, air or soil quality deterioration, or significant damage to fauna or flora.		
Risk-mitigating measures:		
<ul style="list-style-type: none"> • Environmental permits and decisions, including conditions and limits for using systems • Inspections by authorities and certifying bodies • Supervision of legal requirements and environmental permits with regard to the allowed emissions, monitoring and tests • Regulations regarding the use of best available technology (BAT) • Supervision of environmental protection and pollution reduction infrastructure and emitters, as well as the technical condition of the sources of emissions, machines and systems using hazardous substances, waste treatment plants, etc. • Current identification and assessment of the conditions of applying, approving for use, and contents analysis of hazardous substances and mixtures • Keeping documentation (Material Safety Data Sheets Register) • Training in environmental protection • Solutions preventing release of hazardous substances as well as fire and explosion protection systems and equipment • Waste recipients verification, agreements on waste collection/treatment • Legal regulations regarding environmental protection – current monitoring and use of information tools 		
11. Risk of ineffective compliance system	Risk level: Medium	Risk level change: 
Area: All companies of the Capital Group		
The risk that the operations of the Company will not comply with the legal regulations results from a failure to abide by legal acts, ordinances, laws or internal standards, policies, codes of conduct, which exposes the Company to paying fees.		
Comment: Lower risk rating results from the extension of the Compliance function and verification of the measurements of the risk financial consequences.		
Risk-mitigating measures:		


- Compliance management system
- Regulatory environment monitoring system
- Periodical staff training
- Periodical management staff training, management staff engagement in the compliance management system
- Cooperation with speciality law firms, operation of internal control and internal audit areas


12. Risk of being unprepared to continuity loss resulting in long-term suspension of a key part of production (over 1 month)	Risk level: Medium	Risk level change: 
Area: Production and quality systems		
Risk of being unprepared for continuity loss resulting in long-term operations suspension, including inability to use a production or warehouse building, lack of resources (e.g. semi-products), shortage of human resources, long-term failures and engineering downtimes		
Risk-mitigating measures:		
Adjustment of the particular actions to the specifics of the Segments. These include on a standard basis: <ul style="list-style-type: none"> • Continuity plans • Risk Team activities • Regular monitoring of the market of raw materials and utilities • Diversification of suppliers and recipients • Technical inspection • Adjustment of machines and equipment to the changing regulations • List of machines and equipment subject to special supervision • Diversification of location for some production processes • All risks insurance including business interruption (BI) cover, and insurance of selected property, plant and equipment against damage 		
13. Risk of faulty inventory management policy resulting in production delays or downtimes	Risk level: Medium	Risk level change: 
Area: Production and quality systems		
Lack of proper inventory management policy poses a hazard for the continuity of production and timely order completion, consequently leading to negative financial results and loss of customers' trust.		
Risk-mitigating measures:		
Adjustment of the particular actions to the specifics of the Segments. These include on a standard basis: <ul style="list-style-type: none"> • Production management systems • Consignment store, warehouse stock at suppliers • Safe warehouse stock based on forecast consumption and orders on the go • Forecasts for supplier in order to book their production capacity at a certain time • Production planning systems, monitoring and recording of the production process, inventories monitoring • Diversification of raw materials suppliers (also with regard to the geographic aspect) • Regular verification of demand for production components 		
14. Risk of incidents regarding personal data protection (e.g. due to non-compliance with GDPR), resulting in fines and reputation tarnishing	Risk level: Medium	Risk level change: 
Area: HR		
Risk of improper personal data securing.		
Risk-mitigating measures:		
<ul style="list-style-type: none"> • Personal Data Officer's opinions and audits • Compliance management system • Employee declarations • Access verification by the Personal Data Officer • Verification of access to electronic databases • Access procedures for employees and visitors • Staff training • Ban on installing software without IT authorisation, training in systems use, access control 		
15. Risk of malfeasance, understood as actions or omissions in breach of the generally binding laws	Risk level: Medium	Risk level change: 
Area: All companies of the Capital Group		
Purposeful actions or omissions in breach of the generally binding laws, as a result of which the perpetrator obtains illegal gains, causing losses or failure to attain the assumed results (fraud, theft, misuse, etc.).		
Risk-mitigating measures:		
<ul style="list-style-type: none"> • Anti-corruption Policy • Generally binding laws • Internal audit and internal control • Compliance management system 		




<ul style="list-style-type: none"> • Regular staff training, information campaigns in Intranet • Articles of Association, by-laws, regulations • Code of Ethics 		
16. Risk of credibility loss by the Company due to rejection from stock listing by the Management Board of the Warsaw Stock Exchange	Risk level: Medium	Risk level change: 
Area: Communication		
Adoption of a resolution by the Management Board of the Warsaw Stock Exchange to delist the Company shares as a result of violation of the Warsaw Stock Exchange regulations, including disclosure obligations, lack of transactions in the Company shares for a period of three months, undertaking by the Company of activities prohibited by the binding laws, which may result in civil claims against the Company and its managers for acting to the detriment of the Company or shareholders, increased costs of finance as a result of the Company reputation tarnishing, or penalties imposed by the Management Board of the Stock Exchange.		
Risk-mitigating measures:		
<ul style="list-style-type: none"> • Interim reports: multi-stage verification of the report contents • Current reports: multi-stage verification of the report contents • Active communication policy as regards the investors • Legal environment monitoring by people responsible for the particular areas of the Company operations, compliance management system 		
17. Risk of non-compliance with the MAR regulation, resulting in imposing fines	Risk level: Medium	Risk level change: 
Area: Communication		
Possible imposition of fines for non-compliance with disclosure obligations and/or lack of relevant documents. Imposition of fines for disclosure or use of confidential information by an employee of the Company before the information is officially published.		
Risk-mitigating measures:		
<ul style="list-style-type: none"> • Regulated information flow system • Periodical training 		
18. Risk of ineffective ownership supervision over the Group's financial assets, resulting in impairment, liquidation or disposal of high-value assets	Risk level: Medium	Risk level change: 
Area: All companies of the Capital Group		
Risk of high-value assets loss (liquidation, disposal), necessity to recognise assets impairment.		
Risk-mitigating measures:		
<ul style="list-style-type: none"> • Entries in corporate documents (articles, company deeds, memoranda of association) regarding: <ul style="list-style-type: none"> - the duty to approve strategies and budgets (including investment budgets) by supervising authorities; - the duty to obtain supervising authorities approval with regard to the principles of voting in General Meetings of companies in which the Company holds at least 20% shares; - the requirement to hold Supervisory Board Meetings on regular basis; - the duty to obtain approval of competent bodies with regard to some liabilities, or approving liabilities exceeding the set out amounts. • Procedures regarding companies take-overs or establishing companies, which introduce, for example, the necessity of: <ul style="list-style-type: none"> - reporting acquisition plans at the moment of budgets creation; - notifying the competent bodies about projects exceeding the agreed values; - preparing analyses, including NPV measurements for development projects of specific value. 		
19. Risk of non-compliance with tax regulations, resulting in high administrative penalties	Risk level: Medium	Risk level change: 
Area: Accounting		
The risk of fines imposed by the Tax Office (PIT, CIT, VAT) or local authorities (tax on real estate).		
Risk-mitigating measures:		
<ul style="list-style-type: none"> • Training in tax changes • Monitoring of tax changes and current practices in that regard • Analysis of the possible tax consequences and conditions for planned transactions • Bookkeeping system updates with regard to legal changes • Contractors verification, monitoring of the 'White List' of taxpayers 		
20. Risk of missing effective supply chain, which results in delays or stoppages in production/sales order performance	Risk level: Medium	Risk level change: 
Area: Purchases		
Risk of discontinuity of supplies resulting in shortages of materials/production goods/sales goods. Comment: Lower risk rating results from cancellation of limitations due to SARS-CoV-2 pandemic and shortening of the periods of materials deliveries, as well as changes in demand.		
Risk-mitigating measures:		

<p>Adjustment of the particular actions to the specifics of the Segments. These include on a standard basis:</p> <ul style="list-style-type: none"> • Suppliers diversification • Adequate stocks in-house and at selected suppliers • Suppliers trustworthiness verification • Purchase/delivery plans • Cooperation agreements • Inventory reports and analyses • Geopolitical situation monitoring • Alternative geographic destinations for deliveries
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21. Risk of ineffective receivables management policy, which affects financial liquidity or financial results	Risk level: Medium	Risk level change: 
Area: Finances		
<p>Risk of losing receivables of significant value, necessity of recognising provisions as a result of, for example, high sales concentration, faulty customer analysis, insufficient security.</p> <p>Comment: Lower risk rating results from increased insurance cover for receivables</p>		
<p>Risk-mitigating measures:</p> <ul style="list-style-type: none"> • Determination of the maximum value of the unsecured part of receivables • Verification of information at business intelligence companies • Appointment of persons responsible for debt-collection supervision • Current monitoring of the receivables ageing structure • Receivables insurance • Other security measures applicable to receivables (e.g. blank promissory notes, mortgages on customers' real properties, letters of credit, bank guarantees, security bonds by other entities, etc.) 		

22. Risk of unforeseeable/extraordinary events occurrence, resulting in losing operating facilities (plant, warehouse), limiting or stopping production processes, or and incurring financial losses on that account	Risk level: Medium	Risk level change: 
Area: Production and quality systems		
<p>Risk of operations disturbance or break as a result of losses originating from an extraordinary event (e.g. fire, hurricane, whirlwind, rockburst, building catastrophe, lightning stroke, earthquake, motor vehicle impact, aircraft crash, explosion, meteorite fall), or natural disaster (e.g. drought, heavy snowfall, extreme heat or frost, storm, flood, hail).</p> <p>Comment: Lower rating results from implementation of the selected recommendations, including those following independent audits.</p>		
<p>Risk-mitigating measures:</p> <p>Adjustment of the particular actions to the specifics of the Segments. These include on a standard basis:</p> <ul style="list-style-type: none"> • Regular technical inspections • Fire detection systems in certain areas • Staff training in fire protection measures • Development of procedures and instructions in liaison with third parties as regards hot works • Internal OHS and fire protection inspections • Smoking ban apart from set out places • Periodical verification of fire systems efficient functioning (alarms and extinguishers) • Evacuation trainings • Plants security service • Insurance against accidents and natural disasters (including BI cover) • Lightning protection systems 		

23. Risk of non-performance or lack of strategy update in the sustainable development area (social responsibility), resulting in non-compliance with new legal and business requirements	Risk level: Medium	Risk level change: 
Area: CSR		
<p>Risk of damage to the Company's reputation as one operating in compliance with the idea of sustainable development and, thus, inability to cooperate with companies for which the idea is major in their operational policy. Simultaneous risk of legal and financial consequences.</p> <p>Comment: Lower rating results from the achievement of the assumed strategic goals in the ESG area, and the fact that the adopted strategy did not result in customers loss. Moreover, in the recent period the Group received higher independent ratings with regard to ESG.</p>		
<p>Risk-mitigating measures:</p> <ul style="list-style-type: none"> • Committee for Sustainable Development and Corporate Social Responsibility • Defined ESG strategic goals • Key indicators monitoring • Speciality knowledge outsourcing • Systems and equipment to monitor environmental factors excesses • Compliance system • Speciality training, improvement of professional qualifications 		

24. Risk of non-compliance with the principles of ethics, resulting in non-ethical culture at the organisation and claims on account of breaching the Code of Ethics	Risk level: Medium	Risk level change: 
Area: CSR		
<p>Risk of tarnishing the Company's reputation as one operating in compliance with ethical business principle and, thus, inability to cooperate with companies for which the ethical values are major in their operational policy. Consequent possible claims against the Company or tarnished reputation.</p>		
<p>Comment: Higher risk rating results from the changed methods of risk valuation. During risk valuation update the previous model was verified, such as to bring higher attention to the fact that along with headcount growth the probability of negative behaviour occurrence increases. Moreover, in the public space and within the organisation itself the awareness of the importance to abide by the Code of Ethics has been growing, which brings higher reputation risk in case the Code of Ethics is breached.</p>		
<p style="text-align: center;">Risk-mitigating measures:</p>		
<ul style="list-style-type: none"> • Training • Communication of ethical issues in the Intranet, the corporate newsletter, on information boards at production departments, information on dedicated screen displays • CSR Policy • Respect for Human Rights Policy • Code of Ethics • Committee for Sustainable Development and Corporate Social Responsibility • Compliance system 		
25. Risk of non-attainment of the expected sales (drop in sales volume), resulting in budget and strategic plans non-performance	Risk level: Medium	Risk level change: 
Area: Sales & Marketing		
<p>The risk that budget assumptions and, in consequence, the result/profit will not be achieved, drop in the number of active customers, threat to strategies and planned projects performance.</p>		
<p>Comment: Lower risk rating results from the changed methods of risk valuation. The analysis of historical data with regard to non-attainment of budget assumption reflected lower probability of the risk occurrence that it has been assumed before. Change of probability resulted in the risk rating reduction.</p>		
<p style="text-align: center;">Risk-mitigating measures:</p>		
<p>Adjustment of the particular actions to the specifics of the Segments. These include on a standard basis:</p> <ul style="list-style-type: none"> • Customers and credit limits verification for the particular Segment • Extension of cooperation with the existing customers • Offering new products in response to market requirements and customer expectations • Customer satisfaction level verification • Monitoring of the competitors' actions • Current control of margin levels 		
26. Risk of ineffective OHS policy, which may result in fatal accidents or permanent health impairment, as well as staff shortages difficult to back up	Risk level: Medium	Risk level change: 
Area: Production and quality systems		
<p>Risk related to the possible accidents at work or while commuting to or from work.</p>		
<p style="text-align: center;">Risk-mitigating measures:</p>		
<p>Adjustment of the particular actions to the specifics of the Segments. These include on a standard basis:</p> <ul style="list-style-type: none"> • Regular technical inspection, maintenance and repair of plant and equipment • Regular tests and measurements of workplace parameters • Occupational risk assessment • Casings and protections on machines • OHS warning signs • Selection of proper personal protection equipment • Staff training in OHS, fire protection measures, and first aid • Fire alarm systems • Extinguishing systems 		

Below presented are two risk charts comprising solely the financial and reputation-related impacts for the aforesaid risks.

CHART 7: RISK CHART COVERING FOR PROBABILITY AND FINANCIAL IMPACT

Financial consequences	Very high	10				
	High	12; 17; 18		2; 8; 9		
	Medium	16; 25; 26	19; 22	4; 5	2; 6; 20	
	Moderate		11; 15; 21; 23		3; 7	
	Low			24		13; 14
		Low	Moderate	Medium	High	Very high

Risk probability

Source: Company own materials.

CHART 8: RISK CHART COVERING FOR PROBABILITY AND REPUTATION-RELATED IMPACT

Reputation-related consequences	International					
	Domestic	10; 12; 16	11		3	
	Local	17; 18; 25; 26	15; 21; 23	2; 4; 5; 24	1; 7	13; 14
	Hardly significant		19; 22	8; 9	6	
	Low				20	
		Low	Moderate	Medium	High	Very high

Risk probability

Source: Company own materials.

Details concerning financial risk management are presented in note 36 to the consolidated financial statements of the Capital Group of Grupa KĘTY S.A. for the year 2023.

3.4.2 Compliance

One of the main areas of uncertainty in the business environment are changes in law, both domestic and international, particularly in the European Union, which affect the operations of the Capital Group. New regulations may lead to new obligations in relation to contractors and suppliers, and may also result in new or tightened requirements with regard to production, logistics or corporate matters.

In addition to changes of legislative nature, another area of risk in terms of legal compliance is the interpretation of the law, both at the stage of determining interpretation within the proceedings conducted by state authorities, and changing the established lines of interpretation, for example as a result of case law or the issuance of a legal interpretation by an authority, which changes the interpretation practice in the relevant respect. Further, a failure to timely implement EU laws may also lead to difficulties in applying legal regulations.

Being aware of the existence of risk areas with regard to law compliance, the Capital Group has taken measures to counteract the risk materialisation and mitigating its possible impact. At the Capital Group, the tasks related to Compliance Management System are centralised in the Risk Management and Compliance Department (Grupa

KĘTY Central Area), reporting to the Risk Management and Compliance Director (acting as Compliance Officer). At the segments, the System is supported by the appointed Compliance Coordinators.

One of the key tasks of the Risk Management and Compliance Department is to ensure that the organisation's activities comply with the changing legal environment, which is carried out through 4 main processes:

- monitoring of the regulatory environment, focused on identifying new legal regulations in Poland and the EU which may have a direct or indirect impact on the operations of the Capital Group;
- compliance management, which assesses the compliance of the Capital Group activities with legal regulations;
- irregularities management, which has several levels/channels of reporting for persons identifying breaches of regulations, with one of the channels in place ensuring anonymity of the person reporting;
- verification of contractors with regard to Polish, EU's and UN's sanctions lists.

Such structured processes and the centralisation of the compliance function make it possible to react to the emerging legal changes in advance, enabling the Capital Group to adapt to the new regulations.

Below presented are the selected Polish and European legal regulations that came into force in 2023 and have or may have effect on the operations of the Capital Group.

- **Act of 1 December 2022 Amending the Labour Law Act and Some Other Acts (Journal of Laws of 2023, item 240)**, which regulates remote work and introduces sobriety control at workplaces.
- **Act of 9 March 2023 Amending the Labour Law Act and Some Other Acts (Journal of Laws of 2023, item 641)**, which introduces a series of changes with regard to work-life balance and extends the rights and entitlements of employees and their families.
- **Act of 7 July 2022 Amending the Penal Code Act and Some Other Acts (Journal of Laws of 2022, item 2600)**, which significantly increases penalties for wastefulness and managerial corruption (up to 25 years of imprisonment).
- **Act of 9 March 2023 Amending the Act on Competition and Consumer Protection and Some Other Acts (Journal of Laws of 2023, item 852)**, which introduces major changes in the competition and consumer protection area, including the extended rights of the Office for Competition and Consumer Protection, higher liability of parent companies for applying competition limiting practices through subsidiaries, or enabling the imposition of fines on entrepreneurs associations and their members.
- **CBAM – Regulation (EU) 2023/956 of the European Parliament and of the Council of 10 May 2023 establishing a carbon border adjustment mechanism and Commission Implementing Regulation (EU) 2023/1773 of 17 August 2023 laying down the rules for the application of Regulation (EU) 2023/956 of the European Parliament and of the Council as regards reporting obligations for the purposes of the carbon border adjustment mechanism during the transitional period**, which introduce the duty to report detailed data on the goods subject to CBAM, including direct and indirect emissions embedded in goods imported to the territory of the EU.
- **KSEF – Act of 16 June 2023 Amending the Act on the Tax on Goods and Services and Some Other Acts (Journal of Laws of 2023, item 1598)**, as well as a number of other acts which refer to the National e-Invoices System (KSeF), enabling the issue and disclosure of structured invoices.
- **Act of 26 May 2023 Amending the Act on Local Government, the Act on Social Forms of Housing Development, the Act on Real Property Management, the Act on the Tax on Civil Law Activities and Some Other Acts (Journal of Laws of 2023, item 1463)**, which assigns to persons availing of land perpetual usufruct the right to claim the land to be sold to them.
- **Act of 7 October 2022 Amending the Act on Energy Performance of Buildings and the Building Law Act (Journal of Laws of 2022, item 2206)**, which introduces the necessity of furnishing buildings in building automation and control systems if it is possible from the economic and technical point of view.
- **LkSG – German Act on Due Diligence in Supply Chain (Lieferkettensorgfaltspflichtengesetz)**, which introduces a series of new expectations on the part of German contractors.
- **Act of 16 August 2023 Amending Some Acts in Relation to Ensuring Financial Market Development and Protection of Investors on That Market (Journal of Laws of 2023, item 1723)**, which introduces amendments in 41 Acts, including the Act on Bonds and the Act on Capital Market Supervision.

- **Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards**, which specifies the first set of standards for sustainability reporting.

3.4.3 Internal audit

Grupa KĘTY S.A. has an Internal Audit Department within the Central Area, whose objective, authority, accountability and principles of operation are defined by the adopted Internal Audit Rules and which, together with the International Standards for the Professional Practice of Internal Auditing, the Group's Code of Ethics, the definition of internal audit and internal procedures, provide guidelines for the proper functioning of the Department.

The audit activities are managed by the Internal Audit Director, who reports functionally to the Supervisory Board of Grupa KĘTY S.A. and administratively to the General Director of Grupa KĘTY S.A. The Internal Audit Director has unlimited access to the Supervisory Board (Audit Committee), including the possibility to communicate with it also without the participation of the Company management.

The purpose of internal audit is to provide independent, objective assurance and advisory services to add value to the organisation and improve its operations. The internal audit activities comprise, for example, objective examining of evidence in order to assure the Supervisory Board/Audit Committee, the Management Board of the Capital Group and external parties as to independent assessment of the adequacy and efficiency of the risk management process, corporate governance, internal control system, and compliance supervision.

The detailed scope of internal audit activities and functions within the Capital Group includes, among other things:

- identifying, analysing and assessing significant risks in the specific business areas, processes, systems and projects as part of audit assignments;
- taking action during ongoing audit assignments and as a result of them to support the identification of threats and determination of risk in business processes;
- reviewing and assessing the performance of the particular organisational units and systems in terms of their effectiveness, rationality and compliance with the Capital Group Strategy and internal regulations;
- providing the Management Board and Supervisory Board of Grupa KĘTY with reasonable assurance that the achievement of key and business objectives in the audited areas is not at risk;
- analysing and evaluating the existing controls in terms of their effectiveness in operating activities and exercising rational supervision;
- providing reasonable assurance as to the effectiveness of the internal control system, risk management, corporate governance, and compliance;
- preparing post-audit recommendations to improve the functioning of systems, risk management processes and controls in the audited areas;
- advising on system solutions and business process improvements;
- planning internal audit activities and reporting them to the governing and supervising bodies;
- cooperation with the supervising body;
- implementation of the above-mentioned activities at Grupa KĘTY S.A. and its subsidiaries.

Internal audit operates on the basis of short-term planning in reference to the annual audit plan adopted by the competent authority, as well as on the basis of long-term audit plan drawn up for a period of 5 years, defining the direction of the Department activities and development.

In 2023, in accordance with the guidelines of 'The Best Practice for GPW Listed Companies 2021' and the International Standards for the Professional Practice of Internal Auditing, an independent external assessment of the internal audit function was carried out.

The general assessment indicated that the Internal Audit Department's activity at Grupa KĘTY S.A.:

- **'generally conforms'** with the applicable *Standards for the Professional Practice of Internal Auditing* (hereinafter referred to as '*Standards*') and the *Code of Ethics* issued by The Institute of Internal Auditors (*IIA*), and
- **'generally conforms'** with the recommended capital market practices (in the scope in which they refer to or depend on the internal audit function). The recommended practices are: '*The Best Practice for GPW Listed Companies 2021*', '*Good Practices for Audit Committees 2021*' and '*Good Practices for*

Public-interest Entities regarding the principles of appointing, membership and functioning of audit committees’.

Pursuant to the Quality Assessment Manual for the Internal Audit Activity issued by the Institute of Internal Auditors, the assessment scale comprises three levels: ‘generally conforms’ (minimum 80% of Standards fulfilled), ‘partially conforms’ (minimum 50% of Standards fulfilled), and ‘does not conform’ (less than 50% of Standards fulfilled). An identical scale has been assumed for assessment of conformance with the recommended capital market practices.

3.5 Remuneration of the managing and supervising persons, and information on securities held by them

GRI 2-19

The method of determining, calculating and paying remuneration to the members of Grupa KĘTY S.A. governing and supervising bodies has been regulated in the Remuneration Policy of the Grupa KĘTY S.A. Management Board and Supervisory Board Members, adopted by resolution of the AGM No. 19/20 dated 20 August 2020, and amended by resolution of the AGM No. 18/2022 dated 25 May 2022, which may be found on the corporate website at: <https://grupakety.com/polityki/>.

The solutions assumed in the Policy shall contribute to the execution of the business strategy as well as maintaining the long-term interest and stability of the Company and the Capital Group, specifically by ensuring:

- complete engagement in the fulfilment of functions at the Company;
- incentives to perform the assumed strategy and business plans, with balanced and responsible risk bearing;
- interest in the Capital Group and long-term binding to the Group of high-level specialists;
- the value of remuneration which is adequate to the financial and business results of the Capital Group, including the Company, as well as the level of responsibility;
- attitudes which exclude assumption of excessive risk when fulfilling the functions entrusted within the Company;
- transparency of the remuneration system and lack of discrimination.

Remuneration of the Company Management Board Members, and information on the Company shares held by them

The performance of the function of a Member of the Company Management Board takes place through the conclusion of an employment contract and appointment by resolution of the Company Supervisory Board. Management Board Members may be additionally employed based on an employment contract or appointed to act at the Management Board of the Capital Group companies, including within the managed and supervised Operating Segment.

Fixed remuneration is granted in consideration of the analyses of the solutions applied on the market, depending on the financial results generated by the Capital Group and the growth rate of the Company quotations at the Warsaw Stock Exchange.

The Remuneration Policy provides as well for granting variable remuneration dependent on the financial results generated by the Company/Capital Group/Operating Segment, performance of individual premium tasks, fulfilment of criteria regarding social interest, contribution to environmental protection and taking actions focused on the prevention of the negative effect of the Company operation and the effect elimination. The variable part of the remuneration may not exceed 2.5 times the fixed part of the remuneration received jointly by the Management Board Member from the Company and any of the Capital Group companies under an employment contract or appointment to act at the Management Board of a Capital Group company.

The Management Board Members may also participate in long-term incentive plans (share options) in reference to the Company shares, the performance of which depends on the generation of both adequate financial results by the Capital Group and the level of the Company share prices compared to the quoting of indexes on the Warsaw Stock Exchange.

In certain cases, the Company Supervisory Board may decide to grant a Management Board Member a discretionary award for the relevant year, at the maximum value of their double fixed gross monthly remuneration.

The Remuneration Policy also provides that Management Board Members may receive specific in-kind benefits.

Competition ban agreements are signed with the Members of the Management Board employed by the Company based on an employment contract – on mandatory basis during the term of the employment relationship, without any possibility to terminate the agreement, and depending on the decision of the Supervisory Board – also after the termination of the employment relationship. The competition ban after the termination of the employment relationship may be binding for the period of 12 to 15 months, counting from the termination date of the employment relationship with the Company, whereas the monthly instalment of the indemnity is 25% or more of the average monthly remuneration paid out in the last year of the employment contract term, up to 50% of the basic remuneration, however, it may not be lower in any case than 25% of the remuneration obtained by the employee before the employment relationship termination.

There are no agreements between Grupa KĘTY S.A. and the Management Board Members who acted in the Management Board of Grupa KĘTY S.A. in 2023, which would provide for any compensation in the case of their resignation or dismissal from their positions for no important reason or where their dismissal would be related to the Company's merger by acquisition, except for the conditions included in the terms of notice or non-competition agreements.

TABLE 4: REMUNERATION OF THE COMPANY MANAGEMENT BOARD MEMBERS IN 2022 AND 2023

PLN '000	Fixed (basic) remuneration*		Variable remuneration**		In-kind benefits***		Remuneration from other companies of the Capital Group****		Total		
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	
Dariusz Mańko	1,279	1,421	2,856	3,198	6	6	-	-	4,141	4,625	
Rafał Warpechowski	767	852	1,714	1,918	5	6	-	-	2,486	2,776	
Piotr Wysocki	752	836	1,680	1,881	7	7	12	12	2,451	2,736	
Tomasz Grela	180	180	874	978	-	-	1,384	1,241	2,438	2,399	
									Total	11,516	12,536

* Fixed remuneration comprises: basic remuneration under employment contract, and remuneration for appointment among the Management Board members.

** Variable remuneration comprises: annual incentive paid in the respective year in reference to the preceding year.

*** In-kind benefits comprise: Employee Pension Scheme (PPE) premium, health-care premium.

**** Fixed remuneration at other companies of the Capital Group comprises: basic remuneration under employment contract, remuneration for appointment among the Management Board members, variable remuneration, sick-leave remuneration, and in-kind benefits.

The variable remuneration of the Management Board Members paid out in 2023 (for the year 2022) comprised: as regards the President of the Management Board/General Director and Management Board Member/Financial Director – annual incentive partly depending on the value of fixed remuneration and EBITDA growth rate (profit on operating activities plus depreciation) and net profit growth rate generated by the Capital Group in the respective reporting year compared to budget assumptions for that year. As regards the Management Board Members supervising the particular operating segments, the variable remuneration partly depended on both the parameters described above for the Capital Group, and the parameters of the supervised operating segment in equal parts.

The rest of the incentive for the Management Board Members depended on non-financial objectives with regard to GHG emissions reduction, performance of projects for local communities and reduction of the Total Recordable Incident Rate (TRIR).

Within the 12 months ended 31 December 2023, a provision was established for the potential incentives for the Management Board Members in reference to 2023, to be paid out in 2024, in the total amount of PLN 9,412,000.

In 2023, the Issuer received a notification from Mr Dariusz Mańko on the donation of 164,363 shares of Grupa KĘTY S.A. to a closely related entity, i.e. Seven Trees Family Foundation, and from Mr Piotr Wysocki on the

donation of 51,873 shares of Grupa KĘTY S.A. to a closely related entity, i.e. Wysoccy Family Foundation, about which the Issuer has informed in its current reports.

In accordance with the information provided as at the balance-sheet date, the persons managing the Company held 237,984 ordinary bearer shares of Grupa KĘTY S.A., including: Dariusz Mańko – 164,363 shares (no shares directly and 164,363 shares indirectly through closely related entity of Seven Trees Family Foundation), Rafał Warpechowski – 0 shares, Piotr Wysocki – 51,873 shares (no shares directly and 51,873 shares indirectly through closely related entity of Wysoccy Family Foundation), Tomasz Grela – 21,748 shares.

The Company has been regularly performing incentive plans based on new-issue shares. Information on the current plans may be found in section 8.5 of this report. Within the incentive plan adopted at the Extraordinary General Meeting on 13 December 2023, amending the principles of implementation of the plan which has been initially adopted by the General Meeting on 20 August 2020, the Management Board Members are eligible to acquire:

- 30,000 D series warrants entitling to the take-up of K series ordinary bearer shares, and in that number Dariusz Mańko – 9,000 warrants, Rafał Warpechowski – 7,000 warrants, Piotr Wysocki – 7,000 warrants, and Tomasz Grela – 7,000 warrants;
- 30,000 E series warrants entitling to the take-up of L series ordinary bearer shares, and in that number Dariusz Mańko – 9,000 warrants, Rafał Warpechowski – 7,000 warrants, Piotr Wysocki – 7,000 warrants, and Tomasz Grela – 7,000 warrants, providing that the conditions specified in the plan rules are fulfilled. The fulfilment will be verified upon the approval of financial statements for 2023 by the Annual General Meeting;
- 30,000 F series warrants entitling to the take-up of L series ordinary bearer shares, and in that number Dariusz Mańko – 9,000 warrants, Rafał Warpechowski – 7,000 warrants, Piotr Wysocki – 7,000 warrants, and Tomasz Grela – 7,000 warrants, providing that the conditions specified in the plan rules are fulfilled. The fulfilment will be verified upon the approval of financial statements for 2024 by the Annual General Meeting.

The performance of series E and F warrants acquisition depends on whether the Annual General Meeting passes a resolution on issuing the warrants, conditional share capital increase, and amendment of the Company Articles in that regard.

Within the incentive plan adopted by the General Meeting on 21 June 2023, the Management Board members hold the right to acquire 30,000 A series warrants entitling to the take-up of J series ordinary bearer shares, and in that number Dariusz Mańko – 9,000 warrants, Rafał Warpechowski – 7,000 warrants, Piotr Wysocki – 7,000 warrants, and Tomasz Grela – 7,000 warrants, providing that the conditions specified in the plan rules are fulfilled. The fulfilment will be verified upon the approval of financial statements for 2025 by the Annual General Meeting.

In the reporting year, owing to the fulfilment of the conditions specified in the plan rules, the Management Board Members were vested the rights to acquire D series warrants entitling to the take-up of K series ordinary bearer shares in the number identified in the above paragraph.

However, the Management Board Members did not acquire the said warrants or take-up shares within the incentive plan in the year covered with the report.

The Management Board Members do not possess shares or interest in the Company subsidiaries or affiliates.

Remuneration of the Company Supervisory Board Members, and information on the Company shares held by them

A Member of the Supervisory Board may receive remuneration from the Company for the fulfilment of function in the supervising body solely in the form of a fixed, flat-rate monthly gross amount. The value of the monthly gross remuneration of a Member of the Supervisory Board is determined in reference to the Average Monthly Remuneration and equals, respectively:

- for the Chairman of the Supervisory Board – 3 (three) times the Average Monthly Remuneration;
- for the Deputy Chairman of the Supervisory Board – 2.5 (two point five) times the Average Monthly Remuneration;
- for the other Supervisory Board Members – 2 (two) times the Average Monthly Remuneration.

Additionally, the Supervisory Board Members receive monthly remuneration on account of the work on the Supervisory Board Committees:

- Chairman of the Audit Committee – monthly gross remuneration of PLN 5,000;
- Chairman of the Nomination and Remuneration Committee – monthly gross remuneration of PLN 1,000;
- Member of the Committee – monthly gross remuneration of PLN 500.

The remuneration of the Supervisory Board Members is granted based on relevant resolutions of the Company General Meeting.

The table below presents the value of remuneration paid to the Company Supervisory Board Members in 2022 and 2023, comprising additional in-kind benefits (Employee Capital Plans [PPK] contributions).

TABLE 5: REMUNERATION OF THE COMPANY SUPERVISORY BOARD MEMBERS IN 2022 AND 2023

PLN *000	2022	2023
Piotr Stępiak	250	284
Piotr Kaczmarek	243	292
Wojciech Golał	169	192
Paweł Niedziółka	169	192
Przemysław Rasł	167	189
Anna Włoszek	133	192

The Supervisory Board Members of Grupa KĘTY S.A. do not hold Grupa KĘTY S.A. shares and are not eligible to participate in incentive plans related to the Company shares.

The Supervisory Board Members do not possess shares or interest in the Company subsidiaries or affiliates.

None of the Capital Group companies has commitments related to retirement payments or other payment of similar nature regarding the current or former members of the managing and supervising bodies.

4. CAPITAL GROUP DEVELOPMENT STRATEGY

4.1 Basic assumptions of the Capital Group development strategy

On 16 December 2020, the Management Board of Grupa KĘTY S.A., in the report No. 65/2020, presented the Development Strategy of Grupa Kęty S.A. Capital Group for the years 2021–2025, which was later updated in report No. 28/2021 of 30 July 2021 (hereinafter referred to as the ‘Strategy’). The Strategy is based on four pillars compliant with the Mission, Vision, and Values of the Capital Group:

- growth of revenue beyond the growth rate on the markets in which the Group operates;
- high operating profitability;
- performance of development projects;
- environmental and social responsibility.

When working on the Strategy, the main market, environmental and regulatory trends affecting the particular segments of the Capital Group were analysed, the pace of market development estimated and the optimal development scenario, in the opinion of the Company Management Board, for each of the operating segments determined. The basic conclusion during the work was a confirmation that the Capital Group Segments operate on attractive and prospective markets, whereas the potential generated during the performance of the 2015-2020 Strategy enables further organic development.

Taking into account the above, the Company Management Board assumed operating and financial results as well as, for the first time ever, parametrised and presented the commitment in the ESG area (Environmental, Social and Corporate Governance) in the form of sustainable development goals, which comprises the impact on the environment, safety and development of the Company employees, responsibility within the supply chain and engagement in local communities among the key elements of the Strategy performance.

4.2 Development strategy of the particular operating segments

The **Strategy of the Extruded Products Segment** assumes systematic increase of share in the European market through:

- doubling the sales of processed products, i.e. components for the automotive and transport sectors by 2025;
- selective expansion on the target European markets (intensified sales and marketing activities);
- systematic increase of production capacity to the level of about 125,000 tons in 2025, which enables higher flexibility in customer service.

The estimated average annual pace of market development in the period 2021–2025 was determined at the level of the average 2% a year, whereas the Segment plans to generate about 9%. One of the Segment priorities is the maintenance of high level operating profitability with growing revenues, thanks to utilisation of its production capacity and a continuous efficiency improvement process. Assumed has been the generation of over 10% EBITDA growth per employee in the period of the Strategy performance. About 58% of the whole capital expenditure budget of the Segment for the years 2021–2025, amounting to PLN 692 million, will be spent on development projects. The rest of the budget will be spent on current maintenance of infrastructure and production potential.

Owing to high market share in Poland, the sales development of the **Aluminium Systems Segment** within the Strategy horizon is based mainly on:

- foreign sales intensification;
- extension of the offer for new products, e.g. internal or fire-resistant partition structures;
- investment in activities which extend the chain of the created value;
- extension of the product offer as well as technical and sales support focusing on individual construction business.

The average annual market growth rate was estimated at the average of about 3% a year (by value). It is, however, the ambition of the Segment to generate roughly 9%. The Aluminium Systems Segment has strived to maintain high operating profitability thanks to systematic improvement of operations effectiveness. EBITDA per employee will increase by 6% in the Strategy period. Development investment projects will represent approximately 66% of the PLN 492 million allocated to projects in the Strategy period.

Owing to a series of changes in the market environment, the **Flexible Packaging Segment** has based its Strategy on the existing production potential. Capital expenditures have been optimised to PLN 82 million in the Strategy period. That will ensure maintenance of flexibility as well as efficient utilisation of plant and machinery. Despite the above, sales goals, considering the adjustment of the base year (2020) due to one-off positive effect of the world's economy lockdown (*), are equally ambitious as in the other Segments. It has been assumed that the average annual sales growth will be 4.4% in the Strategy period compared to the expected 2% market growth in that period. Over 10% EBITDA growth per employee is assumed for the Strategy period.

(*) The aforesaid one-off positive effect of the lockdown resulted from breaking the supply chains from the Far and Middle East, mainly in the second and third quarters of 2020, which has brought about a significant limitation of imports from those directions, with simultaneous benefit to the European manufacturers, including the FPS. In that period it was possible to generate outstanding results of operation. The effect was estimated as PLN 66 million of sales revenue, PLN 60 million of EBITDA, and PLN 51 million of net profit.

4.3 ESG and sustainable development activities

Apart from the business objectives, the Capital Group has also determined a series of tasks and parameters within the ESG area, which are to be implemented and monitored in the Strategy period. These include:

- reduction by 20% of the value of greenhouse gas emissions per production unit⁽¹⁾;
- increase to 75% of the share of aluminium scrap in the products made of soft alloys, extruded from low-emission billets⁽²⁾;
- growth of the share of the manufactured packaging films and laminates fit for recycling by 5%⁽²⁾;
- increase by 65% in the number of certified energy-efficient, passive buildings constructed with Aluprof systems⁽²⁾;
- reduction of the Total Recordable Incident Rate (TRIR)⁽³⁾ to less than 1 in the area of occupational health and safety⁽²⁾;
- improvement of the status of an attractive employer measured by the reduced year over year staff turnover ratio by 5%;
- performance of 150 projects for local communities within the 'Together with the Group' voluntary actions and grants programme⁽²⁾;

- sharing the generated profit with shareholders in accordance with the dividend policy;
- covering qualified suppliers with the provisions of the Suppliers Code of Conduct⁽²⁾.

- (1) Base year 2016, Scopes 1+2 (direct and indirect emission).
 (2) Base year 2020, in 2023 the goal was increased owing to the achievement of the planned level at the end of year 2022.
 (3) Total Recordable Incident Rate is defined as the number of injuries per 100 workers at a respective employer during a one-year period.

4.4 Financial goals planned for the Strategy period

The Company Management Board estimated that as a result of accomplishment of the operating tasks, upon consideration of the investment plan update of 30 July 2021, the consolidated revenue will increase by PLN 1.6 billion by 2025, reaching the level of PLN 5.1 billion, EBITDA will grow by PLN 252 million, to PLN 864 million, and net profit will grow by PLN 129 million, reaching the level of PLN 508 million in 2025⁽²⁾.

TABLE 6: FINANCIAL GOALS FOR THE YEAR 2025

Consolidated data (PLN million)	2020 base year	2020 ⁽¹⁾ adjusted	2025F*	Change 2025/2020 ⁽¹⁾ (%)
Sales revenue	3,533	3,467	5,143	+48%
<i>of which EPS</i>	1,280	1,280	2,072	+62%
<i>of which ASS</i>	1,605	1,605	2,286	+42%
<i>of which FPS⁽¹⁾</i>	938	872	1,070	+23%
EBITDA ⁽²⁾	672	612	864	+41%
Net profit on operating activities	526	466	650	+39%
Net profit ⁽³⁾	430	379	508	+34%

*Figures post the update of 30 July 2021.

(1) For comparability purposes data have been adjusted for one-off positive effect of the lockdown generated by the FPS in the period from March to October 2020, resulting from lower plastic film imports from Middle and Far East to Europe, in the amount estimated at PLN 66 million of sales revenue, PLN 60 million of EBITDA and EBIT, and PLN 51 million of net profit (calculated based on the effective tax rate for 2020).

(2) EBITDA – operating profit plus depreciation and amortisation.

(3) Net profit attributable to owners of the parent.

Below presented are some selected assumptions, expectations and forecasts made in the financial projections for the Strategy period:

- in the Strategy period the business conditions will not change significantly, specifically as regards legal, tax and administrative regulations;
- no extraordinary one-off events will occur, which could not have been foreseen as at the date of this Strategy publication;
- the situation related to SARS-CoV-2 coronavirus spreading will not significantly affect the operating activities of the particular segments;
- the dividend paid out will comply with the policy assumed in this Strategy;
- capital expenditure will comply with the plan assumed in this Strategy;
- the Strategy does not include any major acquisition or divestment processes;
- macroeconomic assumptions:
 - average annual GDP growth rate in Poland/in the Euro zone in the Strategy period: ca. 4.9%/6.0% in 2021, and ca. 3.7%/1.6%, respectively, in the years 2022–2025;
 - annual inflation (Poland): 1.5% in 2021 and 2.1% in the years 2022–2025
 - average aluminium price: 1,900 USD/ton;
 - PLN/USD mean exchange rate: 3.69
 - PLN/EUR mean exchange rate: 4.35
 - USD/EUR mean exchange rate: 1.18

The above financial goals for 2025 have not been audited by a statutory auditor and have been prepared based on a series of assumptions, expectations and forecasts and are, therefore, subject to the risk of uncertainty and may change due to both external and internal factors.

4.5 Debt level, investment plans and their financing

TABLE 7: ASSUMED DEBT LEVEL, CASH FLOWS ON OPERATING AND INVESTING ACTIVITIES, AND VALUE OF DIVIDEND PAID OUT IN THE STRATEGY PERIOD

PLN million	Accumulated data for 2021–2025*
Cash flow from operating activities	2,927
Cash flow from investing activities	-1,321
Dividends paid out	-2,002
	Balance as at the end of 2025
Net debt	919

*Figures post the update of 30 July 2021.

The planned accumulated capital expenditure in the Strategy period will amount to PLN 1,321 million, out of which PLN 768 million will be allocated to development projects serving systematic improvement of processes as well as development of new technologies and products in accordance with the operating tasks assumed by the Capital Group Segments. The capital expenditure plan will be financed from own cash flow from operating activities and from bank loans, whereas safe level of financial ratios shall be maintained during the Strategy period.

Considering the planned net debt level at the end of 2023, estimated at PLN 919 million, the financial ratios shall remain at safe level of:

- net debt to EBITDA x 1.1,
- net debt to equity 48%.

4.6 Dividend policy

The Strategy assumes maintenance of stable dividend policy in the years 2021–2025, in accordance with which 60–100% of consolidated net profit generated in the preceding year shall be paid out to the shareholders. In the Strategy it has been assumed that the average annual payout will amount to 85% of consolidated net profit generated in the preceding year. Moreover, the assumption is that in the years 2021–2025 dividend of about PLN 2.0 billion will be paid out, which means a growth of about PLN 0.8 billion compared to the period of 2016–2020. In reference to one share, the amount is going to be about PLN 200, which will provide the shareholders with the average 7% return on shares (with the price per share of PLN 585).

When preparing the recommendation for the General Meeting with regard to the amount of dividend allocated to payout, the Company Management Board shall consider, among other things, the current and expected financial standing of the Capital Group, the amount of dividends to be received by the Company from its subsidiaries, and the value of the actual capital expenditure to be incurred in the year of the dividend payout.

4.7 Other major elements of the Strategy

The Strategy assumes organic development of the Grupa KĘTY S.A. Capital Group Segments at the rate exceeding the estimated growth rates of the particular markets.

Safe financial ratios and the assumed high cash flow from operating activities in the Strategy period will enable to avail of the possible acquisition opportunities in the area related to the basic scope of the Capital Group activities, which is manufacturing of aluminium-based products and systems.

The Strategy included as well the process of identifying interest among the potential investors in acquiring the Flexible Packaging Segment of the Capital Group of Grupa KĘTY S.A. The process was carried out in 2021 in liaison with an advisor. On 16 September 2021 the Management Board of the Company informed about its decision on rejecting the received offers for the Segment acquisition and closure of the process.

4.8 Accomplishment of the Strategy main goals

In the opinion of the Management Board of Grupa KĘTY S.A., as at the end of 2023, the main goals of the Capital Group Development Strategy for 2021–2025 remain valid. The individual operating segments have been consistently implementing the business assumptions adopted in the Strategy, despite unstable economic and

macroeconomic environment prevailing since the announcement of the Strategy, which was contributed to by the effects of the pandemic (e.g. problems with supply chains), the outbreak of war in Ukraine (e.g. high prices of raw materials and their limited availability), continuing high inflation and the resulting higher interest rates (e.g. more difficult and expensive access to financing, higher costs of running business) and slow-down in the Polish economy in 2023 as well as on the European markets key for the Capital Group. Skilful use of the said challenges enabled the Group to exceed the expected financial results in the years 2021-2023.

Further, ESG objectives are defined for the process of improving and adapting the Capital Group to the changing market environment and expectations in terms of environmental, social and governance impact. Information on the status of targets achievement in the area of ESG and sustainability are presented in section 9.4 of this report – Non-financial Information Statement.

In 2023, the operating segments continued the performance of investment projects envisaged in the Strategy.

TABLE 8: ACCOMPLISHMENT OF THE STRATEGY MAIN FINANCIAL GOALS

Consolidated data (PLN million)	Performance in 2023	2025 goals
Sales revenue	5,219	5,143
- of which EPS	2,108	2,072
- of which ASS	2,372	2,306
- of which FPS	1,206	1,070
EBITDA ⁽¹⁾	868	864
Net profit on operating activities	687	650
Net profit ⁽²⁾	539	508

(1) EBITDA – operating profit plus depreciation and amortisation

(2) Net profit attributable to owners of the parent

TABLE 9: ACCOMPLISHMENT OF GOALS IN INVESTING ACTIVITIES AND SOURCES OF INVESTMENT FINANCE AS WELL AS DIVIDEND POLICY

PLN million	Balance in 2023, accumulated data for 2021-2023	Goal for 2025, accumulated data for 2021-2025	% accomplished
Cash flow from operating activities	2,251	2,927	77%
Cash flow from investing activities	-839	-1,321	64%
Dividends paid out	-1,539	-2,002	77%
	Balance as at the end of 2023	Balance as at the end of 2025	
Net debt	931	919	not applicable

5. OPERATING ACTIVITIES

5.1 Operating activities at the business segments

GRI 2-6

5.1.1 Extruded Products Segment



Production, sales and major assets of the Segment

The Extruded Product Segment consists of 7 companies, including 5 foreign companies. The Segment avails of four modern production plants located in:

- Kęty, where the parent company of the Segment, i.e. Grupa KĘTY S.A., is registered, covering a press shop, a foundry, dies and tools production workshop, anodising plant, and advanced aluminium products plant;
- Tychy, where Aluform Sp. z o.o. is registered, covering a press shop;
- Slovenska Bistrica (Slovenia), where Aluminium Kety EMMI d.o.o. is registered, covering aluminium components production plant and anodising plant;
- Borodianka (Ukraine), where Alupol LLC is registered, covering a press shop.

The plants possess the total of 14 modern presses of the capacity ranging from 1,200 to 4,400 tons, out of which 9 are used in manufacturing products from soft alloys, and 5 for products from hard alloys. Adding to that the 40 MN press commissioned post the balance-sheet date, the Segment avails of 15 presses. The total production capacity of the EPS is now roughly 110,000 tons a year, and apart from the extrusion process which is the main activity of the Segment, comprises surface treatment (anodising), welding and prefabrication (cutting, drilling, CNC working). The engineering facilities are supplemented with an in-house foundry, consisting of casting lines of the production capacity reaching 50,000 tons a year and adjusted to cast billets with various chemical compositions.



Plant in Kęty



Plant in Borodianka

The Extruded Products Segment is not only the largest press shop in Poland but also an established European brand among the manufacturers of high-speciality aluminium products. It has been manufacturing precise components using varied technologies, in accordance with the individual preferences of our customers, frequently with deliveries directly to the assembly lines of our recipients. Grupa KĘTY has the Advanced Aluminium Products Plant (ZZPA) within its structures. It is a special department responsible for comprehensive preparation of components and their implementation in serial production. The plant possesses facilities for working extruded products, for example CNC working (drilling, bevelling, threading), cutting, trimming, striking, bending, assembly and arc welding. On the area of 7,000 m² there are available dozens of machines and devices to manufacture components of extruded aluminium profiles. New lines and robots have been systematically installed in response to customer needs and engineering development.

100% of the Segment production is made for the specific orders of customers in many sectors, including: construction business, automotive and transport, railway, electrical engineering, defence, household equipment, advertising, and tourism industries. In the construction business, aluminium profiles are used for façades, windows and doors, roller-shutters and other shading products, as well as HVAC systems. As regards structural applications, aluminium profiles are chosen for parts that contribute to mechanical resistance and stability of buildings, e.g. canopies of industrial halls, station halls and bus stops, sports halls, swimming pool roofs, river bridges, masts, lighting towers. In power engineering aluminium profiles are used in the production of lamps, lighting poles, cable ducts, as well as solar panels and wind power plants. The aluminium profiles manufactured by the Segment are also used in the production of parts for passenger cars, including electric cars, public transport means (buses, trains) and modern transport vehicles (semi-trailers, trailers and truck bodies).

Products are sold both on the domestic market and abroad, mainly in Europe (for example in Germany, Austria, Czech Republic, Italy and the UK) and, to a lesser extent, outside Europe. The Segment customers are served by the Domestic Sales Department and Exports Department of Grupa KĘTY S.A., Aluminium Kety EMMI d.o.o. and Alupol LLC, but also through three foreign sales offices located in Milan (Italy), where Grupa Kety Italia s.r.l. is registered, in Ostrava (Czech Republic), where Aluminium Kety CSE s.r.o. is registered, and in

Dortmund (Germany), where Aluminium Kety Deutschland GmbH is registered. The Segment has a diversified customers portfolio, with the largest one (consuming 20% of the production) being Aluprof S.A. (a subsidiary of Grupa KĘTY S.A.), which produces aluminium building systems (window and door, façade, and sun protection systems). Apart from the Aluminium Systems Segment, none of the customers of the EPS contributed to more than 10% consolidated sales of the Segment, and there is no other dependence on one or more customers.

Competitive position

The aluminium processing market in Poland and Europe is highly competitive, which may be partly due to the good prospects of the industry. In Poland, there are 9 press shops with the total of 46 presses and estimated annual production capacity of 420,000 tons, which makes our country one of the leading producers of extruded products in Europe in terms of production capacity. In 2023, the Segment possessed production capacity of 110,000 tons. Currently, the commissioning of a 40 MN press is pending completion, with the planned completion date in Q.2, 2024. The production capacity of the EPS with regard to extrusion, put it on the first place among the domestic press shops and among ten largest profiles manufacturers in Europe. The estimated consumption of aluminium profiles in Europe in 2023 was approximately 3,100,000 tons, including 300,000 tons in Poland.

The main European competitors of EPS include international brands such as Hydro Aluminium, Constellium, Cortizo, Corialis, Exlabesa, HAI Aluminium, and Step-G, as well as domestic manufacturers such as Yawal, Eurometal, Extral, and Albatros. Recently, there has also been a noticeable expansion into the European market by players from other regions, in particular the Far and Middle East. The companies compete with the European ones mainly by price, and supply relatively simple products, which do not require major processing or complicated logistics.

Materials, supplies, and procurement

The basic materials used in aluminium profiles production include: raw aluminium, aluminium billets and alloying additives such as silicon, magnesium, manganese, copper, zinc, nickel and others. Approximately 30-35% demand for billets is covered by the in-house foundry production. The other part is purchased by the Segment from external suppliers, mainly in Europe. Alloying additives are also purchased from European suppliers. The company pursues a responsible policy of diversifying its materials supply sources.

The main raw material, the price of which influences the Segment operations and results, is aluminium. In 2023, aluminium prices on the LME were relatively stable. Post the price increases in January from about USD 2,300/t to approximately USD 2,600/t there was a reversal of the trend and a gradual decline in price levels to roughly USD 2,100/t at the end of the first half of the year. In the second half of the year, prices fluctuated between USD 2,100 and 2,400 per ton, ending the year in the upper band of these fluctuations. The billet premiums, understood as the cost of converting pure aluminium into billets used in the Segment's production, dropped in 2023 from about USD 800/t in January to roughly USD 400/t in December, a level more than USD 1,200 lower than the historically record valuation in April 2022.

Market situation and operations in 2023

For the European manufacturers of extruded products, year 2023 was a challenging one. After a rather optimistic first three months, the following months brought a gradual decline in demand and orders due to the persistent excess inventory accumulated by customers in the preceding year. However, a certain recovery noticeable at the end of the year and also reflected in industry reports allows for a more optimistic outlook for 2024, especially for its second half. Currently, the construction business (along with related industries, such as lighting, interior furnishings, and household appliances), being of key importance for the European profile manufacturers, continues to be stagnant, due to continued relatively weak demand. In contrast, the automotive and engineering industries are improving, while the defence and aviation industries remain in the recovery phase. The construction business is also expected to see some improvement in 2024.

Taking appropriate measures in terms of sales policy, the consistent implementation of thoughtful investments combined with the development of new technologies have enabled the EPS to achieve solid operating results in the difficult conditions of 2023. This was supported by effective management of the Segment resources, i.e. modern production lines, processing capacity, well prepared foreign sales structure, a broad range of products, and diversified customer portfolio. Similarly as in the preceding years, the segment focused on further geographic diversification of sales while supporting the existing export markets by availing of the potential of foreign trading companies. In the situation of weaker demand for extruded products in 2023 (building and

joinery systems, furniture production, and tourism), a great advantage of the EPS proved to be the capacity to extrude profiles from hard alloys, for which the portfolio of orders from the metallurgy, machinery, shipbuilding and defence sectors customers was full throughout the year. The production of hard alloy products is more demanding, and the products themselves have more specialized applications, which reduces competition in that area. In Europe, only a few press shops have the capacity to manufacture such products.

Despite the difficult economic environment and a significant decrease in the price of aluminium on the world's markets compared with 2022, the Segment's consolidated revenue reached PLN 2,108 million in 2023 and was lower by roughly 15% y/y. The share of the Segment's foreign sales in 2023 remained at 52%, as in 2022.

Research and innovation

The investment and sales activities of the Segment focus on products which require speciality equipment, expert know-how, and compliance with restrictive quality procedures. Such assumed direction supports development and competitive advantage maintenance. A key role in the strategy is played by the in-house Research and Development Centre (CBR), employing professional staff and furnished with modern controls and instrumentation. The CBR is where hundreds of specialised tests are carried out every day to release products for delivery (chemical composition analysis, strength, metallographic and ultrasonic tests, spatial and electrical conductivity measurements). The CBR also collaborates with respected research and development centres in Poland and provides a scientific base for innovative projects carried out by the Segment. In this way, the Segment is steadily expanding its product range, particularly with products used in prestigious high-tech industries.

In 2023, the CBR carried out work to support organic growth and efficiency of the Segment production departments, including:

- development of production technology for rods used in the defence industry;
- development of technology enabling considerable reduction of thermal strips on the surface of profiles for the construction business;
- development of new alloys to meet specific requirements of the automotive customers.

Investments

In order to support and increase the sales of products, the Segment has focused both on the improvement of assets effectiveness, including extended and optimised production capacity utilisation of the possessed machinery and equipment, and has carried out ambitious development projects. Since the beginning of 2023, the Segment concentrated on the performance of major investment projects of the 2021-2025 Strategy, i.e. building a new hall and commissioning of two extrusion lines with 20 MN and 40 MN presses, which shall contribute to production capacity extension. In March 2023, the EPS commissioned the first of the two lines in Kęty (14th extrusion line of 20 MN) and extruded the first billet. Currently, the line operates on three-shift basis. In August, the first elements of the second press of 40 MN arrived, and the whole delivery was complete in December. The press elements were assembled, implementation tests were completed and in Q.1, 2024 the first billet was extruded. Both new extrusion lines, installed in a hall of nearly 10,000 m², were imported from Italy. The new presses will be used specifically in the production of profiles for the automotive business (complex aluminium products of special mechanical properties intended for crumple zone control, and bodywork structures). Proper configuration of the new presses (tooling and parameters setup) will also enable profiles extrusion for customers in other sectors, such as construction business or electrical engineering. The investment projects will enable the EPS sales plans performance in 2024 with the production capacity increased to roughly 115,000 tons.

Investments at the Advanced Aluminium Products Plant [ZZPA] have concentrated on the improvement of effectiveness and extension of the area of highly-processed products manufacturing. The production capacity of the plant have been gradually increased by purchasing state-of-the-art equipment improving process effectiveness and enabling costs optimisation with maintenance of high product quality at the same time. Further automation of operating workstations has also continued.

5.1.2 Aluminium Systems Segment



Production, sales and major assets of the Segment

The Aluminium Systems Segment, whose leading company is Aluprof S.A., deals with designing, manufacturing and selling aluminium systems for the construction industry, including: window and door, façade, and internal partition systems, e.g. for shaping of office space, sun protection systems (roller blinds, or external blinds also known as screens), and also roll-up garage and industrial gates. The product offer is complemented with fire-safety solutions for public buildings, based on the fire-rated glass manufactured by the Segment.

The Segment focuses on developing environmentally-friendly and sustainable building solutions, with the use of non-toxic preparations and chromium-less aluminium treatment. Its offer includes a number of modern products which, thanks to their high thermal insulation properties and innovative technical solutions, are used in public buildings which are awarded BREEAM or LEED certificates. The Segment also holds Environmental Declaration Certificates for window and door systems as well as façade systems. The EPD (Environmental Product Declaration) is an independent certificate recognised around the world that testifies to a product's impact on the environment. It is awarded on the basis of Life Cycle Assessment, which should reduce the negative environmental impact of the product.

The production infrastructure consists of five plants with the total storage area exceeding 250,000 m², equipped with modern and fully automated machines. They are located in Bielsko-Biała, Opole, Goleiszów, Ogradzona, and Złotów. The last of the plants is now being extended to become a new distribution centre for the customers in northern Poland. The Segment avails of powder paint shops with highly efficient, fully automated lines equipped with quick-change paint booths, as well as vertical paint shops. The entire painting process is computer-controlled, which guarantees stability and repeatability of coating parameters. The effective supervision of coating parameters has been confirmed with certificates by Qualicoat and Seaside organisations, as well as many powder coatings suppliers.



Plant in Bielsko-Biała



Plant in Opole

The Segment products are sold both on the Polish market and on foreign markets, among which the most important ones are the Czech Republic, the UK, Germany, Belgium, Romania, Ukraine, Slovakia, Hungary, and to a lesser extent also the USA, Arab countries and Vietnam.

Products distribution is made through Aluminium Systems Segment's representation and sales offices as well as distribution centres located in Germany (Aluprof Deutschland GmbH), the United Kingdom (Aluprof UK Ltd.), Belgium (Aluprof Belgium), the Netherlands (Aluprof Netherlands B.V), the Czech Republic (Aluprof System Czech s.r.o.), Romania (Aluprof System Romania s.r.l.), Hungary (Aluprof Hungary Ltd.), Ukraine (Aluprof System Ukraina Sp. z o.o.) and the United States (Aluprof System USA Inc).

The Segment has approximately 1,900 active customers in Poland and abroad. One of the groups of customers are companies dealing with the manufacturing and fitting of windows, doors and façades for the commercial market, non-residential public facilities, as well as residential buildings, without an extensive sales network. Another group is made up of companies manufacturing windows, doors, as well as sun protection systems, offering finished products for the residential customer market, single-family homes and residences, with sales network in Poland and abroad. A separate group of customers, characterised by considerable fragmentation, are companies engaged exclusively in manufacturing and fitting of sun protection systems, mainly for the individual customer market. In 2023, a major customer of the ASS was Eko-Okna S.A. (a company that is not related by persons or capital with the Issuer and is not a subsidiary of the Capital Group), responsible for approximately 11.5% of the Segment consolidated sales (ca. 5% of consolidated revenue of the Capital Group). In 2023 no other customer of the Segment contributed to more than 10% consolidated sales of the Segment, and there is no other dependence on one or more customers.

Competitive position

Both the Polish and European market of aluminium systems is characterised by relatively high competition, resulting mainly from a large number of companies operating thereon. In Europe the market is dispersed, with no dominating share of either of the companies. The main competitors of the Segment are established global brands, such as Schuco, Wicona, Reynaers, Aliplast, Kawneer, Sapa, or Ponzio, and in the area of aluminium roller shutters manufacturing: Alutech, Alukon, BeClever, BuildingShutter, Heroal, Hosten, and Portos.

In Poland, the ASS holds the leader's position with market share ranging from 40% to 60% depending on the product group.

Materials, supplies, and procurement

Aluminium systems are manufactured from aluminium profiles, which are mainly supplied by the Extruded Products Segment (roughly 85% of supplies). The remaining part of profiles is imported from proven external suppliers, chiefly European ones. A major material used in the process of aluminium systems production is sheet aluminium purchased by the Segment in 95% from foreign suppliers located mainly in Europe and the Middle and Far East. Aluminium systems also include additional components, such as hardware and accessories, some of which are produced within the Segment and approximately 75% of which are sourced from external suppliers in Poland, Europe and Far East.

In 2023, with the exception of the aforementioned Extruded Products Segment, the share of none of the suppliers of raw materials, semi-finished products and materials exceeded 10% of the Segment's consolidated sales revenue, and there is no dependence on one or more suppliers.

Market situation and operations in 2023

Year 2023 was a difficult one for the manufacturers and suppliers of aluminium systems in Poland and Europe. The economic downturn, which began in the second half of 2022, was still evident, as well as a decline in demand mainly due to general uncertainty brought about Russian aggression against Ukraine, increased inflation and consequently higher interest rates, translating into finance costs and the value of loans granted.

The aforementioned factors had a negative impact on the construction industry. They have slowed down both the activity in the secondary market related to renovation and replacement of older solutions, which is more important for Western European markets, as well as the implementation of new projects driving the industry in Central and Eastern European markets. This has translated negatively into the production and sales of joinery (windows, doors, façades) and indirectly into aluminium systems for their production. It is estimated that in 2023 in Europe, in volume terms, 12-14% fewer windows were produced y/y, and the value of all joinery production decreased by 5-7% y/y. In Poland, it is estimated that in 2023 there were produced approximately 15% less windows y/y.

In 2023, the Segment focused mainly on expanding its own portfolio, introducing new solutions and attracting new business partners. A number of sales-supporting and marketing initiatives were also undertaken, which included participation in fairs and exhibitions in Morocco, Turkey, or Vietnam, among others. Information about new products and solutions are available online at: <https://aluprof.com/firma/aktualnosci> and <https://aluprof.com/blog>.

According to the Segment, the situation in the construction business will gradually improve in the coming years, which should have a positive impact on the demand for the Segment products, whereas an important factor

stimulating that market may be the planned programs for thermal modernization of buildings as part of their renovation. The development of the façade market will depend on the situation in the sector of new commercial buildings, due to the fact that the renovation market is still of little importance to it. Currently, about 95% of façades in Poland are assembled in new buildings, but the importance of the renovation market is forecast to grow in 3-5 years, while the rate of the growth will depend, among other things, on the attractiveness of programs supporting thermal performance improvement in commercial buildings.

Despite the difficult economic environment, the Segment's consolidated revenue reached PLN 2,372 million in 2023 and was lower by roughly 3% y/y. The share of the Segment foreign sales in 2023 remained at 40%, similarly as in 2022.

Research and innovation

The Aluminium Systems Segment attaches great importance to continuous development and maintenance of the highest level of its products and services, as well as development of revolutionary new products including those made to individual orders. Ever-increasing building standards in terms of energy efficiency, low-emission properties, circularity of solutions and protection of people from the effects of fire and smoke, count among the most important expectations faced by modern architecture and these guide the Segment in its research and development work.

The drive to reduce the costs of buildings maintenance makes improving their energy efficiency particularly important. One of the best ways to achieve it is to design modern joinery solutions that improve the thermal efficiency of buildings. Further, the safety of public buildings occupants and property makes the development of fire protection systems a key factor. The systems have been constantly modernised and upgraded with a focus on improving fire resistance, extending structural strength, and streamlining engineering process to reduce labour intensity of production. An important element affecting the fire safety of buildings are aluminium and glass partitions. They are the ones that, in many cases, must meet the requirements of fire safety regulations regarding the prevention of the spread of fire and enabling safe evacuation of building occupants. Meeting the requirements often involves the use of fire-resistant glass. Therefore, the Segment has expanded its offer and introduced Glassprof brand fire-rated glass in its broad range fire-proof partitions and doors.

Very important in the achievement of the goal has been the Segment's Research and Innovation Centre located in Ogrodzona (CBiI). The Centre operates based on the implemented ISO 17025 management system as well as a certificate issued by the Polish Centre for Accreditation, which confirms the high level of independence, impartiality and competence of personnel. The CBiI possesses, among other things, the largest test chamber in Central and Eastern Europe for testing the physical properties of curtain walls, as well as carrying tests in compliance with the American ASTM and AAMA standards, including seismic and thermal tests. The CBiI also performs mechanical tests of windows and doors as well as fire protection systems. The test furnace is capable of accommodating structures measuring 4.5 x 5 m.

The main development projects in 2023 included:

- offer extension for the new MB-MT50 façade system designed by Aluprof engineers based on Cradle to Cradle certification guidelines and meeting the requirements of sustainable development and circular economy idea, which at the same time enables the assemblers to significantly reduce the costs of installation;
- production implementation of another variant of the Opensky 120 garden pergola system, together with the Openslide all-glass pergola walls;
- production implementation of an innovative system in the shielding segment – SKYTWIN, which is a combined roller shutter and sun screen;
- offer extension for the new type of external MB-86N Pivot Door with an offset pivot, which is very popular among architects;
- modernisation and development work for a series of window-and-door systems, to improve their utility characteristics, which includes significant thermal performance and aesthetics;
- development work on Skyline Type R sliding door;
- production implementation of new curtain wall systems, intended, for example, for prestigious buildings in the Silesian region, the UK and the USA;
- construction works for the integration of façade and window systems with sun protection systems, roller-shutter systems and screens;
- construction and research work on safety-enhancing solutions for bullet-proof, explosion-proof and burglar-proof window and door systems and façade systems.

Investments

The main investment projects of the Segment carried out in 2023 include:

- extension of aluminium systems production plant in Złotów, which will finally enable increase of the Segment production capacity in the area of architectural systems by 20-25%;
- purchase of two coating lines for the plant in Bielsko-Biała, enabling production capacity extension for about 30%;
- machinery facilities extension in Opole, which contribute to the Segment production capacity increase by 15-20% depending on the assortment.

5.1.3 Flexible Packaging Segment



Production, sales and major assets of the Segment

The Flexible Packaging Segment consists of Alupol Packaging S.A. in Tychy and its subsidiaries, Alupol Packaging Kęty Sp. z o.o. and Alupol Films Sp. z o.o. The Segment is a leader in manufacturing flexible packaging materials in Poland, with the estimated market share of nearly 20%, as well as a recognised packaging manufacturer in Europe. At the same time, the Segment is the largest Polish manufacturer of polypropylene films, with production capacity of 60-70 thousand tons a year, and over 5% share in the BOPP films market in Europe. The production of polypropylene films and sustainable, more homogeneous packaging laminates account for nearly 50% of the Segment's sales volume.

The 2021-2025 strategy for the FPS has been prepared in the period of major transformations on the packaging market, where expectations have been changing as a result of environmental pressures, focus on cost reduction and food safety, and the related legislative changes. The strive for sustainable development is forced by the necessity of creating and marketing new forms of laminates, i.e. mono-structures characterised with lower weight and higher material homogeneity. Despite the observed pressure on plastic packaging and replacing it, where possible, with packaging based on refined paper, the position of the former seems not to be threatened. Plastic-film-based packaging protects the packed food as no other packaging, extending the food shelf-life, which finally prevents food wasting. Additionally, such packaging production requires much less energy. Also the costs of the packaging transport, and consequently the transport of products packed in them, are incommensurably lower compared with the 'more sustainable packaging', such as jars or tins. Polypropylene film is one of the components of homogeneous laminates, which is highly important in the context of achievement of the environmental objective to replace classic multi-material packaging with such that complies with the circular economy concept.

The packaging manufactured by the Alupol Group is intended for the instant food sector mainly, whereas other significant recipients are also the sectors of fresh foods, confectionery, salty snacks, dairy, pharmaceutical and chemical industries. The main recipients of flexible packaging were international concerns such as: Nestle, AB Foods, Upfield, McCormick, Lorenz, Dr. Oetker, Brügggen, Aryzta, Koninklijke Douwe Egberts, Orkla Foods, Perfetti van Melle, Danone, as well as respected regional companies, which apart from their own brands offer private label products to chain stores. These include, among others: Prymat, Maspex, Tarczyński, Mlekovita, Foodcare, Animex, Serpol Cosmetics, Sokołów, Koral, Mlekpól, Mokate, and Woseba. The main recipients of polypropylene films are mainly European companies in printing, floral, textile, haberdashery or adhesive tape industries, such as Sylvaphane Holland B.V., Delo, Constantia, Perfon, T.D.K., Dalpo, and Saba. None of the

customers of the FPS contributed to more than 10% consolidated sales of the Segment, and there is no other dependence on one or more customers.

The Segment products are distributed both on the Polish market and abroad, with the latter responsible for approximately 50% of the Segment's consolidated revenue. The largest export markets are Germany, the Netherlands, Ukraine, Hungary, Italy and Switzerland.



Plant in Tychy



Plant in Oświęcim

Competitive position

The Polish market is a place of activity of the largest international packaging manufacturers, such as Amcor, Mondi, Constantia, Huhtamaki, Walki Group, Wipak, or Südpack, as well as many domestic companies, including KB Folie, Drukpol, Supravis Group, Marpol, Ergis, and Bogucki Folie, for example. In addition, suppliers from Turkey, India, Egypt and Saudi Arabia have recently become increasingly active on the European packaging market, taking advantage of cheaper raw materials and energy, and marketing their products at very low prices. Such a large number of players competing with each other, as well as the oversupply of production capacity in the industry, is forcing an increasingly strong competitive struggle. This phenomenon, coupled with the growing trend among the Segment customers requiring specific suppliers of raw materials to be used in the packaging produced for them, has resulted in growing pressure on margins.

Materials, supplies, and procurement

The raw materials market in 2023 was heavily influenced by the turmoil in the global energy market following Russia's invasion of Ukraine. This had far-reaching consequences for the economy, leading to a significant increase in operating costs. The geopolitical situation and the global economy were unstable and the risk of commodity price fluctuations was ever-present. Concerns about a recession and high price volatility prompted reductions in raw material purchases and inventory levels. An upturn in purchasing activity was observed at the end of the year. With satisfactory availability of raw materials, packaging trends evolved towards eco-friendly solutions using alternative materials.

The segment availed of many geographically diversified sources of materials. Aluminium foil and polyester film are mainly purchased from Far East countries, polyethylene and polypropylene granulates are sourced from the Middle East, Asia, and Europe. Other raw materials and production materials are purchased mainly from European suppliers. In 2023, the share of none of the suppliers of raw materials, semi-finished products and materials exceeded 10% of the Segment's consolidated sales revenue, and there is no dependence on one or more suppliers.

Market situation and operations in 2023

Owing to high inflation, high interest rates and thus a decline in consumer purchasing power, not only in Poland but also in other European countries, the packaging market suffered a reduction in order levels in 2023. The industry continues to struggle with the lack of clear regulations and guidelines defining sustainable 'green' packaging.

In this legal and economic environment, the FPS has focused primarily on activities compliant with market trends, i.e. improving the laminates produced (thinner layers, reduction of packaging dimensions, more homogeneous material and less printing) so that, despite the modifications made, they guarantee the safety of the products packaged in them. Following the investment projects completed in the recent years, the FPS – a leader in the market of packaging materials in Central Europe – has developed optimal production facilities in reference to customer expectations. The recent investments in plastics processing (manufacturing of polypropylene and

polyethylene films, including high-barrier ones), as well as further development of the technology of paper refining, contributed to relative strengthening the FPS position on the market and increased sales of the new type of packaging compliant with the current market trends.

On the BOPP film market, the downward trend in demand continued in 2023, mainly influenced by the situation on the European and Asian markets. A large group of the Segment customers reported problems of high inventories following increased purchases in 2022. The customers also informed about reduced utilisation of their production capacity and even forced production downtimes due to the lack of satisfactory order volume. In the opinion of the majority of the Segment customers, the year was also very difficult and challenging due to very low demand for BOPP films. Consumption of food products decreased significantly, which was related to the decline in consumer purchasing power as a consequence of the rising cost of living. In addition, the global situation on the BOPP market made it difficult to enter new markets and acquire customers, as the price pressure from primarily Asian but also European competitors, who significantly increased their production capacity last year, was enormous. In order to win new orders, the Segment was forced to compete aggressively primarily with the suppliers from India, Turkey or China, as a drastic drop in demand for BOPP films was also observed in these markets. Due to the aggressive pricing policies of its competitors, the margins applied by Alupol Films were also reduced in order to attract orders.

Despite the difficult economic environment, the consolidated 2023 revenue of the Flexible Packaging Segment reached PLN 1,206 million and was lower by about 20% y/y due to a significant drop in raw material prices and demand, especially for BOPP films. The share of the Segment's foreign sales increased by 5 p.p., to 50%.

Research and innovation

Year 2023 watched a clear acceleration in the transformation of the marketed packaging structure. Classical structures that had been successfully manufactured for several decades began to be replaced on a large scale by new, environmental solutions. Numerous projects were carried out together with our customers in this area, thanks to which laminates in new configurations were introduced, such as mono-film, characterised by lighter weight and greater material homogeneity. New solutions in flexible packaging are based mainly on the use of polypropylene and polyethylene films in laminates. There were also developed new PPBTM films based on polypropylene, produced in blown-film extrusion process. These are used as a component of homogeneous two-layer laminates, where the second layer is made of BOPP film manufactured at Alupol Films in Oświęcim. BOPP/PPBTM laminates reflect very good mechanical and barrier properties. Therefore, they may be used in packing many types of food, e.g. instant foods, seasonings, coffee, fresh meat, cold cuts, bread, etc. The laminates comply, at the same time, with the guidelines of the European strategy for closed-circuit plastics. In that regard the OPP/PPB laminate manufactured by the Segment was awarded the 'Made for Recycling' certificate, confirmed by research carried out at the German Fraunhofer Institute, in compliance with the bifa Umweltinstitut GmbH methodology.

At the same time, laminates are being developed on the basis of paper, paper refined with heat-sealable, high-barrier varnishes, or thin polymer layers with heat-sealable and barrier properties. The new-technology laminate was tested with regard to fitness for recycling, and a positive result confirmed with suitable certificates was achieved.

All the proposed solutions guarantee food safety and may be printed either with the rotogravure or flexographic techniques. Due to the specific properties of the PPBTM and HBF9TM, the 3-, 4- and 5-layer laminates available on the market, containing aluminium, plastic and paper, may be replaced with 2- or 3-layer laminates of lower basis weight and more homogeneous structure. This means that the laminates require less material than the ones applied so far, which contributes greatly to reducing the quantity of plastics introduced to the market and reduces the impact on natural environment.

Investments

Following the 2021–2025 Strategy, the investment projects of the Segment will be limited in the Strategy period to maintaining production potential at an unchanged level. In 2023, all capital expenditure covered replacement projects.

5.2 Significant agreements, transactions and court litigations

5.2.1 Significant agreements and annexes thereto

In 2023, neither the Issuer nor the Capital Group companies entered into significant agreements or signed significant annexes to significant agreements, except for the agreements and annexes to credit agreements concluded with banks, which are presented below.

23 October 2023 – amendment of credit limit agreement concluded with Bank POLSKA KASA OPIEKI S.A.

The Management Board of Grupa KĘTY S.A. informed in the current report No. 24/2023 that on 23 October 2023 it made a decision on the acceptance of the terms proposed by Bank POLSKA KASA OPIEKI S.A. with regard to amendment of the credit limit agreement concluded with the bank, which was earlier disclosed on 26 September 2022 in the current report No. 29/2022, and signing an annex to the agreement together with the other borrowers.

The period of the credit limit availability to all borrowers in the amount of PLN 530 million was extended until 31 October 2024.

4 December 2023 – amendment of the multipurpose credit facility agreement concluded with BNP Paribas Bank Polska S.A.

The Management Board of Grupa KĘTY S.A. informed in the current report No. 27/2023 that on 4 December 2023 it made a decision on the acceptance of the terms proposed by BNP Paribas Bank Polska S.A. with regard to amendment of the multipurpose credit facility agreement concluded with the bank, which was earlier disclosed on 22 December 2022 in the current report No. 34/2022, and signing an annex to the agreement together with the other borrowers.

The maturity date of the credit facility worth PLN 400 million was postponed to 20 November 2025.

4 December 2023 – agreement with Powszechna Kasa Oszczędności Bank Polski S.A.

The Management Board of Grupa KĘTY S.A. informed in the current report No. 28/2023 that on 4 December 2023 it made a decision on the acceptance of the terms proposed by Powszechna Kasa Oszczędności Bank Polski S.A. with regard to multipurpose credit facility agreement as well as signing the agreement. The Agreement was concluded in order to replace the previous agreement in the same amount, which was concluded with the Bank on 3 July 2008 and subsequently amended.

The credit limit worth PLN 400 million was committed for the period ending 31 May 2026.

5.2.2 Information on related-party transactions

The monitoring of related-party transactions is carried out, inter alia, on the basis the ‘Reporting related-party transactions’ procedure adopted by the Capital Group. The procedure provides for the necessity of notifying on a current basis of any intent to enter into a transaction with a related party, if the transaction cannot be carried out on arm’s length basis or within the regular activities of the Company. Designated persons are obliged to analyse the notifications, including with regard to the obligation to obtain approval for the transactions conclusion from the competent authority of the company concerned, and the possible necessity of their immediate public disclosure in situations stipulated by the binding legal regulations. The procedure also provides for periodic review of transactions concluded with related parties on arm’s length basis within the regular activities by the Supervisory Board. Related-party transactions are also further monitored within the framework of the applicable transfer pricing legislation based on the transfer pricing procedure adopted and binding for the Capital Group.

To the best knowledge of the Company Management Board, in 2023 the Capital Group companies did not enter into any material transactions with related parties on other than arm’s length basis.

Information about related-party transactions has been provided in note 37 of the separate financial statements for the year 2023, and in note 35 of the consolidated financial statements for the year 2023.

5.2.3 Information on important court litigations

In 2023 Alupol Packaging S.A. and Alupol Packaging KĘTY Sp. z o.o. (subsidiaries of the Issuer's Capital Group) received summons in relation to the customs and fiscal control carried out by the Customs and Fiscal Authorities of Silesia in Katowice [UCS]. The control was devoted to aluminium foil imports in the years 2021-2022 and the doubts on the part of the UCS regarding the certificates of origin of goods issued by the state authorities of Thailand. The customs authorities claim that the imported goods, contrary to the certificates issued, should be treated as originating in China. By the date of this report, the customs authorities have not instigated any customs proceedings as a result of which penalty imposing decisions could be issued. In the assessment of the Capital Group supported with the analysis of the reports of the customs control, there is a high probability of instigating such proceedings and issue of penalty imposing decisions. The Capital Group fails to share the stand of the customs authorities, however, owing to the circumstances described above, it has recognised a provision worth PLN 27,787,000 on that account.

Apart from the aforesaid case, neither Grupa KĘTY S.A. nor its subsidiaries were parties to any proceedings pending at court, competent arbitration tribunal or public administration authority, with regard to liabilities or receivables which would have a major impact on the operations or the financial results generated by the Company or its subsidiaries.

6. FINANCIAL STANDING, GENERATED RESULTS AND FORECASTS

6.1 Principles of preparing annual separate and consolidated financial statements of Grupa KĘTY S.A.

The consolidated financial statements of the Capital Group of Grupa KĘTY S.A. and separate financial statements of Grupa KĘTY S.A. were prepared with the use of accounting principles compliant with the applicable International Financial Reporting Standards (IFRS) approved for use by the European Union and binding on 31 December 2023.

The consolidated financial statements of the Capital Group of Grupa KĘTY S.A. and separate financial statements of Grupa KĘTY S.A. present a true and fair view of the assets and the financial standing of the Capital Group of Grupa KĘTY S.A. and Grupa KĘTY S.A. as at 31 December 2023, as well as the result on operations and cash flows for the year ended 31 December 2023.

The consolidated financial statements of the Capital Group of Grupa KĘTY S.A. and separate financial statements of Grupa KĘTY S.A. were prepared assuming that the Capital Group of Grupa KĘTY S.A. and Grupa KĘTY S.A. will continue as a going concern. As at the date of approving the consolidated financial statements of the Capital Group of Grupa KĘTY S.A. and separate financial statements of Grupa KĘTY S.A., there were no circumstances implying that the Capital Group of Grupa KĘTY S.A. would not continue as a going concern.

Information on the major principles of preparing the consolidated financial statements of the Capital Group of Grupa KĘTY S.A. and separate financial statements of Grupa KĘTY S.A. is presented in note 10 of the consolidated financial statements of the Capital Group of Grupa KĘTY S.A. and note 12 of the separate financial statements of Grupa KĘTY S.A., respectively.

6.2 Discussion of basic economic and financial values disclosed in the annual consolidated financial statements

Year 2023 was a challenge to the Capital Group due to the difficult market situation and expectations following the record-high results in year 2022, which stemmed mainly from the ability of the Group to adjust to the exceptional conditions post the outbreak of war in Ukraine, specifically between March and July. After that period, a systematic downturn was observed, as well as concerns about the possible energy carriers outages during the winter months, which added to the state of uncertainty.

The beginning of 2023 appeared to be more optimistic, particularly in the Extruded Products Segment. Nevertheless, the optimism was waning and the economy, specifically in the construction industry, deteriorated on both the domestic and many foreign markets. As a result, raw materials prices also declined compared with record levels of 2022.

In such volatile environment, the Capital Group of Grupa KĘTY S.A. generated sales revenue of PLN 5,218,603,000, which was lower by 12% y/y, reflecting mainly the lower prices of materials y/y. In 2023, the share of foreign sales was 51% and was 1 p.p. lower than in the preceding year.

Profit on operations amounted to PLN 687,412,000 and was lower by 21% y/y, mainly due to making margins more realistic in the Flexible Packaging Segment, which owing to the outbreak of war in Ukraine and the resulting demand for food in 2022 recorded extraordinary profitability.

The 2023 EBITDA margin equalled 868,015,000 and was by 16% lower y/y due to the above reasons.

TABLE 10: MAIN ITEMS OF THE STATEMENT OF PROFIT OR LOSS (CONSOLIDATED DATA)

Statement of profit or loss Consolidated data (PLN '000)	2021	2022	2023	Change 2023/2022 (%)
Sales revenue	4,597,575	5,930,865	5,218,603	-12%
- of which sales in Poland	2,309,480	2,857,394	2,572,789	-10%
- of which sales in other countries	2,288,095	3,073,471	2,645,814	-14%
EBITDA*	899,694	1,031,435	868,015	-16%
EBITDA margin**	19.57%	17.39%	16.63%	-
Net profit on operating activities	746,048	865,183	687,412	-21%
Operating margin***	16.23%	14.59%	13.17%	-
Net profit attributable to owners of the parent	594,638	678,356	539,077	-21%
Net margin****	12.93%	11.44%	10.33%	-

*EBITDA – net operating profit plus depreciation and amortisation.

**EBITDA margin – (net profit on operating activities + depreciation)/sales

***Operating margin – net profit on operating activities/sales

****Net margin – net profit attributable to owners of the parent/sales

The Capital Group possesses speciality engineering facilities and invests in development, therefore, a major part of assets as at 31 December 2023 are property, plant and equipment, amounting to PLN 1,828,296,000. As at the balance-sheet date they accounted for 50% of total assets (growth by 8 p.p. y/y). Higher value of non-current assets was an effect of the capital expenditure programme carried out, with the main aim for 2023 to extend the production capacity of the Extruded Products Segment and the Aluminium Systems Segment. More information about the investment projects is provided in section 6.6 of the report.

The value of current assets as at 31 December 2023 was PLN 1,558,437,000 and represented roughly 43% of the total assets (drop by 8 p.p. y/y). Drop in the value of current assets resulted basically from lower raw materials prices on the world's markets (lower value of receivables and inventories), as well as limitation in the inventories volume resulting from lower risk of supply disturbance, which had been one of the causes of higher level of inventories in the preceding year.

On the equity/liabilities side, the largest item was equity amounting to PLN 1,890,387,000, which represents 52% of the total equity/liabilities (growth by 2 p.p. y/y).

Long-term liabilities as at 31 December 2023 represented 32% of total equity/liabilities (increase by 7 p.p. y/y), whereas short-term liabilities as at the same day represented 16% of total equity/liabilities (increase by 9 p.p. y/y)

High cash flows on operating activities in 2023, which amounted to PLN 1,148,264,000, contributed to lower share of long- and short-term loans in total equity/liabilities, representing 26% (drop by 4 p.p. y/y). The cash

flows were an effect of the generated profit on operating activities and reduced value of working capital, specifically inventories and receivables.

Thanks to the generated cash flows on operating activities, it was possible not only to finance the capital investment programme and pay out dividend, but also to reduce net debt at the end of 2023. Net debt amounted to PLN 931,074,000 and was lower by 12% compared with the end of 2022.

TABLE 11: MAIN ITEMS OF THE BALANCE SHEET (CONSOLIDATED DATA)

Balance sheet	Balance as at	Share structure	Balance as at	Share structure	Balance as at	Share structure
Consolidated data (PLN '000)	31.12.2021	(%)	31.12.2022	(%)	31.12.2023	(%)
I. Non-current assets	1,722,788	49%	1,903,253	49%	2,096,884	57%
- of which property, plant and equipment	1,460,925	41%	1,647,901	42%	1,828,296	50%
II. Current assets	1,804,027	51%	1,982,890	51%	1,558,437	43%
- of which inventories	900,685	26%	985,148	25%	744,618	20%
- of which trade and other receivables	789,505	22%	852,273	22%	705,367	19%
- of which cash and cash equivalents	103,810	3%	139,418	4%	89,356	2%
Total assets	3,526,815	100%	3,886,143	100%	3,655,321	100%
I. Equity						
	1,769,443	50%	1,941,586	50%	1,890,387	52%
- of which share capital	68,025	2%	68,025	2%	68,025	2%
- of which retained earnings	1,628,957	46%	1,807,481	47%	1,740,688	48%
II. Long-term liabilities						
	548,313	16%	989,078	25%	596,103	16%
- of which loan payables	421,733	12%	854,051	22%	441,960	12%
- of which lease liabilities	17,090	0%	40,341	1%	63,343	2%
III. Short-term liabilities:						
	1,209,059	34%	955,479	25%	1,168,831	32%
- of which short-term liabilities related to loans	535,041	15%	295,416	8%	508,971	14%
- of which lease liabilities	4,854	0%	5,942	0%	6,156	0%
- of which trade and other payables	526,093	15%	503,640	13%	529,974	14%
Total equity/liabilities	3,526,815	100%	3,886,143	100%	3,655,321	100%

Change in the return ratios, reflecting the rate of changes in results, is presented in the table below. Return on equity (ROE), despite a decrease by 6.4 p.p. y/y reached the high level of 28.5% at the end of 2023.

TABLE 12: RETURN RATIOS (CONSOLIDATED DATA)

Return ratios (consolidated data)	2021	2022	2023
ROA (return on assets)*	16.9%	17.5%	14.7%
ROE (return on equity)**	33.6%	34.9%	28.5%

*ROA – net profit attributable to owners of the parent/total assets

**ROE – net profit attributable to owners of the parent/equity attributable to owners of the parent

Considering the difficult market environment, in particular, the Management Board positively assesses the financial results for the year 2023. The levels of consolidated profit on operating activities and net profit in 2023 exceeded both the goals of the 2023 budget and the levels set out in the Strategy for 2021-2025.

6.3 Discussion of basic economic and financial values disclosed in the annual separate financial statements

For the European manufacturers of extruded products, year 2023 was a challenging one. Although Grupa KĘTY S.A. generated sales revenue of PLN 1,944,421,000 in 2023, the result was lower by 15% y/y, which mainly stemmed from lower prices of the main material used in production, i.e. aluminium. The average annual price of aluminium expressed in Polish zloty was lower by roughly 20% y/y.

In 2023, Grupa KĘTY S.A. recorded higher sales volume (by 6% y/y), mainly thanks to higher intra-group sales (to the Aluminium Systems Segment). The share of foreign sales in 2023 remained at unchanged level year over year and represented 48%.

Profit on operating activities dropped by 17% y/y – to PLN 606,528,000. The same change rate referred to net profit on continuing activities, which amounted to PLN 583,533,000 in 2023.

TABLE 13: MAIN ITEMS OF THE STATEMENT OF PROFIT OR LOSS (SEPARATE DATA)

Statement of profit or loss Separate data (PLN '000)	2021	2022	2023	Change 2023/2022 (%)
Sales revenue	1,645,923	2,291,626	1,944,421	-15%
- of which sales in Poland	964,838	1,199,780	1,016,697	-15%
- of which sales in other countries	681,085	1,091,846	927,724	-15%
EBITDA*	612,597	788,908	666,966	-15%
EBITDA margin**	37.22%	34.43%	34.30%	-
Net profit on operating activities	558,632	733,384	606,528	-17%
Operating margin***	33.94%	32.00%	31.19%	-
Net profit on continuing operations	523,171	699,108	583,533	-17%
Net margin****	31.79%	30.51%	30.01%	-

*EBITDA – net operating profit plus depreciation and amortisation.

**EBITDA margin – (net profit on operating activities + depreciation)/sales

***Operating margin – net profit on operating activities/sales

****Net margin – net profit/sales

Grupa KĘTY S.A. is a production and trading enterprise which continuously invests in its engineering development. Therefore, property, plant and equipment represent a significant item of assets amounting to PLN 687,314,000 as at 31 December 2023. As at the balance-sheet date they accounted for 42% of total assets (growth by 6 p.p. y/y). Higher value of non-current assets was an effect of the capital expenditure programme carried out, with the main aim for 2023 to extend the production capacity with regard to aluminium profiles extrusion and manufacturing of components.

The value of current assets as at 31 December 2023 amounted to PLN 486,386,000 and represented 30% of total assets (drop by 7 p.p. y/y), mainly due to the lower level of inventories, reflecting both smaller risk of supply disturbance and lower aluminium prices on the world's markets.

On the equity/liabilities side, the largest item is equity amounting to PLN 953,417,000, which represents 58% of the total equity/liabilities (growth by 1 p.p. y/y).

High cash flows on operating activities, which amounted to PLN 751,212,000 in 2023, enable the maintenance of (long- and short-term) loans at a similar level of 25% of the total equity/liabilities (growth by 1 p.p. y/y).

Net debt at the end of 2023 equalled PLN 423,406,000, which means a drop by 7% compared with the end of 2022.

TABLE 14: MAIN ITEMS OF THE BALANCE SHEET (SEPARATE DATA)

Balance sheet Separate data (PLN '000)	Balance as at 31.12.2021	Share structure (%)	Balance as at 31.12.2022	Share structure (%)	Balance as at 31.12.2023	Share structure (%)
I. Non-current assets	884,468	61%	1,020,429	63%	1,154,411	70%
- of which property, plant and equipment	474,436	32%	589,115	36%	687,314	42%
II. Current assets	575,934	39%	603,093	37%	486,386	30%
- of which inventories	263,200	18%	261,589	16%	182,115	11%
- of which trade and other receivables	304,955	21%	338,436	21%	287,445	18%
- of which cash and cash equivalents	5,906	0%	2,798	0%	7,367	0%
Total assets	1,460,402	100%	1,623,522	100%	1,640,797	100%
I. Equity	753,454	52%	950,514	59%	953,417	58%
- of which share capital	68,025	5%	68,025	4%	68,025	4%
- of which retained earnings	593,603	41%	787,765	49%	767,724	47%
II. Long-term liabilities	269,404	18%	346,703	21%	222,229	14%
- of which loan payables	211,073	14%	300,141	18%	164,753	10%
- of which lease liabilities	3,562	0%	3,553	0%	14,642	1%
III. Short-term liabilities:	437,544	30%	326,305	20%	465,151	28%
- of which short-term liabilities related to loans	217,181	15%	95,339	6%	251,063	15%
- of which lease liabilities	177	0%	177	0%	315	0%
- of which trade and other payables	171,915	12%	173,960	11%	194,735	12%
Total equity/liabilities	1,460,402	100%	1,623,522	100%	1,640,797	100%

Change in the value of results translated into return ratios, including return on equity (ROE), which despite a reduction by 12.3 p.p. y/y reached the level of 61.2%.

TABLE 15: RETURN RATIOS (SEPARATE DATA)

Return ratios (separate data)	2021	2022	2023
ROA (return on assets)*	35.8%	43.1%	35.6%
ROE (return on equity)**	69.4%	73.6%	61.2%

*ROA – net profit attributable to owners of the parent/total assets

**ROE – net profit/equity attributable to owners of the parent

The Management Board positively assesses the financial results generated in 2023. The levels of profit on operating activities and net profit in 2023 enabled exceeding both the budget objectives and the levels set out in the 2021-2025 Strategy.

6.4 Financial standing and results of business segments

The tables below present the selected financial figures of the Capital Group operating segments in the years 2023 and 2022, as well as the selected balance-sheet data, as at the ends of the periods.

TABLE 16: SELECTED FINANCIAL FIGURES OF THE OPERATING SEGMENTS IN 2023

Operating segments	FPS	EPS	ASS	Other	Eliminations*	Total
Statement of profit or loss						
Sales	1,206,401	2,107,783	2,372,088	24,003	-491,672	5,218,603
- of which outside the Capital Group	1,206,272	1,640,951	2,370,949	431	0	5,218,603
- of which to related parties	129	466,832	1,139	23,572	-491,672	0
Dividends from related companies	0	0	0	444,364	-444,364	0
Write-down of materials and trade goods	1,041	746	-5,371	0	0	-3,584
Write-downs of receivables	285	2,475	674	0	0	3,434
Write-downs of property, plant and equipment, and intangible assets	0	-622	-101	0	0	-723
Profit on operating activities	156,928	217,236	348,350	418,191	-453,293	687,412
Depreciation	33,377	81,000	62,882	3,245	99	180,603
EBITDA	190,305	298,236	411,232	421,436	-453,194	868,015
Interest income	4,657	291	741	168	-3,283	2,574
Interest costs and discounts	-7,701	-11,669	-36,130	-5,253	3,283	-57,470
Profit before tax	148,877	197,010	314,581	414,920	-453,210	622,178
Income tax	-30,114	-13,474	-48,941	8,634	1,697	-82,198
Net profit	118,763	183,536	265,640	423,554	-451,513	539,980
Balance sheet						
Total assets	1,010,919	1,433,117	1,378,255	396,516	-563,486	3,655,321
Liabilities	248,288	618,566	952,605	156,772	-211,297	1,764,934
Other data						
Expenditures on property, plant and equipment, and intangible assets	21,524	198,782	144,094	13,971	0	378,371

TABLE 17: SELECTED FINANCIAL FIGURES OF THE OPERATING SEGMENTS IN 2022

Operating segments	FPS	EPS	ASS	Other	Eliminations*	Total
Statement of profit or loss						
Sales	1,516,628	2,451,380	2,439,664	21,302	-498,109	5,930,865
- of which outside the Capital Group	1,516,508	1,976,346	2,437,649	362	0	5,930,865
- of which to related parties	120	475,034	2,015	20,940	-498,109	0
Dividends from related companies	0	0	0	501,948	-501,948	0
Write-down of materials and trade goods	-875	-3,003	1,771	0	0	-2,107
Write-downs of receivables	-659	-1,890	2,209	0	0	-340
Write-downs of property, plant and equipment, and intangible assets	0	-9,024	-1,379	0	0	-10,403
Write-down of goodwill	0	-61	0	0	0	-61
Profit on operating activities	296,681	256,731	320,292	480,747	-489,268	865,183
Depreciation	33,366	72,093	57,813	2,876	104	166,252
EBITDA	330,047	328,824	378,105	483,623	-489,164	1,031,435

Interest income	554	104	321	190	0	1,169
Interest costs and discounts	-8,818	-18,578	-29,165	-2,894	0	-59,455
Profit before tax	286,832	237,037	287,831	476,525	-489,268	798,957
Income tax	-51,783	-23,148	-49,985	8,086	-2,475	-119,305
Net profit	235,049	213,889	237,846	484,611	-491,743	679,652
Balance sheet						
Total assets	1,139,746	1,210,908	1,386,191	582,212	-432,914	3,886,143
Liabilities	283,669	654,596	999,874	102,887	-96,469	1,944,557
Other data						
Expenditures on property, plant and equipment, and intangible assets	7,321	211,303	143,406	25,010	0	387,040

*The 'Eliminations' item covers the elimination of inter-segment transactions and consolidation adjustments. In the statement of profit or loss it is mainly related to the sale of aluminium profiles by the EPS to the ASS, and elimination of dividends paid among the Capital Group companies. As regards assets and equity/liabilities, the eliminations refer mainly to inter-segment settlements on account of the aforesaid titles. All of the transactions are concluded on arm's length basis.

In 2023, which was a difficult year on the market, the Capital Group of Grupa KĘTY S.A. generated sales revenue of PLN 5,218,603,000, which was lower by 12% y/y, of which:

- PLN 1,206,401,000 at the Flexible Packaging Segment (drop by 20% y/y), mainly resulting from lower materials prices (LDPE and PP granulates) and lower volumes;
- PLN 2,107,783,000 at the Extruded Products Segment (drop by 14% y/y), mainly resulting from lower aluminium prices and higher sales volume;
- PLN 2,372,088,000 at the Aluminium Systems Segment (drop by 3% y/y), mainly resulting from products price list corrections introduced in Q.3, 2023, and lower sales volume.

In effect, the Capital Group of Grupa Kęty S.A. generated profit on operating activities amounting to PLN 687,412,000, which was lower by 21% y/y, of which:

- PLN 156,928,000 at the Flexible Packaging Segment (drop by 47% y/y), owing to bringing margins to more realistic levels compared with the extraordinary value in 2022;
- PLN 217,236,000 at the Extruded Products Segment (drop by 15% y/y), owing to lower demand and the resulting pressure on margins;
- PLN 384,350,000 at the Aluminium Systems Segment (growth by 9% y/y), owing to the maintenance of high sales volume and systematic drop in the prices of materials.

6.5 Financial resources management

General information on financial resources management

The Capital Group has adopted procedures regarding financial resources and financial risk management, which also refers to financial liquidity management and cooperation with banks. The procedures are supervised by the Treasury Director. The aim of the procedures is to currently monitor the liquidity standing of the Capital Group and its particular companies, as well as maintain the adequate level of available resources and secure against the potential liquidity loss by taking preventive actions. The procedures also regulate the principles of cooperation with banks, which covers the process of diversification of the sources of finance and selection of lenders, among other things. Separate procedures are in place for the purpose of financial risk management: foreign exchange rates volatility risk, interest rate risk, or price risk.

Liquidity and debt management

The main factor affecting the liquidity standing of Grupa KĘTY S.A. and its Capital Group is revenue generated on basic activities and the related cash flows.

TABLE 18: SELECTED DATA FROM THE STATEMENT OF CASH FLOWS

Selected data from the statement of cash flows (PLN '000)	2021	2022	2023	Change 2023/2022
Consolidated data				
Net cash from operating activities	369,003	734,156	1,148,264	56%
Net cash from investing activities	(217,122)	(307,505)	(314,127)	-2%
Net cash from financing activities	(199,299)	(391,062)	(883,714)	126%
Net increase/decrease of cash and cash equivalents	(47,360)	35,608	(50,062)	241%
Cash and cash equivalents at the beginning of the period	151,170	103,810	139,418	+34%
Cash and cash equivalents at the end of the period	103,810	139,418	89,356	-36%
Separate data				
Net cash from operating activities	404,465	687,953	751,212	9%
Net cash from investing activities	(56,479)	(129,713)	(144,753)	-12%
Net cash from financing activities	(351,398)	(561,347)	(601,620)	-7%
Net increase/decrease of cash and cash equivalents	(3,412)	(3,108)	4,569	247%
Cash and cash equivalents at the beginning of the period	9,317	5,906	2,798	-53%
Cash and cash equivalents at the end of the period	5,906	2,798	7,367	163%

TABLE 19: LIQUIDITY RATIOS

Liquidity ratios	2021	2022	2023
Current liquidity ratio*	1.5	2.1	1.3
Quick liquidity ratio*	0.7	1.0	0.7
Current liquidity ratio*	1.8	1.8	1.0
Quick liquidity ratio*	1.0	1.0	0.7

*Current liquidity ratio – current assets/short-term liabilities

**Quick liquidity ratio – (current assets - inventories)/short-term liabilities

Managing liquidity, Grupa KĘTY S.A. and other Capital Group companies may avail of external sources of finance and the available financial products, and specifically bank loans within the set limits. Upon the selection of a bank to cooperate with, the Capital Group companies verify their creditworthiness, history of cooperation, as well as the offered terms and conditions, including costs, taking into account the safety and the high standard of the service provided.

Financing the operating activities of the Capital Group companies in the form of bank loans is based on umbrella financing, i.e. financing of two or a larger number of the Capital Group companies within one loan agreement, with limit shared among the participating companies in the form of sub-limits granted to each of them. The participating companies are jointly and severally liable for their liabilities up to the amount specified in the agreement. Owing to the fact that the total of maximum sub-limits available to the particular borrowers in umbrella financing is higher than the maximum total limit granted to all of the borrowers jointly within one agreement, it is possible to manage liquidity at the level of many companies, by adjusting the current levels of funds availability to the liquidity standing of the particular companies. An element of liquidity management at the Capital Group is also the Agreement on cooperation with regard to mutual finance, signed by the Group companies, under which the companies with financial surpluses grant loans to companies availing of working capital facilities.

Information on the loan agreements and annexes to loan agreements signed by Grupa KĘTY and the other companies of the Capital Group in 2023 is presented in section 5.2.1 of this report. No loan agreement signed by Grupa KĘTY or a company of the Capital Group was terminated in 2023.

As at 31 December 2023, the total indebtedness on account of loans amounts to PLN 951 million. With regard to the loan agreements concluded, the borrowers are obliged to maintain the net debt/EBITDA ratio at the level of less than 3.5. Depending on the borrower, the ratio is calculated either based on the consolidated financial results of Grupa KĘTY S.A., the consolidated financial results of Aluprof S.A., or the consolidated financial results of Alupol Packaging S.A.

TABLE 20: LIST OF LONG-TERM BANK LOANS

Lender	Loan currency	Security	Interest rate	31.12.2023 (PLN '000)
PKO BP	PLN/EUR	Joint and several liability of the following companies: Grupa KĘTY S.A., Alupol Packaging S.A, Aluprof S.A., Alupol Packaging KĘTY Sp. z o.o., Romb S.A., plus blank promissory notes and promissory note declarations. The total value of joint and several liability does not exceed the actual debt level plus the costs of credit – renewable credit facility.	WIBOR 3M + margin EURIBOR 1M + margin	196,922
mBank	PLN/EUR	Joint and several liability of Alupol Packaging KĘTY Sp. z o.o. and Alupol Films Sp. z o.o., security bond of Alupol Packaging S.A. (up to PLN 108 million), registered pledge for the total value of the property and fixed assets owned by Alupol Packaging KĘTY sp. o.o., up to the amount of PLN 108 million. The total value of joint and several liability does not exceed the actual debt level plus the costs of credit – the credit is being repaid, and the current debt level is the highest possible.	WIBOR 3M + margin EURIBOR 3M + margin	44,972
PEKAO	PLN	Joint and several liability of Aluprof S.A., Glassprof Sp. z o.o., and Romb S.A., mortgage on the real properties of Romb S.A. and Aluprof S.A., as well as pledge on property, plant and equipment of Aluprof S.A., up to the maximum amount of PLN 225 million. The total value of joint and several liability does not exceed the actual debt level plus the costs of credit – the credit is being repaid, and the current debt level is the highest possible.	WIBOR 3M or 6M + margin EURIBOR 3M or 6M + margin	125,000
Unicredit (posojilo)	EUR	Blank promissory notes and promissory notes declarations. Pledge on real property, comfort letter by Aluform Sp z o.o. – the loan is being repaid, and the current debt level is the highest possible.	Fixed interest rate	19,566
Aluprof UK	EUR	Company security bond – the loan is being repaid, and the current debt level is the highest possible.		235
ING Bank Polska	PLN, EUR	Registered pledge on fixed assets (capped with the security amount of PLN 240 million) and assignment of rights under insurance policy, contractual mortgage (capped to PLN 240 million) and assignment of rights under insurance policy. Joint and several liability of Aluform Sp. z o.o. and Grupa Kęty S.A., declaration of the Borrower on submission to enforcement in the form of a notarised deed, pursuant to Article 777 of the Civil Code. Maximum debt limit as at the balance-sheet date: PLN 200 million.	WIBOR 3M or 6M + margin EURIBOR 3M or 6M + margin	39,565
ING Bank Polska	PLN	Mortgage (up to PLN 96 million), plus declaration on submission to enforcement – the loan is being repaid, and the current debt level is the highest possible.	WIBOR 3M or 6M + margin EURIBOR 3M or 6M + margin	15,700
Total				441,960

TABLE 21: LIST OF SHORT-TERM BANK LOANS

Lender	Loan currency	Security	Interest rate	31.12.2023 (PLN '000)
ING Polska	PLN	Short-term part of long-term loans – the same collaterals as in the case of the respective long-term loans. Mortgage (up to PLN 96 million), plus declaration on submission to enforcement.	WIBOR 3M or 6M + margin EURIBOR 3M or 6M + margin	6,342
ING Polska	PLN/EUR	Joint and several liability of Grupa KĘTY S.A. and Aluprof S.A. The total value of joint and several liability does not exceed the actual debt level plus the costs of credit – renewable credit facility, maximum debt level: PLN 65 million.	WIBOR 1M + margin EURIBOR 1M + margin	63,672
PEKAO	PLN/EUR/ USD	Joint and several liability of the following companies: Grupa KĘTY S.A., Alupol Packaging S.A., Aluprof S.A., Aluform Sp. z o.o., Alupol Packaging KĘTY Sp. z o.o., Alupol Films Sp. z o.o. and Aluminium KĘTY EMMI d.o.o., Glassprof Sp. z o.o., Aluprof System UK LTD – blank promissory notes and promissory note declarations of the aforementioned companies. The total value of joint and several liability does not exceed the actual debt level plus the costs of credit – renewable credit facility, maximum debt level: PLN 530 million.	WIBOR 1M + margin EURIBOR 1M + margin SOFR 1M + margin	264,261
Unicredit (posojilo)	EUR	Short-term part of the long-term loan Blank promissory notes and promissory notes declarations. Pledge on real property of Aluminium Kęty EMMI Slovenia. Comfort letter by Aluform Sp. z o.o. – the loan is being repaid, and the current debt level is the highest possible.	Fixed interest rate	16,279
BNP PARIBAS	PLN	Short-term part of long-term loans – the same collaterals as in the case of the respective long-term loans.	WIBOR 1M + margin EURIBOR 1M + margin	147,793
mBank	PLN/EUR	Short-term part of long-term loans – the same collaterals as in the case of the respective long-term loans. The loan is being repaid, and the current debt level is the highest possible.	WIBOR 3M + margin EURIBOR 3M + margin	10,600
Bank of America	USD	Liabilities related to credit cards – no security.	Fixed interest rate	24
Total				508,971

TABLE 22: TERM STRUCTURE OF LOANS

Maturity date	Balance as at 31.12.2021 (PLN '000)	Balance as at 31.12.2022 (PLN '000)	Balance as at 31.12.2023 (PLN '000)
Short-term	535,041	295,416	508,971
1 to 2 years	317,883	645,200	258,439
2 to 5 years	103,850	136,572	136,745
Over 5 years	0	72,279	46,776
Total	956,774	1,149,467	950,931

Apart from bank loans, Grupa KĘTY S.A. and other Capital Group companies also avail of other bank products, e.g. leases. The total value of leases does not have a significant effect on the financial liquidity of both the Capital Group or its particular companies.

The Capital Group companies granted loans to each other in accordance with the signed Agreement on cooperation with regard to mutual finance, the list of which as at 31 December 2023 is presented in the table below. The companies did not borrow money from companies from outside of the Capital Group or issued any bonds.

TABLE 23: BORROWINGS BETWEEN THE COMPANIES OF THE CAPITAL GROUP AS AT 31 DECEMBER 2023

Lender	Borrower	Borrowing amount (PLN '000)	Currency	Maturity date	Interest rate
Alupol Packaging S.A.	Glassprof Sp. z o.o.	7,000	PLN	10.01.2024	WIBOR 1M + margin
Alupol Packaging S.A.	Grupa KĘTY S.A.	8,696	EUR	29.03.2024	EURIBOR 1M + margin
Alupol Packaging S.A.	Grupa KĘTY S.A.	18,000	PLN	29.03.2024	WIBOR 1M + margin
Alupol Packaging S.A.	Aluprof S.A.	4,000	PLN	29.03.2024	WIBOR 1M + margin
Alupol Packaging S.A.	Alupol Films Sp. z o.o.	75,000	PLN	08.02.2024	WIBOR 1M + margin
Alupol Packaging S.A.	Alupol Packaging KĘTY S.A.	25,000	PLN	08.02.2024	WIBOR 1M + margin
Alupol Packaging S.A.	Aluprof S.A.	25,000	PLN	29.03.2024	WIBOR 1M + margin
Alupol Packaging S.A.	Grupa KĘTY S.A.	25,000	PLN	29.03.2024	WIBOR 1M + margin
Alupol Packaging KĘTY S.A.	Alupol Films Sp. z o.o.	9,000	PLN	31.01.2024	WIBOR 1M + margin
Aluprof Belgium N.V	Aluprof S.A.	4,348	EUR	18.06.2024	EURIBOR 1M + margin
Aluprof UK Ltd.	Aluprof S.A.	5,000	GBP	30.06.2025	ICE SONIA 1M + margin
Aluprof System Czech s.r.o.	Aluprof S.A.	1,435	EUR	31.03.2024	EURIBOR 1M + margin
Aluprof Belgium N.V	Aluprof S.A.	1,304	EUR	30.04.2024	EURIBOR 1M + margin
Aluprof Hungary Kft.	Aluprof S.A.	1,522	EUR	30.04.2024	EURIBOR 1M + margin
Aluprof System Romania SRL	Aluprof S.A.	1,739	EUR	30.04.2024	EURIBOR 1M + margin
Aluprof System Czech s.r.o.	Aluprof S.A.	870	EUR	31.03.2024	EURIBOR 1M + margin
Aluprof Belgium N.V	Aluprof S.A.	1,739	EUR	30.04.2024	EURIBOR 1M + margin
TOTAL:		215,653			

The Management Board has been currently monitoring the liquidity and debt standing, and in the event of a major deterioration of the ratios, they shall react adequately to the reasons and consequences of the existing situation. In order to limit the possible risk of lack of liquidity, the Capital Group companies also undertake a series of actions limiting the risk level. These include, among other things:

- development and current analysing of the performance of short-term and long-term financial plans;
- analysis and adjustment of the level of expenditure to the ability to cover it;
- current monitoring of the level of the particular components of current assets, and particularly inventories and receivables;
- maintenance of liquidity buffer within the available credit limits;
- transfer of some of the risk related to lack of payment for the goods sold, by way of taking out insurance policies.

TABLE 24: DEBT RATIOS

Debt ratios	2021	2022	2023	Change (%)
Consolidated data				
Debt/equity ratio*	0.99	1.00	0.93	-7%
Net debt/EBITDA**	0.97	1.02	1.07	5%
Separate data				
Debt/equity ratio*	0.94	0.71	0.72	3%
Net debt/EBITDA**	0.69	0.50	0.63	26%

*Debt/equity ratio – (short-term liabilities + long-term liabilities)/equity attributable to owners of the parent

**Net debt/EBITDA – (total loan payables and right-of-use assets - cash)/(profit on operating activities + depreciation)

Uncommitted cash held by Grupa KĘTY S.A. and other Capital Group companies is kept in bank accounts or invested in bank deposits, in consideration of concentration limits for each of the banks, and assessment of their financial condition, which requires the bank to have a short-term rating for investment deposits.

Off-balance-sheet liabilities

Neither Grupa KĘTY S.A. nor any other Capital Group company grant security bonds or guarantees to entities from outside the Capital Group, and they do not obtain security bonds or guarantees from such entities, either (except for contract performance bonds). There are three types of off-balance-sheet liabilities at the Capital Group, i.e. construction contracts performance bonds granted to the ASS companies, security bonds for bank loans repayment granted when taking out bank loans, off-balance-sheet liabilities under umbrella financing joint and several liability.

TABLE 25: SECURITY BONDS GRANTED WITHIN THE CAPITAL GROUP

Security bonds granted as at 31 December 2023 (PLN '000)				
Type and value of off-balance-sheet liability	Company issuing the guarantee/security bond	Beneficiary	Value	Maturity date
Security bond for liabilities under rental agreement granted to Aluprof System Czech s.r.o.	Aluprof S.A.	IMMORENT Ostrava I s.r.o.	96	Unlimited
Security bond for Alupol Films liabilities on account of raw materials purchase	Alupol Packaging S.A.	BASELL ORLEN POLYOLEFINS SPRZEDAŻ Sp. z o.o.	70,000	Unlimited
Security bond for Alupol Films liabilities on account of raw materials purchase	Alupol Packaging KĘTY Sp. z o.o.	BASELL ORLEN POLYOLEFINS SPRZEDAŻ Sp. z o.o.	20,000	Unlimited
Security bond for liabilities on account of investment credit facility granted to Alupol Packaging Kęty Sp. z o.o. and Alupol Films Sp.z o.o.	Alupol Packaging S.A.	mBank S.A.	108,000	30.09.2032

The off-balance-sheet liabilities resulting from joint and several liability under the concluded loan agreements have been described in the 'Security' column of the 'List of long-term bank loans' and 'List of short-term bank loans' tables.

In addition, joint and several liability applies to the following agreements:

Grupa KĘTY S.A., Aluprof S.A. and Aluform Sp. z o.o. entered into an agreement with Bank PEKAO S.A. with regard to a guarantee facility up to the total amount of PLN 50 million. The companies are jointly and severally liable for the liabilities under the agreement. As at 31 December 2023, the value of guarantees issued under the agreement to Grupa KĘTY S.A. amounted to PLN 1,088,000, and to Aluprof S.A. PLN 3,096,000. All guarantees of Grupa KĘTY S.A. were issued in 2023, whereas the guarantees of Aluprof S.A. before 2023. The guarantees granted under the agreement either expire on or before 19 February 2025 or are unlimited in time.

Grupa KĘTY S.A. and Aluprof S.A. entered into an agreement with Bank BNP Paribas regarding a guarantee limit to the total amount of PLN 20 million. The companies are jointly and severally liable for the liabilities under the agreement. As at 31 December 2023, there were no guarantees issued to Grupa KĘTY S.A., whereas the value of guarantees issued under the agreement to Aluprof S.A. amounted to PLN 4,800,000. All guarantees were issued in 2023. The guarantees issued under the agreement expire on or before 30 June 2030.

Within the credit limit facility signed by Aluprof S.A. and Grupa KĘTY S.A. with ING Bank (see herein above in the table: 'List of short-term bank loans'), Aluprof S.A. granted a guarantee for the total amount of 4,407,000 (out of which PLN 159,000 in 2023). The guarantees expire on or before 17 January 2027.

Alupol Packaging S.A., Alupol Packaging KĘTY Sp. z o.o., and Alupol Films Sp. z o.o. entered into an agreement with Bank PEKAO S.A. with regard to a guarantee facility up to the total amount of PLN 35 million. The companies are jointly and severally liable for the liabilities under the agreement. As at 31 December 2023, the value of guarantees issued under the agreement to Alupol Packaging S.A. amounted to PLN 750,000, and to

Alupol Packaging KĘTY Sp. z o.o. PLN 3,000. All guarantees were issued before 2023. The guarantees refer to customs liabilities and have been issued without a time limit.

Euler Hermes granted insurance performance bonds to the order of Aluprof S.A. in the total amount of PLN 7,443,000 (out of which PLN 6,910,000 in 2023). The guarantees issued under the agreement expire on or before 12 July 2027.

Unicredit Bank Slovenija D.D. granted a performance bond of PLN 11,548,000 to the order of AK Emmi d.o.o. The guarantee expires on 28 February 2025 and are related to securing a subsidy in the period of fulfilling the conditions described in note 33 of the consolidated financial statements.

Apart from the above ones, neither Grupa KĘTY S.A. nor the other Capital Group companies granted any security bonds or guarantees to other entities (including also related entities).

Off-balance-sheet receivables

- Alupol Packaging S.A. received a faults and defects guarantee issued by Credit Suisse for the amount of PLN 921,000.
- Aluprof S.A. received a faults and defects guarantee issued by ING Bank Śląski S.A. for the amount of PLN 297,000.
- Other guarantees issued and received secure the receivables and liabilities included in the balance sheet.

Financial instruments used to hedge financial risk

Grupa KĘTY S.A. and other Capital Group companies apply uniform principles of financial risk hedging set out in the adopted procedures and including:

- FX risk hedging principles;
- price risk hedging principles;
- interest rate hedging principles.

The above procedures comprise natural hedging actions, as well as application of term and derivative financial instruments.

With the use of financial instruments, the Capital Group secures the following cash flows:

- related to the exports of products;
- related to sales denominated in foreign currencies;
- related to import of materials and to investments;
- related to purchases denominated in foreign currencies.

In the first place, the applied financial instruments are to secure the risk related to foreign exchange rates volatility, and the risk related to changes in the price of the basic material, i.e. primary aluminium.

In 2023, the Company did not apply financial instruments to secure interest rate risk. During the year, loans were based on fixed interest rates.

Financial instruments have been presented in more detail in note 27 of the consolidated financial statements for the year 2023.

6.6 Investments in property, plant and equipment, and capital expenditure

General information on investments

Investment projects have been drivers of engineering development and a source of competitive advantage. Investments are planned within a several-year horizon of a strategy, which are further verified every year for the possible market changes. Decisions on the performance of major projects are made based on detailed analysis of each task, in consideration of their economic effectiveness (rate and period of return) as well as risk level, and are preceded with assessment and recommendation by the Investment Committee operating within the Central Area.

The investment projects carried out by the Capital Group under the 2021-2025 Strategy are mainly focused on the Capital Group organic development. They comprise specifically improvement of production capacity by

construction and extension of production facilities and warehouses, as well as furnishing the halls with state-of-the-art machinery. All that occurs in response to the growing customer requirements, changing legal regulations, as well as care for the natural environment and staff safety. Adequate funds are also allocated to maintenance of the existing production capacity, by replacement, modernisation, or improvement of effectiveness (replacement projects). Within the last 10 years, capital expenditure of the Capital Group amounted to roughly PLN 2.2 billion.

Investment projects in 2023

The Capital Group expenditure on investment projects in 2023 equalled PLN 316 million, compared with PLN 310 million in 2022.

Within the EPS, capital expenditure amounted to PLN 169 million and comprised mainly the construction of a new production hall and two extrusion presses with tools and accessories, development of aluminium components production at the Slovenian plant and in Kęty, as well as production tools (dies).

The value of capital expenditure incurred by the ASS in 2023 amounted to PLN 117 million and covered mainly the construction of a new plant in Złotów, commissioning of two powder coating shops, purchase of a line to manufacture roller-shutter systems, as well as replacement projects.

The FPS capital expenditure reached PLN 17 million and covered mainly replacement projects.

Grupa KĘTY S.A. expenditure on investment projects in 2023 equalled PLN 145 million, compared with PLN 130 million in 2022, representing a growth of 11% y/y. Apart from the projects related to the Extruded Products Segment, tasks were also performed within the Central Area, mainly in relation to the development of IT systems and infrastructure.

The description of the major investment projects carried out in 2023 by the particular Segments may be found in section 5.1 'Operating activities at the business segments'.

In 2023, the Capital Group did not make any capital investments.

Assessment of the viability of the investment projects planned

The 2021-2025 Strategy of the Capital Group assumes capital expenditure of PLN 1.3 billion, out of which PLN 304 million is planned for 2024. The projects will be financed from the Company own funds and from bank loans. Considering the current financial standing of the Capital Group, safe debt and liquidity ratios, as well as the bank finance acquired in 2023, as at the date of this report the Management Board of the Company does not expect any problems with financing the planned investment projects.

6.7 Financial forecasts

On 19 December 2023, the Management Board of Grupa KĘTY S.A. disclosed in public a forecast of the selected financial and operating results of the Issuer's Capital Group for the year 2024. The full text of the forecast is available in the current report No. 33/2023.

TABLE 26: FORECAST OF SELECTED FINANCIAL AND OPERATING RESULTS FOR THE YEAR 2024

Consolidated data (PLN million)	IF2023 ⁽¹⁾	F2024	Change (%) F2024/IF2023 ⁽¹⁾
Sales	5,200	5,269	+1%
of which:			
- EPS	2,106	2,136	+1%
- ASS	2,359	2,459	+4%
- FPS	1,202	1,147	-5%
EBITDA	852	945	+11%
of which:			
- EPS	284	315	+11%
- ASS	408	430	+5%
- FPS	195	224	+15%
Net profit on operating activities	673	742	+10%
Net profit ⁽²⁾	536	567	+6%

(1) IF2022 – [initial forecast] data compliant with the estimates of 19 December 2023.

(2) Net profit attributable to owners of the parent

The Management Board of Grupa KĘTY S.A. assumes gradual improvement of situation on the main markets of the Capital Group operations in the subsequent quarters of 2024. The assumption is based on:

- the expected GDP increases and downturn in inflation y/y in most of the European countries;
- continued trends in higher demand for aluminium products in construction and automotive sectors (improvement of buildings energy efficiency and CO₂ emissions reduction in automotive and forwarding sectors by way of reducing the weight of vehicles and increasing the number of electric vehicles);
- possible additional support for investment projects in Poland, if money under the National Reconstruction Plan are paid out.

The above factors should result in higher demand and limited margin pressure, which was clearly visible in 2023. In effect, the Capital Group Segments assume sales volume growth by several percent.

In the production and organisational area, the Capital Group companies will run activities to increase productivity and cost effectiveness. There have been planned a series of initiatives to set off the higher costs of operating activities.

In effect, the Capital Group plans to generate PLN 945 million EBITDA and PLN 742 million profit on operating activities in 2024. The assumed financial costs shall amount to PLN 78 million (comprising mainly interest on loans). The cost of income tax cover for PLN 37 million of positive impact of recognising deferred tax asset in relation to the pending investment projects eligible to allowances.

In effect, the consolidated net profit attributable to owners of the parent shall amount to PLN 567 million.

Main macroeconomic assumptions in the 2024 forecast:

- GDP in Poland: 3.0%; GDB in the eurozone: 1.0%;
- inflation in Poland: 6.6%;
- average aluminium price: USD 2,300 per ton;
- average USD/PLN exchange rate: 4.18;
- average EUR/PLN exchange rate: 4.58.

The projection covers for the payment of dividend amounting to 85% of the consolidated net profit for the year 2023, which complies with the binding dividend policy. The recommendation of the Company Management Board in that regard will be submitted for opinion to the Supervisory Board in 2024, based on the assessment of the current and expected standing of Grupa KĘTY. The final decision will be made by the AGM of Grupa KĘTY S.A.

The estimated capital expenditure in 2024 will amount to PLN 304 million, including roughly PLN 82 million on projects commenced or planned in 2023. In effect of the performance of main development projects at the Extruded Products Segment, by the end of the first half of the year there will be launched the second of the planned presses, whereas at the Aluminium Systems Segments a new plant manufacturing architectural systems is planned to be opened in Złotów in the first half of the year.

The forecast net debt level at the end of 2024 will be PLN 1.1 billion, and the net debt/EBITDA ratio will reach 1.2.

Non-financial objectives have also been set for 2024, including:

- reduction of greenhouse gas emissions by 20% compared to the base year 2016;
- 72% share of aluminium scrap in low-emission LOW CARBON KĘTY billets;
- increase by 4% in the share of the manufactured packaging films and laminates fit for recycling compared to the base year 2020;
- increase by 55% in the number of Aluprof-systems-constructed buildings with environmentally-friendly certificates compared to the base year 2020;
- performance of 50 social projects within the 'Together with the Group' programme;
- improvement of occupational health and safety by bringing the Total Recordable Incident Rate (TRIR) below 1.12;
- reduction of the staff turnover rate by 5% compared to 2023.

It has been assumed that in 2024 business conditions will not change significantly, specifically as regards legal, tax and administrative regulations. The 2024 forecast does not assume the occurrence of extraordinary, one-off events, which may not be foreseen on the forecast publication date.

6.8 Clarification of differences between the financial result disclosed in the report and previously published forecasts

The financial results of 2023 exceeded the annual forecast disclosed in the current report No. 33/2022 on 20 December 2022. In compliance with the information disclosure policy, the forecast has been updated with current reports No. 16/2023 on 27 July 2023 and No. 23/2023 on 12 October 2023. Finally, the result generated is slightly different than the data comprised in the updated forecast of 12 October 2023.

TABLE 27: COMPARISON OF FINANCIAL FIGURES DISCLOSED IN THE FORECAST WITH THE ACTUAL RESULTS OF 2023

(PLN million)	Updated forecast for 2023	Results for 2023	Difference (%)
Sales revenue	5,200	5,219	0.4%
EBITDA	870	868	-0.2%
Net profit on operating activities	690	687	-0.4%
Net profit attributable to owners of the parent	565	539	-4.6%

6.9 Information on agreements with audit firms

Pursuant to the binding legal regulations, Grupa KĘTY S.A. and the other Capital Group companies have their financial statements reviewed and audited by an audit firm. Moreover, the companies also avail of other services provided by the firms.

A firm authorised to audit the financial statements shall be selected by the Supervisory Board of Grupa KĘTY S.A., on the basis of a recommendation of the Supervisory Board Audit Committee.

When selecting a firm authorised to audit the financial statements, the Supervisory Board of Grupa KĘTY S.A. follows the adopted policy of Grupa Kęty S.A. with regard to the selection of and cooperation with an audit firm responsible for carrying the audit of statutory financial statements, and the procedure of Grupa KĘTY S.A. of selecting an audit firm authorised to audit statutory financial statements.

The principles of providing additional non-audit services by the audit firm are determined by the policy of additional assignments for an audit firm.

The policies and procedures related to selection of and cooperation with audit firms are available on the Issuer's corporate website: www.grupakety.com/polityki/.

On 8 September 2022, the Company Supervisory Board, acting pursuant to § 14.2.11 of the Company Articles of Association, selected Ernst & Young Audyty Polska spółka z ograniczoną odpowiedzialnością Sp. k. with its registered office in Warsaw (licence No. 130) (hereinafter referred to as the Auditor) as an audit firm authorised to audit the financial statements of the Company and consolidated financial statements of the Company Capital Group in the years 2023-2025, as well as to review the interim condensed separate and consolidated financial statements of the Company for the periods of 6 months ending 30 June in the years 2023-2025. The audit firm selection complied with the recommendation of the Company Audit Committee. The agreement with the Auditor was signed by the Management Board of Grupa KĘTY S.A. on 23 November 2022. The Auditor has also been appointed to audit the separate financial statements of the selected subsidiaries of Grupa KĘTY S.A.

On 8 September 2022, the Company Audit Committee consented to the Auditor's audit of the Report on the Remuneration of the Management Board and Supervisory Board Members of Grupa KĘTY S.A. for the years 2022-2025, in compliance with the Act on Public Offering. The agreement with the Auditor was signed by the Management Board of Grupa KĘTY S.A. on 23 November 2022 (along with Annex No. 1 of 8 March 2023).

Before entering into the aforesaid agreements, Grupa KĘTY S.A. availed of the auditor's financial statements audit services, assurance services (review of semi-annual financial statements), audit of the report on

remuneration of the Company governing bodies, as well as other services (open training) in the preceding reporting years (2016-2021).

TABLE 28: AUDITOR'S REMUNERATION

Service	2022 (PLN '000)	2023 (PLN '000)
Audit of annual separate and consolidated financial statements of Grupa KĘTY S.A.	115	220
Audit of separate financial statements of subsidiaries	265	380
Assurance services, including review of semi-annual financial statements of Grupa KĘTY S.A.	70	120
Audit of the report on remuneration of the members of governing bodies	32	36
Total	482	756

7. FACTORS AND EVENTS AFFECTING THE OPERATIONS AND FINANCIAL RESULTS OF THE COMPANY AND THE CAPITAL GROUP

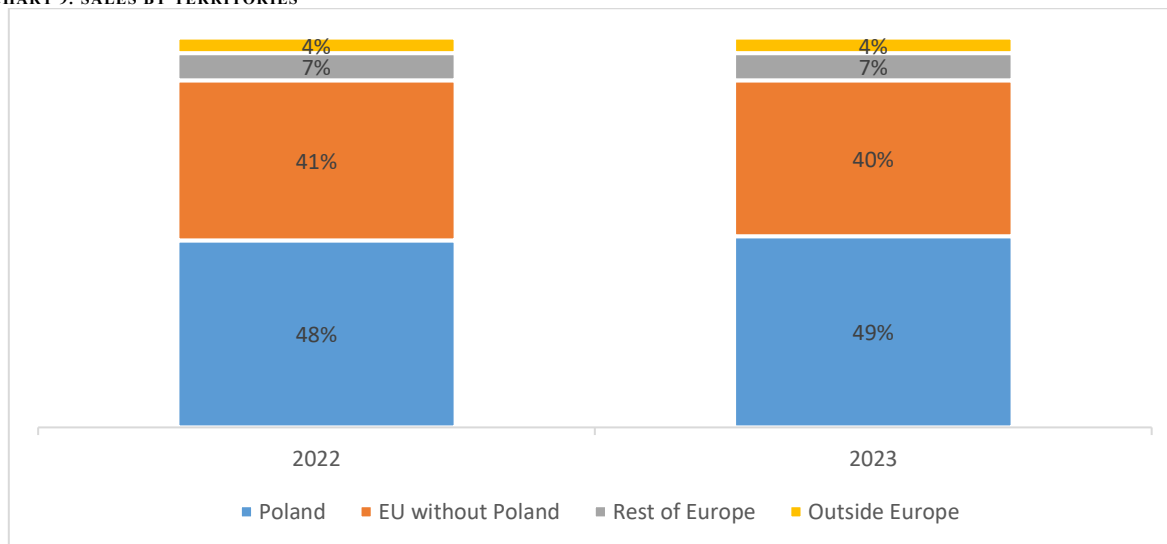
7.1 External factors

MARKET ECONOMIC CONDITIONS

The KĘTY Capital Group is exposed to trends fluctuations occurring both in the Polish economy, which is the recipient of roughly 49% of the sales, and in the economies of other European countries, responsible for about 47% of the Group's consolidated sales revenue. The remaining 4% of revenue is generated on markets outside Europe, mainly in the USA. Revenue is diversified and comes from a great number of customers, whereas the share of none of them exceeds 10% of consolidated sales.

In 2023, sales dropped by 12% y/y by value, particularly due to lower prices of main raw materials (drop in aluminium prices by ca. 15% y/y and plastics by ca. 30% y/y), as well as lower demand compared with 2022 (specifically in the first part of the year). Domestic sales revenue dropped by approximately 10% y/y, whereas the sales in other European countries was lower by roughly 14% y/y and outside Europe by about 8% y/y.

CHART 9: SALES BY TERRITORIES

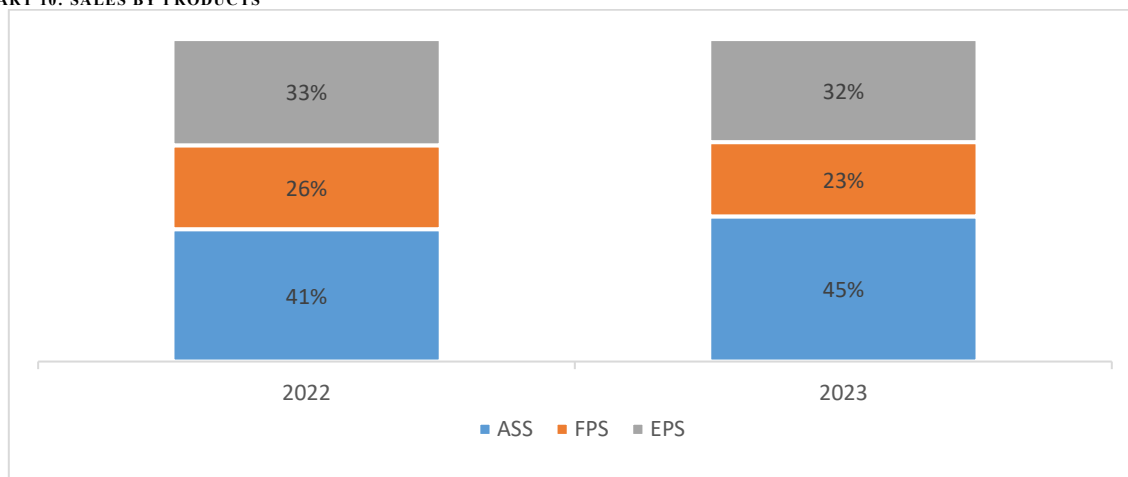


Source: Company own materials.

Analysing the product sales structure to third-party customers (outside of the Capital Group), a significant 45% share of the Aluminium Systems Segment may be observed (façade systems, door-and-window systems, as well as external aluminium roller shutters), the sales of which is realised mainly in the construction business. In 2023, owing to dropping materials prices and weaker market economic situation, the share of the Extruded Products Segment in the sales of the whole Capital Group dropped by 1 p.p. y/y, and the share of the Flexible Packaging Segment by 3 p.p. y/y. The Extruded Products Segment manufactures aluminium profiles, pipes and bars for

customers in many sectors, however, the leading share belongs to the construction, transport and automotive industries. The Flexible Packaging Segment offers its products mainly to the food sector (plastic laminates and films, either printed or not printed). Therefore, all factors affecting the economic situation in the construction business (availability of loans, level of investments), the automotive and transport sector (number of vehicles sold, share of aluminium elements in the vehicles) as well as the food sector (consumption and type of packaging applied by food manufacturers) have a significant effect on the sales of the Capital Group.

CHART 10: SALES BY PRODUCTS



Source: Company own materials.

RAW MATERIALS AVAILABILITY

The basic raw materials used by the Capital Group include primary aluminium, aluminium scrap as well as semi-finished products based on aluminium (sheet aluminium and aluminium foil and tape as well as billets made of aluminium and its alloys). In aggregate, they account for about 55% of all raw materials and production materials. In the production of flexible packaging, the Group also uses various types of films and plastics granulates (polyethylene, polypropylene), printing paper, paints, adhesives and binders, which jointly represent 20% of all purchased materials. The list of basic materials is supplemented with accessories for the production of aluminium systems, with 10% share. The main suppliers of raw materials and production materials are European companies, including those located in Poland (ca. 27%) and in other European countries (65%). Purchases made outside of Europe represent roughly 8% of all purchased raw materials and production materials. In order to maintain high production quality, the purchasing policy is based on cooperation with selected suppliers who guarantee an adequate level of deliveries as well as simultaneous diversification (which ensures competitiveness and security). The value of purchases from the individual suppliers does not exceed 10% of consolidated purchase of raw materials and production materials.

In 2023, despite market turbulence related to the war in Ukraine and resignation from cooperation with suppliers in Russia and Belarus, the companies of the Capital Group did not suffer any major problems in basic materials supplies.

CUSTOMS POLICY

On 12 October 2020, the European Commission imposed penal customs duties ranging from 30% to 48% on extruded products imported to Europe from China. The customs duties have been binding since April 2021 for the period of 5 years, which may have a potentially positive effect on the level of orders to be received by the European manufacturers, including the Extruded Products Segment of Grupa KĘTY S.A.

The customs policy of the specific countries in relation to the products offered by the Capital Group or its customers may affect sales indirectly. Further, the possible customs duties imposed by the European Commission on raw materials and semi-products acquired by the Capital Group companies outside of the European Union may have a negative impact on costs.

EXCHANGE RATES

As estimated, in the period covered with this report, the sales value of the Capital Group companies denominated in EUR and GBP exceeded the costs incurred in these currencies. The surplus levels in 2023 are estimated as ca. EUR 139 million and GBP 26 million. As regards USD, costs in the year exceeded sales by roughly USD 65 million. Consequently, changes in the PLN exchange rates to EUR, GBP and USD affect the results

generated. This refers both to the profitability of exports and competitiveness on the domestic market compared with imported products. The companies of the Capital Group take measures to mitigate FX risk by entering into currency forward transactions, transferring risk to the customer by application of price formulas covering for foreign exchange rates fluctuations, or maintaining a part of their debt in foreign currencies.

COMPETITORS

The Capital Group Segments operate mainly on the European market, competing both with local companies in the respective countries, and concerns operating on global or European scale. Moreover, products from the Far and Middle East are sold on the European markets. Despite the fact that those companies mostly supply relatively simple products, which do not require major processing or complicated and precise logistics, their price offer affects the prices on the markets where the products are sold.

Further, the activities of the competitors (price policies, investments in new production capacity, introduction of new innovative products, introduction of new high-efficiency technologies, access to cheaper raw materials, etc.) may affect the competitive position on the market and, thus, the sales and financial results generated by the Capital Group companies.

ACCESS TO AND COSTS OF EXTERNAL SOURCES OF FINANCE

The companies of the Capital Group implement investment programmes and extend their scale of operations in accordance with the assumed strategy, also availing of external finance. It means that restrictions in access to third-party finance may have a significant impact on further development opportunities and dividend paid by Grupa KĘTY S.A. The interest rates related to external debt affect the value of finance costs and, thus, the generated net results.

In 2023, the main banks financing the current activities and investment projects of the Capital Group were: Bank BNP Paribas S.A., PKO BP S.A., Bank Pekao S.A., and ING Bank Śląski S.A. In 2023, there were signed annexes extending the financing of the Capital Group with PKO BP S.A. and Bank Pekao S.A.

NECESSITY TO ADJUST THE POLISH ECONOMY TO THE ASSUMPTIONS OF THE EU POLICY REGARDING CLIMATE CHANGE

On 28 November 2018, the European Commission presented a long-term strategic vision of a well prospering, modern, competitive and climate neutral economy by the year 2050. Therefore, Poland as one of the member states should implement actions to follow the vision. The actions may be related to some additional investments at the Capital Group, or incurring additional costs. Detailed information on Grupa KĘTY activities with regard to climate change prevention as well as the parameters planned for 2023 and achieved in that year may be found in section 9 of this report entitled ‘Non-financial Information Statement’.

CHANGES IN LAW

The Capital Group is obliged to abide by a large and continuously growing number of legal regulations, including those related to personal data protection, environmental protection, waste management, corruption prevention, money laundering prevention, and many others, which results in higher costs related to the monitoring of the areas and higher risk of sanctions in the event of possible breaches. In 2023, there were no penalties imposed on the Capital Group companies that could have a major impact on the companies’ activities or their financial results.

7.2 Internal factors

INVESTMENTS IN THE DEVELOPMENT OF TECHNOLOGIES AND THE SALES NETWORK

The operation of the Group on a highly competitive market calls for constant meeting of the requirements imposed by the competitors and the customers. The Capital Group invests in the development of technologies, introduction of new products, potential increase, as well as distribution and sales network expansion. The gradual performance of strategic plans, assuming development in all key areas, guarantees the maintenance of high competitive level. Detailed information regarding investment and R&D activities of the Capital Group in 2023 may be found in section 6.6 of this report entitled ‘Investments in property, plant and equipment, and capital expenditure’ and section 5.1 of the report ‘Operating activities at the business segments – Research and investment projects’.

STAFF QUALIFICATIONS AND HEADCOUNT STRUCTURE

Business success depends on the effective work of the whole team, including management staff and their ability to retain and motivate well-qualified employees. The loss of qualified and experienced staff may bring a significant adverse impact on the operations of the Capital Group. Therefore, the Group has been continuously adjusting the personnel policy to market changes in order to attract and maintain adequate staff. Detailed information regarding the HR policy, staff development, headcount and employment structure in 2023 may be found in Section 9 of this Report entitled ‘Non-financial Information Statement’.

OPERATING EFFECTIVENESS

High operating profitability, translating into stable and high cash flows on operating activities, guarantees ongoing development of the Capital Group. Improvement of production and sales processes as well as cost effectiveness contribute to high efficiency of operations and the achieved economic results.

7.3 Events of exceptional nature which significantly affected the operations and the financial statements in 2023

Apart from the events described in this report, there were no other major events of exceptional nature in 2023.

7.4 Post-balance-sheet events

There have been no major post-balance-sheet events that would affect the operations of the Capital Group.

8. GRUPA KĘTY S.A. ON THE CAPITAL MARKET

8.1 Shares and shareholders

GRI 2-6

The shares of the Company have been quoted at Warsaw Stock Exchange since 16 January 1996, under the ISINPLKETY000011 code, in the sector of non-ferrous metals metallurgy. Since 4 August 2022 the shares of the Company are quoted within the WIG20 and WIG20TR indexes, and also belong to the WIGdiv, WIG-ESG, MSCI Poland IMI 25/50. As at the date of this report publication, there were the total of 9,650,152 shares of Grupa Kęty S.A. issued, of the nominal value of PLN 2.50 each.

The Company does not have a strategic investor in the sector. The main shareholders are Open Pension Funds [OFE], holding jointly over 50% of votes in the General Meeting.

A list of the Company shareholders with over 5% share in the Company equity and in the total number of votes at the AGM as at the date of publishing this and previous interim report is presented in the table below.

TABLE 29: LIST OF THE COMPANY MAJOR SHAREHOLDERS

	Number of shares as at the date of the latest interim report publication (18.10.2023)	Percentage of share capital and total number of votes	Number of shares as at the date of the this interim report publication (21.03.2024)	Percentage of share capital and total number of votes
Allianz Polska OFE	1,676,763	17.38%	1,626,277*	16.85%
Nationale-Nederlanden OFE	1,520,987	15.76%	1,504,853*	15.59%
Generali OFE	888,498	9.21%	784,074*	8.12%
OFE PZU ZŁOTA JESIEŃ	857,849	8.89%	860,515*	8.92%
Vienna OFE	639,883	6.63%	627,891*	6.51%
Others	4,066,172	42.13%	4,246,542	44.00%
Total	9,650,152	100.00%	9,650,152	100.00%

*Data presented based on OFE reports regarding the annual assets structure as at 29/12/2023.

On 7 November 2023, the Management Board of Grupa KĘTY S.A. received a notification from Nationale-Nederlanden Powszechnie Towarzystwo Emerytalne S.A. that as a result of selling the shares of Grupa KĘTY

S.A. in a transaction at the Warsaw Stock Exchange on 30 October 2023, Nationale-Nederlande OFE reduced the number of the Company shares held and the number of votes at the Company General Meeting by 2 p.p.

In the period from the disclosure of the latest interim report, i.e. 18 October 2023, to the date of publication of this interim report there were no other changes in the ownership structure of major stakes of the Company shares that those referred to above.

As at the balance-sheet date and the date of this report publications, the persons managing Grupa KĘTY S.A. and their related companies held 237,984 ordinary bearer shares of Grupa KĘTY S.A., which represents 2.47% of shares and votes in the General Meeting.

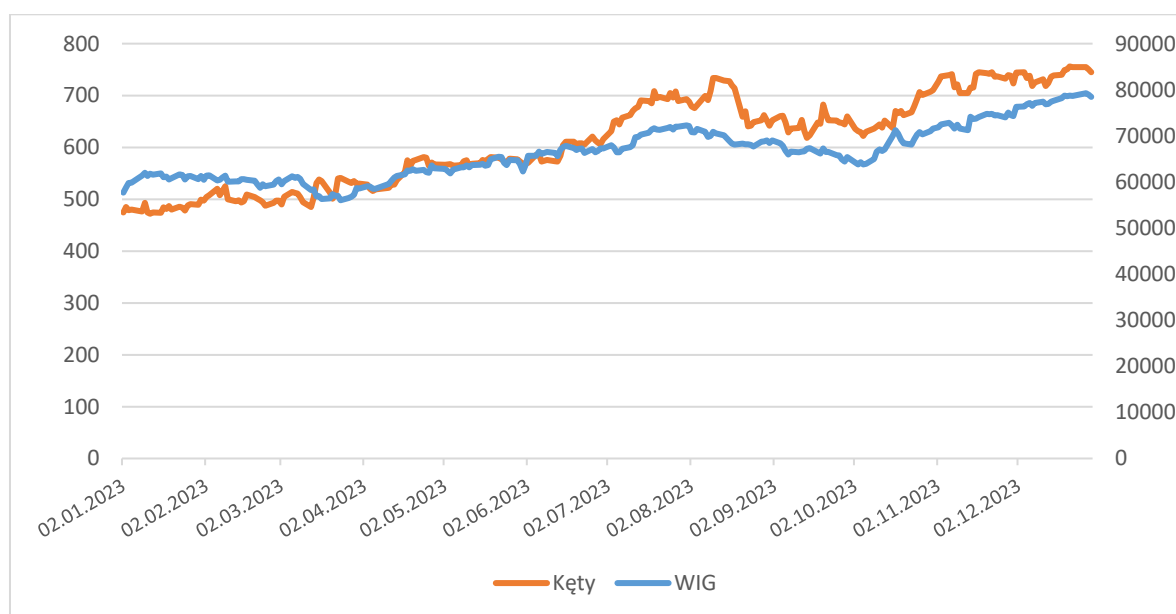
To the best knowledge of the Company Management Board, in 2023 and by the date of preparing this report, there were concluded no agreements that would result in future changes in the proportions of the shares held by the existing shareholders. The Company Management Board is not aware of any other agreements which might result in future changes in the proportions of the shares held by the existing shareholders, except for the staff incentive plans presented in section 8.5 of this report.

8.2 Share quotations at the Warsaw Stock Exchange

In 2023, the share price of Grupa KĘTY rose by about 63% from PLN 474.5 to PLN 745.0, and behaved better than the broad WIG market index, which rose by about 37% in that period. Until about mid-March, the share price remained in a sideways trend and fluctuated between roughly PLN 474 and PLN 520 (the annual minimum was recorded on 16 January at PLN 474), after which an upward trend developed until about mid-August, when the share price raised to PLN 734 on 10 August. Then, until early October, the correction of the earlier increases continued and the share price fell to PLN 618 on 14 September. The fourth quarter brought a rebound in the price and a return of the share price to the level close to PLN 745 at the end of the year, passing the annual maximum in November at PLN 756.

The average turnover per session in 2023 increased by 130% y/y, to PLN 14.2 million (PLN 6.2 million in 2022).

CHART 11: GRUPA KĘTY S.A. SHARE PRICES VS WIG INDEX IN THE PERIOD FROM 2 JANUARY 2023 TO 31 DECEMBER 2023



Source: Company own materials.

In 2023, Grupa KĘTY paid dividend of PLN 62.50 per share, resulting in 9.34% Dividend Yield in reference to the price as at the date of determining the right to dividend. The increase in the share price in 2023 resulted in a higher market capitalisation of the Company to over PLN 7,189 million as at 31 December 2023. The higher closing price at the end of the year, with lower net profit attributable to owners of the parent and slightly lower equity attributable to owners of the parent, resulted in an increase in the Price to Earnings ratio and Price to Book

Value ratio, which at the end of 2023 equalled 13.34 and 3.80, respectively. A decrease in net profit attributable to owners of the parent year over year, with unchanged number of shares, resulted in lower Earnings Per Share ratio, which amounted to PLN 55.86 at the end of 2023.

TABLE 30: CAPITAL MARKET RATIOS OF THE COMPANY

Grupa KĘTY	31.12.2021	31.12.2022	31.12.2023
Price to Earnings (P/E)*	8.25	5.93	13.34
Price to Book Value (P/BV)**	2.77	2.07	3.80
Dividend Yield (DY)***	7.14%	9.39%	9.34%
Dividend Per Share (DPS)	PLN 44.57	PLN 52.37	PLN 62.50
Earnings Per Share (EPS) ****	PLN 61.62	PLN 70.29	PLN 55.86
Market Capitalisation of the Company	PLN 4,906,137,276.80	PLN 4,024,113,384.00	PLN 7,189,363,240.00

* The Company's market capitalisation at the end of the year divided by net profit attributable to owners of the parent.

** The Company's market capitalisation at the end of the year divided by consolidated equity attributable to owners of the parent.

*** The ratio of dividend per one share in the respective year to the closing price as at the date of determining the right to dividend.

**** The ratio of consolidated net profit attributable to owners of the parent to the number of shares.

In 2023, the Issuer did not apply to rating agencies for assigning a rating to the Issuer or its securities. To the best knowledge of the Issuer, neither the Issuer or its securities were given ratings by any of the three leading rating agencies (S&P, Moody's, Fitch Ratings).

8.3 Communication with the market and the environment

The open information policy, ensuring equal access to information without any preferences to any stakeholder groups, forms basis for the corporate governance at Grupa KĘTY S.A. Many times in its history, the Company has been honoured and awarded for its efforts in this area, which is managed by the Investor Relations Director. The Company has been continuously adapting to the changing expectations and requirements of its stakeholders and the environment in terms of the manner and form of communication, taking care to maintain security and bearing in mind its status of a public company. The following means of communication are used as an example:

- current and interim reports;
- face-to-face individual and group meetings;
- electronic tools (corporate website, profiles in social media, online broadcasts of corporate events).

Along with communicating the planned dates of interim reports publication, Grupa KĘTY S.A. also announces and posts on its website the calendar of the most important corporate events scheduled for a given year. The Company regularly discloses the financial result forecast for a given year and the estimated financial figures for a given quarter, together with information on the most important events affecting its operations and financial results. The Capital Group development directions and long-term financial goals as well as ESG goals are presented in the disclosed development strategies of the Capital Group. In 2022 the Company commenced to disclose annual integrated reports.

Following the end of each quarter and each time a major event occurs, the Company organises conferences for stakeholders where the Management Board discusses the disclosed financial results, presents additional information and answers questions that arise. The conferences are broadcast online and archived on the corporate website. With regard to the growing interest in the Company among foreign investors, in particular following the Company shares inclusion in the WIG20 index in 2022, the Company provides simultaneous translation of the organised conferences into English.

Further, occasional tours of the Capital Group plants are organised for various stakeholder groups. During such events, the production process is presented and background information on the Capital Group operations and history is provided. In 2023 there were organised special Open Days, so that the children may see the places of work of their parents, as well as Investor Days during which analysts and managers visited the plants located in Kęty, Oświęcim and Bielsko-Biała and could meet face to face the members of the Issuer's Management Board.

The Issuer's representatives, including the Management Board Members, also meet the stakeholders during various conferences organised in Poland and abroad, as well as in online meetings. In 2023, they were guests at the Wall Street Conference organised by the Individual Investors Society as well as conferences dedicated to institutional investors in Warsaw, Prague, London, and some online conferences organised by the domestic brokers for their clients.

Information about the Company and its prospects is available in reports and recommendations published by selected brokerage houses. The list of analysts who regularly publish reports about the Company is available on the corporate website at: www.grupakety.com/relacje-inwestorskie/grupa-kety-na-gpw/analitycy/.

Information regarding the Company and the Capital Group may also be obtained through direct contact with the appointed persons, as indicated on the Company corporate website at: <https://grupakety.com/kontakt/dane-kontaktowe/>.

8.4 Information regarding dividends

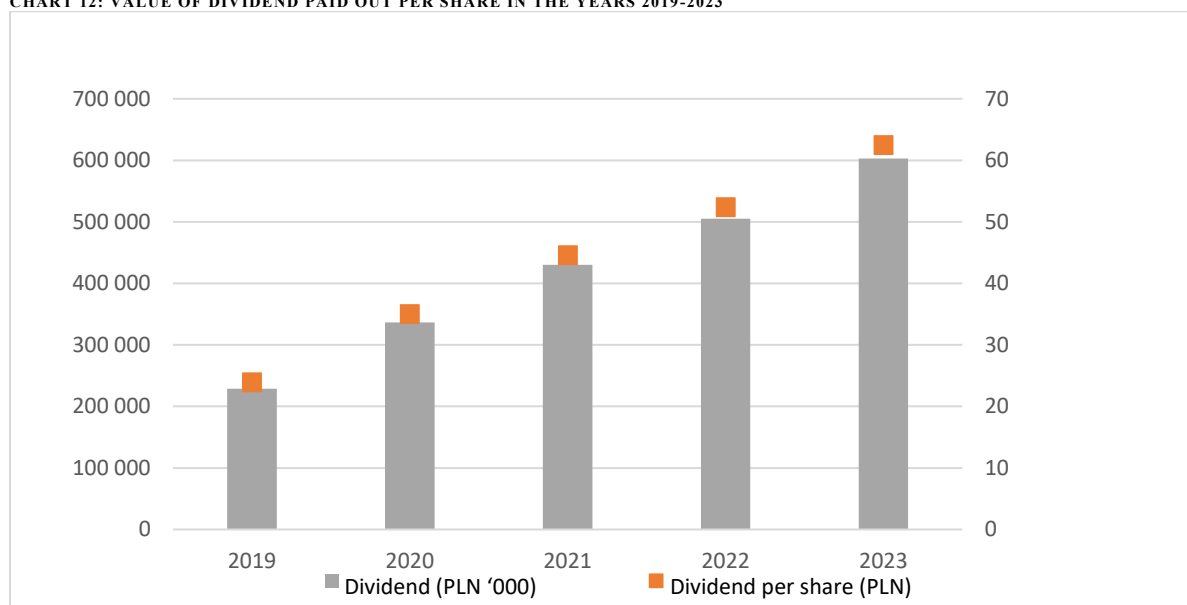
Dividend policy is an element of the development strategy of the Capital Group of Grupa KĘTY S.A. announced for a relevant period. The current dividend policy is described in section 4 of this report.

Starting from 2001, Grupa KĘTY S.A. has been systematically paying out dividend (except in 2009, when dividend was not paid for 2008 owing to the worldwide financial crisis). In 2023, PLN 603,134,500.00 dividend for 2022 was paid (growth by over 19% compared with the preceding year), i.e. PLN 62.50 per share, which represented approximately 89% of consolidated net profit attributable to owners of the parent. The dividend record day was 22 August 2023, whereas the dividend payment date was set for 6 September 2023 (the amount of PLN 193,003,040.00, i.e. PLN 20.00 per share) and 8 November 2023 (the amount PLN 410,131,460.00, i.e. PLN 42.50 per share).

By the date of preparing this report, the Management Board of Grupa KĘTY S.A. had not passed a resolution on recommending to the General Meeting the distribution of the net profit generated by the Company in 2023, or dividend payment. The final decision regarding the dividend payment is made each year by the Annual General Meeting.

In that period of the last five years, the value of dividend per share grew by 2.5 times, from PLN 23.93 in 2019 to PLN 62.50 in 2023, whereas the total value of profit paid out in the form of dividends in the years 2019-2022 amounted to over PLN 2.1 billion.

CHART 12: VALUE OF DIVIDEND PAID OUT PER SHARE IN THE YEARS 2019-2023



Source: Company own materials.

8.5 Information on the Employee Share Plan control system

Currently, two incentive plans for the Capital Group employees are pending at Grupa KĘTY S.A. in order to achieve an above-standard increase in the Company value through growing economic results and strengthening the Company shares value, which are controlled by the Company Supervisory Board. The plans are addressed to the Company Management Board Members and key managerial staff of the Company as well as the other companies of the Capital Group (hereinafter referred to as 'Eligible Persons'). The Eligible Persons are designated by the Company Management Board following consultations with the Company Supervisory Board,

with the exclusion of the Eligible Persons being Members of the Management Board, who are designated by the Supervisory Board. Options are assigned to the Eligible Persons by the Supervisory Board, which following the fulfilment of specific conditions enable the acquisition of subscription warrants comprising the right to take up new-issue shares of the Company as part of the conditional increase of the share capital. Apart from three years' employment at the Capital Group companies since the date of adopting the plan, the criteria to be met in order to have the options assigned include the achievement of the Company shares price change ratio within three years that exceeds the WIG index value change ratio in the same period, and achievement of the EBITDA growth rate and net profit in the three years' period set out in the relevant AGM resolution.

The Supervisory Board, acting on the basis of authorisation of the General Meeting, adopted the rules comprising the specific principles, procedures, dates as well as terms and conditions of the plans, in accordance with the principles set out in the relevant AGM resolution.

The first incentive plan has been carried out based on Resolution No. 3/23 of the Extraordinary General Meeting of Grupa KĘTY S.A. dated 13 December 2023, replacing Resolution No. 27/20 of the Annual General Meeting of Grupa KĘTY S.A. dated 20 August 2020, and applies to the years 2020–2028. The maximum number of Company shares offered within the plan may not exceed 270,000. The plan is divided in 3 equal tranches, each of them representing 1/3 of the total number of shares offered under the plan and the equivalent number of subscription warrants of series D, E, and F. The exercise of the first-tranche options (series D warrants) took place on 1 February 2024, whereas the second and the third tranches will be exercised in October 2024 and October 2025, respectively, depending on adopting by the Annual General Meeting of series E and F warrants issue and increase of share capital by way of issuing series L shares. In compliance with the plan rules, the eligibility to exercise the option to take up warrants ends for the particular tranches at dates falling in the years of 2026 to 2028.

The second incentive plan is carried out based on Resolution No. 19/23 of the Annual General Meeting of Grupa KĘTY S.A. dated 21 June 2023, and applies to the years 2023–2028. The maximum number of shares offered within the plan may not exceed 291,000 shares of the Company. The plan is divided in 3 equal tranches, each of them representing 1/3 of the total number of shares offered under the plan and the equivalent number of subscription warrants of series A, B and C. The Options will be granted in three equal tranches at the specified dates falling in the years 2023 to 2025. The exercise of the options will take place at the specific dates within the years 2026-2028, with the perspective to end in the years 2028-2030, respectively for the particular tranches.

Detailed information regarding incentive plans, including the criteria for options eligibility have been provided in note 23 of the consolidated financial statements and on the corporate website of the Company at: <https://grupakety.com/relacje-inwestorskie/lad-korporacyjny/programy-motywacyjne-2/>.

No other company of the Capital Group has implemented incentive plans for their employees based on shares or interests.

8.6 Description of the securities issue proceeds allocation

Neither the Issuer, nor the other companies of the Capital Group have availed of finance by way of securities issue within the last 5 years. Grupa KĘTY S.A. has pending incentive plans referred to in section 8.5 of the report, based on subscription warrants comprising the right to take up new-issue shares of Grupa KĘTY S.A. issued as part of contingent capital, and such obtained relatively low-value financial means are assigned to the current operations of the Company. In 2023 no securities were issued under the incentive plans.

8.7 Information on shares repurchase

Neither Grupa KĘTY S.A. nor other Capital Group Company repurchased any of their own shares in the period covered with the report and within the preceding 5 years. Grupa KĘTY S.A. and other Capital Group companies do not hold their own shares. In the period covered with this report, the Capital Group companies did not acquire or take up Grupa KĘTY S.A. shares.

9. NON-FINANCIAL INFORMATION STATEMENT

9.1 About the statement

GRI 2-1,2-2,2-3,2-4,2-5

The Statement refers to the reporting year of 1 January to 31 December 2023. Grupa KĘTY S.A. has been preparing non-financial information since 2016, and reporting it on annual basis. The Statement for 2022 was published in March 2023.

Pursuant to the requirements of the Act on Accounting of 29 September 1994, the ‘Non-financial Information Statement’ comprises information and consolidated non-financial data of the Capital Group of Grupa KĘTY S.A., and its parent Grupa KĘTY S.A. In the Statement we present our approach and description of policies applied in reference to social, employment, natural environment and respect for human rights issues, as well as corruption prevention, the business model, and description of major risks related to the operations of the Capital Group of Grupa KĘTY S.A., and also due diligence procedures. We have adjusted the scope of the Statement to the key issues raised by the stakeholders, as well as the analysis of impact and importance carried out on the occasion of creating the ESG 2021-2025 strategy.

Quantitative indicators are presented as aggregated for the Capital Group and Grupa KĘTY S.A., broken down into locations, i.e. Poland (where most of the production plants are located) and other locations (foreign companies). Data is presented in comparison with the preceding reporting period. An exception has been applied to greenhouse gas emissions, for which emissions in the last three years (2021-2023) and the base year 2016 have been presented in order to enable deeper change analysis.

As long as the Statement refers to the Capital Group – it means all companies of the Capital Group of Grupa KĘTY S.A., and Grupa KĘTY S.A. – it means the Company/Issuer.

The Capital Group consists of three operating segments (full structure in section 3.3.1 of the report), which in some parts of the Statement are referred to using the following acronyms:

- EPS – the Extruded Products Segment;
- ASS – the Aluminium Systems Segment;
- FPS – the Flexible Packaging Segment.

If a project/initiative refers to one company only, its name is stated.

The Company has not made any adjustments to the information presented in the previous Statement.

The Statement was prepared based on the selected GRI Standards.

The Statement was drawn up in collaboration with the internal project team, which featured many employees responsible for the particular aspects discussed in the report, including HR, environmental protection, investor relations, CSR, sales, compliance and risk management, production, and procurement. The figures and qualitative data originate from the Company internal systems. The Statement has not been audited by an independent auditor.

The person supervising the process of preparing the Statement as well as a contact person is Ms Monika Sobczak, CSR Director (msobczak@grupakety.com).

9.2 Analysis of impacts and important aspects

GRI 3-1,3-2,3-3

Year 2023 was the third year of the adopted five-year strategy for the years 2021-2025 (published on 16 December 2020 and updated on 30 July 2021 with regard to investment plans and financial goals), with the main pillars compliant with the Mission, Vision and Values of the Capital Group, namely:

- growth of the Capital Group revenue beyond the growth rate on the markets in which it operates;
- high operating profitability;
- performance of development projects;
- environmental and social responsibility.

Within the environmental and social responsibility, the impacts of the organisation were analysed, as well as the main threats and opportunities, and also the legal regulations in the ESG areas were revised. Further, the activities of the Capital Group of Grupa KĘTY S.A. were benchmarked against the available good market practices. Significant issues in each of the three areas (environment, society, and corporate governance) were determined and key non-financial performance indicators were parametrised as a basis for the management of major aspects.

The analysis and development of the Group Strategy were carried out, inter alia, in the form of meetings of the Management Board and Area Managers, including those responsible for the ESG issues in the organisation.

In the attached table, we present the determined material aspects that have become the pillars of the Capital Group ESG Strategy for the years 2021-2025. These are issues of particular importance from an organisational perspective in the environmental, social and governance areas, due to their materiality and impact. The major aspects have not changed compared to 2022.

TABLE 31: MAJOR ASPECTS

Major aspects	Aspect impact		Impact significance	Method of management
	in-house	external		
Environment				
Greenhouse gas emissions limitation	x	x	We assume full responsibility for the influence of our actions on the environment. By way of greenhouse gas emissions we exert a real influence on climate change.	We have set out a strategic indicator, namely reduction of GHG emissions intensity. A full description of our actions as regards emissions reduction is provided in section 9.7 Environmental responsibility . At the same time, owing to the importance of the subject, the attainment of the non-financial indicator has been made an element of the variable remuneration of the Management Board of Grupa KĘTY S.A.
Development of the recycling processes and effective waste management in all areas of the organisation's operation	x	x	Our basic raw material is aluminium, a metal which may be repeatedly recycled without any loss of properties. By way of improving processes, we can have real influence on aluminium recycling increase. The Capital Group activities are carried out in three operating segments, where we perform many processes and use various technologies, but in each of them we are guided by the effective circular economy concept.	Our approach to aluminium recycling processes, waste management and circular economy is described in section 9.7 Environmental responsibility .
Innovativeness and development of products, services and processes compliant with the climate change challenges	x	x	Know-how is a major non-financial asset of the Capital Group. In developing our products we are guided by the expectations of our customers, simultaneously caaring for sustainability.	A description of our operating segments as well as their research and development activities may be found in section 5.1 Operating activities .
Social				
Care for occupational health and safety	x		The Capital Group employs 5,500 people, out of which 70% production workers, which translates into an increased risk of accidents at work. We have a real influence on building safe working environment by way of taking actions aimed at prevention of occupational hazards and improvement of staff awareness.	We have set out a strategic indicator, i.e. Total Recordable Incident Rate (TRIR). A full description of our actions as regards OHS is provided in section 9.8.7 Occupational health and safety . At the same time, owing to the importance of the subject, the attainment of the non-financial indicator has been made an element of the variable remuneration of the Management Board of Grupa KĘTY S.A.

Employment attractiveness based on the image of an innovative sector and attraction of talents	x	x	The Capital Group is a cluster of nearly 5,500 people. We have a real influence on their development. We have an ambition to create and develop a team of engaged and professional employees.	Our approach to HR processes, including training and additional benefits, as well as transparent recruitment processes, has been described in section 9.8.1 Employees. We measure the effects of our actions with the staff turnover ratio.
Support to local communities	x	x	The Capital Group engages in the communities of the areas where its companies are located. We have a real influence on our environment. We want to create positive change and, therefore, together with our employees who form local communities, we respond to challenges and needs and contribute to the region's development.	We have set out a strategic indicator, namely the number of local projects. The full spectrum of our engagement and local initiatives has been described in section 9.8.8 Community engagement. At the same time, owing to the importance of the subject, the attainment of the non-financial indicator has been made an element of the variable remuneration of the Management Board of Grupa KĘTY S.A.
Care for the people threatened with social exclusion	x	x	It is an important aspect we have identified when creating the corporate foundation and selecting the directions for the foundation's activities. Through the corporate foundation we prevent local social problems.	The activities of the 'Grupa Kęty for the Children of the Podbeskidzie Region' Foundation have been described in section 9.8.8 Community engagement.
Development of the idea of educating through sport, as a tool to extend the physical activity of children and youths and to prevent obesity – the 21st century disease	x	x	Sports means discipline, fair play, principles, and consequence – all values we care for in business. Engaging in the idea of education through sport, we have influence on increasing the physical activity of children and youths and preventing obesity.	The full spectrum of our engagement and sports activities has been presented in section 9.8.8 Community engagement.
Governance				
Responsibility within the supply chain	x	x	We have a broad perception of business. We care that the issues important to us and the values we create are respected by our suppliers and that they also follow them. We want to run a cohesive and balanced business.	The activities stemming from the Code of Conduct for Suppliers of the Capital Group of Grupa KĘTY S.A. are presented in section 9.5.3 Responsibility within the supply chain.
Development of business and allocation of the generated profit among a broad group of stakeholders	x	x	We are guided by the idea of caring for the entrusted assets. By way of taking management decisions, we have a real influence on the value of the shares of our Company and the generated financial results.	Dividend Policy, Remuneration Policy, Tax Policy, donations to the 'Grupa Kęty for the Children of the Podbeskidzie Region' Foundation, community engagement

9.3 Business model and value creation model, plus threats and opportunities analysis with regard to climate change and climate change prevention

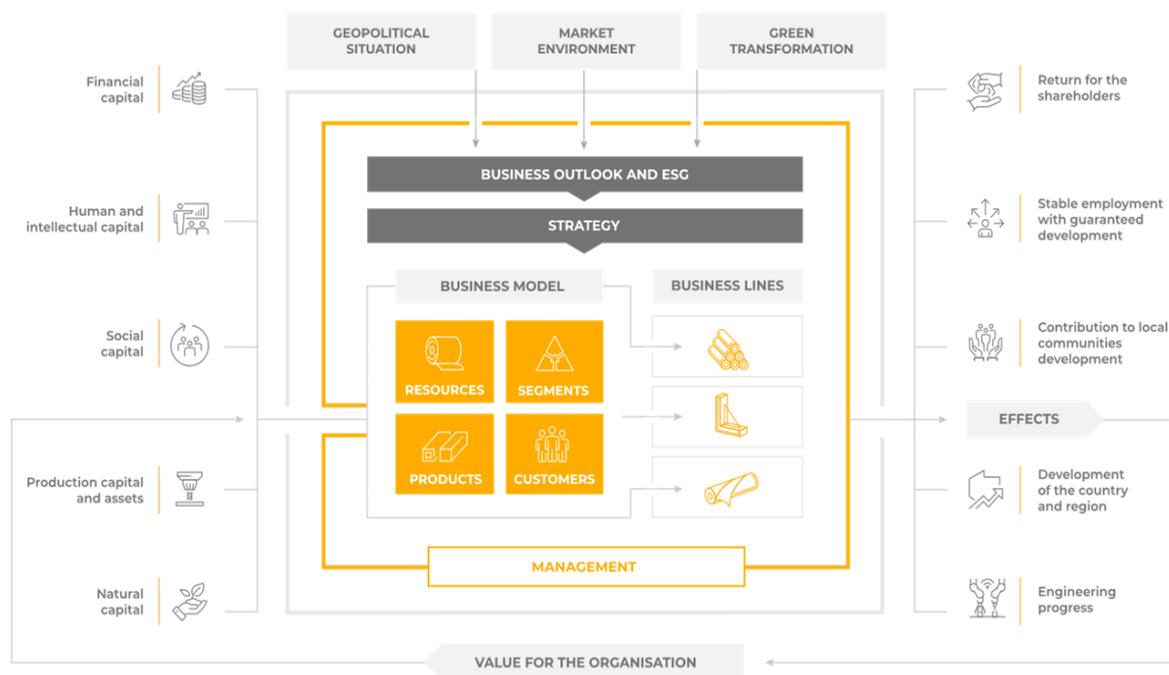
9.3.1 Business model and value creation model

Our business model is based on the basic principle of the fastest possible reaction to customer needs. The principle is particularly important for the Extruded Products Segment and the Flexible Packaging Segment, which carry 100% of production activities based on specific orders, and their competitive advantage results from the ability of proper customer needs identification, fast reaction to market changes, high effectiveness of the production process, as well as accurate investment decisions.

Slightly different are the activities of the Aluminium Systems Segment, which has its own product portfolio comprising a number of aluminium joinery systems as well as external aluminium roller-shutters. Nevertheless, also in that Segment the basic advantage results from the proper identification of customer needs and market situation, as well as adequate product offer and customer service adjustment.

The Segments operate based on the available capitals – financial, human, intellectual, production, social and natural – and are assisted and influenced by a number of stakeholder groups. Thanks to effective utilisation of resources, value is created for the respective stakeholders.

CHART 13: BUSINESS MODEL AND VALUE CREATION MODEL



Source: Company own materials.

9.3.2 Threats and opportunities analysis with regard to climate change and climate change prevention

The business model of the Capital Group is adjusted to the current market situation and, in the opinion of the Company, climate change is not going to have a major impact on the model and operations of the Capital Group in the period of the current Strategy. This results from the following factors:

- the Capital Group companies have already taken actions in areas which support the climate protection and circular economy efforts;
- the production activities of Grupa KĘTY S.A. as well as the other Capital Group companies are carried out in areas not directly exposed to flooding as a result of rising water levels in the seas and oceans caused by climatic changes;
- the production activities of Grupa KĘTY S.A. as well as of the other Capital Group companies are carried out in moderate climate zone, in areas that are not exposed to changes in climatic factors (temperature, precipitation, wind) that would make it impossible to conduct the current activities;
- the production activities of Grupa KĘTY S.A. as well as the other Capital Group companies are carried out in areas exposed to short-lasting weather events (intense rainfall, strong wind, whirlwind), the frequency of which may increase with climatic changes, however, their impact (possible value of assets exposed to the risk of losses) and frequency of occurrence do not threaten the continuity of the Capital Group operations;
- the Capital Group companies are not subject to the EU Emissions Trading System (ETS);
- according to experts, aluminium is a desired raw material on our way to climate neutrality, perfectly suited to the circular economy concept, which is going to play a crucial role in the leading sectors of economy.

It has, thus, been assumed that the issues related to the impact of climate change on Grupa KĘTY S.A. and the Capital Group would not have any significant impact on the business model and the financial statements in the perspective of the 2021-2025 Strategy. At the same time, it was acknowledged that Grupa KĘTY S.A. and the

Capital Group have a real influence on counteracting climate change by reducing greenhouse gas emissions, which will not affect the business model.

9.4 ESG strategy

An integral part of the Capital Group Strategy are commitments related to the ESG area in the form of sustainable development goals, which comprise the impact on the environment, safety and development of the Company employees, responsibility within the supply chain and engagement in local communities among the key elements of the Strategy performance. When analysing the impact of the Capital Group, we have tried to respond to the key issues raised by the stakeholders, including but not limited to occupational health and safety, dividend policy, risk management, support to local initiatives, development of the local labour market, and activities for the environment, as well as the challenges of the 21st century and the ever changing environment, such as prevention of climate change and protection of human rights.

Below presented are the main assumptions in the particular ESG areas.

TABLE 32: MAIN ASSUMPTIONS IN THE PARTICULAR ESG AREAS

Environmental area
Greenhouse gas emissions limitation
Development of the recycling processes and effective waste management in all areas of the organisation's operation
Innovativeness and development of products, services and processes compliant with the climate change challenges
Social area
Caring for occupational health and safety
Creation of the image of an attractive employer and innovative sector, and attraction of talents
Support to local communities
Acting for the benefit of people threatened with social exclusion
Development of the idea of educating through sport as a tool to encourage young people to be physically active and to prevent obesity
Management area
Focus on the Company vision and values
Sharing the generated profit with a broad group of stakeholders
Respect for human rights, corruption prevention and carrying out a responsible environmental policy within the broad chain of supply

Within the Strategy, we have set out 9 ESG goals. The chart below presents the results generated in 2023 in reference to the performance effectiveness indicators we had selected.

TABLE 33: RESULTS GENERATED IN 2023 IN REFERENCE TO SELECTED ESG STRATEGY GOALS PERFORMANCE EFFECTIVENESS INDICATORS

Indicator	Unit	Indicator calculation formula	Description of the measurement method	2025 objective	Performance 2023
Environmental					
Reduction of the intensity of greenhouse gas emissions	[Mg CO ₂ e/Mg]	[(GHG emissions Scope 1) plus (GHG emissions Scope 2 location-based)] / Production size	<ol style="list-style-type: none"> The indicator covers Scope 1 and Scope 2 emissions. Base year: 2016 Calculation method compliant with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, Revised Edition. The indicator covers the domestic companies of the Capital Group. In case of a major change in the Group structure, there are possible adjustments in the calculation of the indicator pro rata to the changes. Value of emission reported in metric tons, as an equivalent of CO₂e. 	-20%	-21.7%***

Share of aluminium scrap in the products extruded from low-emission billets	[%]	(weight of aluminium scrap) / (weight of product)	1. The scrap covers: post-consumer scrap, pre-consumer scrap, and home scrap. 2. Billets manufactured of grade 6000 alloys at the Kęty plant 'Z' melting and casting line.	75%	74.0%*
Increase in the number of Aluprof-systems-constructed buildings with environmentally-friendly certificates	[%]	Number of Aluprof-systems-constructed buildings in the databases of certified buildings in Poland and abroad.	The database of buildings certified by the Polish Green Building Association [Polski Związek Budownictwa Ekologicznego] (buildings classified based on buildings multi-criteria environmental assessment systems: Breeam, Leed, DGNB, HQE), plus foreign databases.	+65%****	+50**
Growth of the share of the manufactured packaging films and laminates fit for recycling.	[%]	(number of metres square of films and laminates fit for recycling) / (total number of metres squares of films and laminates)	Films and laminates fit for recycling specified based on structure analysis. Total quantity of films and laminates [m ²] based on sales report.	+5%	+3.1%**
Social					
Improvement of occupational health and safety – Total Recordable Incident Rate (TRIR)	number	Number of injuries / time worked x 200,000	The number of injuries per 100 workers. The constant of 200,000 is calculated as follows: 100 employees work 40 hours a day, 50 weeks a year.	<1	1.05*
Staff turnover	[%]	Number of employees leaving the company / average headcount	The number of employees covers those employed under employment contracts.	-5% y/y	-1% y/y*
Performance of social initiatives within the 'Together with the Group' programme	project	Number of projects in the given year	Individual projects within the subsequent editions of the 'Together with the Group' grant programme	150	143**
Management					
Consequent dividend policy	[%]	Value of dividend paid / value of consolidated net profit attributable to owners of the parent	1. The value of dividend passed by the Annual General Meeting. 2. Consolidated net profit attributable to owners of the parent published in the consolidated annual financial statements for the year to which the dividend refers	60-100%	89%*
Engagement of suppliers in the sustainable development of the Capital Group	[%]	Certified suppliers / list of suppliers	List of suppliers – accepted group of strategic suppliers, defined for each operating segment of the Capital Group	100%	90%**

*Performance in 2023.

**Performance incrementing since the Strategy implementation date.

***Percentage change in GHG emissions compared with the base year.

****Change of goal from 20% to 65%.

Comments to the results

Within the Strategy of the Capital Group, there have been developed action plans responding to the market and customer needs, guided by the responsible and sustainable development objectives. We define ESG goals as the process of improving and adapting the Capital Group to the changing market environment and expectations in terms of environmental, social and governance impact. We welcome progress and analyse deviations.

In the area of our **environmental impact and climate change prevention**, we are satisfied to report performance compliant with the Strategy progress, and even exceeding the attainment of two strategic goals, for which we have increased the target value during the Strategy period: Aluminium Systems Segment – *Increase by 20% in the number of Aluprof-systems-constructed buildings with environmentally-friendly certificates compared with the base year 2020* – in 2023 the goal was changed to *65% compared with base year*. Earlier goal attainment was mainly due to the green transformation we have been seeing in the construction industry and the

change in the investors' perception of certification, which is becoming a market standard for an increasing number of investments. We see the dynamic development of sustainable construction as an opportunity in the development of our products in that area and the active participation of the Aluprof brand in the architecture of the future.

A similar situation occurred with regard to the climate impact goal. The basic goal of the Climate Policy adopted to be achieved by the year 2025, consisting in 20% reduction in the GHG emissions intensity compared with the base year 2016, was attained in 2023. The reduction as at 31 December 2023 equalled 21.7%. Therefore, in 2024, there will be adopted new, more ambitious goals in that regard. It will happen as one of the stages of the pending analysis and work on the ESG strategy for the subsequent years.

The 2023 performance and achievement of strategic goals for the other two environmental indicators (*Share of aluminium scrap in the products extruded from low-emission billets*, and *Growth of the share of the manufactured packaging films and laminates fit for recycling*) raise no concerns, as both of the processes that perfectly fit the circular economy concept are subject to continuous supervision.

We have been gradually increasing the quantity of aluminium scrap recovered in the remelting processes, whereas the Flexible Packaging Segment has been adapting its product offer to the requirements of its business partners, such that the packaging produced has the least possible impact on the natural environment.

In the **social** area, we have been consequently performing local projects under the 'Together with the Group' programme. In 2023, we carried out further 70 projects within the jubilee edition of '70 local projects for the 70 years of Grupa KĘTY'. This makes us believe that we have been effectively performing our commitment to the local communities.

As regards safety (TRIR – the number of accidents per 100 employees in proportion to the time worked), we achieved the result of 1.05 in 2023, which means a significant 20% decrease compared with the 2022 result. The rate improvement is an effect of intensive activity, particularly with regard to raising awareness among the employees.

A major deviation from the set-out goal (ratio reduction by 5% y/y) was recorded in 2023 for staff turnover. The goal assumed in the Strategy for the year 2023 equalled 10.26, and the performance was 12.2, which means the goal was not attained. We positively assess the hold-up of the growing trend in year over year turnover, as the 2023 value is similar to that in 2022.

In the **management** area, we complied with the dividend payment ratio in 2023, and implemented the Code of Conduct for Suppliers of the Capital Group of Grupa KĘTY S.A. in our relations with some more suppliers.

9.5 Corporate governance in the ESG area

9.5.1 Management and due diligence procedures

GRI 2-11,2-12,2-13,2-14,2-15,2-16,2-17,2-18,2-19,2-20,2-23,2-24,2-25,2-26,2-27

Supervision of the sustainable development management is provided at the Capital Group of Grupa KĘTY S.A. by the Management Board. The Management Board prepares and implements the strategy, whereas the Supervisory Board continuously supervises the activities of the Company in all areas of its operations, including the performance of the business strategy as well as ESG strategy.

The membership structure of the Management Board, the Supervisory Board, and the Supervisory Board Committees may be found in sections 3.3, 10.4, and 10.5 of the report. The Chairman of the Supervisory Board does not hold any managerial positions at Grupa KĘTY S.A. or any of the Capital Group companies.

Sustainable Development and ESG fall within the competence of the President of the Management Board.

Reporting to the President of the Management Board is the CSR Department with the CSR Director, who coordinates and develops processes in the area of the organisation's impact on the society, environment, and ethics, and who is responsible for developing policies in these areas.

The main objective of the CSR Department functioning is to create and build structures, set out the directions of activities in the field of sustainable development of the Capital Group companies, increase the awareness of corporate social responsibility and ESG, and take actions outside the Capital Group.

The responsibility of the CSR Director include but are not limited to:

- aligning the organisation with market trends and requirements in the ESG area;
- initiating and coordinating activities in the areas of CSR, ESG, and sustainable development;
- coordination of the work of the Steering Committee for Sustainable Development and Corporate Social Responsibility (the 'Committee').

The membership, role and tasks of the Committee are defined in the Corporate Social Responsibility Procedure. The Committee members are:

- the Management Board of Grupa KĘTY S.A.,
- Heads of operating segments,
- CR Dekret CEO,
- Business Ethics Ombudsman,
- CSR Director.

The CSR Director is responsible for convening the Committee meeting and appointing new members (in reference to the Committee's meeting schedule, new participants are invited to act as temporary members). The Committee meetings are held at least once a year. The Committee's main role is to supervise the performance of social and environmental processes, as well to care for the Company sustainable development, in reference to the adopted Mission, Vision and Values, as well as the ESG strategy.

In 2023 two Committee meetings were held. The main subjects discussed in the meetings were:

- discussion of the ESG strategy, and progress in attaining goals, as well as update of the performance of objectives with regard to: *Increase in the number of Aluprof-systems-constructed buildings with environmentally-friendly certificates;*
- Committee recommendations in the area of social activity;
- discussion and adoption of actions aimed at raising the level of ethical awareness – training for the employees in the subject of ethics through the eOK in-house platform;
- legal and market environment affecting the scope of mandatory disclosures.

The CSR Director, together with the Sector Managers who are responsible for ESG processes at the Capital Group, including: the Director for Quality and Environmental Protection, Chief HR Specialist, IR Director, Compliance and Risk Management Director, and Chief Specialist for Supervisory Board Assistance, prepare strategic ESG projects and policies for the Committee meetings, which are further submitted to the Management Board for decision.

The policies governing the Company approach to ESG areas include but are not limited to: the Code of Ethics, the Climate Policy, the Respect for Human Rights Policy (referring to the European Convention on Human Rights), the Code of Conduct for the Suppliers of the Grupa KĘTY S.A. Capital Group, and the Occupational Health and Safety Policy. They are treated as foundations for the supervision of due diligence processes. Strategic topics are implemented into policies and procedures. The policies are signed by all Members of the Company Management Board and Heads of the operating segments, and published in the Company OrangeBook Platform, i.e. a system for managing strategic processes.

OrangeBook contains a set of procedures, policies, instructions, recommendations, and orders, representing the most important guidelines and assumptions for the strategic and operational management of the Capital Group. In order to maintain a consistent and effective oversight and control system, once a year a review is carried out with regard to the Capital Group procedures and policies compatibility with those published in the OrangeBook. During the review, compliance is confirmed or reasons for any non-compliance are analysed.

As a signatory of the Global Compact initiative, the Capital Group undertakes actions to support 10 goals, and includes the Global Compact principles in the relevant policies and procedures. The 05.30_Ethical Business Principles Procedure maps the process of due diligence with regard to respecting the 10 Global Compact principles.

10 Global Compact principles

TABLE 34: GLOBAL COMPACT PRINCIPLES

Item	Global Compact Principle	Related procedures/documents
1	Promotion and protection of human rights adopted by the international community	OB_02_Respect for Human Rights Policy OB_03_Occupational Health and Safety Policy OB_40.00_Personal Data Protection OB_40.10_HR Policy OB_40.30_Staff Development OB_40.31_Staff Training OB_05.00_CSR Policy OB_05.10_Code of Ethics OB_40.11_Diversity Policy OB_40.12_Dignity at Work Policy OB_20.00_Code of Conduct for Suppliers of the Capital Group of Grupa KĘTY S.A.
2	Elimination of human rights violations at the Company	OB_05.02_Respect for Human Rights Policy OB_40.00_Personal Data Protection OB_40.20_Staff Recruitment and Adaptation OB_40.30_Staff Development OB_40.50_Remuneration Policy OB_00.40_Intellectual Property Management OB_40.11_Diversity Policy OB_40.12_Dignity at Work Policy OB_20.00_Code of Conduct for Suppliers of the Capital Group of Grupa KĘTY S.A.
3	Respect for the freedom of association	OB_05.10_Code of Ethics OB_05.02_Respect for Human Rights Policy OB_20.00_Code of Conduct for Suppliers of the Capital Group of Grupa KĘTY S.A.
4	Elimination of all forms of forced or compulsory labour	OB_05.02_Respect for Human Rights Policy OB_05.10_Code of Ethics OB_40.50_Remuneration Policy
5	Abolition of child labour	OB_05.10_Code of Ethics OB_40.20_Staff Recruitment and Adaptation OB_20.00_Code of Conduct for Suppliers of the Capital Group of Grupa KĘTY S.A.
6	Effective elimination of discrimination in respect of employment and occupation	OB_05.02_Respect for Human Rights Policy OB_40.20_Staff Recruitment and Adaptation OB_40.30_Staff Development OB_40.31_Staff Training OB_40.32_Compentence Management System OB_40.33_Staff Periodical Assessment OB_40.34_Language Competence OB_40.35_Management by Objectives OB_40.50_Remuneration Policy OB_40.80_Personnel Administration OB_40.90_Occupational Health and Safety OB_05.10_Code of Ethics OB_40.11_Diversity Policy OB_40.12_Dignity at Work Policy
7	Preventive approach to natural environment	OB_05.01_Climate Policy OB_05.10_Code of Ethics OB_05.00_CSR Policy OB_80.90_Performance of legal duties related to environmental protection OB_80.91_Identification of environmental aspects, monitoring and measurement OB_20.00_Code of Conduct for Suppliers of the Capital Group of Grupa KĘTY S.A.
8	Undertaking initiatives to promote environmental responsibility	OB_05.01_Climate Policy OB_05.10_Code of Ethics OB_05.00_CSR Policy OB_05.20_Corporate Social Responsibility
9	Applying and spreading environmentally friendly technologies	OB_05.10_Code of Ethics OB_05.00_CSR Policy OB_80.92_Control of processes encompassing major environmental aspects OB_80.91_Identification of environmental aspects, monitoring and measurement OB_20.00_Code of Conduct for Suppliers of the Capital Group of Grupa KĘTY S.A.

10	Working against corruption in all its forms, including extortion and bribery	OB_05.10_Anti-corruption Policy OB_40.20_Staff Recruitment and Adaptation OB_40.31_Staff Training OB_05.10_Code of Ethics OB_20.30_Purchases OB_20.40_Strategic Purchases OB_20.50_Investment Purchases OB_20.55_Service Purchases OB_20.00_Code of Conduct for Suppliers of the Capital Group of Grupa KĘTY S.A.
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Other procedures are also described in sections 9.7 ‘Environmental responsibility’ and 9.5.4 ‘Ethical and anti-corruption processes’.

The strategy, policies and other documents relating to ESG area are available for the internal purposes of the organisation in the ‘OrangeBook’ strategic processes management system, and for the external stakeholders at: <https://grupakety.com/> in the Sustainable Development section. Maintaining the standards of communication with the market and the stakeholders, the Company publishes results forecasts on a quarterly basis and organises conferences for capital market participants. The Company reports its impact on the environment and the society in the ‘Non-financial Information Statement’, as part of the Report of the Management Board of Grupa KĘTY S.A. on the operations of the Company and the Capital Group, available at: <https://grupakety.com/relacje-inwestorskie/grupa-kety-na-gpw/raporty-okresowe-i-prezentacje/>, and also in its integrated report at: <https://raportzintegrowany.grupakety.com/>. The corporate website comprises the contact details of the CSR Director and the IR Director as persons designated for contacts in matters related to the ongoing ESG Strategy. In 2023, no critical comments were received regarding the Company activities in that area. In case any negative impact is identified, the Company commits to carry out corrective actions.

Apart from the contact details of the CSR and IR Directors published on the corporate website, the Company does not have a formalised channel for monitoring enquiries regarding the ESG management system for external stakeholders.

Internally, there are two formal channels through which each employee may contact the Management Board and the Supervisory Board. The first is the path indicated in the Code of Ethics – for reporting violations in the environmental, corruption, and employee areas. The second is the internal procedure OB.00.26 Internal Control System, specifying the possibility to report the perceived irregularities and violations directly to a Member of the Management Board or, in justified cases, directly to the Supervisory Board. In addition, through the ‘Green Group’ – employee suggestions programme, employees at all levels are invited to submit proposals to optimise processes and co-create the climate policy of the Capital Group. In 2023 there were 27 suggestions reported.

In the area of awareness raising and communication of the relevant ESG aspects, the Company issues its ‘Aluway’ newsletter, which periodically, at least once a month, describes the current activities of the Capital Group companies in the social and environmental area. Further, each new or updated procedure or policy is communicated to the employees in the internal OrangeBook handbook, whereas training courses in the Code of Ethics, anti-corruption policy, GDPR regulations, or cyber security are available on the internal eOK platform.

The Company employees involved in the ESG strategy development process and responsible for its individual areas benefit from a wide range of expert resources (seminars, webinars) as well as dedicated subject-matter workshops. In 2023 there were held two workshops for broadly understood managerial staff devoted to corporate sustainability reporting (Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 and Commission Delegated Regulation (EU) 2023/2772), whereas the CSR Director held internal training and presentations devoted to ESG. The managers of all operating segments took part in the training courses.

With regard to the Company Management Board, ESG issues are communicated and discussed in the meetings of Committees for Sustainable Development and Corporate Social Responsibility. In 2023 there were held two training courses. The first of them was run by the Compliance and Risk Management Director with regard to new regulations which are going to affect processes at the Capital Group within the perspective of the coming years, including: Corporate Sustainability Reporting Directive (CSRD), Corporate Sustainability Due Diligence (CSDD) Directive proposal, Diversity in Boards of Directors and Supervising Bodies, ‘Equal Pay’ Directive, ‘Fit for 55’ legislative package. The other one was run by the CSR Director and was devoted to double materiality analysis in compliance with the European Sustainability Reporting Standards (ESRS).

At the same time, ESG subjects were discussed several times by the Audit Committee of the Supervisory Board of Grupa KĘTY S.A.

The principles of remuneration of Grupa KĘTY S.A. Management and Supervisory Boards Members are stipulated in the Remuneration Policy of the Management Board and Supervisory Board Members of Grupa KĘTY S.A. (adopted on 20 August 2020 by Resolution No. 19/20 of the Annual General Meeting of Grupa KĘTY S.A., and amended by the AGM Resolution No. 18/2022 of 25 May 2022) which is available at: <https://grupakety.com/relacje-inwestorskie/lad-korporacyjny/polityka-wynagrodzen/>.

The remuneration of the Management Board Members consists of fixed and variable components, as well as in-kind benefits. The variable remuneration is partly dependent on the performance of non-financial goals (GHG emissions reduction, OHS improvement, social engagement), whereas the goals attainment is assessed as a factor of the oversight of the organisation's impact on the environment, the society and the economy.

The Company has adopted the Conflict of Interest Prevention Policy, which applies to all employees of the Capital Group of Grupa KĘTY S.A., including the Management Board of Grupa KĘTY S.A. ('Policy Subjects'). The policy covers the methods of prevention, identification and solving the conflicts of interest, as well as the principles of excluding a Policy Subject from the participation in considering a matter related to or threatened with a conflict of interest. The policy is available at: <https://grupakety.com/zrownowazony-rozwoj/zarzadzanie/dokumenty-i-polityki/>.

In 2023, the Capital Group has not recorded any material instances of non-compliance with laws and regulations. The Group has an extensive compliance system in place, including regular risk assessments, training programmes as well as monitoring and reporting mechanisms to ensure legal compliance.

In 2023, no major fines or non-monetary sanctions were imposed on the Capital Group for breaches of laws and regulations. Our commitment to maintaining high standards of ethical conduct and corporate responsibility reflects a strong culture of compliance, and our continuously monitored and improved compliance practices allow us to operate in a responsible and sustainable manner.

9.5.2 Risk management in reference to social, occupational, and environmental issues, as well as respect for human rights and corruption prevention

The authority supervising risk management at the Capital Group is the Risk and Compliance Committee appointed on 15 September 2022 by way of Resolution No. 11/2022 of the President of the Management Board/CEO of Grupa KĘTY S.A.

Standing members of the Committee are: the Management Board Member/Financial Director, the Treasury Director, the Compliance and Risk Management Director, the Internal Audit Director, and the Risk/Compliance Coordinators identified by the Heads of operating segments.

The activities of all bodies and units with regard to risk management are regulated by the following internal documents:

- Resolution on the appointment of the Risk and Compliance Committee;
- By-law of the Risk and Compliance Committee;
- Risk Management Policy; and
- Compliance Management Policy
- Risk Management System Procedure.

In 2023, there were held 11 meetings of the Risk and Compliance Committee, in which the following matters were discussed and recommended, among others:

- acceptance of the current register of significant risks of the Capital Group, including exclusion of insignificant risks from the risk register, consolidation of similar risks, and reflection of new significant risks in the register;
- approval of risk charts updated during the annual risk review;
- current monitoring of Key Risk Indicators (KRI);
- scope and principles of operation of an IT application which enables the registration of significant risks and opportunities, their measuring and reporting in the form of the adopted indicators.

In 2023, the Risk and Compliance Committee recommended the adoption of the risk register containing 31 corporate risks important for the Capital Group. Risks referring to the Capital Group have their Central Risk Owners, whereas risks in other areas have Segment Risk Owners. A complete description of risk owners may be found in section 3.4.1 of the report.

Two risks owned by the CSR Director have been defined:

- the risk of non-performance or lack of update of the ESG Strategy, resulting in the organisation's non-compliance with new legal and business requirements;
- the risk of non-compliance with the principles of ethics, resulting in non-ethical culture of the organisation and claims on account of breaching the Code of Ethics.

Additionally, within the 31 material risks there are some that are not owned by the CSR Director, although linked to the ESG area, i.e.:

- the risk of insufficient quantity of water for production purposes, as related to the negative impact of climate change, lower ground water level, or rationing of water from underground water intakes at Grupa KĘTY S.A. – segment-related risk;
- the risk of ineffective OHS policy, which may result in fatal accidents or permanent health impairment, as well as staff shortages difficult to back up – segment-related risk;
- the risk of credibility loss by the Company due to rejection from stock listing by the Management Board of the Warsaw Stock Exchange – central risk owned by the IR Director;
- the risk of malfeasance, understood as actions or omissions in breach of the generally binding laws – central risk owned by the Compliance and Risk Management Director;
- the risk of environment pollution as a result of operations, resulting in the plant closure and high administrative penalties – central risk owned by the Director for Quality and Environmental Protection;
- the risk of missing effective supply chain, which results in delays or stoppages in production/sales order performance – segment-related risk;
- the risk of fire, flood or other disaster, resulting in losing operating facilities (plant, warehouse), resulting in limiting or stopping production processes and incurring financial losses on that account – segment-related risk.

9.5.3 Responsibility within the supply chain

GRI 204-1, 414-1, 308-1

The basic raw materials used by the Capital Group include primary aluminium, aluminium scrap as well as semi-finished products based on aluminium (sheet aluminium and aluminium foil as well as billets made from aluminium and its alloys). In the production of flexible packaging, the Group also uses various types of plastic films and granulates (polyethylene, polypropylene), universal and grease-proof printing paper, paints, adhesives and binders. The list of basic raw materials is supplemented with accessories and semi-products for the production of aluminium systems: fittings, weather strips, glazing, etc. Due to the necessity of maintaining high quality of production, the purchasing policy of the Capital Group is based on cooperation with selected suppliers who guarantee proper standards. At the same time, diversification of suppliers has been assumed in order to secure supplies and maintain their competitiveness. Being aware of its impact on the environment, the Company has been trying, in the first place, to use the services of local or national suppliers. Unfortunately, due to the nature of the industry, it is possible only to a limited extent (aluminium scrap, paints, lacquers, thinners, granulate for plastic film production, and some accessories for systems production). Owing to the absence or limited number of domestic suppliers of many raw and production materials, most of them are imported. The purchase of materials from domestic suppliers in 2023 reached about 27% (-2 p.p. y/y), the supplies from other European countries represented roughly 65% (+5 p.p. y/y), and from other continents approximately 8% (-3 p.p. y/y). In addition, due to Russia's aggression against Ukraine and the support of this aggression by the Belarusian authorities, in 2022 the Capital Group suspended cooperation with contractors from these countries.

The Capital Group has introduced a process to oversee the environmental impact, occupational health and safety, as well as respect for human rights in the supply chain. Also binding is the Code of Conduct for the Suppliers of the Grupa KĘTY S.A. Capital Group, which specifies the major requirements for the suppliers of the Capital Group with regard to running ethical and fair activities, ensuring safe and hygienic working conditions, respecting human rights, assuming liability for the quality of products and for the natural environment.

The document covers aspects of importance to the Capital Group, including its commitments to suppliers as well as expectations towards them.

In 2023 Group criteria for the measure of *Engagement of suppliers in the sustainable development of the Capital Group* were adopted and a decision was made that in the 2021-2025 ESG strategy, the measure shall apply to the suppliers of materials which generate the total of 90% of the value of purchases by the Capital Group. In 2023 there were 169 such suppliers, which represents 90%, and in that number 153 shall follow the Code conditions.

In 2023, in order to prepare the organisation for reporting GHG emissions in Scope 3 in the subsequent year, questionnaires regarding carbon footprint were prepared. There were 262 questionnaires sent, and 141 returned (53% of the total number), and in that number 53 companies (38%) were able to determine the carbon footprint of their products. This means that the Company may have problems with reporting Scope 3 emissions in the coming reporting year.

9.5.4 Ethical and anti-corruption processes

GRI 205-2, GRI 415-1

Our values comprise moral standards, business ethics and culture, innovative solutions and social responsibility, reflecting the way the Grupa KĘTY S.A. Capital Group operates.

The Capital Group of Grupa KĘTY S.A. runs business in accordance with the highest ethical standards, following a developed system of values based on professionalism, ethics and mutual respect.

The ethical area is supervised by the CSR Director and the Business Ethics Ombudsman. They submit their proposals of actions for the popularisation of the Code of Ethics and corporate culture to the Committee for Sustainable Development and Corporate Social Responsibility, based on the ethics and respect for the generally assumed values, as well as initiate and participate in the process of creating training schemes in the areas related to ethics and the organisational culture of the Capital Group of Grupa KĘTY S.A. Additionally, in each operating segment the Business Ethics Committees have been appointed. In 2023, the process was joined by the total of 17 people (Ethics Committees at the Segments, the Business Ethics Ombudsman, and the CSR Director). The work of the Business Ethics Ombudsman at the Grupa KĘTY S.A. Capital Group as well as participation in the work of the Business Ethics Committees are social functions performed free of charge.

In 2023 there was held a training in the *Methods of handling internal explanatory proceedings*, given by an external experts to the members of the Business Ethics Committee, with the aim to ensure proper competencies of the Committee Members.

The organisation uses policies and detailed procedures defining the ethical issues and ethically sensitive processes. Of key importance is the Code of Ethics, i.e. the Principles of Business Ethics and Conduct at the Capital Group of Grupa KĘTY S.A. The document comprises the basic standards commonly accepted by the companies of the Capital Group of Grupa KĘTY S.A. It regulates the approach of the company and its employees to such areas as the market, environment, local communities and internal relations. The Code of Ethics clearly defines and governs the organisation's approach to the participation in public life, by way of the following declaration: 'We maintain transparent relations with local government officials and representatives of the political stage, free from corruption and improper pressures'. In 2023, the Capital Group did not make any donations to political parties.

Interrelated with the Code of Ethics is the Anti-corruption Policy. As stated in the Policy, Grupa KĘTY S.A. objects to any activities having the hallmarks of corruption, and actively prevents corruption occurrence. Our activities and decisions always comply with law, and any decisions regarding cooperation are solely based on subject-matter grounds. The purpose of the policy is to limit the risk of corruption occurring both in external and internal relations of the Company. This refers to all employees of Grupa KĘTY and its subsidiaries, as well as people and entities acting on their behalf and for their benefit. The policy is available in the 'OrangeBook' strategic processes management system, and for external stakeholders at: <https://grupakety.com/zrownowazonny-rozwoj/zarzadzanie/dokumenty-i-polityki/>.

In 2023, as many as 1,291 employees, including managerial staff (directors and managers), took part in a training course regarding the Code of Ethics binding at the Capital Group of Grupa KĘTY S.A. and the related policies (Anti-corruption Policy, Conflict of Interest Prevention Policy, Diversity Policy, Dignity at Work Policy) through the eOK internal training platform. At the same time 122 people participated in the *Anti-corruption Policy* training run by external experts.

We have a broad perception of the ethical issues – the Company also has a series of binding procedures and policies. The ethical issues fall within the competence of all business areas of the organisation. There are also other documents, including:

- Diversity Policy and Procedure;
- Respect for Human Rights Policy;
- Risk Management Policy and Procedure;
- Internal Control Procedure;
- Internal Audit Procedure;
- Ethical Business Principles Procedure;
- Code of Conduct for the Suppliers Procedure;
- Reporting Related-Party Transactions Procedure;
- Transfer Pricing Procedure;
- Procurement Procedure;
- Human Resources Policy and Procedure;
- Remuneration Policy and Procedure;
- Supplier Contracts Procedure.

The Code of Ethics binding at the Capital Group provides for the methods of reporting violations and doubtful behaviours. Messages may be submitted through a number of channels: directly to the Business Ethics Ombudsman, in the form of a letter, or e-mail sent to a special e-mail address. All these channels are listed in the Code of Ethics. The Code of Ethics is available in electronic form in the 'OrangeBook'. Moreover, special information boards presenting the key values covered by the Code and the methods of reporting breaches are displayed in production departments. The Company does not operate any separate helplines or hotlines, but there is an electronic channel enabling direct contact between the employees and a Member of the Management Board.

In 2023 the Business Ethics Ombudsman received 3 reports, two of them referring to violations with regard to dignity at work. Following the investigation carried out by the Ethics Committee, violations were not confirmed in two cases, and in the third case there were no proceedings held due to an overly general nature of the report and reference to matters which are not related to the work performed.

In 2023, the Company carefully monitored the legislation process with regard to the Act on the Protection of Persons Reporting Breaches of Law. The process has not yet ended, therefore, the Company continues the organisation preparation to the new regulations on the basis of the current bill.

9.5.5 Stakeholders

GRI 2-29

Our business plans, new products, development plans of the organisation and our impact on local communities and environment have been confronted with the stakeholders' expectations. Each year, the non-financial reporting process is consulted on an ongoing basis with the selected groups of stakeholders. Engaged are mainly our employees – the team editing the contents and consulting the major issues to be reported, the Management Board, key managerial staff, and external stakeholders, such as local governments with whom we arrange the engagement of the Capital Group in order to optimally respond to the real needs of the local communities.

The stakeholders affect the Capital Group development directions. This happens by changes in legal requirements, the needs of new employee generations, or challenges posed by the care for climate issues. Processes have been constantly adjusted to the challenges faced by organisations.

We strive for introducing climate-friendly solutions, caring for the business culture and strongly emphasising human rights in the contemporary world.

Our priority is regular communication with major stakeholders. Our environmental, social and management activities are reported:

- in the Non-financial Information Statement, as part of the Report of the Management Board on the operations of the Company and the Capital Group;
- in the integrated report at: <https://raportzintegrowany.grupakety.com/>;
- on external websites: www.grupakety.com/zrownowazony-rozwój and www.dziecipodbeskidzia.pl;
- on social networking portals: the Facebook account of Grupa KĘTY S.A. and the 'Grupa Kęty for the Children of the Podbeskidzie Region' Foundation, and the LinkedIn account;
- on the dedicated Youtube channel;

- in meetings, in the Intranet, in newsletters and on notice boards/displays serving the daily contacts with the employees.

The Company also has a real influence on creating the future of the region, by active support and engagement in local communities, through the ‘Together with the Group’ social programme.

In 2023, a survey was held among 178 domestic stakeholders (90 employees, 42 customers and 46 suppliers). We received 63 replies, i.e. 35%.

Assessed in the survey was the Integrated Report of Grupa KĘTY S.A. for the year 2022, with questions asked in the particular ESG areas. Among the aspects indicated by the respondents as the most significant were: emissions and climate change, circular economy, staff safety, staff development, social engagement of the Company, ethics, respect for human rights, and respect for environmental protection policies. The ESG Strategy of the Capital Group with regard to the assumed goals was assessed positively (E – 75%, S – 69%, G – 62%).

The table below presents the stakeholders of the Capital Group of Grupa KĘTY S.A. with regard to the cooperation potential and impact. Such approach enables us to define the major groups of stakeholders, which means those who have the greatest impact on the creation of the Capital Group business value and focus on the key issues raised by them.

TABLE 35: LIST OF STAKEHOLDERS

	Impact tendency		
		High	Low
Cooperation potential	High	Employees and potential employees Customers Shareholders and potential shareholders Supervisory Board In-house trade unions Suppliers Warsaw Stock Exchange Regulators	Local communities Local governments
	Low	Sector organisations Issuers organisations Competitors	Universities Mass media

9.6 EU taxonomy

Pursuant to Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and Commission Delegated Regulation (EU) 2021/2178, Grupa KĘTY S.A. has been presenting the turnover, capital expenditure (CapEx), and operating expenditure (OpEx) indicators for taxonomy-eligible economic activities which comply with the following conditions:

- making a substantial contribution to at least one of the following environmental objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems;
- doing no significant harm to any environmental objective;
- complying with the technical screening criteria;
- complying with minimum safeguards.

Significance criteria adopted

As the significance criterion for the turnover, capital expenditure, and operating expenditure indicators, the value of 0.1% of consolidated sales revenue generated by the Capital Group in 2023 was assumed, which represents PLN 5.2 million in terms of amount. As a result, any activity in which the Capital Group failed to arrive at the sales significance threshold was excluded from verification with regard to meeting the environmental objectives and not causing significant harm, as well as technical screening criteria. These activities are disclosed in the item of ‘Turnover on non-taxonomy-eligible activities’.

Identification of the areas of activities aligned with the taxonomy

On the basis of the activity descriptions and technical screening criteria set out in Commission Delegated Regulations (EU) 2021/2139, 2023/2486, and 2022/1214, the Capital Group activities were analysed and allocated to the relevant NACE codes. As a result, taxonomy-eligible areas were identified and verified with regard to:

- making a substantial contribution to at least one of the environmental objectives covered by the taxonomy;
- doing no significant harm to any environmental objective covered by the taxonomy;
- complying with the technical screening criteria set out in Commission Delegated Regulation (EU) 2021/2139.
- complying with the technical screening criteria set out in Commission Delegated Regulation (EU) 2023/2486.

The Capital Group does not carry out the economic activities referred to Sections 4.26, 4.27, 4.28, 4.29, 4.30, 4.31 of Annexes I and II to Commission Delegated Regulation (EU) 2021/2139, amended with Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022.

Verification of activities with regard to complying with minimum safeguards

According to Article 18 of Regulation (EU) 2020/852 of the European Parliament and of the Council, the minimum safeguards ‘shall be procedures implemented by an undertaking that is carrying out an economic activity to ensure the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights’.

Based on the UN Guiding Principles and OECD Guidelines, analysis was carried out with regard to complying with minimum safeguards in carrying out taxonomy-aligned activities, i.e. referring to:

- human and labour rights (including mobbing prevention), consumer rights and community rights;
- corrupt practices;
- non-compliance with tax regulations;
- unfair competition.

The applied accounting principles

The turnover indicator has been calculated based on the total consolidated revenue of the Capital Group in 2023, disclosed in the consolidated financial statements in the item ‘Revenue from contracts with customers’ and described in note 13.1, as the denominator.

Whereas in the numerator the following items were included:

- a) for turnover on environmentally sustainable activities (taxonomy-aligned):
 - revenue from the sale of products that increase the energy efficiency of buildings meeting technical screening criteria (aluminium joinery and external roller-shutter systems);
 - value of recycled aluminium produced, estimated based on inventory acceptance transactions from production orders (there is no data on sales revenue due to the fact that the whole production is further processed within the Capital Group);
- b) for turnover on taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned), revenue from the sale of products increasing the energy efficiency of buildings for which it is not possible to verify the technical screening criteria (e.g. accessories or weather strips which are not assigned to the specific types of aluminium joinery systems).

In the calculation of the capital expenditure indicator, the denominator was the total of increases made in 2023 in the property, plant and equipment as well as intangible assets presented in note 17 ‘Property, plant and equipment’ and note 20 ‘Intangible assets’ of the consolidated financial statements.

Whereas in the numerator the following items were included:

- a) for capital expenditure on environmentally sustainable activities (taxonomy-aligned):
 - capital expenditure on activities consisting in manufacturing products that increase the energy efficiency of buildings, calculated as the product of all expenditure on the activities and the share of turnover in products complying with the technical screening criteria in the total turnover in products that increase the energy efficiency of buildings (the indicator equalled 0.41);
 - capital expenditure directly related to recycled aluminium production;
- b) for capital expenditure on taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned), calculated as the product of all expenditure on the activities and the share of turnover in products non-complying with the technical screening criteria in the total turnover in products that increase the energy efficiency of buildings (the indicator equalled 0.59).

The operating expenditure indicator has been calculated based on direct, non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of property, plant and equipment, as the denominator.

Whereas in the numerator the following items were included:

- a) for operating expenditure on environmentally sustainable activities (taxonomy-aligned):
 - operating expenditure on activities consisting in manufacturing products that increase the energy efficiency of buildings, calculated as the product of all operating expenditure on the activities and the share of turnover in products complying with the technical screening criteria in the total turnover in products that increase the energy efficiency of buildings (the indicator equalled 0.41);
 - operating expenditure directly related to recycled aluminium production;
- b) for operating expenditure on taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned), calculated as the product of all operating expenditure on the activities and the share of turnover in products non-complying with the technical screening criteria in the total turnover in products that increase the energy efficiency of buildings (the indicator equalled 0.59).

Principles applied in KPIs calculation

In the calculation of the KPIs, the definitions provided in Annex I to the Commission Delegated Regulation (EU) 2021/2178 have been used. The indicators have been calculated following the principle of avoiding double counting, i.e. the particular types of activities of the Capital Group have been assigned solely to one type of eligible activities. A similar principle has been applied to the indicators describing capital and operating expenditure. In case a specific activity generating revenue in 2023 has been assigned to any of the taxonomy-eligible activities, the capital and operating expenditure related to those activities have been assigned solely to those activities.

Key Performance Indicators

The tables below present the 2023 KPIs of the Capital Group of Grupa KĘTY S.A.

TABLE 36: SHARE OF TURNOVER ON ACCOUNT OF PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

Reporting year 2023	2023			Substantial contribution criteria						Doing-no-significant-harm criteria						Share of taxonomy-aligned (A.1) or taxonomy-eligible (A.2) activities, Turnover in 2022 (18)	Category (enabling activities) (19)	Category (transitional activities) (20)	
Economic activities (1)	Code or codes (2)	Turnover (absolute numbers) (3)	Share of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Pollution (8)	Circular economy (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Pollution (14)	Circular economy (15)	Biodiversity and ecosystems (16)				Minimum safeguards (17)
Value in		PLN '000	%	T,N,N/EL	T,N,N/EL	T,N,N/EL	T,N,N/EL	T,N,N/EL	T,N,N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Types of environmentally sustainable activities (taxonomy-aligned)																			
3.5. Manufacture of energy efficiency equipment for buildings	CCM 3.5	976,751	18.7%	T	N	N/EL	N/EL	N/EL	N/EL	NA	T	T	T	T	T	T	17%	E	
3.8. Manufacture of aluminium	CCM 3.8	611,472	11.7%	T	N	N/EL	N/EL	N/EL	N/EL	NA	T	T	T	T	T	T	10%	E	
Turnover on environmentally sustainable activities (taxonomy-aligned) (A.1)		1,588,223	30.4%	30.4%	0	0	0	0	0								27%		
of which enabling activities		2,199,694	30.4%	30.4%	0	0	0	0	0								27%		
of which transitional activities																			
A.2 Taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned)																			
3.5. Manufacture of energy efficiency equipment for buildings	CCM 3.5	1,395,337	26.7%	N	N	N/EL	N/EL	N/EL	N/EL								24.1		
Turnover on taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned) (A.2)		1,395,337	26.7%														24.1		
A. TURNOVER ON TAXONOMY-ELIGIBLE ACTIVITIES (A.1 + A.2)		2,983,560	57.2%	30.4%	0	0	0	0	0								51.1		
B. NON-TAXONOMY-ELIGIBLE ACTIVITIES																			
Turnover on non-taxonomy-eligible activities (B)		2,235,043	42.8%																
TOTAL (A + B)		5,218,603	100.0%																

Comment: Higher share of environmentally sustainable activities (rise from 27% to 30.4%) resulted mainly from lower value of turnover on non-taxonomy-eligible activities (drop from 48.9% to 42.8%). By value, the turnover on environmentally sustainable activities (Item A.1) amounted to PLN 1,588,223 and was lower than the value in the preceding year by about 1%, mainly due to lower prices of the main material (aluminium) on the world's markets.

TABLE 37: SHARE OF CAPITAL EXPENDITURE ON ACCOUNT OF PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

Reporting year 2023	2023		Substantial contribution criteria							Do-no-significant-harm criteria						Minimum safeguards (17)	Share of taxonomy-aligned (A.1) or taxonomy-eligible (A.2) activities, Capital expenditure in 2022 (18)	Category (enabling activities) (19)	Category (transitional activities) (20)
Economic activities (1)	Code or codes (2)	Capital expenditure (absolute numbers) (3)	Share of capital expenditure (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Pollution (8)	Circular economy (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Pollution (14)	Circular economy (15)	Biodiversity and ecosystems (16)				
Value in		PLN '000	%	T,N,N/EL	T,N,N/EL	T,N,N/EL	T,N,N/EL	T,N,N/EL	T,N,N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Types of environmentally sustainable activities (taxonomy-aligned)																			
3.5. Manufacture of energy efficiency equipment for buildings	CCM 3.5	59,333	15.7%	T	N	N/EL	N/EL	N/EL	N/EL	NA	T	T	T	T	T	T	15.3%	E	
3.8. Manufacture of aluminium	CCM 3.8	10,047	2.7%	T	N	N/EL	N/EL	N/EL	N/EL	NA	T	T	T	T	T	T	3.6%	E	
Capital expenditure on environmentally sustainable activities (taxonomy-aligned) (A.1)		69,381	18.3%	18.3%	0	0	0	0	0								19.0%		
of which enabling activities		69,381	18.3%	18.3%	0	0	0	0	0								19.0%		
of which transitional activities																			
A.2 Taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned)																			
3.5. Manufacture of energy efficiency equipment for buildings	CCM 3.5	84,761	22.4%	N	N	N/EL	N/EL	N/EL	N/EL								21.7%		
Capital expenditure on taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned) (A.2)		84,761	22.4%														21.7%		
A. CAPITAL EXPENDITURE ON TAXONOMY-ELIGIBLE ACTIVITIES (A.1 + A.2)		154,141	40.7%	18.3%	0	0	0	0	0								40.7%		
B. NON-TAXONOMY-ELIGIBLE ACTIVITIES																			
Capital expenditure on non-taxonomy-eligible activities (B)		224,230	59.3%																
TOTAL (A + B)		378,371	100.0%																

Comment: The share of capital expenditure on account of environmentally sustainable activities (A.1) was maintained at a level close to that of the preceding year. The value of expenditure in 2023 (PLN 69,381,000) was by roughly 5% lower than the value in the preceding year.

TABLE 38: SHARE OF OPERATING EXPENDITURE ON ACCOUNT OF PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

Reporting year 2023	2023			Substantial contribution criteria						Do-no-significant-harm criteria									
Economic activities (1)	Code or codes (2)	Operating expenditure (absolute numbers) (3)	Share of operating expenditure (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Pollution (8)	Circular economy (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Pollution (14)	Circular economy (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Share of taxonomy-aligned (A.1) or taxonomy-eligible (A.2) activities, Operating expenditure in 2022 (18)	Category (enabling activities) (19)	Category (transitional activities) (20)
Value in		PLN '000	%	T,N,N/EL	T,N,N/EL	T,N,N/EL	T,N,N/EL	T,N,N/EL	T,N,N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Types of environmentally sustainable activities (taxonomy-aligned)																			
3.5. Manufacture of energy efficiency equipment for buildings	CCM 3.5	7,611	10.7%	T	N	N/EL	N/EL	N/EL	N/EL	NA	T	T	T	T	T	T	10.1%	E	
3.8. Manufacture of aluminium	CCM 3.8	581	0.8%	T	N	N/EL	N/EL	N/EL	N/EL	NA	T	T	T	T	T	T	1.7%	E	
Operating expenditure on environmentally sustainable activities (taxonomy-aligned) (A.1)		8,192	11.5%	11.5%	0	0	0	0	0								11.8%		
of which enabling activities		8,192	11.5%	11.5%	0	0	0	0	0								11.8%		
of which transitional activities																			
A.2 Taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned)																			
3.5. Manufacture of energy efficiency equipment for buildings	CCM 3.5	10,873	15.3%	N	N	N/EL	N/EL	N/EL	N/EL								14.3%		
Operating expenditure on taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned) (A.2)		10,873	15.3%														14.3%		
A. OPERATING EXPENDITURE ON TAXONOMY-ELIGIBLE ACTIVITIES (A.1 + A.2)		19,065	26.8%	11.5%	0	0	0	0	0								26.2%		
B. NON-TAXONOMY-ELIGIBLE ACTIVITIES																			
Operating expenditure on non-taxonomy-eligible activities		52,072	73.2%																
TOTAL (A + B)		71,137	100.0%																

Comment: The value of operating expenditure on account of environmentally sustainable activities (A.1) was maintained at a level close to that of the preceding year. The value of expenditure in 2023 (PLN 8,192,000) was by 15% higher than the value in the preceding year.

9.7 Environmental responsibility

9.7.1 Priorities of environmentally sustainable economic activities

GRI 3-1, 3-2, 3-3

We assume full responsibility for the influence of our actions on the environment. Following the provisions of our Code of Ethics, *'We abide by the ecological limitations imposed by legal regulations. We concentrate on searching for solutions which eliminate the negative impact at its source. We invest in research and development as well as searching for environmentally-friendly technologies.'*

The Capital Group is guided by the principles of sustainable development and respect for the environment. Priorities in this respect are defined in the Environmental Policy, the Climate Policy and the Code of Ethics of the Capital Group KĘTY S.A. The companies have declared their responsibility for the impact of their activities on climate change and committed to minimising it by reducing greenhouse gas emissions, recycling enhancement and efficient waste management. In 2023, we updated the Group Environmental Policy, extending it for water management and biodiversity issues.

A priority is to effectively use the resources. Therefore, we invest in new technologies and solutions. As regards the products manufactured by the Group companies, we apply a product life cycle approach, focusing on carbon footprint reduction and searching for new, more sustainable applications. In that area, we conduct our own research and collaborate with scientific centres and institutions. Our basic products possess Type III Environmental Product Declaration (EPD).

Due to the specific environmental aspects associated with its operations, the priorities and objectives of the operating segments of the Group vary.

The Extruded Products Segment focuses on the recovery of aluminium and increasing the share of recycled materials in the produced profiles. This contributes significantly to the reduction of greenhouse gas emissions and puts into practice the circular economy principles. Grupa KĘTY S.A. recycles more than 30,000 tons of scrap metal in its own foundry every year. The production of sections with a high content of recycled materials generates a significantly lower carbon footprint compared with the production of primary aluminium.

The Aluminium Systems Segment focuses on providing energy-efficient solutions for the construction industry as regards aluminium windows, doors, façades, roller shutters, and gates. In view of the challenges posed to the construction industry by new climate requirements, the building systems manufactured by the Group are designed to last for many years and, at the end of their life cycle, to return to the economy thanks to aluminium and other components recycling. Aluprof S.A. offers passive, energy-efficient, renovation solutions, confirmed with certificates of the Passive House Institute (PHI) in Darmstad and Cradle-to-Cradle environmental certificates, as well as Environmental Product Declarations (EPDs).

The supreme goal in the Flexible Packaging Segment is to implement the adopted strategy to increase the share of recyclable films and laminates in the volume produced, and to further modernise the equipment and facilities.

9.7.2 Analysis of major aspects and clarification of those identified as significant

GRI 3-1, 3-2, 3-3

The environmental aspects important for our organisation and disclosed in this report were selected in a staged process:

- identification of measures important for the sectors of operation of the particular companies;
- analysis of internal environmental aspects which qualify as significant in compliance with the methodology determined in the ISO 14001 system procedure 'Identification of environmental aspects';
- review of risks and opportunities with regard to significant environmental aspects;
- approval of the results of analysis of the system review carried out in liaison with the highest-level management staff.

In 2023, the list of reported issues did not change or was not redefined significantly compared with the preceding year. Below presented is a list of aspects which are of high and medium significance.

TABLE 39: ASPECTS OF HIGH AND MEDIUM SIGNIFICANCE LEVEL

Item	Aspect name	Aspect significance		Aspect impact	
		high	medium	inside the Group	outside the Group
1	Climate change	X		X	X
2	Greenhouse gas emissions (GHG)	X		X	X
3	Materials consumption	X		X	X
4	Aluminium scrap recovery and circular economy	X		X	X
5	Increase in the number of environmentally-friendly certified buildings	X		X	X
6	Share of the manufactured packaging fit for recycling	X		X	X
7	Fuels and energy, energy efficiency	X		X	X
8	Water consumption and reuse	X		X	X
9	Emission dusts and other gases (non-GHG)		X	X	X
10	Wastewater discharge	X		X	X
11	Waste management	X		X	X
12	Compliance with environmental regulations	X		X	X
13	Negative impact on the environment by the supply chain, and the actions taken		X	X	X
14	Fees on the use of the environment		X	X	X

9.7.3 Climate policy

In 2020, the 2021-2025 Strategy of the KĘTY Capital Group was published, in which, for the first time ever, the Company parametrised and presented its commitments in the aspect of climate, in the form of Sustainable Development Goals. At the same time, there was implemented the **Climate Policy of the Capital Group of Grupa KĘTY S.A.** It is based on the common standards of conduct principles. In the document, the companies of the Capital Group declared their full responsibility for the impact of their operations on climate changes, and committed to:

- limit greenhouse gas emissions;
- develop the recycling processes and effective waste management in all areas of operation;
- innovate and develop products, services and processes compliant with the climate change challenges.

Therefore, we have assumed to perform specific and measurable goals until the year 2025:

1. Reduction of GHG emissions intensity by 20% (base year 2016). Initially, the goal was to achieve 15% reduction, however, due to the achievement of the expected value in 2022, the target was updated from (-)15% to (-)20%.
2. Increase to 75% of the share of aluminium scrap in profiles extruded from in-house billets.
3. Growth of the share of the manufactured packaging films and laminates fit for recycling by 5% (base year 2020).
4. Increase by 65% in the number of certified energy-efficient, passive buildings constructed with Aluprof systems (base year 2020); Initially, the goal was 20% compared with the base year, and it was achieved after two years of the Strategy period. Therefore, in 2023, the value of the goal for that aspect was defined as 65%.

The goals serve the implementation of solutions that minimise the negative impact on the environment or are neutral to the environment, limit the carbon footprint of the products and facilitate their re-use, as well as increase the share of recycled materials in the manufacturing processes.

9.7.4 Environmental aspects management

Environmental management in compliance with the ISO 14001 standard requirements

The methods and tools for achievement of the goals set out in the Strategy of Grupa KĘTY S.A. Capital Group for the years 2021-2025 are defined by formal procedures and instructions implemented as part of the certified management system. The documents also define actions aimed at emissions reduction, energy efficiency increase, and development of efficient waste management.

TABLE 40: SELECTED INTERNAL PROCEDURES IN THE ENVIRONMENTAL MANAGEMENT AREA

Policies		
1	Environmental Policy	Integrated Management System – Environmental Policy/Climate Policy
2	Climate Policy	Integrated Management System – Environmental Policy/Climate Policy
3	Code of Ethics	Integrated Management System – Code of Ethics
Procedures		
1	SWW.80.90.01	Performance of legal duties related to environmental protection
2	SWW.80.90.01.01	Instruction on calculation and payment of fees for the use of the environment
3	SWW.80.90.01.02	Instruction on payment of product fees
4	SWW.80.90.01.03	Instruction on handling packaging and packaging waste
5	SWW.80.90.02	External communication
6	SWW.80.90.03	Handling equipment comprising fluorinated greenhouse gases
7	SWW.80.91.01	Identification of environmental aspects, monitoring and measurement
8	SWW.80.92.01	Control of processes encompassing major environmental aspects
9	SWW.80.93.01	Waste management
10	SWW.80.93.01.03	Instruction on international shipment of waste
11	SWW.80.94.01	Assessment of compliance in the use of hazardous substances and mixtures
12	SWW.80.94.02	Management of hazardous substances and mixtures
13	SWW.80.95.05.06	Instruction on deliveries of hazardous substances and mixtures
14	SWW.80.95.08	Conduct in emergency situations
15	SWW.80.95.09	Relations with third parties

The companies of the Grupa KĘTY S.A. Capital Group are committed to ensuring high level of safety of the processes carried out. The goal is to effectively minimise environmental risks. We have been undertaking predictive and preventive actions, as well as internal audit programmes. We have been monitoring and assessing environmental risks on a current basis, and implementing tasks to eliminate the potential hazards. Every year, legal compliance assessment is carried out, as well as compliance with the requirements of stakeholders, and threats and opportunities analysis. Additionally, ‘environmental plans’ covering the tasks aimed at efficiency improvement in that area are approved.

At domestic companies the number of identified environmental aspects grew to 571 in 2023 from 518 in 2022. This resulted from the commissioning of new systems and machinery at the Extruded Products Segment and Aluminium Systems Segment, as well as inclusion of the new Aluprof plant in Ogrodzona. The number of improvement and preventive actions was lower compared to the preceding year, owing to the achieved stability and safety level of the processes carried out.

TABLE 41: NUMBER OF ASPECTS AND IMPLEMENTED PREVENTIVE ACTIONS RELATED TO THE ENVIRONMENT

Capital Group	Unit	2022	2023	Change y/y
Number of controlled environmental aspects	pcs	561	617	56
Number of preventive actions related to the environment	pcs	170	122	-48
of which:				
- companies located in Poland				
Number of controlled environmental aspects	pcs	518	571	53
Number of preventive actions related to the environment	pcs	92	76	-16
- other locations				
Number of controlled environmental aspects	pcs	43	46	3
Number of preventive actions related to the environment	pcs	78	48	-30
Grupa KĘTY S.A.	Unit	2022	2023	Change y/y
Number of controlled environmental aspects	pcs	83	85	2
Number of preventive actions related to the environment	pcs	23	18	-5

9.7.5 Environmental impact

GRI 305-1, GR 305-2,

The Capital Group of Grupa KĘTY declares reduction of its impact on the natural environment through a strive to climate neutrality in 2050. Greenhouse gas emissions reduction is planned by increasing the share of recycled materials in the offered products, higher energy efficiency and operating efficiency of the manufacturing processes and installation of in-house renewable energy systems.

For the companies of the Capital Group operating in the aluminium processing industry, climate-related transformation is more of an opportunity than a threat. In the context of the planned changes, aluminium is described as ‘the material of the future’. The metal has an enormous potential due to its properties, such as durability, corrosion resistance, low maintenance costs and, above all, complete recyclability. It is a desirable material with a view to climate-neutral economy, and indispensable for the development of renewable energy and electromobility, as well as perfectly suited to the circular economy concept.

The largest share in sales by our key segments, i.e. the EPS and ASS, are made to construction and automotive industries. In the automotive industry, the lightweight aluminium structures help improving vehicle efficiency. In the construction industry, aluminium solutions help to significantly reduce the energy use intensity of buildings. The positive impact can also be seen in other industries: electrical engineering, mechanical engineering, railway engineering, or aviation, where aluminium is a key to greater efficiency and CO₂ emissions reduction throughout the value chain and product life cycle.

For several years, the companies of the Capital Group have been implementing actions to cope with the ‘green transformation’ challenges. High emphasis is placed on the tasks improving the energy-efficiency of processes and reducing the demand for energy. We invest only in new production lines, using energy-saving equipment and technologies as well as environmentally-friendly sources of energy.

Among the tasks completed in 2023 worth mentioning are the following ones (considering that for some of them, the plants obtained energy-efficiency certificates from the Energy Regulatory Office, which confirms energy savings):

- at the Extruded Products Segment – commissioning of a new aluminium profiles extrusion line characterised with high energy and process efficiency; projects related to modernisation or replacement of lighting, for which the total value of energy-efficiency certificates equalled 108.1 toe; a project to replace the burners in melted aluminium storage furnace; a project to install inverters at the ‘Z’ melting and casting line;
- at the Flexible Packaging Segment – regenerative thermal oxidation of volatile solvents to optimise the afterburning process, resulting in 20% reduction of natural gas consumption and increase in the afterburning process efficiency; installation of variable speed compressors with heat recovery function, which reduced electric energy consumption and enable the heat utilisation in heating buildings and production halls;
- at the Aluminium Systems Segment – installation of a solar system to reduce the consumption of gas used in heating domestic hot water by 5%; replacement of pumps at the washing area of the powder coating plant, resulting in a reduction in the consumption of electricity used in this process at the plant in Opole.

Total direct and indirect greenhouse gas emissions and their intensity

GRI 305-1, GR 305-2

Since 2016, the domestic companies of the Capital Group of Grupa KĘTY S.A. have been recording climate-related emissions. Thanks to that, it has been possible to precisely define goals for the subsequent years. Since 2020, we have been reporting our emissions within the Climate Change programme run by the Carbon

Disclosure Project (CDP), which is an international non-profit organisation researching the level of climate awareness among companies for many years. Carbon footprint calculations are based on the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. The value of emission is reported in metric tons, as an equivalent of CO₂. The greenhouse gas emitted by the Capital Group plants is mainly carbon dioxide originating from the processes of natural gas combustion in heaters and industrial furnaces, boilers, radiators, and thermal oxidisers. Moreover GHG include also CH₄ and N₂O from the combustion of fuels in vehicles, as well as HFC used as cooling medium.

The balance covers the following emissions:

- Scope 1 – direct GHG emissions controlled by the Capital Group, covering specifically fuel consumption for process purposes, heating buildings, combustion by vehicles, as well as fugitive emissions related to the operation of cooling systems;
- Scope 2 – indirect GHG emissions which result from the consumption of electric and thermal energy purchased.

Additionally included are major emissions within Scope 3, related to:

- the materials purchased;
- the ‘upstream’ transport of materials.

The emissions reporting covers the parent company and the Polish companies of the Capital Group of Grupa KĘTY S.A. For the purpose of deeper analysis of changes and trends, extended emission figures for the years 2020-2023 and for the base year 2016 have been presented. Indirect GHG emissions have been calculated with two methods. The ‘location-based’ method covers for the average emissions intensity of electric grids to which the companies are connected. The ‘market-based’ method covers for the emissions calculated based on intensity characteristic to the relevant supplier, and also enables discounting for the purchase of offset solutions.

The basic emissions intensity indicator used for management purposes are direct and indirect GHG emissions calculated with the ‘location-based’ and referred to the production size.

For the year 2016 and 2020-2023, below presented are:

- direct greenhouse gas emissions (Scope 1);
- indirect emissions related to the purchased electricity and heat (Scope 2: ‘location-based’ and ‘market-based’ methods);
- intensity of greenhouse gas emissions in reference to production size (Scopes 1 and 2);
- selected Scope 3 emissions for Grupa KĘTY S.A. plant.

TABLE 42: DIRECT AND INDIRECT GHG EMISSIONS (SCOPES 1 AND 2) BY THE COMPANIES OF THE CAPITAL GROUP BASED IN POLAND (MG CO₂E/YEAR)

Scope	Type of activity	2016	2020	2021	2022	2023	Change 2023/2022
Scope 1	Fuels burning in the plant systems	25,467	33,977	36,886	30,178	30,651	2%
	Fuels burning by vehicles	1,278	1,291	1,346	1,225	1,462	19%
	Fugitive emissions of cooling agents	230	476	562	774	488	-37%
	Scope 1 – Total	26,975	35,744	38,794	32,177	32,601	1%
Scope 2	Electric energy purchased (location-based)	98,623	124,951	131,059	124,416	118,052	-5%
	Electric energy purchased (market-based)	98,623	130,130	112,396	97,750	---	*
	Thermal energy purchased	4,368	6,812	7,865	6,552	6,259	-4%
	Scope 2 (location-based + heat)	102,991	131,763	138,924	130,967	124,312	-5%
	Scope 2 (market-based + heat)	102,991	136,941	120,261	104,302	---	*
Scopes 1+2	Scopes 1+2 (location-based)	129,966	167,507	177,718	163,144	156,913	-4%
Scopes 1+2	Scopes 1+2 (market-based)	129,966	172,685	159,054	136,478	---	*

TABLE 43: DIRECT AND INDIRECT GHG EMISSIONS (SCOPES 1 AND 2) BY GRUPA KĘTY S.A. (MG CO₂E/YEAR)

Scope	Type of activity	2016	2020	2021	2022	2023	Change 2023/2022
Scope 1	Fuels burning in the plant systems	13,601	18,087	19,807	15,059	15,754	5%
	Fuels burning by vehicles	423	465	523	562	619	10%
	Fugitive emissions of cooling agents	28	14	8	146	36	-75%
	Scope 1 – Total	14,052	18,566	20,338	15,767	16,409	4%
Scope 2	Electric energy purchased (location-based)	55,724	50,093	55,363	53,129	50,496	-5%
	Electric energy purchased (market-based)	55,724	52,169	51,304	39,768	---	*
	Thermal energy purchased	2,716	3,897	4,750	4,206	3,865	-8%
	Scope 2 (location-based + heat)	58,439	53,990	60,113	57,335	54,360	-5%
	Scope 2 (market-based + heat)	58,439	56,067	56,054	43,975	---	*
Scopes 1+2	Scopes 1+2 (location-based + heat)	72,491	72,557	80,451	73,103	70,770	-3%
Scopes 1+2	Scopes 1+2 (market-based + heat)	72,491	74,633	76,392	59,742	---	*

GRI 305-4
TABLE 44: GREENHOUSE GAS EMISSIONS INTENSITY BY COMPANIES LOCATED IN POLAND (MGCO₂E/MG)

Indicator	Type of activity	2016	2020	2021	2022	2023	Change 2023/2022
GHG per ton of production	Carbon footprint, Scope 1+2, location-based/production size	0.676	0.585	0.559	0.548	0.529	-3%
	Carbon footprint, Scope 1+2, market-based/production size	0.676	0.603	0.501	0.459	---	*

TABLE 45: GREENHOUSE GAS EMISSIONS INTENSITY BY GRUPY KĘTY S.A. (MGCO₂E/MG)

Indicator	Type of activity	2016	2020	2021	2022	2023	Change 2023/2022
GHG per ton of production	Carbon footprint, Scope 1+2, location-based/production size	0.775	0.655	0.606	0.632	0.578	-9%
	Carbon footprint, Scope 1+2, market-based/production size	0.775	0.674	0.576	0.517	---	*

Comment:

- * Due to the failure on the part of the electricity supplier to publish by the date of 21 March 2024 of indicators needed for the 'market-based' calculation of GHG emissions, the emission size will be supplemented directly on the Group's corporate website. Pursuant to the Regulation of the Minister of Climate and Environment of 22 March 2023 on detailed conditions for the operation of the power engineering system, the electric energy seller informs the recipients about the impact on environment of the manufacturing of the electric energy sold in the preceding year, as regards carbon dioxide emissions, by the date of 31 March of the subsequent year.

Note:

In calculating GHG emissions with the 'market-based' method for 2022 we have taken into account:

- 1) the purchase and redemption of the guarantees of origin for Aluprof S.A., which refer to feeding in the distribution or transmission network of 16,000 MWh of electric energy generated in a renewable energy source, which has been confirmed in the document RGP_WBEEZOO_2022-09-29_1804;
- 2) the purchase and redemption of the guarantees of origin for Grupa KĘTY S.A., which refer to feeding in the distribution or transmission network of 17,620 MWh of electric energy generated in a renewable energy source, which has been confirmed in the document RGP_WBEEZOO_2022-11-15_2073;
- 3) the purchase and redemption of the guarantees of origin for Aluform Sp. z o.o., which refer to feeding in the distribution or transmission network of 2,350 MWh of electric energy generated in a renewable energy source, which has been confirmed in the document RGP_WBEEZOO_2022-11-15_2027.

In calculating GHG emissions with the 'market-based' method for 2021, the purchase and redemption of the guarantees of origin for Aluprof S.A. have been taken into account, which refer to feeding in the distribution or transmission network of 14,000 MWh of electric energy generated in a renewable energy source, which has been confirmed in the document RGP_TRMEWOBR_2021-09-02_0967.

The analysis of the emission levels confirms that gradual machinery improvements, optimisation of processes, and the implemented energy efficiency improving activities have brought effects in the form of actual GHG emissions intensity reduction. In 2023, the total emissions by the domestic companies of the Capital Group amounted to 156,900 tons of CO_{2e} (Scopes 1 and 2 – location-based method) and were by 3.8% lower than in 2022, and 12% lower than in 2021. Similarly, the emissions of Grupa KĘTY S.A. equalled 70,700 tons of CO_{2e} and were by 3% lower than in 2022, and 12% lower than in 2021.

The total level of direct greenhouse gas emissions (Scope 1) is relatively low due to the nature of the in-house processes and high thermal efficiency of the systems and devices used. The Capital Group companies are not subject to the EU Emissions Trading System (ETS). Compared with the base year 2016, the emissions intensity of the domestic companies of Grupa KĘTY S.A. Capital Group (Scopes 1+2, location-based/production size) decreased by 22% in reference to the production size, and by 25% for Grupa KĘTY S.A. alone. This means that the basic goal of the Climate Policy adopted in the currently binding Strategy, to be achieved by the year 2025, was attained in 2023.

Other indirect greenhouse gas emissions (Scope 3)

GRI 305-3

Apart from monitoring direct and indirect emissions related to energy consumption (Scopes 1 and 2), Grupa KĘTY S.A. started to register major categories of Scope 3 emissions, i.e. ones related to the purchased materials and their transport.

Moreover, carbon footprint of the basic products of Grupa KĘTY S.A. and Aluprof S.A. determined in Type III Environmental Product Declarations (EPDs) was presented. The carbon footprint of profiles manufactured from in-house produced billets is only 3.3 kg of CO_{2e}/kg. The value was determined based on the results of the Life Cycle Assessment, in compliance with the EN 15804 standard. The document has been verified by an external expert and has the status of a European ‘ECO-EPD verified’ declaration. The certificate has been published on the ITB [the Polish Building Technology Institute] sustainable building portal, thanks to which the profiles are acceptable in the ‘green buildings’ certification systems, such as BREEAM, LEED, or DGNB. This facilitates their use in creating sustainable architectural aluminium systems. Low carbon footprint of Grupa KĘTY S.A.’s products was achieved thanks to the high content of aluminium scrap in the melting charge. Recycled in the melting process is both pre-consumer and post-consumer scrap. The scrap is a component of materials for the production of aluminium billets, which are further used in extruding profiles.

TABLE 46: OTHER INDIRECT GREENHOUSE GAS EMISSIONS (SCOPE 3)

Grupa KĘTY S.A.	2022	2023	Change 2023/2022
GHG emissions related to the materials purchased (1)	545,651	532,897	-2%
GHG emissions related to the ‘upstream’ transport of materials (2)	4,175	3,726	-11%

TABLE 47: CARBON FOOTPRINT OF SELECTED PRODUCTS

2023	
Grupa KĘTY S.A.	
Profiles extruded from 6xxx series billets cast in Kęty (1) kgCO _{2e} /kg	3.3
Aluprof S.A.	
Façade systems (2) kgCO _{2e} /kg	7.58
Window and door systems (3) kgCO _{2e} /kg	8.11

(1) Environmental Product Declaration Type III ITB No. 348/2022

(2) Environmental Product Declaration Type III ITB No. 087/2019

(3) Environmental Product Declaration Type III ITB No. 088/2019

Dusts and other gases emissions to air

GRI 305-7

Grupa KĘTY has implemented the Environmental Policy, which covers the goals related to pollutants emission to air. Every year, in the management system efficiency review based on the ISO 14001, measurable goals and tasks aimed at dusts and gases emission reduction are approved.

The companies of the Capital Group control the quantity of the substances emitted. The monitoring proves that the limits set out by law and administrative decisions have been kept. The total emissions level is well below the allowed limits.

Apart from greenhouse gases, the EPS emits to air: sulphur dioxide, nitrogen oxides, carbon monoxide, dust and small amounts of inorganic compounds. The sources of emission are the processes of natural gas combustion and chemical treatment of aluminium elements. The main pollutants emitted by the ASS plants include sulphur dioxide, nitrogen oxides, carbon monoxide, dust, sulphuric acid, inorganic acids and aliphatic hydrocarbons. The FPS companies emit volatile organic compounds (VOC) to air, originating from the processes of printing, coating and lamination of packaging, as well as dust and gases from gas combustion in engineering and heating plants, plus sulphuric acid from the electroplating line.

The emission calculations are made in compliance with the applicable methods of determining pollution emissions, depending on the specifics of the processes involved in the emissions origination. The pollution emissions disclosed in the report were determined with the use of calculation methods based on the results of periodical measurements (measuring indicators) in reference to process balances, the National Centre for Emissions Management (KOBIZE) indicators applicable to the combustion of fuels, as well as indicators available in literature.

Compared with 2022, higher emissions of dusts, sulphur dioxide, nitrogen oxides and carbon oxide were determined at Grupa KĘTY S.A. This resulted from commissioning of aluminium bars homogenisation system and a new line for extrusion and heat treatment of aluminium profiles. With regard to the total emissions by the domestic companies of the Capital Group, changes were due to the following reasons.

- At the ASS there were higher emissions of inorganic acids and aliphatic hydrocarbons from the newly launched two powder coating lines at the plant in Bielsko-Biała. At the same time, liquidation of the electroplating shop in Złotów brought about reduced emissions of dusts, halogens, and hydrogen chloride.
- At the FPS a major increase in the emission of sulphur oxides was recorded. This resulted from a response to the appeal of the European Commission with regard to limiting the consumption of natural gas due to its deficit in the first quarter of 2023. The FPS decided to use alternative fuel, i.e. lightweight furnace oil in the stationary combustion sources (engineering boilers), which resulted in the higher emissions. The values measured fall within the limits of the obtained environmental decision. At the same time, actions were implemented to decommission one of the boilers and optimise afterburning with the use of regenerative thermal oxidation, which enabled a significant reduction of volatile organic compounds (VOC) emissions.

TABLE 48: VALUE OF DUSTS AND GASES EMISSIONS TO AIR, THE LOAD OF WHICH EXCEEDED 1 MG IN 2023

Capital Group	Unit	2022	2023	Change y/y
<i>Companies located in Poland</i>				
Total dust	Mg p.a.	4.54	3.65	-20%
SO ₂	Mg p.a.	0.69	2.75	298%
NO ₂	Mg p.a.	34.99	30.62	-12%
CO	Mg p.a.	9.82	10.85	10%
Inorganic acids	Mg p.a.	14.76	1.44	-90%
Metal hydroxides	Mg p.a.	1.63	1.47	-10%
VOCs	Mg p.a.	86.56	81.00	-6%
Ozone	Mg p.a.	3.31	4.01	21%
Aliphatic hydrocarbons	Mg p.a.	1.53	1.75	14%
Acetone	Mg p.a.	0.88	1.05	19%
<i>Other locations</i>				
Total dust	Mg p.a.	2.95	3.00	2%
NO ₂	Mg p.a.	4.40	4.65	6%
CO	Mg p.a.	4.86	5.06	4%
Grupa KĘTY S.A.	Unit	2022	2023	Change y/y
Total dust	Mg p.a.	1.62	1.67	3%
NO ₂	Mg p.a.	16.58	19.85	20%
CO	Mg p.a.	7.06	7.77	10%
Inorganic acids	Mg p.a.	1.40	1.26	-10%
Metal hydroxides	Mg p.a.	1.61	1.47	-9%

Materials consumption

GRI 301-1

The companies of the Capital Group of Grupa KĘTY S.A. have been reasonably using raw materials needed for production, striving to achieve optimal and effective solutions ensuring respect for natural resources. The objective is to promote sustainable development by way of minimised consumption of primary raw materials, and increased share of recycled materials in products.

Most of the materials are purchased in Poland and the EU countries.

Materials suppliers are subject to regular assessment, based on the assumed methods, which promotes partners following the sustainability idea.

As regards our products, we apply a product life cycle approach, focusing on the search for new applications. In that area, we conduct our own research and collaborate with scientific centres. The control of raw materials consumption takes place in accordance with the ISO 9001 and ISO 14001 standard requirements.

Due to the specific nature of the Group production segments, the list of materials consumed is highly diverse. The raw materials used by the EPS include aluminium, alloy components, and aluminium scrap. From them, the Segment manufactures billets, which are the input material for the profiles extrusion process. The remelting process uses aluminium scrap originating at the Group companies and purchased from the market. Owing to limited capacity of the in-house foundry, billets are also purchased from external suppliers.

The basic raw materials used by the ASS include: aluminium, steel, zinc alloy, chemical agents for the treatment of aluminium, glass, separators, plastic pellets and powder coatings. These materials are used by the ASS plants to manufacture window-and-door systems, façade systems, roller shutter profiles and boxes, roller-shutters, gates and accessories for PVC, wood and aluminium joinery.

The materials used by the FPS include: granulated plastic (PP, PE, PA, EVOH, etc.), aluminium foils, paper, plastic films (OPP, PET, PE, PA, etc.), paints, lacquers, adhesives and solvents. These materials are used to manufacture multi-layer plastic films, including high-barrier films, single- and multi-layer flexible laminates, including printed or coated ones. Prior to their purchase raw materials are verified for compliance with the requirements of the Food Law.

The engagement of Grupa KĘTY in conforming with the circular economy idea, by way of using scrapped materials in the process of billets casting, is reflected in changed materials consumption. The quantity of scrap purchased and recovered in 2023 in the process of remelting increased by 1,605 tons (+5%) y/y. This resulted in limited purchase of primary aluminium and alloy components by 1,006 tons (-5%) y/y. The share of scrap in the production charge of soft-alloy billets increased from 70.5% to 74%. The result brings us closer to the attainment of one of our strategic goals. Larger quantity of billets purchased for the extrusion process by 4,500 tons (7%) is related to extended profiles production, mainly as a result of commissioning a new press line of 2,000 tons.

At the FPS the quantities of most of the materials consumed dropped, except for paper, and PP and PET films. The recorded decrease refers to the consumption of high-emission laminates, paints and varnishes, as well as adhesives, with shift to paper-based and refined paper packaging, or film packaging of homogeneous and thinner structure, which is easy to recycle. The differences in materials consumption at the ASS compared to the preceding year, as well as increased consumption of glass for over 800 tons, and limited consumption of steel by 300 tons resulted from product changes owing to engagement in the construction of a series environmentally-certified prestigious structures.

TABLE 49: MATERIALS CONSUMPTION IN 2022 AND 2023, BY TYPE AND WEIGHT

Capital Group	Unit	2022	2023	Change y/y
Aluminium	Mg	17,475	16,581	-5%
Aluminium scrap	Mg	31,606	33,211	5%
External aluminium billets, of which:	Mg	71,994	78,909	10%
<i>Companies located in Poland</i>	Mg	68,386	72,935	7%
<i>Other locations</i>	Mg	3,608	5,974	66%
Paints, lacquers, adhesives	Mg	7,012	6,864	-2%
Aluminium foil	Mg	3,943	3,866	-2%
PP, PET, and PVC film	Mg	4,635	4,817	4%
Plastic granulates	Mg	77,185	70,721	-8%
Paper	Mg	10,764	11,274	5%
Other external aluminium semi-products, of which	Mg	33,230	26,244	-21%
<i>Companies located in Poland</i>	Mg	31,571	23,800	-25%
<i>Other locations</i>	Mg	1,659	2,445	47%

Powder coatings	Mg	1,390	1,337	-4%
Plastic granulates	Mg	871	1,116	28%
Chemical substances	Mg	2,797	2,539	-9%
Glass	Mg	751	1,580	110%
Steel	Mg	988	672	-32%
Separators	Mg	2,522	2,281	-10%
Grupa KĘTY S.A.	Unit	2022	2023	Change y/y
Aluminium	Mg	17,475	16,581	-5%
Alloy components	Mg	644	532	-17%
Master alloys	Mg	1,078	1,681	56%
Aluminium scrap	Mg	31,606	33,211	5%
Imported billets	Mg	68,386	72,935	7%

Implementation of the 'circular economy' idea

GRI 301-2

Circular economy is a concept focused on reasonable and effective use of resources and minimising the negative impact on the environment of the products manufactured. The companies of Grupa KĘTY have implemented a series of actions conforming with the concept, and each of the operating segments has specified a specific goal aimed at increasing the share of recycled materials in products.

- EPS: Increased share of aluminium scrap in extruded profiles;
- FPS: Growth of the share of the manufactured packaging films and laminates fit for recycling;
- ASS: Increase in the number of Aluprof-systems-constructed buildings with environmentally-friendly certificates.

Grupa KĘTY S.A. recycles aluminium scrap generated by its production plants as well as scrap purchased from the market. The scrap is a component of materials for the production of aluminium billets, which are further used in extruding profiles. The plant selectively collects the particular grades of scrap and, as a result, it does not apply in the remelting process any fluxing agents that are harmful to the environment. The process is subject to strict requirements regarding the quality of the purchased scrap. As a result, there is no contaminated aluminium in the remelting process and no hazardous substances which could pose a risk to the environment are emitted to air.

The ASS and FPS do not carry out directly the processes of waste recovery or recycling. As regards those segments, very important is the offering of products on the markets with a very high share of recycled or recyclable materials.

The ambition of the ASS is to supply reliable architectural solutions and co-creation of sustainable supply chain for the construction industry, which is related to the higher share of the Segment products in environmentally-certified investment projects. The list of certified buildings made with Aluprof solutions has been constantly growing. This results mainly from raised awareness among investors, who develop buildings in a sustainable manner, based on environmentally- and human-friendly materials. Aluprof products made from high-quality profiles with high content of recycled materials content perfectly fit the trend. Apart from fulfilling the thermal, acoustic, strength and durability requirements, as well as weather resistance, Aluprof window-and-door and façade systems possess Environmental Product Declarations (EPD), and additional Cradle-to-Cradle environmental certificates, thanks to which they fit building certification programs such as BREEAM, LEED or DGNB.

The FPS, as the leader in flexible packaging in Poland and an important supplier in Europe, develops the production of plastic packaging fit for recycling. This means packaging based on paper or refined paper, or on plastics with homogeneous structure. The structure of laminates and smaller printed areas compared with the current standards, make them easier to recycle. As regards plastic packaging, the Segment concentrates on higher sales levels of BOPP films, laminates based on polypropylene and polyethylene films, and polyolefines-based laminates.

In 2023:

- at the EPS the total share of scrap in the production of soft-alloy billets was increased to 74%, representing a growth by 5% y/y;
- at the ASS the number of buildings fitted with Aluprof systems, which are included in the certified buildings records, increased for 42 new prestigious investment projects;
- at the FPS the quantitative share [reflected in m²] of recyclable films and laminates in all packaging produced was increased year over year by 0.3% reaching the total of 90%.

TABLE 50: PERFORMANCE OF CIRCULAR-ECONOMY-BASED PROJECTS

Capital Group	Unit	2022	2023	Change y/y
Companies located in Poland				
Total share of aluminium scrap in soft-alloy billets production	%	70.5	74.0	5%
Number of Aluprof-systems-built buildings included in the certified buildings databases in the respective year	pcs	41.0	42.0	2%
Percentage share of recyclable films and laminates in m ²	%	89.9	90.2	0%
Grupa KĘTY S.A.				
Total share of aluminium scrap in soft-alloy billets production	%	70.5	74.0	5%

Energy consumption and energy efficiency

GRI 302-1

Energy efficiency of production systems is treated as a priority at the Capital Group companies, despite the fact that they run business in the sector which has a major impact on climate. The consumption of energy is subject to planning and monitoring. The particular units must report their actual energy consumption, and – when the planned volumes are exceeded – the growth-cause analysis is carried out. Meters are installed both at the place of supply and consumption of utilities. The readings form basis for the costs allocation to the sources of their origin. This is measured with the use of a dedicated system which ensures real-time control of all utilities processing devices. Data concerning their operation are transmitted to the central management point, which ensures immediate response to or correction of any deviations. Saving activities are implemented following efficiency audits carried out. Electricity is used at the companies, for example, to power production and auxiliary devices and also to illuminate halls and rooms. Natural gas is used in the processes of heat treatment and to heat rooms. The thermal energy purchased is used to heat rooms. The companies do not use any energy from nuclear sources, or coal and coal products.

There was appointed a team for energy transformation whose role is to ensure energy supply and search for projects that result in energy consumption reduction and improvement of energy efficiency.

In 2023, the EPS carried out 4 projects for which the Company obtained energy-efficiency certificates from the Energy Regulatory Office as a confirmation of energy savings. The projects were related to modernisation or replacement of lighting, for which the total value of energy-efficiency certificates equalled 108.1 toe. Other projects focusing on replacement of burners in the melted aluminium storage furnace or installing inverters at the melting and casting line are pending.

At the ASS, noteworthy projects include the installation of solar panels, which made it possible to reduce gas consumption for heating domestic hot water, and the replacement of pumps in the intermittent washing area, which resulted in reducing electricity consumption by the powder coating line. A major project in the context of electric energy consumption was the shut-down of the electroplating shop at the Złotów plant.

An example of effective actions taken in 2023 at the FPS is heat recovery from the engineering processes by way of installing compressors which reduce energy consumption and connecting the engineering boilers in one system, which enabled decommissioning of one of the boilers.

All that contributed to more effective electric energy, heating and natural gas consumption. At the domestic companies the energy/gas/heating consumption intensity ratio per ton of production was reduced compared with 2022 by 2%, 9%, and 4% y/y, respectively, whereas at Grupa KĘTY S.A. the reduction equalled 7%, 1%, and 13% respectively.

TABLE 51: DIRECT ENERGY CONSUMPTION IN 2022 AND 2023, BY MAIN ENERGY SOURCES

Capital Group	Unit	2022	2023	Change y/y
Poland				
Electricity	GJ	632,622	620,423	-2%
Natural gas	GJ	544,330	495,808	-9%
Heat	GJ	69,007	66,021	-4%
Other locations				
Electricity	GJ	21,288	22,215	4%
Natural gas	GJ	10,509	17,116	63%
Heat	GJ	377	416	10%
Grupa KĘTY S.A.				
Electricity	GJ	270,147	265,379	-2%
Natural gas	GJ	271,622	283,955	5%
Heat	GJ	44,306	40,761	-8%

TABLE 52: INTENSITY OF ENERGY CONSUMPTION IN 2022 AND 2023, BY MAIN ENERGY SOURCES

Capital Group	Unit	2022	2023	Change y/y
Poland				
Intensity of electric energy consumption	GJ/Mg	2.13	2.09	-2%
Intensity of natural gas consumption	GJ/Mg	1.83	1.67	-9%
Intensity of heat consumption	GJ/Mg	0.23	0.22	-4%
Other locations				
Intensity of electric energy consumption	GJ/Mg	4.69	3.15	-33%
Intensity of natural gas consumption	GJ/Mg	2.31	2.43	5%
Intensity of heat consumption	GJ/Mg	no data	no data	
Grupa KĘTY S.A.				
Intensity of electric energy consumption	GJ/Mg	2.34	2.17	-7%
Intensity of natural gas consumption	GJ/Mg	2.35	2.32	-1%
Intensity of heat consumption	GJ/Mg	0.38	0.33	-13%

Water consumption

GRI 303-1, GRI-303-3

Water is one of the most valuable resources on the Earth, therefore, the Group companies treat water management in a responsible way. Grupa KĘTY S.A. withdraws water from its own water intakes, i.e. from a well and from ground drainage. The well supplies the drinking water system at the plant and is the main source of water for the employee amenities. The basic source of water for production processes is the drainage system at the plant. Water is used based on the possessed water permit. With regard to chemical and heat treatment of aluminium, the company optimises its production processes and uses circulation systems. Of key importance is the use of water originating from land drainage systems, which used to be lost irrecoverably, and also the closed-circuit circulation of cooling water used in the heat treatment processes related to aluminium melting and processing. In 2023, the plant saved approximately 2 million m³ of water in that way. Also in 2023, the Company implemented water consumption projects, which resulted in reduced consumption of underground waters by over 70,000 m³ compared to 2022.

The other Group companies do not have their own water intakes. Water is purchased from third-party suppliers on the basis of appropriate agreements. Water is used for engineering and social purposes. Water consumption is monitored within the ISO 14001 system procedures. The total consumption of water purchased from city mains increased by 3% compared with 2022.

TABLE 53: TOTAL WATER WITHDRAWAL IN 2022 AND 2023, BY SOURCE

Capital Group	Unit	2022	2023	Change y/y
Companies located in Poland				
Underground water	m ³	197,952	125,674	-37%
Ground drainage	m ³	352,955	344,342	-2%
Municipal water supply system	m ³	155,143	159,544	3%
Other locations				
Underground water	m ³	0	0	-
Ground drainage	m ³	0	0	-
Municipal water supply system	m ³	24,259	24,876	3%
Grupa KĘTY S.A.				
Underground water	m ³	197,952	125,674	-37%
Ground drainage	m ³	352,955	344,342	-2%
Municipal water supply system	m ³	0	0	-

Water reuse

With regard to the nature of production, water reuse in large quantities refers mainly to Grupa KĘTY S.A. and the companies of the Flexible Products Segment. For that purpose closed circuits have been applied to recycle water. The effect is achieved by cooling and recirculation of water in heating processes. Closed-circuit systems allow for substantial savings. In order to increase water recycling effectiveness at Grupa KĘTY S.A., a drainage system was installed at the roofs of the selected production halls, which is connected to a water return sump. During rainfall water from the roof supplements the evaporated water and refreshes water in the closed circuit. In 2023, within the capital project of building new press lines hall, special retention basins of the total capacity of 750 m³ were installed, enabling intercepting and using storm water.

In this way Grupa KĘTY S.A. saved over 2.8 million m³ of water in 2023, which represents 6% increase y/y. With regard to reduced production size by 7% y/y, the quantity of water recycled by the FPS companies dropped from 15.98 million m³ in 2022 to 15,35 million m³ in 2024 (4%) . Therefore, the total quantity of water reused by the Capital Group for cooling purposes decreased by 3% y/y.

TABLE 54: VOLUME OF WATER RECYCLED AND REUSED IN 2022 AND 2023

Capital Group	Unit	2022	2023	Change y/y
<i>Companies located in Poland</i>				
Volume of recycled water	m ³ thousands	18,629	18,155	-3%
<i>Other locations</i>				
Volume of recycled water	m ³ thousands	0	0	
Grupa KĘTY S.A.	Unit	2022	2023	Change y/y
Volume of recycled water	m ³ thousands	2,649	2,801	+6%

Wastewater management

GRI 303-4

At the Capital Group companies process and sanitary wastewater originates. Supervision and monitoring of the wastewater production and discharge limits its negative impact on the environment and potential risks. Special supervision focuses on wastewater originating in the aluminium chemical treatment processes.

At the EPS, Grupa KĘTY S.A. and its subsidiary AK EMMI discharge wastewater directly to surface waters. At the ASS, the same situation refers to the plant in Złotów. Security measures have been taken at the companies to prevent the possible spills. The wastewater is discharged based on a water permit possessed. The quality of the discharged wastewater is tested at regular intervals by accredited laboratories. The permit conditions have been met. The treatment systems are fit with specially-designed pre-treatment solutions serving neutralisation of specific types of wastewater. In 2023 the electroplating shop at the Złotów plant was shut down, which resulted in a significant reduction of wastewater discharged and improvement of wastewater quality.

The other companies of the ASS as well as the FPS companies discharge wastewater after pre-treatment solely to the sewer systems of third-party companies.

In 2023, the quantity of wastewater discharged to sewer systems by the domestic companies increased. It resulted from a larger quantity of storm water discharged by Grupa KĘTY, for example from the areas of new investment projects, such as profiles extrusion press line hall or the logistics centre. The plant obtained a separate water permit in that scope in order to discharge the wastewater to the Młynówka Czaniecka river.

The total quantity of wastewater discharged by the Capital Group companies to the sewer systems of third-party companies grew by 10% compared with 2022, owing to the discharge from new powder coating facilities at the plant in Bielsko-Biała.

In 2023, no excesses were recorded at companies discharging wastewater to surface waters.

The objective for all companies of the Capital Group is to maintain wastewater parameters at the lowest possible level, and optimise production processes with regard to wastewater origination.

TABLE 55: WASTEWATER DISCHARGE IN 2022 AND 2023, BY DESTINATION

Capital Group	Unit	2022	2023	Change y/y
<i>Companies located in Poland</i>				
To public sewer system	m ³ thousands p.a.	135	149	10%
- including wastewater from chemical treatment of aluminium	m ³ thousands p.a.	65	83	28%
To surface waters	m ³ thousands p.a.	653	788	21%
- including wastewater from chemical treatment of aluminium	m ³ thousands p.a.	325	354	9%
<i>Other locations</i>				
To public sewer system	m ³ thousands p.a.	3.82	3.06	-20%
To surface waters	m ³ thousands p.a.	15.8	15.3	-3%
Grupa KĘTY S.A.	Unit	2022	2023	Change y/y
To public sewer system	m ³ thousands p.a.	17	17	-1%
To surface waters	m ³ thousands p.a.	621	773	24%
- including wastewater from chemical treatment of aluminium	m ³ thousands p.a.	304	345	13%

Waste management

GRI 306-1, GRI 306-2

The companies of Grupa KĘTY focus their activities on efficient management of the waste produced. Waste produced is managed in accordance with the EU and Polish regulations, ensuring safety for the environment. The methods are adjusted on a current basis to the changing formal and legal environment. Waste is collected selectively. Storage areas are separated from the ground, and waste is kept in special hermetic containers. The Company keeps quantitative and qualitative records. Waste which is not managed in-house is handed over to companies with the required licences. Waste management processes are monitored within the implemented environmental management system, in accordance with the ISO 14001 standard.

Aluminium scrap is the typical waste produced by the EPS. The scrap is a valuable material for the production of aluminium billets in the remelting process.

The main waste produced by the ASS includes the remains from aluminium processing, sludge from sewage treatment and waste coating powders. Characteristic waste produced in the process of packaging manufacturing at the FPS includes multi-material laminates, paper, aluminium foil, plastics, waste paints, lacquers and adhesives.

The total quantity of waste produced by Grupa KĘTY S.A. compared with the values for 2022 grew by 2%. Larger quantity of waste resulted mainly from commissioning of new systems for aluminium bars homogenisation and a new line for extrusion and heat treatment of aluminium profiles. At the same time, the quantity of waste generated per ton of product was reduced by 4%. The total quantity of waste generated by the Group companies in Poland did not change significantly, similarly as the intensity ratio. At the foreign companies of Grupa KĘTY S.A. the share of recycled waste was increased compared with the quantity of waste generated by 149% y/y.

In 2023, at the companies of the FPS there were commissioned new coating systems, which are supposed to contribute to a reduction in the quantity of hazardous waste generation in the coming years.

TABLE 56: PRODUCED WASTE AND WASTE MANAGEMENT IN 2022 AND 2023

Capital Group	Unit	2022	2023	Change y/y
<i>Companies located in Poland</i>				
Produced hazardous waste	Mg	6,216	5,012	-19%
Produced non-hazardous waste	Mg	43,806	45,101	3%
Total produced waste	Mg	50,022	50,113	0%
Waste recovered	Mg	49,361	49,337	0%
Neutralised waste	Mg	662	775	17%
Total produced waste per ton of product	Mg/Mg	0.168	0.169	0%
<i>Other locations</i>				
Produced hazardous waste	Mg	208	262	26%
Produced non-hazardous waste	Mg	1,512	1,780	18%
Total produced waste	Mg	1,720	2,042	19%
Waste recovered	Mg	552	1,377	149%
Neutralised waste	Mg	786	297	-62%
Grupa KĘTY S.A.	Unit	2022	2023	Change y/y
Produced hazardous waste	Mg	2,564	1,737	-32%
Produced non-hazardous waste	Mg	30,304	31,691	5%
Total produced waste	Mg	32,868	33,429	2%
Waste recovered	Mg	32,867	33,426	2%
Waste neutralised	Mg	1.3	2.1	62%
Total produced waste per ton of product	Mg/Mg	0.284	0.273	-4%

Quantity of waste recycled from the aluminium remelting system

Grupa KĘTY S.A. has in place the aluminium recovery process. Recycled is aluminium scrap generated by our production plants as well as scrap purchased from the market. The process is carried out at the Billets Production Department. Aluminium remelting is carried out in a battery of melting-and-casting induction furnaces (for hard-alloy billets) and gas furnaces (for soft-alloy billets). The plant selectively collects the particular grades of scrap. By recovering aluminium, the Company saves a lot of energy needed to produce primary aluminium. Compared with 2022, the quantity of remelted scrap increased from 31,600 tons to 33,200 tons (+5%).

TABLE 57: QUANTITY OF WASTE RECYCLED

Grupa KĘTY S.A.	Unit	2022	2023	Change y/y
Aluminium scrap recycling	Mg	31,606	33,211	5%
Scrap recycling per production unit	Mg/Mg	0.273	0.271	-1%

Level of environmental compliance

GRI 307-1

The Capital Group of Grupa KĘTY S.A. is aware of its responsibility with regard to environment and climate protection. Maintenance of constant compliance with legal regulations in the area of environmental protection, both the domestic and EU ones, as well as adequate internal policies are a key element of environment management. Within the ISO 14001 system procedures, periodical audits of legal compliance are carried out. Once a year, in liaison with the Compliance and Risk Management Department, compliance assessment as well as threats and opportunities analyses are performed. Moreover, companies may avail of the services of external law firms. The environment quality measurements and analyses carried out by the companies as well as inspections performed by the competent state authorities are an additional confirmation of compliance with the standards

In 2023, none of the Capital Group companies paid any fines or was subject to other sanctions for excessive use of the environment.

In 2023, a fine was imposed on Aluprof on account of failure to timely disclose four cooling devices in the Central Operators Register. Effective corrective actions were implemented in order to ensure timely performance of the duty in the future.

Following the ‘polluter-pays’ principle, the companies of the Capital Group of Grupa KĘTY S.A. pay fees on the use of the environment, which is an equivalent for pollutants emission. Below presented are the values of fees for emissions to air, water withdrawal, and wastewater discharge. The aim of the companies is to limit their impact on the environment and, thus, reduce the value of charges imposed on that account.

In 2022, thanks to further optimisation of water consumption in processes, the withdrawal of water from in-house sources was limited, which resulted in a 13% reduction of fees paid on that account compared with 2022. The total value of environmental charges paid by the Group companies dropped by 3%.

However, at Grupa KĘTY S.A. the total charges grew by 5% y/y. This resulted from fees on account of emissions to air and discharge of wastewater to ground waters, as an effect of commissioning of new investment projects (homogenisation line and aluminium profiles extrusion lines).

TABLE 58: FEES FOR EMISSIONS TO AIR, WATER WITHDRAWAL, AND WASTEWATER DISCHARGE IN 2022 AND 2023

Capital Group	Unit	2022	2023	Change y/y
<i>Companies located in Poland</i>				
Air emissions charges	PLN	223,772	206,692	-8%
Water withdrawal charges	PLN	148,508	129,902	-13%
Wastewater charges	PLN	40,104	64,914	62%
Total environmental charges	PLN	412,384	401,508	-3%
<i>Other locations</i>				
Air emissions charges	EUR	86	244	185%
Water withdrawal charges	EUR	2,338	2,571	10%
Wastewater charges	EUR	736	783	7%
Total environmental charges	EUR	3159	3598	14%
Grupa KĘTY S.A.	Unit	2022	2023	Change y/y
Air emissions charges	PLN	30,024	33,164	10%
Water withdrawal charges	PLN	148,508	129,902	-13%
Wastewater charges	PLN	37,695	63,602	69%
Total environmental charges	PLN	216,227	226,668	5%

Environmental impact grievances

Neither in 2023, nor in the preceding year, the Capital Group companies received any complaints in relation to the use of the environment.

9.8 Social impact

9.8.1 Employees

GRI 3-1, 3-2, 3-3

In business, it is essential to set goals that lead to success. Each organization defines success according to its own needs or expectations, but in the midst of them one can notice many common elements. Flexibility is necessary to secure the required position on the market, and the most flexible link are human resources.

At the Capital Group of Grupa KĘTY S.A. we emphasise with actions that employees are our strategic resource. Through their work, they shape the corporate processes, whereas their unique skills allow the organization to achieve its goals and gain competitive advantage. Through the relationships established and values recognized they shape the identity and organizational culture of our Group.

One of our pillars in the social area is to build the image of an attractive employer in the region as well as the image of an innovative sector. We have focused on acquiring talents and building a stable and engaged team. Particularly important for us is the first contact with the potential employee. The recruitment processes at the Group companies are carried out in a transparent manner, by way of precise determination of requirements with regard to competence, and ensuring equal treatment. In the first place, we have been using the forms of internal recruitment, directing the offer to our employees, which promotes development within the organisation. The purpose of recruitment is the employment of highly qualified people, not only at the specific moment but also within the future perspective. This means, among other things, that we invite to our organisation people with extensive professional experience but also candidates interested in intensive development. We spend time and resources for both parties to achieve success.

Each new employee brings new knowledge to the organisation, as well as a different point of view and experience. Thanks to that there is a possibility to view the pending processes from another perspective, stepping out of routine and improving work. Each employee, regardless of their length of service, is treated individually and with due care.

Offering jobs, the Capital Group companies ensure to provide competitive conditions. The most important element is remuneration. Its value depends on the job valuation and is specified in pay bands disclosed in the Remuneration Rules or Collective Bargaining Agreements. Every year we carry out a pay-scale review based on market reports in that regard.

Individual remuneration is granted adequately to the scope of duties, responsibility, skills and the results achieved. Those who manage teams of people avail of incentive and bonus fund as well as other forms of award. The companies also maintain the Corporate Social Benefits Funds, within which various forms of support are provided.

Jobs are designed such as to prompt the professional development path. Moreover, companies offer the possibility of promotion in other departments or divisions, or at other companies of the Capital Group.

Regardless of the differences in operating activities, the Capital Group companies follow the universal principles, which define the nature of relationship between the employer and the employee. These include respect for diversity, ensuring equal opportunities, and mutual respect. The principles are included in the Code of Ethics and the related policies, and are reflected in the definition of each process.

9.8.2 Headcount

GRI 2-7, 2-8

As at the end of 2023, the headcount on the basis of employment contracts at the Capital Group companies equalled 5,446 people, which means a reduction by 1% compared with the end of December 2022 (except for specific work contracts, agency contracts or other – complete data in the table below).

The basic form of employment at the Capital Group companies are employment contracts, among which over 85% is represented by contracts for unlimited term. Among those employed based on employment contracts 31% at the end of 2023 was represented by women.

The headcount of people working on employment contracts at the Polish companies of the Capital Group equalled 4,783 at the end of 2023, and dropped by 1% y/y. The foreign companies employed 663 people at the end of 2023, which is also a drop by 1% y/y.

At the domestic companies the first contract is signed for a 3-month trial period. Owing to the fact that in such a short period it is difficult to assess the skills and potential of an employee, we have planned to extend the trial term and, therefore, specific term contracts are signed. Specific-term contracts do not exceed the maximum period of work provided by law, i.e. 33 months.

Owing to the production profile of the Group companies, 70% of people are working on blue-collar positions, and 30% of people on white-collar positions, including 4% managerial staff.

The headcount broken down by gender, age, type of position or employment contract is presented in the following tables.

TABLE 59: HEADCOUNT IN 2023, BY GENDER

2023	Gender	Trial period contracts	Permanent contracts	Unlimited term contracts	Replacement contracts	Specific task contracts	Agency contracts	Other contracts	Total
Capital Group	Total:	106	705	4,634	1	0	10	50	5,506
	- women	39	269	1,374	1	0	3	2	1,688
	- men	67	436	3,260	0	0	7	48	3,818
of which:									
- companies located in Poland	Total:	106	669	4,008	0	0	10	47	4,840
	- women	39	247	1,143	0	0	3	2	1,434
	- men	67	422	2,865	0	0	7	45	3,406
- other locations	Total:	0	36	626	1	0	0	3	666
	- women	0	22	231	1	0	0	0	254
	- men	0	14	395	0	0	0	3	412
Grupa KĘTY S.A.	Total:	28	135	1,301	0	0	2	0	1,466
	- women	4	38	340	0	0	1	0	383
	- men	24	97	961	0	0	1	0	1,083

TABLE 60: HEADCOUNT IN 2022, BY GENDER

2022	Gender	Trial period contracts	Permanent contracts	Unlimited term contracts	Replacement contracts	Specific task contracts	Agency contracts	Other contracts	Total
Capital Group	Total:	26	851	4,610	1	0	8	49	5,545
	- women	8	340	1,352	1	0	2	4	1,707
	- men	18	511	3,258	0	0	6	45	3,838
of which:									
- companies located in Poland	Total:	24	818	3,972	1	0	8	49	4,872
	- women	7	322	1,115	1	0	2	4	1,451
	- men	17	496	2,857	0	0	6	45	3,421
- other locations	Total:	2	33	638	0	0	0	0	673
	- women	1	18	237	0	0	0	0	256
	- men	1	15	401	0	0	0	0	417
Grupa KĘTY S.A.	Total:	6	149	1,255	0	0	2	0	1,412
	- women	0	49	338	0	0	1	0	388
	- men	6	100	917	0	0	1	0	1,024

TABLE 61: HEADCOUNT IN 2023, BY TYPE OF POSITION

2023		Women	Men	Trial period contracts	Permanent contracts	Unlimited term contracts	Replacement contracts	Specific task contracts	Agency contracts	Other contracts	Temporary employees
Capital Group	Total:	1,683	3,763	106	702	4,637	1	0	10	50	305
	- management staff	48	163	0	3	208	0	0	2	4	0
	- other white-collar staff	684	747	29	148	1,253	1	0	4	46	3
	- blue-collar workers	951	2,853	77	551	3,176	0	0	4	0	302
of which:											
- companies located in Poland	Total:	1,429	3,354	106	669	4,008	0	0	10	47	292
	- management staff	30	133	0	2	161	0	0	2	3	0
	- other white-collar staff	615	616	29	139	1,063	0	0	4	44	0
	- blue-collar workers	784	2,605	77	528	2,784	0	0	4	0	292
- other locations	Total:	254	409	0	33	629	1	0	0	3	13
	- management staff	18	30	0	1	47	0	0	0	1	0
	- other white-collar staff	69	131	0	9	190	1	0	0	2	3
	- blue-collar workers	167	248	0	23	392	0	0	0	0	10
Grupa KĘTY S.A.	Total:	382	1,082	28	135	1,301	0	0	2	0	0
	- management staff	7	42	0	0	49	0	0	0	0	0
	- other white-collar staff	135	183	3	24	291	0	0	1	0	0
	- blue-collar workers	240	857	25	111	961	0	0	1	0	0

TABLE 62: HEADCOUNT IN 2022, BY TYPE OF POSITION

2022		Women	Men	Trial period contracts	Permanent contracts	Unlimited term contracts	Replacement contracts	Specific task contracts	Agency contracts	Other contracts	Temporary employees
Capital Group	Total:	1,682	3,806	26	851	4,610	1	0	9	49	174
	- management staff	41	156	0	3	187	0	0	2	3	0
	- other white-collar staff	663	729	7	187	1,204	1	0	5	46	3
	- blue-collar workers	978	2,921	19	661	3,219	0	0	2	0	171
of which:											
- companies located in Poland	Total:	1,426	3,389	24	818	3,972	1	0	9	49	159
	- management staff	28	121	0	2	142	0	0	2	3	0
	- other white-collar staff	592	599	5	180	1,010	1	0	5	46	0
	- blue-collar workers	806	2,669	19	636	2,820	0	0	2	0	159
- other locations	Total:	256	417	2	33	638	0	0	0	0	15
	- management staff	13	35	0	1	45	0	0	0	0	0
	- other white-collar staff	71	130	2	7	194	0	0	0	0	3
	- blue-collar workers	172	252	0	25	399	0	0	0	0	12
Grupa KĘTY S.A.	Total:	368	1,042	6	149	1,255	0	0	2	0	0
	- management staff	7	41	0	0	48	0	0	0	0	0
	- other white-collar staff	126	176	1	22	279	0	0	1	0	0
	- blue-collar workers	235	825	5	127	928	0	0	1	0	0

TABLE 63: HEADCOUNT (EMPLOYMENT CONTRACTS) IN 2023, BY AGE

2023	Age group	Men	Women	Blue-collar workers	White-collar staff	Men	Women	Blue-collar workers	White-collar staff
Capital Group	Total:	3,763	1,683	3,802	1,644	69%	31%	70%	30%
	- below 30	622	255	678	199	11%	5%	12%	4%
	- 30-50	2,261	1,127	2,209	1,179	42%	21%	41%	22%
	- over 50	880	301	915	266	16%	6%	17%	5%
of which:									
- companies located in Poland	Total:	3,354	1,429	3,387	1,396	70%	30%	71%	29%
	- below 30	572	237	626	183	12%	5%	13%	4%
	- 30-50	2,034	963	1,975	1,022	43%	20%	41%	21%
	- over 50	748	229	786	191	16%	5%	16%	4%
- other locations	Total:	409	254	415	248	62%	38%	63%	37%
	- below 30	50	18	52	16	8%	3%	8%	2%
	- 30-50	227	164	234	157	34%	25%	35%	24%
	- over 50	132	72	129	75	20%	11%	19%	11%
Grupa KĘTY S.A.	Total:	1,082	382	1,097	367	74%	26%	75%	25%
	- below 30	170	33	173	30	12%	2%	12%	2%
	- 30-50	641	276	650	267	44%	19%	44%	18%
	- over 50	271	73	274	70	19%	5%	19%	5%

TABLE 64: HEADCOUNT (EMPLOYMENT CONTRACTS) IN 2022, BY AGE

2022	Age group	Men	Women	Blue-collar workers	White-collar staff	Men	Women	Blue-collar workers	White-collar staff
Capital Group	Total:	3,806	1,682	3,899	1,589	69%	31%	71%	29%
	- below 30	687	296	777	206	13%	5%	14%	4%
	- 30-50	2,279	1,088	2,233	1,134	42%	20%	41%	21%
	- over 50	840	298	889	249	15%	5%	16%	5%
of which:									
- companies located in Poland	Total:	3,389	1,426	3,475	1,340	70%	30%	72%	28%
	- below 30	634	270	714	190	13%	6%	15%	4%
	- 30-50	2,037	925	1,988	974	42%	19%	41%	20%
	- over 50	718	231	773	176	15%	5%	16%	4%
- other locations	Total:	417	256	424	249	62%	38%	63%	37%
	- below 30	53	26	63	16	8%	4%	9%	2%
	- 30-50	242	163	245	160	36%	24%	37%	24%
	- over 50	122	67	116	73	18%	10%	17%	11%
Grupa KĘTY S.A.	Total:	1,042	368	1,060	350	74%	26%	75%	25%
	- below 30	153	40	164	29	11%	3%	12%	2%
	- 30-50	637	256	632	261	45%	18%	45%	19%
	- over 50	252	72	264	60	18%	5%	19%	4%

There were 62% of employees aged between 30 and 50. Employees aged below 30 represent 16% of headcount, whereas employees over 50 years of age – 22% of headcount.

Within the age structure, the largest group of men are aged between 30 and 50 – 42%. The lowest number is recorded for women aged over 50, i.e. 6%.

The Capital Group companies also employ people through temporary employment agencies. The headcount at the end December 2023 is presented in the above table.

Most temporary employees were working at the Aluminium Systems Segment. In 2023, Aluprof S.A. cooperated with eight temporary employment agencies, hiring 292 people as at 31 December 2023. The average monthly headcount was 247 people, whereas the number is usually higher in the second half of the year. Temporary work was performed on production and warehouse positions.

EMPLOYMENT INDICATORS

GRI 401-1

In 2023, the companies of the Capital Group were joined by 620 people, including 30% of women.

In the discussed period, 980 employees left the Company. Among that group 36% were aged below 30 years, and 7% were aged over 60 years.

Defining the goals in our business strategy as regards social indicators, we referred mainly to staff turnover, calculated as the product of the total number of employees who left the organisation within the last 12 months to the average headcount. Our objective is to reduce the ratio by 5% y/y. Owing to the pandemic, the value of the indicator in 2020 was disturbed compared with the preceding years, therefore, 2019 was assumed as the base year. Thus, we have determined partial goals for the particular years. Starting from the value of 12.6 in 2019, we have determined the maximum level as 10.26 in 2023. Our result in 2023 was 12.2 (compared with 12.3 in 2022), which means that the assumed goal was not attained.

A key tool for the staff turnover ratio are the exit interviews with the employees leaving the organisation. We have been analysing their opinions regarding working conditions and company offer, collecting valuable remarks, and based on that we have been improving our working environment.

TABLE 65: NEW EMPLOYEES (EMPLOYMENT CONTRACTS) IN 2023, BY GENDER AND AGE

2023	Gender	Aged up to 30	Aged 31-40	Aged 41-50	Aged 51-60	Aged over 60	Total
Capital Group	Total:	262	174	138	40	6	620
	- women	52	68	53	13	2	188
	- men	210	106	85	27	4	432
of which:							
- companies located in Poland	Total:	251	152	113	29	5	550
	- women	51	58	43	9	2	163
	- men	200	94	70	20	3	387
- other locations	Total:	11	22	25	11	1	70
	- women	1	10	10	4	0	25
	- men	10	12	15	7	1	45
Grupa KĘTY S.A.	Total:	68	23	23	6	1	121
	- women	8	9	9	4	1	31
	- men	60	14	14	2	0	90

TABLE 66: NEW EMPLOYEES (EMPLOYMENT CONTRACTS) IN 2022, BY GENDER AND AGE

2022	Gender	Aged up to 30	Aged 31-40	Aged 41-50	Aged 51-60	Aged over 60	Total
Capital Group	Total:	244	175	137	48	7	611
	- women	78	85	59	18	1	241
	- men	166	90	78	30	6	370
of which:							
- companies located in Poland	Total:	228	148	117	42	6	541
	- women	71	74	47	17	1	210
	- men	157	74	70	25	5	331
- other locations	Total:	16	27	20	6	1	70
	- women	7	11	12	1	0	31
	- men	9	16	8	5	1	39
Grupa KĘTY S.A.	Total:	34	30	20	14	2	100
	- women	8	16	9	9	0	42
	- men	26	14	11	5	2	58

TABLE 67: EMPLOYEES WITH WHOM EMPLOYMENT CONTRACTS WERE TERMINATED IN 2023, BY GENDER

2023	Gender	Aged up to 30	Aged 31-40	Aged 41-50	Aged 51-60	Aged over 60	Total
Capital Group	Total:	353	286	173	96	72	980
	- women	159	119	70	33	31	412
	- men	194	167	103	63	41	568
of which:							
- companies located in Poland	Total:	340	248	149	68	68	873
	- women	155	103	62	23	29	372
	- men	185	145	87	45	39	501
- other locations	Total:	13	38	24	28	4	107
	- women	4	16	8	10	2	40
	- men	9	22	16	18	2	67
Grupa KĘTY S.A.	Total:	47	20	17	10	26	120
	- women	22	9	7	2	11	51
	- men	25	11	10	8	15	69

TABLE 68: EMPLOYEES WITH WHOM EMPLOYMENT CONTRACTS WERE TERMINATED IN 2022, BY GENDER

2022	Gender	Aged up to 30	Aged 31-40	Aged 41-50	Aged 51-60	Aged over 60	Total
Capital Group	Total:	391	349	205	98	103	1,146
	- women	169	146	79	34	46	474
	- men	222	203	126	64	57	672
of which:							
- companies located in Poland	Total:	366	324	184	82	97	1,053
	- women	158	138	72	28	44	440
	- men	208	186	112	54	53	613
- other locations	Total:	25	25	21	16	6	93
	- women	11	8	7	6	2	34
	- men	14	17	14	10	4	59
Grupa KĘTY S.A.	Total:	31	40	18	8	37	134
	- women	14	17	6	2	16	55
	- men	17	23	12	6	21	79

9.8.3 Employee benefits

GRI 401-2

Twelve companies of the Capital Group offer additional pension plans to their employees within the so called third pillar. In Poland it is the ‘Pogodna Przyszłość’ plan, which covers all employees with at least one year of service. In 2023, 38% of the Capital Group employees availed of the plan. Foreign companies also offer similar plans.

At 11 companies of the Capital Group there are additional pension funds. In the second half of 2019, the companies in Poland launched a new pension plan, based on the Act on Employee Capital Plans (PPK). The payments to the PPK account come from the employer, the employee, and the state. As at 31 December 2023, 47% of the Capital Group employees have availed of the PPK plans. In our statistics, we have also covered for similar plans applied by our foreign companies.

TABLE 69: EMPLOYEE PENSION PLANS IN 2023

2023	Number of eligible employees	Number of insured employees	Percent of insured to total headcount
Capital Group			
Employee Pension Plans (e.g. PPE)		2,083	39%
Employee Capital Plans (PPK)	5,131	2,546	46%
of which:			
- companies located in Poland			
Employee Pension Plans (e.g. PPE)		2,028	43%
Employee Capital Plans (PPK)	4,754	2,310	48%
- other locations			
Employee Pension Plans (e.g. PPE)		55	8%
Employee Capital Plans (PPK)	377	236	35%
Grupa KĘTY S.A.			
Employee Pension Plans (e.g. PPE)		1,198	84%
Employee Capital Plans (PPK)	1,446	869	62%

TABLE 70: EMPLOYEE PENSION PLANS IN 2022

2022	Number of eligible employees	Number of insured employees	Percent of insured to total headcount
Capital Group			
Employee Pension Plans (e.g. PPE)		2,143	39%
Employee Capital Plans (PPK)	6,564	2,886	53%
of which:			
- companies located in Poland			
Employee Pension Plans (e.g. PPE)		2,090	43%
Employee Capital Plans (PPK)	6,168	2,663	55%
- other locations			
Employee Pension Plans (e.g. PPE)		53	8%
Employee Capital Plans (PPK)	396	223	33%
Grupa KĘTY S.A.			
Employee Pension Plans (e.g. PPE)		1,186	84%
Employee Capital Plans (PPK)	1,402	618	44%

Striving for the attractiveness of the work offer, the Capital Group of Grupa KĘTY S.A. has been granting additional benefits. Locally, at the particular companies, their scope differs. These include Multisport cards, lunch vouchers, or additional holiday leave days as a function of the length of service at the Group. With regard to the fact that health and safety are our priorities, we have provided our employees and their families with a broad access to health care services based on the ‘Opieka medyczna S’ medical insurance programme. In 2023, the Capital Group allocated PLN 2,857,000 as subsidy for medical packages, covering 3,696 people, which represents 77% of the employees of our domestic companies. Temporary employees (working through agencies) are not eligible to the benefits.

Collective bargaining agreements

GRI 2-30, 402-1

Regulations applicable to work rules, remuneration, incentive fund, and corporate social benefits fund describe in detail the conditions that must be met to obtain the respective benefits at the Capital Group companies. Only Grupa KĘTY S.A. has its Corporate Collective Bargaining Agreement, which applies to all employees of the Company, i.e. 100% of its workforce. The agreement is a form of cooperation between the employer and trade unions, which represents the employees’ interests. In the Code of Ethics and the Respect for Human Rights Policy, we have declared clearly that: *we respect the rights related to the freedom of association and collective bargaining agreements*; Within the Capital Group there are eight trade union organisations, whereas some of them represent the interests of the employees at several different companies.

Pursuant to the Trade Unions Act, the employer informs trade unions about any matters falling within their powers, in accordance with the deadlines laid down in the Act.

9.8.4 Diversity policy, ensuring equal opportunities

GRI 405-1, GRI 405-2, 406-1

The companies of the Capital Group comply with the commitments set out in the Diversity Policy and the Policy of Dignity at Work. The documents describe our stand in the issues related to employees or people in other relations with the Group. We declare equal opportunities, respect for diversity, ensuring decent working conditions, but first of all and foremost – abiding by the legal regulations.

The principle of equal treatment is very important at our organisation. We create equal opportunities to all employees with regard to remuneration, bonuses, skills improvement, and promotion, based on their individual abilities, achievements and work results. The factors affecting professional development as well as the superiors’ expectations from their subordinates have been formulated in a transparent manner.

The basic task in the organisation is to ensure workplace safety to the employees, not only in the physical but also mental and social dimensions, by way of prevention of unwanted phenomena.

We take steps to transform the differences which might prevent good relationship into an opportunity for the organisation’s development. A major element is the creation of project groups within which not only knowledge and experience are exchanged but also friendly relationships are built. The area is supported by the conduct standards described in the Code of Ethics of the Capital Group, which all the Group companies committed to comply with. In 2023 no discrimination cases were reported.

The table below, presents data applicable to the management staff of the companies of the Capital Group, broken down by gender, age and length of service. Men represent 84% of the staff, including 47% of people between 40 and 50 years of age, whereas with regard to the length of service, managerial staff is represented proportionally in the age bands.

Grupa KĘTY S.A. has not developed or applied any diversity policy with regard to the Company managing and supervisory bodies, and has not ensured a balanced proportion of men and women within the Management and Supervisory Boards – see description in section 10.8.

TABLE 71: MANAGEMENT STRUCTURE IN 2023, BY GENDER, AGE AND LENGTH OF SERVICE

2023	Executives, including Management Board	Women	Men	Aged up to 40	Aged 41-50	Aged over 50	Length of service at the Group up to 10 years	Length of service at the Group of 11-20 years	Length of service at the Group of over 20 years
Capital Group	92	15	77	8	43	41	29	30	33
of which:									
- companies located in Poland	64	9	55	6	31	27	13	21	30
- other locations	28	6	22	2	12	14	16	9	3
Grupa KĘTY S.A.	23	3	20	2	11	10	3	8	12

TABLE 72: MANAGEMENT STRUCTURE IN 2022, BY GENDER, AGE AND LENGTH OF SERVICE

2022	Executives, including Management Board	Women	Men	Aged up to 40	Aged 41-50	Aged over 50	Length of service at the Group up to 10 years	Length of service at the Group of 11-20 years	Length of service at the Group of over 20 years
Capital Group	80	13	67	7	45	28	25	26	29
of which:									
- companies located in Poland	55	8	47	6	31	18	13	16	26
- other locations	24	5	19	1	14	9	11	10	3
Grupa KĘTY S.A.	22	3	19	2	13	7	5	5	12

Within the risk management processes, the Capital Group companies prepare succession plans. The purpose of the plans is to ensure staffing of the highest positions in case of key employees leaving the companies. The plan refers to over 60% of the managerial staff.

At the Capital Group companies, the remuneration of the employees within the particular professional groups is verified with the provisions of internal rules and benchmarked against the market data. Also analysed is the level of remuneration of women, in relation to the remuneration of men, in the context of six professional groups. As specified in the reports drawn up, the remuneration of women represents the average of 84% of the remuneration of men. It must be mentioned, however, that the visible deviations result from both the defined methods of calculating the indicators, and different scopes of responsibilities, internally assigned competence, or level of knowledge and experience needed at work.

The structure of remuneration has been monitored by the Group companies in the context of ensuring equal opportunities and prevention of discrimination, among other things.

Table 73: DEVIATION RATE IN THE PAY OF WOMEN, BY THE MAIN GROUPS OF JOBS IN 2022 AND 2023

	Group of jobs	Deviation rate in 2022	Deviation rate in 2023
Capital Group	executive officer	76%	75%
	director	94%	87%
	manager	103%	96%
	specialist	79%	78%
	foreman	94%	89%
	production area, worker	88%	88%
Grupa KĘTY S.A.	executive officer	No women in that position	No women in that position
	director	89%	88%
	manager	92%	93%
	specialist	82%	82%
	foreman	No women in that position	No women in that position
	production area, worker	87%	87%

9.8.5 Human rights

Since 2014, Grupa KĘTY S.A. has been a Global Compact signatory, which means support to, adoption and application of ten fundamental rules relating, among other things, to human rights and labour standards in all areas of operation. The ‘Internal Relations’ chapter of our Code of Ethics clearly indicates that:

- the basic principle binding at our organisation is to abide by human rights, as described for example in the European Convention for the Protection of Human Rights;
- we respect the rights related to the freedom of association and collective bargaining agreements;
- we respect the right of our employees to privacy.

The Company abides by the Respect for Human Rights Policy, in which have declared:

- decent work conditions at all companies of the Grupa KĘTY S.A. Capital Group;
- compliance with all the binding regulations with regard to payroll, remuneration, working hours and overtime;
- safe and healthy workplaces;
- respect for diversity and the principle of equal chances;
- absolute objection to child labour and forced labour;
- respect for the rights related to the freedom of association and collective bargaining agreements;
- respect for the rights of local communities at all locations of the Capital Group companies.

Adequate provisions regarding respect for human rights have also been included in the Code of Conduct for the Suppliers of the Grupa KĘTY S.A. Capital Group.

We expect from our suppliers to:

- respect human rights in their operations;
- ensure equal treatment at work and refrain in their operations from any staff or stakeholders discrimination practices because of their sex, age, disability, race, religion, or other grounds;
- abide by the labour law provisions binding in the country of origin and business of the supplier.

In 2023, there were no reports on account of breach of the Code of Ethics with regard to human rights infringement.

9.8.6 Development of the organisation’s intellectual potential

GRI 404-1

The Capital Group is a cluster of nearly 5,500 people. We have a real influence on their development, by encouraging them to gain knowledge and raise their competencies, among other things. In raising qualifications the employees are supported with courses, training schemes and instructions. Many of them are aimed at the improvement of occupational health and safety or are a condition for the proper performance of work, other enable the extension of knowledge and skills needed in the attainment of business goals and the fulfilment of the employees’ own professional ambitions. In order to perform the assumed objectives, courses and training schemes are available to all employees or to the selected job positions, either internally or externally, carried out in traditional manners, such as a lecture or workshop, or by way of e-learning. The subjects cover engineering issues as well as soft skills.

The tables below present the number of training hours in 2022 and 2023. The number of participants significantly exceeds the headcount with regard to the calculation method, namely the number of participants of the respective training course, assuming that a person participating in more events is identified as a participant of each of them.

TABLE 74: NUMBER OF EMPLOYEES TRAINED IN 2023, BY GENDER

2023	Gender	Training participants	Training hours	Number of training hours per employee
Capital Group	Total:	12,642	86,432	15.7
	- women	3,416	28,832	16.9
	- men	9,226	57,600	15.2
of which:				
- companies located in Poland	Total:	10,858	80,600	16.7
	- women	2,687	26,847	18.6
	- men	8,171	53,753	16.0

- other locations	Total:	1,784	5,832	8.7
	- women	729	1,985	7.8
	- men	1,055	3,847	9.2
Grupa KĘTY S.A.	Total:	3,733	28,429	20.2
	- women	1,066	7,053	18.2
	- men	2,667	21,377	20.9

TABLE 75: NUMBER OF EMPLOYEES TRAINED IN 2022, BY GENDER

2022	Gender	Training participants	Training hours	Number of training hours per employee
Capital Group	Total:	11,346	66,525	12.1
	- women	2,819	16,194	9.5
	- men	8,527	50,331	13.3
of which:				
- companies located in Poland	Total:	9,612	60,914	12.7
	- women	2,046	14,074	9.7
	- men	7,566	46,841	13.9
- other locations	Total:	1,734	5,611	8.3
	- women	773	2,121	8.3
	- men	961	3,490	8.4
Grupa KĘTY S.A.	Total:	2,031	29,971	21.3
	- women	482	6,588	17.0
	- men	1,549	23,383	22.9

The area of employee development is regulated by procedures, such as:

- Staff Development,
- Training,
- Competence Management System,
- Periodical Assessment,
- Language Competence,
- Management by Objectives.

9.8.7 Occupational health and safety

GRI 403-9

Occupational health and safety is affected by many factors. Our task is to recognise and minimise the potential risks. While employing a person, we assume responsibility for them and continuously work on the improvement of safety standards.

The companies of the Capital Group of Grupa KĘTY S.A. have implemented OHS policies compliant with the legal regulations, adequately to the conditions present at the plants, as well as the principles resulting from industry standards.

Before starting work, each employee is instructed on how to safely perform their duties. At workstations there are available instructions and the principles of performance and supervision of works. Training and instruction for the employees, suggestions systems, and actions aimed at hazards identification and risk assessment are performed on regular basis. Safety is also monitored in the form of audits.

The safety management systems at the Capital Group companies comply with the regulations binding in the respective country. Teams are appointed to analyse the situation and incidents on a current basis and to identify OHS hazards. Team managers are responsible for the organisation of workplaces in accordance with the regulations, considering protection of employees against accidents at work or occupational diseases, and enforcement of OHS principles abiding by the employees. Efficient management of the area is possible thanks to procedures defining the paths of conduct in the particular situations, as well as assigning accountability.

Grupa KĘTY S.A. has appointed a team of OHS specialists responsible for monitoring the work environment. In addition, the managers of the particular organisational units appoint teams under their leadership composed of the Corporate OHS Officer, Employee Representative, Shift Foreman and other specialists, as appropriate, who:

- identify hazards that the employees and contract workers as well as visitors and other people in the workplace may face in a particular job or in a given area of the Company;
- indicate the sources of hazards and the possible effects of such hazards;
- estimate occupational risk;
- suggest preventive measures aimed at reducing or eradicating occupational risks.

As a result of such measures, the occupational risk for a given job is assessed.

All employees of the Capital Group companies are subject to the activities of teams responsible for safety at work.

TABLE 76: ACCIDENTS AT WORK – PERSONS INJURED IN 2022 AND 2023, BY AGE GROUPS

	Age group	2022 Number of people	2023 Number of people
Capital Group	Total:	59	49
	- below 30	15	11
	- 30-50	27	26
	- over 50	17	12
of which:			
- companies located in Poland	Total:	48	40
	- below 30	11	10
	- 30-50	22	20
	- over 50	15	10
- other locations	Total:	11	9
	- below 30	4	1
	- 30-50	5	6
	- over 50	2	2
Grupa KĘTY S.A.	Total:	13	5
	- below 30	1	1
	- 30-50	8	2
	- over 50	4	2

TABLE 77: ACCIDENTS AT WORK – PERSONS INJURED IN 2022 AND 2023, BY GENDER

	Gender	2022 Number of people	2023 Number of people
Capital Group	Total:	59	49
	- women	12	10
	- men	47	39
of which:			
companies located in Poland	Total:	48	40
	- women	8	7
	- men	40	33
other locations	Total:	11	9
	- women	4	3
	- men	7	6
Grupa KĘTY S.A.	Total:	13	5
	- women	2	0
	- men	11	5

In 2023, 49 people were injured in accidents at work, including 10 women and 39 men. In 44% of cases there were flesh wounds, in 11 cases bones were broken, and in 8 cases limbs were sprained or strained. Each accident was analysed in detail, and subsequently measures were implemented to prevent similar situations in the future.

In 2023, no occupational diseases were reported at the Capital Group companies. An occupational disease is one entered in the list of occupational diseases if, as a result of the working conditions evaluation, it may be indisputably confirmed or assumed with high probability that the disease had been caused by factors harmful to human health occurring in the work environment or in relation to the way work is performed, i.e. ‘occupational exposure’.

Number of OHS training hours

GRI 403-5

TABLE 78: NUMBER OF OHS TRAINING HOURS IN 2023

2023		Number of training hours for employees (employment contracts)	Is training available to other people whose work is controlled by the organisation?	of which training free-of-charge for the employee	of which training within working hours	of which the number of compulsory training for the employees
Capital Group	Total:	24,811	Depending on the company	20,990	20,990	23,545
	- compulsory training courses	23,103	Depending on the company	17,773	17,773	21,878
	- additional training courses	1,708	Depending on the company	3,216	3,216	1,667

of which:						
- companies located in Poland	Total:	22,535	Yes	18,381	18,381	22,535
	- compulsory training courses	21,188	Yes	15,748	15,748	21,188
	- additional training courses	1,347	Yes	2,632	2,632	1,347
- other locations	Total:	2,276	Depending on the company	2,609	2,609	1,010
	- compulsory training courses	1,915	Depending on the company	2,025	2,025	690
	- additional training courses	361	Depending on the company	584	584	320
Grupa KĘTY S.A.	Total:	5,050	Yes	5,377	5,377	5,050
	- compulsory training courses	4,844	Yes	5,002	5,002	4,844
	- additional training courses	206	Yes	375	375	206

TABLE 79: NUMBER OF OHS TRAINING HOURS IN 2022

2022		Number of training hours for employees (employment contracts)	Is training available to other people whose work is controlled by the organisation?	of which training free-of-charge for the employee	of which training within working hours	of which the number of compulsory training for the employees
Capital Group	Total:	20,990	Depending on the company	20,990	20,990	18,841
	- compulsory training courses	17,773	Depending on the company	17,773	17,773	16,554
	- additional training courses	3,216	Depending on the company	3,216	3,216	2,296
of which:						
- companies located in Poland	Total:	18,381	Yes	18,381	18,381	17,463
	- compulsory training courses	15,748	Yes	15,748	15,748	15,748
	- additional training courses	2,632	Yes	2,632	2,632	1,714
- other locations	Total:	2,609	Depending on the company	2,609	2,609	1,378
	- compulsory training courses	2,025	Depending on the company	2,025	2,025	796
	- additional training courses	584	Depending on the company	584	584	582
Grupa KĘTY S.A.	Total:	5,377	Yes	5,377	5,377	5,115
	- compulsory training courses	5,002	Yes	5,002	5,002	5,002
	- additional training courses	375	Yes	375	375	113

9.8.8 Social engagement

GRI 413-1

Year 2023 was special to the organisation owing to the 70th anniversary of Grupa KĘTY. The Capital Group was celebrating symbolically binding the jubilee motif with social activity. At the same time, the Company continued support to the Ukrainian employees and citizens. We were observing a changing situation, a larger group of people who had previously availed of support became independent, and some of them returned to Ukraine. At the end of 2023, support was provided to 18 people, out of which were the employees of the Capital Group companies. In 2023 over PLN 0.3 million was allocated to support for Ukraine, making it roughly PLN 2 million in total since the outbreak of the war.

Local projects

The Capital Group engages in the communities of the areas where its companies are located. We take efforts to create positive change and, therefore, together with our employees who form local communities, we respond to challenges and needs and contribute to the region's development.

‘70 local projects for 70 years of Grupa KĘTY’ was the motto of the 9th edition of the ‘Together with the Group’ programme. The voluntary efforts of our employees combined with financial support of the organisation have translated into 70 diverse projects. Among them, a major part has been devoted to sports, as an important aspect of our social engagement. Some projects were devoted to supporting and developing the artistic passions of children and youths, there were suits for dancing ensembles, musical workshops or open-air activities. As always, a strong accent were the projects carried out together with the Voluntary Fire Brigade. There were also projects related to animal aid, educational workshops, providing equipment to schools and kindergartens or simply the communities where the employees of the Capital Group companies reside. A complete report on the 2023 edition may be downloaded from: <https://grupakety.com/zrownowazony-rozwoj/spoleczenstwo/dzialalnosc-na-rzecz-spolecznosci-lokalnych/>. The Group assigned PLN 210,000 for the programme.

The activities for local communities are not limited to the ‘Together with the GROUP’ programme. The Company has undertaken tasks and engaged in actions of a broader spectrum. In 2023, it continued cooperation within the ‘Ultrakrew’ nationwide campaign promoting blood donation. Within the two editions of the action (in winter and summer) 3,359 litres of blood were collected across Poland. Blood donation has deep roots at Grupa KĘTY S.A. For many years, the Voluntary Blood Donors Club has been active at the Company, and employees have been donating their blood once a month. Only within the Ultrakrew action in Kęty 53.1 litres of blood were donated. GrupaKetyTeam joined the sports part of the blood donation action covering the distance of 10 km in a march between the piers in Gdynia Orłowo and Gdańsk Brzeźno.

Focusing on the important aspect of employee health and safety, in addition to internal OHS systems, specialised first aid training or co-financing medical insurance, the Capital Group has involved in social projects focusing on health. In 2023, the Company together with the Office of the City of Bielsko-Biała and other partners continued the cooperation started in 2021 on the ‘TooWhat’ project addressed to local communities, dealing with the important issue faced by the modern world, i.e. mental health of children and youths. Within the project in 2023 the social campaign of ‘React to HATE’ was carried out, concentrating on education in the subject of peer violence. The project was directed to the children and youths living in Bielsko-Biała. The campaign consisted in organising expert training courses for educators and the selected teachers, who further made dedicated lessons in at schools. Special content materials (leaflets, posters) were prepared and the campaign ended with an art competition – preparing a poster and a video devoted to peer violence. 186 people entered the competition, preparing 116 posters and 22 videos. The campaign was joined by 73 organisations in Bielsko-Biała (primary and secondary schools, day-care centres and special educational establishments). Together over 12,000 children and youths were reached with the message. Owing to the growing needs in that area, the Company has made a decision to continue the activities in 2024. The project is a wonderful example of cooperation of the business, local government and NGOs.

Care for the people threatened with social exclusion

The objective is achieved mainly through the activities of the ‘Grupa Kęty for the Children of the Podbeskidzie Region’ Foundation. This is a response of the organisation to the problems of children and youths threatened with social exclusion, as defined in the region. The Foundation’s objective is to cooperate with and to take care of children from children’s homes and special educational establishments, for example by implementation of the ‘To ensure a better start’ action. This means helping the children to get education, expertise and qualifications, which, in consequence, will give them a better start in their independent adult lives. The Foundation runs the 16PLUS programme ensuring individual support to children and youths. Every child under the care of the Foundation may voluntarily join the programme. In the course of the programme, representatives of the Foundation periodically (twice a year) meet with the children to discuss plans and current achievements, and to plan the support that the Foundation can offer to meet their needs (e.g. tutoring in science subjects, English language courses, driving licence courses, other specialised courses, assistance in furnishing a flat). In addition, the Foundation runs transitional-living flats in Kęty. The flats are occupied by adult wards, where over a period of two years they prepare for independent life.

In 2023, apart from providing individual support to children and youths, the Foundation also ran regular programmes targeted at care and educational institutions, including off-site photography workshops, workshops devoted to reacting to hate, educational and sightseeing trips within the ‘Experience Poland with the Foundation’ project, a trip to Slovenia within the ‘Get to Know the Group’ programme, or mountain excursions with the ‘Mountains not Keyboard’ project.

The idea behind the activities of the Foundation is to gradually abandon children's homes and propagate the concept of foster families. In 2023, together with the Bielsko-Biała Welfare Centre, the Foundation continued the social campaign entitled '*Share Your Home – Bielsko-Biała For Child Custody Support*'. Within the campaign special posters and graphic art on city buses appeared in the public space of Bielsko-Biała, whereas the children in the existing foster families in Bielsko-Biała were subsidised by the Foundation.

In 2023, the Foundation spent PLN 535,000 on statutory activities. All the activities of the Foundation are presented on the website: www.dziecipodbeskidzia.pl.

Propagation of the idea of educating through sport

Sports means discipline, fair play, principles, and consequence – all values we care for in business. Sports also means a perfect tool for cooperation and employee engagement. For many years now, the Capital Group of Grupa KĘTY S.A. has been investing in and developing 'the idea of educating through sport'. By way of engaging the organisation in various sports events in the region, we cope with the challenge of the 21st century, namely encouraging young people to actively spend their leisure time and fight obesity – the modern-age disease. Caring for the health of the future generations, the Group has officially included such objectives in its Corporate Social Responsibility Policy.

We take an active approach to sport – apart from the local communities the events are actively attended by the employees of the Grupa KĘTY S.A. Capital Group and their families as well as the children under the charge of the 'Grupa Kęty for the Children of the Podbeskidzie Region' Foundation.

Sports events of which the Capital Group was a partner in 2023 included:

- **Reksio the Dog's Cup** – skiing competition for the children in winter, and cycling competition for children in summer. The character of Reksio comes from Bielsko-Biała, so the project combines not only the idea of educating through sport, but also the promotion of the region in which some of the Capital Group companies are located. The 'Reksio' cartoons present simple but important values.
- **Young Beach Open** cycle of beach volley ball tournaments for youths. Since 2015, thanks to the engagement of our company, young people have rivalled in beach volleyball at specially prepared courts. In 2023 there were two championships held, one in Mysłowice attended by 25 parent-and-child teams, and one in Dębowiec, where youths in categories U15 and U19 rivalled.
- **Bielsko-Biała Family Bicycle Rallies** – a tradition in the sports events portfolio of the Capital Group. Within the spring and autumn editions the Company endows the main prizes – bicycles, while the employees and the children under the charge of the 'Grupa Kęty for the Children of the Podbeskidzie Region' Foundation are the most numerous among organised groups. In 2023, the autumn edition was combined with the final of the 'Bike Helps' action, which we have described in the part devoted to Sustainable Development Goal 13 – *Take urgent action to combat climate change and its impacts*.
- A strong accent are **running events**, where sport is usually combined with charity: The Wings for Life run is the only global run in which the Catcher Car pursuing the participants is the moving finish line. It is held in 12 locations around the world and starts exactly at the same time everywhere – our team competed in Vienna. The Run is for all who want to support the activities of the organisation by raising money for research on a cure for spinal cord injuries. Similarly open is the **Poland Business Run** (the largest charity relay-run event in Poland), in which not only the employees of the Capital Group of Grupa KĘTY S.A. took part but also the children under the care of the 'Grupa Kęty for the Children of the Podbeskidzie Region' Foundation. Together, there were 13 packs of GrupaKetyTeam. The beneficiaries of the run are people with motor disability. 'Outdistance Breast Cancer' Charity Run is another sports event gladly attended by Grupa KĘTY. In 2023 autumn edition there participated the total of 30 employees. The central theme of the run was breast cancer prophylactics.

The Group spent PLN 330,000 in 2023 on the development of the idea of educating through sport.

9.9 Sustainable development goals in the operations of the Capital Group KĘTY S.A.

Taking into account the business specifics of the Capital Group of Grupa KĘTY S.A., and the consequently followed path of the assumed CSR Policy and the 2021-2025 ESG Strategy, as well as striving for the fulfilment of the Mission, Vision and Values, we have accessed the 2030 Agenda for Sustainable Development, declaring engagement in the selected activities for the support of sustainable development goals.



Goal 3. Good Health and Well-being

Ensure healthy lives and promote well-being for all at all ages

- In 2023 the Capital Group of Grupa KĘTY S.A. continued the support activities for the Ukrainian employees and citizens. For that purpose it allocated PLN 305,000, whereas the total support since the outbreak of the armed conflict equalled nearly PLN 2 million.
- The Capital Group treats the health and safety as a priority. Among other activities, we have provided our employees and their families with a broad access to health care services thanks to the ‘Opieka medyczna S’ medical insurance programme. In 2023, the Capital Group allocated PLN 2,857,000 as subsidy for medical packages, covering 3,696 people, which represents 77% of the employees of our domestic companies.
- By way of propagation of the idea of educating through sport we enable the local communities and our employees to participate in many sports events, thus promoting a healthy lifestyle. The full scope of our activities is presented in section 9.8.8 *Community engagement*.
- In 2023, Grupa KĘTY partnered the campaign of ‘React to HATE’, concentrating on education in the subject of peer violence and mental health prophylactics in children and youths. The effect of the campaign has been described in section 9.8.8 *Community engagement*.
- *Mountains not Keyboard* [‘Zamiast klawiatury nasze piękne góry’] – is an initiative carried out by the ‘Grupa Kęty for the Children of the Podbeskidzie Region’ Foundation. Within the initiative, in 2023 the children under the care of the Foundation took part in 11 regular mountain excursions, covering the distance of nearly 200 km. Further plans comprise the completion of the Main Beskidy Mountains Track (500 km) and Short Beskidy Mountains Track (137 km). The initiative covers for such important aspects as physical activity and learning the balance between quality leisure time spending and the use of computers, phones or other devices.
- In 2023, the Capital Group engaged for another time in the charity event entitled ‘Run with Maja’, to support children suffering of cancer in the Bielsko-Biała area. The 2023 edition was held for three children. Another idea of the run is to promote health. This time the run participants could undergo free-of-charge medical tests.
- The Capital Group is a partner of the ‘Ultrakrew’ nationwide campaign promoting blood donation. Within the two editions of the action (in winter and summer), 3,359 litres of blood were collected across Poland. More information about our engagement may be found in section 9.8.8 *Community engagement*.
- Grupa KĘTY S.A. was a the main partner of the International Winter Championship in Emergency Medical Services. This year 34 teams rivalled and coped with special tasks in difficult mountain conditions. Cooperation of services during training sessions contributes to our improved safety in every place in case a real emergency occurs. The Championship was organised by the Bielsko-Biała Emergency Service, which within the cooperation held a dedicated training in first aid at our headquarters in Bielsko-Biała.
- Within health promotion and the World Cancer Day held on 4 February, at the Kęty plant there were held two workshop sessions devoted to breast cancer prevention by the Amazons Club of Brzeszcze. Lectures were combined with practical activities with the use of special body phantoms.
- GrupaKętyTeam participated in the ‘Outdistance Breast Cancer’ Charity Run devoted to health promotion and breast cancer preventive tests.



Goal 4. Quality Education

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

- We also care for the development of our employees ensuring access to training and language courses financed by the employer, or co-funding higher education courses. Over PLN 1.5 million was allocated to that purpose by the Capital Group in 2023.
- Operating through the ‘Grupa Kęty for the Children of the Podbeskidzie Region’ Foundation, we prevent social exclusion in education by way of financing additional courses in sciences or foreign languages for children at children’s homes, as well as other speciality courses ensuring ‘a better start’ for the children and youths. In 2023, the Foundation spent PLN 535,000 on statutory activities.
- ‘Experience Poland with the Foundation’ is an educational program of the ‘Grupa Kęty for the Children of the Podbeskidzie Region’ Foundation, within which there are regularly held trips to national parks, or historic places and cities around Poland. In 2023 there were organised three trips during which the children under the care of the Foundation were able experience canoeing, among other things.
- Since 2023 Aluprof S.A. has been partner of the CIRCON project by the Polish Green Building Association. The project focuses on sector cooperation, creation of a compendium of building design principles in compliance with the circular economy idea, as well as spreading the knowledge among the construction market stakeholders. Within the project there were drafted guidelines on how to practically apply circular economy in construction.
- Aluprof S.A. partnered the 13th edition of the Green Building Summit – an international conference held in Poland in the subject of sustainable construction. The Green Building Summit, organised by the Polish Green Building Association, is an annual event gathering world class specialists, representatives of the public and private sector, scientists, architects, designers and developers, as well as general contractors who share their ideas, experience and solutions in green building. The objective of the conference is to transfer knowledge, start cooperation and establish partnership among the entities interested in creating unique projects within the construction business. In the conference, Aluprof S.A. presented a series of dedicated building solutions as well as innovative projects with the use of photovoltaic glass.



Goal 8. Decent Work and Economic Growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

- We have been operating based on the Code of Ethics, the Respect for Human Rights Policy, the Diversity Policy, and the Dignity at Work Policy, ensuring equal treatment of the employees in their place of work. Abiding by adopted rules serves raising the feeling of safety in the place of work, both in physical and mental dimensions, ensuring equal opportunities and prevention of unwanted phenomena, such as discrimination.
- For many years, the Company has been developing additional employee benefits reaching beyond remuneration. Only in 2023, nearly 2,400 children of the employees received gifts on St. Nicholas’ Day. Over PLN 600 million was spent for the good cause. The children received gift cards and sweets.
- In 2023, the Capital Group paid voluntarily nearly PLN 25 million to the Company Social Benefits Fund, to be assigned, as in the previous years, to holiday and Christmas subsidies.
- Following the declarations set out in the Strategy, in 2023 the Company paid out PLN 603 million dividend to its shareholders as a result of 2022 profit distribution.
- In 2023 the second edition of the Aluprof S.A.’s Employee of the Year competition was held. Nearly 200 people were considered. Prizes were awarded in 3 categories: Employee of the Year (separately for white-collar staff and blue-collar workers), Leader of the Year (Foreman, Master), and Manager of the Year (Coordinator, Manager Director). 24 people were honoured in the competition, including 20 finalists and 4 prize winners. The competition aims to create long-lasting and valuable relationships with employees, increasing engagement and motivation.
- We care for the standards – the basic form of employment at the Capital Group companies are employment contracts, among which over 85% is represented by contracts for unlimited term.
- The average remuneration at Grupa KĘTY S.A. in 2023 amounted to PLN 8,737 and was by 22% higher than the average salary in the national economy (which equalled PLN 7,155.48 in 2023).

- The ‘Get to Know the Group’ run by the ‘Grupa Kęty for the Children of the Podbeskidzie Region’ Foundation has the aim of not only creating the possibility of learning about the operations of the Capital Group but also awakening the curiosity about the world among youths, broadening their horizons by encountering other cultures, encouraging them to learn foreign languages and helping them to believe in their own abilities. In 2023, the Foundation charges visited the Slovenian company of AK Emmi as well as Ljubljana and Bled Island.



Goal 9. Industry, Innovation and Infrastructure

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

- We pay particular attention to innovation of the offered products and services, as well as creating processes in the organisation. We cooperate with customers, organisations and institutions to jointly promote sustainable building, develop products for the automotive sector, or head for environmentally-friendly packaging.



Goal 10. Reduced Inequalities

Reduce inequality within and among countries

- As a signatory of the Global Compact we have attempted to promote and develop within our activities the ten fundamental rules relating to human rights, labour standards, environmental protection, and corruption prevention, which is a real response to inequalities.
- Being a large organisation operating on the European and world markets, employing 5,500 people of various nationalities, we care for common policies and standards.
- For us reduction of inequality also means acting for the people threatened with social exclusion, which is the priority function of the ‘Grupa Kęty for the Children of the Podbeskidzie Region’ Foundation. In 2023, the Foundation spent PLN 535,000 on statutory activities.
- *Share Your Home* is a project run by the ‘Grupa Kęty for the Children of the Podbeskidzie Region’ Foundation and the City of Bielsko-Biała to promote the idea of child custody. Within the project a campaign was held in the public space and individual support was provided to foster families. Only in 2023, 35 families were cared for. The ‘Grupa Kęty for the Children of the Podbeskidzie Region’ Foundation has spent the total of PLN 120,000 on the activities related to child custody.



Goal 11. Sustainable Cities and Communities

Make cities and human settlements inclusive, safe, resilient and sustainable

- In 2023, a flower meadow was created at the apiary of the Kęty plant, and blueberry bushes were planted especially for the bees.
- The educational activities covered an internal competition entitled ‘Winter is coming – Make a bird feeder’. The competition promoted the idea of aluminium recycling (as the feeders may be made of aluminium cans) and building biodiversity awareness. The employees, either on their own or accompanied by their children, made nearly 700 bird feeders.
- Within its activities, Aluprof S.A. supports companies in green buildings certification, which has been setting the route for the construction sector development for many years. International environmental certificates, such as BREEAM, LEED, DGNB, HQE, or WELL, among others, are an acknowledgement of the growing awareness of the climate crisis and the impact the construction industry has on it. Investors and developers more and more frequently select ecological materials and solutions, which considerably improves the quality of investment projects and the life-cycle of the designed buildings.
- In 2023, the Capital Group ran a number of environmental education projects. One of these, having a real impact on the local community and safety improvement, was ‘Flowers Not Waste’, which encouraged people to clean up their neighbourhoods and register the number of rubbish bags collected on a special page. In return, people received seeds for sowing flowers and flower meadows. The project was run in cooperation with a local environmental foundation from Bielsko-Biała.

- ‘Let’s Clean the Beskids with the Polish Tatra Society 2023’ – during the edition there were held three mountain tracks cleaning actions close to the mountains of Klimczok (Beskid Śląski), Babia Góra (Beskid Żywiecki), and Hrobacza Łąka (Beskid Mały). Jointly, 938 people, including 718 children and youths, managed to clean the mountain tracks of 6,000 litres of waste within the ‘Let’s Clean the Beskids with the Polish Tatra Society 2023’. Grupa KĘTY S.A. has been a partner of the project for many years.
- Grupa KĘTY and the ‘Grupa Kęty for the Children of the Podbeskidzie Region’ Foundation joined the Poland-wide initiative of the ‘Clean Vistula River’, organising the cleaning of area along the banks of the Soła River. 360 litres of waste were collected. The initiative is headed by Credit Agricole Bank Polska, as well as EFL – Knowledge and Business.



Goal 12. Responsible Consumption and Production

Ensure sustainable consumption and production patterns

- The objective of the companies of the Grupa KĘTY S.A. Capital Group is to minimise the consumption of primary raw materials per ton of product sold, and increase the share of recycled materials in products. Actions have been taken to intensify cooperation with those suppliers who are guided by the sustainable development idea. As regards our products, we apply a product-life-cycle approach, focusing on the search for new ecological applications. In that area, we conduct our own research and collaborate with scientific centres.
- ‘A Top to Get a Wheelchair’ – since 2014 the Capital Group companies have been collecting plastic tops with the aim to build the awareness of waste segregation importance, and raise money for charity. Since the beginning of the initiative, we have already collected over 9 tons of plastic (640 kg in 2023).
- ‘Green Group’ employee suggestion programme – the suggestion of the first half of the year was a perfect example of how to reduce carbon footprint and apply circular economy rules in practice. The awarded project consists in using sodium hydroxide waste from press moulds etching in another process at Grupa KĘTY S.A., i.e. anodised products manufacturing. A complete description of the suggestion may be found on the corporate website at: <https://grupakety.com/sugestia-polrocza-2023-w-programie-zielona-grupa-doskonaly-przyklad-jak-obnizyc-slad-weglowy-i-stosowac-w-praktyce-zasady-gospodarki-obiegu-zamknietego/>;
- ‘Green Group’ employee suggestion programme – the suggestion of the year consisted in developing software for the operation of a CNC milling machine used in preparing certification test samples from trial sections taken in the extrusion process at the R&D Centre. The project implementation has considerably reduced energy consumption in the process of test samples preparation, limited the quantity of waste generated and improved the process efficiency. A complete description of the suggestion may be found on the corporate website at: <https://grupakety.com/zielona-grupa-podsumowanie-roku-2023-oraz-sugestia-ii-polrocza/>.
- ‘Living Books’ (earlier ‘A Book Supports the Hero’) – for several years, the Capital Group companies have been engaging in an educational upcycling campaign, which promotes giving books the second life. The companies prepared special places to collect books donated by the employees. These books go to the monthly fairs organised in Bielsko-Biała. The proceeds from their sale go to support children’s homes. Another element of the initiative is building library shelves from recycled materials, which are given to children’s homes together with books. Since the beginning of the initiative in 2018, more than 100,000 books have been returned to circulation.
- Grupa KĘTY S.A. received a certificate confirming the fulfilment of the duty to carry out public educational campaigns on multi-material packaging and hazardous substances packaging, under the Act of 13 June 2013 on the Management of Packaging and Packaging Waste, through the Eko Cykl Organizacja Odzysku Opakowań S.A.



Goal 13. Climate Action

Take urgent action to combat climate change and its impacts

- In 2023 Grupa KĘTY counted among 38 most climate-aware companies. The study was initiated by the Reporting Standards Foundation, the Association of Stock Issuers and Bureau Veritas, with MATERIALITY and Energopomiar acting as supporting partners..

- Renewable Energy Sources – the first PV systems within the Capital Group were erected at AK Emii in Slovornia. In 2023 works commenced to build a 500 kW capacity PV system on the roof of the 20 and 40 ton press hall in Kęty. The project is planned to be completed in the first half of 2024. The expected annual carbon footprint reduction is 335 tons of CO₂e a year.
- ‘70 thousand trees for 70 years of Grupa KĘTY’ – in 2023 Grupa KĘTY S.A. completed its 3-year project. In the years 2021-2023, together with our employees and the children under the care of the ‘Grupa Kęty for the Children of the Podbeskidzie Region’ Foundation, the ARKA Ecological Foundation, and the local Forestry Departments, we planted 70 thousand seedlings of beech, black alder, spruce, larch, and fir trees in the forests of: Grodziec, Bystra, Zabrzeg, Skalite, Jaworze, Wieka Łąka, Straconka and Kamienica. *For the future* – is a mission of our organisation, and we hope the seedlings will grow into a beautiful forest for the future generations.
- In the in-house billets foundry, Grupa KĘTY S.A. carries out aluminium scrap remelting process. In 2023, more than 30,000 tons of scrap were recycled there in 2022.
- Grupa KĘTY S.A. focuses on product innovations with a positive impact on the on the environment. The Company product portfolio comprises special aluminium profiles used in the production of photovoltaic panels, environmentally friendly gas boilers, energy-saving LED lamps, environmentally-friendly architectural systems and façades which improve the thermal and acoustic insulation of buildings.
- Under the ‘Green Group’ employee suggestions programme employees were invited to engage in the ESG Strategy performance, with particular focus on preventing climate change. In 2023 there were 27 suggestions reported, out of which 20 were implemented.
- ‘Bike HELPS’ – bicycle riding promotion. For many years, the Capital Group has been the main partner of the campaign. In the years 2015-2023 the participants accumulated over 110 million km, which corresponds to CO₂ emission reduction by to nearly 275,000 tons. The charity effect is 397 bikes for children in children’s homes and community day-care centres.



Goal 17. Partnerships for the Goals

Strengthen the means of implementation and revitalize the global partnership for sustainable development

GRI 2-28

- In 2023, Grupa KĘTY S.A. received the Performance Standard certificate for sustainable use of aluminium, fulfilling the requirements of the Aluminium Stewardship Initiative (ASI), an international non-profit organisation supported by industrial associations, aluminium producers, and processing companies. The standard defines criteria for environmentally and socially responsible aluminium value chain. The certificate confirms responsible practices in the areas of production, materials sourcing and product management, as well as determines the principles and criteria for environmental, social and corporate governance (ESG). The independent external audit was carried out by TÜV Rheinland Cert GmbH.
- Starting from 2020, Grupa KĘTY S.A. has been reporting climate issues on the portal of the Carbon Disclosure Project (CDP). CDP is an international non-profit organisation, which has been researching the level of climate awareness among companies and providing information on the climate impact of the individual companies. CDP makes the assessment based on replies to the questions within as much as 11 groups of criteria. The information received enables identification of the challenges and initiatives which are now more and more often required by the investors and customers.
- Since 2014, Grupa KĘTY S.A. has been a Global Compact signatory, which means support to, adoption and application of ten fundamental rules relating to human rights, labour standards, environmental protection, and corruption prevention, in all areas of operation.
- Since 2021 Grupa KĘTY S.A. has been a member of the Agenda 2030 – the purpose of the Partnership is to integrate cooperation among the representatives of various environments for the effective achievement of sustainable development goals.
- In 2023, Grupa KĘTY S.A. had its social responsibility practices and conduct assessed on the EcoVadis platform and obtained the bronze medal. The assessment was carried out using a methodology based on international standards, such as: 10 UN Global Compact principles, International Labour Organization (ILO) conventions, Global Reporting Initiative (GRI), ISO 26000 standard, CERES action plan, and the UN Guiding Principles on Business and Human Rights, also known as the Ruggie Framework.

- Aluprof S.A. is a partner of the Polish Green Building Association (PLGBC), which aims to transform the Polish construction industry towards minimising its impact on the climate. The PLGBC brings together companies in the construction and real estate sectors and promotes sustainable activities in these fields.
- The companies of the Flexible Packaging Segment obtained certificates confirming fitness for recycling of 17 various types of packaging. The certificates were issued by independent research institutes of Łukasiewicz – Łódź Institute of Technology, J.S. Hamilton Research Laboratory, and Interzero Organizacja Odzysku S.A.
- Since 1996, Grupa KĘTY S.A. has been listed on the Warsaw Stock Exchange and been a member of the Polish Association of Listed Companies.

10. CORPORATE GOVERNANCE STATEMENT

10.1 A collection of corporate governance principles and scope of their application

Corporate governance principles

Following the Rules of Giełda Papierów Wartościowych w Warszawie S.A. [Warsaw Stock Exchange], Grupa KĘTY (hereinafter referred to as the ‘Company’ or the ‘Issuer’), as a public company, is obliged to abide by ‘The Best Practice for GPW Listed Companies 2021’ (‘Best Practice’), which is a collection of the principles of conduct applicable specifically to the governing bodies of GPW listed companies and their shareholders.

The document is available at the GPW website: <https://www.gpw.pl/dobre-praktyki2021>.

Grupa KĘTY decided not to apply other corporate governance principles than those referred to above. Moreover, it has not been applying corporate governance practices exceeding the requirements of the Polish laws.

Management Board’s Corporate Governance Statement

In 2023, Grupa KĘTY has applied the Best Practice principles, except for:

Principle 2.1 ‘Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, including gender, among others, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.’

The Company informs that it has not implemented a diversity policy with regard to the members of the Company managing and supervising bodies, which would be approved by the Supervisory Board and the General Meeting. The Company has not limited or discriminated the candidates to the said bodies in any respect. Appointments are made particularly based on subject-matter knowledge, competence and experience.

Principle 2.2 ‘Persons making decisions to elect Members of the Management Board or the Supervisory Board of the Company should ensure that the composition of those bodies is diverse, by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in Principle 2.1.’

The Company informs that it has not implemented a diversity policy in reference to the managing and supervising bodies, and that the above principle has not been applied.

Principle 3.7 ‘Principles 3.4 to 3.6 apply also to the Company Group entities which are material to its activity if they appoint persons to perform such tasks.’

The Company informs that Principle 3.7 is not applicable to it. At the other companies of the Capital Group of major importance for its operations there have not been appointed persons responsible for managing the audit, compliance, risk management and internal control systems. Responsible for the maintenance of the functions efficiency within the whole Capital Group and management of the same are the persons employed by the parent company, i.e. Grupa KĘTY S.A., who are functionally supported by the selected employees of the companies of major importance to the operations of the Capital Group. Grupa KĘTY S.A. carries out a periodical review of the

systems operation within the Capital Group, considering the scale and specifics of its operations, among other things. If a decision is made on a change in the method of the systems functioning and employing people responsible for the functions at other companies, the Principles 3.4–3.6 will be taken into account.

On 20 June 2023, the Issuer informed about an incidental breach of the Best Practice. On 20 June 2023, i.e. one day before the date of the Annual General Meeting, a shareholder of the Issuer, availing of the right vested in Article 401.4 of the Code of Commercial Companies, reported a draft resolution regarding an item of the agenda of the AGM, which resulted in an incidental breach of Principle 4.8 of ‘The Best Practice 2021’ recommending publication of draft resolutions at 3 days before the planned date of the AGM.

Informing about the breach of the Best Practice, the Company commented on the incidental breach of the aforesaid Principle:

“In the announcement on the convening of the Annual General Meeting on 21 June 2023, Grupa KĘTY S.A. recommended the shareholders to report draft resolutions at three days before the date of the AGM at the latest, however, on 20 June 2023, i.e. one day before the date of the AGM, a shareholder of the Issuer, availing of the right vested in Article 401.4 of the Code of Commercial Companies, reported a draft resolution regarding an item of the agenda of the AGM. Therefore, an incidental breach of Principle 4.8 of ‘The Best Practice 2021’ occurred.”

The Company informed that within the last two years, i.e. 1 July 2021 (the moment ‘The Best Practice 2021’ entered into force) to 20 June 2023, there were no cases of incidental breaches of Principle 4.8 of ‘The Best Practice 2021’

10.2 Major shareholders

The shares of the Company have been quoted at Warsaw Stock Exchange since 16 January 1996, under the ISINPLKETY000011 code. Since 4 August 2022 the shares of the Company are quoted within the WIG20 and WIG20TR indexes, and also belong to the indexes of WIGdiv, WIG-ESG, and MSCI Poland IMI 25/50. As at the date of this report publication, there were the total of 9,650,152 shares of Grupa Kęty S.A. issued, of the nominal value of PLN 2.50 each.

All shares of Grupa KĘTY S.A. are ordinary bearer shares, to which equal rights and duties are assigned. The Company Articles of Association do not limit the rights of shareholders with regard to exercising the right of vote or disposing of the shares. One share entitles to one vote in the General Meeting of the Company.

A list of the Company shareholders with over 5% share in the Company equity and in the total number of votes at the AGM as at the date of publishing this and previous interim report is presented in the table below.

TABLE 80: LIST OF SHAREHOLDERS WITH OVER 5% SHARE IN THE COMPANY SHARE CAPITAL AND IN THE TOTAL NUMBER OF VOTES AT THE GENERAL MEETING

	Number of shares as at the date of the latest interim report publication (18.10.2023)	Percentage of share capital and total number of votes	Number of shares as at the date of the this interim report publication (21.03.2024)	Percentage of share capital and total number of votes
Allianz Polska OFE	1,676,763	17.38%	1,626,277*	16.85%
Nationale-Nederlanden OFE	1,520,987	15.76%	1,504,853*	15.59%
Generali OFE	888,498	9.21%	784,074*	8.12%
OFE PZU ZŁOTA JESIEŃ	857,849	8.89%	860,515*	8.92%
Vienna OFE	639,883	6.63%	627,891*	6.51%
Others	4,066,172	42.13%	4,246,542	44.00%
Total	9,650,152	100.00%	9,650,152	100.00%

* Data presented based on OFE reports regarding the annual assets structure as at 29 December 2023.

In the period from the disclosure of the latest interim report, i.e. 18 October 2023, to the date of publication of this interim report there were no other changes in the ownership structure of major stakes of the Company shares that those referred to above.

10.3 General Meeting and rights of the shareholders

The methods of Grupa Kęty S.A. General Meeting operation and the basic rights of the General Meeting are regulated by the Company Articles of Association and the General Meeting By-law. The documents are available on the corporate website at: <https://grupakety.com/relacje-inwestorskie/lad-korporacyjny/dokumenty-spolki/>.

General Meetings are held at the registered office of the Company, in Bielsko-Biała, or in Warsaw. They are convened by the Management Board on the basis of an announcement published on the corporate website, in the manner specified for current information disclosure, in accordance with the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies. A General Meeting may also be convened by the Supervisory Board or shareholders representing at least half of the share capital. The shareholders representing at least 5% of the share capital may request convening of a General Meeting and including certain items in the agenda of the Meeting.

A General Meeting is valid regardless of the number of shares represented at it. In accordance with the approved By-law of the General Meeting, a session of the General Meeting is opened by an authorised person, in accordance with the Articles provisions. The person opening the General Meeting orders the selection of the General Meeting Chairman from among the participants. Every participant is entitled to report one candidate for the function of the General Meeting Chairman. The persons reported are entered in the list of candidates, providing that they agree to stand as candidates.

The selection of the General Meeting Chairman takes place in secret voting by way of voting for each of the candidates separately. The Chairman is the person with the largest number of votes cast. If more than one candidate receives the equal largest number of votes, the person opening the General Meeting orders supplementary voting for the candidates with the equal largest number of votes. The Chairman is the person with the largest number of votes cast in the supplementary voting.

After having selected the Chairman of the General Meeting, the person opening the General Meeting hands over the conducting of the General Meeting to the Chairman of the General Meeting, who verifies the correctness of preparing the list of attendance at the General Meeting and in the absence of reservations signs the same, confirms the correctness of convening the General Meeting as well as its capacity to pass resolutions in the matters included in the session agenda, based on the submitted documents related to the convening of the General Meeting, the attendance list and the original powers of attorney, and also the possible motions filed in that regard by a person entitled to vote, then orders the acceptance of the agenda, and orders voting on the selection of the vote-counting committee, if they deem the committee appointment needed. In the absence of grounds for determining the correctness of convening the Meeting or capacity to pass resolutions, the Chairman of the General Meeting closes the Meeting session.

During a session, the duties and rights of the Chairman include caring for the compliance of the course of proceedings with the provisions of the Code of Commercial Companies, the Articles and the By-law, giving the floor and asking questions to the participants, as well as the persons identified in § 6.2 of the General Meeting By-law, taking the floor away from the participants, ordering voting on removing from the meeting room any persons who grossly breach the law, the provisions of the Articles, the provisions of the By-law or good manners, ordering breaks during the meeting, cooperation with the notary public taking down the minutes from the General Meeting, ordering voting on the resolutions of the General Meeting, determining the correctness of the course of voting and the voting results, taking a stand with regard to the motions reported by the participants and, when such need is determined, ordering voting in the subject-matter of the motions, introducing into the agenda any matters of organisational nature, and also solving doubts as to the interpretation of the provisions of the General Meeting By-law.

Due to the fact that the Company is stock listed, only the shareholders who have obtained their status at 16 days prior to the date of the General Meeting at the latest may participate in it and exercise their voting rights. Furthermore, the Members of the Management and Supervisory Boards, the Company auditor and other persons invited by the governing body convening the General Meeting, including the representatives of media, may participate in the Meeting, unless, at the request of a participant filed before proceeding to the discussion over the issues included in the agenda, the General Meeting decides otherwise with a simple majority of votes.

The list of shareholders entitled to participate in the General Meeting, signed by the Management Board, and including the names and surnames or business names of the entitled persons or companies, their addresses (addresses of registered offices), the number of their shares and votes, is available at the registered office/on the premises of the Company Management Board three business days prior to the General Meeting.

Pursuant to the Company Articles of Association, the General Meeting of Grupa Kęty S.A. By-law as well as the legal regulations, the Company shareholders may, specifically:

- participate in the General Meeting and exercise their voting rights in person or through attorneys;
- run for the position of the General Meeting Chairman or propose one candidate for the position to be included in the minutes;
- report draft resolutions on matters included in the agenda but not related to organisational matters;
- submit proposals of amendments and supplements to draft resolutions included in the General Meeting agenda by the time of closing the discussion on the items of the agenda concerning the draft resolutions to which such proposals pertain;
- take the floor and ask questions concerning each item on the agenda;
- demand secret voting;
- demand inclusion in the minutes of their objections and other statements;
- demand information from the Company Management Board concerning the items on the General Meeting agenda in the case of and subject to exceptions provided for in legal regulations;
- demand the list of shareholders to be e-mailed to them free of charge, indicating the e-mail address to which such a list should be sent. A shareholder may examine the list of shareholders on the Management Board's premises and demand a copy of the list, paying the costs of its preparation;
- examine the books of minutes of the General Meeting and request copies of resolutions certified by the Management Board;
- appeal against resolutions of the General Meeting in the cases provided for in legal regulations.

The participants attending the General Meeting confirm their presence with their own signature in the attendance list laid out in the meeting room and collect the voting sheets. The representatives and attorneys, before entry into the attendance list, submit to the minutes the documents which undoubtedly prove their legal authorisation to representation in the General Meeting, unless the power of attorney has been granted in electronic form, and they sign the attendance list legibly with their full name and surname, next to the surname or name of the principal. The attendance list must include specifically: the name and surname or company name of each participant, determination of the document based on which the identity of the participant has been confirmed, and in the case of representatives and attorneys of the participants, additionally specified should be: the name and surname or company name of the participant replaced by the representative or the attorney, and the source of representation (e.g. attorney, statutory representative), identification of the basis on which the participant is entitled to participate in the General Meeting (e.g. shareholder, pledgee), the number of shares held by the participant and the number of votes vested in the respective participant.

The attendance list is laid out throughout the term of the General Meeting, until the Meeting session is closed. The persons preparing the attendance list are obliged to include therein any changes in the membership and the number of the represented shares before each voting. The attendance list is signed by the participants and by the Chairman of the General Meeting.

The course of the General Meeting is recorded in the minutes by a notary public, and the minutes must include specifically a statement on the correctness of convening the General Meeting and its capacity to pass resolutions in the matters covered by the agenda, the text of the resolutions passed, as well as the number of votes cast for each resolution and the reported reservations. The minutes are signed by the Chairman of the General Meeting and the notary public. An excerpt from the minutes together with the evidence of convening the General Meeting and documents are attached by the Management Board to the book of minutes. The book of minutes includes the minutes of the vote-counting committee from the results of voting, if the committee has been appointed, as well as the voting sheets, if the voting has been carried out with the use of voting sheets.

The resolutions of a General Meeting are passed with the majority of votes, as set out in the Articles of Association and the Code of Commercial Companies. The voting is carried out with the use of a vote counting system ensuring that the number of votes cast is equivalent to the number of votes possessed, as well as eliminating – in the event of secret voting – the possibility of identifying the method of casting votes by the particular persons authorised to vote. The voting is open. Secret voting is ordered during the elections and with regard to motions relating to dismissal of the members of the Company governing bodies, bringing them to justice as well as with respect to personal matters. Secret voting is also ordered when at least one shareholder present or represented at the General Meeting so requests.

After discussing all the matters included in the agenda, the Chairman announces the closing of the General Meeting. The proceedings of the General Meeting are broadcast live and recorded, and further uploaded to the corporate website to be watched at a chosen time.

On 21 June 2023, an Annual General Meeting was held, in which 22 resolutions were passed. On 13 December 2023, an Extraordinary General Meeting was held, in which 4 resolutions were passed.

Detailed information on General Meetings, and the resolutions passed are available on the corporate website at: <https://grupakety.com/relacje-inwestorskie/lad-korporacyjny/walne-zgromadzenia/>.

10.4 Supervisory Board and Supervisory Board Committees

GRI 2-9, 2-10

Supervisory Board Membership

In the period from 1 January 2023 to 31 December 2023, the Supervisory Board was composed of:

- Mr Piotr Stępiak – Chairman,
- Mr Piotr Kaczmarek – Deputy Chairman,
- Mr Wojciech Golak,
- Mr Paweł Niedziółka,
- Mr Przemysław Rasz,
- Ms Anna Włoszek.

To the date of preparing this report, the membership of the Supervisory Board has not changed.

Detailed information about the particular members of the Supervisory Board, including their qualifications and experience is presented below as well as posted on the corporate website at: <https://grupakety.com/o-grupie-kety/o-nas/organy-spolki/>.

Piotr Stępiak – Chairman of the Supervisory Board (independent member)

Mr Piotr Stępiak is a graduate of the University of Guelph, Canada, where he obtained the Bachelor of Arts degree in 1992. In 1995 he completed the course of Executive Master of Business Administration (EMBA) at the ESC Rouen in France, and Master of Science in Management (MSM) at the Purdue University in the USA. Mr Stępiak gained knowledge and experience in management working successively in the following companies: 1985–1992 Air Canada–Toronto, Canada; 1992–1997 PepsiCola Int'l; 1998 Bank Handlowy S.A. in Warsaw; 1999–2000 Development Director at ARMARK, Toronto, Canada; 2000–2001 Marketing Director and 2001–2005 Vice President of the Management Board of Lukas S.A. and Lukas Bank S.A.; 2005–2008 President of the Management Board of Getin Holding S.A.

For many years, Mr Stępiak has also sat at Supervisory Boards of a number of companies. In the years 2003–2004 at Europejski Fundusz Leasingowy S.A., in 2003–2007 at TU Europa S.A., in 2005–2006 at Getin Leasing S.A., and in 2005–2008 at Powszechny Dom Kredytowy we Wrocławiu S.A., Carcade Sp. z o.o. (Russia), Fiolet S.A. and Open Finance S.A. In the years 2007–2008 he was Member of the Supervisory Board of Prikarpatyya Bank (Ukraine), in 2008–2009 of Fudusz Mikro Sp. z o.o., and in 2008–2018 of Skarbiec Asset Management Holding S.A.

Currently, he is Member of the Supervisory Boards of: Kruk S.A., Moovena Ubezpieczenia Sp. z o.o., Nest Bank S.A., BFF Polska S.A., Asseco Business Solutions S.A., Grupa KĘTY S.A., Fenville Investments sp. z o.o., Vehis Sp. z o.o., VRG S.A., and W.Kruk S.A.

Piotr Kaczmarek – Deputy Chairman of the Supervisory Board (independent member)

Mr Piotr Kaczmarek is a graduate of Adam Mickiewicz University in Poznań, was awarded the CFA (Chartered Financial Analyst) title and a securities broker licence. Since the beginning of his professional career Mr Kaczmarek has dealt with the capital market. He has 19 years of experience in analysing and measuring financial instruments.

He managed the portfolios of two largest pension funds in Poland: ING OFE and Aviva OFE. He is a co-author of the first model of ‘Corporate Governance Principles’ on the pension funds market. Initially, Mr Kaczmarek worked as a securities broker at the BMT S.A. brokerage house (1994–1995), and Bank Handlowy in Warsaw (1997–1998), and subsequently as a capital market dealer at Bank Amerykański w Polsce S.A. (1999–2000).

In the years 2000–2008 he was connected with ING Nationale-Nederlanden Polska PTE S.A., where he acted as a shares analyst, shares portfolio manager and Investment Director for Shares, respectively. In 2006 he was appointed member of the Society Management Board and took the position of the Investment Department Director. In 2009–2010 he was Manager at Skarbiec TFI S.A. From 2011 to May 2016 he worked at Aviva PTE BZWBK S.A., holding the position of a senior analyst and afterwards the shares portfolio manager.

Since 2016, he has sat at Supervisory Boards and Audit Committees of both stock-listed companies (Grupa Kęty S.A., Robyg S.A., Harper Hygienics S.A., Erbud S.A., Ferro S.A., Develia S.A., Vrg S.A., and Śnieżka S.A.) and private ones (W. Kruk S.A., Novaservis spol. s.r.o.).

Paweł Niedziółka – Member of the Supervisory Board (independent member)

Mr Paweł Niedziółka graduated from the SGH Warsaw School of Economics in 1998 with a major in finance and banking. In 2000, he was awarded a PhD in Economics at the College of Management and Finance of the SGH Warsaw School of Economics, and in 2010 he became Assistant Professor. Currently, he heads the Financial Risk Management Department at the Institute of Banking of the SGH Warsaw School of Economics as an Associate Professor. He is a member of the Polish Association of Finance and Banking, and the Committee on Financial Sciences of the Polish Academy of Sciences, the second prize winner in the contest of the President of the National Bank of Poland for the best post-doctoral thesis and the winner of other prizes for his scientific and educational work. He is the author of about 160 scientific publications and expert opinions for litigation purposes, as well as a lecturer at bachelor's, master's, postgraduate and PhD courses.

Mr Niedziółka has been acting as an expert at the Polish Agency for Enterprise Development (PARP), representing the Polish Banks Association, and a tutor for bank employees and candidates for statutory auditors. He manages the Structural Financing Team at Bank Millennium S.A. (previously, he was associated with Credit Lyonnais Bank Polska and Bankgesellschaft Berlin). He was an independent Member of the Supervisory Board of Grupa Kęty S.A. in the years 2014–2020, and in the years 2017–2020 Deputy Chairman of the Supervisory Board and Chairman of the Nomination and Remuneration Committee. Since 2014 he has been an independent Member of the Supervisory Board of Grupa KĘTY S.A., and in the years 2017–2020 he was Deputy Chairman of the Supervisory Board and Chairman of the Nomination and Remuneration Committee of Grupa KĘTY S.A.

Przemysław Rasz – Member of the Supervisory Board (independent member)

Mr Przemysław Rasz is a graduate of a dual programme by the Poznań University of Technology (MSc Eng. in Chemical and Food Industry) and the University of Economics in Poznań (Management), where he obtained his degree in 1988. In 1998 he took a post-graduate course in Company Value Management at the SGH Warsaw School of Economics in Warsaw.

In 1989 he joined Izolacja Zduńska Wola, where he worked for the subsequent 28 years. In 1994 he was appointed Member of the Company Management Board and in 1996 was a leader of a team responsible for the company IPO at the Warsaw Stock Exchange. In 1999, after the control stake of the company had been acquired by the Danish Icopal a.s., a global leader in roof waterproofing materials, he became President of the Polish subsidiary and two years later Member of the Icopal Global Board in charge of innovation and business development. Under the leadership of Mr Rasz, Icopal Poland experienced a period of consistent and profitable growth marked by strategic acquisitions, green field investments, restructuring, as well as new products and systems implementation. That firmly established the company as an unquestioned leader in Poland and the region. In that time, the company developed close ties with Universities of Technology, which resulted in several successful innovative waterproofing products and solutions. Within his corporate capacity, he was co-creator of a strong and uniform global structure, which originated from a merger of a series of acquired companies. In 2007 Icopal was taken over by the Investcorp Private Equity Fund, and in 2008 Mr Przemysław Rasz became directly responsible for the CEE region, which he led until 2016, when the company was sold to Standard Industry, a US-based strategic investor. He played an important role in the take-over process, including as a trustee of a group of key executives and minority shareholders during the negotiations. For the further two years he was Vice President of the Global Executive Board of the Icopal Group based in London. After the acquisition of Brass Monier, he managed the merged organisation of Icopal and Brass Monier (BMI) in Poland until 2018.

Within his social and business capacity, Mr Rasz served: two terms as a Member of the Board of Construction Materials by the Minister/Chief Building Supervision Inspector; two terms as a Member of the Scientific Council of Building Technology Institute in Warsaw; two terms as a Member of the Building Design Chamber in Warsaw; four terms as a Deputy Chair of the Board of the Polish Chamber of Commerce and Industry for the Construction Business; and two terms as the Chairman of the Construction Committee of the National Chamber of Commerce in Warsaw. Since 2019 he has focused on advisory and supervisory activities. In the years 2019

and 2020, until the time of COVID-19 related limitations, he was Chairman of the Board of Directors at Worthhouse Inc., a US subsidiary of the Budmat Group. He is an independent Member of the Supervisory Board of Grupa KĘTY S.A. Privately, he is a devoted owner of the R&R Gallery, Poland's largest gallery of silver and lighting in Łódź.

Wojciech Golak – Member of the Supervisory Board (independent member)

Mr Wojciech Golak is a Legal Counsel, a graduate in Law from the Cardinal Wyszyński University in Warsaw, Faculty of Law and Administration. He also completed a post-graduate course in Banking run by the SGH Warsaw School of Economics and the University of Warsaw, the Centre for American Law of the University of Warsaw, as well as the University of Florida, Levin College of Law. At the moment, he is a participant of the Koźmiński University PhD Programme in Law, where he has been writing his doctoral thesis devoted to restructuring proceedings financing.

Starting in 2016, Mr Golak has been running his own Law Firm. In the years 2007–2015 he cooperated with the Polish Branch of the Belgian Brokerage House KBC Securities N.V. as a lawyer, legal counsel, representative and receiver, respectively, whereas in the years 2005–2007 he acted as a lawyer at the M. Furtek i Wspólnicy Law Firm.

In the years 2016–2022 he was an independent Member of the Supervisory Board of ROBYG S.A., where he used to sit at the Remuneration Committee and the Audit Committee. Since 2022 he has been Member of the Management Board of Inentry sp. z o.o., and since 2023 Member of the Management Board of Bluu Poland sp. z o.o. and CEO of Sales Masters sp. z o.o. Mr Golak is an independent Member of the Supervisory Board of Grupa KĘTY S.A.

Anna Włoszek – Member of the Supervisory Board (independent member)

Anna Włoszek graduated from the University of Silesia in Katowice, Faculty of Law and Administration, in 2006. Further, she took a post-graduate course in accounting at the Katowice University of Economics, Faculty of Finance and Management. At the Kraków University of Technology, Polish-American School of Business, she obtained the title of Executive Master of Business Administration. Since the beginning of her career, she has occupied managerial positions at business companies and specialised in public procurement orders. Starting from 2019, she has been President of the Management Board of Agencja Rozwoju Małopolski Zachodniej S.A. Within her social and business capacity, Anna Włoszek has engaged in the operations of institutions in the Małopolska Region. Mr Golak is an independent Member of the Supervisory Board of Grupa KĘTY S.A.

Competences of the Supervisory Board and information on the method of the Board appointment and operation

The Supervisory Board is composed of five or six members appointed and dismissed by the General Meeting. The term of office of the Supervisory Board is three years. The Supervisory Board members are appointed for a joint term of office. The General Meeting may dismiss any member of the Supervisory Board at any time. The membership of the Supervisory Board should comply with the legal regulations providing for the requirement of appointing independent members of the Supervisory Board. The Supervisory Board elects the Chairman, the Deputy Chairman and, if needed, the Secretary of the Supervisory Board from among its members. The Chairman of the Supervisory Board convenes and chairs the Supervisory Board meetings and manages its works. If the Chairman is not able to perform his or her duties or is absent, the Deputy Chairman performs the Chairman's duties.

The Supervisory Board meetings are held at least once in each quarter. The Supervisory Board fulfils its tasks and exercises its rights by passing resolutions at meetings or outside of meetings, in compliance with the Company Article of Association and the Supervisory Board By-law, and through control and advisory activities. The resolutions are passed with a simple majority of votes. In the case of an equal number of votes cast for and against a resolution, the casting vote is exercised by the Supervisory Board Chairman. The Supervisory Board passes resolutions in open voting, unless any of the Supervisory Board members request secret voting with regard to personal matters. Resolutions are passed in open voting, except for personal matters which shall be decided in secret voting. Resolutions may be passed if all Board Members have been invited.

The Supervisory Board's responsibilities include in particular:

- evaluation of financial statements the Company and the Capital Group, and the reports of the Management Board on the operations of the Company and the Capital Group;
- assessment of the Management Board motions concerning profit distribution or loss coverage;
- drafting and submission to the General Meeting of a written annual report for the preceding year (Report of the Supervisory Board);
- appointment and dismissal of the Management Board Members and determination of their remuneration in accordance with the Remuneration Policy binding at the Company;
- suspending the individual or all Management Board Members in their duties because of important reasons;
- delegating Members of the Supervisory Board to temporarily perform the duties of the Management Board Members who are incapable of discharging their duties;
- approval of the Management Board By-law;
- approval of Consolidated Budgets, Company Budgets, and Strategy of the Capital Group;
- selection of an audit firm to carry out the audit of the Company financial statements;
- selection of the Supervisory Board adviser;
- determination of the value of remuneration of the Supervisory Board Members delegated to temporary performance of duties of a Management Board Member, in accordance with the Remuneration Policy binding at the Company;
- presentation to the General Meeting of recommendations and requests regarding amendments to the Remuneration Policy binding at the Company, within the meaning of the Act of 29 July 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies, plus introduction of more detail into the Remuneration Policy binding at the Company, upon approval by the General Meeting;
- preparing the annual Remuneration Report, as required by the Act of 29 July 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies.

In addition, the Management Board shall obtain the consent of the Supervisory Board before performing any of the following acts by the Company:

- disposing of and putting into use the Company assets of the value exceeding PLN 50,000,000 (say: fifty million zlotys), except for disposing of and putting into use any assets for the benefit of the companies of the Capital Group or within the ordinary course of business;
- activities, as a result of which the Financial Debt Limit of the Capital Group will be exceeded jointly for more than PLN 50,000,000 (say: fifty million zlotys) or further increase of the excess level;
- activities, as a result of which the Off-balance-sheet Debt of the Capital Group will be exceeded jointly for more than PLN 50,000,000 (say: fifty million zlotys) or further increase of the excess level;
- taking out cash liabilities in the value exceeding PLN 1,000,000 (say: one million zlotys), under the agreements on providing advisory services to the Company, except for taking out liabilities under advisory agreements signed with the companies of the Capital Group;
- taking out cash liabilities in the value exceeding PLN 12,500,000 (say: twelve and a half million zlotys), in relation to activities which have not been listed in this § 14.3, except for liabilities provided for in the Company budget and liabilities taken out within the Company ordinary course of business;
- creating and joining companies, and taking up or acquiring interest or shares;
- disposing of the interest or shares vested in the Company of the value exceeding PLN 10,000,000 (say: ten million zlotys), including by encumbering them, except for managing for the benefit of the companies within the Capital Group;
- granting finance by the Company based on lending agreements or other activities of similar nature for the amount exceeding PLN 1,000,000 (say: one million zlotys) to companies from outside of the Capital Group, except for the cases specified in the approved Company Budget, and except for finance granted within the ordinary course of business;
- exercising the right of vote on shares or interest of the Company in key companies in the matters related to granting a consent for:
 - disposing of and putting into use the Company assets of the value exceeding PLN 20,000,000 (say: twenty million zlotys), except for disposing of and putting into use any assets for the benefit of the companies of the Capital Group or within the ordinary course of business of a Key Company;

- activities, as a result of which the Financial Debt Limit of the Capital Group will be exceeded jointly for more than PLN 50,000,000 (say: fifty million zlotys) or further increase of the excess level;
 - activities, as a result of which the Off-balance-sheet Debt of the Capital Group will be exceeded jointly for more than PLN 50,000,000 (say: fifty million zlotys) or further increase of the excess level;
 - creating and joining companies, and taking up or acquiring interest or shares;
 - disposing of the interest or shares vested in the Company of the value exceeding PLN 10,000,000 (say: ten million zlotys), including by encumbering them, except for managing for the benefit of the companies within the Capital Group;
- conclusion of an agreement with a member of the Supervisory Board;
 - conclusion of a major agreement with a shareholder of the Company who holds at least 5% (say: five percent) of the total number of votes in the General Meeting;
 - opening or closing a branch.

In 2023, acting pursuant to the Code of Commercial Companies, the Company Articles of Association, and the Company Supervisory Board By-law, the Supervisory Board held 7 meetings, in which 19 resolutions were passed. Additionally, outside of the meetings, in the voting ordered by the Chairman of the Supervisory Board through the means of direct remote communication, 18 resolutions was passed. In the meetings and outside of them, the Supervisory Board passed the total of 37 resolutions.

The principles of the Supervisory Board operation are regulated by the Code of Commercial Companies. The detailed methods of the Supervisory Board operation are determined in the Company Articles and the Supervisory Board By-law, passed by the Supervisory Board, available on the corporate website at: <https://grupakety.com/relacje-inwestorskie/lad-korporacyjny/dokumenty-spolki/>.

Any periodic information for the Supervisory Board, and specifically the information referred to in Article 380¹ of the Code of Commercial Companies, are provided by the Management Board, in the form, with the frequency and at the dates determined by the Supervisory Board.

The Supervisory Board is a collective body, however, it has delegated some of its powers to the specific committees described below.

Committees of the Supervisory Board

The following committees of the Supervisory Board operate at Grupa Kęty S.A.:

- Audit Committee,
- Nomination and Remuneration Committee.

The committees are appointed to make the current work of the Supervisory Board more efficient by preparing, on a current basis, draft decisions of the Supervisory Board concerning its own motions or the motions submitted by the Management Board for examination. The committee members are appointed by virtue of a resolution passed by the Supervisory Board, from among the Supervisory Board Members, and perform their functions until their resignation has been accepted or until their dismissal, in accordance with the appointment procedure. Pursuant to the Remuneration Policy of the Management Board and Supervisory Board Members, the Members of the Supervisory Board of Grupa KĘTY S.A. obtain additional remuneration for work at the Supervisory Board Committees.

Audit Committee of the Supervisory Board

The Audit Committee of the Supervisory Board of Grupa KĘTY S.A. was appointed by way of Resolution of the Supervisory Board on 23 September 2004, and it operates in compliance with its By-law, abiding by the internal regulations of Grupa KĘTY S.A., and also follows the requirements of the legal regulations, particularly the Act on Statutory Auditors, Audit Firms and Public Supervision (Journal of Laws of 2022, item 1302, as amended) – hereinafter referred to as the Act) and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014. The Audit Committee consists of members appointed by the Supervisory Board. In exercising its competencies and duties, the Committee also follows the ‘Recommendations for the functioning of the audit committees’ issued by the Office of the Polish Financial Supervision Authority.

In accordance with the Act and the By-law of the Audit Committee of the Supervisory Board of Grupa KĘTY S.A., the Audit Committee consists of at least three members, with the majority of the Audit Committee Members, including its Chairman, being independent members. The Audit Committee Members possess knowledge and qualifications in accounting or auditing financial statements.

1) In the period from 1 January 2023 to 31 December 2023, the Audit Committee was composed of:

- Mr Piotr Kaczmarek – Chairman of the Audit Committee,
- Mr Wojciech Golak,
- Mr Paweł Niedziółka,
- Mr Przemysław Rasz,
- Mr Piotr Stępiak,
- Ms Anna Włoszek.

To the date of preparing this report, the membership of the Audit Committee has not changed.

The independence of the particular Members of the Audit Committee, as well as their knowledge in accounting and auditing financial statements, as well as the sector of Grupa KĘTY S.A. operation, have been described below.

- **Mr Piotr Kaczmarek – Chairman of the Audit Committee**

Mr Piotr Kaczmarek fulfils the statutory independence criteria and possesses knowledge in accounting and auditing financial statements, as well as the sector of Grupa KĘTY S.A. operation, as referred to in the Act on Statutory Auditors [...].

Mr Piotr Kaczmarek is highly experienced in seating at Audit Committees of stock-listed companies, including as Chairman of the Audit Committees (Robyg S.A., Grupa KĘTY S.A., Ferro S.A., Harper Hygienics S.A, Erbud S.A., VRG S.A., Śnieżka S.A., Develia S.A.). He has also worked for more than a decade as a financial analyst, and was awarded the CFA (Chartered Financial Analyst) title and a securities broker licence.

Since 2017, Mr Piotr Kaczmarek has acted as a Member of the Supervisory Board of Grupa KĘTY S.A., which contributed to extending his knowledge of the sector in which the Company operates.

- **Mr Wojciech Golak – Member of the Audit Committee**

Mr Wojciech Golak fulfils the statutory independence criteria and possesses knowledge in accounting and auditing financial statements, as well as the sector of Grupa KĘTY S.A. operation, as referred to in the Act on Statutory Auditors [...].

In the period from 2018 to 2022, Mr Wojciech Golak acted as a Member of the Audit Committee of ROBYG S.A. He completed a post-graduate course in banking run by the Collegium of Management and Finance of the SGH Warsaw School of Economics. He also acted as a representative and receiver of KBC Securities N.V. (joint stock company) Branch in Poland.

Mr Wojciech Golak has been acting as a Member of the Supervisory Board of Grupa KĘTY S.A. since 2020, which contributed to extending his knowledge of the sector in which the Company operates.

- **Mr Paweł Niedziółka – Member of the Committee**

Mr Paweł Niedziółka fulfils the statutory independence criteria and possesses knowledge in accounting and auditing financial statements, as well as the sector of Grupa KĘTY S.A. operation, as referred to in the Act on Statutory Auditors [...].

Mr Paweł Niedziółka has 25 years of experience in risk analysis and management with regard to financing business companies, financial assessment of investment projects, structuring of bank financing, and cooperation with financial institutions and auditors. He heads the Financial Risk Management Department at the Institute of Banking of the SGH Warsaw School of Economics, and manages the Structural Financing Team at Bank Millennium S.A. (previously, he was associated with Credit Lyonnais Bank Polska and Bankgesellschaft Berlin). Mr Paweł Niedziółka has been acting as an expert at the

Polish Agency for Enterprise Development (PARP), where he has assessed dozens of investment projects. He has also prepared several expert opinions for courts, mainly related to corporate loans valuation. Moreover, he is an author of scientific publications and textbooks devoted to investment projects assessment.

Mr Paweł Niedziółka has been acting as a Member of the Supervisory Board of Grupa Kęty S.A. since 2014, being at the same time a Member of the Audit Committee and the Nomination and Remuneration Committee, which contributed to extending his knowledge of the sector in which the Company operates.

- **Mr Piotr Stępnik – Member of the Audit Committee**

Mr Piotr Stępnik fulfils the statutory independence criteria and possesses knowledge in accounting and auditing financial statements, as well as the sector of Grupa KĘTY S.A. operation, as referred to in the Act on Statutory Auditors [...].

He also sat at Supervisory Boards of a number of companies, including those listed at the stock exchange. He possesses theoretical expertise in accounting or financial audit within the meaning of Article 129.1 sentence two of the Act on Statutory Auditors, Audit Firms and Public Supervision. He studied accounting and obtained the degree of a Master of Science in Management (MSM) at the Purdue University in the USA. Moreover, he has a Double Major B.A. degree in Management and Economics with Financial Accounting and an Executive Master in Business Administration degree.

Mr Piotr Stępnik has been acting as a Member of the Supervisory Board of Grupa KĘTY S.A. since 2017, which contributed to extending his knowledge of the sector in which the Company operates.

- **Mr Przemysław Rasz – Member of the Audit Committee**

Mr Przemysław Rasz fulfils the statutory independence criteria and possesses knowledge in accounting and auditing financial statements, as well as the sector of Grupa KĘTY S.A. operation, as referred to in the Act on Statutory Auditors [...].

Mr Przemysław Rasz has many years of experience of working at the supervisory bodies of Polish and foreign commercial and production companies, including as the owner's representative. For more than twenty years, he has worked in Polish, European and American civil engineering companies dealing with production, trade and contract performance. He has also managed companies of the construction sector.

Mr Przemysław Rasz has been acting as a Member of the Supervisory Board of Grupa KĘTY S.A. since 2020, which contributed to extending his knowledge of the sector in which the Company operates.

- **Ms Anna Włoszek – Member of the Audit Committee**

Ms Anna Włoszek fulfils the statutory independence criteria, possesses knowledge in the sector of Grupa KĘTY S.A. operation, and does not possess knowledge in accounting or auditing financial statements, as referred to in the Act on Statutory Auditors [...].

Since the beginning of her career, Ms Anna Włoszek has occupied managerial positions at business companies and specialised in public procurement orders. Starting from 2019, she has been President of the Management Board of Agencja Rozwoju Małopolski Zachodniej S.A.

Ms Anna Włoszek has been acting as a Member of the Supervisory Board of Grupa KĘTY S.A. since 2022, which contributed to extending her knowledge of the sector in which the Company operates.

Information about the particular members of the Audit Committee of the Supervisory Board of Grupa KĘTY S.A., including their qualifications and experience, is also presented on the corporate website: <https://grupakety.com/o-grupie-kety/o-nas/organy-spolki/>.

2) The principles of appointing the Audit Committee have been provided in § 10 of the By-law of the Supervisory Board, available on the corporate website at: <https://grupakety.com/relacje-inwestorskie/lad-korporacyjny/dokumenty-spolki/>.

The principles of operation and the detailed duties of the Audit Committee are determined in the By-law of the Audit Committee of the Supervisory Board of Grupa KĘTY S.A., available on the corporate website at: <https://grupakety.com/relacje-inwestorskie/lad-korporacyjny/dokumenty-spolki/>.

The Audit Committee consists of at least three Members appointed by the Supervisory Board for its term of office from among its Members. The Committee Members appointed by the Supervisory Board elect one of them as the Chairman of the Committee. The Committee members receive monthly remuneration for the work on the Committee, in compliance with the Remuneration Policy. At least one Committee Member possesses knowledge and qualifications in accounting or auditing financial statements. Most of the Audit Committee Members, including the Chairman of the Committee, fulfil the independence criteria specified in Article 129.3 of the Act of 11 May 2017 on Statutory Auditors, Audit Companies and Public Supervision, as well as in ‘The Best Practice for GPW Listed Companies 2021’. The Audit Committee Members possess knowledge and qualifications related to the industry in which the Company operates. This condition is deemed fulfilled if at least one Committee Member has the knowledge and qualifications related to that industry, or individual Members – within certain areas – have the knowledge and qualifications related to that industry. A Committee Member may be dismissed from the Committee at any time by virtue of a Supervisory Board resolution.

The Committee meetings are opened and chaired by the Committee Chairman or in his absence by another Member of the Committee indicated by the Chairman. The Committee decisions are made in the form of resolutions. The resolutions are passed with an absolute majority of votes. In the event of an equal number of votes for and against a resolution, decisive is the vote of the Chairman, and in his absence – of the other person chairing the Committee meeting, as specified in § 9.1 of the Committee By-law. For the validity of the Committee resolutions proper invitation of all the Committee Members to the Committee meeting is required, or consent to holding a meeting of the Committee without formal convening, in accordance with § 8.7 of the Committee By-law, as well as the presence of at least half of the Committee Members at the Committee meeting. The Committee resolutions do not bound the Supervisory Board.

3) The tasks of the Audit Committee include supporting the Supervisory Board in the performance of its control and supervisory duties, as well as performance of tasks specified in the generally binding laws, and specifically as regards:

- a) monitoring of the financial reporting process, which includes but is not limited to:
 - verification of financial statements as to the correctness and completeness of the information provided therein;
 - providing opinions on the principles of preparing financial statements and the accounting policy at the Company;
 - analysing the reports on the audit of financial statements;
- b) monitoring the effectiveness of internal control systems, risk management systems and internal audit, also with regard to financial reporting, which includes but is not limited to:
 - assessment of the effectiveness of the particular elements of the systems, including those related to financial reporting and safety of the applied information technologies, and presenting recommendations in that regard to the Supervisory Board;
 - analysis of the detected irregularities in the internal control systems and presentation of recommendations in that regard to the Supervisory Board;
 - examining reports and recommendations issued by the external regulatory or control authorities, applicable to the compliance of the Company activities with the legal regulations as well as schedules of removing the irregularities detected;
- c) monitoring the performance of financial audit activities, in particular carrying out of audits by an audit firm, taking into account any findings and conclusions of the Polish Agency of Audit Supervision arising from the audits carried out at an audit firm, which includes but is not limited to:
 - recommending to the Supervisory Board the selection of an audit firm to carry out the audit or review of the Company financial statements;
 - providing opinions on the proposed terms of contract with an audit firm with regard to carrying out the audit or review, including the value and limit of remuneration;
 - assessing the type and scope of services ordered with an audit firm and the remuneration paid on that account, or other considerations for the benefit of the audit firm, with regard to the risk of a conflict of interest occurrence;
 - presenting to the Supervisory Board the conclusions and recommendations resulting from the report on the audit of the financial statements of the Company prepared by an audit firm;

- expressing opinions regarding the activities undertaken by the Company Management Board in relation to the reservations to the financial statements reported by an audit firm or otherwise reported comments with regard to the correctness of the financial statements or the accounting principles of the Company;
 - assessing and providing opinions with regard to the information provided by the audit firm performing the financial audit activities at the Company in reference to major issues related to the activities, including major irregularities in the internal audit system at the Company as refers to the financial reporting;
- d) controlling and monitoring the independence of the statutory auditor and the audit firm;
 - e) informing the Supervisory Board about the audit results and explaining how the audit contributed to the fairness of the Company financial reporting, and about the role of the Committee in the auditing process;
 - f) assessing the independence of the statutory auditor and giving consent to the provision by them of the permitted non-audit services to the Company;
 - g) developing a policy of selection of an audit firm to carry out the audit of the Company financial statements;
 - h) developing a policy on the provision of the permitted non-audit services by the audit firm to carry out the audit, the entities related to that audit firm or a member of the audit firm's network;
 - i) determining of the procedure of selection of an audit firm to carry out the audit of the Company financial statements;
 - j) presenting recommendations to the Supervisory Board with regard to the selection of an audit firm;
 - k) presenting recommendations to ensure the integrity of the Company financial reporting process;
 - l) preparing opinions within the competencies of the Supervisory Board, subject that the generally binding laws and the internal regulations of the Company permit that;
 - m) performing other tasks resulting from the generally binding laws or tasks entrusted by the Supervisory Board (which may by way of resolution entrust the Committee with the performance of activities other than those specified above, subject that it does not prejudice the generally binding laws).

4) As regards the Audit Committee, the majority of its members, including the Chairman must fulfil the criteria of independence set out in Article 129.3 of the Act on Statutory Auditors, and at least one member of the Audit Committee must possess knowledge and skills in accounting or auditing financial statements.

The Audit Committee Members must also have knowledge and qualifications related to the industry in which the Company operates. The condition is deemed to be fulfilled if at least one Committee Member has the knowledge and qualifications related to that industry, or individual Members – within certain areas – have the knowledge and qualifications related to that industry.

The following Members of the Audit Committee met or still meet the independence criteria referred to in Article 129.3 of the Act on Statutory Auditors: Mr Wojciech Golak, Mr Piotr Kaczmarek, Mr Paweł Niedziółka, Mr Przemysław Rasz, Mr Piotr Stępnik, and Ms Anna Włoszek.

The following Audit Committee Members possess knowledge and skills in accounting or auditing financial statements: Mr Wojciech Golak, Mr Piotr Kaczmarek, Mr Paweł Niedziółka, Mr Przemysław Rasz, Mr Piotr Stępnik. The knowledge and skills in the above scope were acquired by the Audit Committee Members by way of graduating from university courses in economics and related fields, post-graduate courses, speciality training and professional experience related to the fulfilment of functions in governing and supervisory bodies of capital companies (which also included acting as a Chairman or Member of at the Audit Committees of the bodies). All Members of the Audit Committee Members have knowledge and qualifications in the industry in which the Company operates: Mr Wojciech Golak, Mr Piotr Kaczmarek, Mr Paweł Niedziółka, Mr Przemysław Rasz, Mr Piotr Stępnik, and Ms Anna Włoszek.

In 2023, the Audit Committee held 8 meetings, in which 6 resolutions were passed. Additionally, outside of the meetings, in the voting ordered by the Chairman of the Committee through the means of direct remote communication, one resolution was passed.

The Audit Committee Members maintained standing contacts with the Company. Moreover, there were held meetings and consultations outside of the formal sessions. The Audit Committee meetings were attended – apart from the Committee Members – by the invited guests: the Management Board Member/Financial Director,

Internal Audit Director, Compliance Director, President of the Management Board of Dekret Centrum Rachunkowe, the representatives of the E&Y audit firm, and the invited employees of the Company. In addition to plenary meetings, the Audit Committee Members also held consultations as part of the Committee's ongoing work.

5) The main topics of the Audit Committee in 2023 included:

- detailed analysis of the draft separate and consolidated financial statements, as part of the public disclosure in the form of the Company interim reports, obtaining from the Management Board of additional information and explanations regarding the statements, and identification of the necessity for any correction, additional explanations or comments;
- monitoring the scope, course and methods of work of the audit firm in relation to the audit of separate and consolidated financial statements of the Company, and audit of the financial statements of the selected subsidiaries of Grupa KĘTY S.A. for 2022, and also the review interim condensed separate and consolidated financial statements of the Company, and review of consolidation packages of the selected subsidiaries of Grupa KĘTY S.A. for the first half of 2023;
- monitoring the scope, course and methods of work of the audit firm in relation to the audit of the separate financial statements of Grupa KĘTY S.A. for the year ended 31 December 2022, and consolidated financial statements of the Capital Group of Grupa KĘTY S.A. for the year ended 31 December 2022, as well as audit of the financial statements of the selected subsidiaries of Grupa KĘTY S.A. for the year ended 31 December 2022, and also review of interim condensed separate and consolidated financial statements of the Company, and review of consolidation packages of the selected subsidiaries of Grupa KĘTY S.A. for the first half of 2023;
- confirmation of the independence of the audit firm, the audit team and the statutory auditors delegated to carry out the audit of the financial statements of the Company for 2022 and the report on the operations of the Company and the Capital Group of Grupa KĘTY S.A. in 2022, and review of interim condensed financial statements of the Company for 6 months ending 30 June 2023, and review of the report on the operations of the Capital Group in the first half of 2023;
- receipt from the audit firm of the independence declaration, as well as information on the possible circumstances which may result in an inability to carry out the audit of the Company financial statements;
- analysis the results of the audit of the financial statements of the Company for 2022, and issue based thereon of a recommendation for the Supervisory Board of the Company with regard to acceptance of a positive opinion on the audit of the aforesaid financial statements, and a recommendation regarding the request of the Supervisory Board to the Annual General Meeting to approve the statements;
- passing a resolution on amending and adoption of consolidated test of the 'Policy of Grupa KĘTY S.A. with regard to the selection of and cooperation with an audit firm responsible for carrying out the statutory audit of financial statements';
- analysis of the findings from an inspection carried out by an external company within the ordered 'Fire safety' audit task, as well as analysis of the report on the status of implementation of the recommendations issued within the 'Fire safety audit at the Capital Group of Grupa KĘTY S.A.';
- analysis of the results of the audit task entitled 'Monitoring of recommendations from the external cyber security audit';
- analysis of conclusions and recommendations of the audit entitled 'Independent assessment of the internal audit function at Grupa KĘTY S.A.';
- analysis of the report on monitoring the market of services provided by statutory auditors and audit firms in 2022;
- discussion on the letter of the auditor to the Management Board of Grupa KĘTY S.A. post the audit of the 2022 annual financial statements;
- passing of a resolution with regard to the opinion on the draft contents of the updated Internal Audit Rules and submission of the same to the Supervisory Board;
- acceptance of the information regarding major processes outsourced at Grupa KĘTY S.A.;
- monitoring the manner of the compliance function performance at the Capital Group of Grupa KĘTY S.A. in 2023;
- review of ESG reporting and practices of communication with investors;
- passing of resolutions concerning the work plan of the Audit Committee for the year 2024;

- cooperation and monitoring of the internal audit function within the Company organisational structure, and in particular:
 - issue of an opinion on the drafted ‘Annual Audit Plan for 2024’,
 - issue of opinion on the update of the Internal Audit Rules of Grupa KĘTY S.A.,
 - analysis of the annual Report on Internal Audit Activities in 2022 and semi-annual Report on Internal Audit Activities in 2023,
 - discussion of the post-audit conclusions and recommendations;

The detailed methods of the Audit Committee operation are determined in the Company Articles and the By-law of the Audit Committee of the Supervisory Board of Grupa KĘTY S.A., passed by the Supervisory Board, available on the corporate website at: <https://grupakety.com/relacje-inwestorskie/lad-korporacyjny/dokumenty-spolki/>.

The Policy of Grupa KĘTY S.A. with regard to the selection of and cooperation with an audit firm responsible for carrying out the statutory audit of financial statements, and the Policy with regard to providing the permitted non-audit services by the audit firm carrying out the audit, the entities related to that audit firm or a member of the audit firm’s network

In accordance with the applicable law, Grupa KĘTY S.A. has its separate and consolidated financial statements reviewed and audited by an audit firm. The selection of an entity authorised to audit the Company financial statements should be carried out on the basis of the following principles.

- The entity authorised to audit the financial statements shall be selected in a tender procedure by the Supervisory Board of Grupa KĘTY S.A. The decision on the selection is taken in the form of a resolution of the Supervisory Board.
- When selecting a firm authorised to audit the financial statements, the Supervisory Board of Grupa KĘTY S.A. follows the binding Policy and Procedure of an audit firm selection.
- When selecting the entity authorised to audit the financial statements, the Supervisory Board of Grupa KĘTY S.A. focuses on the prior experience of the audit firm in auditing financial statements of companies with the profile of operation similar to those of the Grupa KĘTY S.A. Capital Group.
- The selection is made taking into account the principles of impartiality and independence of the audit firm as well as analysis of the projects carried out by the firm at the Company, going beyond the audit of the financial statements, in order to avoid a conflict of interest (preserving impartiality and independence).

The policy and procedure of Grupa KĘTY S.A. with regard to the selection of an audit firm to carry out the audit of statutory financial statements are available on the corporate website at: <https://grupakety.com/polityki/>.

Main assumptions of the policy on the provision of permitted non-audit services by the audit firm carrying out the audit, the entities related to that audit firm or a member of the audit firm’s network

1. The Company does not order any prohibited non-audit services in the following periods:
 - a. in the period from the commencement of the respective audited period to the issue of the audit report; and
 - b. in the reporting year directly preceding the period referred to in letter a), in reference to the services listed in Section 3 letter e).
2. The Company may order non-audit services, other than the prohibited non-audit services, subject to their approval by the Audit Committee and after carrying out of the respective assessment of threats and assuring independence in compliance with Article 22b of Directive 2006/43/EC.
3. Prohibited non-audit services are understood to be the services listed below, in accordance with the **Regulation (EU) No 537/2014 of the European Parliament and of the Council**:
 - a. tax services relating to:
 - i. preparation of tax forms;
 - ii. payroll tax;
 - iii. customs duties;
 - iv. identification of public subsidies and tax incentives unless support from the statutory auditor or the audit firm in respect of such services is required by law;
 - v. support regarding tax inspections by tax authorities unless support from the statutory auditor or the audit firm in respect of such inspections is required by law;

- vi. calculation of direct and indirect tax and deferred tax;
- vii. provision of tax advice;
- b. services that involve playing any part in the management or decision-making of the audited entity;
- c. bookkeeping and preparing accounting records and financial statements;
- d. payroll services;
- e. designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems;
- f. valuation services, including valuations performed in connection with actuarial services or litigation support services;
- g. legal services, with respect to:
 - i. the provision of general counsel;
 - ii. negotiating on behalf of the audited entity; and
 - iii. acting in an advocacy role in the resolution of litigation;
- h. services related to the audited entity's internal audit function;
- i. services linked to the financing, capital structure and allocation, and investment strategy of the audited entity, except providing assurance services in relation to the financial statements, such as the issuing of comfort letters in connection with prospectuses issued by the audited entity;
- j. promoting, dealing in, or underwriting shares in the audited entity;
- k. human resources services, with respect to:
 - i. management in a position to exert significant influence over the preparation of the accounting records or financial statements which are the subject of the statutory audit, where such services involve:
 - searching for or seeking out candidates for such position; or
 - undertaking reference checks of candidates for such positions;
 - ii. structuring the organisation design; and
 - iii. cost control.

The policy of Grupa KĘTY S.A. with regard to providing the permitted non-audit services by the audit firm carrying out the audit, by entities related to that audit firm and by a member of the audit firm's network is available on the corporate website at: <https://grupakety.com/polityki/>.

Nomination and Remuneration Committee of the Supervisory Board

The Remuneration Committee of Grupa KĘTY S.A. was established by way of Resolution of the Supervisory Board of 19 May 2005. The Supervisory Board of Grupa KĘTY S.A., by way of Resolution of 5 June 2019, changed the name of the Remuneration Committee into the Nomination and Remuneration Committee ('N&RC') and passed the Committee By-law. The main competencies of the Nomination and Remuneration Committee include the control and supervision of the system of remuneration of the Management Board of Grupa KĘTY S.A., presenting recommendations to the Supervisory Board in reference to a candidate or candidates to act as the Management Board Members, as well as instigation and carrying out recruitment procedures with the aim to find candidates to act as the Management Board Members.

Nomination and Remuneration Committee Membership

1) In the period from 1 January 2023 to 31 December 2023, the Nomination and Remuneration Committee was composed of:

- Mr Piotr Stępnik – Chairman of the Nomination and Remuneration Committee
- Pan Wojciech Golak,
- Mr Piotr Kaczmarek,
- Mr Paweł Niedziółka,
- Mr Przemysław Rasz,
- Ms Anna Włoszek.

To the date of preparing this report, the membership of the Nomination and Remuneration Committee has not changed.

2) The basis for appointing the Nomination and Remuneration Committee have been provided in § 10 of the By-law of the Supervisory Board, available on the corporate website at: <https://grupakety.com/relacje-inwestorskie/lad-korporacyjny/dokumenty-spolki/>.

3) The principles of operation and the detailed duties of the Nomination and Remuneration Committee are determined in the By-law of the Nomination and Remuneration Committee of the Supervisory Board of Grupa KĘTY S.A., available on the Company's corporate website at: <https://grupakety.com/relacje-inwestorskie/lad-korporacyjny/dokumenty-spolki/>.

4) The tasks of the Committee include supporting the Supervisory Board in the performance of its control and supervisory duties, as well as performance of tasks specified in the generally binding laws, and specifically as regards:

a) nominations of the Management Board Members:

- carrying out recruitment procedures with the aim to find candidates to act as the Management Board Members;
- presenting recommendations to the Supervisory Board in reference to a candidate or candidates to act as the Management Board Members;
- presenting recommendations to the Supervisory Board in reference to the structure, size and membership of the Management Board.

b) remuneration:

- analysing the Management Board Members' remuneration system, which includes analysing all components of the remuneration due and paid to the Management Board Members, as well as carrying out a comparative analysis in reference to other entities operating on the market of similar scale and profile of operation (if available), and presenting recommendations in that regard to the Supervisory Board;
- if the General Meeting authorises the Supervisory Board to specify the elements of the Remuneration Policy with more detail in accordance with the binding laws – presenting recommendations and proposals of the detailed scope to the Supervisory Board;
- presenting recommendations and proposals to the Supervisory Board in reference to the data and information included in the annual report on remuneration prepared by the Supervisory Board in accordance with the applicable laws;
- presenting recommendations and proposals to the Supervisory Board in reference to amending the Remuneration Policy or the principles of remuneration and the terms of employment specified for the particular Management Board Members;
- if the Company has implemented an incentive scheme (e.g. Management Options Plan) – carrying out an analysis and presenting recommendations and proposals to the Supervisory Board in reference to the scheme assumptions and terms.

In 2023, the Nomination and Remuneration Committee held 6 meetings, in which 7 resolutions were passed. Additionally, outside of the meetings, in the voting ordered by the Chairman of the Nomination and Remuneration Committee through the means of direct remote communication, 5 resolutions were passed. Moreover, the Nomination and Remuneration Committee held four meetings within the recruitment procedure for the possible extension of the membership of the Management Board, in which the potential candidates participated. Within the same process there were held meetings with the representatives of a recruitment agency. The Nomination and Remuneration Committee Members maintained standing contacts with the Company. The Nomination and Remuneration Committee meetings were attended – apart from the Committee Members – by the invited guests: the Management Board Member/Financial Director, the representatives of the recruitment companies, and other invited employees of the Company. In addition to plenary meetings, the Nomination and Remuneration Committee Members also held consultations as part of the Committee's ongoing work.

5) The main topics of the Nomination and Remuneration Committee in 2023 included:

- discussion the 2023 bonus plan for the Management Board Members;
- update and amendment of the basic remuneration principles and determination of the incentive principles for the Management Board of Grupa KĘTY S.A. for 2023, including:

- determination of financial criteria for the particular Management Board Members depending on the growth rate of EBITDA and net profit results of the particular operating segments, and/or consolidate results;
- determination of bonus criteria for the Management Board Members on account of personal goals attainment;
- determination of bonus criteria for the Management Board Members on account of non-financial goals attainment;
- verification of the calculation of the annual incentive for the Members of the Management Board of Grupa KĘTY S.A. for 2022 and submission of the related recommendation to the Supervisory Board;
- recommendation to the Supervisory Board of the adoption of the Report on Remuneration of the Management Board and Supervisory Board Members of Grupa KĘTY S.A. for the year 2022;
- recommendation to the Supervisory Board of the amendment to the Rules of the Management Options Plan Performance at Grupa KĘTY S.A. with its registered office in Kęty in the years 2020–2028, and recommendation to the Supervisory Board of the approval of the detailed terms of issue of N, O and P series bonds with the pre-emptive right to take up I series shares, as well as the contents of proposal to acquire the bonds;
- support of the Supervisory Board in the recruitment process for the function of the Vice President of the Management Board;
- recommendation to the Supervisory Board of appointment as at 1 January 2024 of Mr Roman Przybylski Member of the Company Management Board, acting as Vice President of the Management board, and positive assessment of the proposed employment conditions;
- acceptance of the report on the recruitment procedure for the position of the Director for Investments and Development, acting as Vice President of the Management Board of Grupa KĘTY S.A.

Competences of the Nomination and Remuneration Committee and information on the method of the Committee appointment and operation

The Committee consists of at least three Members appointed for the term of the Supervisory Board. The Committee Members are appointed by virtue of a resolution passed by the Supervisory Board, from among the Supervisory Board Members, and perform their functions until their resignation has been accepted or until their dismissal, in accordance with the appointment procedure. The Committee appoints a Chairman of the Committee from among the Committee Members, by way of a resolution. The Committee members receive monthly remuneration for the work on the Committee, in compliance with the Remuneration Policy.

The Committee meetings are opened and chaired by the Committee Chairman or in his absence by another Member of the Committee indicated by the Chairman. The Committee decisions are made in the form of resolutions. The resolutions are passed with an absolute majority of votes. In the event of an equal number of votes for and against a resolution, decisive is the vote of the Committee Chairman, and in his absence – of the other person chairing the Committee meeting, as specified in § 7.1 of the Committee By-law. For the validity of the Committee resolutions passed at the Committee meeting, proper invitation of all of the Committee members to the Committee meeting is required, or consent to holding a meeting of the Committee without formal convening, in accordance with § 6.7 of the Committee By-law, as well as presence of at least half of the Committee members at the meeting. The Committee resolutions do not bind the Supervisory Board.

The detailed methods of the Nomination and Remuneration Committee operation are determined in the Company Articles and the Nomination and Remuneration Committee By-law passed of the Supervisory Board, which are available on the corporate website at: <https://grupakety.com/relacje-inwestorskie/lad-korporacyjny/dokumenty-spolki/>.

10.5 The Management Board of Grupa KĘTY S.A.

In the period from 1 January 2023 to 31 December 2023, the Management Board of Grupa KĘTY S.A. was composed of:

- Dariusz Mańko – President of the Management Board,
- Rafał Warpechowski – Member of the Management Board,
- Piotr Wysocki – Member of the Management Board,
- Tomasz Grela – Member of the Management Board.

The internal distribution of responsibility for the particular areas of the Company operations among the Management Board Members has been presented in the chart below.

TABLE 81: INTERNAL DISTRIBUTION OF RESPONSIBILITY FOR THE PARTICULAR AREAS OF THE COMPANY OPERATIONS AMONG THE MANAGEMENT BOARD MEMBERS

Internal distribution of responsibility for the particular areas of the Company operations among the Management Board Members			
Dariusz Mańko	Rafał Warpechowski	Piotr Wysocki	Tomasz Grela
President of the Management Board CEO	Member of the Management Board in charge of Finance	Member of the Management Board in charge of the Extruded Products Segment	Member of the Management Board in charge of the Aluminium Systems Segment
<ul style="list-style-type: none"> Directing the Management Board's work Coordination of the operating segments activities Sustainable development (ESG) Human resources (HR) and occupational health and safety (OHS) Internal audit Legal service Dialogue with the stakeholders Supervision of strategic affairs at the Flexible Products Segment (FPS) 	<ul style="list-style-type: none"> Accounting and statutory reporting Controlling and management reporting Treasury and insurance affairs IT Risk and compliance management (ERM) Investor relations (IR) Corporate supervision and capital investments Supervision of strategic affairs of the Shared Services Centre (accounting and payroll services) and cooperation with other operating segments 	<ul style="list-style-type: none"> Supervision and implementation of strategic and operational affairs at the Extruded Products Segment (EPS) Energy policy Cooperation with other operating segments 	<ul style="list-style-type: none"> Supervision and implementation of strategic and operational affairs at the Aluminium Systems Segment (ASS) Cooperation with other operating segments

On 15 September 2023 the Supervisory Board of Grupa Kęty S.A. passed a resolution on appointing Mr Roman Przybylski Member of the Management Board starting from 1 January 2024, entrusting him with the function of Vice President of the Management Board, Director for Investments and Development.

Post the balance-sheet date decisions were made with regard to a change in the division of responsibility among the particular Members of the Company Management Board. The internal distribution of responsibility among the particular Members of the Company Management Board covering for the appointment of a new Member of the Management Board and valid as at the date of this report publication is presented in the chart below.

TABLE 82: THE INTERNAL DISTRIBUTION OF RESPONSIBILITY AMONG THE PARTICULAR MEMBERS OF THE COMPANY MANAGEMENT BOARD COVERING FOR THE APPOINTMENT OF A NEW MEMBER OF THE MANAGEMENT BOARD AND VALID AS AT THE DATE OF THIS REPORT PUBLICATION

Internal distribution of responsibility for the particular areas of the Company operations among the Management Board Members				
Dariusz Mańko	Roman Przybylski	Rafał Warpechowski	Piotr Wysocki	Tomasz Grela
President of the Management Board CEO	Vice President of the Management Board in charge of Investments and Development	Member of the Management Board in charge of Finance	Member of the Management Board in charge of the Extruded Products Segment	Member of the Management Board in charge of the Aluminium Systems Segment
<ul style="list-style-type: none"> Directing the Management Board's work Coordination of the operating segments activities Sustainable development (ESG) Human resources (HR) and occupational health and safety (OHS) Internal audit Legal service Dialogue with the stakeholders Supervision of strategic affairs at the Flexible Products Segment (FPS) 	<ul style="list-style-type: none"> Supervision of sales strategy implementation and creation of sales strategies in new areas Creation of development strategies, including through mergers and acquisitions (M&A) projects Creation and supervision of investment strategy Cooperation with other operating segments 	<ul style="list-style-type: none"> Accounting and statutory reporting Controlling and management reporting Treasury and insurance affairs IT Risk (ERM) and compliance management Investor relations (IR) Corporate supervision and capital investments Supervision of strategic affairs of the Shared Services Centre (accounting and payroll services) and cooperation with other operating segments 	<ul style="list-style-type: none"> Supervision and implementation of strategic and operational affairs at the Extruded Products Segment (EPS) Energy policy Cooperation with other operating segments 	<ul style="list-style-type: none"> Supervision and implementation of strategic and operational affairs at the Aluminium Systems Segment (ASS) Cooperation with other operating segments

Starting from 1 January 2024 the Management Board of Grupa KĘTY S.A. was composed of:

- Dariusz Mańko – President of the Management Board,
- Roman Przybylski – Vice President of the Management Board,
- Rafał Warpechowski – Member of the Management Board,
- Piotr Wysocki – Member of the Management Board,
- Tomasz Grela – Member of the Management Board.

By the date of preparing this report, the membership of the Management Board of Grupa KĘTY S.A. has not changed.

Detailed information about the particular Members of the Management Board, including their qualifications and experience is presented below as well as posted on the corporate website at: <https://grupakety.com/o-grupie-kety/o-nas/organy-spolki/>.

Dariusz Mańko – President of the Management Board & Chief Executive Officer

Dariusz Mańko is a graduate of the University of Agriculture in Poznań and a post-graduate course in Company Finance Management at the University of Economics in Katowice. He also took part in a number of domestic and foreign courses in management and marketing. In the years 1993–1996 he worked for SAPA POLAND, a company owned by the Swedish SAPA concern, first as a Sales Representative and later as Sales and Marketing Manager. His career at Grupa KĘTY started in 1996. In the years 1996–1999 he was Manager of Grupa KĘTY Stamping Plant (former ZML Kęty). From 1999 to 2005 he held the position of the President of the Management Board and CEO of Aluprof S.A. In the years 2000–2005 he was also Member of Grupa KĘTY S.A. Management Board. He was elected President of the Management Board on 3 August 2005.

Mr Mańko is a co-father of key investment programmes for the years 2004–2025, of the total value of PLN 4.3 billion, which brought Grupa KĘTY not only fast engineering development, but also permanent competitive advantage, contributing to achieving record results in 2022. He has also been a co-creator of the Company's and Capital Group's development strategy thanks to which the image of Grupa KĘTY as one of the fastest developing production companies in the aluminium sector has been built. His competence in management has been recognised in the most prestigious rankings (including the 1st place in the 'Valuation of the Polish TOP 30 Managers' – 2021 Edition sub-ranking, and 2nd place in the sub-ranking of the 'The Stock Exchange Company of the Year 2021' competition).

Roman Przybylski – Vice President of the Management Board, Director for Investments and Development

Mr Roman Przybylski graduated from the Krakow University of Economics, Faculty of International Management. He also completed executive education programmes organised by Cambridge Judge Business School and Stanford University Graduate School of Business. In 2003 he joined the Nowy Styl Capital Group. In the years 2006–2009 he was Member of the Management Board of Baltic Wood S.A., Nowy Styl Strategy and Business Development Director, with duties that included building foreign sales structures, as well as Managing Director of the Nowy Styl brand in charge of the whole commercial area. In 2009, he became Member of the Management Board of Nowy Styl, responsible for all sales, marketing and product management functions. Moreover, he was co-responsible for acquisition processes, and further for restructuring and integration of the foreign companies taken over by the Capital Group (in Germany, Switzerland, the Netherlands, and France). In March 2023 he became Vice President of the Management Board of Nowy Styl International. Since 1 January 2024 he has been Vice President of the Management Board, Director for Investments and Development of Grupa KĘTY S.A.

Mr Rafał Warpechowski – Member of the Management Board, Financial Director

Mr Rafał Warpechowski is a graduate of the Warsaw University of Technology, Faculty of Civil Engineering. In 1996, he obtained a Master of Business Administration degree. In 2011 he completed the qualification process of ACCA (the Association of Chartered Certified Accountants). He has over 20 years of professional experience in finance, planning, management information systems and investor relations, gained at international capital groups listed on stock exchanges. He has been Member of the Management Board and Financial Director of

Grupa KĘTY S.A. since 1 October 2019. In the years 2008–2018 Mr Warpechowski was Executive Director for Planning and Reporting at Grupa ORLEN, in the years 2003–2008 he was responsible for the area of accounting at Telekomunikacja Polska (present Orange Polska), in the years 1998–2003 he was Financial Director for Planning and Development at Grupa Impexmetal, and in 1996–1998 he worked at PriceWaterhouse consultants. He held functions in the governing bodies of a number of companies of the aforesaid capital groups, including President of the Management Board of ORLEN Corporate Services Centre, Member of the Management Board of UNIPETROL Services, Deputy Chairman of the Supervisory Board of ORLEN Paliwa, Member of the Supervisory Boards of UNIPETROL and TP Emitel.

Piotr Wysocki – Member of the Management Board & Deputy Chief Executive Officer

Mr Piotr Wysocki has a master's degree in engineering. He graduated from the University of Agriculture and Technology in Olsztyn, Faculty of Civil Engineering. He also took a post-graduate course at the University of Economics in Katowice. Before joining Grupa KĘTY, in the years 1996–2000, he worked at Hydro Aluminium Chrzanów Sp. z o.o., a subsidiary of the Hydro Aluminium international concern. He joined Grupa KĘTY S.A. in 2000, starting his career as Sales Director. Then, in the years 2002–2008, he held the position of Director of the Extruded Products Segment of Grupa KĘTY S.A. Since 2008 he has been acting as Deputy CEO of Grupa KĘTY S.A. Along with that function, he has been acting as President of the Management Board of the subsidiary Aluform Sp. z o.o. He has been Member of the Management Board of Grupa KĘTY S.A. since 1 January 2018.

Mr Wysocki is a co-father and facilitator of key investment projects at the Extruded Products Segment where production capacity has grown to 110,000 tons a year. As a Deputy CEO of Grupa KĘTY S.A. he has been one of the initiators of establishing the Polish Aluminium Association to represent the interests of the largest aluminium companies and associate dozens of partners from the Polish aluminium sector business environment.

Tomasz Grela – Member of the Management Board

Mr Tomasz Grela is a graduate of the Silesian University of Technology in Gliwice, Faculty of Civil Engineering, with major in Technology and Management in the Construction Business. He also took a post-graduate course in Business Management at the University of Economics in Katowice. Prior to joining the Capital Group of Grupa KĘTY S.A. he worked as a Sales Director and Logistics Director at Farmacol S.A. and was Marketing Team Manager at DOMBUD S.A.

He started his career at the Grupa KĘTY S.A. Capital Group in 2002. In 2002–2006 he was Director for Operations and Member of the Management Board of Metalplast Bielsko S.A. In 2004–2008 he acted as President of the Management Board of Metalplast Stolarka Sp. z o.o. He has been President of the Management Board and CEO of Aluprof S.A. since 2008. On 1 January 2018 he was elected Member of the Management Board of Grupa KĘTY S.A.

Mr Grela has been in charge of many key projects at Aluprof S.A., including construction of an independent Research and Innovation Centre with the largest in Central and Eastern Europe chamber for testing the physical properties of curtain walls, and construction of fire-rated glass production plant under the brand of Glassprof Sp. z o.o. Under his rule Aluprof S.A. has been awarded the 'Market Leader in Joinery' title 15 times year over year, and also many times the title of 'Golden Building Brand'. His competences in management have been honoured in prestigious rankings ('Creator of the Construction Business' and 'Personality of the Sector' in the Poland-wide competition held by the Builder magazine for the construction, architecture and business sectors).

Competences of the Management Board and information on the method of the Board appointment and operation

The Management Board consists of two to five Members, including the President of the Management Board. The President of the Management Board and other Members of the Board are appointed and recalled by the Supervisory Board. The term of office of the Management Board Members is three years. The Management Board Members are appointed for a joint term of office. If the membership of the Management Board no longer complies with the requirements of the Articles, the Supervisory Board shall immediately pass a resolution on changing the membership of the Management Board.

The Management Board runs the affairs of the Company and represents it. The Company is represented by two Members of the Management Board or one Member of the Management Board jointly with a proxy. Any matters related to running the affairs of the Company, which have not been reserved by the Articles or by law for the General Meeting or the Supervisory Board, fall within the competencies of the Management Board.

The methods of the Management Board operation are determined in detail in the Management Board By-law. The By-law is passed by the Management Board and approved by the Supervisory Board. Acting by the Management Board Members as members of the management boards or supervisory boards of companies outside of the Capital Group requires consent of the Supervisory Board.

The resolutions of the Management Board are passed with absolute majority of votes. In the event of an equal number of votes for and against a resolution, decisive is the vote of the President of the Management Board. The following matters require a resolution of the Management Board:

- a) receiving and presenting to the General Meeting the annual reports on the operations of the Company and the Capital Group, financial statements, and consolidated financial statements of the Capital Group;
- b) presenting motions to the General Meeting, along with the opinion of the Supervisory Board, in the following matters:
 - resolutions regarding profit distribution or loss coverage;
 - change of the Company line of business;
 - amendment of the Articles;
 - share capital increase or decrease if the increase or decrease takes place in the manner requiring a resolution of the General Meeting;
 - merger, split or transformation of the Company;
 - winding-up and liquidation of the Company;
 - issue of share-convertible bonds;
 - sale or lease of the enterprise or its organised part, or encumbering thereof with a limited right in property;
 - disposing of interest or shares vested in the Company of the value exceeding PLN 100,000,000 (say: one hundred million zlotys), including by encumbering them, except for disposal for the benefit of the companies within the Capital Group;
 - any provisions related to claims for damages incurred at the moment of founding the company, or management or supervision of the Company;
 - determination of the date of acquiring the right to dividend and dividend payout date;
 - passing resolutions regarding the Company shares redemption;
- c) convening ordinary or extraordinary General Meetings:
 - on the Management Board's own initiative;
 - at a written request of the Supervisory Board;
 - at a written request of the shareholders representing at least one twentieth of the share capital;
- d) division of duties among the Management Board members;
- e) establishment of the Company organisational regulations or organizational structure, as well as creation or closure of branches, departments, plants and other separated business units of the Company as regards the level of positions or organisational units of the Company which report directly to a member of the Management Board;
- f) granting and recalling proxy rights and powers of attorney;
- g) adoption of the Company work regulations and rules applicable to the corporate payroll, awards and bonus systems as well as the Corporate Social Benefits Fund;
- h) approval of consolidated budgets, the Company budgets, and strategy of the Capital Group;
- i) granting donations;
- j) making decisions on group redundancies;
- k) disposing of or putting into use the Company assets of the net book value or market value exceeding PLN 200,000.00 (say: two hundred thousand zlotys) except for disposing of or putting into use any assets for the benefit of the companies of the Capital Group or within the ordinary course of business of the Company; as well as liquidation of property, plant and equipment (except for computer sets, laptops, dies, inserts, mounts, bolsters, rings, stamps, transfer moulds, adapters, sleeves and punchers) of the initial value exceeding PLN 10,000.00;

- l) taking out cash liabilities in the value exceeding PLN 12,500,000 (say: twelve and a half million zlotys), except for liabilities provided for in the Company budget and liabilities taken out within the Company ordinary course of business, and referring to the purchase of primary aluminium, aluminium billets, electric energy, methane-rich gas, and heat;
- m) taking out cash liabilities in the value exceeding PLN 1,000,000.00 (say: one million zlotys), in relation to activities which have not been listed in § 14.3 of the Articles, except for liabilities included in the Company budget and liabilities taken out within the ordinary course of business of the Company;
- n) taking out cash liabilities in one-off value exceeding PLN 200,000.00 (say: two hundred thousand zlotys), under the agreements on providing advisory services to the Company, except for liabilities under the advisory agreements signed with the companies of the Capital Group;
- o) any other matters requiring the consent of the Supervisory Board under § 14.3 of the Articles;
- p) referring to the Supervisory Board with a request for opinion in any matter determined by the Management Board;
- q) entering into significant transactions within the meaning of the Act on Public Offering, except for transactions for which the Act on Public Offering excludes the duty of obtaining the consent of the Supervisory Board or the General Meeting;
- r) undertaking activities related to internal audit, whereas resolutions in the matters listed below are passed upon prior approval of the Supervisory Board in the respective matter:
 - approval of the Internal Audit Rules,
 - approval of the Annual Internal Audit Plan in reference to risk analysis,
 - approval of the Long-term Internal Audit Plan,
 - approval of the Internal Audit budget and plan of resources,
 - ordering an ad hoc audit task,
 - appointment and recall of the Internal Audit Director,
 - approval of remuneration or any other compensation for the Internal Audit Director which does not result from internal rules or other procedures binding at the Company;
- s) approval of the Management Board assessment of the effectiveness of internal audit functioning at the Company, along with a respective report, and presenting it to the Supervisory Board.

A resolution of the Management Board may also be required for matters other than listed above, as proposed by the Management Board Members. The managing persons have no right to decide on the issue or redemption of shares but only to initiate actions in that regard.

In 2023, the Management Board held 32 meetings, in which 113 resolutions were passed.

The principles of the Management Board operation are regulated by the Code of Commercial Companies. The detailed methods of the Management Board operation are determined in the Company Articles and the Management Board By-law, passed by the Management Board and approved by the Supervisory Board, available on the corporate website at: <https://grupakety.com/relacje-inwestorskie/lad-korporacyjny/dokumenty-spolki/>.

10.6 Amendments to the Company Articles of Association

Any amendment to the Articles of Association requires a resolution of the General Meeting passed with the majority of 3/4 of votes, and the amendment must be entered in the National Court Register (Article 430 of the Code of Commercial Companies). Reporting of the amendment to the Articles is the responsibility of the Company Management Board. The Management Board is obliged to report an amendment to the Articles within three months of the adoption of the respective resolution.

10.7 Information on the issued securities and limitations in the exercise of the right of vote, and transfer of ownership rights

Holders of securities with special control powers

The Company has not issued any securities with special control powers. The Company Articles of Association do not provide for any powers in that regard. The shares of Grupa Kęty S.A. are ordinary bearer shares. Each share entitles its holder to one vote at the General Meeting.

Indication of any limitations with regard to the exercise of the right of vote

The Company has not introduced any special limitations on the exercise of the right of vote. The Company Articles of Association do not provide for any limitations in that regard.

Restrictions on the transfer of securities ownership rights

The transfer of ownership rights with regard to the securities issued by the Company is not restricted. The Company Articles of Association do not provide for any limitations in that regard.

10.8 Diversity Policy with regard to the managing and supervisory bodies of Grupa Kęty S.A.

Grupa KĘTY S.A. has not implemented a diversity policy with regard to the members of the Company managing and supervising bodies, which would be approved by the Supervisory Board and the General Meeting. The Company has not limited or discriminated the candidates to the said bodies in any respect. The appointment of the Management Board and Supervisory Board Members is made particularly based on their subject-matter knowledge, competence and experience.

10.9 Internal control and risk management systems in the process of financial statements preparation

The Management Board of Grupa KĘTY S.A. is responsible for the development and implementation of appropriate, effective and efficient internal control and risk management systems in relation to the process of preparing financial statements. The Financial Division, supervised by the Member of the Management Board of Grupa KĘTY S.A. acting as the Financial Director (CFO), is responsible for the preparation of financial statements, interim financial reporting and provision of management information.

The financial statements are prepared in cooperation with Dekret Centrum Rachunkowe sp. z o.o., a wholly-owned subsidiary of Grupa KĘTY S.A. Dekret employs accounting specialists whose knowledge is supported with the required certificates and education as well as adequate experience.

Grupa KĘTY S.A. adopted the Accounting Policy conforming to the International Financial Reporting Standards, the chart of accounts and reporting databases, having regard for the format and detailed nature of the financial figures presented in financial statements.

The aim of the internal control system within the process of preparing financial statements is to ensure accurate, complete and correct accounting for all business transactions in a given period. The system is based on the division of duties, the approval of transactions and data on multiple levels, and verification of correctness of data.

Additionally, in accordance with the binding legal regulations, financial statements are audited (annual statements) or reviewed (semi-annual statements) by an independent statutory auditor. The statutory auditor is selected by the Company Supervisory Board based on the Audit Committee recommendations. Within the audit work, the statutory auditor provides an independent assessment of the fairness and correctness of separate and consolidated financial statements and takes into account the efficiency of the internal control and risk management systems.

The process of preparing financial statements comprises control mechanisms of technical nature (numerical and logical control formulas) and substantive nature (the analysis of control reports outcomes).

The following risks have been identified in the process of preparing financial statements:

- erroneous input data;
- faulty data presentation;
- application of erroneous estimates;
- missing IT systems integration.

The risks are mitigated by:

- maintenance of a uniform system of data mapping from the source systems to financial statements, which ensures the proper presentation of data;
- periodical reviews of financial figures conducted by internal specialists, with the main purpose to confront their knowledge with the financial figures and detect any possible improper presentations of data and erroneous input data;
- making estimates based on the best knowledge of the Management Board, including also with the assistance of independent advisers (e.g. licensed actuaries or property appraisers), if needed;
- auditing the annual separate and consolidated financial statements as well as reviewing the semi-annual separate and consolidated financial statements of the Company and its Capital Group by an independent auditor, for the purpose of detecting the possible major irregularities, including omissions in the process of financial reporting;
- use of an integrated in-house IT system (ensuring data integration), which is subject to control in accordance with the Company security procedures binding for that system;
- application of uniform principles in the reporting process of the Capital Group companies, and compliance with the uniform chart of accounts binding at the Group.

Observance of the respective laws and regulations (compliance-related tasks)

The organisational structures of Grupa KĘTY S.A. enable the coordination of measures aimed at ensuring compliance with the respective laws and regulations, both at the business segments and at the Capital Group level. The structures comprise the Compliance Department performing the function of regulatory environment monitoring and compliance management, the selected departments of Grupa KĘTY S.A. responsible for separate areas, the corresponding structures at the Capital Group companies, the OrangeBook system of procedures, as well as defined competencies and responsibilities.

The OrangeBook – being an established system of procedures – enables the Capital Group companies to take advantage of the common knowledge and apply a homogeneous approach to any matters related to legal requirements and conducting business.

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11.3 Information on Alternative Performance Measures applied in this report

In this Report, there are used the terms of: EBITDA, net debt, ROA, ROE, quick liquidity ratio, current liquidity ratio, EBITDA margin, operating margin, and net margin, which have not been defined in the IFRS accounting standards and, therefore, represent an alternative measurement of results in accordance with the ESMA Guidelines on Alternative Performance Measures (ESMA/2015/1415).

In that respect, the Company provides the definitions of the terms and the assumed method of calculating them, as well as the value resulting from the separate and consolidated financial statements for 2022.

- 1) The 'EBITDA' parameter represents the total net profit on operating activities (an item of the profit and loss account for the respective reporting period) and depreciation (an item of the profit and loss account for the respective reporting period). The 'EBITDA' parameter is a measure presenting the capability of the Company to generate cash on basic activities. The 'EBITDA' ratio calculated in accordance with the above mentioned guidelines would amount to PLN 1,031 million in the consolidated financial statements for 2022, and PLN 789 million in the separate financial statements for 2022.
- 2) The 'EBITDA margin' parameter represents the percentage ratio of net profit on operating activities (an item of the profit and loss account for the respective reporting period) and depreciation (an item of the profit and loss account for the respective reporting period) to sales revenue (an item of the profit and loss account for the respective reporting period). The 'EBITDA margin' ratio calculated in accordance with the above mentioned guidelines would amount to 17.39% in the consolidated financial statements for 2022, and 34.43% in the separate financial statements for 2022.
- 3) The 'operating margin' parameter represents the percentage ratio of net profit on operating activities (an item of the profit and loss account for the respective reporting period) to sales revenue (an item of the profit and loss account for the respective reporting period). The 'operating margin' ratio calculated in accordance with the above mentioned guidelines would amount to 14.59% in the consolidated financial statements for 2022, and 32.00% in the separate financial statements for 2022.
- 4) The 'net margin' parameter represents the percentage ratio of net profit attributable to owners of the parent (an item of the profit and loss account for the respective reporting period) to sales revenue (an item of the profit and loss account for the respective reporting period). In the separate financial statements the item of net profit replaces the item of net profit attributable to owners of the parent. The 'net margin' ratio calculated in accordance with the above mentioned guidelines would amount to 11.44% in the consolidated financial statements for 2022, and 30.51% in the separate financial statements for 2022.
- 5) The 'ROA' (return on assets) parameter represents the percentage ratio of net profit attributable to owners of the parent (an item of the profit and loss account for the respective reporting period) to total assets (an item of the balance sheet at the end of the respective reporting period). In the separate financial statements the item of net profit replaces the item of net profit attributable to owners of the parent. The 'ROA' ratio calculated in accordance with the above mentioned guidelines would amount to 17.5% in the consolidated financial statements for 2022, and 43.1% in the separate financial statements for 2022.
- 6) The 'ROE' (return on equity) parameter represents the percentage ratio of net profit attributable to owners of the parent (an item of the profit and loss account for the respective reporting period) to equity attributable to owners of the parent (an item of the balance sheet at the end of the respective reporting period). In the separate financial statements the item of net profit replaces the item of net profit attributable to owners of the parent, and the item of equity replaces the item of equity attributable to owners of the parent. The 'ROE' ratio calculated in accordance with the above mentioned guidelines would amount to 34.9% in the consolidated financial statements for 2022, and 73.6% in the separate financial statements for 2022.
- 7) The 'current liquidity ratio' is calculated as current assets (an item of the balance sheet at the end of the respective reporting period) to short-term liabilities (an item of the balance sheet at the end of the respective reporting period). The 'current liquidity ratio' calculated in accordance with the above mentioned guidelines would amount to 2.1 in the consolidated financial statements for 2022 as at 31 December 2022, and 1.8 in the separate financial statements for 2022 as at 31 December 2022.
- 8) The 'quick liquidity ratio' is calculated as current assets (an item of the balance sheet at the end of the respective reporting period) less inventories (an item of the balance sheet at the end of the respective reporting period) to short-term liabilities (an item of the balance sheet at the end of the respective reporting period). The 'quick liquidity ratio' calculated in accordance with the above mentioned guidelines would amount to 1.0 in the consolidated financial statements for 2022 as at 31 December 2022, and 1.0 in the separate financial statements for 2022 as at 31 December 2022.

- 9) The 'net debt' parameter represents the total of long-term loan payables and long-term lease liabilities (items of the balance-sheet equity/liabilities), plus short-term loan payables and short-term lease liabilities (items of the balance-sheet equity/liabilities), less the value of cash and cash equivalents (an item of the balance-sheet assets). The 'net debt' ratio presents the value of bank loans and other interest-bearing liabilities, in consideration of the cash available, which may be allocated to the debt repayment. The 'net debt' ratio calculated in accordance with the above mentioned guidelines would amount to PLN 1,056 million in the consolidated financial statements for 2022 as at 31 December 2022, and PLN 396 million in the separate financial statements as at 31 December 2022.
- 10) The 'net debt to EBITDA' parameter is the ratio of net debt (compliant with the definition in item 9) to EBITDA (in compliance with definition in item 1). The 'net debt to EBITA' ratio calculated in accordance with the above mentioned guidelines would amount to 0.98 in the consolidated financial statements for 2022 as at 31 December 2022, and 0.50 in the separate financial statements for 2022 as at 31 December 2022.
- 11) The 'debt/equity ratio' represents the ratio of the total of short-term and long-term liabilities (items of the balance sheet at the end of the respective reporting period) to equity attributable to owners of the parent (an item of the balance sheet at the end of the respective reporting period). In the separate financial statements the item of equity replaces the item of equity attributable to owners of the parent. The 'debt/equity ratio' calculated in accordance with the above mentioned guidelines would amount to 1.00 in the consolidated financial statements for 2022 as at 31 December 2022, and 0.71 in the separate financial statements for 2022 as at 31 December 2022.

The presentation of the aforesaid ratios and parameters in the Statement by the Company results from their general application in financial analysis and valuation of the Capital Group by the Company stakeholders.

11.4 GRI standards table

TABLE 83: GRI STANDARDS TABLE

Standard category	Standard	Description	Page number
GRI 2: General disclosures			
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	2-10	Nomination and selection of the highest governance body	129
	2-11	Chair of the highest governance body	76
	2-12	Role of the highest governance body in overseeing the management of impacts	76
	2-13	Delegation of responsibility for managing impacts	76
	2-14	Role of the highest governance body in sustainability reporting	76
	2-15	Conflicts of interest	76
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	2-19	Remuneration policies	28, 76
	2-20	Process to determine remuneration	76
4. Strategy, policies and practices	2-22	Statement on sustainable development strategy	6
	2-23	Policy commitments	76
	2-24	Embedding policy commitments	76
	2-25	Process to remediate negative impacts	76
	2-26	Mechanisms for seeking advice and raising concerns	76
	2-27	Compliance with laws and regulations	76
	2-28	Membership of associations	124
5. Stakeholder engagement	2-29	Approach to stakeholder engagement	84
	2-30	Collective bargaining agreements	112
GRI 3: Material topics			
	3-1	Process to determine material topics	71, 91, 106
	3-2	List of material topics	71, 91, 106
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(E) Environment: ENVIRONMENTAL AREA			
GRI 305: Emissions to air			
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	305-2	Energy indirect (Scope 2) GHG emissions	94
	305-3	Other indirect (Scope 3) GHG emissions	97
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	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	97
GRI 306: Waste			
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GRI 301: Materials			
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GRI 302: Energy			
	302-1	Energy consumption within the organization	101
GRI 303: Water			
	303-1	Interactions with water as a shared resource	102
	303-3	Water withdrawal	102
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Other			
	307-1	Value of material fines and the total number of non-monetary sanctions for non-compliance with the environmental laws and regulations	105
	308-1	Proportion of new suppliers that were screened using environmental criteria	82
S (Social) – SOCIAL AREA			
GRI 403: Occupational health and safety			
	403-5	Worker training on occupational health and safety	116
	403-9	Work-related injuries	115

GRI 401: Employment			
	401-1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	109
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	111
GRI 405: Diversity and equal opportunity			
	405-1	Composition of governance bodies and staff categories, by gender, age, minority group, and other indicators of diversity	112
	405-2	Ratio of basic salary and remuneration of women to men, by staff category	112
GRI 404: Training and education			
	404-1	Average hours of training per year per employee, by gender and staff category	114
Other			
	402-1	Minimum notice periods regarding operational changes, and identification whether the periods are specified in collective bargaining agreements	112
	406-1	Total number of incidents of discrimination	112
	413-1	Operations with local community engagement, impact assessments, and development programs	117
	414-1	Proportion of new suppliers that were screened using social criteria	82
(G) Governance: MANAGEMENT AREA			
	204-1	Proportion of spending on local suppliers in main operating locations	82
	205-2	Percentage of employees trained in anti-corruption policies and procedures	83
	415-1	Total financial and in-kind value of political contributions	83

12. APPROVAL OF THE REPORT AND FAIRNESS DECLARATION

To the best of our knowledge, the annual financial statements of Grupa KĘTY S.A. and the annual consolidated financial statements of the Grupa KĘTY S.A. Capital Group, prepared as at the balance-sheet date of 31 December 2023, as well as the comparative data, have been prepared in accordance with the applicable accounting policies and they present a true, fair and transparent view of the assets and financial standing of Grupa KĘTY S.A. and the Grupa KĘTY S.A. Capital Group, including their financial results.

The report of the Management Board on the operations of Grupa KĘTY S.A. and the Grupa KĘTY S.A. Capital Group, presents a true view of the development and accomplishments as well as of the standing of Grupa KĘTY S.A. and the Grupa KĘTY S.A. Capital Group, including a description of the basic risks and threats.

The report of the Management Board of Grupa KĘTY S.A. on the operations of the Company and the Capital Group in 2023 was approved by the Company Management Board on 21 March 2024.

Signatures of the Management Board Members:

Dariusz Mańko

**President of the
Management Board**

Roman Przybylski

**Vice President of the Management
Board**

Piotr Wysocki

**Member of the
Management Board**

Rafał Warpechowski

Member of the Management Board

Tomasz Grela

**Member of the Management
Board**

KĘTY, 21 March 2024