



INTEGRATED REPORT

2018

LUBELSKI WĘGIEL BOGDANKA
GROUP

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MESSAGE FROM THE PRESIDENT



Dear Sir/Madam,

[GRI 102-14, 102-15] it is my pleasure to provide you with the fifth integrated report of the LW Bogdanka Group, in which we have summarised the last year – the time of intense work to maintain our leading position in terms of innovativeness, social responsibility and efficiency. We present the financial result that we achieved at the end of the reporting year aligned with the results seen from the social, environmental and managerial perspectives. Once again, we use six capitals: financial capital, manufactured [operating] capital, intellectual capital, human capital, social capital, and natural capital. We indicate key risks associated with the individual capitals, and specify the amounts we spend for each one of them to show the scale of our involvement.

In 2018, there were no material changes to the mine's business model and the nature of its business. This means that the impact on the stakeholders has remained the same as compared to the previous years. However, we are continuously looking for solutions and opportunities that will enable us to implement initiatives in the area of sustainable development which will, when integrated with the existing processes, strengthen our position as the industry's leader among socially responsible companies. Sustainable investments are easier to implement due to the fact that we have managed to maintain our strong market position. It was possible thanks to the fact that in 2018 we achieved our production plan of 9 million tonnes, and our sales plan of 8.9 million tonnes. This, in turn, enabled us to obtain an 18.7% share in the market of thermal coal sales, and a 24.7% share in the market of thermal coal sales to commercial power plants.

In 2018, we concentrated on the future and strategy. Our focus included increased extraction, which we managed to achieve as a result of constructing over 37 km of roadway workings. This is, and I say it with great pride, the record-breaking result in the Company's history. Such an outcome was one of the factors that enabled our safe entry into 2019, and allowed us to make ambitious extraction plans: at a level of approx. 9.4 million tonnes.

Investments are inevitably related to increased expenditure. For this reason, our plans of increased future extraction have partly burdened our financial result: although the consolidated revenue of the LW Bogdanka Group amounted to PLN 1,756.7 million [it was similar to that of 2017], we recorded EBITDA [PLN 469.2 million] and net profit [PLN 53.8 million] at lower levels than in the previous year. A note should also be made of a less favourable structure of mining panels and issues with the quality of exploited deposits in the first and fourth quarter of 2018. There was also a growth in the costs of materials, energy, third party services and labour, which has shaped the final result. An increase in the prices of coal as compared to 2017 on both the international [by 8.8%] and the domestic [by 13.4%] markets translated into higher prices in our 2019 contracts.

The Company's priority is to continue to work on costs and CAPEX optimisation, strive to improve yield and prepare ourselves to make the Ostrów deposit available, the exploitation of which is scheduled to commence in the fourth quarter of 2020. We want to achieve this by enhancing our operational efficiency. To confirm that the slogan "the most efficient hard coal mine in Poland" is true for Bogdanka, we can invoke yet another record-breaking result of 2018: the drilling of the longest top gallery [820 RM] by our GRP-5 Division. This feat has been hailed the 2018 Mining Success of the Year. To reinforce the above message, it is worth citing some real amounts: we spent PLN 463.1 million on investments and development.

We are aware that we would not have achieved that success if it was not for the people.

First of all, the overriding objective is their health and safety, both at work and outside of work. The great importance to us of ensuring the highest occupational health and safety standards is best confirmed by our budget dedicated to this end: PLN 128.6 million last year. Last year was the second year in which we were implementing the Work Safety Improvement Programme, which provides for a wide range of preventive measures, promotes pro-active attitudes in the area of safety, and includes the Kaizen-based Safer Workplace Programme. We care about the health of our employees, and that is why we organise regular preventive campaigns on the Company's premises. We have also covered our employees and their families with private medical care.

Second of all, our employees' development, satisfaction, and commitment are important to us. The process of inspiring initiative and the culture of openness has become one of the key elements of our current HR policy. We support our employees in their efforts to obtain new specialist qualifications and improve their efficiency, but we also do not forget about interpersonal skills with special emphasis on those related to teamwork and team management. Our pioneer projects, including the Foreman Academy and the Mining Leaders Academy, improve our employees' job satisfaction, and, in turn, increase their innovativeness and motivation.

The higher the expectations about the eco-friendly activities of entities from the mining sector [resulting from, among other things, the EU policy], the more we do in that respect, taking into account the processes of coal extraction and investment planning, on the one hand, and the education and transparency, on the other hand. We do this by properly informing the public about the quality parameters of coal and the effective process of its combustion. What is more, we have limited retail sales of coal. We promote and implement the concept of circular economy by looking for new possibilities for the use of products that have so far been treated as mining waste. We put emphasis on efficiencies in the consumption of energy, materials, and raw materials. With our Water Treatment Plant, we are striving to satisfy the mine's entire demand for water. I shall add that the expenditure on environmental protection in 2018 amounted to about PLN 37 million.

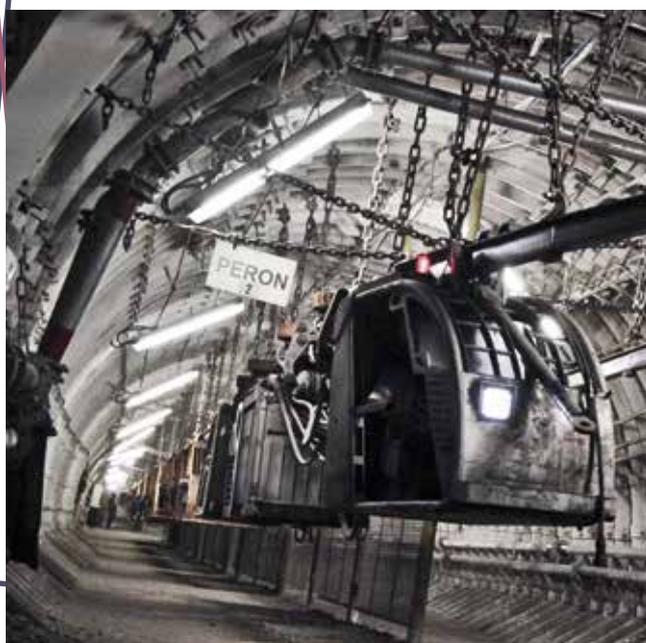
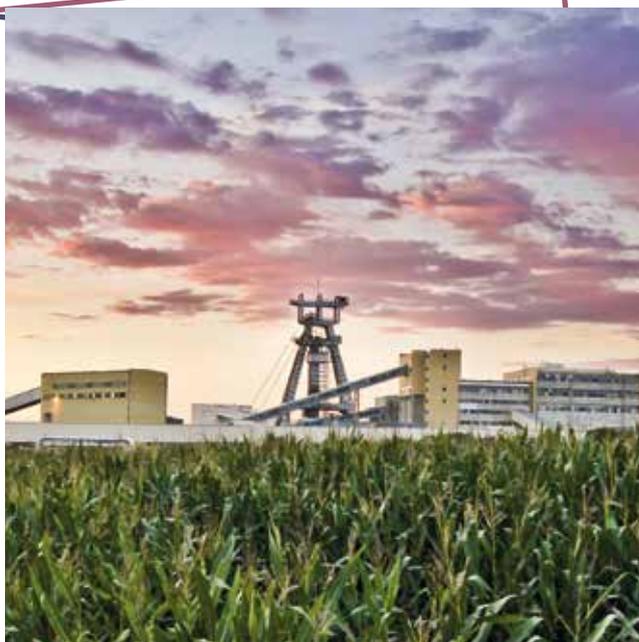
To meet the above challenges and monitor the effectiveness of the management of social responsibility in 2018, we adopted a new and ambitious Social Responsibility Strategy, which is adapted to the needs of various groups of stakeholders. Importantly, it has been developed as part of a widespread social dialogue. The expectations and demands are expressed in four overriding objectives of CSR, which are presented in this report. In our vision, Bogdanka stimulates the development of its employees, the environment, the local community, and fair management practices. We have published the priorities of social involvement in the form of a publicly available Policy. I am glad that the openness and reliability of our Company, which results from responsible management and ethics, are noticed and appreciated. We see non-financial reporting as a communication channel through which we can show our vision of a socially responsible company.

Have a great read.



Artur Wasil
President of the Management Board of LW Bogdanka SA

I. ABOUT BOGDANKA



BUSINESS MODEL AND SCALE OF THE ORGANISATION

[GRI 102-2, 102-6] Lubelski Węgiel Bogdanka Spółka Akcyjna of Bogdanka [hereinafter LW Bogdanka SA, the Company, the Parent] is one of the leading hard coal producers in Poland, standing out in the industry in terms of financial performance, productivity, and investment plans to access new deposits. The thermal hard coal sold by the Company is mostly used to produce electricity, heat and cement. The Company's customers are mainly industrial companies, especially entities operating in the power industry, located in the east and north-east of Poland. LW Bogdanka SA makes part of the Enea Group, one of the leaders of the Polish power market.

The mining area exploited by the LW Bogdanka Group is divided into three mining fields:

- ◇ Bogdanka Field
- ◇ Nadrybie Field
- ◇ Stefanów Field,

and the mine's shafts are located in Bogdanka, Nadrybie and Stefanów (including the lifting shafts located only in Bogdanka and Stefanów).

The LW Bogdanka group of companies [hereinafter referred to as the "Group"] consists of Łęczyńska Energetyka sp. z o.o. [LW Bogdanka SA holds 88.697% shares] and three subsidiaries: EkoTrans Bogdanka sp. z o.o., RG Bogdanka sp. z o.o., MR Bogdanka sp. z o.o. Certain in-house functions of the mine were spun off into those subsidiaries, which are wholly owned by LW Bogdanka SA.

[GRI 102-10] Another member of the Group, i.e. Łęczyńska Energetyka Sp. z o.o., supplies heat to the mine and is responsible for the mine's water and wastewater management operations [supplies of potable and industrial water and treatment of

sanitary wastewater and rain water produced by the mine]. The Company also delivers heat to external recipients, e.g. housing estates and public utility facilities in Łęczna. Nevertheless, the scale of its activities is significantly lower compared to the operations of the mine, both in terms of revenue and employment. EkoTrans Bogdanka sp. z o.o., established in 2013, provides waste management services to utilise waste generated in the course of coal shale washing and purifying, and more specifically waste transportation and logistics services.

RG Bogdanka sp. z o.o., established in 2013, provides services and supplies to and performs mining and building works for LW Bogdanka SA.

The most recent subsidiary is MR Bogdanka sp. z o.o., established in 2014, which performs repairs and refurbishments on the ground, including the regeneration and manufacturing of steel structures. This company also provides its services to LW Bogdanka SA. As the above tasks performed by the Company were previously carried out by the mine itself, the organisational modifications have not significantly changed the environmental impact of the LW Bogdanka Group.

Due to limited size of this Report, basic information about the Group, including its management structure, is only outlined. Detailed information in this respect may be found in Directors' Reports available to the public.**

[GRI 102-7] In the fourth quarter of 2018, the production of commercial coal in the Company decreased by 6.5% compared to the same period of 2017 and amounted to 2,187,000 tonnes. In the whole 2018, the production of commercial coal was 9,007,000 tonnes, i.e. it was lower by 0.5% than in the same period of 2017.

[G4I-102-2]	2017		2018		Q4 2017		Q4 2018	
REVENUE BY PRODUCT CATEGORY [PLN '000]								
Sale of coal	1,725,221	96.9%	1,707,797	97.2%	457,198	96.6%	407,942	96.9%
Other activities	41,807	2.4%	30,099	1.7%	12,456	2.6%	8,201	1.9%
Sale of goods and materials	13,293	0.7%	18,775	1.1%	3,535	0.8%	4,891	1.2%
Total revenue	1,780,321	100.0%	1,756,671	100.0%	473,189	100.0%	421,034	100.0%
REVENUE BY TARGET MARKET [PLN '000]								
Domestic sales	1,754,757	98.6%	1,756,538	100.0%	472,606	99.9%	421,010	100.0%
Foreign sales	25,564	1.4%	133	0.0%	583	0.1%	24	0.0%
Total revenue	1,780,321	100.0%	1,756,671	100.0%	473,189	100.0%	421,034	100.0%

* The Enea Group, i.e. the main shareholder of LW Bogdanka SA, will always be hereinafter referred to as Enea. Every time the word "Group" is used, a reference will be made to the LW Bogdanka Group.

** <http://ri.lw.com.pl/raporty-okresowe>

In all analysed periods the structure of production did not change significantly – thermal fine coal remained the dominant assortment [its share in the production was in the range of 98%-99%].

As at the end of 2018, the inventories of coal at the Parent amounted to 88,000 tonnes which means an increase by 64,000 tonnes compared to December 2017. The level of coal inventories as presented for the end of 2018 corresponds to approx. three days of commercial coal production [on the basis of an average 12-month daily production].

The main source of the Group's revenue is the production and sale of thermal coal by LW Bogdanka SA. In each of the compared reporting periods this activity generates approx. 97% of the LW Bogdanka Group's revenue.

In 2018 more than 90% of coal was sold to several key customers, namely:

- ◇ Enea Wytwarzanie sp. z o.o.
- ◇ Enea Elektrownia Połaniec SA
- ◇ ENERGA Elektrownie Ostrołęka SA
- ◇ Azoty Group - Zakłady Azotowe Puławy SA

A year before, i.e. in 2017 the share of the above customers in coal sales stood at a similar level.

Among the abovementioned customers the 10% of share in the Group's revenue was held by:

- ◇ Enea Wytwarzanie sp. z o.o. – Enea Group – approx. 62% of share in the revenue
- ◇ Enea Elektrownia Połaniec SA – Enea Group – approx. 23% share in the revenue

Both entities form part of the Enea Group, of which LW Bogdanka SA is also a member. Certain business risks are therefore eliminated. In particular, the fact that the Enea Group has bought the Połaniec plant, which is one of the youngest system power plants in Poland and the largest facility of this type in south-east part of the country, allows the Company to keep stable level of sales for the coming years. Thanks to the above actions, safe financial future as well as workplaces are secured at LW Bogdanka SA.

Other revenue mainly consisted of the following:

- ◇ revenue from services of coal transport provided by the Parent for the benefit of some customers
- ◇ revenue generated by Łęczyńska Energetyka sp. z o.o. from the sale of heat energy to third parties
- ◇ revenue on industrial services provided to companies performing works contracted by the Parent
- ◇ revenue on lease of non-current assets.

The activities of the Group are primarily concentrated in Poland. In Q4 2018 and in the whole 2018 the exports of goods and products included primarily sale of coal. In 2018 the share of exports in the total revenue was 0.01% [PLN 133,000], while in 2017 the figure was 1.4% [PLN 25,564,000].

[GRI 102-2]	2017	2018	CHANGE 2018/2017	Q4 2017	Q4 2018	CHANGE Q4 2018 /Q4 2017
PRODUCTION AND SALE ('000 TONNES)						
production of commercial coal	9,050	9,007	-0.5%	2,338	2,187	-6.5%
sale of commercial coal	9,151	8,943	-2.3%	2,453	2,155	-12.1%
STRUCTURE OF COMMERCIAL COAL PRODUCTION						
Fine coal	97.8%	98.8%	97.5%	99.1%	1.6 p.p.	1,6 p.p.
Nut coal	0.9%	0.2%	1.1%	0.1%	-1.0 p.p.	- 1,0 p.p.
Pea coal	1.3%	1.0%	1.4%	0.8%	-0.6 p.p.	- 0,6 p.p.
Total	100.0%	100.0%	100.0%	100.0%		

BUSINESS MODEL AND SUPPLY CHAIN

[GRI 102-9, 414-2] As an entity that mostly deals in coal extraction and processing, the LW Bogdanka Group is placed at the very beginning of the sector's economic path. Basic production is accompanied by other activities which are usually carried out by the subsidiaries [heat energy production, water treatment and supply, wastewater removal, transport services, both with respect to railroad transport of coal and transport of waste rock].

Nonetheless, when we look at the principal business related to hard coal production, the enterprise is, above all, a supplier of raw material for other industries [energy industry, cement production, chemical sector] placed at the beginning of their supply chain. But of course that does not mean that LW Bogdanka SA has no suppliers or does not use any products or services from other sectors. From the perspective of the mine's supply chain, it is of key importance to purchase the following: materials, fuels and energy, as well as specialised products and services specific to the mining industry [e.g. drilling and reconstruction of workings, output dump, as well as supply of support systems for longwall galleries, mining machines and equipment]. The mine also needs huge and stable supplies of electricity and fuel. Without electricity, heavy equipment installed underground would not operate, there would be no way to transport output to the surface, draining pumps and air conditioning systems would not work. In turn, diesel fuel is used underground for handling purposes, as well as in the aboveground rail transport.

Moreover, it has to be mentioned that some enterprises that perform works for the LW Bogdanka Group provide their services on site, including underground, and consequently, the scope of social responsibility which, among other things, is connected

with occupational health and safety, is extended to people who work in the mine, but are not employed by the mine. They undergo training in this respect, and in addition to that, their work standards are constantly monitored and supervised.

[GRI 102-8] Apart from the scope of work mentioned above, there are other activities which are typically outsourced to external entities [e.g. transport, security or cleaning services]. In connection with the performance of all kinds of works, a few hundred or sometimes more than a thousand employees of external companies work every day in the mine.

Since the LW Bogdanka Group has been incorporated into the Enea Group, the supply chain can be viewed from another – wider – perspective. Enea's key advantage is a fully integrated value chain. It has some vital financial consequences, for instance connected with the stability and security of supplies or resilience to volatility of raw material prices. It also provides opportunities to take advantage of various synergies [e.g. a contract for the purchase of electricity from Enea SA, securing the sale of coal following the takeover by Enea of the Połaniec power plant located in the vicinity of Bogdanka]. From the perspective of responsibility management, a business model which is so strongly vertically integrated practically enables the full control of the social and environmental impacts connected with the creation of economic value. The possibility of exercising direct control at every single stage of that process, from the impact of coal extraction on the local community and environment to an ethical approach to the advertising and promotion activities supporting electricity sales, gives the entire Enea Group a unique opportunity to build responsible added value.



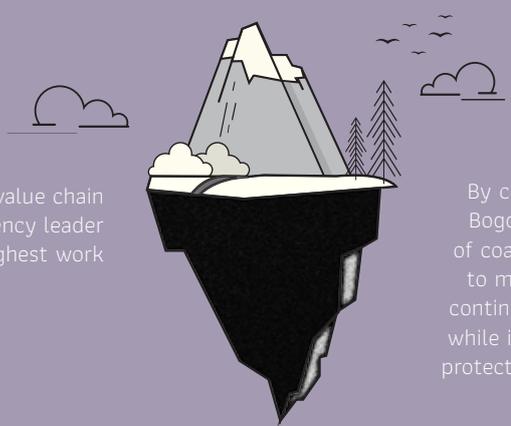
DEVELOPMENT STRATEGY FOR THE UPCOMING YEARS

The Development Strategy of LW Bogdanka SA. Mining Area of the Enea Group until 2025 (under the 2030 framework) was announced on 9 February 2017.

The adopted strategy reflects the 2030 Development Strategy of the Enea Group as it covers, among other things, activities to meet the rising demand for thermal coal on the side of power and cogen plants from the Generation Area of the Enea Group and to implement 10 strategic initiatives planned by the Enea Group for the Mining area.

In the course of the activities to formulate the Strategy, two development scenarios were prepared:

- ◇ **baseline scenario** which assumes average production at a level of about 8.5 million tonnes over 2017-2025 and capital expenditure amounting to PLN 3.7 billion (in nominal terms) in 2016-2025,
- ◇ **flexible development scenario**, which assumes average annual projected production at a level of about 9.2 million tonnes over 2017-2025 and capital expenditure amounting to PLN 4.0 billion (in nominal terms) in 2016-2025.



VISION

Bogdanka is a strong link in the value chain of the Enea Group and the efficiency leader in the mining sector with the highest work safety standards.

MISSION

By contributing to energy security of Poland, Bogdanka proves that it is a reliable supplier of coal for commercial power plants and is able to maintain its competitive advantage and to continuously increase the value of the Company, while improving its work safety and environment protection standards and implementing innovative solutions.

Taking into account the current and expected market situation, the Management Board intends to implement the flexible development scenario. The Company plans to focus simultaneously on the following:

- ◇ Close cooperation and utilisation of synergies in the Kozienice-Bogdanka-Połaniec mining and power generation area;
- ◇ Doubling the exploitable resources on the basis of the Ostrów deposit and to extend the mine's life to about 50 years (in November 2017, the Company obtained a mining licence for extraction from the Ostrów deposit thus achieving the above strategic goal)
- ◇ Implementation of strategic initiatives which include:
 - ◇ feasibility study of construction of an integrated gasification cycle (IGCC) system for production of fuel for power generation within the ENEA Group
 - ◇ programme to continue improving work safety
 - ◇ utilisation of the advanced high-performance face complex
 - ◇ continuation of the Smart Mine programme
 - ◇ effective waste rock management
 - ◇ operator's services provided by LW Bogdanka SA

Until 2030, a key direction for LW Bogdanka SA will be the development of infrastructure in the Ludwin Mining Area (Ostrów deposit) – according to preliminary estimates the Company will spend there about PLN 1.2 – 1.3 billion (in real terms) after 2025. This project is to ensure that the shaft complex in the Bogdanka Field can continue coal extracting after 2030.

In addition, the newly-adopted Development Strategy emphasises the importance of running business operations in compliance with the rules of the applicable Corporate Social Responsibility (CSR) Strategy, which includes ensuring the highest work safety standards, environmental effectiveness, the protection of local biodiversity, the stimulation of development and a guarantee of security for local communities, as well as the effective management of relationships with all groups of Stakeholders – all these in line with the principles of sustainable growth. The CSR Strategy, so far in effect, was adopted for the period of 2014-2017, and therefore 2017 is the last year of its term. Nevertheless, a new document regulating the social responsibility goals, provides for no changes to be made to its main objectives which are established and determined by the key areas of responsibility resulting from the pursued mining activities. However, the objectives for the years to come have been redefined.

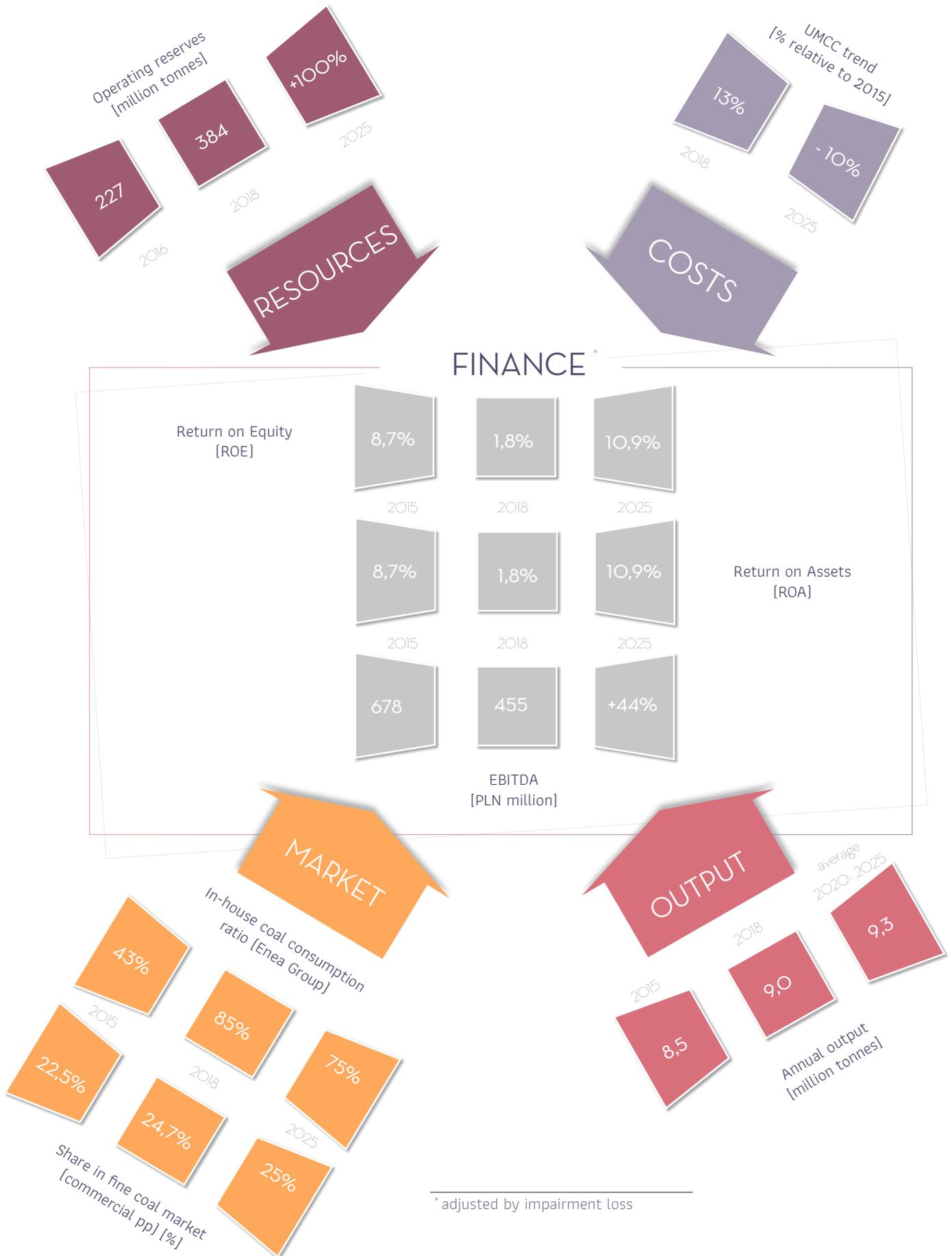
The document “Corporate Social Responsibility Strategy for 2018-2021” provides for the following goals:

1. Ensure the highest work safety level,
2. Limit the impact of operations on the safety of local natural environment,
3. Ensure safety and stimulate development of local community,
4. Follow transparent and responsible management practices.

The above areas were the priority also in previous years – considering the existing achievements and the implemented good practice, detailed objectives and individual efficiency indicators have changed significantly.

* The strategy adopted by the Management Board of LW Bogdanka SA in mid-2018

MEMBERSHIP IN ORGANISATIONS, PARTICIPATION IN INDUSTRY INITIATIVES



INTEGRATED MODEL OF CREATING VALUE



A comprehensive approach to responsible management requires a holistic view of an organisation and its performance. One of the model views suggested by the Integrated Reporting Framework <IR> is to analyse the process of creating value by analysing six capitals:

- ◇ financial
- ◇ manufactured [operating]
- ◇ human
- ◇ intellectual
- ◇ social
- ◇ natural.

Such an approach was commenced in 2016 and is continued also in the report for 2018. Special attention is given not only to the Company's business and its performance, but also to individual capitals, i.e.

- ◇ forms of dialogue with stakeholders related to the capitals;
- ◇ relation between individual capitals and categories of business risk managed and controlled by the Group by adopting a socially responsible management approach.

Such an understanding allows us to transparently present the relations between everyday operating activities and responsible management, and between development strategy and applying the concept of sustainable development. In a sector such as mining one cannot neglect social and environmental issues. A long-term perspective must be taken with respect to the

mine's operations, because these are exactly the actions and investments undertaken today that translate into preparing the deposits for exploitation and creating extraction possibilities for the upcoming years. The question of whether or not and, if yes, then what deposits will be extracted is determined by the time horizon for the mine's operations. The LW Bogdanka SA's current strategy provides for such an approach to managing licences and extraction that will make it possible to pursue mining activities by 2050. This is all the more important since it directly affects the community of Łęczna and the communes where mining takes place. This is a matter of thousands of people who have jobs thanks to the existence of the mine. This is also a matter of taxes and parafiscal levies paid by the mine which allow local authorities to implement their projects. Planning extraction with the use of unique and innovative technologies which are related, among other things, to deposit modelling, and, broadly speaking, a variety of different solutions generally referred to as Smart Mine, make it possible to foresee surface deformations, and thus, settlement processes which influence changes in the environment. Forward thinking about landscaping in connection with waste rock storage, and looking for alternative commercial ways of using waste rock underground or outside the mining industry.

The more we think about all the activities and all the capitals in the long-term perspective, the more intertwined and interdependent they become. The ability to comprehensively analyse them, and the process of continuous learning and perfecting overall management is exactly the development strategy being, at the same time, the sustainable development strategy.

MODEL OF CREATING VALUE WITHIN THE LUBELSKI WĘGIEL BOGDANKA GROUP

FINANCIAL CAPITAL

All sources of funding for the mining activities and other related activities. The share capital provided by the owners, financial results, and long- and short-term liabilities. These funds allow us to invest and develop our current and future business.

KEY FIGURES AND CASH TRANSFERS RELATED TO THE CAPITALS:

- Total assets PLN **3 933,4 million**
- Revenue PLN **1 756,7 million**
- Equity PLN **2 950,1 million**
- Net profit PLN **53,8 million**

STAKEHOLDERS AND STAKEHOLDER DIALOGUE VERSUS THE CAPITALS

- Strategic and operational cooperation with the strategic investor
- Participation in capital market initiatives
- Everyday communication on the phone and by e-mail with minority shareholders, other participants in the capital market and lenders
- Current and periodic reporting

RISK MANAGEMENT VERSUS THE CAPITALS

- Liquidity risk
- Insurance risk

MANUFACTURED (OPERATING) CAPITAL

The entire mining, energy and transport infrastructure at our disposal. The entire underground and aboveground infrastructure of the mine together with the accompanying machines and devices, as well as advanced IT infrastructure. This also includes heat plants, own side-track and rolling stock. Integrated Management System.

KEY FIGURES AND CASH TRANSFERS RELATED TO THE CAPITALS:

- Non-current assets: PLN **3,463.8 million**, including property, plant and equipment of PLN 3,270.3 million
- PLN **363.1 million** of expenditure on investment and development in 2018

STAKEHOLDERS AND STAKEHOLDER DIALOGUE VERSUS THE CAPITALS

- Analysing complaints and direct communication with clients to identify areas that require improvement
- Cooperation and direct exchange of opinions with suppliers and subcontractors with a view to improving work safety and efficiency

RISK MANAGEMENT VERSUS THE CAPITALS

- Risk associated with the launch of extraction of new deposits at the LW Bogdanka Group
- Risk associated with high costs of technologies applied by the Group
- Customer insolvency risk
- Technical and technological risk
- Risk of IT systems malfunctioning
- Risk of difficulties in supplies performed through rail transport
- Key supplier risk
- Risk of price fixing by the suppliers

HUMAN CAPITAL

Employees working underground and aboveground together with their knowledge and experience which create unique resources in the form of qualifications, and therefore the related intellectual capital.
Care for occupational health and safety (OHS) management and ethics.

KEY FIGURES AND CASH TRANSFERS RELATED TO THE CAPITALS:

- **5,420** employees of the LW Bogdanka Group
- PLN **128.6** million of expenditure on OHS in 2018
- average monthly remuneration in the Group at the level of PLN **7,551**

STAKEHOLDERS AND STAKEHOLDER DIALOGUE VERSUS THE CAPITALS

- Regular employee opinion / satisfaction surveys
- Activities of the OHS Commission (including dialogue with trade unions, employee organisations, employer organisations and their representatives)
- Requests to the Ethics Representative (submitted directly, by phone or e-mail, or left in one of the mail boxes located across the three mining areas)
- Partnership with the Mining School Complex in Łęczna ensuring that future employees of the mine receive education tailored to Bogdanka's needs

RISK MANAGEMENT VERSUS THE CAPITALS

- Risk associated with the strong position of the trade unions in the Group
- Risk of key employee loss
- Generation gap risk

INTELLECTUAL CAPITAL

Knowledge and innovations that constitute the Smart Mine concept. They ensure high level of safety for the people and the environment, as well as unique productivity and efficiency of coal extraction, even from thin coal layers.

KEY FIGURES AND CASH TRANSFERS RELATED TO THE CAPITALS:

- **116,642** hours of training courses
- PLN **58.8 million** – net book value of intangible assets, including PLN 41.7 million for geological information

STAKEHOLDERS AND STAKEHOLDER DIALOGUE VERSUS THE CAPITALS

- Cooperation with key suppliers
- Cooperation with other market participants within the School of Underground Exploitation
- Cooperation with academia
- Participation in the Lublin Land of Mechatronics platform

RISK MANAGEMENT VERSUS THE CAPITALS

- Technical and technological risk

SOCIAL CAPITAL

Contribution to the social and economic development of local communities residing in the neighbourhood of the mine. Relations based on constructive dialogue and trust that eliminate conflicts with the stakeholders. Unique constructive attitude of the trade unions. Reducing the social effects of mining activities (mining damage). Active participation in important social initiatives in the region and sponsorship of sport.

KEY FIGURES AND CASH TRANSFERS RELATED TO THE CAPITALS:

- PLN **11.1 million** of income tax in 2018
- PLN **5.4 million** transferred in 2018 for the purpose of removing mining damage incurred by the local communities
- PLN **396,000** for charity in 2018
- PLN **629.0 million** transferred in 2018 to the communities in the form of expenditure on employee benefits

STAKEHOLDERS AND STAKEHOLDER DIALOGUE VERSUS THE CAPITALS

- Regular meetings between the Management Board and the Trade Unions
- Regular meetings of the Liaison Team for periodic assessment of effects of mining operations on the ground surface within the boundaries of Cyców, Ludwin and Puchaczów communes
- Meetings with the representatives of sponsored and supported entities
- Meetings with social partners

RISK MANAGEMENT VERSUS THE CAPITALS

- Risk of change to tax laws
- Risk associated with expenses for creating certain mining excavations and their classification for the purposes of corporate income tax
- Risk of violating the stock exchange disclosure requirements
- Risk of real estate tax on mining excavations
- Risk of a change in the law and its interpretation and application
- Risk associated with reclamation and mining damage

NATURAL CAPITAL

Subsidence of land where mining takes place and active development of natural assets in those areas. Landscaping through reclamation and planned management of mining waste dump. Reducing environmental impact by limiting emissions and using mining waste and mine water for economic purposes.

KEY FIGURES AND CASH TRANSFERS RELATED TO THE CAPITALS:

- **3.1 million tonnes** of mining waste used for economic purposes
- More than **2.6 million** cubic metres of recovered mine water used for economic purposes
- **PLN 36.7 million** of expenditure on environmental protection in 2018, including almost PLN 4 million for monitoring and reclamation

STAKEHOLDERS AND STAKEHOLDER DIALOGUE VERSUS THE CAPITALS

- Cooperation with ecologists on the impact of mining activities on the environment
- Cooperation with local authorities and schools on educational paths
- Regular contact with the Polesie National Park
- Consultations with the Provincial Environment Protection Agency (WIOŚ)

RISK MANAGEMENT VERSUS THE CAPITALS

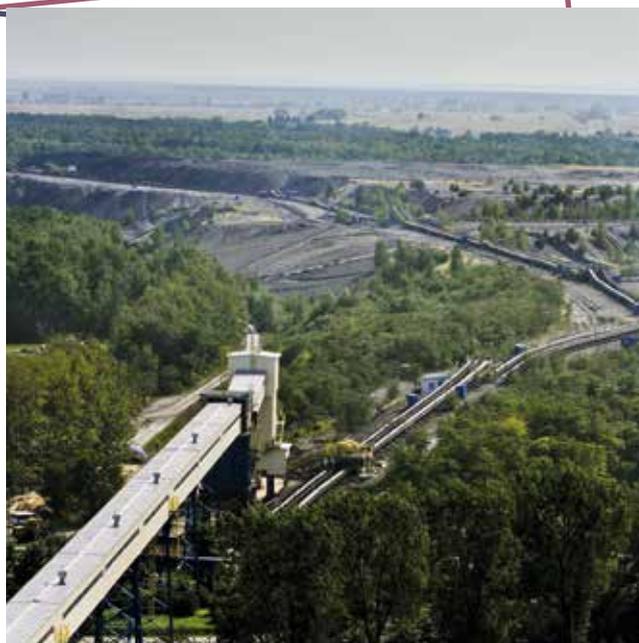
- Risk associated with reclamation and mining damage
- Risk associated with tightening of standards and regulations of law with respect to environmental protection and the obligation to obtain permits for the economic use of the environment
- Risk associated with management of waste generated after extension of the mining area
- Investment risks associated with protected areas

Subsequent parts of this Report present the Group's activities in terms of the above mentioned capitals, with attention given to those aspects of the Group's business which, given the specific nature of that business, are the key areas of economic, social and environmental responsibility. Limitation

to the key areas adheres to the philosophy of reporting, in accordance with both GRI Standards and the integrated reporting standards. Such an approach ensures that the Report is focused on the strategy, concise, consistent, and easy to compare with previous reports.



FINANCIAL CAPITAL



Traditional approach to economics and management studies is exclusively focused on this type of capital, analyses solely the results only in financial terms, and presents the impacts on that capital. All formal and standardised reports picture an organisation in financial terms. Other categories of capital and their impact on business activities of an organisation are traditionally at most only recognised under the category of business risk. If the risk materialises, it will affect the current or future financial performance. Such an approach changes slightly, giving way to the theory that the value of an organisation is composed of both

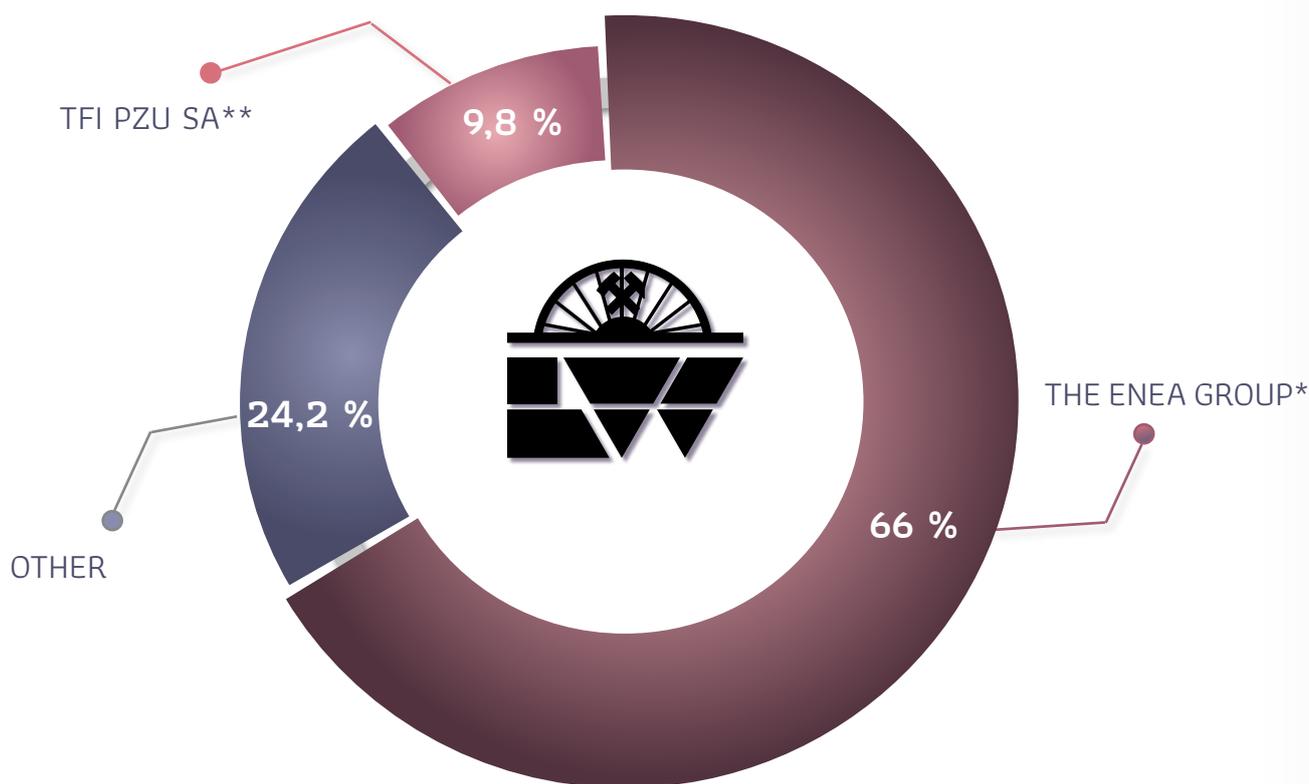
financial and non-financial capital – people, know-how, relationship with the environment, natural capital, etc.

But the analysis of an organisation’s performance on the basis of financial capital is more than just financial statements. It is also about managing the finances and the organisation itself in a reliable and transparent way, namely in accordance with the highest corporate governance standards.

SHAREHOLDING STRUCTURE

[GRI 102-5] At present, LW Bogdanka SA is a private company which as from the end of 2015 has had a dominant strategic shareholder, i.e. the Enea Group which holds a majority block of shares accounting for 66.0% of the shares in LW Bogdanka SA. Other shareholders of the Parent are mainly financial investors in the form of pension and investment funds.

The graph below shows the shareholding structure of LW Bogdanka SA as at 31 December 2018 and as the date of publishing the Financial Statements for 2018, i.e. as at 21 March 2019.



On 9 April 2019, the the Management Board of LW Bogdanka SA was notified by Towarzystwo Funduszy Inwestycyjnych PZU SA [TFI PZU S.A.] that the investment funds managed by TFI PZU

S.A. decreased their share in the total vote at the Company’s General Shareholders Meeting below 5% [more information on the subject is provided in Current Report No. 4/2019].

* in accordance with a notification received on 30 October 2015 [for more information see Current Report No. 39/2015].
 ** in accordance with a notification received on 29 August 2017 [for more information see Current Report No. 22/2017].

EVERYDAY DIALOGUE WITH THE INVESTORS

In 2018 the company's representatives responsible for dialogue with investors and investor relations:



INVESTOR RELATIONS AND PUBLIC REPORTING AWARDS

CSR White Leaf. It has already been seventh time when the Polityka weekly and Deloitte, the consulting company, conducted a survey among Polish companies regarding the corporate social responsibility and sustainable development. On the basis of this survey CSR leaders were selected. For its achievements in this field, LW Bogdanka SA was awarded the CSR White Leaf by the Polityka magazine. White CSR Leaf of Polityka – goes to companies who declare implementation of the most significant management solutions, recommended by the ISO 26000 standard, and who constantly improve their operation with this respect for effective management of a company's influence on the environment.

Responsible Business in Poland. Good Practice 2017. “Health Days at LW Bogdanka” as well as three long-term internships: lessons on ecology organised in the Nadrybie Educational Path, the Intra-sectoral partnership for the promotion of blood donation and Safety Week – these are the best long-term practices related to CSR recognised in the Report titled “Responsible Business in Poland. Best Practices 2017” prepared by the Responsible Business Forum.

RESPECT Index. For ten years now, our Company has also made part of the prestigious RESPECT Index, comprising companies listed on the WSE's main floor, which to the highest degree satisfy the requirements regarding the respect for the natural environment, activities supporting the development and safety of employees and local communities, as well as corporate governance, information governance, and investor relations.

Award of the Association of Individual Investors for the highest level of investor relations addressed to individual investors. The award was presented during the annual Wall Street conference in Karpacz. Recognition in the 2018 Responsible Companies Ranking – in Top 10 of this prestigious CSR ranking for the first time.

MEMBERSHIP IN ORGANISATIONS, PARTICIPATION IN INDUSTRY INITIATIVES

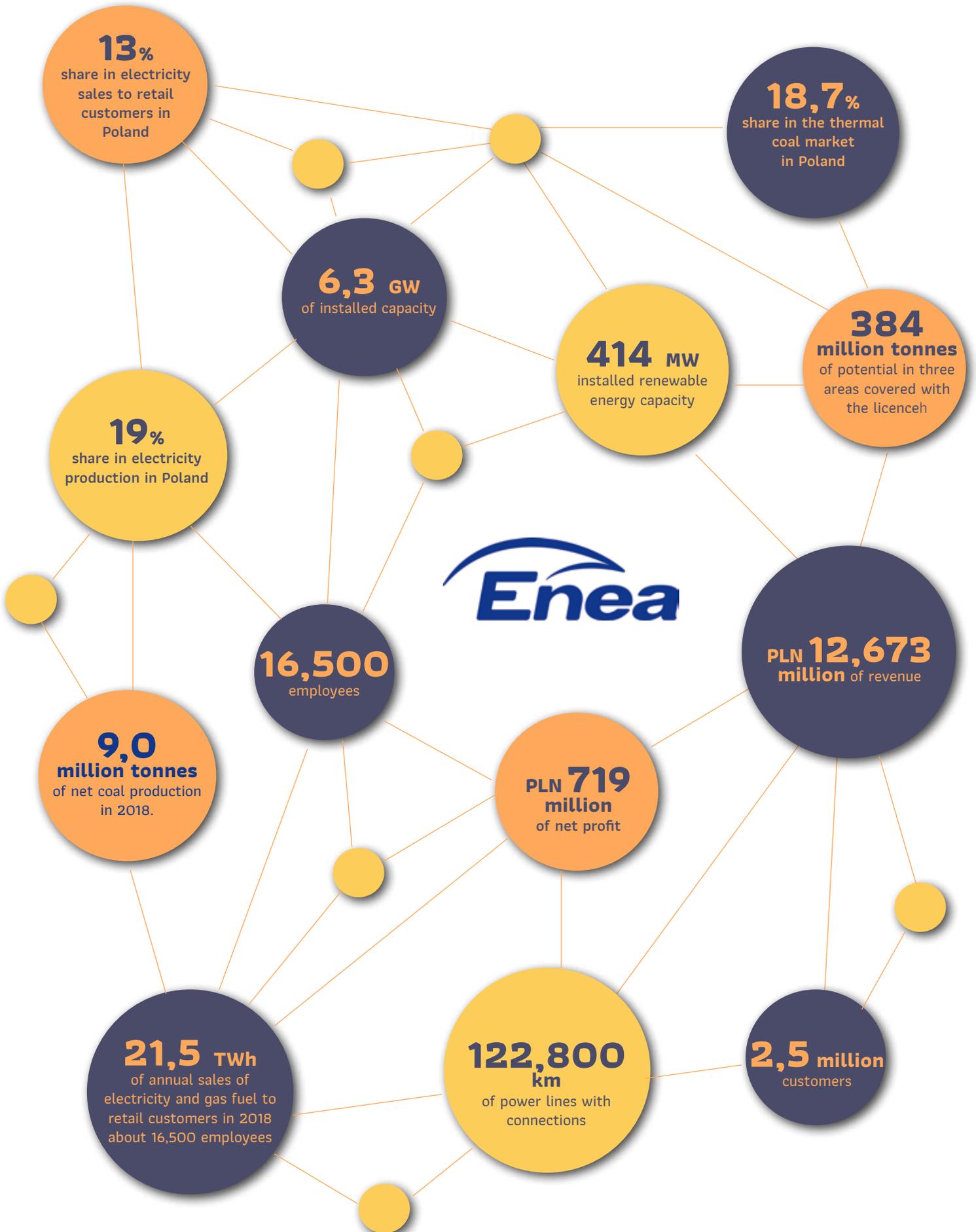
- Polish Association of Listed Companies [www.seg.org.pl]
- “Civic Shareholding. Invest consciously” programme [www.akcjonariatobywatelski.pl]
- EURACOAL – The European Association for Coal and Lignite [www.euracoal.org]
- School of Underground Exploitation [Szkola Eksploatacji Podziemnej] [www.szkołaeksploatacji.pl]
- HUGE 2: “Hydrogen Oriented Underground Coal Gasification for Europe – Environmental and Safety Aspects” [international consortium headed by the Central Mining Institute in Katowice]
- CSR Trends Monitoring Team at the Ministry of Economy
- LW Bogdanka SA: PN-EN ISO 9001:2015, PN-EN ISO 14001:2015, PN-N-18001:2004, BS OHSAS 18001:2007; Łęczyńska Energetyka: PN EN ISO 9001:2008 and PN EN ISO 14001:2005
- Joint Social Initiatives Group – “GÓRNICTWO O.K.” – coordinated and initiated by the Foundation for the AGH University of Science and Technology
- “10 out of 10 – Communicate Effectively” programme prepared by the Association of Individual Investors [Stowarzyszenie Inwestorów Indywidualnych, SII] [www.10na10.pl].
- Vision of Sustainable Development for Polish Business [Vision 2050]

Ownership changes opened a completely new chapter in the history of LW Bogdanka SA and created new development perspectives for the mine. For the Enea Group, the acquisition of shares in LW Bogdanka SA was a step towards implementing its vertical integration strategy. At present, due to inclusion of the assets of one of the most innovative and most efficient mines in Europe in its group, the Enea Group has definitely strengthened its market position. As a result, the Enea Group controls the end-to-end

energy production process from coal extraction through generation to distribution of, and trade in electricity. In addition, the acquisition by Enea of the Połaniec Power Plant at the beginning of 2017 provides an opportunity to establish close cooperation and gain benefits of synergy within the Koźienice-Bogdanka-Połaniec mining and power generation area, which is included in the current business strategy of LW Bogdanka SA.



ENEA GROUP - KEY HIGHLIGHTS



DIVIDEND POLICY

In the medium and long run, the Company wants to remain a dividend-paying company, and the Management Board of LW Bogdanka SA intends to ask the General Shareholders Meeting for approval of dividends up to 50% of the net profits shown in the Company's separate financial statements, prepared in accordance with the International Financial Reporting Standards as endorsed by the EU.

In the light of rapid changes in both Polish and global coal markets, it is a priority for the Management Board to ensure financial and liquidity security for the Company. Therefore, the dividends recommended each time by the Management Board will depend on:

- ◇ current market situation,
- ◇ generated operating cash flows;
- ◇ planned capital expenditure and investments;
- ◇ projected debt of the Company.

The above dividend payment policy will be reviewed periodically, and future dividend payments will be made in accordance with the decisions of the General Shareholders Meeting.

In 2018 the Annual General Shareholders Meeting of LW Bogdanka SA adopted a resolution pursuant to which the net profit generated by the Company in 2017 in the amount of PLN 673,281,183.53 was allocated to the Company's reserve capital in full amount.

GOVERNANCE

In 2018, LW Bogdanka SA complied with the new rules of the "Best Practice for WSE Listed Companies" [hereinafter the "Best Practice for WSE Listed Companies"], attached as an appendix to Resolution No. 26/1413/2015 of the Supervisory Board of Giełda Papierów Wartościowych S.A. in Warsaw of 13 October 2015. The Best Practice for WSE Listed Companies is available on the WSE website devoted to corporate governance – www.gpw.pl/dobre-praktyki.

The intention of the Company's Management Board is to apply all corporate governance rules. However, due to the fact that some of the rules may cause excessive financial strain on the Company that would dominate the potential benefits arising from market needs, in 2018 the Company departed from the application of some of the corporate governance rules and recommendations as specified below.

Although the supervisory bodies of LW Bogdanka SA consist of both male and female members, their proportions are not currently evenly distributed in terms of formal requirements. On the other hand, LW Bogdanka's policy provides for full equality between all employees regardless of gender, age, origin, worldview etc. Therefore, nobody can be discriminated against or promoted for other than job-related reasons. The primary criteria applied by the Group to the recruitment of personnel, including managing and supervising persons, include a detailed analysis of a candidate's experience, qualifications, skills and professional background. The Company believes that this provides the best guarantee for non-discriminatory approach. The specific nature of the mining business and the applicable law, under which it is

for instance prohibited to employ women for underground work, are the reasons why women are not strongly represented in this industry. This, in turn, is reflected in the employment structure, including in the structure of the highest management bodies. LW Bogdanka SA is also convinced that selecting candidates exclusively on the basis of job-related criteria ensures an optimal structure of human resources, and therefore provides a guarantee of due care for the company's financial standing and operating results.

Due to the technology and legal risks identified by LW Bogdanka SA, a decision was made not to allow the shareholders to participate in General Shareholders Meetings with the use of electronic communication means. The option to participate in General Shareholders Meetings with the use of this type of communication system may involve the risk of incorrect identification of persons authorised to attend the meeting and cause disturbances to the smooth running of the meeting, and as a consequence, potentially result in questioning the validity of resolutions. Nonetheless, LW Bogdanka SA does not exclude the possibility of providing the shareholders with bilateral real-time communication during General Shareholders Meeting sessions in the future.

GOVERNING BODIES OF LW BOGDANKA SA

MANAGEMENT BOARD

[GRI 102-18] The Company's Management Board runs the Company's affairs, manages its assets and represents the Company outside with respect to third parties and before or out of court. Individual members of the Management Board manage the areas of the Company's operations which are entrusted to them and their work is coordinated by the President of the Management Board. As at the end of 2018 the Management Board was composed of the following members:

- ◇ Artur Wasil, President of the Management Board,
- ◇ Artur Wasilewski, Vice-President of the Management Board, Economic and Financial Affairs,
- ◇ Adam Partyka, Vice-President of the Management Board, Employee and Social Affairs,
- ◇ Dariusz Dumkiewicz, Vice-President of the Management Board, Development,
- ◇ Marcin Kapkowski, Vice-President of the Management Board, Procurement and Investments.

On 16 February 2018 the Supervisory Board of the Parent adopted resolutions on removing Mr Krzysztof Szlaga [President of the Management Board] from the Management Board and appointing Mr Sławomir Karlikowski, the Vice-President of the Management Board in charge of Production and the Head of Mining Supervision in Mining Facility, as acting President of the Management Board.

On 19 March 2018 the Supervisory Board of the Company adopted a resolution on the appointment, effective as of 21 March 2018, of the President of the Management Board of LW Bogdanka SA.

On 19 September 2018 the Supervisory Board of the Parent adopted resolutions under which the following persons were dismissed from their positions in the Management Board: Mr Stanisław Misterek, Vice-President of the Management Board responsible for Economic and Financial Affairs and Mr Sławomir Karlikowski, Vice-President of the Management Board responsible for Production and Development.

On 4 October 2018 the Supervisory Board of the Parent adopted resolutions under which the following persons were appointed to the Management Board: Mr Artur Wasilewski to the position of Vice-President of the Management Board responsible for Economic and Financial Affairs as from 8 October 2018, and Mr Dariusz Dumkiewicz to the position of Vice-President of the Management Board responsible for Development as from 15 October 2018.

On 18 January 2019 Mr Marcin Kapkowski, Vice-President of the Management Board for Procurement and Investments, filed a resignation from his function as a member of the Company's Management Board with effect from 31 January 2019.

As at the day this Report was published the Management Board was composed of the following members:

- ◇ Artur Wasil, President of the Management Board,
- ◇ Artur Wasilewski, Vice-President of the Management Board, Economic and Financial Affairs,
- ◇ Adam Partyka, Vice-President of the Management Board, Employee and Social Affairs,
- ◇ Dariusz Dumkiewicz, Vice-President of the Management Board, Development.



ARTUR WASIL
President of the
Management Board
[since 21 March 2018]

President of the Management Board since 21 March 2018. Graduated in 2002 from the Faculty of Mining at the AGH University of Science and Technology in Krakow, with a degree in Mining and Geology, specialising in Mining Geotechnics. In 2002 he joined Lubelski Węgiel Bogdanka SA where he went through the levels of professional career from a trainee to a team foreman of extraction brigade. In 2012 Mr Wasil started work at PRG Linter SA where he performed the role of Mining Director, and in 2014 was appointed to the position of the President of the Management Board. Artur Wasil also holds a post-graduate diploma in European Project Management and EU Law obtained at the Marie Curie-Skłodowska University in Lublin. On 21 March 2018 he took the position of the President of the Management Board of LW Bogdanka SA.



ADAM PARTYKA
Vice-President of the Management
Board, Employee and Social Affairs

He obtained an M.Sc. degree from the Lublin University of Technology where he studied computer science application in engineering. He also completed post-graduate studies at the University College of Enterprise and Administration in Lublin with major in finance and accounting. He has completed a number of training courses in the following fields: audit, responsibility and competence of management personnel, finance for managers, as well as courses for members of management boards and supervisory boards of companies. He has been related to LW Bogdanka SA since 1985. From June 2014 he held the position of the Deputy Chairman of the "Solidarity" Trade Union. Between 2007 and 2014 he was a shift foreman responsible for electrical equipment underground. Between 2006 and 2012 he was a member of the Supervisory Board of LW Bogdanka SA. On 1 April 2016 he became Vice-President of the Management Board, Employee and Social Affairs at LW Bogdanka SA.



ARTUR WASILEWSKI

Vice-President of the Management Board, Economic and Financial Affairs, [since 8 October 2018]

He graduated from the Lublin University of Technology in 1998 with a degree in Management and Marketing. In 2000 he completed postgraduate studies in Corporate Finance and Capital Market. In 2003 he graduated with a Master of Business Administration degree from Warsaw University & University of Illinois. He has participated in multiple training courses in the domains of finance and reporting according to the International Financial Reporting Standards (IFRS/IAS). He is a Member of Supervisory Boards of companies. In 1998-2000, he worked as a financial analyst at a consultancy firm DEMOS Sp. z o.o., gaining experience in the scope of analysis and price estimation of enterprises, consulting implementations of efficiency solutions, preparing privatisation reports for the Polish Ministry of Treasury. Since 2000 he has been part of Lubelski Węgiel BOGDANKA SA. Within the Company, he has climbed the career ladder from Financial Analyst, Manager of Planning and Analysis to Chief Economist. Since 2013 he served as the Controlling Director and in 2018 he took the position of Controlling and Finance Director. Since October 2018, Vice-President of the Management Board, Economic and Financial Affairs of LW Bogdanka SA.



DARIUSZ DUMKIEWICZ

Vice-President of the Management Board, Development, [since 15 October 2018]

Graduate of the Faculty of Law and Administration at the Marie Curie Skłodowska University in Lublin, from which he graduated in 2002 with a degree in law. He has also completed postgraduate programme in "Project Management and EU Law" arranged by UMCS and the Lublin Development Foundation. In 2018 he completed his Master of Business Administration degree at the Lublin University of Technology. Dariusz Dumkiewicz has 16 years' work experience in leading development and investment projects. From 2002 to 2006 he was employed in managerial positions at the City Council of Lublin, where he managed EU-financed projects. In 2006 he performed the role of advisor to the Minister in the Ministry of Labour and Social Policy as well as an expert in the area of Development of Eastern Poland in the Ministry of Development. In 2007 he was made Director of the Department of Strategy and Development in the Marshall's Office of the Lublin Province. He was responsible for negotiations with the European Commission and financing strategic infrastructure investment projects for the province. Since 2008 he was a Member of the Management Board, Vice-President of consulting firms that provide advice to enterprises, primarily in the energy sector. In 2016 he took the position of Head of Lublin Branch of PSG sp. z o.o., the distributor of natural gas in the Górnictwo Naftowe i Gazownictwo SA Group. Since 15 October 2018 - Vice-President of the Management Board responsible for Development at LW Bogdanka SA.



STANISŁAW MISTEREK

Vice-President of the Management Board, Economic and Financial Affairs, [until 19 October 2018]

He graduated from the Maria Curie-Skłodowska University in Lublin, Faculty of Economics, with an MA degree, Post-Graduate Studies on European Standards in Finance and Accounting at the Warsaw School of Economics, Post-Graduate Studies on Public Procurement at the European University of Law and Administration in Warsaw, and on International Accounting Standards / International Financial Reporting Standards at the University College of Enterprise and Administration in Lublin. He has completed many training courses on finance management and accounting. He is a professional accountant certified as a Chartered Accountant. Stanisław Misterek has been related to the mining and power industry for thirty-seven years. He has maintained his ties with the Lublin Coal Basin since 1979. Since 1990 he has held key positions in the LW Bogdanka Group. During that time, he gained experience in managing a company from the mining and power industry, with particular focus on managing its financial affairs. From May 2008 to January 2016, he was responsible for the finances of Łęczyńska Energetyka Sp. z o.o. On 1 April 2016, he took up the post as the Vice-President of the Management Board, Economic and Financial Affairs at LW Bogdanka SA.



SŁAWOMIR KARLIKOWSKI

- Vice-President of the
Management Board, Production
and Development,
[until 19 September 2018]

Sławomir Karlikowski graduated in 1991 from the Faculty of Mining and Geology at AGH University of Science and Technology in Krakow with a M.Sc. Eng. degree, specialising in Mining Constructions and Designing. He also completed post-graduate studies in Management in Mining Industry, and Management and Marketing. Sławomir Karlikowski has been with LW Bogdanka SA since 1991. He started to perform underground executive functions in 1992. In 2007 he moved to senior managerial posts, and in 2013 he took the position of the Chief Engineer [later: Production Director] – Head of Mining Supervision in Mining Facility, which he has held until now. Since 23 May 2016 he has been the Vice-President of the Management Board, Production – Head of Mining Supervision in Mining Facility at LW Bogdanka SA; since 16 February 2018 he was the acting President of the Management Board of LW Bogdanka SA until the appointment of A. Wasil to that position. Currently Sławomir Karlikowski is the Vice-President of the Management Board responsible for Production and Development.



MARCIN KAPKOWSKI

Vice-President of the Management
Board, Procurement
and Investments
[until 31 January 2019]

Marcin Kapkowski is an automation engineer by trade. In 2001 he graduated from the Faculty of Electrical Engineering at the Technical University of Częstochowa. In the last 15 years, he has attended and completed numerous courses and business trainings. Marcin Kapkowski worked with SANDVIK international engineering group for 15 years. As an employee of the group, he has explored various industry branches, from steel to engineering, and for the last 3 years also the mining one. In the Polish branch, he acted as the Managing Director and a Member of the Management Board. He has gained previous experience in multiple business areas and, having operated on almost all continents, has developed business contacts on the global market. From 2007 to 2013, he was responsible for creating and implementing business strategies at the Wire and Heating Technology division. He has performed and participated in many optimisation and restructuring processes in the field of sales, purchases, production, and product range management. Since 23 May 2016 he has been the Vice-President of the Management Board, Procurement and Investments at LW Bogdanka SA. Marcin Kapkowski is fluent in English.



KRZYSZTOF SZLAGA

President of the
Management Board
[until 16 February 2018]

In 2001 he graduated from the University of Economics in Krakow, Faculty of Finance and Banking with an MA degree, as well as a Diplom-Betriebswirt degree given by the University of Applied Sciences in Kiel (Germany), Faculty of Economics. He has gained his professional experience while working for international enterprises. Since the beginning of his career, he has concentrated on capital intensive industries. Since 2001, Krzysztof Szlaga was with KPMG Deutsche Treuhand-Gesellschaft, as Audit Senior at the Assurance Commercial Clients Department. In 2004 he joined Ernst & Young Audit Spółka z o.o. as Audit Senior at the Assurance and Business Services Department. In 2005-2008 he worked as Project Manager at the Restructuring/Operational Excellence and Corporate Finance at Roland Berger Strategy Consultants Spółka z o.o. In 2008-2010 he held the position of the Member of the Management Board, Supply Chain Management Director at CTL Logistics SA. In 2010-2012 he was a Supply Chain Management Director at Ruch S.A. He has been related to LW Bogdanka SA since 2013. Recently, he held the position of the Vice-President of the Management Board, Procurement and Investments. From 1 April 2016 to 16 February 2018 he has been holding the position of the President of the Management Board. Krzysztof Szlaga has many years of experience in conducting complex restructuring processes in the heavy industry. Krzysztof Szlaga has fluent command of German and English.

SUPERVISORY BOARD

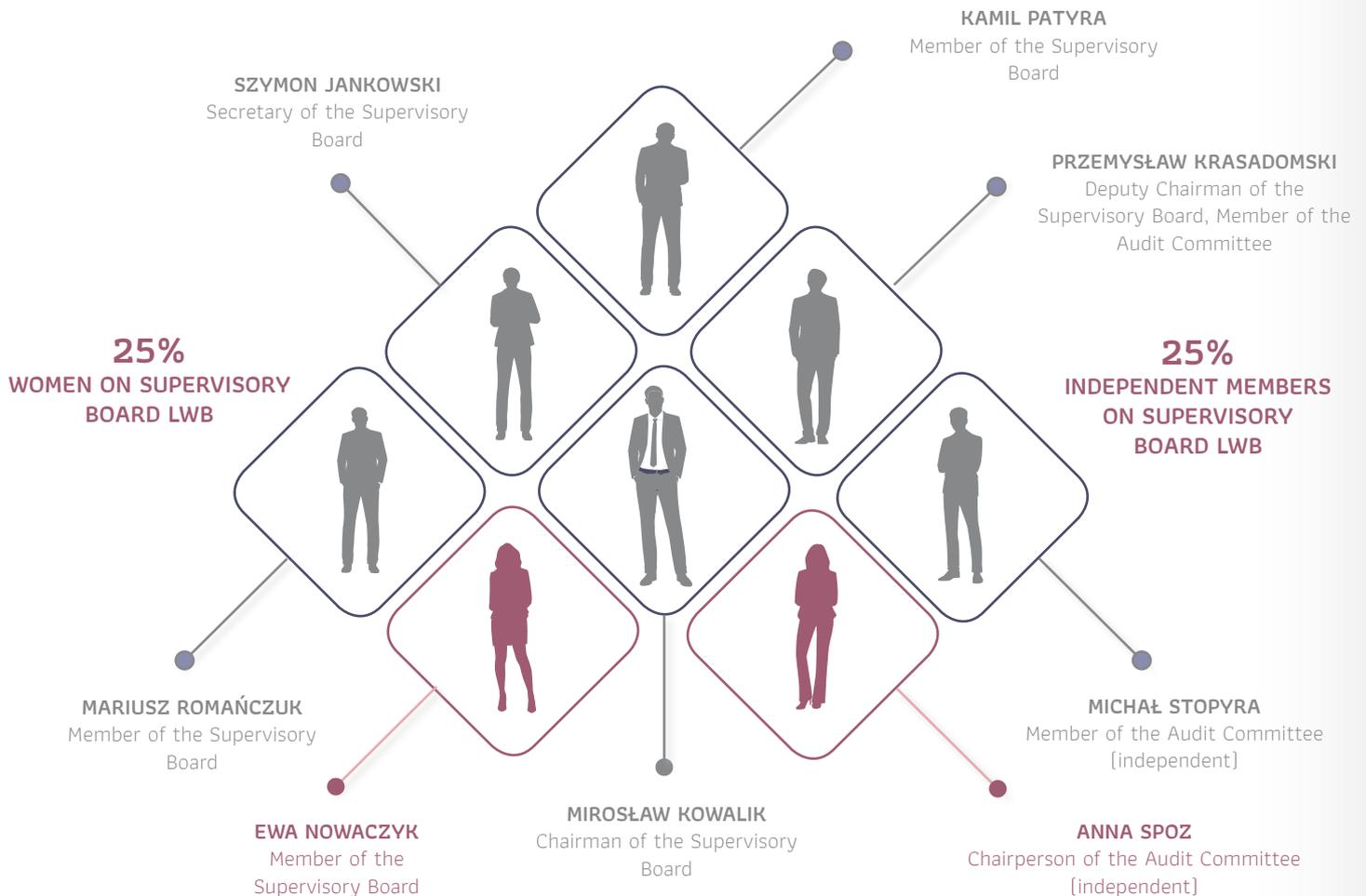
[GRI 102-18] The Supervisory Board exercises continuous supervision over the activities of LW Bogdanka SA in all areas of its operations. The Supervisory Board adopts resolutions in matters provided for in the Commercial Companies Code and the Articles of Association of the Company. The Board may appoint standing and temporary committees from among its members. The Audit Committee is the standing committee at the Supervisory Board.

The Supervisory Board of LW Bogdanka SA is appointed for a three-year joint term of office. The members of the Supervisory Board are appointed and removed by the General Shareholders Meeting.

As at the day this Report was published the Supervisory Board was composed of the following members:

- ◇ Mirosław Kowalik, Chairman of the Supervisory Board
- ◇ Przemysław Krasadomski, Deputy Chairman of the Supervisory Board, Member of the Audit Committee
- ◇ Szymon Jankowski, Secretary of the Supervisory Board
- ◇ Ewa Nowaczyk, Member of the Supervisory Board
- ◇ Kamil Patyra, Member of the Supervisory Board
- ◇ Mariusz Romańczuk, Member of the Supervisory Board
- ◇ Anna Spoz, Member of the Supervisory Board, Chairperson of the Audit Committee [independent]
- ◇ Michał Stopyra, Member of the Supervisory Board, Member of the Audit Committee [independent]

SUPERVISORY BOARD



Mirostaw Kowalik

has been present in the energy sector for more than 20 years. He has held management positions on operational and strategic levels. In 2015 he managed SNC Lavalin Sp. z o.o. Polska as a Vice-President of the Management Board and Director for Business Development. Between 1999 and 2015, he held various managerial positions within the ALSTOM Power Group, including his most recent role as the Sales and Marketing Director. Between 1995 and 1998, he worked for ABB. On 7 January 2016 he was appointed to the position of the President of the Management Board of Enea S.A. Mirostaw Kowalik is a graduate of the Faculty of Electrical Engineering at the Gdynia Maritime University. He completed MBA studies in management [programme of the Rotterdam School of Management in cooperation with the University of Gdańsk and the Gdańsk Foundation for Management Development], and was given the title of Executive Master of Business Administration. He has also completed post-graduate studies in corporate finance management at the Warsaw School of Economics. He is currently pursuing the Executive Doctor of Business Administration programme at the Institute of Economics of the Polish Academy of Sciences.

Przemysław Krasadomski

graduated from the Adam Mickiewicz University in Poznań, where he completed studies in law at the Faculty of Law and Administration. He also completed training for legal advisors at the District Chamber of Legal Advisors in Poznań, and was entered in the register of legal advisors kept by the Council of the District Chamber of Legal Advisors in Poznań. In 2002 he successfully completed a course for candidates for members of Supervisory Boards in State Treasury companies, and obtained the relevant diploma. He has worked for Enea S.A. since 2008; starting as a legal advisor in the Corporate Department. At present, he is employed in the position of legal advisor at Enea S.A. and Manager of Ongoing Legal Services Office of Enea Centrum. Since 19 February 2016, he has worked as acting Director of Legal Department at Enea Centrum. Earlier, he worked for gas companies in a legal advisory capacity. He is experienced in supervising companies. He has seated in the Supervisory Boards of PFK S.A. in liquidation, EP BUT S.A. and Enea Centrum sp. z o.o.

Szymon Jankowski

graduated from the Academy of Economics in Poznań [currently Poznań University of Economics], where he completed studies in management and marketing at the Faculty of Management. He is also a graduate of post-graduate studies at the Poznań University of Economics in commercial law, as well as post-graduate studies at the WSB University in Poznań in renewable energy sources. He further developed his qualifications through training courses in corporate governance and corporate financial analysis. He also successfully completed a course for candidates for members of Supervisory Boards in State Treasury companies, and obtained the relevant diploma. Szymon Jankowski has been present in the professional power sector for more than 21 years. He started his career in 1994 in Rejon Dystrybucji Leszno [Leszno Distribution Region] owned by Energetyka Poznańska S.A., and worked there until 1999 as the head of finance and accounting team. Since 1999 until now, he has worked in various corporate governance positions within the ENEA Group, recently as the Corporate Governance Coordinator. He has experience in supervising companies in the energy, service and IT sectors. He has seated in Supervisory Boards in such companies as Enea Operator sp. z o.o., Enea Centrum sp. z o.o., BHU S.A., Energetyka Poznańska Zakład Transportu sp. z o.o., and ITSERWIS sp. z o.o.

Ewa Nowaczyk

graduated from the Academy of Economics in Poznań [currently Poznań University of Economics], where he completed studies in management and marketing at the Faculty of Management. She also completed the Post-Graduate Studies of the Polish and International Accounting Standards at the Poznań University of Economics. In 2007 she successfully completed a course for candidates for members of Supervisory Boards in State Treasury companies, and obtained the relevant diploma. She has worked for Enea S.A. since 2003, starting at the Finance Department. Ewa Nowaczyk is currently employed with Enea Centrum sp. z o.o as an Advisor to the Director of the Financial and Accounting Department. She has experience in supervising companies – she has seated in Supervisory Boards in such companies as Energetyka Poznańska Zakład Transportu sp. z o.o., Szpital Uzdrawiskowy ENERGETYK sp. z o.o.

Kamil Patyra

graduated from Maria Curie-Skłodowska University in Lublin, where he completed studies in administration at the Faculty of Law and Administration. He joined LW Bogdanka SA in 2004 as underground machine and device repairer. In 2015 he was appointed as Company Social Labour Inspector.

Mariusz Romańczuk

graduated in Mining and Geology, with specialisation in Underground Mining of Mineral Resources and Underground Mining, from the AGH University of Science and Technology in Krakow. He has worked for LW Bogdanka S.A. since 1989. Currently, he holds the position of Deputy Manager of Blasting Team, Division Foreman.

Anna Spoz

graduated from Nicolaus Copernicus University in Torun. She has an MA in Management and Marketing from the Faculty of Economics and Management. She obtained her PhD in economics at the Faculty of Economics of Marie Curie Skłodowska University [UMCS] in Lublin. She completed postgraduate studies at UMCS and participated in numerous courses and conferences in the fields of accounting, finance and tax law. She completed a training course for candidates for chief accountants organised by the Accountants Association in Poland, Regional Branch in Torun. Since 2002, she has been with POLTOR Sp. z o.o., at present as Finance Director. Since 2013, she has been a lecturer at the John Paul II Catholic University of Lublin. She has many years of experience in accounting, taxes, finance and management. She is the author of publications in the areas of management [with a particular focus on company restructuring], corporate finance and financial accounting under both Polish IAS and IFRS.

Michał Stopyra

Michał Stopyra graduated from the AGH University of Science and Technology in Krakow, where he completed studies at the Mining Faculty with specialism in Underground Mining and obtained the degree of Doctor of Engineering. He started his professional career in mines in Poland and Norway, which was then followed by scientific work at the Mining Faculty of the AGH University of Science and Technology. In 1993 he also started to carry out consulting activities focused on cooperation with industry. His career included such positions as an expert at the Provincial Mining Authority, consultant to mining equipment manufacturers as well as mining works manager in domestic and international projects [Germany, Czech Republic, Spain, Columbia, Russia]. In 2000-2012, Michał Stopyra was a member of the Supervisory Board in Techniczno Górnicza Spółka Akcyjna TEGONA S.A. in Katowice. From 2013, he has been acting as a member of the Supervisory Board of LW Bogdanka SA.

There is an Audit Committee within the Supervisory Board which operates as a collective advisory and opinion-giving body supporting the Board's activities. In accordance with the Rules of Procedure of the Supervisory Board, the Audit Committee is composed of no less than three members, at least a half of whom shall meet the requirement of being an independent member within the meaning of the Polish Act on Chartered Auditors. The task of the Audit Committee shall be advising the Board in matters of appropriate implementation of standards of budget and financial reporting and internal control of the Company and its Group, as well as chartered auditors auditing the Group's financial statements.

In particular, the duties of the Audit Committee shall include:

- ◇ monitoring the process of financial reporting and performing audits
- ◇ monitoring the effectiveness of the following systems: internal control, internal audit and risk management

- ◇ cooperation with the chartered auditor auditing the financial statements of the Company, as well as monitoring the autonomy of the chartered auditor and an entity authorised to audit the financial statements, and recommending to the Supervisory Board the chartered auditor to be selected
- ◇ discussing the nature and scope of each audit of the annual financial statements with the Company's auditors before it is commenced
- ◇ providing the Board with information on the work of the Audit Committee, including any suggestions on the necessity to take specific measures.

INTERNAL CONTROL AND RISK MANAGEMENT IN DRAWING UP FINANCIAL STATEMENTS

The Group follows a number of internal procedures aimed to ensure effective supervision, and to identify and eliminate potential risks. The solutions adopted are based on the Organisational Rules of LW Bogdanka SA, document workflow guidelines, accounting policy and the scope of responsibility and authorisation of finance and accounting personnel.

Self-audit requirement is kept in place for all employees, as well as the functional supervision obligation for all levels of management. Control mechanisms with a variety of different objectives have also been implemented.

The accounting ledgers of the LW Bogdanka Group are maintained using the FINANSE IT system, forming part of the INTEGRA Integrated Management System. The systems used are protected against access by unauthorised persons and have functional access restrictions. Source documents, on which entries in the accounting ledgers are based, are checked as part of the so-called functional supervision performed by units substantively responsible for the transactions executed. Prior to recording a document, the accounting and finance personnel conduct the final check. The process of drawing up the Group's financial statements is supervised by the Vice-President of the Management Board responsible for Economic and Financial Affairs, in charge of the finance and accounting personnel responsible for verification and recording of business events in the Group's accounting ledgers and for generating data required for the financial statements. Moreover, the reliability of the financial statements can be attributed to the experience and qualifications of the finance and accounting personnel, supervised by the Chief Accountant of LW Bogdanka SA.

LW Bogdanka SA and its subsidiaries: Łęczyńska Energetyka sp. z o.o. and RG Bogdanka sp. z o.o. maintain accounting ledgers and draw up financial statements in accordance with the International Accounting Standards [IAS] and the International Financial Reporting Standards [IFRS], as well as with the related interpretations announced in the form of regulations of the European Commission. Other subsidiaries, when preparing financial information for consolidation purposes apply the same accounting policies as LW Bogdanka SA.

A body that supervises the financial reporting process and cooperates with an independent auditor is the Audit Committee, appointed by the Supervisory Board. Another important element of the control system is the Audit and Internal Control Department which functions within the organisational structure at LW Bogdanka SA. The internal audit system at the LW Bogdanka Group is based on the principle of independence and covers all of the Group's processes, including areas that directly or indirectly affect the correctness of the financial statements. The adopted rules of procedure with regard to drawing up the financial statements are to guarantee compliance with legal requirements and the factual circumstances, as well as timely identification and elimination of potential risks, so as to prevent them from affecting the reliability and correctness of the financial data presented.

SELECTED FINANCIAL RESULTS

GRUGROUP'S REVENUE, COSTS, PROFIT AND LOSS – INVESTMENT IN THE FUTURE EXTRACTION GROWTH

The generated financial results were affected by the costs incurred in connection with the preparations for increasing the scale of activities, less favourable positioning of mining panels and problems with the quality of the exploited seams in Q4 2018 [which translated into a lower yield than in the previous year] as well as the increased costs of outsourced services, materials and energy, and labour costs. With a few-percent increase

in the average price of coal sold, this exerted pressure on the Group's margins. Except for the factors referred to above, the operating profit and the net profit were also shaped by higher value of depreciation resulting from the reversal of impairment loss of property, plant and equipment disclosed in the financial statements as at 31 December 2017.

ITEM [PLN '000]	2017	2018	CHANGE
Revenue	1,780,321	1,756,671	-1.3%
Costs of products, goods and materials sold, selling costs and administrative expenses	934,179	1,728,459	85.0%
Profit on sales	846,142	28,212	-96.7%
Gross sales margin	47.5%	1.6%	-45.9 p.p.
Other income	5,104	34,621	578.3%
Other costs	1,161	1,118	-3.7%
Net operating profit	850,085	61,715	-92.7%
Other net losses	-2,815	312	-111.1%
Operating profit (EBIT)	847,270	62,027	-92.7%
Other net losses	47.6%	3.5%	-44.1 p.p.
EBITDA	708,944	469,191	-33.8%
EBIT margin	39.8%	26.7%	-13.1 p.p.
Finance income	7,253	14,542	100.5%
Finance costs	25,762	11,649	-54.8%
Profit before taxation	828,761	64,920	-92.2%
Pre-tax profit margin	46.6%	3.7%	-42.9 p.p.
Income tax	160,836	11,124	-93.1%
Net profit for the financial year	667,925	53,796	-91.9%
Net sales margin	37.5%	3.1%	-34.4 p.p.

Revenue

In 2018 the Group generated revenue in the amount of PLN 1,756,671,000 compared to PLN 1,780,321,000 in 2017 [down by 1.3%]. Since the beginning of the year, the revenue was primarily shaped by coal sales which, as a rule, represented approx. 97% of revenue.

Costs of products, goods and materials sold, selling costs and administrative expenses

In 2018 the costs of products, goods and material sold plus selling costs and administrative expenses amounted to PLN 1,730,817,000 and were higher by 84.8% compared by the

same period of the previous year when the level of costs primarily resulted from one-off events, i.e. a reversal of an impairment loss made by the Company of PLN 495,982,000 and a release of a coal allowance provision of PLN 114,931,000.

Profit on sales

The Group closed 2018 with a profit on sales in the amount of PLN 28,212,000, versus PLN 846,142,000 in 2017.

Other income

The key item in 2018 [PLN 34,621,000] is the settlement of the Parent with the consortium of Mostostal Warszawa S.A. and Acciona Infraestructuras [positive impact on the result of PLN 28,666,000] and the settlement with Wonam [PLN +2,499,000], while in 2017 the dominant item was the release of impairment losses [PLN 2,054,000]. Both in 2017 and in 2018 the LW Bogdanka Group received approx. PLN 2,000,000 of damages.

Other costs and net losses

Other costs in 2017 amounted to PLN 1,161,000 while in 2018 the figure was PLN 1,118,000 – a dominant item in both periods were damages paid. Other net profit in 2018 amounted to PLN 312,000 compared to other net loss in 2017 of PLN 2,815,000. In 2017 a dominant item was the impairment loss of construction in progress [PLN 1,284,000].

EBIT

Operating result in 2018 amounted to PLN 62,027,000. EBIT margin for 2018 was lower by 44.1 p.p. compared to 2017 and accounted for 3.5% [the 2017 profit/loss includes a positive impact of the released impairment loss in the gross amount of PLN 495,982,000 and the released coal allowance provision for present and future pensioners and retirees in the gross amount of PLN 114,931,000 at the Parent].

EBITDA

In 2018 the Group achieved an EBITDA margin of 26.7%, i.e. 13.1 p.p. lower than in 2017 [EBITDA amount decreased by 33.8% in the period under analysis]. In 2018, EBITDA amounted to PLN 469,191,000, compared to PLN 708,944,000 in 2017.

Finance income

In 2018 finance income was PLN 14,542,000 [+100.5% y/y]. The increase in finance income in 2018 is primarily attributable to:

- ◇ a release of the provision for interest on income tax [PLN 3,578,000],
- ◇ a release of the provision for potential interest on liabilities towards the Mostostal Warszawa S.A. and Acciona Infraestructuras Consortium [PLN 2,753,000].

In both analysed periods the Group achieved a similar value of interest income on short-term bank deposits.

Finance costs

Finance costs for the whole 2018 amounted to PLN 11,649,000 compared to PLN 25,762,000 in 2017 [decrease by 54.8%]. As at 31 December 2018 the total debt of the Group amounted to PLN 17,142,000 [compared to the Group's debt as at 31 December 2017 of PLN 322,119,000]; additionally, in 2017, a provision and impairment losses of interest were created [amounting to PLN 7,617,000 compared to PLN 978,000 in 2018].

Profit before taxation

The pre-tax profit in 2018 was PLN 64,920,000 compared to PLN 828,761,000 for the same period of 2017 [the 2017 profit/loss includes a positive impact of the reversed impairment loss in the gross amount of PLN 495,982,000 and the released coal allowance provision for present and future pensioners and retirees in the gross amount of PLN 114,931,000 at the Parent].

Net profit for the financial year

The Group's net profit for 2018 was PLN 53,796,000 compared to PLN 667,925,000 for the same period of 2017 [the 2017 profit/loss includes a positive impact of the reversed impairment loss in the gross amount of PLN 495,982,000 and the released coal allowance provision for present and future pensioners and retirees in the gross amount of PLN 114,931,000 at the Parent]. Balance sheet.



BALANCE SHEET

ITEM [PLN '000]	31 DEC. 2017	31 DEC. 2018	CHANGE
Total assets	4,158,872	3,933,351	-5.4%
ROA	16.8%	1.3%	-15.5 p.p.
Non-current assets	3,428,805	3,463,822	1.0%
Current assets	730,067	469,529	-35.7%
Equity	2,901,527	2,950,116	1.7%
Return on Equity [ROE]	25.7%	1.8%	-23.9 p.p.
Provisions and liabilities	1,257,345	983,235	-21.8%

Assets

The balance-sheet total as at 31 December 2018 compared to the value as at 31 December 2017 went down by PLN 225,521,000 and amounted to PLN 3,933,351,000, with non-current assets going up by PLN 35,017,000 and current assets going down by PLN 260,538,000. Within current assets, the value of trade and other receivables went down by 2.7%, overpaid income tax went down by 49.6% and cash and cash equivalents – by 60.7%.

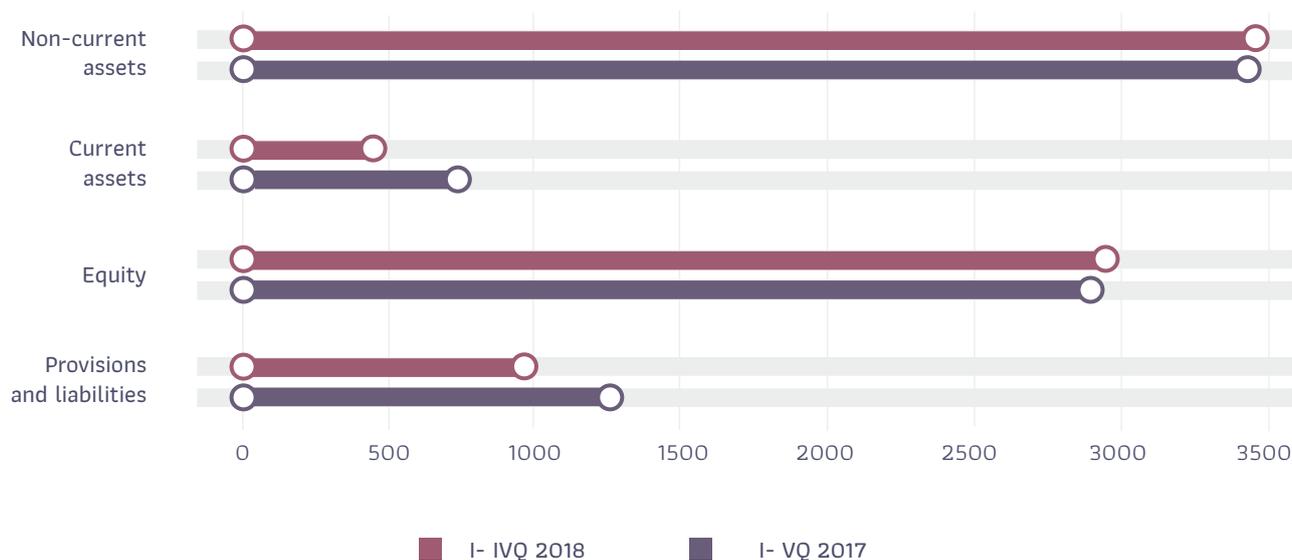
As at 31 December 2018 the ROA figure was 1.3%, while as at the end of 2017 it was 16.8% [this high level of profitability in 2017 is attributable to the impact of one-off events described above].

Equity and liabilities

The equity went up by 1.7%. It was solely an effect of the comprehensive income generated for 2018.

Provisions and liabilities went down by 21.8% compared to the value as at 31 December 2017, with current liabilities going down by 40.0% [main drop in financial liabilities related to bond issue – redemption of bonds], while non-current liabilities went up by 4.7% [including growth in liabilities on employee benefits and liabilities on account of the deferred income tax as well as provisions for other liabilities and charges].

At 31 December 2018 a decrease in ROE was recorded [by 23.9 p.p.] compared to the end of 2017. The value of the ratio as at 31 December 2018 was 1.8% compared to 25.7% as at 31 December 2017.



CASH FLOWS

ITEM (PLN '000)	2017	2018	CHANGE 2018/2017
Cash flow from (used in) operating activities	608,517	458,874	-24.6%
Cash flow from (used in) investing activities	-372,052	-418,232	12.4%
CFFO*	236,465	40,642	-82.8%
Cash flow from (used in) financing activities	-342,643	-304,777	-11.1%

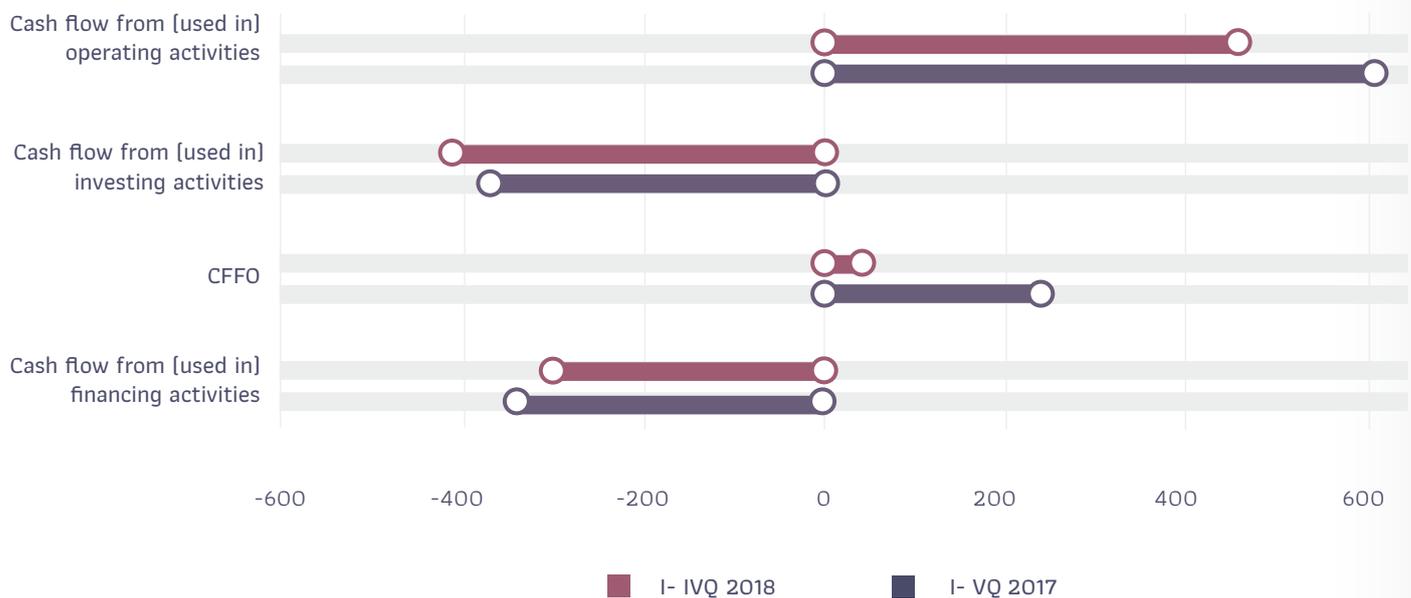
* total cash flow from operating and investing activity

During 2018, the LW Bogdanka Group generated cash flow from operating activities in the amount of PLN 458,874,000 [-24.6% y/y].

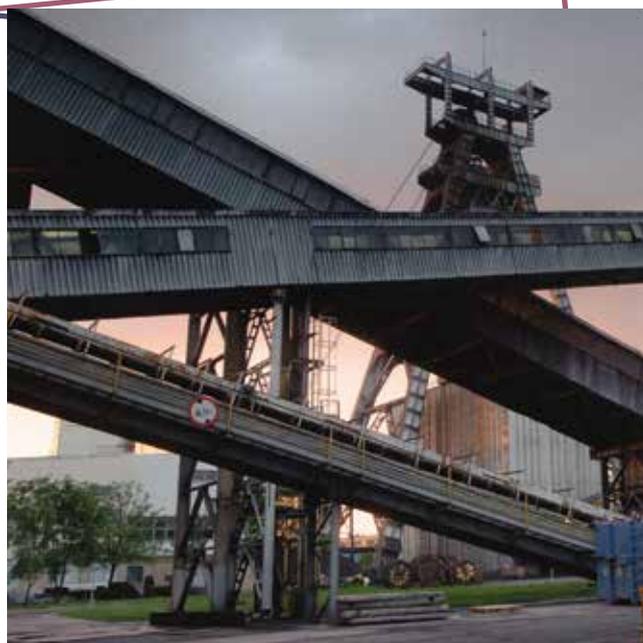
The drop by PLN 149,643,000 in cash flow from operating activities [PLN 458,874,000 in 2018 compared to PLN 608,517,000 in 2017] is primarily related to the decrease in the pre-tax profit/loss. The pre-tax profit/loss in 2017 amounted to PLN 828,761,000 [net of significant non-cash one-off events of PLN 217,848,000], and in 2018 the figure was PLN 64,920,000, which represents a year-to-year change of PLN 152,928,000.

Cash flow from investing activities increased its value in 2018 by 12.4% relative to the analogous period of 2017.

In 2018, the Group recorded negative cash flow from financing activities of PLN 304,777,000 [bonds worth PLN 300,000,000 were redeemed, interest of PLN 1,741,000 was paid and loans and borrowings worth PLN 3,036,000 were repaid].



MANUFACTURED (OPERATING) CAPITAL



Manufactured [operating] capital is composed of – on one hand – non-current assets, such as surface and underground infrastructure as well as production machinery and equipment, and the processes of managing those assets on the other. As a whole the manufactured capital serves conducting business operations for the purpose of generating financial capital and, as a consequence, ensuring safe and stable workplaces for the employees and the Company's business circles.



EFEKTYWNY MODEL BIZNESOWY

[GRI 102-2, 102-6] LW Bogdanka S.A. distinguishes itself from its competitors primarily with the highest efficiency in the industry, achieving underground efficiency rate twice as high as the average for Poland's coal mining sector. This is possible due to investments in state of the art machinery and equipment and a high culture of the Company's work, managers and employees, as a result of many years' efforts.

For years the Company has been consistently implementing the Cost Optimisation Program. In the current Strategy of the Company, similarly as in the previous one [in force since 2013], one of the key goals is the real reduction of of the Unit Mining Cash Cost. The new strategy assumes that by 2025 the Unit Mining Cash Cost will have been further reduced by another 10% as compared to the 2015 level, in real terms. Cost reduction is a key factor securing the Company in the periods of temporary price drops in the coal market.

Significant price rises that have occurred recently on the domestic and international markets have not translated into any increase in the prices of coal trade by the Company. This is because price formulas contained in the long-term contracts on which, in a majority of cases, LW Bogdanka S.A.'s sales model is based. Thanks to the application of price formulas, market prices are reflected in Bogdanka's contracts with a one-year delay. Such a solution applied in the periods of economic downturn gives the Company the ability to prepare to approaching difficulties both with respect production plan and appropriate cost adjustment. And similarly, in the periods of price increases on the markets, the Company is able to make investments in advance, which allows it to fully use advantageous price terms. That is why in 2018, despite relatively lower revenue, the Company increased employment and performed a record-breaking amount of preparatory work [37 km].

Coal prices in international market between January 2015 and end of 2018



CIF ARA COAL PRICES

- ◇ USD 91.7/tonne – the average coal price [CIF ARA] in 2018, i.e. +8.8% [compared to USD 84.3/tonne in 2017]
- ◇ USD 91.6/tonne – the average coal price [CIF ARA] in Q4 2018, i.e. -2.1% [compared to USD 93.6/tonne in Q4 2017], comparing Q3 2018 – decrease by 7.9%

INVENTORIES IN ARA PORTS

- ◇ 6.7 million tonnes of coal inventories at the end of December 2018 in the ARA ports – increase by 0.8 million tonnes compared to September 2018 [5.9 million tonnes]

PRICES IN THE WORLD'S MAIN PORTS

- ◇ The average coal price FOB Baltic Ports in 2018 amounted to USD 86.6/tonne, i.e. +9.3% [USD 79.2/tonne] compared to 2017
- ◇ The average coal price FOB Baltic Ports in Q4 2018 amounted to USD 85.6/tonne – which represents a decrease by 9.1% compared to Q3 2018 average [USD 94.2/tonne]; compared to Q4 2017 average [USD 88/tonne] it represents a decrease by 2.7%

China

- ◇ approx. 3.6 billion tonnes of coal were produced in 2018, +2.9% compared to 2017 [3.5 billion tonnes]

- ◇ imports in 2018 were 281 million tonnes and were higher by approx. 3.7% compared to 2017 [271 million tonnes]

USA

- ◇ production in 2018 – 684 million tonnes, i.e. -2.4% compared to 2017 [701 million tonnes]
- ◇ production in 2018 – 625 million tonnes, i.e. -4.3% compared to 2017 [653 million tonnes]
- ◇ exports in 2018 – 105 million tonnes of hard coal, i.e. +20.7% y/y

Russia

- ◇ exports in 2018 [191 million tonnes], +3.0% y/y
- ◇ production in 2018 – 433 million tonnes, i.e. +6.1% y/y

FINE THERMAL COAL PRICES IN THE DOMESTIC MARKET



Fine thermal coal prices

- ◇ in 2018, the average annual price of fine thermal coal for commercial power plants was PLN 10.50 per GJ, the change dynamics was ca. 15.2% y/y
- ◇ in Q4 2018, the average price of fine thermal coal for commercial power plants was PLN 10.66 per GJ, comparing to Q3 2018 the price increased by 0.1%; the change dynamics in respect of average prices in Q4 2018 vs. Q4 2017 was ca. 14.5%
- ◇ average heating value of fine coal for commercial power plants was about 21.2 GJ

Prices based on the PSCMI index

- ◇ in 2018 the average price based on the PSCMI index was approx. PLN 10.95 per GJ, which compared to average price in 2017 [PLN 9.22 per GJ] represents an increase by approx. 18.7%
- ◇ in Q4 2018 the average price based on the PSCMI index was about PLN 11.24 per GJ, the price decreased by approx. 0.2% compared to Q3 2018 [PLN 11.26 per GJ], and compared to Q4 2017 [PLN 9.55 per GJ] the PSCMI index price increased by 17.6%

INFRASTRUCTURE AND INVESTMENTS

The infrastructure held by the Company serves not only efficient coal excavation, but also ensures possibly the highest level of miners' safety, as the most risky operations are now carried out almost in unmanned mode. One of the examples is the use of machines for the liquidation of longwall headings and disassembly of gallery lining, which is a very dangerous process.

LW Bogdanka SA also operates the Mechanical Coal Processing Plant, the most advanced plant in Poland, the Water Treatment Plant, which enables the recovery and use of underground water, and a power plant located in the mine [Łęczyńska Energetyka].

The LW Bogdanka Group's capital expenditure in 2018 amounted to approx. PLN 463.1 million, which is 24.0% more than last year, and concurrently reduced net debt by approx. PLN 40 million.

The plan for 2018 included:

- ◇ operating investments, including building and modernisation of workings in the Bogdanka, Nadrybie and Stefanów Fields,
- ◇ purchase of machines and equipment,
- ◇ modernisations and repairs of machines and devices.

In 2018, as each year, investments related to the performance of new excavations and modernisation of the existing ones were of key importance for the Company. New workings were built in accordance with the applicable Mining Works Schedule. The length of the gallery workings made as part of investments in the whole 2018 was equal to 35.0 km, and combined with the redevelopments and basic excavations it was 37.0 km, which is the Company's record-breaking figure. The total expenditure in 2018 for the above task was PLN 300.2 million. Investments in excavations are necessary for keeping the extraction continuity on the level assumed by the Company and in line with plans of making the newly obtained deposit in Ostrów available in the coming future.

Plans for 2019 assume the construction of new excavations, mainly longwall galleries, main galleries, cross-headings and the remaining technological and access excavations to enable mining operations in seams 385/2, 389, and 391 in the Bogdanka, Stefanów, Nadrybie and Ostrów Fields. Reconstructions of mining excavations will also be conducted.

Further, of key importance were the investments aiming at development of machinery. By the end of the year LW Bogdanka SA purchased and assembled machines and equipment for PLN a total amount of PLN 14.1 million, including costs of assembling. The most important ones included belt conveyors, suspended diesel locomotives, roadheading machines and cooling devices. Significant items planned for purchase in 2019 include: dry dust collectors, suspended diesel locomotives, scraper and belt conveyors, screens, crushers, machine for underground transport of materials, drainage pumps and hydraulic units, electric equipment, individual transport means, manoeuvre locomotives as well as vehicles [medical ambulance, cars], ICT systems and devices as well as bottom milling machine.

Additionally, there are plans to continue works on enlargement of the waste disposal facility in Bogdanka. As part of replacement works in 2019 plans were made to modernise the Mechanical Coal Processing Plant [MCPP] facilities and adjust the bridge between Stefanów and Bogdanka. As part of the ICT projects, works related to the Integrated Production Management System and the Smart Mine Project will be continued. Further, as far as environment protection is concerned, there are plans to build a pumping station at the RE Żelazny Ditch along with discharge of underground water, a pumping station at the C Ditch in Nadrybie and a pumping station on the Dolna Piwonia river.

In 2018, investment tasks implemented in Łęczyńska Energetyka, the largest subsidiary of LW Bogdanka SA, included: construction and enlargement of the Water Treatment Station, alteration of the 6 kV STR-K switchgear in Bogdanka, alteration of the hydraulic system of the pump station in the boiler house, upgrade of sanitary waste treatment station, necessary upgrades of existing buildings and machines, purchase of vehicles for logistics units, purchase of necessary manufacturing machines and equipment. In 2018, the capital expenditure of Łęczyńska Energetyka totalled PLN 7,148,000; in 2019 the company plans to make investments worth PLN 9.5 million.

INTEGRATED MANAGEMENT SYSTEM

[GRI 102-18] Integrated Management System concerning the Quality Management System, Environment Management System as well as the Occupational Health and Safety Management System are in compliance with the following standards: ISO 9001:2015, ISO 14001:2015, PN-N-18001:2004. In May 2018 a recertification audit took place at the Company, following which the team of auditors confirmed that the management system in place in LW Bogdanka SA operates efficiently, allows

it to achieve the set objectives, ensures completion of the pursued policy and the ability to comply with legal, regulatory and contractual requirements. Strengths included the management's involvement in creating rules for the safe organisation of the workplaces and the use of new applications and IT systems.

MANAGEMENT AND CORPORATE SOCIAL RESPONSIBILITY

[GRI 102-15, 102-18] In the mining business it is impossible to separate business management from environment and social relationship management. The integrated management system whose key components are the Environment Management System and Health and Safety Management System, cooperate with the Quality Management System as the development strategy cooperates with the social responsibility strategy.

The specificity of the mining industry makes most business decisions bring social or environmental consequences. Responsible management means not ignoring them in the decision-making process, as they give feedback which translates into business efficiency. Therefore, at a level of operational management, efficiency should also be understood in terms broader than just financial ones.

The area of social responsibility management was separately defined as one of management areas, as in consequence vested to one of the members of the Management Board, i.e. the Vice-President of the Management Board in charge of Employee and Social Affairs. What is important, the same member of the Management Board supervises also other areas which are of key significance for the sustainable growth, including the Human Resources Management Department. Operational activities pursued in the area of corporate social responsibility are performed in particular by the CSR section responsible for coordination of activities in this field. It is worth noting that a part of activities, including the sustainable growth reporting, are performed jointly by the CSR Section, Communications, Promotion and Marketing Department and Department of Investors Relations and Market Analyses

LW BOGDANKA SA RANKED ON THE RESPECT INDEX FOR THE TENTH TIME

LW Bogdanka SA has been yet again distinguished by the membership in the RESPECT Index for the respect to the natural environment, actions for the benefit of development and safety of employees and local communities, as well as corporate governance, information governance, and investor relations.

„ FOR THE TENTH TIME WE WERE RECOGNISED BY BEING INCLUDED IN THE ELITE OF THE MOST RESPONSIBLE COMPANIES BY INSTITUTIONS RELATED TO THE CAPITAL MARKET. THIS CONFIRMS THAT OUR EFFORTS BRING THE EFFECTS WE HAVE SET OUT ORIGINALLY. IN ACCORDANCE WITH OUR STRATEGY, WE TRY OUR BEST TO PROCEED IN LINE WITH OUR STANDARDS BOTH IN TERMS OF COMMUNICATION WITH INVESTORS, AS WELL AS IN SOCIAL, WORKFORCE, ENVIRONMENTAL AND BUSINESS TERMS. THIS AWARD SUMMARISES OUR EFFORTS SO FAR AND MOTIVATES US TO FURTHER WORK”, SAID ARTUR WASIL, PRESIDENT OF THE MANAGEMENT BOARD OF LW BOGDANKA SA. ”

RESPECT Index is an index of responsible companies, the first such ranking in the CEE region. The project was implemented by the Warsaw Stock Exchange in Warsaw in 2009, when the first composition of the Index was announced. Respect Index's portfolio includes Polish and foreign companies from the Main Market of the WSE. Only companies that have the highest liquidity, meaning ones that are already included in the WIG20, mWIG40 or sWIG80 index, may aspire to be included in the index. It lists companies which undergo a three-step verification by the WSE and the Polish Association of Listed Companies, and engage in irreproachable communication with the market through current and interim reports, as well as their own internet sites. The third prerequisite is a responsible social behaviour towards the environment, society and

employees, which is analysed on the basis of a questionnaire verified by the auditor of the project. In accordance with the present formula, evaluation of companies and revision of the Index's composition take place once a year, in its second half. The inclusion of companies in the index is determined by the same rules as in other market indexes – free-floating shares are considered, whereby the numbers of the largest companies are limited to 25% when the number of participants is less than 20 companies, or to 10% in all other cases.



INTEGRATED ENTERPRISE RISK MANAGEMENT SYSTEM

[GRI 102-15, 102-18, 201-2] From the perspective of management, and especially responsible management, the Company has in place an effective system for management of its business risks. When making business decisions, the Company accepts responsibility for their impact on both its social and natural environment, taking into account, for example, the expectations of stakeholders and, obviously, applicable regulations.

The management of a mining enterprise should be based on a possibly balanced achievement of economic, social and environment-related goals, with the account taken of expectations of various stakeholder groups in this respect.

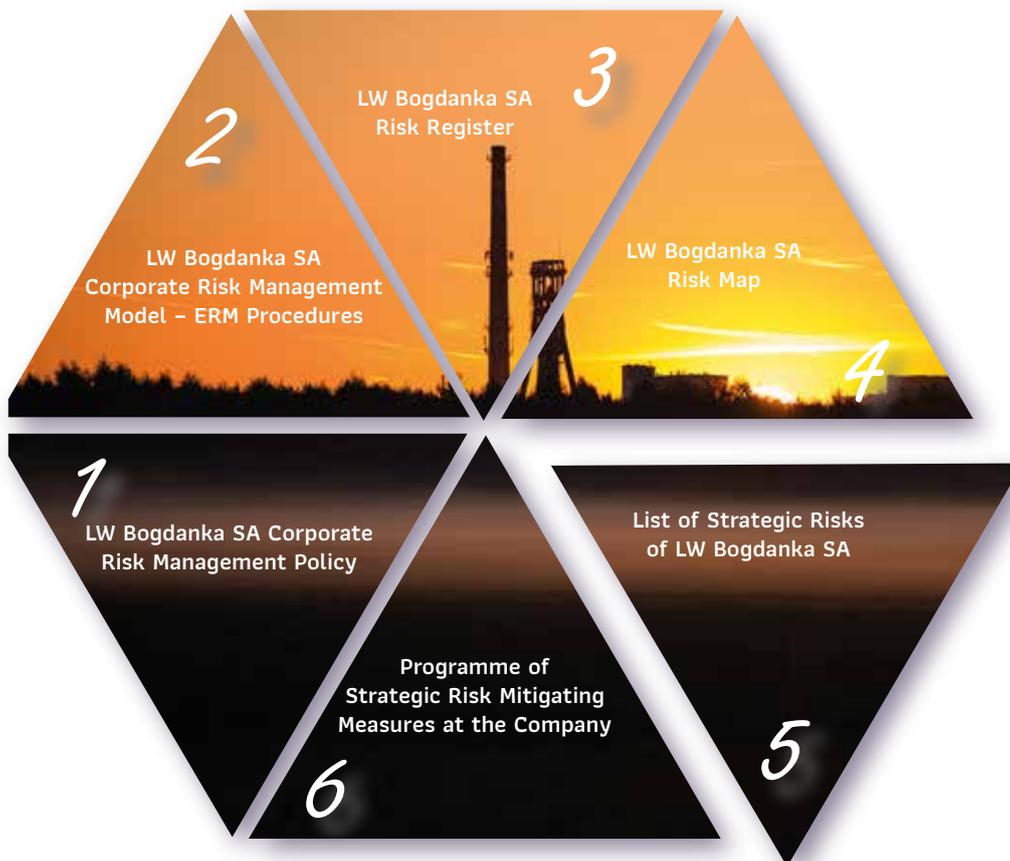
The risk management system of the LW Bogdanka Group is to ensure the secure operation of the Group, focused on the creation of economic value, ensuring, however, that the other dimensions of the impact exerted by the company are duly taken into account. It is based on the Integrated Enterprise Risk Management [ERM] System and a dedicated IT system [Risk Manager] which supports the ERM System.

It is based on:

- ◇ LW Bogdanka SA Corporate Risk Management Policy,
- ◇ LW Bogdanka SA Corporate Risk Management Model – ERM procedures
- ◇ LW Bogdanka SA Risk Register
- ◇ LW Bogdanka SA Risk Map
- ◇ List of strategic risks of LW Bogdanka SA
- ◇ Programmes of strategic risk mitigating measures at the Company.

As part of the integration process within the Enea Group, LW Bogdanka SA, in line with the relevant Group regulations included in the applicable “Secondary Documents”, has implemented since January 2018 the ERM system. As at 31 January a Parent Risk Register was created in accordance with the Group’s Methodology. The Company provides information and reports on the outcomes of the ERM implementation and its development to the Supervisory Board and the Audit Committee.

Integrated Enterprise Risk Management System based on:



The risk management system involves the participation of: The Supervisory Board, the Management Board, the Audit Committee, and managers of organisational units (risk owners) as well as the Risk Management Department.

The risk management system is assessed and improved on an on-going basis with a view of even better adjusting it to the Group's specific nature and needs as well as the ever-changing environment.

Business risks considered material and affecting financial profit/loss, including social and environmental risks, are disclosed every year in publicly available Directors' Reports on Operations that indicate the risk levels. The reports contain exhaustive information about business consequences of potential regulations on reduction of greenhouse gas emissions which have an indirect impact on coal mining.*

MAIN RISKS TO THE GROUP BY CATEGORY

BUSINESS ENVIRONMENT AND MARKET

- ◇ Risk associated with the social and economic situation in Poland and the world
- ◇ Risk associated with the economic policy of the State in relation to the hard coal mining sector
- ◇ Risk associated with the levels of prices for raw materials for power production in Poland and the world
- ◇ Interest rate risk
- ◇ Risk associated with the specific nature of mining sector operations and the possibility of unforeseen events
- ◇ Risk of restrictive EU climate policy also with respect to the CO2 emissions

OPERATIONAL

- ◇ Risk associated with the launch of extraction of new deposits at LW Bogdanka SA
- ◇ Technical and technological risk
- ◇ Risk associated with high costs of technologies applied by the Company
- ◇ Risk of IT systems malfunctioning
- ◇ Risk of difficulties in supplies performed through rail transport
- ◇ Customer insolvency risk
- ◇ Risk associated with the strong position of the trade unions
- ◇ Key supplier risk
- ◇ Risk of price fixing by the suppliers

FINANCIAL

- ◇ Liquidity risk
- ◇ Insurance risk

ENVIRONMENTAL PROTECTION

- ◇ Risk associated with reclamation and mining damage
- ◇ Risk associated with tightening of standards and regulations of law with respect to environmental protection and the obligation to obtain permits for the economic use of the environment
- ◇ Risk associated with management of waste generated after extension of the mining area
- ◇ Investment risks associated with protected areas

LEGAL

- ◇ Risk of change to tax laws
- ◇ Risk of real property tax on mining excavations of LW Bogdanka SA
- ◇ Risk associated with expenses for creating certain mining excavations and their classification for the purposes of corporate income tax
- ◇ Risk of a change in the law and its interpretation and application
- ◇ Risk of violating the stock exchange disclosure requirements

* Directors' Report on Operations of the Lubelski Węgiel Bogdanka Group for the period from 1 January 2018

HUMAN CAPITAL



PLACE OF WORK

[GRI 103-1, 102-8] Without a doubt human capital is the capital which has the strongest impact at LW Bogdanka SA on the achievement of business and social goals, on maintaining good market position or development of innovative solutions. Each year the Group expands the scope of its impact on the employment (and employee) market by investing and getting involved in education, and encouraging students to take more effort in learning vocational subjects. The involvement in this area results in possibility to easier acquire both the best young talents and the top experts and specialists on the market. Their potential in the organisation increases when they can use the knowledge and experience of people who had devoted much of their life to work at Bogdanka. This is how the common identity and value of the Company is created, which is appreciated both by the staff and by external stakeholders, who had on a number of occasions rewarded LW Bogdanka SA for best employment practices.

Responsible employment practices of Lubelski Węgiel Bogdanka are a component of a positive image of the Polish mining industry, both in a local and a countrywide perspective. In pursuance of the rule that efficiency – in each dimension – is based on people, LW Bogdanka SA values high qualifications, competences and development of its employees who are committed and thus contribute to innovativeness and technological development of the mine.

The will to increase competences combined with a “dialogue attitude” as well as the sense of responsibility for safety and success, both own and that of the whole mine, are the factors which fight with stereotypes related with the demanding attitude of Polish miners, unprofitability of mines and certain provincial nature of mining industry. Moreover, the employees of the LW Bogdanka Group are mostly people with higher and secondary education, who are steadily improving their professional qualifications and “soft” skills, and are also active in their private sphere.

Both spheres receive efficient support of the employer which on one hand provides refunds for professional courses and training or postgraduate studies to the employees of all levels, and, on the other hand, with the use of social benefit fund and the CSR budget, makes it possible for the employees to participate in various cultural, sports, or entertainment events, events related to learning about countries and cultures, or even promotes such participation; the Company perfectly understands the idea of the work-life balance, thanks to which the employees can avoid overwork and loss of focus, which in consequence prevents health deterioration, lower productivity and efficiency.

Today, miners cultivate their traditions only during celebrations on the Miner’s Day, which are a centuries-long heritage. The changes affected both the “Beer House” and the everyday landscape of miners’ work. Without a doubt they perform responsible work in extremely difficult conditions, but it was long time ago when the pickaxe was replaced by sophisticated and computerised machinery. Continuously developed technologies have enabled the withdrawal of people from the most dangerous spots in a mine and mining operations are today controlled remotely. Servers located underground or work with the use of 3D digital deposit models is a standard procedure today. The work

is still hard and the employees are exposed to noise, dust or harsh atmosphere, however the innovations implemented in the mining sector over years have definitely changed it for better.

Being aware of changes occurring in the society, we can also see changes within the organisation, which triggers discussions on new, important topics – for such matters as respect for human rights, diversity, mobbing prevention, discrimination or breaching employee rights are not treated as taboo or secondary subjects. We strive to find new solutions in order to intensify preventive, educational and ethical aspects of measures taken by us. We enhance the systems of managing the risk of abuse and supervision systems with respect to the compliance of law, ethics and in-house regulations, and we combine them with the system of functional control or audit and internal control. An example of a positive change is the Policy Compliance Department established in 2018 in LW BOGDANKA SA.

Institution-driven actions are complemented with promoting friendliness among employees, trust, open communication and ethical behaviour, which – as a rule – does not mean interfering into people’s privacy or personal relationships between individual employees, but means education, integration and prevention of unequal treating at a workplace. The organisation supports all grassroots initiatives for equal opportunities and disadvantaged groups, and encourages the staff to engage in such activities in response to the needs of their immediate community [by way of e.g. charity actions and employee volunteering].



[GRI 102-8] Workforce

	2017			2018		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
LW BOGDANKA GROUP [CAPITAL GROUP IN TOTAL]						
BY TYPE OF AGREEMENT						
Employment contract for an indefinite term	243	4,050	4,293	240	4,038	4,278
Employment contract for a definite term	24	1,001	1,025	34	881	915
Employment contract for a trial period	3	181	184	5	127	132
Civil law agreement	8	58	66	10	98	108
BY TYPE OF POSITION						
Managerial positions	16	156	172	16	169	185
Non-managerial positions	254	5,077	5,331	265	4,959	5,224
BY AGE						
Below 30 years	28	1,639	1,667	32	1,501	1,533
Between 31 and 40 years	56	2,137	2,193	64	2,173	2,237
Between 41 and 50 years	51	850	901	46	849	895
Over 50 years	135	607	742	138	595	733
Total	270	5,233	5,503	280	5,118	5,398
LW BOGDANKA SA						
BY TYPE OF AGREEMENT						
Employment contract for an indefinite term	230	3,923	4,153	227	3,863	4,090
Employment contract for a definite term	17	269	286	28	552	580
Employment contract for a trial period	1	31	32	4	76	80
Civil law agreement	8	45	53	10	87	97
BY TYPE OF POSITION						
Managerial positions	13	141	154	14	153	167
Non-managerial positions	235	4,082	4,317	245	4,338	4,583
BY AGE						
Below 30 years	21	1,133	1,154	25	1,190	1,215
Between 31 and 40 years	48	1,834	1,882	57	2,017	2,074
Between 41 and 50 years	49	764	813	42	791	833
Over 50 years	130	492	622	135	493	628
Total	248	4,223	4,471	259	4,491	4,750
ŁĘCZYŃSKA ENERGETYKA SP. Z O.O.						
BY TYPE OF AGREEMENT						
Employment contract for an indefinite term	12	75	87	11	76	87
Employment contract for a definite term	1	10	11	0	9	9
Employment contract for a trial period	0	0	0	0	1	1
Civil law agreement		2	2	0	3	3
Zatrudnieni w outsourcingu	0	0	0	0	0	0
BY TYPE OF POSITION						
Managerial positions	3	5	8	1	7	8
Non-managerial positions	10	80	90	10	79	89

BY AGE						
Below 30 years	2	4	6	1	5	6
Between 31 and 40 years	4	11	15	4	10	14
Between 41 and 50 years	2	10	12	3	9	12
Over 50 years	5	60	65	3	62	65
Total	13	85	98	11	86	97
RG BOGDANKA SP. Z O.O.						
BY TYPE OF AGREEMENT						
Employment contract for an indefinite term	1	16	17	1	81	82
Employment contract for a definite term	4	290	294	4	192	196
Employment contract for a trial period	0	113	113	1	40	41
Civil law agreement	0	1	1	0	1	1
Employed in outsourcing	0	0	0	0	0	0
BY TYPE OF POSITION						
Managerial positions	0	3	3	0	3	3
Stanowiska niekierownicze	5	416	421	6	310	316
BY AGE						
Below 30 years	3	253	256	4	191	195
Between 31 and 40 years	2	130	132	2	97	99
Between 41 and 50 years	0	26	26	0	16	16
Over 50 years	0	10	10	0	9	9
Total	5	419	424	6	313	319
MR BOGDANKA SP. Z O.O.						
BY TYPE OF AGREEMENT						
Employment contract for an indefinite term	2	35	37	2	98	100
Employment contract for a definite term	2	432	434	2	128	130
Employment contract for a trial period	2	37	39	0	10	10
Civil law agreement	0	9	9	0	6	6
Employed in outsourcing	0	0	0	0	0	0
BY TYPE OF POSITION						
Managerial positions	0	6	6	0	5	5
Non-managerial positions	4	498	502	4	231	235
BY AGE						
Below 30 years	2	249	251	2	115	117
Between 31 and 40 years	2	161	163	1	58	59
Between 41 and 50 years	0	50	50	1	33	34
Over 50 years	0	44	44	0	30	30
Total	4	504	508	4	236	240
EKOTRANS BOGDANKA SP. Z O.O.						
BY TYPE OF AGREEMENT						
Employment contract for an indefinite term	0	1	1	0	1	1
Employment contract for a definite term	0	0	0	0	0	0
Employment contract for a trial period	0	0	0	0	0	0
Civil law agreement	0	1	1	0	1	1
Employed in outsourcing	0	0	0	0	0	0

	BY TYPE OF POSITION					
Managerial positions	0	1	1	0	1	1
Non-managerial positions	0	1	1	0	1	1
	BY AGE					
Below 30 years	0	0	0	0	0	0
Between 31 and 40 years	0	1	1	0	1	1
Between 41 and 50 years	0	0	0	0	0	0
Over 50 years	0	1	1	0	1	1
Total	0	2	2	0	2	2

One of the forms of being a responsible and ethical entrepreneur is taking care of paying fair remuneration to employees at all positions and making the remuneration rules clear and open to the employees. Remuneration at LW Bogdanka SA accounts for approximately 30% of all expenses, and in 2018 it amounted to about PLN 583.2 million.

A material event, from the perspective of employee benefits expenditure for existing and previous employees in 2018 was the conclusion, on 28 February 2018, by the Management Board of LW Bogdanka SA and the trade unions active at LW Bogdanka SA of an agreement regarding the level of salaries in 2018. The parties agreed that effective from 1 January 2018 the rates of personal classification would grow by 5%, and that a one-off incentive bonus will be paid to the employees (in proportion to work time). It is planned that average monthly remuneration will grow in 2018, compared to the average remuneration in 2017, by 3.82%. Real increase in the value of employee benefits amounted to PLN 20,943,000. In the period under analysis increase was recorded primarily in salaries (PLN +36 million) and overheads (PLN +4 million) as a result of higher average employment, salary rates and a one-off incentive bonus paid to the employees. Concurrently, a decrease by PLN 19 million in other employee benefits took place (in 2017 the Company repurchased the right of existing and future retirees to a "retirement" coal allowance).

Once again, the average monthly salary at both LW Bogdanka SA and the entire Group is higher than the average remuneration in the Lubelskie Province. This is one of the reasons why LW Bogdanka SA attracts workers from the whole region, becoming a professional goal for young people planning their careers.

In 2018 the payroll fund was used in accordance with Additional Protocol No. 63

- ◇ to the Collective Bargaining Agreement which includes an increase in base pay as from 1 March 2018 by 5%;
- ◇ monthly bonus settled on the basis of:
 - ◇ the degree of compliance with monthly production targets
 - ◇ sale of commercial coal
 - ◇ the average sale price achieved
 - ◇ the degree of compliance with the Company's cost budget for individual periods.

In its remuneration policy the Company pays particular attention to reflecting the employee performance in the remuneration amount. Bonuses and awards go to those employees who show their dedication to and initiative at work.

Remuneration structure at LW Bogdanka SA in 2017 and 2018:

	2017	2018
Basic salary	33.7%	33.4%
Bonuses and awards	10.2%	11.2%
Additional pay	23.7%	23.5%
Absence	9.4%	9.5%
Equivalent for coal allowance	3.4%	3.9%
Other salaries	19.6%	18.5%

* An analysis of the average monthly remuneration was carried out on the basis of the average employment at the Company (the methodology used by the Central Statistics Office of Poland to lower the employment level by excluding employees who were on a sick or parental leave, or were provided with care allowance or rehabilitation benefit for a (continued) period of more than 14 days was not applied).

Average remuneration 2015 – 2018

[PLN]	2017	2018	CHANGE 2017/2018
LW Bogdanka SA	7,641	8,077	5.7%
Łęczyńska Energetyka sp. z o.o.	4,780	4,882	2.1%
EkoTrans sp. z o.o.	8,623	6,074	-29.6%
RG Bogdanka sp. z o.o.	3,365	3,520	4.6%
MR Bogdanka sp. z o.o.	4,150	3,748	-9.7%
LW Bogdanka Group	7,072.0	7,551.0	6.8%

The average monthly remuneration in 2018 amounted to PLN 8,077 and was higher by 5.7% from the average remuneration in the previous year.

[GRI 202-1] Wage level compared to the market – ratio of average entry level wage in the lowest classification category [with all extras] compared to minimum wage in the country.

[GRI 103-1, 102-8]	2017	2018
LW Bogdanka SA		
– persons employed underground	274.9%	267.02%
– persons employed on the surface	181.8%	184.25%
Łęczyńska Energetyka sp. z o.o.	143.1%	150.17%
EkoTrans sp. z o.o.	431.2%	293.92%
RG Bogdanka sp. z o.o.	143.9%	146.1%
MR Bogdanka sp. z o.o.	114.9%	107.6%

Minimum pay in 2018 was PLN 2,100 gross.



HR POLICY

[GRI 103-2] The HR policy at LW Bogdanka SA is pursued in order to support employee potential and effectively manage human resources through employee recruitment and development and to retain an optimal level of workforce to enable the Group to run its business as efficiently as possible. In particular, it aims at selecting and shaping the employee's competencies so as to prepare them as best as possible for effective implementation of the Company's and the Group's goals and objectives, while having a sense of self-fulfilment and satisfaction from their work. An important factor is that the Group is the major employer in the region engaged in continuous dialogue and cooperation with the stakeholders and therefore has created strong bonds with the region and its inhabitants. The Group employees are mainly the residents of the Łęczna Poviát and the nearby areas within a radius of about 50 kilometres. The mine's managers place great emphasis on developing human capital through effective motivation and continuous improvement of professional qualifications and interpersonal skills.

Documents governing the employee-related matters in the Group are:

- ◇ Work Rules -> contains -> Basic rules governing work organisation, rights and obligations of employees and the employer,
- ◇ Collective Bargaining Agreement -> contains -> Rules governing remuneration and additional employee benefits,

- ◇ Company Employee Benefit Fund Rules -> contains -> Organisation and rules of using the Company Employee Benefit Fund,
- ◇ Code of Ethics -> contains -> Description and characteristics of the required behaviour and conflict of interest,
- ◇ Policy for Safety of Information -> contains -> Organisation of safety system with respect to information, data, etc.,
- ◇ Policy for Safety of Personal Data -> contains -> Organisation of safety system with respect to personal data.

The documents cover all the rules and processes related to employment and work at the Group, including matters relating to employee selection criteria, employee adaptation to the work environment, professional development, cooperation rules, rules for female workers and the incentive system.

The HR Policy specifies the rules for recruiting employees. In the process of recruiting and selecting candidates, the Company is guided by professional criteria. We choose candidates based on the requirements determined for specific roles. It's worth noting that underground and surface employees make up 73.5% and 26.5% of the head count, respectively; this is in particular the specific nature of the industry and legal requirements are the determinants of employment structure, where male employees make the majority [94.5% of all employees]. The LW Bogdanka Group does not introduce any restrictions on equality in

PRIORITIES OF THE HR AREA IN 2018



Employment at a level which allows the Company to achieve its business goals, in line with the employment plan



Changes in the Company's Collective Bargaining Agreement structuring the remunerations



Creating an image of an attractive employer on the job market



Review and update of the hiring policy

KEY INITIATIVES WITHIN THE HR AREA IN 2018



Appointment an Amendments Committee for the Collective Bargaining Agreement

- negotiations with the social party
- introduction of amendments with a view to simplifying remuneration structure and increasing the pool of financial incentives



Changes in the HR department, hiring employees with new competences which are necessary to implement the HR processes



Better organising the system of obtaining production employees from the Group



Developing competence model for supervising personnel to serve as a basis for the implementation of a system of assessments and development programmes in 2019



electronic system for managing the recruitment and selection process

employment, and its current structure results from employees' individual preferences as to the choice of their careers.

The dominant form of employment at the Group is an employment contract, including in particular a permanent employment contract. In 2018 such form of employment applied to 4,101 employees [86.1%].

GENERATION CHANGE PROGRAMME

[GRI 401-2] In order to eliminate the risk of a substantial outflow of employee competences, the Management Board of LW Bogdanka SA implemented the Generation Change Programme in 2017, and continued it in 2018, to secure personnel requirements.

The first stage, completed in 2018, was the Voluntary Redundancy Programme [VRD] which makes it possible to bridge the generation gap in a reasonable and coordinated manner, spread this process over time, and maintain the continuity of activities. The aim of the Programme was to take early steps to prevent the adverse consequences of natural economic and demographic changes, and implement systemwide solutions in this regard. The Programme has provided career opportunities for young miners, and it also allows the Company to maintain stability during the process of induction of the next generation of workers. It should be emphasised that its aim was not to cut jobs or introduce organisational changes – it was intended to prevent the risk of uncontrolled outflow of talents. Current actions will take two or three years to show their potential effects.

The Programme was targeted at workers entitled to retire who agreed to participate in it on a voluntary basis. They were given the opportunity to terminate their contract of employment by mutual agreement of the parties on the terms and within the periods of time provided for in the Programme's terms and

conditions, after consent by the employer. Employees entitled to retire who chose to participate in the Programme were entitled to financial compensation.

In 2018, 33 employees participated in the Programme. Total cost of compensation, retirement pays due to old age and jubilee awards paid out for 2018 amounted to PLN 2,158,000. The cost of the whole Generation Change Programme was PLN 10,914,886.26.

Przeciwdziałanie luce pokoleniowej i kompetencyjnej i także In order to counteract the effects of generation and competences gaps, it is also necessary to work closely with vocational schools and universities, and the cooperation becomes deeper each year. The Company has signed letters of intent in that respect with the following institutions:

- ◇ the AGH University of Science and Technology in Krakow
- ◇ the Mining School Complex in Łęczna
- ◇ the School Complex in Ostrów Lubelski.

LW Bogdanka SA is the patron of mining schools, ensuring their proper functioning and development. Graduates of those schools find employment as miners, in mine supervision, and mine administration. Regardless of the economic balance, the Company remains the key partner of schools, implementing new programs, agreements and projects which aim at giving future mining staff the best possible education. Representatives of the mine participate in events that are important to mining schools, and their students and teaching staff are invited to the Company for conferences, consultations or other events such as the Miner's Day so that the traditions and customs of miners can be passed on to the young people.

Number of new employees working under employment contracts in 2018:	433
– women	20
– men	413
– employees under 30	250
– employees between 30 and 50	173
– employees above 50	10
Number of employees working under employment contracts, who left* the Company in 2018:	148
– women	7
– men	141
– employees under 30	25
– employees between 30 and 50	61
– employees above 50	62
Rate of employee turnover in 2018 for employees working under employment contracts**	3,11

* leaving" means termination or expiration of an employment contract

** Rate of employee turnover is calculated for employees working under employment contracts, according to the following formula: total number of employees holding employment contracts, who left the organisation in 2018 divided by the number of employees holding employment contracts [as at 31 December 2018], multiplied by 100.

RECRUITMENT

In our recruitment processes we search for people who not only are experts in their respective profiles, but also share the values established through long-term mining traditions. Therefore LW Bogdanka SA treats the recruitment process very seriously. When searching for the best candidates, the Group looks for knowledge, professional qualifications, personal suitability and professional experience.

The basic characteristics of an employee are as follows:

- ◇ ability to work as part of a team
- ◇ ability to apply knowledge in practice
- ◇ ability to independently analyse information and draw conclusions
- ◇ ability to make reasonable decisions.

LW Bogdanka SA is the patron of mining schools, ensuring their proper functioning and development. Graduates of those schools find employment as miners, in mine supervision, and mine administration. Regardless of the economic balance, the Company remains the key partner of schools, implementing new programs, agreements and projects which aim at giving future mining staff the best possible education. Representatives of the mine participate in events that are important to mining schools, and their students and teaching staff are invited to the Company for conferences, consultations or other events such as the Miner's Day so that the traditions and customs of miners can be passed on to the young people.

In addition to organising regular meetings with students and graduates and maintaining cooperation on technical issues, the LW Bogdanka Group continued two support and incentive programmes for future mining staff, initiated in 2017: scholarship fund for the best students of partner mining schools and the programme called "Permit to work at LW Bogdanka SA" for the best graduates, which gives a guarantee of employment at the Company. Moreover, the Company got involved into the project aiming at supporting and incentivising vocational schools: "Become a Professional – School Today, Success Tomorrow", which is financed from the Regional Operational Programme for Lublin Province [EU funds].

The mine makes itself visible to prospective candidates by regularly organising student internships and theme meetings, and by undertaking other initiatives, for example by taking part in job fairs organised by the University of Science and Technology in Krakow. In 2018 the Group organised internships for 145 high school and university students. Furthermore, 56 professional internships were organised.

In 2018 letters of intent were in force, signed by the mine with schools that run classes with a specialism in mining: the Mining School Complex in Łęczna and the School Complex in Ostrów Lubelski. The letters concerned future employment opportunities at the Company offered to outstanding graduates of the schools and establishing a scholarship fund to motivate students to work efficiently and effectively to prepare themselves for the mining profession.

Scholarship fund for the best students of partner mining schools

The scholarship was awarded to students in grades two and three from our partner schools who achieved the highest average grade from the indicated technical subjects, not lower than 4.75, at the end of the previous semester. The scholarship was awarded for a period of five months, from September to January and/or from February to June. In 2018, scholarships were awarded to 38 people.

"Permit to work at LW Bogdanka SA – We need the best!"

The aim of this scheme was to support and develop the idea of consistent learning among students of the schools which have joined the Partnership. The best graduates, for their consistent and persevering educational efforts, obtained an actual "permit to work" in the Company. It was an expression of a sense of shared responsibility for preparing future workers in the underground mining sector in the region to the best possible extent.

The programme resulted in hiring 33 people in 2018 [in 2017 – 6 graduates] from partner schools, and the additional 3 people from institutions with which the Company plans to sign agreements in 2019, i.e. Energy Schools Complex and Electronic Schools Complex in Lublin.

PROCEDURE OF INCREASING QUALIFICATIONS, TRAINING AND DEVELOPMENT OF HUMAN RESOURCES

[GRI 401-1] The organisational culture supported at LW Bogdanka SA puts strong emphasis on the pro-active attitude of its workers and the acquisition of competences that shape an innovative and responsible approach to the work performed. The criteria for selecting subjects for the training are related with the goals of the business strategy and – directly – with the HR policy, and cover both specialist competences and the interpersonal skills required for creating an open organisational culture. In 2018 emphasis was put on management competences and team management skills, efficient communication, incentivising and supporting the reporting employees.

Average number of training hours of employees working under employment contracts	WOMEN	MEN
LW Bogdanka SA	0.1	15.1
Łęczyńska Energetyka sp. z o.o.	8.9	10.2
EkoTrans sp. z o.o.	0.0	0.0
RG Bogdanka sp. z o.o.	10.7	55.0
MR Bogdanka sp. z o.o.	14.0	18.9
Number of training hours in 2018 at the LWB Group	116,642	
Number of training hours per employee in 2018 at LW Bogdanka SA	19.7	

In accordance with in-house documents, all employees have equal access to training and opportunities to improve their qualifications. As a result, they can participate in open and closed specialist training (organised in a classroom or via e-learning), postgraduate studies, including MBA, and expand and exchange their knowledge in various fields with others through participation in seminars, conferences and industry events, e.g. School of Underground Exploitation or Mining Economic Forum.

In 2018, the average number of training hours per one employee LW Bogdanka SA was 19.7 [in 2017: 18.6].

MBO

In order to make the most of the potential of all divisions, the Company implements effective solutions in the area of remuneration, related to the implementation of previously developed objectives. Such a tool is the MBO system [Management by Objectives] implemented at LW Bogdanka SA and consisting in management through short-term [annual] goals.

The management staff is responsible for achieving these annual goals, while the Management Board is responsible for overseeing the legitimacy and consistency of the business strategy. Such an approach gives an overview of how effective individual management skills are, inspires greater engagement of managers in the achievement of their goals (which are not imposed on them, but rather developed through consensus), and thus in the fulfilment the mission and vision of the Company. MBO has become a proven and effective tool at LW Bogdanka SA, providing a link between the performance of individual employees and the Company's overall results.

LIGA PROGRAMME

An innovative HR project implemented in 2017 and continued in 2018 2018 was the LIGa Programme under which promising Company employees indicated by the relevant Management Board members are covered by an individual development plan.

The objectives of the Programme are as follows:

- ◇ ensure that in the medium and long term LW Bogdanka SA will have strategic leaders
- ◇ ensure predictable and continuous organisational flow of talents
- ◇ ensure employee development and retain employees
- ◇ relate career development to the Group's business needs
- ◇ expand the scope of motivation-building tools.

Participants were given the opportunity to develop their competences and knowledge through participation in training, courses or postgraduate studies, but also by availing of mentoring and work experience in other departments/divisions of the Company.

Foreman Academy and Mining Leaders Academy [MLA]

– two innovative HR projects. The MLA is addressed to senior managers of the mine and key employees / middle-level managers included in the succession plan. The programme is carried out in the form of post-graduate “enterprise value management” studies. Each person who has been invited to this programme has a chance to participate in an exceptional project. Its exceptional nature results from the fact that it has been developed strictly in line with the needs of the mine development and enhancing the competences of the future.

The Foreman Academy is focused on improving team management skills as well as skills related to communication, providing feedback and building a strong team.

Both projects have been launched in 2019, and will be described in detail in the report for 2019.

ADDITIONAL NON-SALARY BENEFITS

There is a range of additional non-salary benefits, the scope of which is set out in the Company Social Benefits Fund Rules, available to those employed at LW Bogdanka SA. This involves additional support for the employees and their families, which are intended, on the one hand, to motivate them to be active during their free time (including cultural, sports and leisure activities) and, on the other hand, to help them achieve personal goals and meet their needs (for example, loans for housing purposes or non-repayable allowances awarded in difficult life situations). Working time does not affect the eligibility to receive most of the social benefits listed above. The co-financing of self-arranged holidays is granted on a pro rata basis the case of people working part-time.

[GRI 401-2] The most important benefits of this type, which are co-funded from the Company Social Benefits Fund, include:

- ◇ social allowance
- ◇ holidays for employees and their families, i.e. trips and journeys, sanatorium stays
- ◇ membership fees for sports facilities
- ◇ garden parties for employees
- ◇ tickets for cultural and sports events
- ◇ nursery schools for employees' children
- ◇ possibility of taking out a loan for housing purposes.

Moreover, in 2018 the employees could take advantage of additional insurance and co-financing the English language courses (in addition to the Company Employee Benefit Fund).

Funds for the Company Social Benefits Fund [PLN '000]	Funds used [PLN '000]	Performed in [%]
21,984.7	17,801.4	81.0

Old-age pensioners and former employees

Jako wyraz szacunku i troski wobec byłych pracowników Spółki, LW Bogdanka SA wykorzystuje szereg narzędzi wspierających i aktywizujących tę grupę.

– The benefits offered by the Social Benefits Fund may be availed of by old-age pensioners and former employees whose last place of employment, directly before retirement or becoming a disability pensioner, was the Company. The rules of financing are in this case also regulated by the Terms and Conditions of the Company Social Benefits Fund.

– Active living is promoted among pensioners also through financial or in-kind/organisational contribution towards initiatives in which those who once worked in the mine are participating. In 2018 the beneficiaries of our activity in this area included the Maratończyk Sports School or the University of the Third Age in Łęczna.



DIVERSITY, ANTI-DISCRIMINATION AND HUMAN RIGHTS IN BOGDANKA

[GRI 405-1, 412-2] The Company gradually introduces and modifies the elements of corporate governance in order to perfect its practices and make them even more responsible and transparent. We can observe changes occurring in the region's demography therefore we can see the necessity to introduce the policy related to diversity within the organisation with a particular emphasis put on building heterogeneous teams, accessibility of training and promotions, as well as long life learning, remuneration rules or combining professional duties with private and family lives. At Lubelski Węgiel Bogdanka, the diversity of employees is considered a value. Differences related to features such as gender, age, beliefs, lifestyle or family status cannot become a reason for discrimination or any aggression in the workplace. Further, organisational units responsible for this area regularly

initiate activities to promote diversity and respect among employees, ensure equal development opportunities and support integration and friendliness among the staff.

The Company is aware of the challenge of adopting a diversity policy, and, therefore, systematically implements mechanisms, as part of other documents and strategies, whose task is to prepare the ground for promoting and leveraging differences to achieve the organisation's goals. By putting such solutions in place, LW Bogdanka SA has managed to create and maintain an employee-friendly atmosphere, in which everyone, regardless of their medical, biological, cultural or ideological status, can enjoy respect and appreciation, and, thus, achieve their goals and boost their potential.

DIVERSITY IN THE COMPANY'S GOVERNING BODIES

[GRI 405-1] The Company does not maintain any formal diversity policy for its administrative, management and supervisory bodies. The rules for appointing the Company's Management Board and Supervisory Board members are defined in the Articles of Association. While appointing its governing bodies, the Company lays great emphasis on ensuring versatility and diversity of

education, age and professional experience of the candidates, but does not discriminate against anyone on the grounds of sex, age, origin or other factors which do not affect the assessment of the candidate's suitability for a given position. Appropriate background for the job is a factor which plays a decisive role.

	NUMBER		STRUCTURE
	2017	2018	%
MANAGEMENT BOARD OF LW BOGDANKA SA AS AT THE END OF 2018			
Total	5	5	100%
Women	0	0	
Men	5	5	100%
Below 30 years	0	0	
Between 31 and 40 years	2	2	40%
Between 41 and 50 years	2	2	40%
Over 50 years	3	1	20%
Foreigners	0	0	-
SUPERVISORY BOARD OF LW BOGDANKA SA AS AT THE END OF 2018			
Total	8	8	100%
Women	2	2	25%
Men	6	6	75%
Below 30 years	-	0	-
Between 31 and 40 years	4	4	50%
Between 41 and 50 years	3	3	37.5%
Over 50 years	1	1	12.5%
Foreigners	0	0	-

DIVERSITY OF EMPLOYEES

Irrespective of the above, the Company follows a diversity policy with respect to employee matters. Diversity and openness are the underlying values of the HR policy, in line with the principle that managing the diversity contributes to development and attainment of business goals set by the Company. Lubelski Węgiel Bogdanka SA, as one of the largest employers in the region is driven by the principles of equal treatment and prevention of any and all forms of discrimination, as it believes that noticing and accepting diversity at the workplace allows the organisation to build competitive edge and ensures good relations and atmosphere, which in turn trigger innovativeness. Diversity management is for the Company a component of responsible business.

The aim of the applicable diversity policy is building the organisational structure based on an esteem for differences between the employees, a structure where each employee feels respected and appreciated, may pursue his or her potential following his or her personal features and predispositions, and all these factors are used for the benefit of the organisation and contribute to its success. The management of diversity is aimed at positively influencing the employee potential, using their skills, experience, and talents in the atmosphere of respect and support.

With due respect for diverse, multicultural society we put particular emphasis on the policy of equal treatment, that is non-discrimination [both directly and indirectly] because of sex, age, disability, health condition, race, nationality, ethnicity, religion, atheism, political beliefs, trade union membership, sexual

orientation, sexual identity, family status, lifestyle, form, scope and basis for employment, other types of cooperation and other premises exposing to discriminatory behaviour.

Moreover, the Company identifies and accepts diversity related to various competences, talents, skills and life experience, including values and beliefs, work styles, styles of learning and communicating, manners of resolving problems and conflicts, attitude to a change, manners of decision making or roles assumed in a team.

The Company gradually implements the principles of diversity management and the policy of equal treatment and promotes and disseminates them among all stakeholders. Diversity management is a conscious action which means noticing differences between people within the organisation [and outside] and mindful development of strategies, policies and programmes which make the atmosphere of respect for those differences and taking advantage of them for the benefit of organisation.

The diversity policy at LW Bogdanka SA works in conjunction with the Articles of Association, the Work Rules, the Code of Ethics, the HR Policy, and the Collective Bargaining Agreement.

LW Bogdanka's key personnel is selected on the basis of objective technical criteria with due regard for diversity. The Company ensures equal opportunities for career development and advancement.

ANTI-DISCRIMINATION AND MOBBING PREVENTION

Our pro-active anti-discriminatory attitude is founded on the provisions of the Labour Code, which requires every organisation to counteract employment discrimination, in particular because of sex, age, disability, race, religion, nationality, political beliefs, trade union membership, ethnicity, worldview, sexual orientation, as well as because of being employed for a fixed term or on an open-ended basis, or full-time or part-time*. Furthermore, the Code states that the organisation is required to counteract any mobbing at work.

In order to effectively enforce the above provisions, the Company conducts, through the activities of the Ethics Representative, a permanent educational and dissemination campaign on counteracting discrimination at work and beyond, as well as on mobbing prevention. The most important internal document in this area is the Code of Ethics, but this field is also regulated by: the Work Rules, the HR Policy, the Collective Bargaining Agreement, and, since 2018, the Anti-Mobbing and Anti-Discrimination Guidelines for the LW Bogdanka Group.

Pursuant to the Code of Ethics, any forms of discrimination, both direct and indirect, harassment or mobbing are absolutely inadmissible and unacceptable at LW Bogdanka SA. Under the Work Rules, one of the basic obligations of the employer is to prevent discrimination at the workplace, especially on the grounds of sex, age, disability, race, religion, nationality, political beliefs, membership in trade unions, ethnic origin, faith and sexual orientation, as well as on the grounds of fixed-term or permanent

employment contracts, or full-time or part-time employment. A policy of equal employee development opportunities is a key element of the strategy pursued by the Company.

Every recruitment process, as defined in the HR Policy at the LW Bogdanka Group takes place with due regard for the rules of equality regardless of sex, origin, age, beliefs and other factors related to diversity of the employees. It is worth noting, however, that the specific nature of our industry, the legal requirements, and the ratio of underground jobs to surface jobs means that the Group employs mainly men. The LW Bogdanka Group does not introduce any restrictions on equality in employment, and its current structure results from employees' individual preferences as to the choice of their careers. It should be pointed out, however, that the non-salary benefits and the job security offered provide support to women, including young mothers in the labour market, and may be an additional incentive to work for the Company.

Under the Collective Bargaining Agreement, we are obliged to ensure equal opportunities for effective and well-organised work so that the remuneration an employee receives corresponds to the type of work they perform and is related to the quality and effectiveness of that work. The criteria for determining remuneration are designed to guarantee fair pay for work performed. Remuneration for work is established at an amount corresponding to the type of work performed and employee qualifications required in order to do the work with account taken of the amount and quality of the work done.

* Labour Code, Article 94.2b. Labour Code, Article 94.2b.

The Anti-Mobbing and Anti-Discrimination Guidelines for the LW Bogdanka Group is a document adopted in 2018, which describes in detail the issue in question. It contains an overview of the objectives, definitions, general rules of conduct, and obligations related to the prevention of mobbing and discrimination, as well as procedures in the event of such acts being committed or suspected.

The document complements the training made available to all employees [e-learning] about our anti-mobbing policy, entitled

Workplace mobbing, which was designed to learn or refresh their knowledge in this field. To promote and encourage participation in the training, it was made available on both work computers and home computers.

[GRI 406-1] We are quite confident that our efforts to promote respect and tolerance among the staff have brought about the expected result, because in 2018 there were no cases of discrimination in the workplace.

HUMAN RIGHTS

[GRI 412-2] Respect for human rights is a strict obligation of every organisation and its employees. This obligation results from the legal system applicable in the United Nations [Universal Declaration of Human Rights], the European Union [European Convention on Human Rights] and in Poland, especially the Constitution of the Republic of Poland, which guarantees respect for human rights and civil rights, including:

- ◇ right to freedom [Article 31]
- ◇ equality before the law and non-discrimination [Article 32]
- ◇ equality before the law irrespectively of sex [Article 33]
- ◇ right to privacy [Article 47]
- ◇ freedom and integrity of the person [Article 41]
- ◇ freedom of religion and belief [Articles 53-54]
- ◇ freedom of assembly and association [Articles 57-59].

At LW Bogdanka SA issues related to the respect for human rights are regulated in internal documents, including:

- ◇ Code of Ethics
- ◇ Supplier Code of Conduct of LW Bogdanka SA
- ◇ Guidelines for Filing and Handling Complaints Related to Noncompliance with the Rules of the Company's Code of Ethics
- ◇ CSR Strategy.

In addition to the above, the Company's activities with respect to social responsibility are compliant with the Sustainable Development Goals [SDGs], including with the fifth goal, which

provides for equality irrespective of sex. By developing and adopting the above-mentioned regulations, the Company has undertaken to respect human rights and to actively promote such rights. In a situation where such rights are violated, appropriate measures are undertaken to immediately change the negative situation. Just like in the majority of companies, in the case of relations between employees, it is of utmost importance to make sure that human dignity is respected and to counteract discrimination. Every employee has a duty to respect human rights and prevent their violation. The Company also uses tools for encouraging other entities to fully respect rights and standards within this area.



In 2018, the Ethics Representative conducted ethics training for new employees, which included the above issues; the training was addressed to 335 people.

Importantly, for four years already, each and every entity [100%] which works with LW Bogdanka SA as a result of a public tender has been required to submit a statement on respecting human rights and agree to an audit in that area.



DIALOG SPOŁECZNY JAKO ELEMENT KULTURY ZARZĄDZANIA

[GRI 102-41, 102-43, MM4] Tracking back Bogdanka mine's history clearly shows that the LW Bogdanka Group's position both on local and countrywide markets, and above all its stable development and attraction of investors willing to multiply their capitals, is attributable to the Company's close cooperation with the stakeholders, and in particular to a lack of permanent conflicts of the Management Board with the employees. Different opinions, of course, do exist, and some disputes used to happen, however for years they have been resolved through constructive dialogue leading to understanding, without any interruptions to mining operations.

Speaking of the social dialogue, trade unions must be mentioned on the first place. It is not a secret that in the mining sector trade unions have always had a very strong position and played an important role in shaping mines' policies, particularly in their employment and payroll aspects. Their activities and significance creates a situation where, from shareholders' perspective, there is a potential risk of instability resulting from the pressure on increasing salaries and, as a result, the costs, being a consequence of the negotiated pay agreements. In addition, protest actions and strikes, if any, organised by trade unions may affect uninterrupted conduct of operations by the mine, and thus also its financial results. At LW Bogdanka SA the formal rules of cooperation with the workers are laid down in the Collective Bargaining Agreement. In the Group there are six Trade Union organisations, including four Trade Unions in the Parent, whose members account for 70% of the employees. In 2018 over 20 dialogue sessions with the trade unions were held [to negotiate such issues, among other things, as payroll or employee retirement plans/employee equity plans]. This means that, on average, the meetings of Trade Unions with the Company's governing bodies took place once every two weeks. Regardless of the differences, both parties – the Management Board and the members of Trade Unions – are aware of market reality. That is why all parties want the mine to work normally, and to resolve disputes through dialogue rather than protests.

Despite different views between the employer and the social party, a constructive dialogue and responsibility for all actions enabled them to achieve a consensus in the situations of dispute. This was the case when at the beginning of 2018 a collective dispute was announced at LW Bogdanka SA; it took two weeks, and resulted in a change in remuneration rates, but also brought a breakthrough after which the Management Board and the Trade Unions started to speak with one voice.

[GRI 403-1] Trade Unions, in accordance with applicable regulations are involved in the work of bodies responsible for social issues and OHS matters. For example, meetings of the Social Committee which is appointed by the President of the Management Board are always attended by four representatives of the employer and one representative from each Trade Union active at the Company. In 2018, 28 meetings of the Social Committee were held. Representatives of the Trade Unions are likewise engaged in the work of the Occupational Health and Safety Committee. The Unions represent interests of all employees [100%]..

[GRI 102-41, 102-43] Although a dialogue is inherent in the Company, in 2018, a cycle of meetings with the stakeholders was organised for the first time, and served for the evaluation of the actions taken so far by LW Bogdanka SA in the area of corporate social responsibility. Four meetings organised in Warsaw, Lublin and Bogdanka in March 2018 provided foundations for preparing CSR strategic goals for the next 4 years.



On 12 February 2018 trade union organisations active at LW Bogdanka SA instigated collective dispute with the employer as they held discrepant positions with respect to the policy of salaries payments at the Company.

Following many negotiation and dialogue sessions, on 28 February 2018 an agreement was entered into with trade unions regarding the level of remunerations in 2018. The parties agreed that effective from 1 January 2018 the rates of personal classification of employees would grow by 5%. Furthermore, as at the end of March a one-off incentive bonus was paid [in proportion to work time].



CODE OF ETHICS

ETHICS AS COMPONENT OF THE ORGANISATIONAL CULTURE

[GRI 102-16] LW Bogdanka SA introduced its first Code of Ethics in 2012, which was subsequently modified in 2013 and 2014 in order to describe the ethical principles and standards in a more accessible way, to include non-competition issues, to present examples of unethical behaviour, to supplement the attached Conflict of Interest Report, etc. This wording of the Code has been in force until today.

[GRI 102-17, 415-1] The Code indicates ethical values and principles which should be followed at the Company and describes very clearly potential conflict situations. It defines the required attitudes in connection with political neutrality, relations among employees, protection of Company's interests, non-competition, conflict of interest, and anti-bribery and anti-corruption. At the same time it condemns any forms of direct or indirect discrimination.

Every new employee is informed of the Code of Ethics during training sessions, receives a copy of the Code, and fills in a Conflict of Interest Report. The Report is then provided to the Head of Management Office. All personnel were familiarised with the content and mechanisms of the Code when it was implemented. All employees [100%] received then its paper version and confirmed receipt by their handwritten signatures [about 4,500 people in total]. In 2018, 335 employees, including 100% newcomers, were given training with respect to the Code of Ethics in the course of onboarding and refresher training. On the occasion of refresher OHS training, 30 managers were trained. The Ethics Representative, supported by the OHS Department, successively visited particular mining areas and talked to representatives of mining, mechanical and electrical supervision services and to employees to analyse the work environment, atmosphere of cooperation and compliance with the Code of Ethics. As from 2016, the "Policy for determining the procedure and manner of organisation of training and surveys and dissemination of knowledge in the area of compliance with and promotion of principles of the Code of Ethics and prevention of frauds at LW Bogdanka SA" has been applied. Information relating to the Code of Ethics is constantly present in internal communications. The Ethics Representative is invited to present opinions in local press and at various conferences which cover ethics management issues.

[GRI 102-17] The Ethics Representative, responsible for supervising the observance of the Code of Ethics, reports directly to the Management Board. The Ethics Representative's task is to monitor instances of potential violation of the Code of Ethics, look for solutions to any problems that may appear and to answer any questions and doubts of the employees. Each month the Ethics Representative provides a report to the Vice-President of the Management Board for Employee and Social Affairs, about problems which occurred and how they were resolved. The latter supervises issues related to ethics management at LW Bogdanka SA.

Employees may, or even are obliged to, report instances of potential incompliance or unethical behaviour by reporting it to the Ethics Representative directly, by phone or e-mail at

etyka_lwb@lw.com.pl. As an additional option to report the above matters, they can also use correspondence boxes located in the three mining areas [Bogdanka, Nadrybie, Stefanów]. Importantly, thanks to these boxes information can be furnished both in an open and anonymous way. All reports provided to the Ethics Representative are confidential. It is worth noting that correspondence boxes and e-mail boxes may also be used by persons not employed in the plant, including e.g. subcontractors' employees and representatives of local community with access to the Company's facilities, to report any doubts about the observance of ethical rules.

In 2018, within the LW Bogdanka Group, following consultations between the Ethics Representative and the representatives of the subsidiaries, the Code of Ethics was developed, published for the whole Group, and – by virtue of a letter signed by the President of the Management Board of LW Bogdanka SA of 14 November 2018 – was introduced and became applicable and effective. Each company received a hard copy of the Code, which was then presented to the existing and new employees. The representatives of the subsidiaries can contact and discuss the matters regarding the Code and ethics issues with the Ethics Representative of LW Bogdanka SA.



For several years, the activities of the Ethics Representative has involved continuous promoting the principles of ethics, friendliness, responsibility and trust to colleagues and superiors, which result in building organisational culture based on positive cooperation and justice. The Ethics Representative communicates information regarding ethical standards and principles with the use of all possible communication channels. Only in 2018 in the published articles he addressed the following matters:

- “Why is it worth following our Code of Ethics” [Bogdanka Gazette No. 226/2018],
- “Creating ethical standards at LW Bogdanka” [“POJEZIERZE” Regional Magazine, No. 8/2018].

In addition, he published ten bulletins devoted to ethical standards and values, including:

- “Let’s cultivate ethical values in our enterprise” [Bulletin 1/2018],
- “Apolitical approach in the light of the Code of Ethics of LW Bogdanka SA” [Bulletin 6/2018],
- “Preventing corruption” [Bulletin 8/2018],
- “Avoiding competitive business” [Bulletin 9/2018],

and prepared an published the following communiques:

- Communique “Let’s avoid harassment at a workplace and other improper behaviour”
- Communique “The most ethical global companies in 2018”

Bulletins and communiques are published in the Company’s Intranet and website, in the Ethics tab, Code of Ethics. Additionally, ethical values and standards are promoted on external boards, generally available screens and even by the access road to Bogdanka. The information is spread beyond the Company, e.g. in articles addressing issues of ethics, being regularly published in the Pojezierze regional magazine, or in an article drawn by the Ethics Representative in the “Practice vs. Theory” Forum, entitled: “Ethics at work and instances of mobbing – solutions developed in LW Bogdanka SA”, read out during The 3rd Meeting of Polish Society of Organisations’ Psychology at the John Paul II Catholic University in Lublin.

[GRI 103-2, 406-1] In 2018, approximately 37 complaints or remarks were reported concerning violations of values and standards imposed by the Company’s Code of Ethics, including personal dignity.

Those complaints were related to [without limitation]:

- ◇ bad treatment, critique, unjust bonus payments by a superior, and an inappropriate behaviour of a young employee towards an employee senior by age;
- ◇ intimidating an employee by a superior [threatening to fire], burdening an employee with increasing number of duties, including duties which were not adequate to his/her skills;
- ◇ incompetent employee management;
- ◇ prohibiting an employee from speaking, ridiculing employees by their superiors;
- ◇ changing terms and conditions of employment and pay;
- ◇ making difficulties in obtaining a holiday leave by an employee;
- ◇ employees’ dishonesty, coming to work under influence of alcohol, favouring persons of low skills by hiring them to work;
- ◇ making difficulties in earlier getting to the surface by employees working in hard conditions;
- ◇ improper behaviour of employees entering and exiting the mine towards supervision personnel on duty responsible for entering and exiting the mine;
- ◇ challenging the authority and competence of managers [among supervision personnel];

- ◇ difficult communication [challenging the professionalism] between a superior and the subordinate employee;
- ◇ a dispute on exiting the mine to the surface;
- ◇ bodily ill treatment of another employee;
- ◇ medical examination of employees shifted to surface positions but performing tasks related with the mine’s underground;
- ◇ irregularities and unethical conduct in the course of internal recruitment;
- ◇ employing family members in one department;
- ◇ wickd practices in terminating an employment contract;
- ◇ wrong and unjust management of employees by a superior.

The reported cases were resolved in the course of dialogue and discussions of the Ethics Representative with interested parties. The most sensitive cases were consulted with the Vice-President of the Management Board, Employee and Social Affairs. In certain cases the incidents were dealt with in cooperation with the Vice-President of the Management Board responsible for Employee and Social Affairs, the Head of Mining Supervision in Mining Facility, the Company Social Labour Inspector, as well as trade unions

[GRI 103-2, 414-2, 412-3, 414-1, 414-2, 308-1, 308-2] Since 2015, the “Supplier Code of Conduct of LW Bogdanka SA” has been in place. This document is a formal statement of certain rules which have for some time now been present in dealings with the representatives of suppliers, and which mostly arise from the Code of Ethics. It is intended to contribute to ensuring the transparency of management practices and effective management of responsibility in the supply chain. It regulates issues related to:

- ◇ observance of the law, including respect for human rights,
- ◇ prevention of discrimination,
- ◇ relations in the workplace,
- ◇ occupational health and safety,
- ◇ natural environment protection,

It is expected of the subcontractors working in LW Bogdanka SA that their employees comply with the Code of Ethics applicable at the Company. In accordance with the rules laid down in the Code of Ethics, they also have a possibility of reporting potential irregularities and unethical behaviour. Irrespective of the above, they have for many years been obligatorily trained in health and safety procedures applicable on the Company premises.

Since 2014, i.e. from the moment when the Social Responsibility Strategy has been introduced, all bidders must submit statements of compliance with the rules relating to ethics, human rights, environmental protection and labour law, including health and safety as early as at the stage of submitting their bids. Now, the new contracts contain relevant provisions, including permission for an audit to be conducted by or on behalf of LW Bogdanka SA. In 2018 statements relating to ethical issues were used in all [100%] public tender procedures [except for small proceedings, carried out without tender, where such statements are not required]. For comparison, in 2015 such clauses were used in 35% of the tender procedures.

[GRI 414-2, 412-3, 205-1, 205-2, 205-3] The “Fraud Prevention and Fraud Risk Management Policy of LW Bogdanka SA”, which is applied by the Company, regulates issues related to the

management approach to reducing the risks arising from various types of pathological and unethical behaviour. Maintaining a high level of resistance to fraud enables effective protection of the reputation and assets of LW Bogdanka SA. The Policy is closely linked to the Code of Ethics and is in full compliance with its provisions, and also takes into account all the fraud prevention legal regulations in force.

The Ethics Representative also publishes guidelines [available also on the Company's intranet] which regulate numerous ethical issues which need to be resolved in such organisation as LW Bogdanka SA. Additionally, in 2017 this approach was used to clarify the principles applicable to promotional gifts received and given by employees of Bogdanka [which are regulated in general in the Code of Ethics].

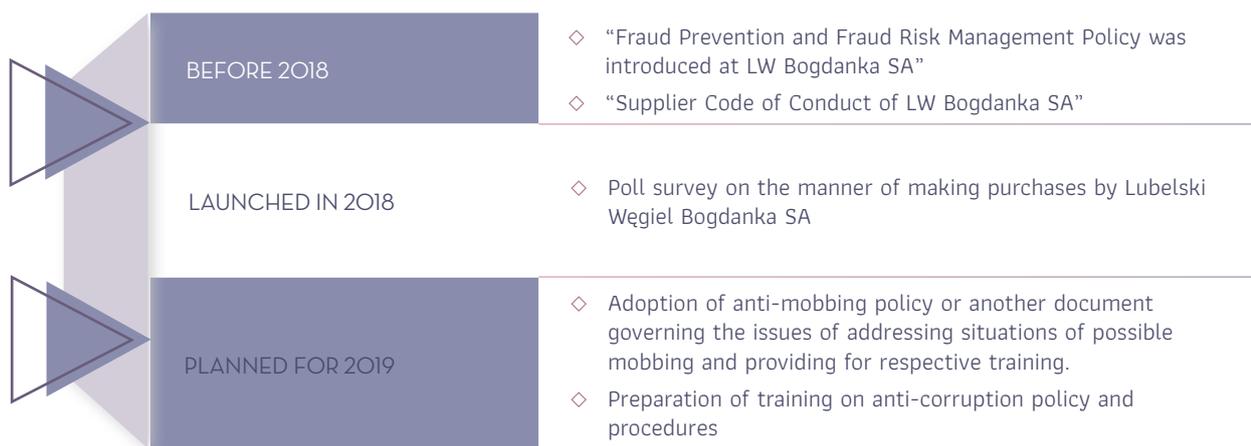
As every year, in 2018 the Audit and Internal Control Department analysed whether the different organisational units and business processes functioned correctly. It carried out both planned audits, whose schedule is prepared on the basis of analysis of the risk map and in cooperation with governing bodies of the Company, and ad hoc audits. Audits are intended not only to identify potential frauds, but also to diagnose their root causes and take appropriate preventive or corrective steps. Audit results are reported periodically to the Management Board and the Supervisory Board [Audit Committee]. In 2018, the Audit and Internal Control Department analysed risks related to fraud and corruption within the following audit and control areas

- ◇ audit of performing replacement investments
- ◇ assessment of compliance with standards and legal norms with respect to environmental protection
- ◇ audit of purchases of selected materials and services
- ◇ audit of supervision over shafts work and repairs
- ◇ audit of the process of gradual generation change within the Company's employees.

The audits and inspections revealed no corruption incidents.

Furthermore, in the previous period, employees of the Audit and Control Department participated in Corruption Threats training organised by the State Institute of Internal Control. The topics covered by the training included counteracting corruption and bribery, and combating and detecting undesirable behaviours

[GRI 102-40] Applicable policies and procedures related to honest practices in the supply chain were complemented by a poll survey regarding the manner of making purchases by Lubelski Węgiel Bogdanka SA carried out among business partners with the use of a purchase platform. Replies were given by 93 entities. Questions in the poll survey included the following: "are the conditions of participation in purchase procedures proportionate to order[s], do they violate fair competition and equal treatment rules with respect to Contractors" [average value of replies – 4.09 per maximum of 5]. The survey findings and report, presented to the Management Board, became a basis for introducing improvements to the purchase process, with due account taken of opinions on transparency, correctness, and fairness of the purchase process at LW Bogdanka SA. The resulting knowledge clearly shows that LW Bogdanka SA, thanks to its sensitiveness to the matters of ethics and prevention, has managed to achieve the status of no objections to the performed order procedures.



SAFETY FIRST

MANAGEMENT OF OCCUPATIONAL HEALTH AND SAFETY (OHS)

[GRI 403-1] For many years Bogdanka has been one of the safest mines in Poland, which results from applying innovative technologies and cutting-edge technical solutions, as well as advantageous geology conditions reflected in low methane levels, a lack of faults in the exploited seams and rare rock bursts. We owe a lot to the perfectly prepared and well qualified staff who feel responsible for their own, and others', safety. Irrespective of the above, LW Bogdanka SA is aware that mining activity is always highly risky, which warrants the development and implementation of adequate processes and procedures to limit the risks and mitigate the effects of any unforeseen events. As it was mentioned in previous chapters, matters related to occupational health and safety (OHS) management at LW Bogdanka SA are a part of the Integrated Health and Safety, Quality and Environment Management System [Integrated Management System]. Procedures for OHS management comply with OHSAS 18001 and PN-N 18001, those regarding the quality - ISO 9001:2015, and the environmental protection - ISO 14001:2015.

In May 2018, a recertification audit was held at Lubelski Węgiel Bogdanka SA to confirm the compliance with the following standards: ISO 9001:2015, ISO 14001:2015, PN-N-18001:2004, OHSAS 18001:2007. The audit was carried out with a view to:

- ◇ assessing the efficiency of the management system as a whole in the light of internal and external changes,
- ◇ confirming the scope of the system and its completeness,
- ◇ confirming that the management system is an efficient tool for implementing the organisation's objective achievement and continuous improvement policy,
- ◇ determining the capacity of the company's management system to fulfil the applicable legal, regulatory and contractual requirements.

The team of auditors confirmed that the management system in place at the Company operates efficiently in the context of the set objectives, ensures completion of the pursued policy and gives the ability to comply with applicable requirements, rules and regulations as well as agreements. The Leading Auditor recommended preservation of the certification. In the Final Report the auditors described the strengths of our Company, including:

- ◇ the management's involvement in creating rules for the safe organisation of the workplaces,
- ◇ high competences of personnel supported by multiple authorisations,
- ◇ scrupulous attentiveness to analysis of risks and opportunities,
- ◇ orderliness of the mine area,
- ◇ use of new applications and IT systems.

As a result, LW Bogdanka SA became the holder of renewed certificates as regards exploration, production and sale of commercial coal. Occupational Health and Safety Management System is compliant with British standard OHSAS 18001:2007, the Integrated Management System concerning the Quality Management System, Environment Management System as well

as the Occupational Health and Safety Management System are in compliance with the following standards: ISO 9001:2015, ISO 14001:2015, PN-N-18001:2004. The certificates are valid until 28 May 2021.

The responsibility for the correct application of the above standards between the audits is borne by a group of employees of LW Bogdanka SA who were given qualifications to conduct internal audits of the Integrated Management System.

Certification and compliance with standards are the components of efficient safety management. This is supplemented by an array of implemented non-mandatory OHS solutions. The most important ones include: placement of telecardiographs for independent heart rate monitoring across the mine, ensuring availability of a defibrillators and "Kazik" machines for collection of personal protective equipment, and two editions of the "Work Safety Improvement Programme", which is composed of a number of measures to increase knowledge of OHS, support preventive action and promote initiative to improve the level of safety at the mine, including the "Safer Workplace" and prophylactic programmes.

Further, management issues have been incorporated into the integrated corporate risk management system and the general safety management system. Although they are already efficient, the management systems are continuously improved. More and more effective solutions are searched for on the basis of analysis of accidents and accident-related events.

[GRI 403-4] Taking into account applicable regulations, but also to ensure the involvement of personnel, OHS issues at the general level have been included in the collective bargaining agreement, i.e. the already mentioned OHS Committee, composed of a doctor and representatives of the employer and Trade Unions. It should also be noted that OHS management is included in the scope of responsibility of the Vice-President of the Management Board for Employee and Social Affairs, who was previously a Vice-President of the NSZZ "Solidarność" Trade Union, i.e. he came from the social side, understands well the expectations of the personnel, and is their representative at the level of the Company's management.

As mentioned before, in terms of natural hazards, LW Bogdanka SA, compared to other coal mines, is a safe mine. There is no risk of mine collapses, gas breakouts and rock outbursts, while the risk of methane explosion is relatively low [category 1 methane explosion hazard on a four-grade scale]. Moreover, the Company strictly complies with provisions regarding OSH and prevention, including threats monitoring performed on an on-going basis. An obligation to test the safety of materials and tangible non-current assets in production conditions before the purchase and implementation has significant importance for everyday safety of the employees. So, the Company does not limit itself to relying on declarations of manufacturers and vendors but carries out its own assessments and tests. Employees are engaged to tests and assessments of personal protective equipment and work apparel. Opinions issued by staff representatives are taken

into account when deciding what to select or buy as it is employees who can assess best the functionality and ergonomics of proposed solutions. They will also be their future users so it

is extremely important to ensure that protective equipment not only meets the requirements and guarantee appropriate safety, but is also comfortable and user friendly in everyday work.

OHS EXPENDITURE

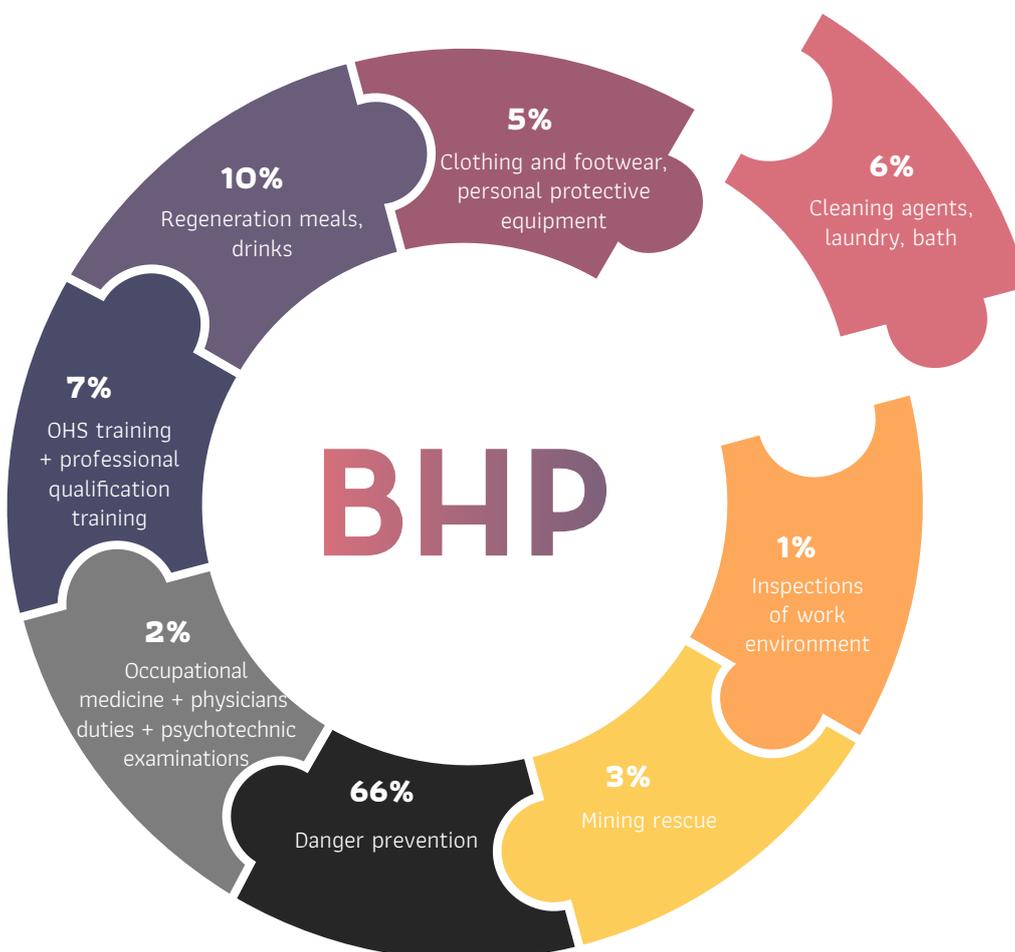
Despite the deteriorating situation in the coal market, LW Bogdanka SA spends about PLN 142.5 million every year for broadly defined occupational health and safety. This also means that the cost of extraction of one tonne of coal incudes PLN 15-16 as costs incurred to ensure appropriate safety of the miners.

Based on observations of the market, the mine is aware of the fact that much of the coal purchased at an attractive price by households is not only low quality coal, the combustion of which in household stoves is aggravating for the environment, but it is also often mined outside of Poland, in conditions that leave very much to be desired in terms of safety of the people involved in its extraction. We all should be aware that low prices are often achieved at the expense of human lives and health. This problem also affects, although to a considerably lesser extent, smaller buyers of coal from the industry, who only want to optimise

their financial costs, but not necessarily more general environmental, social and human costs.

In the case of LW Bogdanka SA, despite the aforementioned good geological conditions, the relatively low methane hazard or the limited risk of rock bursts, the maintenance of a mining rescue service alone costs almost PLN 4 million annually [13% drop compared to 2017]. Other items include fire prevention [more than PLN 22.8 million], coal dust explosion prevention [PLN 8.1 million], climate risk prevention [21.5 million, i.e. an increase by 17.1% compared to the previous year], flood risk prevention [PLN 7.1 million] and collapse risk prevention [PLN 25 million]. And these are only a few cost items. Personal protective equipment, which is most often associated with OHS activities, absorbed only PLN 6 million in last year, i.e. a small fraction of PLN 142.5 million spent to protect human lives and health.

	2017	2018
Total OHS expenditure	PLN 123.5 million	PLN 142.5 million
Per employee	PLN 27,600 / person	PLN 29,900 / person
Per extraction volume	PLN 13.65 / tonne	PLN 15.84 / tonne



OCCUPATIONAL ACCIDENTS IN 2018

[GRI 403-3]	2017	2018
LW BOGDANKA SA		
Frequency rate [per 1,000 employees]	21.36	22.00
Severity rate [number of days of incapacity for work/1 accident]	92.75	87.39
Number of fatal accidents	1	0
Number of confirmed instances of occupational diseases	1	4
Number of employees with exceeded maximum permissible concentrations [MPC] [airborne dust]	1,484	495
ŁĘCZYŃSKA ENERGETYKA SP. Z O.O. [WORK ON THE SURFACE]		
Frequency rate [per 1,000 employees]	0	10.38
Severity rate [number of days of incapacity for work/1 accident]	0	42
Number of fatal accidents	0	0
Number of confirmed instances of occupational diseases	0	0
Number of employees with exceeded maximum permissible concentrations [MPC] [airborne dust]	0	0
RG BOGDANKA SP. Z O.O.		
Frequency rate [per 1,000 employees]	46.29	25.08
Severity rate [number of days of incapacity for work/1 accident]	90.94	84.67
Number of fatal accidents	0	0
Number of confirmed instances of occupational diseases	0	0
Number of employees with exceeded maximum permissible concentrations [MPC] [airborne dust]	238	106
MR BOGDANKA SP. Z O.O. – WORK IN UNDERGROUND EXCAVATIONS		
Frequency rate [per 1,000 employees]	32.54	42.30
Severity rate [number of days of incapacity for work/1 accident]	50.60	61.00
Number of fatal accidents	0	0
Number of confirmed instances of occupational diseases	0	0
Number of employees with exceeded maximum permissible concentrations [MPC] [airborne dust]	61	94

* [EkoTrans Bogdanka Sp. z o.o. has been omitted in the table because of a small number of employees]

Number of accidents and accident rates at the Company in 2017 – 2018

	2017	2018
Number of accidents – total	99	102
including: fatal	1	–
including: causing serious injury	–	1
frequency rate [per 1,000 employees]	21.36	22.0
frequency rate [per 100,000 workdays]	11.6	9.61

Number of employees of LW Bogdanka SA working at work stations where maximum permissible levels and maximum permissible concentrations are exceeded

YEAR	DUSTINESS	NOISE	VIBRATIONS	MICROCLIMATE	CHEMICAL AGENTS	OTHER
2017	1,484	1,021	6	381	-	-
2018	495	507	4	338	-	-

TECHNICAL RISKS

In 2018, on average 68 staff were working daily at work stations where mechanical risks associated with particularly dangerous machinery were present.

Particularly dangerous machinery includes, but is not limited to, the machinery listed in Annex IV to Directive 98/37/EC implemented by virtue of the Regulation of the Minister of Economy, Labour and Social Policy of 10 April 2003 on the essential requirements relating to machinery and safety components [Dz. U. [Official Journal] No. 91, item 858].

Particularly dangerous machinery includes but is not limited to:

- ◇ locomotives
- ◇ hydraulic-powered roof supports
- ◇ presses, etc.

Technical risks and their impact on employees are reduced by:

- ◇ replacement of machinery with more advanced machines that ensure greater safety for the operators and staff working in their vicinity
- ◇ introduction of innovative technical solutions, use of machinery and small mechanisation equipment with improved safety standards, not listed in the above regulation
- ◇ constant monitoring of the market in terms of new safe machines and equipment
- ◇ internal and external training both in operating small mechanisation and machines, facilities and installations requiring appropriate qualifications.

On the basis of a current analysis of accident statistics, the OHS service has increased the number and the thoroughness of work inspections – in 2018, work was stopped as many as 154 times at LW Bogdanka SA.

In compliance with the applicable laws, LW Bogdanka SA provides, among other things, the presence of appropriately trained services at the workplace. These are approx. 815 paramedics. During periodical [annual] training sessions, physicians teach the staff the rules of first aid. Five new AEDs, upon being opened, give instructions in Polish on how to proceed. If necessary, any employee may use them, regardless of the level of training obtained. Tele-cardiographs for self-recording of the heart rate measurement have been located throughout the mine.

A physician is present at the mine at all times. Given the need to ensure possibly the quickest and the most efficient in-hospital medical attention, over the past few years LW Bogdanka SA has repeatedly helped to finance modern equipment for the nearest hospital – the District Hospital in Łęczna. This hospital, also thanks to the Company's and other entities' support, has

a burn treatment centre which is one of the best ones in Poland. It is also an additional securing factor in case if a severe accident occurs at the mine.

In 2018, LW Bogdanka SA completed the two-stage “**Work Safety Improvement Plan**”, which also had a bearing on other entities performing work in the mine.

An interdisciplinary project team implemented a number of initiatives in the field of occupational safety and health, prevention and health protection, the main objective of which was to disseminate knowledge on the subject and to encourage the adoption of a proactive attitude in response to the need to ensure the highest level of occupational safety.

The main actions in the project were:

◇ **Safety Week**

For the purpose of promoting OHS at LW Bogdanka SA, the OHS Department and CSR Section organised a “**Safety Week**” between 1 and 5 October. In this period such events as presentations of equipment, personal protection means, consultations with manufacturers of that equipment as well as shows and simulations of accidents took place, combined with presentations of application of various types of protective equipment and measures. The programme included also the issues of road safety and first aid workshops.

◇ **Mom, Dad – Work Safer!**

Drawing competition for LWB employees' children entitled “**Mom, Dad – Work Safer!**” launched during the Safety Week was aimed at promoting the subjects of occupational health and safety among the employees of LWB and their families, and intensifying the sense of responsibility for the safety of themselves and their colleagues. The objective of the competition was to draw attention of the employees on the principles of safe and secure work, which to a large extent allow the employees to avoid accidents at work and on the way to work and back home.

There were 57 participants to the competition, and their works were graded in three age categories: pre-school, primary school: 1-3 and 4-8 grades, and a secondary school. In addition to astonishing ideas of works and a high artistic level, there were other surprising situations, like, for example, the age of the youngest competition participant who was only three years old! The young artists, at a meeting with Mr Adam Partyka, the Vice-President of the Management Board, received awards and learnt more about their parents' work. In addition, their older friends from the Sports Championship School of Górnik Łęczna, played a short show regarding safety during winter holidays.

◇ **Safety zone at a family feast in Łęczna**

In cooperation with the Safe Lublin Region Association, we have prepared a Safety Zone with the road safety as a leitmotif; the zone contained a focus zone [BATAK response time training device, also goggles] and accident zone [simulator of rollover and a collision]. Additionally, the participants could see a presentation of Krav-Maga, full equipment of Civic Safety Support Guardsman, and the youngest could visit a police car made available by the County Police Headquarters in Łęczna and received fluorescent elements. The purpose of all these actions is to increase the employee's and their families' awareness as to the factors that may affect concentration and cause danger for all road traffic participants

◇ **Safer Workplace Programme – a box for submitting initiative proposals by employees**

Since January 2018, the programme "Safer Workplace!" has been in place at the Company, addressed to the LW Bogdanka SA's staff and its main assumption is to enable employees to submit their own suggestions and ideas for improvements in the field of occupational health and safety. Importantly, the ideas do not have to be inventive and may concern various aspects of mine work. To submit an idea, a standard form must be completed, and then put in a special box or sent by e-mail. The proposals are assessed by a committee in a variable composition, appointed on the basis of an expert knowledge key by the Vice-President of the Management Board in charge of Employee and Social Affairs. Each employee receives feedback – in the case of positive evaluation, the suggestion is forwarded for implementation to the appropriate manager or division director. Participation in the programme is the simplest way to share one's ideas based on the experience gained while working in the mine. Active participation in the project allows the overarching goal of improving work to be achieved, this ensuring the highest level of safety for the staff. In 2018, 59 initiatives were submitted, of which as many as 20 were implemented.

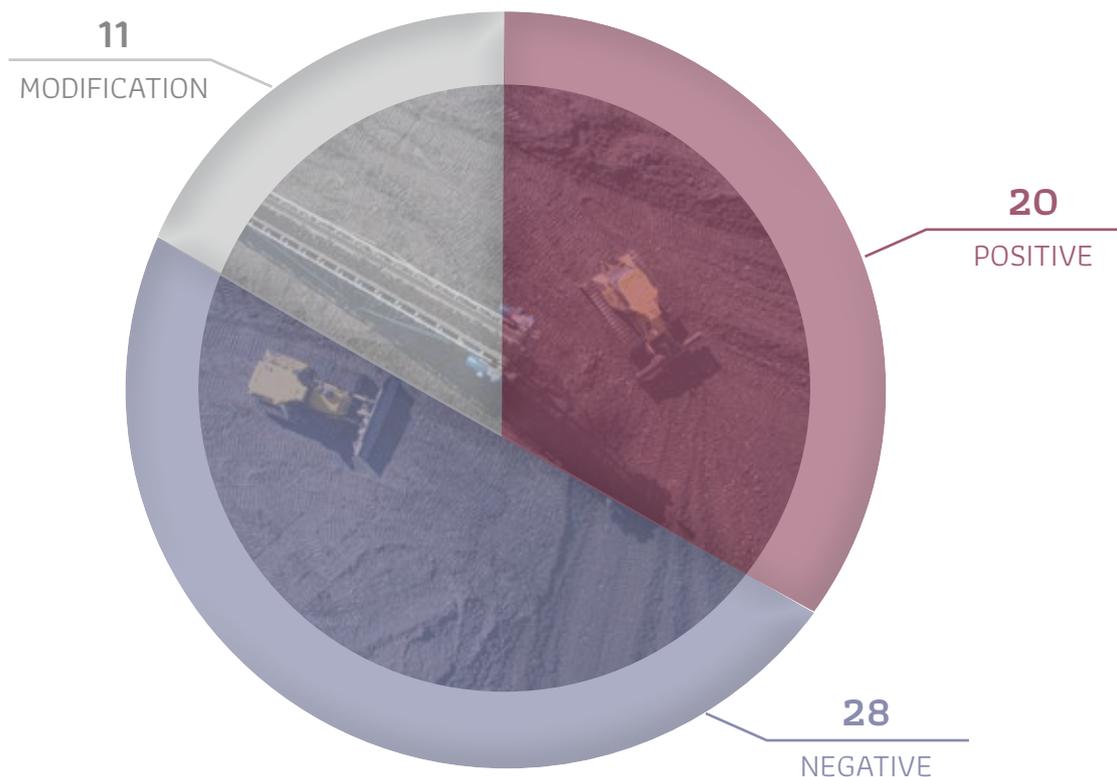
Examples of drawings entered in the competition "Mom, Dad – Work Safer!"



Subjects of the initiatives:

- ◇ Underground _____ **34%**
- ◇ Shaft _____ **10%**
- ◇ Train _____ **7%**
- ◇ The whole Mechanical Coal Processing Plant _____ **10%**
- ◇ Mechanical Coal Processing Facility _____ **26%**
- ◇ Surface _____ **10%**
- ◇ Administration _____ **3%**

"SAFER WORKPLACE" – DATA FOR 2018



◇ **OHS Handbook**

This publication was distributed among all LWB staff and the employees of all subcontractors and is a set of basic safety rules in force at the mine, resulting from legal regulations and internal regulations. It contains information on fire risk, proper ventilation and gas hazards, handling instructions, particularly dangerous work, etc. In 2018, the material was supplemented with instructions on how to provide basic first aid.

◇ **OHS Knowledge Competition**

The modification involved dividing competition participants into four groups related to the positions held in the Company, as well as the use of an e-learning platform for preparations and conducting both stages of the competition. The competition was very successful, with 195 people participating.

◇ **OHS Message System**

The telephone line allows employees to obtain comprehensive information on accidents. As many as eight employees can listen to the information at the same time.

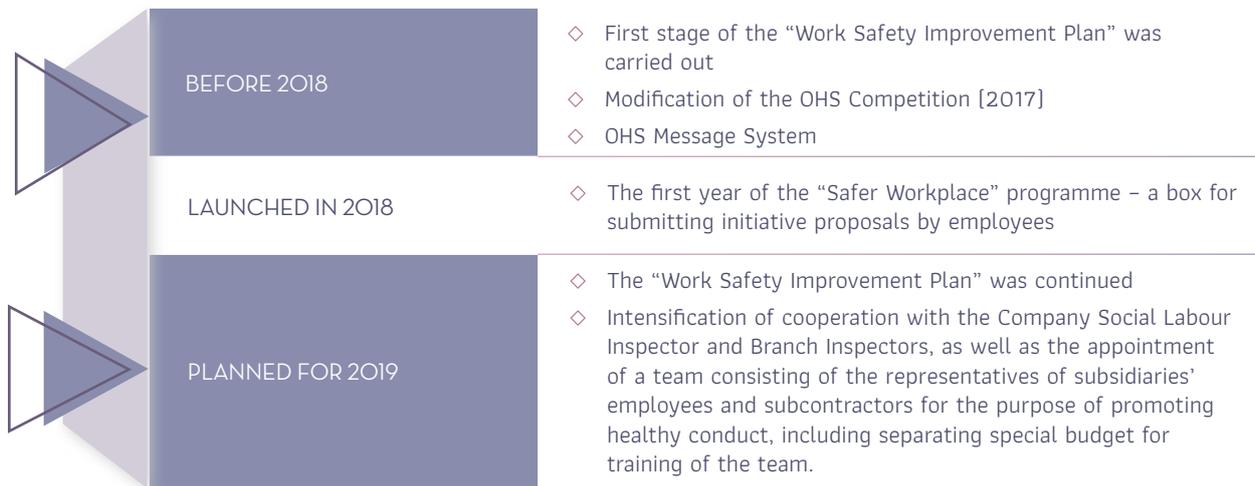
◇ **Prophylaxis of lyme disease programme for the employees of LWB, subcontractors and their families**

From September to December 2018, in partnership with VITA Medical Centre in Urszulin, the Company carried out a cycle of activities related to an early detection of lyme disease, as part of the project “Programme of screening tests for early detection of infections inducing lyme disease”. We invited LWB’s employees and their families as well as the persons employed in subsidiaries and external companies working for the mine, to participate in the project.

Two types of activities were carried out:

1. Educational and information meeting in Bogdanka on 28 September 2018.
2. Tests for more than 400 employees of the mine [LW Bogdanka SA, subsidiaries, subcontractors] and families [November, December 2018].

The results of the health programme included higher level of knowledge on the prophylactics of tick-related diseases among the employees and their families. Furthermore, the participation in the project allowed detection of several tens of infections of such diseases, thanks to which efficient treatment could be applied.



SUBCONTRACTORS

[GRI 414-2] All employees of subcontractors who work directly in mining or mechanical processing of coal, undergo mandatory training on hazards and accidents prevention. This mandatory training is to familiarise the employees of external entities with the procedures in force at LW Bogdanka SA, which are of direct and key importance for ensuring safety on its premises. Selected subcontractors, in addition to the training referred to above, request other safety training and professional training at LW Bogdanka SA. As a result, their employees are trained in a coherent and comprehensive way. In accordance with the programme, training is provided by relevant supervision personnel who work in the production to make sure that the information provided to the employees has a high-quality content and is up-to-date.

The work of subcontractors is monitored by the management and supervisory personnel as well as OHS services of LW

Bogdanka SA. An organisational unit for cooperation with external entities has been established at the mine. Six employees – senior supervisory personnel – conduct daily inspections of how work is being performed by subcontractors. Also, the mine’s health and safety service is required to inspect the workstations of the employees of third parties. The management, supervisory personnel and employees of the health and safety service had to stop the works 120 times in 2016, 142 times in 2017; in 2018 it was 151 cases. They were reassumed only after the recorded irregularities had been removed. Nevertheless, the number of irregularities recorded at the subcontractors, as well as excessive accident rate among their employees, reflect an insufficient care of external entities for security matters. This forms a challenge for the personnel responsible for the OHS at LW BOGDANKA SA and is severely criticised.

PREVENTION AND THE ROLE OF TECHNOLOGY

As it was mentioned above, the developing technology is key for improving the safety level. Redefining of individual processes, including automatisisation and mechanisation, contributes to permanently eliminating accidents or limiting the accident rate. A good example may be the use of machines in the process of disassembling longwall headings and removing casings, and securing roof of a coal deposit in wall niches. The use by LW Bogdanka SA of modern underground machinery and equipment, in addition to increasing the efficiency, means eliminating human presence in the most dangerous places. Important part of equipment are sprinklers – they limit dust thus reducing the threat of explosion and the black lung disease. Further, the central air-conditioning system ensures that work is performed in more comfortable conditions and limits fatigue, thus preventing failures in paying sufficient attention and in consequence preventing accidents. This translates into economic performance, because work in hot microclimate must be shortened. Prevention is also provided by personal protective equipment, for example modern earmuffs integrated with a helmet, or anti-dust masks available without limitation for workers going underground (masks of P1 and P2 protection class are generally available for all individuals going underground). Contractors' employees use the generally available masks alongside the plant employees. General use of masks, and not only lower silicon content in coal deposits mined in Bogdanka compared to Silesian mines, results in rare incidence of black lung disease among the employed individuals.

Central air conditioning system for the Bogdanka Field

Starting from summer 2016, central air-conditioning system operates in the Bogdanka Field, which cools down air in underground excavations in the Bogdanka Field with water produced on the surface having a temperature up to 2°C, i.e. so called chilled water. It is supplied underground by pipelines via a complex of dedicated regulators and pumps to heavy duty radiators, which cool down air in the areas of mining operations.

Now, the Bogdanka Field has 5 cooling sets with a total cooling power of 1.3 MW. The installed equipment can generate 6 MW of cold.

Wireless communication system at LW Bogdanka SA

In one of the extraction brigades, the employees have spent four weeks testing the functionality of the wireless connectivity system. The communication devices were given to the leader of the longwall, coal-cutting machine operators, section specialists, leaders of the upper and lower recesses, as well as crew of the wall scraper and belt conveyors.

„ WE ARE CONSIDERING MULTIPLE OPTIONS TO IMPROVE WORK IN BOGDANKA, CURRENTLY WE ARE ANALYSING THE POSSIBILITY OF IMPLEMENTING UNDERGROUND WIRELESS COMMUNICATION, WHICH HAS NOT YET BEEN USED IN ANY MINE IN POLAND UNTIL NOW. ALTHOUGH WE ARE AWARE OF THE NEED FOR IMPROVEMENT OF SOME ELEMENTS OF THE SYSTEM AT HAND, THE TRIALS AND TESTS HAVE CONFIRMED THAT THE IMPLEMENTATION OF WIRELESS COMMUNICATION AND TRANSMISSION OF DATA

ALSO UNDERGROUND CAN SIGNIFICANTLY IMPROVE WORK – JUST LIKE IT ONCE CHANGED THE WAY THE MINE FUNCTIONED ON THE SURFACE. SAFETY FACTOR IS ALSO VERY IMPORTANT. WE ARE EXTRACTING SEAMS THAT DEMAND EVEN GREATER CAUTION. ACCESS TO MOBILE COMMUNICATION CAN MINIMISE RISKS IN THE EVERYDAY WORK OF THE MINERS” – SAID ARTUR WASIL, PRESIDENT OF THE MANAGEMENT BOARD IN LW BOGDANKA SA. „

Currently, employees working underground communicate at a distance using gestures and signs produced by light. A fixed line telephone network is also in use, however it does not enable a stable flow of communication – it is limited by the number of telephones and their location. The wireless connectivity system would enable an uninhibited ability to communicate for persons equipped with its devices and thus eliminates standstills, allow tasks to be coordinated and staff to be safely withdrawn from a particular area, for example from longwall crossings, when necessary. It means greater efficiency, time savings, and above all greater safety for underground works.

The system that is being tested in Bogdanka is a solution meant for underground work in mines, including those at risk of methane and coal dust explosions. The system creators programmed electronics and created software which runs audio traffic in a distributed network.

The connectivity takes place in two directions, like in a mobile network. The system consists of personal communicators (radiotelephones placed on a mining helmet in the form of headphones), repeaters (transmitters distributed in excavations, retransmitting radio signals thus creating a wireless backbone network), M1 base (central quarters of communication management in the network) as well as media converters (active elements in a fiber-optic network; optional repeaters can be connected by a fiber-optic network via media converters). A noise reduction system ensures good sound quality.

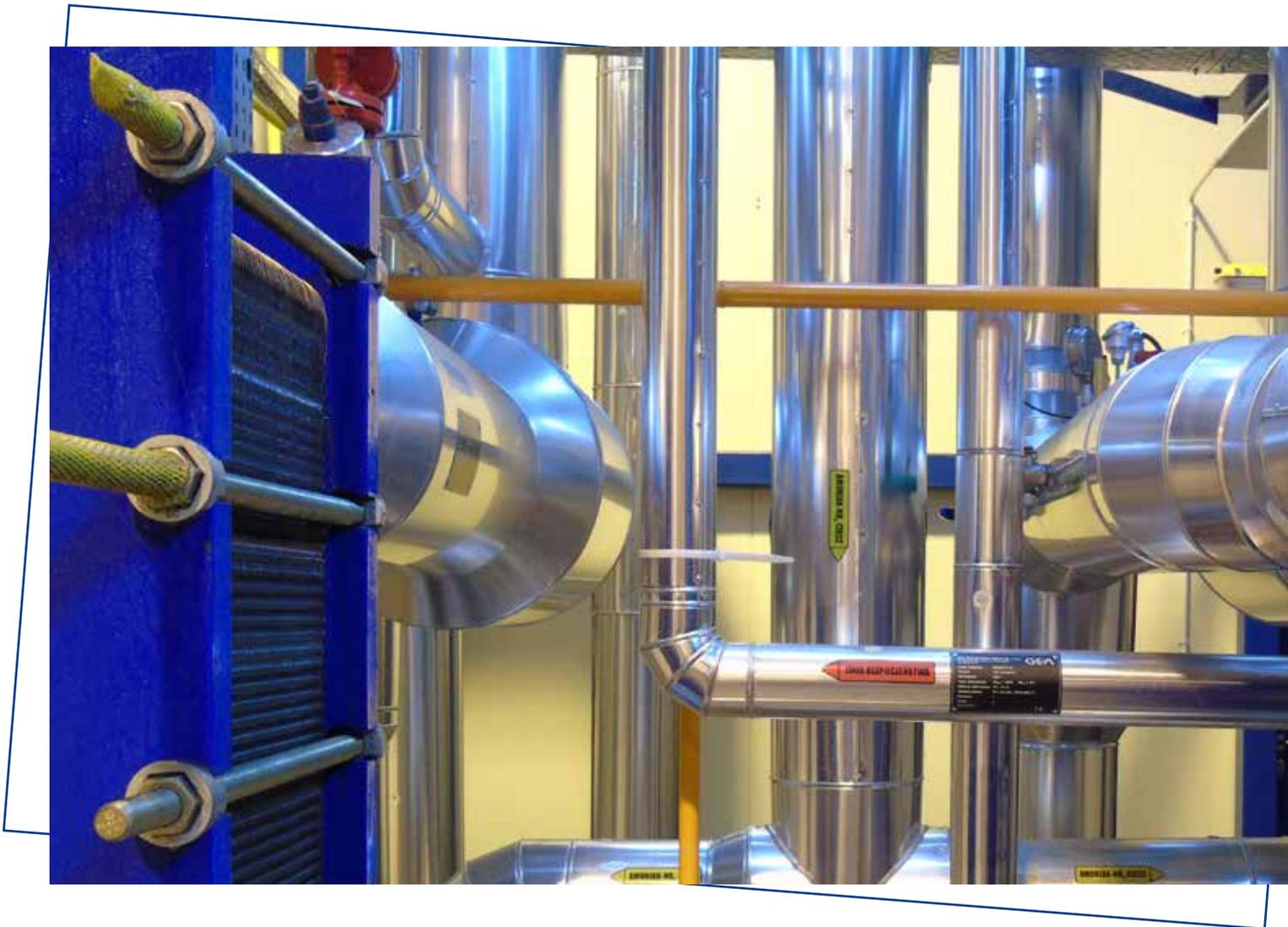
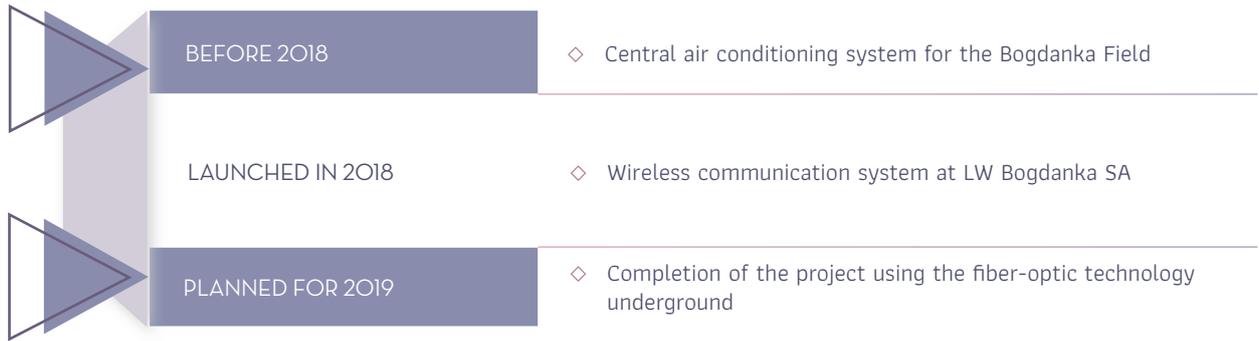
Additionally, the system is equipped with a special application which enables communication with miners and rescuers, as well as observation of their direction of movement and location in the excavation.

After tests, which were carried out in the end of 2015 and beginning of 2016 in the Stefanów Field, it was decided to buy automated distributors of personal protective equipment. They have been integrated with the IT systems of the Company. As a result, users can log in with their ID cards to have access to items identified for them. Depending on authorisation level, only the protective equipment specified by the OHS services can be taken. The costs are automatically allocated to particular units at the end of a month. New products were added to distributors during the year. The automated distribution system enables full control of protective equipment: it ensures the full and unlimited availability of such equipment while reducing losses caused by waste and frauds.

OHS COMMISSION

[GRI 403-1] The body is created on the basis of the requirements of the Labour Code, and is responsible for examining issues related to broadly understood health and safety at work. It consists of OHS representatives, a physician who provides preventive healthcare for the employees, a representative of the Trade Unions, and the Trade Union Appointed Safety Representative.

The OHS Commission meets once a quarter and proceeds in accordance with a previously agreed agenda. The issues raised are consistent with the relevant Labour Code requirements and include a review of the working conditions along with an assessment of the general safety situation in the Company, a review of the accident prevention and mitigation actions taken, as well as formulation of conclusions on how to improve the working conditions. It is the OHS Commission that discusses the selection of protective measures and equipment for employees, thus engaging in day-to-day OHS efforts.



INTELLECTUAL CAPITAL



Contemporary mining makes the most of state-of-the-art technology. It also develops many interesting solutions. It does so both for business purposes and because of the growing awareness of its own social responsibility. The mining sector, and especially Bogdanka as its leader, continuously searches for new solutions which will enable it to operate more and more effectively, efficiently and safely. The Research & Implementation Department analyses opportunities to implement innovative solutions and cooperates with both other companies [B2B] and academia [B2U]. The closest cooperation is performed with Departments which are the recipients of the solutions by way of their implementation. The mechanical coal processing plant and laboratories examine the key parameters of the produced fuel in terms of sulphur and ash content, including its smallest fractions, as well as sinterability and content of volatile particles. Thus, the hard coal mining sector is not only a promising and potentially highly innovative industry, but also an industry able to continuously deliver a product that maintains precisely defined parameters, and meets the requirements of incineration systems of industrial customers. As a result, fuel can be consumed more productively and the emissions of substances other than carbon dioxide can be effectively controlled [e.g. sulphur oxides, dust].

As already mentioned, LW Bogdanka SA applies an Integrated Management System. It would be difficult to implement a real business process orientation approach if the organisation is not oriented on continuous improvement, which – in accordance with the logic of such solution – must be just instilled in its

organisational culture. This is a process of learning, of finding new solutions which help face more and more effectively challenges connected, for example, with the efficient and profitable excavation of coal from thin seams, which was previously considered economically unreasonable by many industry participants. Because of such assessment, thin seams used to be left behind untouched and often lost forever, leading to waste of still limited and exhaustible natural resources. For several years already LW Bogdanka SA has been demonstrating that such seams not only can be utilised, but also may generate profits.

LW Bogdanka SA regularly conducts training of various types for its employees. In 2018 it launched a “Foreman Academy” programme addressed to shift foremen for the purpose of the development of their team management skills. Post-graduate studies are carried out for our employees on “Occupational health and safety” and “Mining aerology”. The syllabus has been prepared with an account taken of the specific nature of our mine. Our management personnel can improve their skills in post-graduate studies: “Managing the value of a mining enterprise”. The studies are carried out by the Stanisław Staszic University of Science and Technology in Krakow, and lectures and workshops are conducted not only by the academics, but also the best practitioners.

TECHNOLOGICAL INNOVATION

If you are the global leader you have no masters to follow. Then you have to independently look for new solutions – this is why we put so much weight on research and development. A few years ago, the key innovative projects covered by the development strategy of LW Bogdanka SA were included in the framework of the Smart Mine programme. It includes concepts and practical activities initiated to build an IT system which integrates the existing control solutions of the mining plan with the IT systems used in the mine to support the management of the key underground infrastructure. They form the foundation of the solution that supports the decision making system for running production operations with the use of IT systems and production monitoring solutions. Thanks to these systems we can create 3D quantity & quality deposit models, make schedules and prepare Technical and Economical Plans on the basis thereof. Another aspect in this respect is the collection of information about the achieved production results and translating it into financial & costs language. Machinery is subject to monitoring in real time, and the collected data is stored. A Failure Dictionary was introduced for the registration of mining incidents. The combination of those elements allowed a model for monitoring of the technological process to be created; the model is not fully functional yet. Further elements of this puzzle will be introduced and integrated in order to create the infrastructure enabling the Company to monitor the technological processes used in LW Bogdanka SA. One of the elements of the puzzle has been implemented and is used for the monitoring and predicting the work of belt conveyor drive in the mechanical coal processing plant. As a next step, systems for underground conveyors drives

will be implemented and an attempt will be taken to integrate machinery monitoring systems already in use.

As already mentioned, innovation requires an appropriate organisational culture to support it. The solutions in place at Bogdanka, including liaison with a Patent Attorney Firm, provide space in which employees can obtain legal and technical support for their inventory projects.

The main goal of inventiveness at Bogdanka is to constantly search for solutions that are more effective, more sustainable and more cost-effective than those used at the moment. It is equally important that the solutions developed have a positive impact on the working conditions of miners and improve the OHS environment. All improvements, both minor and those concerning entire mining machines and devices, are analysed in detail in terms of potential benefits to the Company. “Regulations for procedures associated with invention projects” are in place at the Company, allowing the authors of projects to submit their improvement ideas to the employer, who then thoroughly analyses how the improvement would work, the various options of its application as well as other potential benefits for the Company, and if the solution is adopted in the mine, the creator is compensated accordingly. The structure of the Regulations encourages employees at various levels to look for new and more efficient work methods, which translates into benefits for both the employee and the employer. The Company provides both technical and legal support for the implementation of such inventive projects. Each of the inventive projects accepted for implementation

is actually used in the Lublin mine. Some of these projects, in addition to their basic usefulness for the Mine, have features that warrant patent protection. In the last 20 years, the Company has initiated over 60 proceedings for granting exclusive rights before the Patent Office of the Republic of Poland, which largely resulted in granting patents for inventions or protection rights to utility models. Additionally, the Company obtained 24 protection rights for trademarks, of which 20 is in effect. The trademark rights protect primarily all elements of the enterprise's name: Lubelski Węgiel Bogdanka SA. A particular example of a trademark protected for the benefit of Bogdanka is the slogan "Smart Mine", which has been assigned protective right number R.282148 by the Patent Office of the Republic of Poland.

An interesting and innovative approach to work safety is the Safer Workplace Programme, in which employees can submit their ideas for a safer workplace, which is often tantamount to developing new solutions.

For example, the staff of LW Bogdanka SA have worked out, together with Caterpillar, the global leading supplier of mining machinery, unique solutions which contributed to perfecting the effectiveness of coal ploughing technology. When talking about the Smart Mine, we should also mention implementation of the following solutions: Skorpion machine for placing stone in heading workings under closure, frequency converters in mining systems, manoeuvring tractors in development headings, including electrical ones, transmission drive of a wall conveyor, ramp plate mouldboard to load coal debris equipped with a transmitter of waste rock from the floor dinting, equipment for coiling

and uncoiling conveyor belts, wall conveyor cradle. It is also the mechanisation of the liquidation technology of longwall headings and recovery of gallery lining, thanks to the use of Panda and Mamut equipment. At present, important projects are scheduled for implementation: the ones related to the implementation of an independent bolting system with the use of BolterMiner type plough, and to the preparation of a liquidation channel in an independent lining with the use of the FaceBolter machine. Both should measurably increase the efficiency of excavations.

As mentioned above, some of the solutions used, developed and implemented by the Company are, or were, protected by patents. A special form of activity is cooperation in the creation of new technical solutions and the resulting joint exclusive rights [granted by the Patent Office of the Republic of Poland] to several right-holders. An example is the Lublin company SIGMA SA, which is solely responsible for the Skorpion, Panda, and Mamut machinery and one of the conveyor 'cradles'. Sigma S.A. and LW Bogdanka SA have jointly developed a transmission drive for a conveyor, a ramp plate mouldboard for loading, and a modular support for wall niches. Thanks to the efforts and ideas of LW Bogdanka SA engineers, a design was prepared for another 'cradle', which has been put into operation. All these solutions have been covered by patent protection. The Mamut machine was built as a result of observations the Panda machine in the changing geological and mining conditions. The idea of the structure and work of Mamut was originated mainly by the engineers from LW Bogdanka SA. Another example of the evolution is the output loader and equipped in a transmitter of the waste rock from the floor dinting.

COOPERATION WITH THE ACADEMIA

For many years, the Company has been striving to establish partnerships with the academia [B2U], including with the leading schools and universities in Poland, such as University of Science and Technology [AGH], Silesian University of Technology and Polish Academy of Sciences [PAN] and the Research Institute [GIG]. In the local scale, the Company established cooperation with the Company Maria Curie-Skłodowska University [UMCS], Catholic University of Lublin [KUL], Lublin University of Technology, University of Life Sciences and Medical University. Cooperation in research and scientific dimension includes participation in the surface and underground coal gasification project, which has been already completed but was very important from the perspective of energy independence of Polish economy. Along with the partners from the whole Europe, LW Bogdanka SA obtained financing from the Research Fund for Coal and Steel for the implementation of a SUMAD project [Sustainable Use of Mining Waste Dumps]. The project covers research with respect to determining the capabilities of using post-mining heaps with an account taken of geotechnical aspects, sustainable development, as well as environmental, social and business factors. One of the final effects of the project implementation will be a plan developed for the management of selected post-mining heaps, with a particular emphasis of their use as a location for the installation of renewable energy sources [e.g. heat pumps, photovoltaic farms]. The consortium, along with LW Bogdanka SA, is composed

of: Subterra Ingeniería S.L., University of Exeter, University of Warwick, DMT GmbH & CO.KG, Central Mining Institute [Główny Instytut Górnictwa, GIG], Centre for Research and Technology Hellas, VUHU Most, DTEK Energy Limited Liability Company, Poltegor-Instytut Institute of Opencast Mining. Introducing innovation also means knowledge sharing – own research publications in scientific journals and participation in scientific conferences. It is worth mentioning that each year, one of the issues of *Wiadomości Górnicze* [Mining News], a science and technology monthly which presents technical, financial and organisational issues of mining, was dedicated to analysis of solutions developed by LW Bogdanka SA. The Company is also a contributor to the publication “*Inżynieria Górnicza*” [Mining Engineering].

A layperson may consider the subjects discussed in the above-mentioned magazines trivial, but an expert [whether a scientist or an engineer] will be really excited. This is also valuable knowledge for other market participants, because of the business benefits it offers to LW Bogdanka SA, e.g. increased efficiency.

A unique example of sharing knowledge and plans for the future, and also of building a platform for cooperation between entities from various sectors centered around mining and Energy was the conference PreCOP_24 in Katowice. The company engaged in substantive activities.



Source: NetTG

SECTOR INITIATIVES

Knowledge sharing is also carried out via the School of Underground Exploitation [Szkoła Eksploatacji Podziemnej]. Employees of LW Bogdanka SA have been participating in its subsequent editions for many years. Our focus on cooperation with the academia and businesses from the region is also demonstrated by our involvement in the Lublin Land of Mechatronics initiative, which may become for the Lublin region what the Aviation Valley is now for the Podkarpackie region. Innovation also means specific solutions protected by patents. The Company has its own patent attorney, which well depicts its orientation on search for and commercialization of innovative solutions which it can use to build its competitive advantage in the future, including by maintaining its efficiency advantage over competitors.

LW Bogdanka SA is a member of the "Górnictwo O.K." initiative [based on a signed letter of intent], which has been created owing to the involvement of academics from the Stanisław Staszic AGH University of Science and Technology in Kraków. It is a platform for developing innovative solutions in mining, including those that will change the social perception of the sector. In addition to the Lublin mine, the initiative is supported by representatives of other national mining companies, and companies and organisations related to mining. The participation

agreement was officially signed during the PreCOP-24 initiative in Katowice.

Another association in which LW Bogdanka SA participates is the Association for the Polish Committee of the World Mining Congress. The Committee is one of several dozens associations operating all around the world. As part of their operations, the Committees create the structure of the World Mining Congress [WMC] which was founded in 1958 in Warsaw by Professor Bolesław Krupiński. The Polish Committee of the World Mining Congress is directly responsible for the secretarial office of the chairman of the World Mining Congress, who – from the very outset – is always of Polish nationality. The goals of the Committee include initiation of and support for the cooperation with respect to progress [on national and multinational levels] of mining of mineral resources, participation in exchange of information from the mining sciences domain as far as technics, economics, safety, occupational health and safety and national and international environmental protection are concerned, taking actions with respect to proper development of all types of mining industry and cooperating industries, as well as their promotion towards state authorities, government administration, self-governments, the media, support for young engineers with specialism in mining in the initiatives raised both in Poland and abroad.

górnictwo OK



POLSKA DROGA DO CZYSTEGO ŚRODOWISKA
SPOŁECZNY PRE_COP24
POLISH WAY TO CLEAN ENVIRONMENT SOCIAL PRE_COP24



SOCIAL CAPITAL



It is an old truth that social capital determines a business strategy of mining companies as strongly as operating capital or natural capital. The communities influence the mine, and the mine influences the communities. The above includes economic influence which is an asset used for communities development.

The relationship between mines, communities and economy is an inseparable component of the mining sector. For local communities, mines and their partners are usually not only the largest employers in the region, but also the largest contributors to budgets of local communities. It should be enough to mention that six most wealthy municipalities in Poland are mining municipalities and, at the same time, the top 20 cities with the lowest level of satisfaction shown by their inhabitants include six mining cities. Despite a common belief, mines are good and highly valued citizens of their local communities.

Unfortunately mining activities, and especially extraction by caving in, have also adverse consequences, i.e. a slow settlement of land and mining damage in mining areas. In addition, the

landscape is changed as waste rock excavated with coal needs to be dumped somewhere. LW Bogdanka SA feels responsible and strives to reduce unfavourable effects and, also, to compensate people for losses resulting from its mining operations. It also tries to identify and create change by supporting various social initiatives to help resolve problems of local communities where it operates.

To succeed in achieving business and social goals, we need the involvement of our stakeholders and, as a responsible mining company, we believe that effective stakeholder engagement is critical to preventing some of the negative effects of mining operations and to optimising its potential benefits. The Company's dialogue with its stakeholders is founded on the OECD Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractive Sector.

SOCIAL RESPONSIBILITY STRATEGY

Objectives of the CSR Strategy

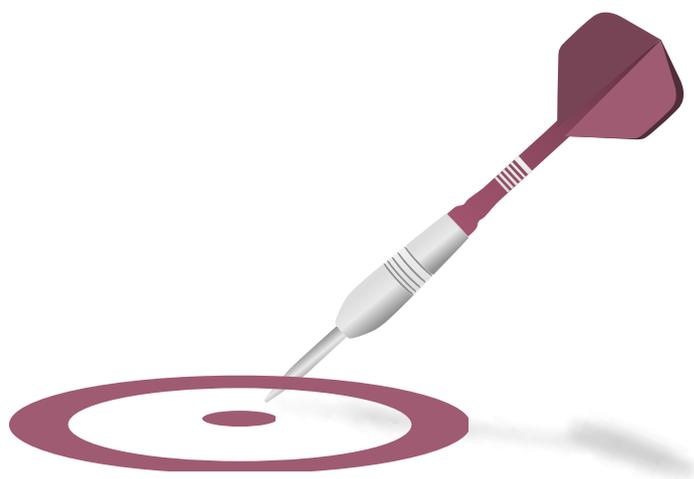
The updated approach to social responsibility management may be defined in a nutshell as an "Increase in the Company's value and the development of the local community based on the principles of sustainable growth, transparency and education for various groups".

Key goals of the Strategy include:

- ◇ Ensure the highest work safety level,
- ◇ Limit the impact of operations on the safety of local natural environment,
- ◇ Ensure safety and stimulate development of local community,
- ◇ Follow transparent and responsible management practices.

The CSR activities are implemented by LW Bogdanka SA in accordance with recommendations of the PN-ISO 26000 standard which contains Guidance on Social Responsibility, defined as the responsibility of the organization for the impact that its decision and activities have on the society and the environment, through transparent and ethical behaviour in key areas, such as:

- ◇ corporate governance
- ◇ human rights
- ◇ work practices dialogue session with trade unions
- ◇ environment
- ◇ fair operating practices
- ◇ consumer-related matters
- ◇ social involvement and development of the local community.



ACCOUNT OF IMPLEMENTATION OF THE CSR STRATEGY OBJECTIVES FOR 2018

Cel 1

ENSURE THE HIGHEST WORK SAFETY LEVEL

	AREA OF LW BOGDANKA SA'S IMPACT / OBJECTIVE / ACTION	MEASURE DEFINITION	2018	
			DECLARED OBJECTIVE	PERFORMED
A.	Elimination of severe and fatal accidents	Number of severe and fatal during a year	0%	0 ✓
B.	Decrease in the frequency rate of accidents among LWB employees	Reduction of the frequency rate of accidents compared to 2017	- 5%	-16.8% ✓
C.	Decrease in the frequency rate of accidents among LWB employees	Reduction of the frequency rate of accidents compared to 2017	- 5%	+ 3.0% ✗
D.	Taking actions with a view to decreasing the number of accidents among subcontractors' employees	To maintain the number of accidents among subcontractors' employees at a level similar to the number of accidents recorded among own employees (proportionally to employment), i.e. not higher than by xx%	15%	8.8% ✓
E.	Maintaining low level of occupational diseases	Number of incidents of occupational diseases confirmed during a year	<3	1 ✓
F.	Elimination of non-compliance with the prevailing occupational health and safety procedures	Number of employees penalised by management or supervisory authorities during a year	< 100 in relation to the previous year	71 ✓
G.	Intensification of inspections of compliance of documentation with OHS requirements	Number of irregularities in the documents compared to all documents covered with inspections	< 30% in relation to the previous year	✗

Cel 2

LIMIT THE IMPACT OF OPERATIONS ON THE SAFETY OF LOCAL NATURAL ENVIRONMENT

#	AREA OF LW BOGDANKA SA'S IMPACT / OBJECTIVE / ACTION	MEASURE DEFINITION	2018	
			DECLARED OBJECTIVE	PERFORMANCE
2.1.	Ochrona lokalnej bioróżnorodności i rekultywacja obszarów, które uległy przekształceniu			
A.	No losses in IUCN list species	Number of populations significantly depleted as a result of mining operations	0	0 ✓

B.	No failures with environmental consequences	Number of recorded failures with environmental consequences	0	0 ✓
C.	Day-to-day identifying and documenting material areas of direct and indirect influence of the Company's operations on natural environment	Detailed analysis covering: indication of areas of impact, forms of impact, measurement of scale of impact [dedicated meters and values], description of monitoring actions and limiting the scale of impact.	Drafting report on impact	✓
D.	No violations of environmental laws and regulations	Number of fines imposed for violations with respect to environment protection	0	0 ✓

2.2. Reduction of consumption of raw materials, materials and energy in all processes in place at the Company

A.	Reasonable management with deposit	Deposit use ratio	>0.85	0.93 ✓
B.	Increased energy effectiveness	Level of fulfillment of recommendations following up the energy audit	100%	100% ✗
C.	Increased efficiency of use of water drained from mining pit in the Water Treatment Station	Level [%] of securing water from the WTS in the mine	50%	33% ✗
D.	Increase in the % share of sorted waste and recovered raw materials, and thus introduction waste sorting, independent recycling and control over external entities undertaking these actions on behalf of the Company;	% of sorted and recycled waste / all produced post-industrial waste in the given year	>60% of all produced waste	✓ segregacja odpadów - 100%, recovery of post-industrial waste - 47%
E.	Permanent performance of actions leading to reduction of resources and materials consumption – to an extent higher than required by law – including by way of better use of available resources, planned orders and material distribution, extending product life, etc.	% of achieved goals with respect to reducing resources and materials consumption in relation to core operations of the Company	Setting goals [for one year, for four years]	✗
F.	Including, in the business model, actions for eliminating waste and reusing materials [circular economy], mostly in the process of product preparation	Number of completed investments and / or procedures implemented with respect to circular economy	1	✓

2.3.

Support and/or initiate educational projects on sustainable development, biodiversity and environmental protection

A.	Including, in the business model, actions for eliminating waste and reusing materials [circular economy], mostly in the process of product preparation	Number of completed investments and / or procedures implemented with respect to circular economy	2	2 ✓
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Cel 3

ENSURE SAFETY AND STIMULATE DEVELOPMENT OF LOCAL COMMUNITY

#	AREA OF LW BOGDANKA SA'S IMPACT / OBJECTIVE / ACTION	MEASURE DEFINITION	2018	
			DECLARED OBJECTIVE	PERFORMANCE
3.1.	Counter-measure the social effects of mining damage			
A.	Effective removal and compensation of the effects of mining damage by way of dialogue [amicably]	Lost cases in court regarding compensations	0	0 ✓
3.2.	Counter-measure negative social phenomena in the local environment			
A.	Permanent monitoring of problems and social phenomena in the local community, in particular concerning the Company's employees and their families	Developed of annual strategic goals / goals related to social involvement relating to research and monitoring	1	x
3.3.	Take measures for development of local community			
A.	Support for local social initiatives [donations, sponsoring]	% of the amount of donations and sponsoring expenditure provided for the needs of local community	80%	✓
B.	Actions for the improvement of local community health	Number of completed initiatives / supported institutions	5	5 ✓
C.	Actions for supporting entrepreneurship and region development	Including the subject of entrepreneurship promotion in strategy documents, documents related to sponsorship involvement, CSR and human resources	YES	✓
D.	Supporting the increase in the value and visibility of the Solidary Miners Foundation in the region, in particular among the employees, their families and subcontractors	Quality measure describing the actions taken	Completed projects	✓ including a campaign carried out in the course of collecting the 1% of tax
3.4.	Support education and development in the mining sector			
A.	Social investments in young personnel for the mining sector	To promote young employees, individuals with relevant mining qualifications in recruitment process	YES	✓ "Permit to work at LW Bogdanka SA"

TRANSPARENT AND RESPONSIBLE
MANAGEMENT PRACTICES

#	AREA OF LW BOGDANKA SA'S IMPACT / OBJECTIVE / ACTION	MEASURE DEFINITION	2018	
			DECLARED OBJECTIVE	PERFORMANCE
4.1. Build unique competences and securing conditions for professional development of the employees				
A.	Implementation and application of HR policy – an official document defining a general direction of HR actions, containing rules followed by the Company in employee-related matters and being a reference for assessing all activities undertaken in the area of HR management.	A document fulfilling a role of HR policy, containing measurable goals with information on the frequency of their monitoring, and assuming taking actions based on a degree of their achievement, as well as integrating the Policy with the bonus-granting system and/or a system of management by objectives, covering both persons in charge of HR management and other employees/representatives of management staff [all or selected].	Preparation of the policy	x
B.	Popularisation of the work-life balance, in particular promoting the conduct counteracting exceeding work time; Offering the employees various forms of spending time off work; introducing enhancements allowing professional and private lives to be combined [e.g. for young parents].	n/a	Day-to-day performance	✓
4.2. Prioritisation of ethics as a basis for the management culture				
A.	Monitoring and preventing unethical behaviour	Number of identified serious violations of ethical rules	0	0 ✓
B.	Reduced risk of corrupt conduct	Number of confirmed incidents of corruption	0	0 ✓
4.3. Creating the culture of dialogue and openness at the workplace				
A.	Keeping dialogue with employee and trade union organisations with a view of creating the sense of joint responsibility for business activity, conditions and relationships at the workplace, safety, occupational health at the workplace and outside, impact of that business on the environment, employee and social initiatives	Regular meetings of the representatives of employee organisations with the Management Board or its representatives	Day-to-day consultations	✓

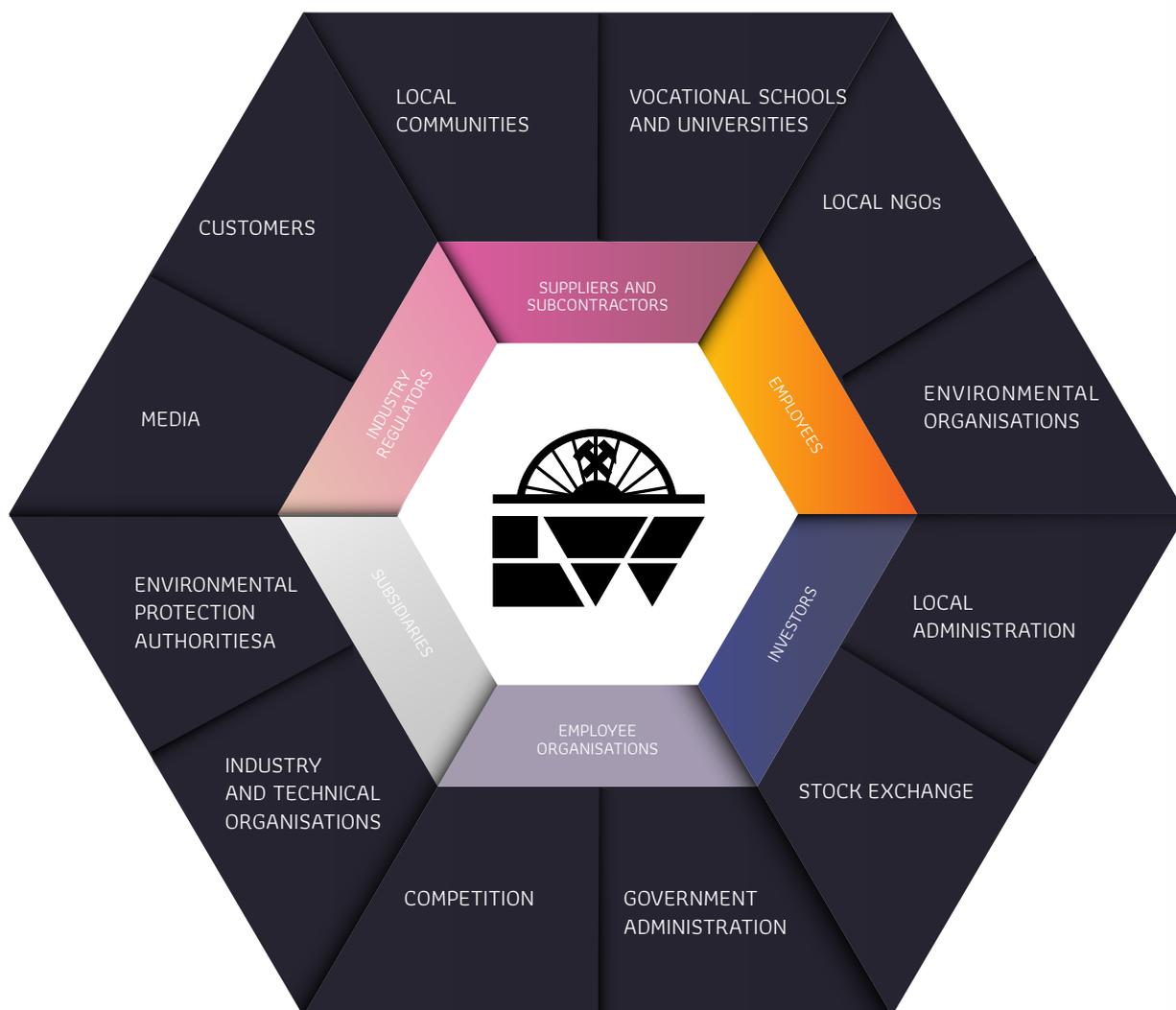
4.4. Responsible sales practices				
A.	Providing reliable information about coal parameters and striving to minimise quality deviations	% of volume complaints compared to the amount of coal sold	<1%	✓
4.5. Support the development of social responsibility in the subsidiaries				
A.	Introduction of the Code of Ethics in all subsidiaries of the LWB Group	Number of subsidiaries holding the Code of Ethics	50%	100% ✓
4.6. Extend responsibility onto the supply chain with a view to managing the indirect impact on the environment				
A.	Effective responsibility management in the supply chain	% of significant suppliers and subcontractors required to observe ethical clauses (human rights, occupational health and safety, environmental protection, Code of Ethics)	100%	100% ✓
4.7. The highest quality management of corporate social responsibility and relations with the surrounding environment				
A.	Presence in the RESPECT Index	Inclusion of the Company in the stock exchange index of socially responsible companies	yes	yes ✓
B.	Measures increasing the Company's competitive position	n/a	Implementing initiatives	✓
C.	Permanent involvement of the Company's representatives in initiatives supporting educational and legislative changes and introduction of implementing regulations which are to help better achievement of Sustainable Development Goals in Poland	Number of national/regional initiatives for the performance of Sustainable Development Goals in which the Company participates	>1	1 ✓
D.	Ensuring high level of transparency and a higher level of involvement of stakeholders in the Company's operations	Higher number of initiatives addressed to various stakeholders groups compared to the previous year	10%	50%
E.	Creating atmosphere favourable for innovations	Showing a proactive position for cooperation and implementing tools helping cooperation with external entities	Day-to-day cooperation	✓
F.	Self-improvement of CSR practices	Quality measure defining actions taken to improve the quality of the Company's CSR activity	Day-to-day activities	✓

BUILDING STAKEHOLDER RELATIONSHIPS

[GRI 102-40] One of the goals that the Social Responsibility Strategy of LW Bogdanka SA. lists in the area of Transparent and responsible management practices is a constant dialogue with all stakeholder groups. Stakeholders were defined by us during a workshop with the management and employees of the Company, organised as part of our work on the CSR strategy. A stakeholder matrix was created, dividing them into external and internal ones, and then the level of influence and the level of interest were defined for each group, resulting in a list of primary stakeholders, that is those with which the Company should be in constant contact.

At Lubelski Węgiel Bogdanka SA, each of the stakeholder groups has goals related to communication assigned to it, detailing the communication channels. Such a practice makes dialogue with all stakeholder groups effective, efficient, and above all, ingrained into the organisational culture of the Company, which, on the one hand, contributes to obtaining and maintaining “social consent to operate”, which makes it easier for the Company

to function, and possibly expand, now and in the future, and, on the other hand, enables early identification of the risk of negative effects of both mining operations and the supply chain. It is worth noting that by consulting with stakeholders and informing them about our actions and future plans on a regular basis, we avoid possible costs of resolving conflicts that could arise as a result of reduced capacity due to temporary discontinuation of operations – including because of strikes or other forms of conflict with the staff. This strategic approach to communication with stakeholders is an expression of due diligence – a process used by LW Bogdanka SA in order to identify, prevent and mitigate the actual and potential negative effects of its operations, and to document how these effects are being eliminated. The due diligence process has been incorporated into the decision-making mechanisms and risk management mechanisms, and requires proactive, but also reactive, behaviour from us.



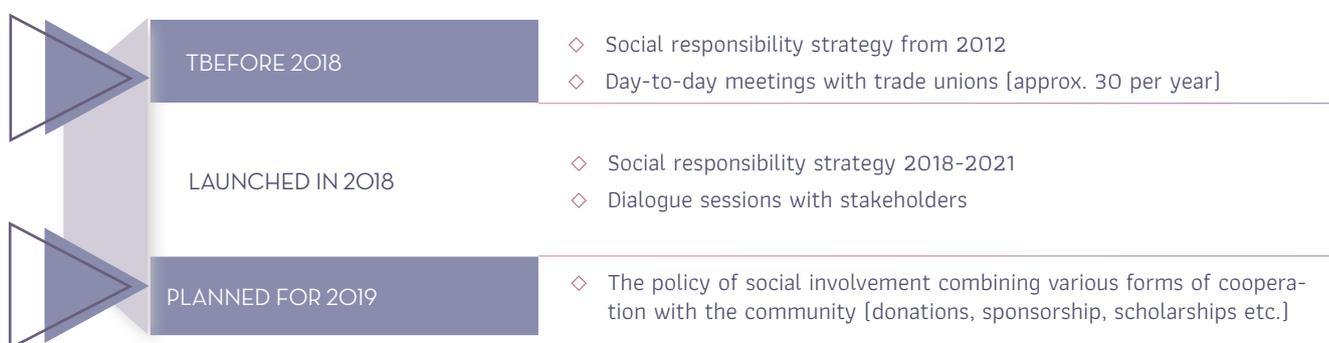
Each year Bogdanka not only maintains but primarily intensifies its efforts taken with a view to having an uninterrupted dialogue with the stakeholders. Thanks to this they actively participate in current activities and the process of planning future projects. This was embodied by a series of meetings with the key stakeholders of LW Bogdanka SA in March 2018. Their aim was to discuss the assumptions of the new CSR Strategy of the Company and to evaluate the previous document and its impact.

The March meetings with stakeholders were one of the stages of work on the Social Responsibility Strategy of LW Bogdanka SA, which contains goals for the next four years. The agenda of the dialogue session included time for workshop work, but also for asking questions to the Representatives of the Company

- ◇ On 26 March in Warsaw we met with representatives of central organisations (institutions and organisations), businesses, and shareholders and stock market analysts;
- ◇ On 27 March in Lublin we met with community engagement leaders from the region;

- ◇ On 28 March in Bogdanka two meetings were held: with internal stakeholders (employees, employee organisations, trade unions) and business partners, including, above all, the supplier chain.

The outcome of those dialogue sessions was the increased knowledge and understanding of the expectations of important stakeholder groups of the Company, and an assessment of the possibility of including them in further activity of the Company by incorporating them into the obligations statement contained in the CSR Strategy, which obligations are then fulfilled on the basis of that document. The Company was presented with a set of specific expectations, comments and postulates regarding its activity in the area of corporate social responsibility.*



* The series of dialogue sessions with stakeholders is a 2018 event, which will be described in more detail in the Integrated Report for 2018.

REALIZACJA 17 CELÓW ZRÓWNOWAŻONEGO ROZWOJU

[GRI 413-2] Lubelski Węgiel Bogdanka is actively involved in the implementation of major development programmes in the field of environmental protection and management practices.

One of the biggest challenges faced by all sectors is the implementation of the Sustainable Development Goals set out in UN Resolution Transforming our world: the 2030 Agenda for Sustainable Development. Their most general underlying assumption is to conduct business in accordance with the principles of sustainable development, which will help present and future generations around the world achieve a better quality of life. Those efforts are intended to meet the society's needs, without limiting future generations' chance to satisfy their needs. It is essential that solid partnerships are formed that pursue a shared mission, both at local and global level.

Even if Bogdanka is not a global company, it certainly does care about global challenges as far as the protection of natural environment and its resources is concerned. As a business entity that may operate thanks to natural resources we feel obliged to make all efforts leading to decreasing an adverse effect of running business on the environment. As a result we initiate and join partnerships for the protection of biodiversity, intensifying of ecological awareness and respect for the environment. We also undergo changes within the organisation, trying to wisely manage materials or mining waste. We observe all standards and regulations in our business, which is reflected in positive results of audits and no environmental fines imposed on our Company.

Our Company actively supports the implementation of selected Sustainable Development Goals and declares compliance of our key strategic documents with their underlying assumptions:

GOAL 1: Eliminate poverty:



The LW Bogdanka Group provides high remuneration, which is much higher than the average salary for the Lubelskie Province [according to the Central Statistical Office]. In addition to the base pay and the bonus system, our employees receive a number of additional financial benefits, such as Miner's Day benefits, 'fourteenth' salary, long service bonuses, holiday benefits or child allowance.

It is worth adding that taking care of properly rewarding employees of the Group for their hard work has an influence on the development of the entire Region [the economic multiplier effect].

GOAL 3: Ensure healthy lives and promote well-being for all at all ages



Programmes and initiatives that support healthy living and well-being are addressed to the entire community. In compliance with the applicable laws, LW Bogdanka SA provides, among other things, the presence of appropriately trained medical services at the workplace. As part of periodic [annual] training and opt-in campaigns, physicians teach our staff about first aid, and AED defibrillators with instructions and telecardiographs for self-recording of heart rate can be found throughout the plant.

Given the need to ensure possibly the quickest and the most efficient in-hospital medical attention, over the past few years LW Bogdanka SA has repeatedly helped to finance modern equipment for the nearest hospital - the District Hospital in Łęczna. This hospital, also due to Company's support, has a burn treatment centre which is one of the best ones in Poland.

As part of the implementation of the CSR strategy, regular blood donation campaigns and bone marrow donor registrations are held, as well as prevention programmes for the local community and employees (including "Health Days at LW Bogdanka" or "Prophylaxis of lyme disease and tick-related diseases" carried out in 2018 for almost 600 local residents).

In the next few years, the Company plans to continue activities in the field of:

- Supporting the treatment and promotion of mental health and well-being
- Prevention and treatment of addiction to intoxicants, including drugs, and alcohol abuse
- Road safety to reduce the number of injuries and fatalities in traffic accidents worldwide
- Eliminating occupational diseases among mine workers
- Promoting and respecting work-life balance



GOAL 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

To accomplish this goal, the Company supports education at all levels by using its donations fund and sponsorship fund to buy equipment and improve the substantive scope and methodology of teaching in schools near Bogdanka, while closely cooperating with technical schools and universities, offering scholarship and internship programmes for the most talented. In addition, the Company has engaged in cooperation with the University of the Third Age to promote lifelong learning.

With the current and future initiatives, we want to:

- Ensure equal access to formal and non-formal education to people at risk of social exclusion,
- Give affordable access to high-quality technical, vocational and higher education to all men and women,
- Cooperate with the state administration to support vocational education,
- Develop knowledge and appropriate skills, including technical and vocational skills, in children and adolescents, which they may need to find a decent job and engage in entrepreneurship,
- Support the elimination of gender inequalities in education and ensure equal access to education at all levels and to vocational training for the most vulnerable groups, including people with disabilities, people from rural areas and disadvantaged children,
- By cooperating with educational institutions at all levels, we want to promote knowledge about sustainable development, social responsibility, human rights, a healthy, active lifestyle, participation in community life, integration and appreciation of cultural diversity and its contribution to sustainable development.



GOAL 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

We support economic and social development [including high consumption], and thus contribute to eliminating poverty, by creating large demand for workforce now and in a long-term perspective, offering decent working conditions and high salaries, cooperating with a wide range of suppliers of goods and services, as well as making various technological and social investments. The use of cutting-edge mining technologies, and even the involvement of the Company's employees in their creation, means that the damage to the environment associated with the mining sector is becoming increasingly smaller. For many years, the Company has been achieving the highest efficiency of extraction in the country, upgrading the mine technologically and creating incentive programmes for employees. We have become specialised in mining coal from very thin deposits, which shows respect for non-renewable resources.

One of the values most often supported by responsible management practices is "entrepreneurship" – both within the organisation [among employees at all levels] and outside [e.g. through supporting formal and non-formal education].



GOAL 12: Ensure sustainable consumption and production patterns

The Company has undertaken actions aimed at more efficient use of energy, water and other raw materials. To achieve this, we have, for example, built a Water Treatment Station, which in the first year of its operation increased the reuse of mine wastewater and rainwater by 60%.

Sustainable production, in addition to the previously mentioned responsible extraction of material from the thinnest deposits, is also about implementing circular economy solutions. Not only do they lead to an increase in operating profit by reducing the consumption of raw materials and other materials, but also reduce the scale of negative impact on the environment and pollution, which has a direct influence on the quality of life.

Other important activities include constant monitoring of the impact of the Company's operations on the environment as well as a cyclical inventory taking of natural environment.

Furthermore, the Company along with its employees, who gained sense of responsibility for natural environment, in its day-to-day operations implements environmentally friendly solutions. Such initiatives include digitisation in its broad meaning, for example in relation to creating and circulating documents. In 2018 an electronic invoice system was implemented, and the Company encouraged its business partners to send invoices in an electronic form. Where possible electronic way is used for communication of the employees and the amount of printed materials is minimised. These are simple rules, but thanks to incorporating them into the organisational culture they help reduce greenhouse gas emissions or tree cutting.

NATURE OF SOCIAL IMPACT

[GRI 103, 203-2, 202-2, 413-1] At present, LW Bogdanka SA is the only active coal mine in the Lublin region. Consequently, all the business decisions, for example related to employment, salaries and wages or output, have an even greater impact on the local community. There are simply no other mining companies here. As a result, unlike in the Silesian region, social impact and responsibility are not spread out among many entities. All the decisions, for instance to reduce output or to stop hires or to carry out lay-offs, have a significant effect on local government finances and on inhabitants. It will suffice to recall that

60% of the so-called mining fee, which is paid to the accounts of communes where extraction takes place, goes specifically to the communes. The remaining 40% goes to the National Fund for Environmental Protection and Water Management. Similarly, 60% of the licensing fee is the income of the mining commune, and 40% benefits to the National Fund for Environmental Protection and Water Management. The communes are also beneficiaries of some of the tax revenue, e.g. part of the personal tax paid by employees remains in their budget..

MINE'S ECONOMIC IMPACT

[GRI 103, 202-2, 413-1] Employees of the Group, which has been created around LW Bogdanka SA, together with their families make up a community of several thousand people. We must also add persons employed in companies directly connected with the mine and providing services for its benefit. These are additional hundreds of people whose fate is also tied with the prosperity of the Bogdanka mine. Predominantly, these are residents of Łęczna, Lublin or other localities in the vicinity.

Business commitment we have made to the investors and the capital market which is, among other things, aimed to extend the mine's life to about 50 years, is also a commitment made to the employees and the local community. It is also a perfect example of how the financial, human and social capitals overlap. Long-term and stable growth of the enterprise nurtures the development of the local community. Without coal, Łęczna and the neighbouring areas would neither have grown as regards the population nor developed themselves in economic and cultural terms.

Consequences of changes to LW Bogdanka SA go beyond the mine itself. They may indirectly affect many businesses from the region, including those theoretically not associated with mining. Multiplier effects, known in economics, contribute to

the creation of workplaces in various sectors of the economy. Streams of money which come from the LW Bogdanka Group are spent by the employees' households, and thus create demand for various goods and services. Such funds go to dozens of small manufacturers and service providers, and generate new workplaces. We must say that these are relatively large streams of money which end up in the hands of the local community. Benefits alone paid to the employees of LW Bogdanka SA in 2018 amounted to PLN 583.3 million and increased in relation to 2017 by 3.7%.

The close relationship between LW Bogdanka SA and the local community is demonstrated by the fact that they had started a business together. Łęczyńska Energetyka sp. z o.o. was established in 1990 in the process of the then KWK Bogdanka's restructuring. It mainly provides services to the mine, but also supplies heat to the local inhabitants. LW Bogdanka SA holds the majority stake [88.697%], but the minority shareholders are the Łęczna Municipality [11.297%] and the Puchaczów Commune [0.006%]. The Mayor of Łęczna, Mr Teodor Kosiarski is the Deputy Chairman of the company's five-member Supervisory Board. Therefore, the communes, despite being the minority shareholders, have full access to, and the possibility of supervising the company's affairs.



ENGAGEMENT IN SOCIAL LIFE

[GRI 103, 203-1, 203-2, 413-1] At present, LW Bogdanka SA is the only active coal mine in the Lublin region. Consequently, all the business decisions, for example related to employment, salaries and wages or output, have an even greater impact on the local community. There are simply no other mining companies here. As a result, unlike in the Silesian region, social impact and responsibility are not spread out among many entities. Considering the above, Bogdanka undertakes many actions supporting the development of the local community. It cooperates with vocational schools by introducing dedicated internship and scholarship programmes and by providing technical support for the teaching staff. The cooperation also covers local educational and scientific institutions, taking care for the highest level of both formal education and non-formal learning. This includes promotion of health prevention – making local stakeholders join the organised or co-organised prophylactics events, co-financing state-of-the-art equipment for hospitals in the region,

offering donations for organisations active in the field of health and involved in care of persons facing health problems, including Amazons from Łęczna. One should not forget the pioneer “Tri-Partite Agreement for Life and Health” concluded by LW Bogdanka SA, the Regional Blood Centre in Lublin (RCKiK) and the Solidary Miners Foundation, dedicated to organising, educating and promoting voluntary blood donation, blood transfusion and registration with the bone marrow donors in the Lublin region. Already the establishing of the Solidary Miners Foundation in Bogdanka, the first corporate foundation in the Lublin Region, was a proof of pursuing the CSR policy by the Company. This is an organisation helping people who have found themselves in difficult life circumstances and support centres. In 2017 it was given a status of the public benefit organisation, which means that it operates in compliance with the highest standards and efficiently perform social objectives.

We support organisations close to us

Over the years, partly due to the contribution of the mine and its companies, it was possible to achieve the following:

- ✓ Ensure efficient programme of cooperation with partnership schools, primarily the Mining School Complex in Łęczna and the School Complex in Ostrów Lubelski, based on content cooperation with education personnel, and motivating students and rewarding [through scholarships and internships] those who achieve the best results in vocational subjects,
- ✓ Support high quality of healthcare in the region, e.g. by co-financing the Eastern Burn Treatment and Reconstruction Surgery Centre as part of the Burn Unit in the District Hospital in Łęczna [www.szpital.leczna.pl] and provide additional, cutting-edge medical equipment for the Hospital’s daycare unit,
- ✓ Develop sports in the Lublin region, e.g. by supporting Sports Academy of Górnik Łęczna or building Górnik Łęczna [www.gornik.leczna.pl], a country-famous football team in Łęczna,
- ✓ Engage in regular cooperation with the Occupational Therapy Workshop in Janowica, a facility of the Polish Association for People with Intellectual Disability [Łęczna Section], which includes supporting social integration of people with disabilities, including them in the life in the Mine, financing its statutory activities through donations, and using its services [e.g. buying Christmas cards hand-made by people with intellectual disabilities],
- ✓ Provide additional funding for non-governmental organisations in the Lublin region, by giving donations for social purposes, promoting volunteering, and co-organising charity events.

Cooperation with local organisations or institutions comes in different forms. The hospital was given donations, Górnik Łęczna has been for many years provided with sponsorship. Non-financial support is also of great importance. For example, for many years now, owing to direct contacts with mine engineers who are permanent members of the school teaching personnel, students of the Mining School Complex in Łęczna have an opportunity to learn about state-of-the-art technological solutions applied in hard coal mining. LW Bogdanka SA has also established professional cooperation with universities both with respect to joint research projects and student internship programmes.

Marketing activities completed at LW Bogdanka SA

- ◇ **sports sponsoring** – primarily treated as a tool of the mine’s impact on the local environment, and in particular on the group of people who like sport and are involved in sport and sport-related activities. Due to the tradition and local nature of these activities, they were – just like in previous years – implemented through cooperation with Górnik Łęczna SA, and MGKS Gwarek Łęczna – a boxing club whose boxers are successful both in domestic and international competitions. Both clubs accomplish their mission, which is to promote sports rivalry among young people. Górnik Łęczna and a foundation established for this purpose run a Sports Academy, and MGKS Gwarek Łęczna

trains boxers by organising youth group training. Speaking of support for young sports talents, we must mention Szymon Ładniak who, in the 2018 season, made a debut in the international CLIO CUP Central Europe race.

Moreover, in 2018 LW Bogdanka SA for the first time provided support to Himalayan mountaineers by becoming a sponsor of the Polish expedition to Manaslu.



- ◇ **social and cultural sponsorship** – sponsorship of important social, cultural, scientific, technical and other events of significance for the social image of the brand is another component of the sponsorship strategy. The most recognisable event sponsored for several years is Carnival of Magicians, but the Company also supports smaller scale

events and organisations, which are important for the local community and improving the availability of culture. For example, from the 1st edition Bogdanka has been accompanying the Czesław Dopieralski “Hesperia”, National Festival of Alternative Thatres in Chełm.

- ◇ **promotion** – promotional mix for the Bogdanka corporate brand is understood as public relations, Corporate Social Responsibility and publicity activities correlated with a media campaign aimed at promoting the Company’s corporate image and products. It involves the direct production, creation and publication/broadcast of informative and promotional materials through various communication channels and all other marketing activities related to the sales promotion.
- ◇ **CSR** – primarily means actions related to promoting and coordinating the Company’s activity in the field of social responsibility. It’s worth remembering that social responsibility underlies the functioning of each unit in the organisational plan at LW Bogdanka SA, therefore the costs of CSR cannot be easily summed up.

Social goals achieved in the context of marketing:

- ◇ building of a social conviction that the changes related to the development of the mine have positive dimension and will not be pursued to the detriment of the local communities and other stakeholders which are important for the Company; conveying a clear message that the Company is an important and praised employer;
- ◇ maintaining good relations with employees, thus ensuring that the effectiveness of their work is maintained at a high level;
- ◇ satisfying expectations of the local community in the region, which is one of the poorer regions of Poland;
- ◇ involvement of local youth into sport and social events of educational dimension, properly forming personalities of prospective future employees of the Company – in particular at the Górnik Łęczna Sports Academy;
- ◇ activating the community of the Lublin region into sport, social and cultural events.

Getting to know who a miner is, or C-Zone education

There is a special educational zone on the premises of the mine where lessons and visits are organised, including for children and teenagers, in order to teach about the mining profession and the history of hard coal mining in the Lublin Coal Basin. The employees of the Company act as guides in the C-Zone on a volunteering basis

ADVERTISING BUDGET OF LW BOGDANKA SA [PLN '000]	EXECUTION
Promotion	705.3
CSR	241.6
Sports sponsorship	6,524.5
Social/cultural sponsorship	386.1
Total	7,857.5

CHARITABLE ACTIVITIES AND PHILANTHROPY

THE SOLIDARY MINERS FOUNDATION

Financial and material donations have been granted by the successive Management Boards of LW Bogdanka SA, which are now considered by many as the beginnings of the Company's social responsibility. Besides, we are still treating them as one of the tools to have a positive influence on the surrounding environment, while being convinced that the largest entrepreneur in the region is expected to be involved in solving social problems, developing civil society, promoting valuable attitudes, and caring for cultural heritage. After several problematic years and strict expenditure discipline, the Company can now boast a better standing and better financial results, which has enabled it to allocate slightly larger amounts for social purposes. Spending on donations in 2018 amounted to PLN 395,000.

The Solidary Miners Foundation has been operating at Bogdanka for five years already; it is an organisation for which a primary goal is to provide help to the employees of our mine and their families, and to give a hand to all in difficult life situation.

The founder, i.e. the Management Board of LW Bogdanka SA, established the foundation as a response to the needs of the mining environment and the close local community. The organisation became an entity supporting miners who had accidents at work, and the aid to them and to their families is the purpose for which the highest amounts are spent from the Foundation's budget each year. Such an aid is of particular importance in the case of employees who survived serious accidents as well as families of deceased employees who often were sole breadwinners.

Widows, orphans or handicapped children from miners' families are the very important target group. The Foundation regularly pays out scholarships for children at school, provides financing for additional activities out of school, thus ensuring education at a proper level – in particular following a loss of a parent who worked at the mine. It also finances various holiday and educational trips or summer camps in order to prevent social exclusion of the youngest.

Miners' families with handicapped children may receive additional financing for specialist medical equipment, surgery or physiotherapy.

Key goals of the Foundation include:

- ◇ providing direct or indirect material, financial and organisational assistance for those who suffered accidents, occupational diseases, unavoidable casualties etc.,
- ◇ providing financial support in treatment, surgery and physiotherapy,
- ◇ providing material assistance for the invalids as a result of mining accidents,
- ◇ co-organising holiday and creative camps for the youth,
- ◇ supporting special care children, enabling them active participation in the social life,

- ◇ co-organising and co-financing camps for the youth from indigent families,
- ◇ other charity work.

The day-to-day operations of the Solidary Miners Foundation are financed from funds from Donors. Each year the largest donation is received from the Management Board of LWB although it is worth emphasising that the organisation is also supported by Bogdanka subsidiaries and surrounding companies. Thanks to its transparent operations and meeting all formal, legal and reporting requirements, in December 2017 the Foundation was given the status of public benefit organisation entitled to receive payments from the 1% tax write-off.



In 2018, the costs of activities set forth in its by-laws amounted to almost PLN 370,000 (as much as PLN 160,000 more than in 2017), which included:

- ◇ medical treatment and rehabilitation – 39%
- ◇ social allowance – 29%
- ◇ purchase of medical equipment – 17%
- ◇ scholarships for good marks at school – 8%
- ◇ other financing – 7%.

Members of both the Management Board and the Supervisory Board of the Foundation perform their duties on a pro bono basis, with no compensation. The Foundation's Board is composed of people employed in LW Bogdanka SA – Mr Bogdan Kowal is President, Mr Bronisław Jaworski is Deputy President, and Ms Agata Koszarna is Member of the Board. The Foundation's url address is www.fundacja.lw.com.pl.

Inter-Sectoral Cooperation for Life and Health

2018 was the third full year in which the Inter-Sectoral Agreement for Life and Health applied. The Agreement was concluded in June 2015 by LW Bogdanka SA, the Solidary Miners Foundation and the Regional Blood Centre in Lublin (RCKiK). The trilateral agreement is dedicated to the promotion of voluntary blood donation, blood transfusion and registration with the bone marrow donor bank. The goal of the agreement is to conduct an education and volunteer programme consisting in the Group's staff and the local community becoming involved in blood and bone marrow donation campaigns. This is the first initiative of the sort in the region, combining the efforts of business, public, and non-governmental entities in support for the noble cause of blood donations, chemotherapy, and bone marrow donations.

As part of the partnership, a 'bloodmobile', or a mobile blood donation centre, visited Bogdanka in 2018. 45 employees of the Company turned up to give blood at the bloodmobile of the Regional Blood Donation and Blood Treatment Centre in Lublin parked outside the pithead building. After registration and medical examination, donations were made by 36 people, who shared nearly 17 litres of their blood with those in need.

In addition, in 2018 bone marrow and blood donation actions were organised in the vicinity of the Mine (including Łęczna and Cyców) to promote the idea of blood donation and disseminate information and education materials.

The history of blood donation in the LW Bogdanka Group goes back more than thirty years, partly thanks to the Z. Gola Polish Red Cross Honorary Blood Donors Club, which functions at the Mine. The Club celebrated the 36th anniversary of existence in 2018.

THE HONORARY BLOOD DONORS CLUB OF THE POLISH RED CROSS

operating at Lubelski Węgiel Bogdanka SA in Łęczna, was established in 1982 on the initiative of honorary blood donors from the Lubelsko-Chełmskie Guild of Miners at the Exploration and Excavation Mine. The Club was established with the approval and huge engagement of the then head of the mine, Zdzisław Gola. Later, the Club adopted his name. In its peak period, the Club had several hundred active blood donors.

Employee initiatives

Apart from blood donation, there are plenty of other socially-oriented activities undertaken on a voluntary basis on the initiative of the employees. With the social needs in mind, several different collections, ranging from cleaning products to money, were organised on both company and division levels.

No less important are simple campaigns such as the "Positive Twist", a campaign involving collection of screw-on bottle caps for the children and teenagers of the Little Prince Hospice in Lublin. In 12 months we collected several hundred kilograms of plastic caps.

Another year in a row Bogdanka's employees joined the "Gold Rush", a project that involves getting rid of small coins [1, 2, and 5 grosz]. Participation in the project is the initiative of the mine's Z. Gola Honorary Blood Donors Club of the Polish Red Cross.

LW Bogdanka SA is always willing to engage itself in initiatives that increase the knowledge and improve skills related to first aid. An example of such an initiative is the "Young Rescuers" contest, organised every year at the Jan and Kazimierz Bogdanowicz Primary School in Nadrybie for students of schools in the Łęczna Poviát. As part of employee volunteering, our Rescuers have engaged in the organisation of the Competition by providing guidance on pre-hospital trauma life support, giving lectures and sitting on the competition jury.

As part of cooperation with the Occupational Therapy Workshop in Janowica, we organized two holiday fairs, when our miners were buying Christmas and Easter cards hand-made by people with intellectual disabilities].



MINING DAMAGE

[GRI 103-1, 413-1, 413-2, 411-1, MM1, MM5, MM6, MM7, MM8] Mining damage is an unavoidable consequence of the extraction activity. Coal mining with the use of the block caving method results in, among other factors, slow ground subsidence. As a consequence, where the level of ground waters is naturally high, local flooding may occur. The adverse effects of coal extraction are offset by successive performance of hydro-technical drainage works. In the area of Bogdanka I and Nadrybie Wieś [an extension of Bogdanka I village], following the extraction from two seams, the maximum ground subsidence remains at the level of up to 5.0 m in the central part of the subsidence basin. In the northern part of the mining area, as a result of exploitation of the second seam, ground subsidence grew to approx. 3.5 metres [northern part of Kobyłki village] and to approx. 3.0 metres [agricultural land in Dratów]. Ground subsidence of up to about 3.0 m continues to occur in the areas of the former ZRH Puchaczów, and in the area of the Nadrybie Dwór village. Around the villages of Nadrybie Ukazowe, southern part of Kaniwola and east of Puchaczów [in the vicinity of the railway siding], subsidence of up to about 2.5 m has continued. In the southern part of the mining area – within the area of the Albertów, Stręczyn, Głębokie and Malinówka villages ground subsidence continues to range between 0.3 m to 1.5 m.

Unlike Silesian mines, LW Bogdanka SA extracts coal on agricultural areas which are little urbanised. This does not mean, however, that there is no mining damage on those areas. The expansion of the mining area results in proportional extension of the area where mining damage occurs, including damage to buildings and infrastructure. Each new mining investment is accompanied by a thorough environmental impact assessment, prepared jointly with the Regional Mining Authority and committees of communes' offices. Before the development of each Operations Plan, all structures that will be within the scope of the planned mining operation are inventoried, and categories of their resistance to the impact of such exploitation are determined. Any damaged structures, in addition to repair works, are given preventive protection against further operational impacts. Moreover, LW Bogdanka SA reimburses the investors engaged in building projects for the costs of adjusting the newly constructed structures to the requirements of mining land.

The risks related to ground settling are now reflected in the local zoning plans which take into account the need to adjust newly constructed buildings to mining conditions. Investors are required to use appropriate securing measures [e.g. appropriate construction solutions and strengthened strip foundations]. As mentioned above, the resultant additional costs are covered by the mine. The transparency of the Company's operations and its openness to dialogue with the local community not only help to diffuse potential conflict, but simply make constructive co-operation possible. The establishment in 2012 of the "Liaison team for periodic assessment of effects of mining operations on the ground surface within the boundaries of Cyców, Ludwin and

Puchaczów communes" offers a platform for dialogue between the representatives of the mine, local administration and the Regional Mining Authority. At their regular meetings the partners discuss the most pressing problems and actions to be taken in relation to the impact of extraction on the surface area. In 2018, as in previous years, the team met twice and dealt with the current mining damage issues.

In the first half of 2015, LW Bogdanka SA installed seismic shock measurement equipment, i.e. three geophones, one in each commune. At present, the system allows monitoring and analysis of tremors noted in the mining area to be carried out on an ongoing basis. A majority of tremors registered heretofore had a zero, or at most the first degree, intensity level [on the 4-level GIS scale], which means that the tremors were not harmful for surface structures and only had the potential of being slightly perceived by humans. The system, developed in co-operation with the Polish Academy of Sciences and the Central Mining Institute, ensures complete transparency, as its readings are publicly available. The growing openness which began with the establishment of a joint team helps to prevent disputes and dispel any doubts concerning the cause and effect relationship between specific damage and the movements of the rock mass as a result of mining operations.

LW Bogdanka SA analyses, on an on-going basis, all notifications of potential damage submitted by local residents. For the sake of convenience, uniform request forms were developed and made available on the Internet to make the notification procedure as simple as possible. The mine covers the costs of carrying out repairs and securing buildings. Tarmac and gravel roads are also repaired, where damaged due to mining operations.

Ground settling, with naturally high level of ground waters in the area, may sometimes cause also losses in crops. This phenomenon intensifies with bad weather conditions, for example long-lasting spring melts. Farming land becomes partly flooded, and as a consequence, yield in the area is reduced or lost. LW Bogdanka SA compensates farmers for the lost profit on land affected by mining works. Also in 2018, the aggrieved owners or users of land located in these regions who suffered damage have received relevant compensation for lost profits on flooded land in the total amount of approx. PLN 0.884 million.

For three years no purchases of agricultural land have been made – such purchases will no longer be possible under current regulations due to amendments in regulations on purchases of agricultural property. In previous years, if a property was severely affected by mining damage, and if the parties concerned so requested and gave their consent, land with buildings were purchased against a fair compensation for the left property [this has never had the nature of compulsory eviction and may not be perceived in this way].

	2017	2018
Number of repaired and secured buildings	15	11
Number of bought out agricultural farms with buildings	-	-
Length of repaired asphalt roads [km]	5.3	2.7
Costs of mining damage removal [PLN million]	3.1	5.4

NATURAL CAPITAL



Mining operations are almost always related to material impact on natural environment. This is primarily reflected in two aspects: no renewability of resources and irreversibility of environmental changes occurring in a direct vicinity of the mine. Examples of the environmental changes inflicted by the mining operations include: surface deformations, ground subsidence and a change in ground water level and the entire hydrological system. A characteristic component of the mine environment are waste rock heaps.

The management of resources and the manner of their exploitation are factors affecting the natural environment. Correct management is to exploit coal seams beginning from the highest levels, without omitting seams of lower thickness (less profitable). A different approach causes irreversible loss of omitted seams as well as a horizontal expansion of the mine, and inevitably, larger scale of its impact on natural environment. Skillful extraction planning, the use of innovative technology, and even responsibility and awareness demonstrated by all the employees that are involved in the production process may minimise the adverse effect.

The opponents of the mining industry development primarily point to its direct impact on natural environment. Usually the effects of mining exploitation are subject to technological processing, which in case of coal is primarily combustion, resulting in undesired emission of greenhouse gases.

The Bogdanka mine has for many years now (both the organisation itself and the people who create it) been fully aware of the threats to the environment that may be generated as a result of the exploitation of coal deposits, and also, to a certain extent, combustion of coal by Łęczyńska Energetyka sp. z o.o., which is part of the Bogdanka Group.

The Bogdanka mine has respect for the natural resources, and therefore the Company has for many years now focused on efficient coal extraction, i.e. so as to reduce the portion of coal which is left in deposits to be irrecoverably lost. The widespread use of new technologies has made the Company a leader (not only in Poland, but also in the world) in obtaining raw material from thin seams which other mines have considered unprofitable and were left behind and lost forever. For the same reason, LW Bogdanka SA joins initiatives aimed to develop efficient industrial methods of coal gasification, which, in the future, may increase the efficiency of use of underground fuel resources even further.

Although coal burning always results in carbon dioxide emission, the content of other substances (e.g. sulphur compounds and dust) in combustion products can be radically reduced if the burning process has the appropriate parameters, the fuel is properly prepared. Coal is sorted into appropriate granularity fractions and excessive ash is removed in Poland's most advanced mechanical coal processing plant.

The mine cooperates with industrial customers whose systems are adapted to the physical and chemical parameters of coal obtained from the Lublin resources, and therefore, the fuel may be combusted in systems that offer efficient desulfurization and dedusting of combustion gases. This is also included in Bogdanka's activities aimed to reduce, as much as possible, the degree to which the extracted coal harms the environment – even when it gets in the hands of the customers.

Given the adopted commercial policy at place in Poland and in Europe, the applicable law, as well as the fact that fine coal sizes (MIIA fine coal) dominate in the mine's offer, LW Bogdanka SA reduced retail sales almost to zero. These are more regional in nature, and essentially also rather emotional. This is because the people who queue up outside retail outlets to purchase coal are mainly locals who, one may say, see the Bogdanka mine from their windows.

LW Bogdanka SA does not sell unsorted and crude coal, and does not offer coal waste from its mechanical coal processing plant to retail customers (the so-called coal dust and coal flotation concentrate). In many countries (including in Poland) air quality significantly deteriorates in the heating season mainly because households burn poor quality coal (unsorted and crude), coal waste (coal dust and coal flotation concentrate) or even garbage, and use obsolete and unfit furnaces.

What is more, for many years now the employees of Bogdanka's sales department have worked to raise awareness among coal recipients, including especially among minor customers (including retail customers in spite of the fact that their share in the mine's turnover is marginal and customers that combust coal in industrial systems), as to how to obtain and combust coal in a way that is effective and does as little harm to the environment as possible.

LW Bogdanka SA demonstrates that coal can be burnt in a clean and effective manner. Global power sector will be strongly based on coal for many tens of years, which can be seen from increasing mining capacities in such countries as China, India or the USA. The only question is how the humanity will use that raw material.

For many years now, the Bogdanka mine has been searching for methods and technologies which would enable new economic uses of post-mining waste, i.e. waste rock, for which, at present, there is insufficient demand, and which must therefore be largely stockpiled in the storage area located between the Bogdanka and the Stefanów fields.

ENVIRONMENTAL MANAGEMENT

[GRI 301] The way coal is used is, to a great extent, independent of the mine itself [despite the sales policy and the fact that the portfolio of coal recipients is largely controlled]. Nevertheless, the most important issue is coal production. This can be done either in a manner that is wasteful and destructive for nature and the local community or with respect for the environment. Concern for the surrounding areas of the beautiful Lublin Region, including nature conservation, is a reflection on management culture and approach to business. The social and environmental consequences need to be taken into account in business decisions so that the negative impacts are as small as possible.

In cooperation with external partners, LW Bogdanka SA has for years been trying to better understand the nature of changes in the natural environment. It takes action to eliminate, reduce and compensate for the impact of its activities on nature, especially on its most valuable elements. This knowledge is one of the unique competencies that distinguish LW Bogdanka SA against the industry. This is yet another dimension of business efficiency which makes the mine not only more environment-friendly, but also more predictable and stable from the point of view of capital market investors. The many years' monitoring has enabled to thoroughly detect and understand the majority of influence mechanisms of the mine's activity on the condition of nature surrounding the mining area, especially mechanisms of water circulation, movement of pollution, etc.

Effective environmental management in Bogdanka has for years been based on the Integrated Health and Safety, Quality and Environment Management System. It complies with the standards: PN-EN ISO 9001:2015, PN-EN ISO 14001:2015, and PN-N-18001:2004 [based on the certification carried out in May 2018]. In the reported period, the individual certifications, renewed in 2015, applied [certification by Bureau Veritas Certification Polska]. In May 2018, LW Bogdanka SA underwent another certification [this time PRS Certyfikacja S.A. was selected to be an auditor] which confirmed the accuracy and efficiency of the procedures and actions within the audited areas. Moreover, the auditors of the certification organisations were unanimous in their opinion that the Company excels at environmental protection, especially when it comes to its extraordinary solutions for managing mining ground subsidence basins and setting targets to reduce the environmental impact in the Social Responsibility Strategy.

Environmental issues are included and given high priority in the corporate risk map. They are also defined in the integrated system of enterprise risk management. Failure to achieve some of the objectives of the social responsibility strategy associated with efficiency [energy efficiency, efficient use of water from the drainage of the rock mass], derives directly from market factors. Reducing the mining will adversely affect the possible economies of scale. Overheads, including those non-financial, are incurred regardless of the volume of production [e.g. water must be pumped out].



BIOSPHERE

[GRI 304-1, 304-2, 306-7, MM2] The mine, its infrastructure and the “Puchaczów V” and “Stręczyn” mining fields are surrounded with protected land. The total area of sites with valuable natural environment where coal is extracted by the mine invariably covers 350 hectares. In the close vicinity of the mine’s premises there are:

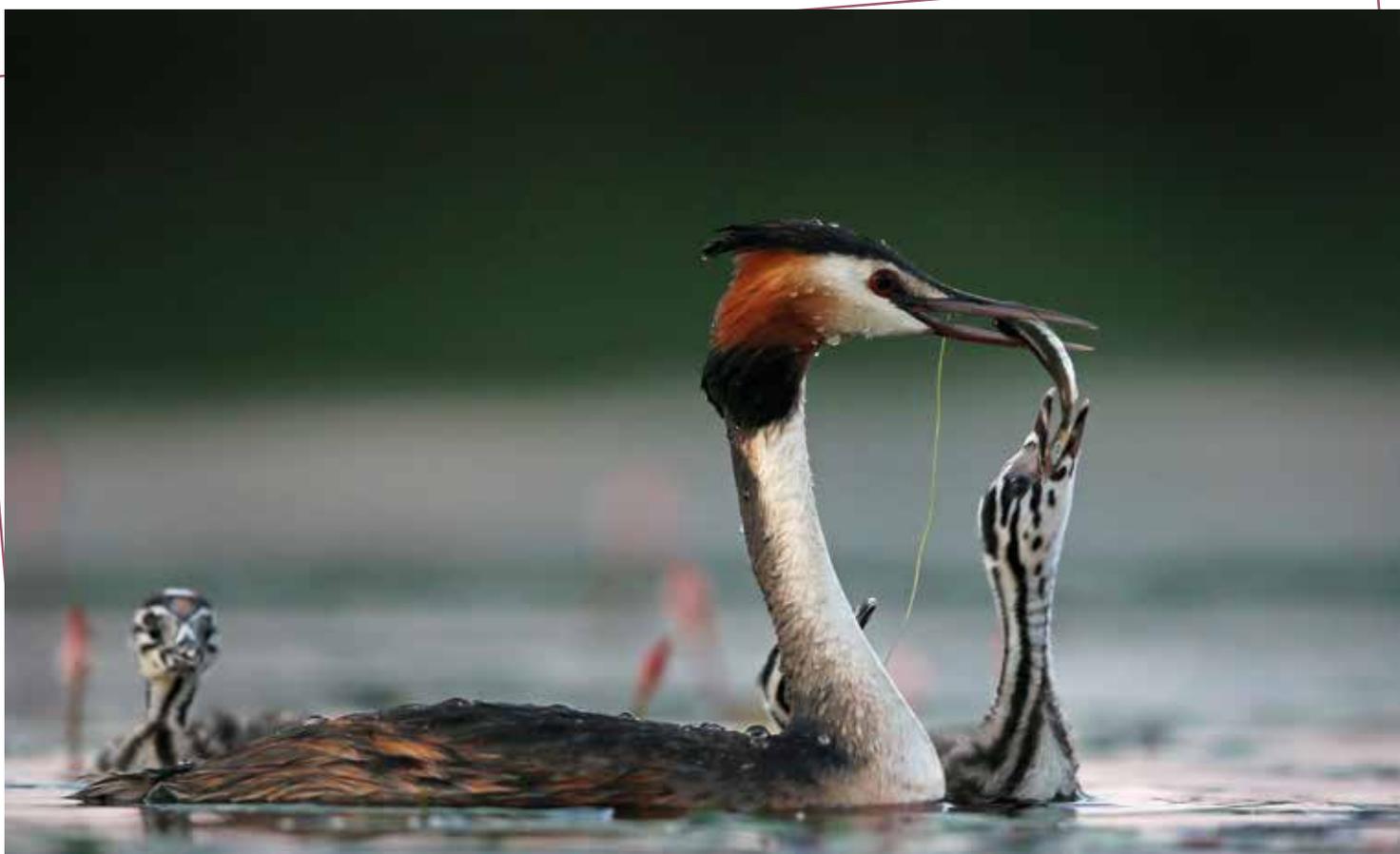
- ◇ the Polesie National Park,
- ◇ the Łęczna Lake District Landscape Park.

The mining area in the north-east encompasses small parts of the above mentioned Landscape Park buffer zone which is a part of the Nature 2000 site – “Uściwierskie Lakes” [Jeziora Uściwierskie] [PLH 060009]. This region is also a part of the “West Polesie International Biosphere Reserve”, surrounding the mining area further in the north and west. The Polesie Protected Landscape Area is located in the north-east of the mine, while in the south-east there is the Chełm Protected Landscape Area which through the Świnka River Valley connects to the Wieprz River Valley Landscape Park located to the west of the mining area. In the territory where Lubelski Węgiel Bogdanka is located, though outside the mining area, there are other environmentally valuable sites, such as: “Middle Wieprz River Valley” [Dolina Środkowego Wieprza] [PLH060005, ca. 4 km], “Polesie Sanctuary” [Ostoja Poleska] [PLH060013, ca. 5 km] or “Bubnów Bogland” [Bagno Bubnów] [PLB060001, ca. 10 km].

In November 2017, the Company obtained a mining licence for extraction of hard coal from the Ostrów deposit in the Ludwin Mining Area. This is the outcome of the efforts made so far to

get that licence, including earlier works as part of the prospecting licence for the deposit. The eastern part of the Ludwin mining field covers large areas of the Łęczna Lake District Landscape Park. The Brzezicno Lake Reserve together with the separated Nature 2000 site are also located within the boundaries of the Park.

As mentioned above, consequences of underground coal mining include slow subsidence of the land under which mining is taking place. Primarily, the range of the existing surface impacts increases. Along with the enlargement of the exploration area, the subsiding area also expands. With a relatively high groundwater level in the vicinity of Bogdanka, a further rise in the level of surface waters contributes to the expansion of wetlands which are getting smaller, however, as a result of the Company performing hydrotechnical works, and do not significantly reduce the areas of agricultural production. In some regions, wetlands even have the form of permanently flooded areas and, as such, are a coherent part of the landscape in the Polesie Region. As a consequence, on certain arable land, temporarily flooded by melt-water, especially in basins that remained after past exploitation of peat, permanent floodlands have appeared. Although ground settling is the result of human activity, expanding wetlands and floodlands become valuable habitats for bird species living in Polesie. Thus, through its industrial activity, the mine does not so much adversely affect birds, but indirectly contributes to the growth of their population.



[GRI 306-5, MM1] As a result of underground operations, two post-mining floodlands were created:

- ◇ to the north of the Bogdanka Field main shafts with an area of about 100 ha,
- ◇ in the Nadrybie Field region with an area of about 30 ha.

Farmers whose property was flooded received due compensation. In line with the current plans, a water reservoir named "Szczecin" is to be constructed in the bigger of the two floodlands. The construction would change the use of the land from agricultural to recreational, and the reservoir itself would be an attraction, for example, for fishermen. It would also serve a retention function, which is important from the point of view of the local community. At present, the reservoir is a floodland, and no construction works aimed at adapting it to new functions were undertaken – all official and legal documents have been prepared, including building permits, but due to the costs of the undertaking and little interest on the part of the future user [WZMiUW – and currently, the Polish Waters], the works to implement the project have been put on hold.

It is also said that the reservoir should be left unchanged, because year after year it is becoming an increasingly richer and valuable habitat for a range of flora and fauna. This solution is also taken into account given the fact that the reservoir is located in the immediate vicinity of the protected areas of the Polesie National Park.

In 2018 works were started in relation with the reservoir, for the purposes of agrotourism, with a view to restoring degraded land to meet the expectations of the local community and the local government. Reclamation of land in Nadrybie Wieś is carried out in the area of approx. 12 ha and will include making a fish pond of 1.60 ha and planting trees. The works are scheduled for completion in mid-2019.

The basin created in Nadrybie as a result of subsidence has become attractive to many species of birds and other animals. The basin was included in the Natura 2000 network. LW Bogdanka SA has decided to take special care of it and share it with others. The mine, in cooperation with the Polish Society for the Protection of Birds [OTOP], decided to create a new Nadrybie educational path around the reservoir. An official opening of the path took place in October 2015, on the occasion of the European Bird Days. The educational path provides an opportunity to see different types of habitats and characteristic species. The more than two-kilometre route includes shelters for resting as well as stops with educational information boards describing the birds, amphibians, plants, butterflies, dragonflies, mammals and reptiles found there. This is a place where you may encounter many species of birds, including rare ones, listed in the Polish Red Book. In spring, it becomes a feeding area for the white-winged tern, the whiskered tern, the black tern, and the black-headed gull. Among other species, you can hear: the great reed warbler, the sedge warbler, the Eurasian blackcap, the lesser whitethroat, or the thrush nightingale, as well as the bittern, the little bittern, and the water rail. Since the day it was opened, the path has been very popular. Students from the primary school in Nadrybie not only have their natural sciences lessons there, but also, together with the mine's maintenance personnel, make sure that the areas surrounding the reservoir are clean, and that the available infrastructure is complete and in working order.

Cooperation on the project: "Protection of peatland ecosystems in the Łęczna-Włodawa Lake District"

Since September 2018, in cooperation with the National Birds Protection Association, the LW Bogdanka Group has been pursuing an ecology project involving the strengthening south-eastern metapopulation of aquatic warbler by reshaping habitat conditions, appropriate for the birds, on previously inhabited areas or areas where this species may occur. This is yet another pro-environmental activity undertaken by the Company to support biodiversity within the territory of its operations and thus follow the CSR strategy as well as 17 Sustainable Development Goals (SDGs).

The above will result in improving migration corridors of metapopulation of aquatic warbler in the Lublin province, creating and retaining the system of stepping stone habitats between the areas inhabited by the aquatic warbler and reinforcing main wildlife corridors, i.e. south-central and eastern ones.

As part of the projects the water level in the region of **Krowie Bagno** (in Polesie, in the vicinity of the former agricultural entity, PGR Krychów) are subject to regulation and stabilisation works. For this purpose, water gates will be installed on drainage ditches for the disappearing Łaskie lake and the molinion meadows in its direct neighbourhood. Plans include the construction of three water gates for meltwaters to be stopped and accumulated, and water to be stopped in the spring season and at the beginning of summer. This will improve hydration of the whole area, which in turn will result in an improvement of natural environment inhabited by the aquatic warbler, the rarest migrant bird in Europe. There is a narrow range of peatland habitats for nesting required by this species. The area selected for re-naturalisation has a great potential for this and other bird species.

Objectives of the project:

1. Improving migration corridors of metapopulation of aquatic warbler in the Lublin province, by combining stable source populations and ephemeral estuary populations with the use of regional wildlife corridors. This will translate into a better coherence of Lublin's metapopulation of aquatic warbler and will expand the area which can be occupied by these species, thus reinforcing its resistance to adverse conditions.
2. Creating and retaining the system of wildlife corridors – stepping stone habitats between the areas inhabited by the aquatic warbler. As the aquatic warbler is strictly dependent on protective actions, the wildlife corridor system will allow the birds to expand and will enable them to occupy habitats, which were not available earlier, for post-hatch dispersion during spring migration.
3. Reinforcing main wildlife corridors: south-central and eastern. This will translate into increasing the possibilities for movement of the birds and will facilitate short- and long-term migration.

The project is co-financed by the European Union from the funds from the European Union's Cohesion Fund, as part of the Operational Programme Infrastructure and Environment Renaturalisation of the Łęczna-Włodawa Lake District will be performed until the end 2019 by the Polish Society for the Protection of Birds with the support of Lubelski Węgiel Bogdanka.

WATER MANAGEMENT

[GRI 303-1, GRI 303-2, GRI 303-3] The very nature of the impact of LW Bogdanka SA on the hydrosphere has been unchanged for years, but the new investments implemented within the Group provide an opportunity for a significant reduction in the scale of such impact. Both in 2017 and 2018 water used by the mine is produced by rock mass draining at working sites, and by controlled drainage of Jurassic layers (volumes are limited taking into account safety and technological considerations). It must be pumped out to enable mining operations and to ensure the people working underground an appropriate safety level (the mine would be flooded if water were not continuously pumped out).

As any other waters obtained at great depths, underground mine waters are mineralised (chlorides, sulphates). Despite the fact that such waters are biologically clean, a high content of mineral salts makes them dangerous if they were channelled to local water flows in an absent-minded and uncontrolled manner as they could affect water parameters. On the other hand, the mine (essentially, the Mechanical Coal Processing Plant) and the subsidiaries (essentially, Łęczyńska Energetyka) consume significant amounts of water for their processes (Water Treatment Plant). For many years, the Company has been focusing on the uses of water from rock mass drainage for various economic purposes, which is not always simple technologically.

With today's technology, part of mine water may be used directly underground for technological purposes, for fire-protection and air-conditioning systems. On the surface, underground waters are used mainly by the Mechanical Coal Processing Plant (to supplement water in the closed circulation process of coal enrichment), as well as by Łęczyńska Energetyka. This is just a practical implementation of the circular economy concept, which Bogdanka has been following for many years.

Unused mine water, before controlled discharge to the Świnka River through the "Żelazny" ditch, is pre-treated in a sediment tank where suspension precipitates out of water. In 2018, discharged mine water had a total chloride and sulphate content of 1,041 mg/dm³, as compared to 1,011 mg/dm³ in 2017 (slight salinity decrease). About 14,957 m³ of mine water per day were discharged to the Świnka River in 2018 through the system of discharge ditches and a watercourse – the Rów Żelazny ditch. The monitoring of the Świnka River shows that 100 metres after the mine water discharge point the river's waters are of similar quality as before the mine water discharge point. Consequently, coal mining does not pose any direct hazard to environmentally valuable lakes in the lake district. Nonetheless, even if these are not significant amounts in comparison to Silesian mines, 14.6 million litres of water find their way to the river every day, with each litre containing slightly over 1 g of salt, which gives 1.5 tonnes of minerals in total.

The construction and use of the Water Treatment Plant in Bogdanka was a real milestone towards a more effective reuse of underground water. As a result, as much as 2,213,493 m³ of mine water could be treated and used in 2018 for technological, life-related, and other purposes. This project was implemented concurrently with an upgrade of the wastewater treatment plant in Bogdanka.

This project has enabled:

- ◇ production of potable water from underground water and purified rainwater in amounts which cover both current and future demand of LW Bogdanka SA for potable water;
- ◇ production of water for technological purposes from underground water and purified sanitary sewage and rainwater in amounts covering both current and future demand of LW Bogdanka SA for various types of water: for its fire-extinguishing systems and for the central conditioning system;
- ◇ the closure of circulation of water, sanitary sewage and rainwater in the Bogdanka mining field, resulting in such a pro-ecological effect as a decrease in consumed underground waters by about 260,000 m³/year and in a decline in removed treated wastewater by about 300,000 m³/year;
- ◇ an improvement in operations of the wastewater treatment plant.

[GRI 201-4] To co-finance its construction in previous years, the Provincial Fund for Environmental Protection and Water Management in Lublin granted a loan of nearly PLN 27 million to Łęczyńska Energetyka sp. z o.o. In 2017 Łęczyńska Energetyka sp. z o.o. expanded the Water Treatment Plant to increase the output of water for fire-extinguishing purposes. In 2018 the extension of the Water Treatment Plant was continued for the purposes of further increase in production capacities of fire-extinguishing water for mining excavations. The LW Bogdanka Group treats the issue of water circulation seriously. This is evidenced by the fact that works are in progress to develop and launch another functionality within the Water Treatment Plant – a system to cool fire-fighting water. The project is to be completed at the turn of 2019 and 2020. This time, it will be financed from Łęczyńska Energetyka's own funds and a loan – according to initial estimates it will be the amount of about PLN 25 million.

The water production process deployed in the new plant is based on the most advanced technologies provided by General Electric and Oriontec. Underground water from mine drainage operations is pumped to field tanks (2 x 70,000 m³), where it undergoes preliminary sedimentation (separation of suspension). The technological system of the WTP includes the following unit processes:

- ◇ preliminary water treatment;
- ◇ preliminary sedimentation of raw water in the wastewater treatment plant in Bogdanka;
- ◇ mechanical filtration with the use of mesh filters;
- ◇ accelerated filtration with the use of multiple-layer filters;
- ◇ filtration with the use of Oriontec ultrafiltration membranes;
- ◇ demineralisation with the use of General Electric osmotic membranes (reverse osmosis).

As a result, two main flows of water are obtained: demineralised water (with general salinity up to 50 mg/l) and saline water without general suspension. In addition, a separate system is used for treatment of sanitary sewage after its preliminary treatment at the wastewater treatment plant. This is a filtration

system delivered by PALL [U.S. company]. According to the manufacturer, the filtration membranes of the systems are tight enough to stop E. coli bacteria. After such treatment, output water is only added to fire-extinguishing water. Potable water has no contact with sanitary sewage – either untreated sewage or water received after its treatment. No chemical agents are added to potable and fire-extinguishing water. Only in the end of the technological processes, just before it is sent to recipients, such water is disinfected with sodium hypochlorite, which is fed into potable water and fire-extinguishing water pipelines. Potable water produced by the WTP not only meets the applicable legal requirements*, but also has better physical and chemical parameters than water from deep intakes.

Since 2016 there has been a visible decline in demand for potable water intakes and, simultaneously, a reduction in the amount of mine water carried to natural water flows. The volume of recovered mine water used for economic purposes is stabilizing, and will ultimately go up given the planned increase in the demand for fire-extinguishing water.

Łęczyńska Energetyka uses three potable water intakes (in Bogdanka, Nadrybie and Stefanów) and two wastewater treatment plants working for the mine: a mechanical and biological treatment plant in Bogdanka (capacity of 700 m³/day) and a mechanical and biological treatment plant (Bioblock) in Nadrybie (capacity of 840 m³/day).

WASTE MANAGEMENT FOCUSED ON EFFECTIVENESS

WASTE ROCK

[MM3] Along with the coal, a side product, i.e. waste rock, is mined. The waste rock is the primary type of waste generated as a result of mining operations. A number of other mining by-products are also generated, including consumables (oils, greases) or structural components subject to wear and tear which are used to support the mining workings (heading casings, stirrups, sprags).

Coal extraction is the most efficient when mining affects possibly the smallest amount of waste rock. This process means a demand for energy and above-normal wear and tear of machinery. The next cost is connected with taking excavated product to the surface. The more waste rock it contains, the more energy is required for its transportation and subsequent management. It must be remembered that we talk about thousands of tonnes which must be transported every day nearly 1 kilometre upwards, separated from coal, and carried to the waste yard. We can produce major savings by using new equipment (Skorpion, Panda, and Pegaz). They facilitate effective drilling of heading workings as well as enable partially placing rock in goafs, i.e. workings that are no longer used.

[GRI 306-2, MM3] LW Bogdanka SA would like to ensure that mining waste is put to commercial use to the greatest extent possible. The idea is to have as little mining waste as possible being placed in the waste disposal facility in Bogdanka. On the one hand, the capacity of the yard is limited, and on the other, it is simply a valuable raw material. Analysis was performed in

terms of using the waste rock as spacer material in municipal landfills due to, for instance, the bacteria found in the rock (methanotrophs), which eliminate the methane resulting from decay processes. In previous years, the waste rock was used as a raw material for the production of building ceramics, while last year it was also employed in cement production at the Ożarów Cement Plant. However, mining waste is to the greatest extent commercially used mainly reclamation of degraded land and for hardening roads and squares (about 47% of all managed waste). Reclamation involves restoration of the original lay of the land by filling pits with mining waste, and then covering them with a layer of soil, and using for agricultural purposes or forestation (owners of remediated land hold appropriate decisions of environmental protection authorities). Despite the fact that in 2016 the Company obtained a certificate of the Road and Bridge Research Institute for the use of selected rock waste fraction as aggregate, this material has not been applied for the purposes of road engineering. This type of an aggregate is, however, successfully used by the local governments to repair access roads to fields and for the purposes of local road foundations, hardening of squares, etc.

In 2018 the share of waste used for economic purposes was similar to that from 2017 and was 46.5%, which is presented in the table below.

ITEM	2017	2018
Waste stored ['000 tonnes]	3,010.9 53.0%	3,553.1 53.5%
Waste managed ['000 tonnes]	2,682.7 47.0%	3,093.1 46.5%
Mining waste ['000 tonnes]	5,693.6	6,646.2

* Regulation of the Minister of Health of 7 December 2017 on the quality of water for human consumption.

In 2018 reclamation works were started on the areas which suffered mining damage in Nadrybie Wieś. Further, maintenance works are performed on an ongoing basis with respect to the greenery, a facility used as a mining waste dump, previously-remediated post-industrial land in the area of the Bogdanka, Nadrybie and Stefanów Fields, and railway facilities in Zawadów.

Waste rock which cannot be managed is stored on a heap [a facility used as a mining waste dump] in Bogdanka. Given the expansion of the mining area and the scale of mining, the waste yard capacity is being slowly exhausted. In order for the mine to operate in a stable manner, works are carried out, based on the obtained building permit, to increase the height of the heap to 250 m a.s.l. and to extend it.

One of the existing projects provides that if certain conditions are met, it will be possible to use the recultivated waste yard for sports and recreational purposes. Perhaps it will then become an attractive ski slope with a chairlift, while outside of the winter season, a place for horse riding and bike-related sports. The options to use the heap include building an open-air ethnographic museum where all historic pieces of wood architecture from the Lake District region could perhaps be gathered. The breeding of Hucul ponies or Konik Polski horses would be also possible. It will be accompanied by afforestation and planting bushes so that the area may once become a habitat for fauna and flora. The Company assumes that the representatives of local stakeholders will get involved in the process to plan how the waste yard should be managed so that the outcome reflects the needs and the ideas of the local community.

OTHER WASTE

LW Bogdanka SA also conducts post-industrial waste management [scrap, waste wood, used oil etc.]. Treatment of waste which cannot be reused [e.g. used energy sources, conveyor belt off-cuts, adhesive and paint containers, etc.] is contracted.

It has been many years since LW Bogdanka SA adopted materials recycling solutions which make it possible to significantly reduce volumes of waste. These measures are perfectly compatible with the concept of circular economy which is gaining in popularity due to, for example, the discussions held at the European Union level and the activities undertaken by the Ministry of Development. It means not only material savings but noticeable financial benefits. Instead of being scrapped, heading casings may, as a result of recycling, become a full-value element, and be reused. In 2018, as much as 9,700 tonnes of heading casings elements were recycled and reused. The remaining 18,300 tonnes of worn elements that could not be recycled and reused were scrapped and sold as secondary raw material [iron scrap]. After processing, the raw material came back to the economic cycle.

Business activities of Łęczyńska Energetyka generate such types of waste as slags, furnace ashes, dusts from the boiler houses, and sediments from the liquid waste treatment plants [in Bogdanka and Nadrybie].



CONSUMPTION OF RAW AND OTHER MATERIALS

[MM11] Consumption of the different resources and materials is directly related to the specific work carried out at the plants. The preparation of new pits is associated with the demand for polyurethane adhesives for reinforcing the rock mass, cartridges for injecting adhesive anchors, mixtures for mechanical lining or cement. 2016 saw an increase in the consumption of those materials. There was also a growth in heading casings used

and waste rock produced as a result of drilling. On the other hand, magnetite and flocculants are required for the mechanical processing of coal. Diesel fuel is consumed by locomotives, both those working underground and those transporting coal to the collection point at the Jaszczów station or to industrial customers.

[GRI 301-1] Key raw and other materials used

CATEGORY	J.M. /	2017	2018
LW BOGDANKA SA			
Magnetite	Mg	870.89	500.000
Dusts	Mg	5,079.83	4,798.017
Oils	kg	261,043.88	290,940.501
Non-flammable hydraulic fluid	kg	267,063.00	306,848.353
Diesel oils	kg	2,617,525.92	2,909,618.554
Gaz ziemny	m ³	11,716.53	11,951.930
Wood	kg	103,000.00	108,650.000
Polyurethane glues for strengthening mining pit	kg	773,688.20	855,860.000
LOKSET cartridges for anchors	pcs	529,950.00	471,525.000
Greases	kg	35,484.90	36,592.750
CABO dust moisturising agent	kg	76,504.50	83,218.500
Conveyor belt	m	47,610.00	26,898.000
Mixture for mechanical lining	Mg	11,175.20	11,704.800
Cement	Mg	11,110.41	11,078.910
Heading casing	kg	37,353,091.23	40,663,872.435
Anhydrite binder	Mg	2,240.00	2,827.000
Metallurgy products – steel	kg	825,232.26	676,949.880
Cables	kg [m]	346.16 [138,450]	1,026.770 [183,946]
Lining containers	pcs	178,272.00	200,669.000
Organic and mineral glues for reinforcing rock mass	kg	153,676.00	257,771.000
ŁĘCZYŃSKA ENERGETYKA SP. Z O.O.			
Fine coal [hard coal]	Mg	23,601.62	23,506.06
Biomass	Mg	0	0
Reagent de-emis	dm ³	55,761.02	55,707,61*

*- including waste wood and used wood packaging – usage only in a local boiler house in Zawadów..

ENERGY AND EMISSIONS

[GRI 302-1, 302-3, 305-1, 305-2, 305-4, 305-7] Security of electricity supplies and their stability is of vital importance to the safety of the mine and its uninterrupted operation. The mine's plants consume significant amounts of electricity (mining machinery, coal processing, mine ventilation and air conditioning). For this reason, joining a strong energy group such as Enea has made it possible to achieve synergies. On the one hand, this will provide a ready market for coal and secure a stable supply of fuel for the power plants, and, on the other, it will satisfy the demand for electrical energy required for the extraction and mechanical processing of coal.

As for energy consumption and the possibility of reducing such consumption, it can be said that increased efficiency comes with the increasingly advanced technology and top-class equipment. On the other hand, however, additional electricity is required for coal mining in more difficult deposits and necessary air conditioning of galleries. In view of the above, the long-term goal of maintaining the current energy efficiency level, i.e. energy consumption per tonne of excavated coal, seems rather ambitious. It should also be taken into account that part of the demand for energy is a fixed cost, a good example of which is ventilation and air conditioning. Therefore, a possible lack of economies of scale, which are achieved at high coal production, will translate into a sub-optimal level of energy consumption. Energy consumption, in turn, translates into indirect CO₂ emissions (Scope 2). The indicator of energy consumption in the LW Bogdanka Group in 2018, calculated as an entire use of energy used from various sources (electric power coming from external suppliers, heat energy generated by combustion of fuels at Łęczyńska Energetyka) versus extraction volume, increased to the level of 0.151 GJ/tonne from 0.143 GJ/tonne in 2017. This means practically a return to the level from 2015 [0.150 GJ/tonne]. The analysis of components of this indicator shows that the increase covered both the level of electric power consumption per tonne [to 0.134 GJ/tonne from 0.128 GJ/tonne in 2017], and the electric power consumption of heat production.

Consequently, the emission efficiency ratios, i.e. the relation of CO₂ emissions to the volume of production, measured both in terms of extraction volume and revenues, have deteriorated. While in 2017 the ratio stood at 24.3 kg CO₂ per tonne of coal and 155.0 kg CO₂ per PLN 1,000 of revenue, respectively, in 2018, the relevant results were 25.5 kg and 160.6 kg CO₂.

LW Bogdanka SA does not have an organised emitter that would emit dust and gases to the atmosphere. Sources of unorganised emission to the atmosphere include combustion engines of machines used by the Company (underground and aboveground locomotives, motor vehicles and other machines) and welding processes. Transport of coal to its destination should also be mentioned, with particular emphasis on transport from the mine to the collection point at Jaszczów station with the use of the rolling stock owned by the mine. In some cases the coal is transported using the trains owned by LW Bogdanka SA all the way to the buyers. Similarly, trains run underground and help to transport coal output so that it could be brought to the surface. The trains also carry people and equipment.

The mining waste neutralization facility [heap] is a special, unorganised emitter. It may be a source of dust on dry and windy days. In order to prevent dusting, reclamation of final scarps is carried out on an on-going basis, and efforts are taken to ensure that waste yard's exposed fragment is wet. In addition, vegetation is planted and serves as screens. Consequently, the emission is successfully and significantly reduced.

Gas emission to the atmosphere is caused by Łęczyńska Energetyka's boiler houses located in:

- ◇ Bogdanka [power 57 MW, coal co-burned with biomass],
- ◇ Zawadów [power 0.25 MW, coal],
- ◇ Pasternik in Łęczna [power 4.0 MW, light fuel oil, a reserve boiler house].

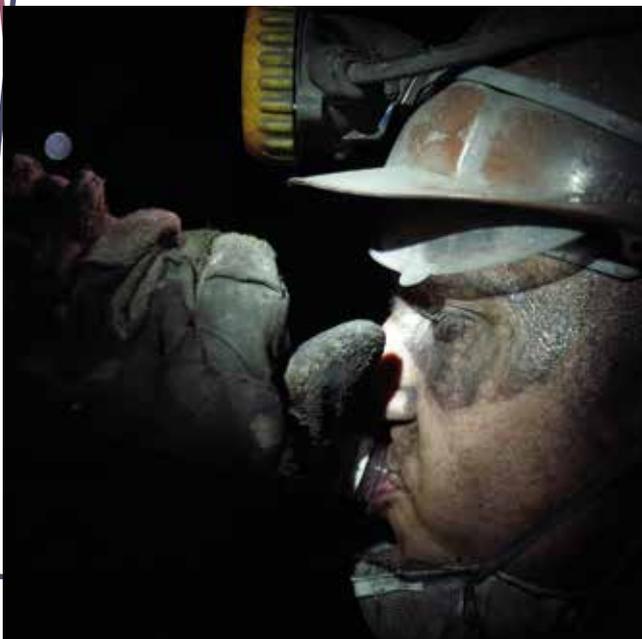
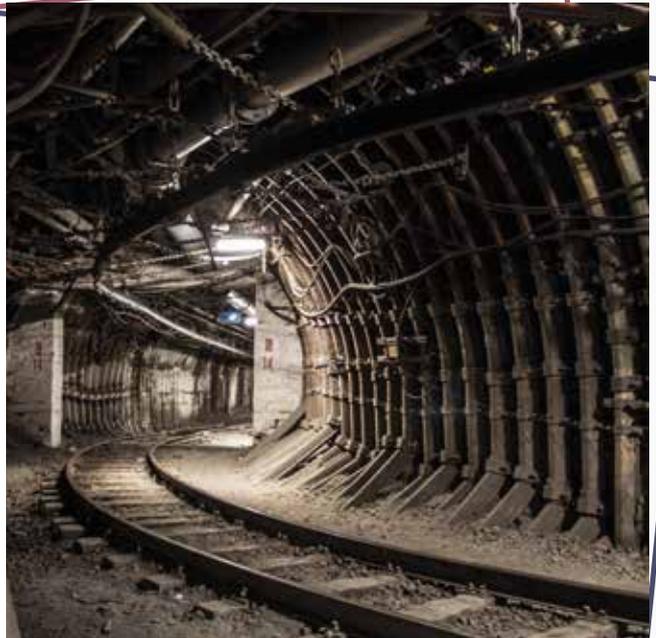
The area covered by the Company's own energy crops totalled 126.38 ha.

The remaining three of the Group's companies, i.e. EkoTrans Bogdanka sp. z o.o., RG Bogdanka sp. z o.o. and MR Bogdanka sp. z o.o. have not exerted any significant environmental impact compared to the two companies discussed above [LW Bogdanka SA, Łęczyńska Energetyka sp. z o.o.].

COMPLIANCE WITH THE LAW AND ENVIRONMENTAL CHARGES

[GRI 307-1] In 2017, no fines for violation of environmental conditions set forth in applicable laws and regulations were imposed on LW Bogdanka SA. Neither did Łęczyńska Energetyka face any environmental fines, including for exceeding set emission limits. The volume of CO₂ emissions amounted to 48,777 Mg, while the limit granted for 2018 stood at 10,151 Mg [the deficiency was remedied with emission allowances bought on the market]. Both companies paid charges for the use of the environment.

ABOUT THE REPORT



[GRI 102-50, 102-52, 102-53] This Report is the sixth report prepared by LW Bogdanka SA in accordance with the Global Reporting Initiative (GRI) guidelines, and at the same time, the fifth integrated report combining both financial and non-financial performance. In accordance with the principles of integrated reporting, this Report shows how values are created in certain time perspective. It covers calendar year 2018, i.e. the period from 1 January to 31 December 2018, and presents, in accordance with the reporting rules, material events which took place after the balance-sheet date, but before the preparation of the final contents of this Report, i.e. before 1 June 2019. It has been prepared in accordance with the GRI Standards using the mining industry supplement and the International Integrated Reporting [“IR”] Framework applicable to integrated reports.

The Report covers the entire LW Bogdanka Group of companies as it is consolidated for financial reporting purposes [see: “Other financial and non-financial data tables”]. Therefore, it includes the parent company, i.e. LW Bogdanka SA, its subsidiary Łęczyńska Energetyka sp. z o.o., and three smaller companies [RG Bogdanka sp. z o.o., Eko Trans sp. z o.o., and MR Bogdanka sp. z o.o.]. However, the three latter companies exert an insignificant impact on the financial, social and environmental situation of the Group, and therefore their description in this document is narrowed to certain aspects. This approach follows the concept of the GRI Guidelines, which recommend that only material aspects should be reported.

The Report presents key data regarding business operations and the related risks, as well as environmental, employee and social matters, which are juxtaposed and presented in a manner facilitating their comparability with previous years’ data and verification.

Annual publication of reports containing non-financial and financial information is for the LW Bogdanka Group an expression of transparency and reliability and is a key form of dialogue with the stakeholders, in particular external ones: shareholders, institutions and offices or even the media.

In line with the adopted philosophy, coherent with the environmental policy, the Integrated Report is published solely in an electronic form.

[GRI 102-56] The non-financial part of the Report was not subjected to additional external verification by a chartered auditor [only the financial statements referred to in this Report were subjected to such verification].

[GRI 104-46, 102-42] The content of the Report was defined on the basis of the results of a workshop and a cycle of meetings with stakeholders, held in connection with the development of the CSR Strategy for 2018-2021 in March 2018 [it was attended by nearly thirty managers]. Referring to the areas of social responsibility described in the PN-ISO 26000 standard, the workshop specified those areas which are material from the perspective of the business activity conducted. Since 2013 no significant organisational changes have been implemented, including changes in the scope of the Group’s business, which could affect the nature of its social or environmental influence. Nevertheless, the Company continues to take enhancement actions with respect to the corporate social responsibility, which has been reflected in the adopted CSR strategic goals. The stakeholders map, used for developing this Report, was updated.

The preparation of the Report involved interviews with managers responsible for relationships with individual stakeholders and representatives of selected groups of external stakeholders. That approach enabled the Group to define the content of the Report under observance of materiality, completeness and stakeholder participation. At the same time, the manner in which data was collected, analysed and presented in the Report was aimed at maintaining highest diligence in the context of balance, comparability, accuracy, timeliness, clarity, and reliability principles.

[GRI 102-40] The list of stakeholders, applicable at the LW Bogdanka Group covers the following groups:

- ◇ Employees [full-time employees of LW Bogdanka SA, trade unions, potential employees, former employees, subcontractors’ employees working in the mine, State Labour Inspection, Regional Labour Inspectorate in Lublin, Mine Rescue Stations in Jaworzno],
- ◇ Sector regulatory authorities [State Mining Authority in Lublin and Regional Mining Authority in Lublin and Central Mining Institute, Local Building Supervision Inspectorate in Łęczna],
- ◇ Local communities [local government administration, local residents, social leaders, local non-governmental organisations],
- ◇ Customers [institutional customers, individual customers, key suppliers and subcontractors],
- ◇ Investors [shareholders with particular focus on the strategic investor, i.e. the Enea Group, banks, Warsaw Stock Exchange, Polish Financial Supervision Authority],
- ◇ Society [media, universities and academic employees, technical and sector organisations, governmental [central administration, non-governmental organisations],
- ◇ Natural environment [environmental organisations, Regional Environmental Protection Inspectorate in Lublin, Polesie National Park Management, State Forests [Forest District Office in Świdnik].

[GRI 102-43] In the course of work to review the earlier CSR strategy for 2012-2015, comprising the above workshop, not only materiality of particular groups was specified but also current and targeted forms of dialogue and involvement of particular stakeholders were identified. In 2018, the engagement level varied, and reflected the bilateral needs. In the case of key groups, contacts are very regular, direct, often at the top level and allow important issues to be consulted on an ongoing basis. It is sufficient to recall the following:

- ◇ meetings between the governing bodies of LW Bogdanka SA and the trade unions – during the course of 2018, more than 20 meetings were held [if we only take formal meetings into consideration];
- ◇ 28 meetings of the Social Benefits Committee, a body comprised of the representatives of LW Bogdanka SA and the trade union organisations, which is a platform of cooperation between the employer and the employees;
- ◇ regular meetings, i.e. held every six months, of the Conciliation Team for Periodic Assessment of the Impact of Mining on the Surface in the Communes of Cyców, Ludwin and Puchaczów, with the participation of the Director of Regional Mining Office in Lublin, who chairs the Team.

There are also stakeholder groups whose connections with the mine are weaker, which in consequence also means that contacts with them are not so strong and intensive. They are often limited to occasional communication. The topics discussed with the framework of dialogue are diversified and depend on a given partner. For example talks with trade unions, which are considered a key partner by the Management Board, are naturally focused on employee-related and social issues in the context of changes in the more and more challenging market. For people living in areas of mining activities mining damage is the crucial aspect. And more broadly defined local communities are mainly interested in how the mine is going to support local development, which includes local events and investments, but also creation of new jobs. The Group's cooperation with ornithologists covers indirect impact of mining activities on populations of birds in the vicinity of the mine.

As part of the works on the CSR Strategy, the existing methods of dialogue with the stakeholders were verified and amended based on the conclusions made as a result of the evaluation. This is reflected in the newest strategic document regarding social responsibility which was adopted by the Management Board of LW Bogdanka SA in mid-2018.

[GRI 102-15, 102-47, 103-1, 102-44] The analysis of key areas of responsibility, making a part of periodic review of the CSR strategy, was directly translated into defining the scope of the Report, i.e. specifying the indicators it should present. The following areas are considered crucial:

SOCIAL OR ENVIRONMENTAL ASPECT ACCORDING TO THE UPDATED CSR STRATEGY UP TO 2017 [INCLUSIVE]	IMPACT ASPECTS AND INDICATORS ACCORDING TO GRI	SIGNIFICANCE	
		LW BOGDANKA SA [together with RG Bogdanka sp. z o.o., Ekotrans Bogdanka sp. z o.o., and MR Bogdanka sp. z o.o.] ²	ŁĘCZYŃSKA ENERGETYKA SP. Z O.O.
Strive to increase the safety of workforce	<ul style="list-style-type: none"> ◇ Workplace: Occupational Health and Safety [GRI 401, GRI 403-1, GRI 403-2, GRI 403-3, GRI 403-4] ◇ Supplier Assessment [GRI 414-1, GRI 414-2] ◇ Grievance Mechanisms [GRI 103-2] 	high	medium
Ensure safety and support development of local community	<ul style="list-style-type: none"> ◇ Biodiversity [GRI 304-1, GRI 304-2, GRI 304-3, GRI 304-4] ◇ Supplier Environmental Assessment [GRI 308-1, GRI 308-2] ◇ Materials [GRI 301-1, GRI 301-2] ◇ Energy [GRI 302-1, GRI 302-3] ◇ Water [GRI 303-1, GRI 303-2, GRI 303-3] ◇ Emissions [GRI 305 -1, GRI 305-2, GRI 305-4, GRI 305-7] ◇ Effluence and Waste [GRI 306-1, GRI 306-2, GRI 306-3, GRI 306-5] ◇ Compliance [GRI 307-1] ◇ Grievance Mechanisms [GRI 103-2] ◇ Local Communities [GRI 413-1, GRI 413-2] 	high	high
Ensure safety and support development of local community	<ul style="list-style-type: none"> ◇ Indigenous Peoples [GRI 411-1] ◇ Local Communities [GRI 413-1, GRI 413-2] ◇ Economic Impacts [GRI 201-1, GRI 201-2, GRI 201-3, GRI 201-4] ◇ Market Presence [GRI 201-5, GRI 201-6] ◇ Indirect Economic Impacts [GRI 201-7, GRI 201-8] ◇ Employment [GRI 401-1, GRI 401-3] 	high	low
Transparent and responsible management practices	<ul style="list-style-type: none"> ◇ Supplier Human Rights Assessment [GRI 414-1, GRI 414-2] ◇ Supplier Environmental Assessment [GRI 308-1, GRI-308-2, GRI 308-3] ◇ Work Safety: Supplier Assessment [GRI 414-1, GRI 414-2] ◇ Anti-Corruption [GRI 205-1, GRI 205-2, GRI 205-3] 	high	medium

¹² At the same time, Ekotrans sp. z o.o. is material only as regards certain ecological aspects [nuisance of transport, dust spreading from cargo]. Whereas RG Bogdanka sp. z o.o. and MR Bogdanka sp. z o.o.

KEY FINANCIAL RESULTS



FINANCIAL STATEMENTS OF THE LW BOGDANKA GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)*

	31.12.2017	31.12.2018
ASSETS		
Non-current assets		
Property, plant and equipment	3,240,307	3,270,293
Intangible assets	59,961	58,844
Investment properties	3,365	3,312
Deferred tax assets	2,024	1,833
Trade and other receivables	1,342	1,261
Cash and cash equivalents	121,806	128,279
Total non-current assets	3,428,805	3,463,822
CURRENT ASSETS		
Inventories	62,557	83,382
Trade and other receivables	209,078	203,452
Overpaid income tax	23,504	11,835
Other current investments	-	67
Cash and cash equivalents	434,928	170,793
	730,067	469,529
TOTAL ASSETS	4,158,872	3,933,351
EQUITY		
Equity attributable to owners of the Parent		
Ordinary shares	301,158	301,158
Other capitals	1,615,010	2,288,291
Retained profits	975,357	350,490
	2,891,525	2,939,939
Non-controlling interests	10,002	10,177
Total equity	2,901,527	2,950,116

* All amounts in tables are in PLN '000, unless otherwise specified.

	31.12.2017	31.12.2018
LIABILITIES		
Non-current liabilities		
Loans and borrowings	16,966	13,930
Deferred income tax liability	205,334	213,686
Provisions for employee benefits	119,532	132,347
Provisions for other liabilities and charges	114,448	124,207
Grants	13,148	12,587
Trade and other liabilities	43,007	39,675
	512,435	536,432
Current liabilities		
Loans and borrowings	3,242	3,212
Provisions for employee benefits	37,489	32,809
Provisions for other liabilities and charges	85,770	79,156
Grants	560	560
Financial liabilities on account of bond issue	301,911	-
Trade and other liabilities	315,938	330,549
Contract liabilities	-	517
	744,910	446,803
Total liabilities	1,257,345	983,235
TOTAL EQUITY AND LIABILITIES	4,158,872	3,933,351

CONSOLIDATED INCOME STATEMENT

	FOR THE PERIOD	
	01.01.2017 – 31.12.2017	01.01.2018 – 31.12.2018
Revenue from contracts with customers, including:	1,780,321	1,756,671
Core business revenue	1,731,604	1,707,797
Additional business revenue	48,717	48,874
Costs of products, goods and materials sold	[859,161]	[1,583,971]
Gross profit	921,160	172,700
Selling costs	[41,115]	[42,996]
Administrative expenses	[33,903]	[101,492]
Other income	5,104	34,621
Other costs	[1,161]	[1,118]
Other profit / [loss] – net	[2,815]	312
Profit on operating activities	847,270	62,027
Finance income	7,253	14,542
Finance costs	[25,762]	[11,649]
Profit before taxation	828,761	64,920
Income tax	[160,836]	[11,124]
Net profit for the financial year	667,925	53,796
including:		
– attributable to the owners of the Parent	667,613	53,626
– attributable to non-controlling interests	312	170

	FOR THE PERIOD	
	01.01.2017 – 31.12.2017	01.01.2018 – 31.12.2018
Earnings per share attributable to owners of the Parent during the year (in PLN per share)		
- basic	19.63	1.58
- diluted	19.63	1.58

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	FOR THE PERIOD	
	01.01.2017 – 31.12.2017	01.01.2018 – 31.12.2018
Zysk netto za okres obrotowy	667,925	53,796
Total other comprehensive loss for the financial period		
Items which will never be subject to reclassification to profit or loss for the current period:		
Actuarial gains (losses) of defined benefit schemes	[30,043]	[6,428]
Income tax relating to non-transferrable items	5,708	1,221
Items which will never be subject to reclassification to profit or loss for the current period – total	[24,335]	[5,207]
Other net comprehensive loss for the reporting period	[24,335]	[5,207]
Other net comprehensive income for the reporting period – total. Including:	643,590	48,589
- attributable to owners of the Parent 643,281 175,252	643,281	48,414
- attributable to non-controlling interest	309	175

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	ATTRIBUTABLE TO OWNERS OF THE PARENT					TOTAL EQUITY	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	ORDINARY SHARES	OTHER CAPITALS						
		SUPPLEMENTARY FUND	RESERVE CAPITAL	OTHER CAPITAL RELATED TO THE MANAGEMENT OPTIONS SCHEME	RETAINED PROFITS			
Stan na 01.01.2018 r.	301,158	702,549	908,622	3,839	975,357	2,891,525	10,002	2,901,527
Total net comprehensive income for the reporting period:	-	-	-	-	48,414	48,414	175	48,589
- net profit	-	-	-	-	53,626	53,626	170	53,796
- other comprehensive loss	-	-	-	-	[5,212]	[5,212]	5	[5,207]
Transfer of the result for 2017	-	-	673,281	-	[673,281]	-	-	-
As at 31 December 2018	301,158	702,549	1,581,903	3,839	350,490	2,939,939	10,177	2,950,116
As at 1 January 2017	301,158	702,549	766,740	3,839	507,972	2,282,258	10,149	2,292,407
Total net comprehensive income for the reporting period:	-	-	-	-	643,281	643,281	309	643,590
- net profit	-	-	-	-	667,613	667,613	312	667,925
- other comprehensive loss	-	-	-	-	[24,332]	[24,332]	- 3	[24,335]
Dividend for 2016	-	-	-	-	[34,014]	[34,014]	- 456	[34,470]
Transfer of the result for 2016	-	-	141,882	-	[141,882]	-	-	-
As at 31 December 2017	301,158	702,549	908,622	3,839	975,357	2,891,525	10,002	2,901,527

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER		
	2017	2018
Cash flow from (used in) operating activities		
Cash inflow from operating activities*	640,096	460,563
Interest received and paid	[1,531]	[9,545]
Income tax paid and received	[30,048]	7,856
Net cash flow from (used in) operating activities	608,517	458,874
Cash flow from (used in) investing activities		
Acquisition of property, plant and equipment	[368,174]	[415,277]
Interest paid regarding investing activities	[3,126]	[5,544]
Acquisition of intangible assets	[1,160]	[5,243]
Inflow from the sale of property, plant and equipment	3,924	3,613
Interest received	7,072	8,623
Expenditure on other current investments	-	[153,098]
Inflows from other current investments	-	155,167
Outflow on account of funds being deposited in the bank account of the Mine Closure Fund	[10,588]	[6,473]
Net cash flow from (used in) investing activities	[372,052]	[418,232]
Cash flow from (used in) financing activities		
Bond redemption	[300,000]	[300,000]
Repayments of loans and borrowings	[3,036]	[3,036]
Interest and commissions paid regarding financing activities	[5,137]	[1,741]
Dividend paid	[34,470]	-
Net cash flow from (used in) financing activities	[342,643]	[304,777]
Net decrease in cash and cash equivalents	[106,178]	[264,135]
Cash and cash equivalents at beginning of period	541,106	434,928
Cash and cash equivalents at end of period	434,928	170,793

OTHER FINANCIAL AND NON-FINANCIAL DATA TABLES

[GRI 201-1] Economic value generated [PLN '000]

	2017	2018
Direct economic value generated	1,792,678	1,805,834
Revenue		1,592,835
Economic value distributed	1,792,678	1,805,834
Operating expenses		629,019
Salaries and wages and employee benefits	908,055	1,592,835
Payments to providers of capital	210,453	913,037
Payments to government	608,247	629,019
Community investments	42,733	7,285
Economic value retained [calculated as economic value generated less economic value distributed]	46,221	43,275

Selected items of capital expenditure of the LW Bogdanka Group [PLN '000]

ITEM	PTE 2018	PTE 2018 IMPLEMEN- TATION	PTE 2018 IMPLEMEN- TATION [%]	PTE 2019
New excavations and upgrade of existing ones	291,365	300,174	103.0%	378,273
Maintenance of machinery	142,890	121,709	85.2%	86,608
New licences	3,900	1,089	27.9%	6,850
Ostrów Field	645	429	66.5%	7,805
Longwalls	40	0	0.0%	30,000
Other development investments	28,021	20,843	74.4%	39,006
ICT	6,957	4,692	67.4%	7,568
Administration	60	47	78.3%	20
Transport	170	166	97.6%	2,186
Other	11,322	6,149	54.3%	7,870
Total CAPEX in LW Bogdanka SA	485,370	455,298	93.8%	566,186
Łęczyńska Energetyka sp. z o.o.	9,500	7,148	75.2%	13,000
Other subsidiaries	1,142	655	57.4%	1,312
Total CAPEX at the LW Bogdanka Group	496,012	463,101	93.4%	580,498

Capital expenditure for excavations in 2018

EXCAVATIONS AND WORKS – TOTAL	DEPRECIATION METHOD	LENGTH [M]	VALUE OF THE COAL FROM THE EXCAVATIONS [PLN '000]	TOTAL VALUE OF CAPITAL EXPENDITURE [PLN '000]	VALUE OF CAPITAL EXPENDITURE [PLN '000]
Longwall excavations:	natural	28,495.90	113,225	410,705	297,480
Basic excavations	linear	4,317.00			
Reconstructions	linear / natural	2,031.70			

[GRI 102-45] Subsidiaries and joint subsidiaries covered by consolidation in the LW Bogdanka Group's financial statements

SUBSIDIARIES AND JOINT SUBSIDIARIES COVERED BY CONSOLIDATION IN THE LW BOGDANKA GROUP'S FINANCIAL STATEMENTS	REGISTERED OFFICE	WWW	% OF SHARES HELD	METHOD OF CONSOLIDATION IN FINANCIAL STATEMENTS	LW BOGDANKA GROUP'S COMPANIES INCLUDED IN THE SOCIAL RESPONSIBILITY REPORT
LW Bogdanka SA	Bogdanka	www.lw.com.pl	-	full	yes
Łęczyńska Energetyka Sp. z o.o.	Bogdanka	www.lebog.com.pl	88.70	full	yes
EkoTrans Bogdanka Sp. z o.o.	Bogdanka	www.ekotrans-bogdanka.pl	100.00	full	yes
RG Bogdanka Sp. z o.o.	Bogdanka	www.rgbogdanka.pl	100.00	full	yes
MR Bogdanka sp. z o.o.	Bogdanka	www.mrbogdanka.pl	100.00	full	yes

[GRI 301-2] Materials reused [recycled]

	2017	2018
heading casing elements recycled [Mg]	9,191.123	9,660*
heading casing elements non-recyclable [scrapped] [Mg]	14,907.511	18,275
% of recycled casings	38.1	52.5**

* In 2018 the Company did not break its sales into heading casing elements and other steel elements, therefore the indicator shows the whole of scrap sold. It is impossible to calculate the indicator precisely for the casing.

** Recycling indicator for all steel elements

[GRI 301-3] **Energy requirement and heat generation**

CATEGORY	J.M.	2017	2018
PURC HASED BY LW BOGDANKA			
electricity	[GJ] [kWh]	1,175,544.53 [326,540,146]	1,226,626.59 [340,729,608]
heat	[GJ]	146,290.00	158,620.00
Diesel oils	[GJ]	113,417.40	126,073.77
Total		1,431,251.92	1,511,320.36
REFAKTUROWANE PRZEZ LW BOGDANKA			
electricity	[GJ] [kWh]	21,538.35 [5,982,876]	21,280.54 [59,112.60]
heat	[GJ]	-	-
Diesel oils	[GJ]	-	-
Total		21,538.35	21,280.54
INC LUDING REINVOICED BY LW BOGDANKA TO ŁĘCZYŃSKA ENERGETYKA SP. Z O.O.			
electricity	[GJ] [kWh]	18,787.01 [5,218,614]	18,887.40 [52,465.01]
heat	[GJ]	-	-
Diesel oils	[GJ]	-	-
Total		18,787.01	18,887.40

CATEGORY		2017	2018
Total heat generated by Łęczyńska Energetyka Sp. z o.o. [produced]	[GJ]	440,934	432,510
Total heat sold by Łęczyńska Energetyka Sp. z o.o.	[GJ]	349,334	351,807

[GRI 301-4] **Energy intensity of LW Bogdanka SA [coal extraction, processing and transport]**

	J.M.	2017	2018
Energy consumed in production processes calculated per 1 tonne of coal	GJ/ Mg [MJ/kg]	0.156	0.165
including electric energy consumed in production processes calculated per 1 tonne of coal	GJ/ Mg [MJ/kg]	0.128	0.134

[GRI 301-1, 303-1, 303-3] **Water demand**

	J.M.	2017	2018
LW BOGDANKA SA			
purchase of water from surface intakes	'000 m ³	1,932.4	2,309.2
mine water recovered and reused	'000 m ³	2,429.91 Including: • 411.64 [upgrade at MCPP] • 1.91 – [water for deslagging ŁE] • 2,016.36 [WTS]	3,053.44 Including: • 423.60 [upgrade at MCPP] • 1.47 – [water for deslagging ŁE] • 2,628.37 [WTS]
ŁĘCZYŃSKA ENERGETYKA SP. Z O.O.			
water extracted from underground intakes	'000 m ³	124.8	99.049
potable water sold	'000 m ³	252.9	254.779
mine water recovered and reused	'000 m ³	127.8 [potable water] 1,593.9 [firefighting] 91.2 [air conditioning]	174.15 [potable water] 1,960.44 [firefighting] 81.97 [air conditioning]

* Including in Zawadów 413 m³ – water collected from ZGK Puchaczów and sold to LW Bogdanka.

[GRI 306-1] **Volume of discharged sewage water**

	J.M.	2017	2018
Sewage water (mine water) discharged by LW Bogdanka (mechanical treatment – mine water tank)	'000 m ³	5,337.0	5,459.4
Communal sewage water discharged by Łęczyńska Energetyka Sp. z o.o. (mechanical and biological treatment)	'000 m ³	206.5	148.66
Rain sewage water discharged by Łęczyńska Energetyka Sp. z o.o.	'000 m ³	373.9	379.90

* The volume does not include additional 398,855.4 m³ of effluent from the mining waste neutralisation facility.

[GRI 304-3, 304-4] **Valuable species habitats in territories neighbouring the mining areas**

[more at: <http://obszary.natura2000.org.pl/>]

UŚCIWIERSKIE LAKES (PLH060009; AREA.: 2,065.57 HA)	
Flora	Flora growing in the sanctuary includes rare plants connected with wetlands and open waters. Species found on peatlands and wet meadows: <i>betula humilis</i> [post-glacial period relic], Lapland willow and marsh tea. Species dangerous for insects are: bicoloured common butterwort and round-leaved sundew. Other species worth noting are: early marsh orchid, marsh helleborine and marsh gentian
Fauna	Birds are best identified animals. We may find here species endangered by global extinction such as corncrake, great snipe and aquatic warbler. Wetlands and lakes with non-accessible shores are habitats of species such as bittern and little bittern. We will also find in large numbers birds of prey, including lesser spotted eagle, montagu's harrier and eagle owl. We may also see bluethroat and little crane in the sanctuary. Regarding other animal classes, there are perfect conditions for European beaver, otter and moose. Reptiles and amphibians of interest include European fire-bellied toad and pond turtle. There are plenty of fish species, among others spined loach, weatherfish, bitterling and swamp minnow. There are also plenty of butterfly species, with especially worth noting scarce large blue, dusky large blue and large copper
MIDDLE WIEPRZ VALLEY (PLH060005, AREA: 1,523.34 HA, IN CA. 4 KM DISTANCE)	
Flora	On the surface of reservoirs we may find floating fern, gibbous duckweed, yellow water lily and common white water lily. Flora found on meadows includes: Siberian iris, mouse garlic and broad-leaved marsh orchid. Stenothermal plants such as e.g. pheasant's eye grow on scarps. There are also very valuable ash and alder trees, alder carrs and pitch pine. Near Zakrzów we will find grey alder. Another interesting species in the sanctuary is native primrose extinct on normal sites
Fauna	There are many animal species here. Birds include corncrake – a species endangered by global extinction. Other species are western marsh harrier, black-tiled godwit, redshank, rosefinch and bluethroat. Mammals connected with water include beaver and otter. We will find also spined loach and fire-bellied toad. There are also plenty of insect species. Protected butterflies include coppers – violet copper and large copper, and blues – scarce large blue and dusky large blue. Danube clouded yellow may be found on xerothermophilous swards. There are also dragonflies: yellow-spotted whiteface [reservoirs] and green snaketail [flowing waters].
POLESIE SANCTUARY (PLH060013, AREA: 10,159.1 HA; CA. 5 KM)	
Flora and fauna	The sanctuary contains 15 types of habitats listed in Annex I of Habitats Directive and 20 species of fauna and flora listed in Annex II of the Directive. In total, 1,400 flora species and ca. 200 vertebrate species are found here. There are also plenty of invertebrate species. 340 butterfly species were identified, which accounts for one tenth of all such species found in Poland, 3 species may be found only in the Polesie Sanctuary. The site is also very important as regards pond turtle and swamp minnow because it is one of the largest sanctuaries of those species in Poland.
BUBNÓW BOGLAND (PLB060001, AREA: 2,187.6 HA; CA. 10 KM)	
Flora	Molinion meadows, sedges swamps, bogs, swards, scrubs and small mixed woods. The most valuable flora species include bicoloured common butterwort and early marsh orchid cream-flowered subspecies.
Fauna	Rarely found bird species: short-eared owl, aquatic warbler, great snipe. Protected species: bittern, white stork, western marsh harrier, hen harrier, montagu's harrier, lesser spotted eagle, spotted crane, little crane, corncrake, crane, great snipe, short-eared owl, bluethroat, aquatic warbler, barred warbler, red-backed shrike, ortolan.
THE ŁĘCZNA LAKE DISTRICT LANDSCAPE PARK	
Flora	Rare species found on peatlands include <i>betula humilis</i> , Lapland willow, marsh pennywort, <i>Pedicularis sceptrum-carolinum</i> , marsh helleborine, broad-leaved marsh orchid, and many others.
Fauna	When it comes to fauna, special attention should be given to European pond turtle. Ponds, lakes and peatlands are a habitat for aquatic and wetland birds such as red-necked grebe, bittern, or black-tiled godwit. Eurasian penduline tit nests on water banks. It builds characteristic round-shaped nests with the use of willow and poplar blossom. Reed bed is often a breeding place for western marsh harrier

[GRI 301-1, 303-3] **Greenhouse gas emissions and operating effectiveness ***

	J.M.	2017	2018	COMMENT
LW BOGDANKA SA				
Diesel oil	Mg	8,404	9,342	estimated in accordance with 'GHG Stationary combustion tool [Version4]' [GHG Protocol]
consumed electricity	Mg	211,135	222,733.39	estimated in accordance with 'GHG emissions from purchased electricity [Version 4_2]'
Total	Mg	219,539	232,075	
ŁĘCZYŃSKA ENERGETYKA SP. Z O.O.				
heat generation	Mg	53,030	48,777	actual reporting data
consumed electricity	Mg	3,437.24	3,524.00	estimated in accordance with 'GHG emissions from purchased electricity [Version 4_2]'[GHG Protocol]
Total	Mg	56,467	52,301	
Group's total	Mg	276,006	284,376	

* The table includes estimates for emissions (e.g. indirect) which, in accordance with regulations, do not have to be reported to public administration authorities - hence the values presented here are higher

	J.M.	2017	2018
Indirect and direct CO ₂ emissions connected with production processes per 1 tonne of coal [LW Bogdanka excluding building ceramics production]	Mg of CO ₂ /Mg of coal	0,02426	0,02576
Total indirect and direct CO ₂ emissions per revenue [LW Bogdanka Group]	Mg of CO ₂ / PLN '000	0,15503	0,16188

[GRI 305-7] **NO_x, SO₂ emissions and refrigerant losses**

		2017	2018
LW BOGDANKA SA			
NO _x	[kg]	-	-
SO ₂	[kg]	-	-
R-407C refrigerant	[kg]	2,137	1,096.60
R-410A refrigerant	[kg]	17.2	2.0
ŁĘCZYŃSKA ENERGETYKA SP. Z O.O.			
NO _x	[kg]	64,349.42	65,220.71
SO ₂	[kg]	30,614.35	30,531.53
R-407C refrigerant	[kg]	-	-
R-410A refrigerant	[kg]	-	-

[GRI 306-2] Waste by type and disposal method

	2017	2018	CHANGE 2017/2018 [%]
LW BOGDANKA SA			
NON-HAZARDOUS WASTE			
Production [Mg]	5,711,641.42	6,665,107.20	116.69%
Recovery [Mg]	2,700,713.73	3,112,063.36	115.23%
	47.28%	46.7%	
Treatment [Mg]	3 010 927.69	3 553 043.84	118.00%
	52.72%	53.3%	
HAZARDOUS WASTE			
Production [Mg]	78.16	99.57	127.39%
Recovery [Mg]	75.46	97.27	128.90%
	96.55%	97.7%	
Treatment [Mg]	2.7	2.30	85.19%
	3.45%	2.3%	
ŁĘCZYŃSKA ENERGETYKA SP. Z O.O.			
NON-HAZARDOUS WASTE			
Production [Mg]	4,124.70	4,599.55	111.51%
Recovery [Mg]	4,097.03	4,566.71	111.46%
	99.33%	99.3%	
Treatment [Mg]	27.67	32.84	118.67.19%
	0.67%	0.7%	
HAZARDOUS WASTE			
Production [Mg]	1.58	1.17	73.92%
Recovery [Mg]	1.47	1.06	71.84%
	92.96%	90.4%	
Treatment [Mg]	1.80	0.11	101.82%
	7.04%	9.6%	

[GRI 103] Environmental protection expenditure [PLN '000]

	2017	2018
LW BOGDANKA SA		
Protection costs [reclamation, monitoring]	1,990	3,908
Post-mining waste management and post-industrial waste treatment	33,269	36,729
Cost of certified reports, opinions, documentation, designs etc.	296	78
Environmental charges, including:	399	451
– emission of gases and dust from transport means, ZCB [building ceramics plant] and air conditioning devices	130	102
– waste	-	-
– waste water disposal	269	349
Total	35,954	41,166

	2017	2018
ŁĘCZYŃSKA ENERGETYKA SP. Z O.O.		
Emissions of pollution from boiler houses:		
- in Bogdanka	80.98	81.116
- in Łęczna	-	0.009
- in Zawadów	5.80	4.1
For underground water intake and sewage discharge in Bogdanka, Nadrybie and Stefanów	41.37	32.573
Total	128.15	117.798

[GRI 401-1] **New employments during a year**

	2017			2018		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
LW BOGDANKA GROUP (CAPITAL GROUP IN TOTAL)						
Below 30 years	7	179	186	11	544	566
Between 31 and 40 years	4	101	105	8	208	216
Between 41 and 50 years	0	27	27	3	39	42
Over 50 years	0	15	15	0	21	21
Total	11	322	333	22	812	834
LW BOGDANKA SA						
Below 30 years	6	139	145	9	271	280
Between 31 and 40 years	6	59	65	8	111	119
Between 41 and 50 years	0	11	11	3	24	27
Over 50 years	3	0	3	0	11	11
Total	15	209	224	20	417	437
ŁĘCZYŃSKA ENERGETYKA SP. Z O.O.						
Below 30 years	1	1	2	0	1	1
Between 31 and 40 years	0	2	2	0	0	0
Between 41 and 50 years	0	1	1	0	2	2
Over 50 years	0	1	1	0	2	2
Total	1	5	6	0	5	5
RG BOGDANKA SP. Z O.O.						
Below 30 years	2	212	214	2	182	184
Between 31 and 40 years	1	46	47	0	65	65
Between 41 and 50 years	0	4	4	0	10	10
Over 50 years	0	3	3	0	3	3
Total	3	265	268	2	260	262
MR BOGDANKA SP. Z O.O.						
Below 30 years	1	186	187	0	90	90
Between 31 and 40 years	0	73	73	0	32	32
Between 41 and 50 years	0	13	13	0	3	3
Over 50 years	0	16	16	0	5	5
Total	1	288	289	0	130	130

EKOTRANS BOGDANKA SP. Z O.O						
Below 30 years	0	0	0	0	0	0
Between 31 and 40 years	0	0	0	0	0	0
Between 41 and 50 years	0	0	0	0	0	0
Over 50 years	0	0	0	0	0	0
Total	0	0	0	0	0	0

[GRI 401-1] **Employees leaving during a year**

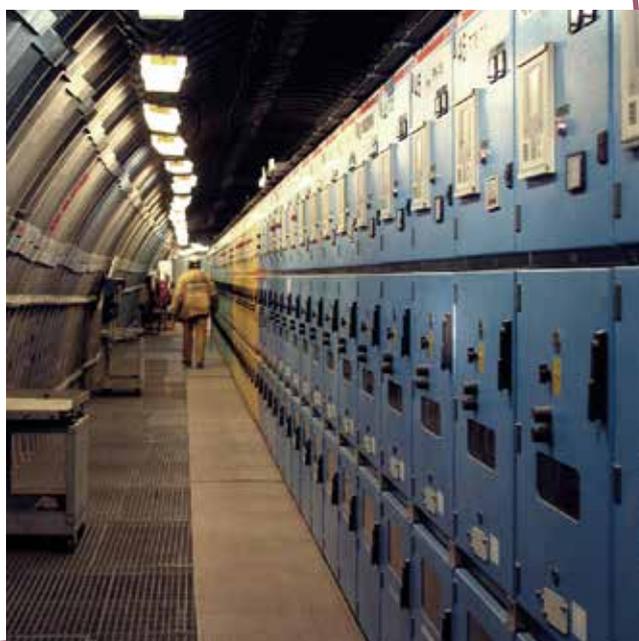
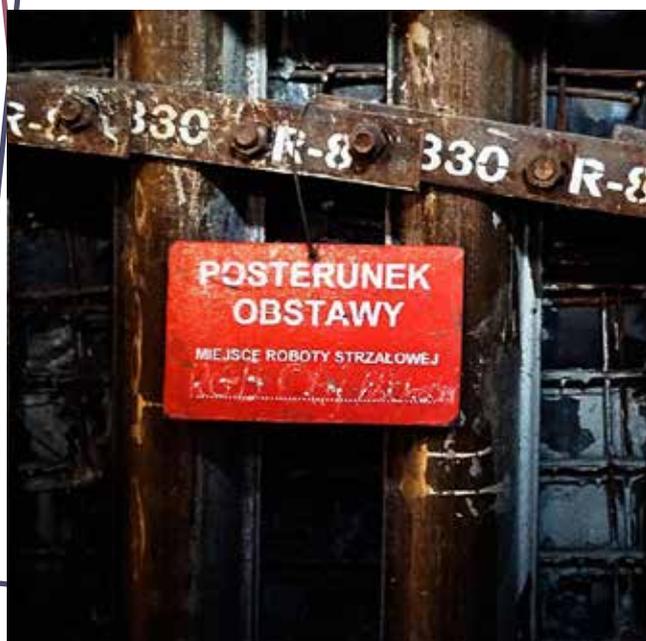
	2017			2018		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
LW BOGDANKA GROUP [CAPITAL GROUP IN TOTAL]						
Below 30 years	3	275	278	2	448	450
Between 31 and 40 years	4	125	129	1	274	275
Between 41 and 50 years	1	88	89	1	103	104
Over 50 years	10	192	202	8	77	85
Total	18	680	698	12	902	914
LW BOGDANKA SA						
Below 30 years	0	17	17	1	27	28
Between 31 and 40 years	1	17	18	1	20	21
Between 41 and 50 years	0	78	78	1	51	52
Over 50 years	5	97	102	6	51	57
Total	6	209	215	9	149	158
ŁĘCZYŃSKA ENERGETYKA SP. Z O.O.						
Below 30 years	0	0	0	0	1	1
Between 31 and 40 years	1	0	1	0	0	0
Between 41 and 50 years	0	1	1	0	0	0
Over 50 years	0	6	6	2	2	4
Total	1	5	8	2	3	5
RG BOGDANKA SP. Z O.O.						
Below 30 years	0	88	88	1	221	222
Between 31 and 40 years	0	44	44	0	109	109
Between 41 and 50 years	0	9	9	0	24	24
Over 50 years	0	4	4	0	4	4
Total	0	145	145	1	358	359
MR BOGDANKA SP. Z O.O.						
Below 30 years	0	92	92	0	199	199
Between 31 and 40 years	1	53	54	0	145	145
Between 41 and 50 years	0	6	6	0	28	28
Over 50 years	0	12	12	0	20	20
Total	1	163	164	0	392	392

	2017			2018		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
EKOTRANS BOGDANKA SP. Z O.O						
Below 30 years	0	0	0	0	0	0
Between 31 and 40 years	0	0	0	0	0	0
Between 41 and 50 years	0	0	0	0	0	0
Over 50 years	0	0	0	0	0	0
Total	0	0	0	0	0	0

[GRI 401-3] Employees on parental leaves

	NUMBER OF EMPLOYEES	
	2017	2018
LW BOGDANKA SA		
Number of employees on parental leaves		
- Women	7	13
- Men	5	3
Number of employees who returned after parental leaves in given year		
- Men	291	411
ŁĘCZYŃSKA ENERGETYKA SP. Z O.O.		
Number of employees on parental leaves		
- Women	0	0
- Men	0	0
Number of employees who returned after parental leaves in given year		
- Men	0	0
RG BOGDANKA SP. Z O.O.		
Number of employees on parental leaves		
- Women	1	1
- Men	0	0
Number of employees who returned after parental leaves in given year		
- Men	23	33
MR BOGDANKA SP. Z O.O.		
Number of employees on parental leaves		
- Women	1	1
- Men	0	0
Number of employees who returned after parental leaves in given year		
- Men	16	12
EKOTRANS BOGDANKA SP. Z O.O		
Number of employees on parental leaves		
- Women	0	0
- Men	0	0
Number of employees who returned after parental leaves in given year		
- Men	0	0

GRI INDICATORS



INDICATORS	GRI GUIDELINES	AREA ACCORDING TO ISO 26000	SDG	COMMENT / DESCRIPTION	PAGE
PROFILE INDICATORS (GRI 102 GENERAL DISCLOSURES 2016)					
GRI 102-1	Name of the organisation	-	-	Lubelski Węgiel Bogdanka Spółka Akcyjna with registered office in Bogdanka [identified in the report also in short as: LW Bogdanka SA or LW Bogdanka]	
GRI 102-2	Primary brands, products and/or services	-	-	[Business model and scale of the organisation], [Effective business model]	34
GRI 102-3	Location of the organisation's headquarters	-	-	Bogdanka, 21-013 Puchaczów [Lublin Province] www.lw.com.pl	
GRI 102-4	Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the Report	-	-	The organisation operates in Poland – extraction is conducted in the Lublin Province, in the commune of Puchaczów, within the territories of localities of Bogdanka, Stefanów and Nadrybie [in accordance with mining concessions held]. Wells are drilled in new areas located in the vicinity of those currently under exploitation.	
GRI 102-5	Nature of ownership and legal form	-	-	Joint stock company, quoted on the Warsaw Stock Exchange Detailed information about current shareholding structure may be found at: http://ri.lw.com.pl/lw-bogdanka-at-stock-exchange-shareholding-structure [Shareholding structure]	
GRI 102-6	Markets served, including geographic breakdown, sectors served, and types of customers/consumers and beneficiaries	-	-	[Business model and scale of the organisation], [Effective business model]	34
GRI 102-7	Scale of the organisation	-	-	[Business model and scale of the organisation]	8
GRI 102-8	Number of own employees and workers supervised by the company by gender and type of contract	6.4. 6.4.3.	8	[Business model and supply chain] [Other financial and non-financial data tables]	9, 42
GRI 102-9	Description of the organisation's supply chain	-	-	[Business model and supply chain]	9
GRI 102-10	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or supply chain	-	-	[Business model and scale of the organisation]	8
GRI 102-11	Explanation whether and how the precautionary approach or principle is addressed by the organisation	6.2.	-	This aspect is described in one of LW Bogdanka SA's Integrated Management System procedures for recognition and documentation of environmental impact and identification of significant impacts [Procedure PZ/S/04/01: "Identification and assessment of environmental aspects"].	
GRI 102-12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	6.2.	-	[Business model and scale of the organisation]	8, 20

GRI 102-13	Memberships of associations [such as industry associations] and/or national or international advocacy organisations	6.2.		[Business model and scale of the organisation]	20
GRI 102-14	Statement from the most-senior decision-maker of the organisation [e.g. CEO, chair or equivalent senior position] about the relevance of sustainability to the organization and its strategy	6.2.		[Message from the President]	5
GRI 102-15	Description of key impacts, risks and opportunities	6.2.		[Message from the President], [Management and Corporate Social Responsibility], [Integrated Corporate Risk Management System], [About the Report]	5, 13, 38
GRI 102-16	Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	6.2.	16	[Ethics as component of the organisational culture]	55
GRI 102-17	Mechanisms for resolving ethical dilemmas and reporting concerns about unethical or unlawful behaviour and for their escalation	6.2.	16	[Ethics as component of the organisational culture]	55
GRI 102-18	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight	6.2.	16	Detailed information about organisational and management structure may be found in LW Bogdanka Group's consolidated financial statements for 2017 (http://ri.lw.com.pl/raporty-okresowe?page=reports-annual-and-interim-reports). [Governing bodies of LW Bogdanka SA] [Integrated Management System] [Management and Corporate Social Responsibility] [Integrated Enterprise Risk Management System]	
GRI 102-40	List of stakeholder groups engaged by the organisation			[About the Report]	78, 99
GRI 102-41	Percentage of total employees covered by collective bargaining agreements		8	100% [Social dialogue as component of the management culture]	
GRI 102-42	Basis for identification and selection of stakeholders with whom to engage			[About the Report]	99
GRI 102-43	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group			[About the Report]	99
GRI 102-44	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting			[About the Report]	100
GRI 102-45	Entities included in the organisation's consolidated financial statements			[Other financial and non-financial data tables]	110
GRI 102-46	Process for defining the Report content			[About the Report]	99
GRI 102-47	Identified material aspects of social and environmental impacts			[About the Report]	100
GRI 102-48	Explanation on the effect of any restatements of information provided in previous reports, and the reasons for such restatements and their impact [e.g. mergers, acquisitions, change of base years/periods, nature of business, measurement methods]			Erroneous data regarding 2017 for the 301-1 indicator (and in consequence 301-4 indicator): energy from diesel oil combustion was erroneously omitted in the energy consumption.	

GRI 102-49	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the Report			-	
GRI 102-50	Reporting period [such as fiscal or calendar year] for information provided			-	1 January 2018-31 December 2018
GRI 102-51	Date of most recent previous report [if any]			-	2018
GRI 102-52	Reporting cycle [such as annual, biennial]			-	Annual
GRI 102-53	Contact point			-	Agata Koszarna CSR Inspector Lubelski Węgiel BOGDANKA SA tel.: +48 81 462 56 58 akoszarna@lw.com.pl
102-54	Statement on compliance with GRI Standards			-	[GRI Indicators] 99
102-55	GRI Index			-	[GRI Indicators] 119
102-56	External assurance			7.5.3.	[About the Report] 99
ECONOMIC PERFORMANCE					
ECONOMIC PERFORMANCE [GRI 201 ECONOMIC PERFORMANCE 2016]					
GRI 201-1	Direct economic value generated and distributed, including revenue, operating expenses, employee compensations, donations and other community investments, retained earnings and payments to capital providers and governments	6.8. 6.8.3. 6.8.7. 6.8.9.		2, 5, 7, 8, 9,	[Other financial and non-financial data tables] 109
GRI 201-2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	6.5.5.		13	[Integrated Enterprise Risk Management System] 38
GRI 201-3	Coverage of the organisation's defined benefit plan obligations				None of the companies included in the Report provides the Employee Pension Scheme to its employees. Pursuant to the Company's Collective Bargaining Agreements and applicable provisions of law, the Group's companies pay the following key benefits: • pays upon retirement due to old age or disability, • length-of-service awards, • death benefits, • coal allowance benefits. The liability under the above benefits is calculated by an independent actuarial advice company. Detailed information in this regard may be found in LW Bogdanka Group's consolidated financial statements [http://ri.lw.com.pl/raporty-okresowe?page=reports-annual-and-interim-reports].
GRI 201-4	Significant financial assistance received from government				LW Bogdanka Group's companies have not used any direct state aid. A loan of nearly PLN 27 million granted to Łęczyńska Energetyka sp. z o.o. by the Provincial Fund for Environmental Protection and Water Management for the construction of the Water

		-		Treatment Plant in Bogdanka may be deemed a certain form of such aid. [Water management]	
MARKET PRESENCE [GRI 202 MARKET PRESENCE 2016]					
GRI 202-1	Ratios of standard entry level wage compared to local minimum wage at significant locations of operation	6.4.4. 6.8.	1, 5, 8	[Other financial and non-financial data tables]	45
GRI 202-2	Proportion of senior management hired from the local community	6.8. 6.8.5 6.8.7	8	[Mine's economic impact]	
INDIRECT ECONOMIC IMPACTS [GRI 203 INDIRECT ECONOMIC IMPACTS 2016]					
GRI 103-1 103-2	Management approach	6.2. 6.8.		[Nature of social impact] [Mine's economic impact] [Engagement in social life]	82, 83
GRI 203-1	Development of and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement. Impact of those activities on the society.	6.3.9. 6.8. 6.8.3. 6.8.4. 6.8.5. 6.8.6. 6.8.7. 6.8.9	2, 5, 7, 9, 11	[Engagement in social life]	83
GRI 203-2	Significant indirect economic impacts on local community		1, 2, 8, 10, 16	[Nature of social impact] [Mine's economic impact] [Engagement in social life]	82, 83
ANTI-CORRUPTION [GRI 205 ANTI-CORRUPTION 2016]					
GRI 103-1 103-2	Management approach	6.2. 6.8.		[Ethics as component of the organisational culture]	80
GRI 205-1	Percentage and total number of business units analysed for risks related to corruption	6.6. 6.6.3.	16	[Ethics as component of the organisational culture]	56
GRI 205-2	Percentage of employees trained in	6.6. 6.6.3	16	[Ethics as component of the organisational culture]	56
GRI 205-3	organization's anti-corruption policies and procedures	6.6. 6.6.3.	16	[Ethics as component of the organisational culture]	56
ENVIRONMENTAL					
MATERIALS [GRI 301 MATERIALS 2016]					
GRI 103-1	Management approach	6.2. 6.8.		[Energy and emissions]	96
GRI 301-1	Materials used by weight or volume	6.5. 6.5.4.	8, 12	[Other financial and non-financial data tables]	96
GRI 301-2	Percentage of materials used that are recycled input materials	6.5. 6.5.4.	8, 12	[Other financial and non-financial data tables]	110
ENERGY [GRI 302 ENERGY 2016]					
GRI 103-1 103-2	Management approach	6.2. 6.8.		[Energy and emissions]	97
GRI 302-1	Direct and indirect energy consumption by primary energy source	6.5. 6.5.4	7, 8, 12,13	[Other financial and non-financial data tables]	97
GRI 302-3	Energy intensity		7, 8, 12,13	[Other financial and non-financial data tables]	97

WATER [GRI 303 WATER 2016]					
GRI 103-1	Management approach	6.2. 6.5.		[Water management]	93
GRI 303-1	Total water withdrawal by source	6.5. 6.5.4.	6	[Water management] [Other financial and non-financial data tables]	93, 112
GRI 303-2	Water sources significantly affected by withdrawal of water	6.5. 6.5.4.	6	[Water management]	93
GRI 303-3	Percentage and total volume of water recycled and reused		6, 8, 12	[Water management] [Other financial and non-financial data tables]	93, 112
BIODIVERSITY [GRI 304 BIODIVERSITY 2016]					
GRI 103-1 103-2	Management approach	6.2. 6.5.		[Biosphere]	91
GRI 304-1	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	6.5. 6.5.6.	14, 15	[Biosphere]	91
GRI 304-2	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	6.5. 6.5.6.	14, 15	[Biosphere]	91
GRI 304-3	Species or habitats protected or restored	6.5. 6.5.6.	14, 15	[Other financial and non-financial data tables]	113
GRI 304-4	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations of the organisation, by level of extinction risk	6.5. 6.5.6.	15	Detailed list of species with habitats in identified protected areas may be found at: www.obszary.natura2000.org.pl . [Other financial and non-financial data tables]	113
EMISSIONS [GRI 305 EMISSIONS 2016]					
GRI 103-1 103-2	Management approach	6.2. 6.5.		[Energy and emissions]	97
GRI 305-1	Total direct greenhouse gas emissions by weight [Scope 1]			[Other financial and non-financial data tables]	97
GRI 305-2	Total energy indirect greenhouse gas emissions by weight [Scope 2]			[Other financial and non-financial data tables]	114
GRI 305-4	Greenhouse gas emissions intensity			[Other financial and non-financial data tables]	114
GRI 305-7	NOx, SOx and other significant air emissions by type and weight			[Other financial and non-financial data tables]	114
EFFLUENTS AND WASTE [GRI 306 EFFLUENTS AND WASTE 2016]					
GRI 103-1 103-2	Management approach	6.2. 6.5.		[Waste management focused on effectiveness]	94
GRI 306-1	Total sewage water discharge by quality and destination		3, 6, 12, 14, 15	[Other financial and non-financial data tables]	112
GRI 306-2	Total weight of waste by type and disposal method	6.5. 6.5.3	6, 12	[Waste management focused on effectiveness] [Other financial and non-financial data tables]	94, 115

GRI 306-3	Total number and volume of significant spills	6.5. 6.5.3	3, 6, 12, 14, 15	No significant spills have been noted.	
GRI 306-7	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	6.5. 6.5.4. 6.5.6.	14, 15	[Biosphere]	91
COMPLIANCE [GRI 307 ENVIRONMENTAL COMPLIANCE 2016]					
GRI 307-1	Monetary value of fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	6.5.	16	[Compliance and environmental fees]	97
SUPPLIER ENVIRONMENTAL ASSESSMENT [GRI 308 SUPPLIER ENVIRONMENTAL ASSESSMENT 2016]					
GRI 308-1	Percentage of new suppliers that were screened using environmental criteria			[Ethics as component of the organisational culture]	56
GRI 308-2	Significant actual and potential hazards for labour practices in the supply chain			[Ethics as component of the organisational culture]	56
SOCIAL					
WORKPLACE: EMPLOYMENT [GRI 401 EMPLOYMENT 2016]					
GRI 401-1	Total number and rate of employee turnover by age group, gender and region	6.4. 6.4.3.	5, 8	[Other financial and non-financial data tables]	116
GRI 401-3	Return to work and retention rates after parental leave, by gender		5, 8	[Other financial and non-financial data tables]	118
WORKPLACE: LABOUR/MANAGEMENT RELATIONS [GRI 402 LABOUR/MANAGEMENT RELATIONS 2016]					
GRI 402-1	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	6.4. 6.4.3. 6.4.4. 6.4.5.	8	As required by the Polish Labour Law.	
WORKPLACE: OCCUPATIONAL HEALTH AND SAFETY [GRI 403 OCCUPATIONAL HEALTH AND SAFETY 2016]					
GRI 103-1	Management approach [with respect to occupational health and safety]	6.2. 6.4. 6.8. 6.3.10		[Effectiveness of safety management at the workplace]	58
GRI 403-1	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	6.4. 6.4.6.	8	[Social dialogue as component of the management culture] [Occupational Safety and Health Management]	65
GRI 403-2	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region	6.4. 6.4.6.	3, 8	[Accident rate]	60
GRI 403-3	Workers with high risk of diseases related to their occupation	6.4. 6.4.6.	3, 8	[Accident rate]	60
GRI 403-4	Health and safety aspect in collective bargaining agreements	6.4. 6.4.6.	8	[Occupational Safety and Health Management]	58

**WORKPLACE: TRAINING AND EDUCATION
[GRI 404 TRAINING AND EDUCATION 2016]**

GRI 404-1	Number of hours of training per year per employee		4, 5, 8	[Other financial and non-financial data tables]	48
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**WORKPLACE: DIVERSITY AND EQUAL OPPORTUNITY
[GRI 405 DIVERSITY AND EQUAL OPPORTUNITY 2016]**

GRI 405-1	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	6.3.7. 6.3.10. 6.4. 6.4.3.	5, 8	[Other financial and non-financial data tables]	51
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SUPPLIER SOCIAL ASSESSMENT [GRI 414 SUPPLIER SOCIAL ASSESSMENT 2016]

GRI 103-1 103-2	Management approach [with respect to occupational health and safety]	6.2, 6.4, 6.3.10		[Subcontractors]	63
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GRI 414-1	Percentage of suppliers that were screened using labour practices criteria		5, 8, 16	[Ethics as component of the organisational culture]	55
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GRI 414-2	Significant actual and potential hazards for labour practices in the supply chain		5, 8, 16	[Business model and supply chain]	9
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HUMAN RIGHTS: HUMAN RIGHTS ASSESSMENT [GRI 412 HUMAN RIGHTS ASSESSMENT]

GRI 412-3	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	6.3. 6.3.3. 6.3.5. 6.6.6.		[Ethics as component of the organisational culture]	54
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HUMAN RIGHTS: NON-DISCRIMINATION [GRI 406 NON-DISCRIMINATION 2016]

GRI 406-1	Total number of incidents of discrimination and corrective actions taken	6.3. 6.3.6. 6.3.7. 6.3.10. 6.4.3.	5, 8, 16	[Ethics as component of the organisational culture]	54
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**HUMAN RIGHTS: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING
[GRI 407 FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016]**

GRI 407-1	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	6.3. 6.3.3. 6.3.4. 6.3.5. 6.3.8. 6.3.10. 6.4.3. 6.4.5.	8	None	
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HUMAN RIGHTS: CHILD LABOUR [GRI 408 CHILD LABOUR 2016]

GRI 408-1	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	6.3. 6.3.3. 6.3.4. 6.3.5. 6.3.7. 6.3.10.	8, 16	None	
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PRAWA CZŁOWIEKA: PRACA PRZYMUSOWA I OBOWIĄZKOWA

GRI 409-1	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	6.3. 6.3.3. 6.3.4. 6.3.5. 6.3.7. 6.3.10.	8, 16	None	
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HUMAN RIGHTS: RIGHTS OF INDIGENOUS PEOPLES [GRI 411 RIGHTS OF INDIGENOUS PEOPLES 2016]

GRI 411-1	Total number of incidents of violations involving rights of indigenous people and actions taken	6.3. 6.3.6. 6.3.7. 6.3.8. 6.6.7.	2	None. [Mining damage]	87
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SUPPLIER SOCIAL ASSESSMENT [GRI 414 SUPPLIER SOCIAL ASSESSMENT 2016]

GRI 414-1	Percentage of suppliers that were screened using human rights criteria			[Ethics as component of the organisational culture]	54
GRI 414-2	Significant actual and potential negative human rights impacts in the supply chain			[Ethics as component of the organisational culture]	54

LOCAL COMMUNITIES [GRI 413 LOCAL COMMUNITIES 2016]

GRI 413-1	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	6.3.9. 6.8. 6.8.5. 6.8.7. 6.6.7.		[Building social and community relationships]	83
GRI 413-2	Operations with significant actual and potential negative impacts on local communities		1, 2	[Mining damage]	87

ANTI-CORRUPTION [GRI 205 ANTI-CORRUPTION 2016]

GRI 205-1	Percentage and total number of business units analysed for risks related to corruption	6.6. 6.6.3.	16	[Ethics as component of the organisational culture]	56
GRI 205-2	Percentage of employees trained in	6.6. 6.6.3	16	[Ethics as component of the organisational culture]	56
GRI 205-3	organization's anti-corruption policies and procedures	6.6. 6.6.3.	16	[Ethics as component of the organisational culture]	56

PUBLIC POLICY [GRI 415 PUBLIC POLICY 2016]

GRI 415-1	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	6.6. 6.6.4. 6.8.3.	16	LW Bogdanka does not support any political parties and its apolitical approach is stipulated by ethical rules [Code of Ethics]. [Ethics as component of the organisational culture]	
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COMPLIANCE [GRI 419 SOCIOECONOMIC COMPLIANCE 2016]

GRI 419-1	Monetary value of fines and total number of non-monetary sanctions for noncompliance with laws and regulations	6.6. 6.6.7. 6.8.7.	16	No fines or other sanctions have been imposed	
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SUPPLIER SOCIAL ASSESSMENT [GRI 414 SUPPLIER SOCIAL ASSESSMENT 2016]

GRI 414-1	Percentage of suppliers that were screened using criteria for impacts on society			[Ethics as component of the organisational culture]	56
GRI 414-2	Significant actual and potential negative impacts on society in the supply chain			[Ethics as component of the organisational culture]	56

DISCLAIMER

This Integrated Report has been prepared on the basis of data from the Company's annual report for 2018, published on 21 March 2018. If you wish to read the full annual report, please visit the LW BOGDANKA SA website, Investor Relations tab: ri.lw.com.pl

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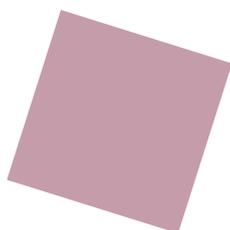
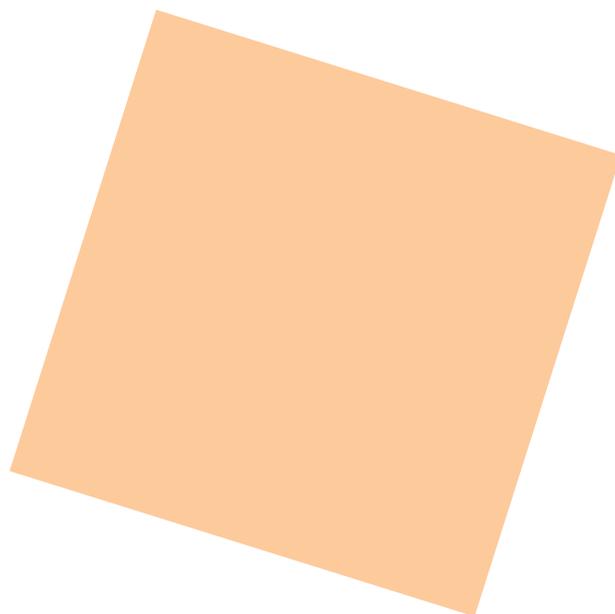
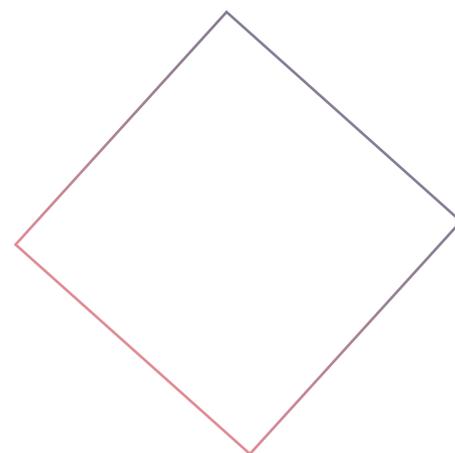
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You can also use this e-mail address for sending proposals with information you find material and believe that should be included in future editions.





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