



THE PBG MANAGEMENT BOARD'S NON-FINANCIAL STATEMENT FOR THE PBG GROUP
for the period January 1st–December 31st 2017

TABLE OF CONTENTS

TABLE OF CONTENTS **2**

SECTION I: MATERIAL STAKEHOLDERS AND NON-FINANCIAL MATTERS – INTRODUCTION **3**

SECTION II: KEY ASSUMPTIONS FOR THE NON-FINANCIAL STATEMENT **3**

 I. STANDARD APPLIED3

 II. SCOPE OF THE NON-FINANCIAL STATEMENT3

 III. METHODOLOGY OF AND CONCLUSIONS FROM THE WORK ON CONSOLIDATED NON-FINANCIAL STATEMENT3

SECTION III: MANAGEMENT..... **5**

 I. THE GROUP'S STRATEGY5

 II. BUSINESS MODEL6

 III. CORPORATE GOVERNANCE.....6

SECTION IV: ENVIRONMENT **16**

 I. MATERIALS, CONSUMABLES AND WATER18

 II. FUELS AND ENERGY19

 III. AIR EMISSIONS19

 IV. WASTE AND EFFLUENTS20

 V. NOISE POLLUTION.....21

 VI. OTHER ENVIRONMENTAL IMPACTS21

SECTION V: SOCIAL AND LABOUR..... **21**

 I. WORKFORCE, REMUNERATION, EQUAL OPPORTUNITIES AND DIVERSITY21

 II. RELATIONS WITH EMPLOYEES.....24

 III. OCCUPATIONAL HEALTH AND SAFETY25

 IV. EMPLOYEE DEVELOPMENT AND EDUCATION27

 V. LOCAL COMMUNITIES AND CORPORATE SOCIAL RESPONSIBILITY27

 VI. SAFETY OF PRODUCTS AND THEIR USERS31

 VII. OTHER SOCIAL AND MARKET MATTERS31

SECTION VI: RESPECT FOR HUMAN RIGHTS **32**

Section VII: PREVENTING CONFLICTS OF INTEREST AND CORRUPTION **32**

CONTACT DETAILS..... **32**

SECTION I: MATERIAL STAKEHOLDERS AND NON-FINANCIAL MATTERS – INTRODUCTION

The PBG Group has identified the following material stakeholders:

- Central and local government institutions;
- Shareholders;
- Media;
- Bondholders;
- Trading partners;
- Employees;
- Local communities;
- Creditors;
- Employers.

The key non-financial matters which are relevant for the PBG Group's operations include:

- Maintaining staffing levels that ensure efficiency of the Group's operations;
- Safety of employees and partners;
- Respect for human rights;
- Environmental protection at construction sites;
- Preventing conflict of interest and corruption.

SECTION II: KEY ASSUMPTIONS FOR THE NON-FINANCIAL STATEMENT

I. STANDARD APPLIED

This non-financial statement has been prepared in accordance with the requirements of the Polish Accounting Act of September 29th 1994, as amended (the "Accounting Act") implementing Directive 2014/95/EU of the European Parliament and of the Council and the guidelines included in the Non-Financial Information Standard ("SIN") issued by the Reporting Standard Foundation (Fundacja Standardów Raportowania) in October 2017.

II. SCOPE OF THE NON-FINANCIAL STATEMENT

PBG, individually as a company, does not meet the criteria to be considered a company subject to the obligation to report the non-financial information specified in Art. 49b of the Accounting Act. However, it is obliged to publish a non-financial statement for the PBG Group, taking into account the lower-level parent's group, made up by RAFAKO S.A. ("RAFAKO"), which is exempt from the requirement to publish the statement under Art. 49b.11 of the Accounting Act.

This 2017 consolidated non-financial statement of the PBG Group covers PBG S.A.'s direct and indirect subsidiaries consolidated in the financial statements. This statement does not provide information about the subsidiaries, according to the list and the grounds presented in Section III.III of this PBG Management Board's Non-Financial Statement for the PBG Group for the period January 1st 2017–December 31st 2017 (the "Statement").

III. METHODOLOGY OF AND CONCLUSIONS FROM THE WORK ON CONSOLIDATED NON-FINANCIAL STATEMENT

In 2017, the PBG Group performed a review of materiality of non-financial matters in order to identify the key reporting areas to be presented in this Statement.

Based on the conclusions from the review, work is continuing in 2018 to prepare documents on non-financial aspects as uniform standards for the PBG Group companies, with the exception of those companies whose operations are planned to be discontinued. This work is aligned with the Group's updated strategy, published by PBG S.A. on April 5th 2018 in Current Report No. 11/2018 and by RAFAKO S.A. in Current Report No. 15/2018. The reason why there is no common policy followed by the PBG Group as a whole with respect to social, employee, and environmental matters, respect for human rights, as well as anti-corruption and bribery is that the Group companies varied in many respects or had their own organisational culture and solutions in place at the time of their incorporation into the Group. The PBG Group companies provide services in different market segments, which means that they vary in terms of their environmental impacts, workforce size (some

have no employees at all), etc. In consequence, it is difficult to develop a single policy to counteract corruption, prevent misconduct or workplace bullying, or to have a uniform Code of Ethics that would address issues of particular importance from the perspective of each company. However, it should be stressed that work is continuing on further improvement of the policies and joint solutions that could be implemented across the Group, also with regard to non-financial aspects of the Group's operations. A dedicated team was set up to coordinate those efforts, composed of PBG S.A. and RAFAKO S.A. employees. In 2018, the team will perform further detailed analysis of the Group companies' business areas in the context of non-financial information reporting and will develop proposals of changes to the internal non-financial reporting model.

Policies and other regulations pertaining to non-financial matters, implemented at the PBG Group:

Area	Policy or other regulation	Result
management	PBG Group Strategy, RAFAKO Group Strategy, PBG IMS Policy, Ruling on communication with PBG Creditors and Agents,	development directions for the Group, taking into account non-financial aspects
environment	PBG Group Strategy, RAFAKO Group Strategy, RAFAKO IMS Environmental Management Policy, RAFAKO Integrated Management System, RAFAKO Engineering Environmental Management System, PBG Integrated Management System Policy, PBG Environmental Quality and OHS Policy, PBG oil and gas Quality, OHS and Environmental Protection Policy, PBG oil and gas IMS Policy, PBG oil and gas Integrated Management System Rules	consistent reduction of environmental impact, mitigating the risk of industrial accident that could have a negative impact on the environment
social and labour	Corporate Social Responsibility Policy, Ruling on Planning and Implementation of the PBG Group's CSR Strategy, RAFAKO Code of Ethics, Work Rules, RAFAKO Collective Bargaining Agreement, RAFAKO Misconduct Prevention Policy, RAFAKO Anti-Corruption and Bribery Policy, RAFAKO IMS OHS Management Policy, RAFAKO Engineering Solution Anti-Discrimination Policy, E003B7 Anti-Discrimination Policy, E003B7 Regulations on Equal Treatment in Employment, RAFAKO Engineering Solution Workplace Bullying Policy, Energotehnika Engineering Quality and OHS Policy, Energotehnika Engineering Integrated Management System, PBG IMS Policy, PBG HR Policy, PBG Disclosure Policy, PBG Physical Protection and Technical Security of Property Policy, Environmental Quality and OHS Policy, Rules for Personal Data Processing at the PBG Group, PBG Occupational Health and Safety Rules, PBG oil and gas Occupational Health and Safety Rules, PBG Ruling on execution of employment contracts and civil-law contracts, Rules for professional development training programmes PBG oil and gas	fostering employment among local communities, mitigating the negative impact on local communities, ensuring occupational health and safety, equal treatment, no workplace bullying
respect for human rights	Work Rules, PBG IMS Policy, PBG HR Policy, RAFAKO Misconduct Prevention Policy, RAFAKO Code of Ethics, PBG Group Personal Data Processing Security Policy, PBG oil and gas HR Policy, PBG oil and gas IMS Policy	counteracting human rights abuses
preventing conflict of interest and corruption	Work Rules, RAFAKO Anti-Corruption and Bribery Policy, RAFAKO Code of Ethics, RAFAKO Misconduct Prevention Policy, PBG Procurement Policy, PBG Rules of Correspondence Flow, PBG Rules of Procurement for Fixed Cost Areas, PBG Internal Control System Policy, PBG IMS Policy, PBG Contract Acquisition Policy, PBG Information Policy, PBG Rules for circulation and protection of inside information and fulfilment of disclosure requirements, PBG Rules for obtaining and issuing credentials, Ruling on capital goods procurement at the PBG Group, PBG Ruling on budget approval and update, PBG oil and gas Procurement Policy, PBG oil and gas IMS Policy, PBG oil and gas Rules for obtaining and issuing credentials, PBG oil and gas Rules of Correspondence Flow	no corruption practices, mitigating the risk of corruption or conflict of interest

SECTION III: MANAGEMENT

I. THE GROUP'S STRATEGY

Strategy pursued in 2017

PBG's strategy pursued in 2017 assumed long-term growth in the Group's value through development of the Group companies and reinforcing their focus on core business areas, i.e.:

- Performance of EPC contracts and general contractor services for the natural gas, crude oil and fuel sector;
- Performance of EPC contracts and general contractor services for the power sector;
- Servicing and maintenance of power and gas infrastructure.

The Group's strategic objectives were to:

- Regain its position of the Polish market's leader in the provision of comprehensive services involving management and execution of projects in the oil, gas and specialist construction sectors, leveraging synergies between PBG and PBG oil and gas;
- Consolidate, through RAFAKO, its leading position in the Polish power construction market;
- Develop its activities related to servicing and maintenance of infrastructure and facilities in both of the Group's core business segments;
- Expand the business by entering new markets, such as industrial infrastructure, where significant investments and a growing number of new projects are expected;
- Further expand the business in foreign markets in both of the Group's core business segments;
- Perform its obligations under the arrangement;
- Ensure financing for the Group's operations.

One of the factors contributing to the achievement of the PBG Group's strategic objectives was the way in which the Group was organised in the individual areas of its operations. Each company was individually responsible for the performance of projects in line with its business profile, resources and competencies.

The oil and gas market was the domain of PBG, which had traded in this segment since inception. Historically, PBG was the leader of this market in Poland. The subsidiary PBG oil and gas, through which the Group was able to actively bid for public contracts during PBG's voluntary arrangement process also before 2017, played an important role in the Group's oil and gas segment in 2017.

The power construction market is the domain of RAFAKO. The company has been present in the power construction sector since 1949. It designs, manufactures and delivers steam generators and environmental protection equipment. RAFAKO offers comprehensive technology solutions for the construction of traditional coal-fired power generating units. It is Europe's largest producer of steam generators for commercial power plants and environmental protection systems for the power sector as well as the undisputed leader of the Polish market for power generation equipment.

Strategy update in early 2018

Taking into account the changes and trends prevailing on the PBG Group's key markets, in early 2018 the Management Boards of PBG and RAFAKO agreed on the new uniform Strategies for the PBG Group and for the RAFAKO Group, which were presented in PBG Current Report No. 11/2018 and RAFAKO Current Report No. 15/2018, both dated April 5th 2018; the strategies are also presented in the PBG Directors' Report on the Group's operations in 2017.

The updated PBG strategy seeks to deliver long-term growth in the Group's value by building the largest engineering and construction group in Poland around the RAFAKO Group, which enjoys a strong position in international markets, offering specialist construction services for the power sector and for the oil and gas upstream and downstream sectors.

The PBG Group's strategic objectives for 2018–2020 are to:

- Build a leading position in the domestic power construction market through RAFAKO, by delivering and participating in the largest capital investment projects in Poland, capturing a market share in the market for services related to the modernisation of power and heat infrastructure and ensuring compliance with BAT regulations;

- Regain its position of the Polish market's leader in the provision of comprehensive services involving management and execution of projects in the oil and gas sector, leveraging synergies between PBG Group companies;
- Expand in foreign markets in both of the Group's core business segments;
- Capture a market share in the industrial construction market;
- Ensure financing for the Group's operations;
- Restore the Group's full creditworthiness by paying off obligations under bonds and the arrangement made by PBG with its creditors.

One of the factors contributing to achievement of the Group's strategic objectives will be the way in which the Group is organised, with EPC and general contractor capabilities in the upstream and downstream oil and gas sectors to be transferred to the RAFAKO Group. The internal reorganisation of the Group will be effected through the merger of RAFAKO Engineering, PBG oil and gas, and PGL Dom, as a result of which RAFAKO will acquire a majority interest in the combined entity. This will increase the RAFAKO Group's capacity to bid for and deliver projects with its extended capabilities and will naturally facilitate business growth by leveraging synergies of the merged companies. The merger will be contingent upon obtaining consents from PBG's creditors (i.e. bondholders) and RAFAKO's creditors (i.e. financing institutions). The companies will seek to secure the relevant consents in the near future. PBG will remain the Group's parent, responsible for:

1) setting the overall direction and strategic objectives for the Group, 2) exercising oversight of the core business lines, 3) providing a broad range of organisational support services to its subsidiaries, and 4) supervising the divestment process. Such an organisational structure will increase the PBG Group's transparency, while reducing the risk of conflicts of interest in bidding for new contracts.

Assigning a leading role to RAFAKO's operations in the PBG Group's two strategic business lines will benefit all stakeholders of the PBG Group by fully leveraging the Group's business capabilities and enhancing its growth potential.

II. BUSINESS MODEL

The PBG Group business model is based on the performance of EPC projects and provision of general contractor services. The Group operates in the construction industry, providing specialist services for the power construction and the gas, oil and fuel sectors. The Group's business model is based on individual high-value contracts. The PBG Group is developing the project management and engineering area, and its own execution resources are engaged to carry out the technologically advanced parts of work. If a project requires the use of technologies or equipment that are developed or manufactured abroad, the PBG Group commences work with foreign partners using various forms of cooperation. In performing contract work, the Group companies rely on subcontractors.

III. CORPORATE GOVERNANCE

Group Structure

As at December 31st 2017, the PBG Group comprised the following subsidiaries:

Parent

Company	Address	Tel./Fax	www	email
PBG S.A.	Ul. Skórzewska 35, 62-081 Przeźmierowo, Poland	061) 665 17 00 (061) 665 17 01	www.pbg-sa.pl	polska@pbg-sa.pl

PBG remains the Group's parent, responsible for: 1) setting the overall direction and strategic objectives for the Group, 2) exercising oversight of the core business lines, 3) providing a broad range of organisational support services to its subsidiaries, and 4) supervising the divestment process.

Consolidated entities in 2017

Related entity	Type of relation	Consolidation method	Presentation in non-financial statement
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	Relation through	Type of relation	Method of accounting	Yes /No	Note
PBG Dom Sp. z o.o.	PBG S.A.	subsidiary	Full	Yes	The company operates without hiring employees.
PBG AVATIA Sp. z o.o.			Full	No	Dormant; as at the date of this statement, it was merged with PBG S.A.
Wschodni Invest Sp. z o.o.			Full	No	Dormant, does not hire any employees.
PBG Ukraina Public Joint-Stock Company			Full	No	A company incorporated under Ukrainian law; dormant.
PBG Operator Sp. z o.o.			Full	No	Dormant
PBG oil and gas Sp. z o.o.			Full	Yes	The company operates and hires employees.
Multaros Trading Company Limited of Nicosia			Full	No	A company incorporated under Cypriot law, dormant, holding assets in the form of subsidiary RAFAKO S.A.
PBG NBN Contracting	PBG oil and gas Sp. z o.o.	indirect subsidiary	Equity method; an associate	No	A company incorporated under Iranian law, dormant.
Al Watanyiah Oil & Gas LLC			Not consolidated	No	A company incorporated under Omani law, dormant.
SPV2 Sp. z o.o.	PBG oil and gas Sp. z o.o.	indirect subsidiary	Full	No	Dormant, does not hire any employees.
	Multaros Trading Company Limited				
Galeria Kujawska Nova Sp. z o.o.	PBG Dom Sp. z o.o.	indirect subsidiary	Full	No	Dormant, does not hire any employees.
PBG DOM Invest Limited					A company incorporated under Cypriot law, dormant.
PBG ERIGO Sp. z o.o.	PBG S.A.	indirect subsidiary	Full	Yes	The company is the owner of the PBG Dom Group's SPVs and does not hire employees.
	PBG Dom Invest Limited				
PBG Dom Invest X Sp. z o.o. Invest I S.K.A.	PBG ERIGO Sp. z o.o.	indirect subsidiary	Full	No	The company's business is sale and lease of apartments; it does not hire employees.
PBG ERIGO PROJEKT Sp. z o.o.				No	General partner, dormant, does not hire employees.
City Development Sp. z o.o.				No	SPV, dormant, does not hire employees.
ECORIA Sp. z o.o.					
PBG ERIGO Projekt Sp. z o.o. Malta Hotel S.K.A.					
PBG ERIGO Projekt Sp. z o.o. Strzeszyn S.K.A.				No	General partner, dormant, does not hire employees.
PBG Dom Invest X Sp. z o.o.					
PBG ERIGO Projekt Sp. z o.o. Platan Hotel S.K.A.				Yes	The company built a hotel (Hampton by Hilton Świnoujście) and provides hospitality services under a franchise agreement.
PBG Dom Invest X Sp. z o.o. Złotowska 51 S.K.A.				No	The company's business is property trade and long-term rental. It does not hire employees.
PBG ERIGO PROJEKT Sp. z o.o. ECORIA II S.K.A.				No	Dormant, does not hire any employees.
PBG ERIGO Projekt Sp. z o.o. QUADRO House S.K.A.				No	The company's business is sale of apartments; does not hire employees.
Górecka Projekt Sp. z o.o.				Yes	The company executed the turn-key construction of Skalar Office Center in Poznań. It is the owner of Skalar Office Center.
ERIGO IV Sp. z o.o.				No	Dormant, does not hire any employees.
ERIGO IV Sp. z o.o. SKA				No	
ERIGO V Sp. z o.o.				No	
RAFAKO S.A.	PBG S.A.	subsidiary	Full	Yes	The company operates and hires employees.
	Multaros Trading Company Limited	indirect subsidiary			
E001RK Sp. z o.o.	RAFAKO S.A.	indirect subsidiary	Full	Yes	The company is operational and does not hire employees.
E003B7 Sp. z o.o.				Yes	The company is operational and hires employees.
PGL-DOM Sp. z o.o.					
RAFAKO ENGINEERING SOLUTION doo					
RAFAKO Hungary Kft.					
ENERGOTECHNIKA ENGINEERING Sp. z o.o.	Yes	The company is operational and hires employees.			
	RAFAKO S.A.		Full	Yes	The company is operational and hires employees.

RAFAKO ENGINEERING Sp. z o.o.	PBG oil and gas Sp. z o.o.	indirect subsidiary			
RENG NANO Sp. z o.o.	RAFAKO ENGINEERING Sp. z o.o.	indirect subsidiary	Full	Yes	The company is operational and does not hire employees.
Energopol-Ukraina	Wschodni Invest Sp. z o.o.	joint operation	Equity-accounted	No	Company consolidated with the equity method; an asset intended for divestment. A company under Ukrainian law.

For details about each of the companies listed above, see Section III.VIII of the Directors' Report on the operations of the PBG Group for 2017.

As the parent, PBG S.A. currently acts as the Group's holding company. Given its previous experience in the provision of comprehensive specialist contracting services for natural gas, crude oil, and fuel facilities, the Company holds the credentials to act as general contractor or subcontractor with respect to the engineering design, construction, repairs, operation, and maintenance of facilities used to produce natural gas and crude oil, transmit natural gas and crude oil, and store natural gas, fuels, LNG, LPG, C5+, and CNG. In the fuel segment, PBG holds the credentials to provide general contractor services to construct new and upgrade existing fuel storage terminals with auxiliary infrastructure. Execution competencies have been transferred to the subsidiary PBG oil and gas Sp. z o.o., which provides end-to-end specialist contracting services for natural gas, crude oil, and fuel facilities. The new strategy of the Group provides for combining the potentials of the companies, including PBG oil and gas, and for transferring all competencies to the RAFAKO Group.

PBG Dom Sp. z o.o. is the parent of a group of property development companies. The PBG Group is withdrawing from the property development business, in line with the adopted strategy. PBG Dom is responsible for management and optimisation of the property assets of the PBG Group companies, primarily in order to optimise their sale, as well as for commercialising office, residential and hotel facilities. The properties owned by the PBG Dom Group are included in the divestment plan, which is one of the primary sources of financing of the Arrangement and redemption of Bonds. PBG ERIGO Sp. z o.o. has the competencies required for comprehensive management of property development projects, including production planning and preparation, and project execution and sale. GÓRECKA Projekt Sp. z o.o. completed the turn-key construction of Skalar Office Center in Poznań, including auxiliary facilities and parking lots, and remains the owner of the property. PBG ERIGO Projekt Sp. z o.o. Platan Hotel SKA constructed a 3-star hotel Hampton by Hilton Świnoujście in Świnoujście and provides hospitality services under a franchise agreement with Hilton International Franchisor Corporation.

Other companies forming the PBG Dom Group are special purpose vehicles that have executed property development projects or hold assets included in the divestment plan. Currently, these companies do not conduct any operations which are material to the Group or are not engaged in any activities at all.

RAFAKO S.A. offers general contractor services for fossil fuel-fired power generating units, specialising in construction of boiler islands comprising a steam generator and flue gas treatment systems, as well as waste incineration and biomass combustion plants. It provides engineering design and construction services for a wide range of steam generators fired with lignite, hard coal, oil, gas, or a combination of these fuels, including conventional, supercritical, fluidised bed, and stoker-fired boilers. Additionally, for a number of years the company has manufactured waste incinerators, biomass-fired generators, and heat recovery boilers. The offering is complemented by a variety of maintenance services – from diagnostics to repairs and overhauls, supply of replacement parts, to comprehensive upgrades of steam generators with auxiliaries. The company designs, manufactures and installs turn-key environmental protection solutions, including flue gas desulfurisation, NOx reduction and dust collector systems.

The RAFAKO Group comprises companies providing services for the heat and power generation sector. The business of RAFAKO Engineering Sp. z o.o. consists in construction and process design, urban planning, power and gas infrastructure maintenance. Energotechnika Engineering Sp. z o.o. provides construction and process design, urban planning and engineering consultancy services as well as related technical consultancy. E001RK Sp. z o.o. is an SPV responsible for the project to construct power generating units in Opole. This project has been entirely subcontracted to Alstom.

E003B7 Sp. z o.o. is an SPV responsible for the project to construct power generating units in Jaworzno. RENG-NANO's services include regeneration of SCR catalysts necessary for flue gas denitrification, as well as replacement, diagnostics, servicing and testing of catalysts. The Group also includes foreign companies: RAFAKO ENGINEERING SOLUTION doo, whose business consists in process design, construction, industry, and environmental protection consultancy and supervision in Serbia, and RAFAKO Hungary Kft, a company incorporated under Hungarian law, providing equipment assembly services in the power and chemical industries.

Management systems employed at the PBG Group companies

The PBG Group companies operating in the Polish and foreign markets use quality system certificates based on which processes related to organisational management and day-to-day operations are designed. In line with the certification principles, each company has in place its individual system.

Company	Certificate/permit
<p>PBG S.A.</p>	<p>NATO Commercial and Government Entity Code (issued on July 11th 2006) Authorisations by the Polish Office of Technical Inspection (UDT):</p> <ul style="list-style-type: none"> ✓ Authorisation to manufacture non-pressure and low-pressure vessels for poisonous or caustic materials, non-pressure and low-pressure vessels for liquid flammable materials, permanent vessels dedicated to transmission pipelines, transmission pipelines for flammable materials, and transmission pipelines for poisonous or caustic materials (UDT decision dated January 30th 2014); ✓ Authorisation to repair non-pressure and low-pressure vessels for poisonous or caustic materials, non-pressure and low-pressure vessels for liquid flammable materials, permanent vessels dedicated to transmission pipelines, process pipelines for flammable materials, process pipelines for poisonous or caustic materials, transmission pipelines for flammable materials, transmission pipelines for poisonous or caustic materials, and permanent pressure vessels (UDT decision dated January 30th 2014); ✓ Authorisation to upgrade non-pressure and low-pressure vessels for poisonous or caustic materials, non-pressure and low-pressure vessels for liquid flammable materials, permanent vessels dedicated to transmission pipelines, process pipelines for flammable materials, process pipelines for poisonous or caustic materials, transmission pipelines for flammable materials, transmission pipelines for poisonous or caustic materials, and permanent pressure vessels (UDT decision dated January 30th 2014); ✓ Authorisation to manufacture non-pressure and low-pressure vessels for poisonous or caustic materials, non-pressure and low-pressure vessels for liquid flammable materials, permanent vessels dedicated to transmission pipelines, transmission pipelines for flammable materials, and transmission pipelines for poisonous or caustic materials (UDT decision dated January 30th 2014). <p>Authorisations by the Military Technical Inspection (WDT):</p> <ul style="list-style-type: none"> ✓ Authorisation to manufacture, repair and upgrade permanent vessels, vessels for storage of hazardous materials, transmission and process pipelines for hazardous materials for the Polish Armed Forces (WDT decision of November 16th 2005); <p>ISO systems: PN-EN ISO 9001:2015, PN-EN ISO 14001:2015, PN-N-18001:2004, certificate No. CSJSB/149/2015 in the scope of: Implementation of investment projects, upgrades, repairs and maintenance of facilities and systems in the gas, oil, and installation industries, including I&C and telemetry systems (awarded on December 16th 2004, expiring on October 19th 2020); PN-EN ISO 3834-2007; Certificate No. CSW/149/2014, expiring on October 19th 2020; certified products:</p> <ul style="list-style-type: none"> ✓ steam and water boilers; ✓ pressure vessels; ✓ non-pressure and low-pressure vessels for storage of poisonous, caustic and flammable materials; ✓ transmission and process pipelines; ✓ steel structures; ✓ pressure reducing and metering stations. <p>AQAP 2110:2009 Implementation of new technologies, construction, upgrade, repairs and maintenance of facilities and systems in the gas, oil, power and installation industries, including I&C and telemetry systems;</p>

<p>PBG oil and gas Sp. z o.o.</p>	<p>ISO systems: PN-EN ISO 9001:2009, PN-EN ISO 14001:2005, PN-N 18001:2004, certificate No. CSJSB/817/2015; Scope of certification: Implementation of new technologies, engineering design, construction, upgrades, repairs, maintenance and operation of facilities and systems in the gas, oil, power and installation industries, including I&C and telemetry systems. Delivery of EPC projects (valid until January 24th 2019); PN-EN ISO 3834-2007; Certificate No. CSW/817/2015; Product categories:</p> <ul style="list-style-type: none"> ✓ steam and water boilers; ✓ pressure vessels; ✓ non-pressure and low-pressure vessels for storage of poisonous, caustic and flammable materials; ✓ transmission and process pipelines; ✓ steel structures; <p>Scope of work: ✓ manufacture, assembly, repairs and upgrades (valid until January 24th 2019); Factory Production Control System No. 1433-CPR-0100, version 1 of November 10th 2015 Authorisations by the Polish Office of Technical Inspection (UDT):</p> <ul style="list-style-type: none"> ✓ Certificate AQAP 2110: Implementation of new technologies, engineering design, construction, upgrades, repairs, maintenance and operation of facilities and systems in the gas, oil, power and installation industries, including I&C and telemetry systems. Delivery of EPC projects (valid until November 3rd 2019); ✓ Decision No. UC-19-209-W/1-13 for the manufacture of transmission pipelines for flammable materials, non-pressure and low-pressure vessels for liquid flammable materials, transmission pipelines for poisonous or caustic materials, permanent vessels dedicated to transmission pipelines, non-pressure and low-pressure vessels for poisonous or caustic materials (valid indefinitely); ✓ Decision No. UC-19-209-P/1-13 for upgrading non-pressure and low-pressure vessels for poisonous or caustic materials, non-pressure and low-pressure vessels for liquid flammable materials, permanent vessels dedicated to transmission pipelines, process pipelines for flammable materials, process pipelines for poisonous or caustic materials, transmission pipelines for flammable materials, transmission pipelines for poisonous or caustic materials, and permanent pressure vessels (valid indefinitely); ✓ Decision No. UC-19-209-N/1-13 for repair of non-pressure and low-pressure vessels for poisonous or caustic materials, non-pressure and low-pressure vessels for liquid flammable materials, permanent vessels dedicated to transmission pipelines, process pipelines for flammable materials, process pipelines for poisonous or caustic materials, transmission pipelines for flammable materials, transmission pipelines for poisonous or caustic materials, and permanent pressure vessels (valid indefinitely);
<p>PBG DOM Sp. z o.o.</p>	<p>The company is not required to hold any certificates or authorisations to conduct its business.</p>
<p>PBG ERIGO Sp. z o.o.</p>	<p>The company is not required to hold any certificates or authorisations to conduct its business.</p>
<p>Górecka Projekt Sp. z o.o.</p>	<p>The company is not required to hold any certificates or authorisations to conduct its business; it complies with the laws applicable to its business</p>
<p>PBG Erigo Projekt Sp. z o.o. Platan Hotel s.k.a</p>	<p>The company is not required to hold any certificates or authorisations to conduct its business; it complies with the laws applicable to its business</p>
<p>RAFAKO S.A.</p>	<p>RAFAKO S.A. has an Integrated Management System in place compliant with:</p> <ul style="list-style-type: none"> ✓ N-EN ISO 9001:2015; ✓ PN-EN ISO 14001:2015; ✓ PN-N-18001:2004; ✓ Regulation of the European Parliament and of the Council (EC) No. 1221/2009 EC (EMAS) – applicable to RAFAKO S.A.'s Racibórz location; ✓ Directive 2014/68/EU; <p>The company also holds:</p> <ul style="list-style-type: none"> ✓ certificate of compliance with Directive 2014/68/EU on CE marking; ✓ ASME (American Society of Mechanical Engineers) certificate – stamps S, U and U2;
<p>E001RK Sp. z o.o.</p>	<p>A special purpose vehicle involved in the project fully subcontracted to Alstom under agreements signed with RAFAKO S.A. and Alstom. The company does not hold any certificates or authorisations.</p>
<p>E003B7 Sp. z o.o.</p>	<p>A special purpose vehicle involved in the project covered by a subcontract between RAFAKO and E003B7. The company does not hold any certificates or authorisations. The required certificates and authorisation are held by subcontractors. The company operates in accordance with quality management plans</p>
<p>PGL-DOM Sp. z o.o.</p>	<p>The company operates a non-certified quality management system.</p>
<p>RAFAKO ENGINEERING SOLUTION doo</p>	<p>The company is not required to hold any certificates or authorisations to conduct its business.</p>
<p>RAFAKO Hungary Kft.</p>	<p>The company operates on the basis of a certificate for welding steel structures, issued by TUV Hungary and the Hungarian Technical Inspection Authority</p>
<p>RAFAKO ENGINEERING Sp. z o.o.</p>	<p>The company has implemented a certified Integrated Management System compliant with the ISO 9001 standards; ISO 14001; OHSAS 18001; ISO 3834-2; Factory Production Control System and LBN compliant with ZKPISO 17025</p>
<p>RENG NANO Sp. z o.o.</p>	<p>No certificates or authorisations are required for the current scale of business and at the current stage of the company's development.</p>

Energotechnika Engineering Sp. z o.o.	The company holds the following certificates for its Integrated Management System: 1. ISO 9001:2015 Quality Management System certificate valid until November 25th 2020; 2. BS OHSAS 18001:2007 Occupational Health and Safety Management System certificate valid until November 25th 2020;
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Overview of the internal control system

Company	Overview of the internal control system
PBG S.A. PBG oil and gas Sp. z o.o.	PBG S.A. has an Internal Audit Department, which performs internal audit functions for the PBG Group companies located in Wysogotowo, in accordance with the Internal Control Policy implemented at PBG and PBG gas and oil. Internal control also covers processes included in the Integrated Management System and AQAP 2110 (procurement, budgeting, invoice circulation and other processes). In addition to internal controls, the IMS is subject to audits, with audit findings reported annually to the companies' management.
PBG DOM Sp. z o.o.	The company has established operating procedures matched to the nature of its business.
PBG ERIGO Sp. z o.o.	The company has established operating procedures matched to the nature of its business.
Górecka Projekt Sp. z o.o.	The company has established operating procedures matched to the nature of its business.
PBG ERIGO Projekt Sp. z o.o. Platan Hotel	The company has established operating procedures matched to the nature of its business.
RAFAKO S.A.	RAFAKO S.A. has set up an Internal Audit unit operating in line with the Internal Control Rules, which carries out audits based on annual audit plans. The Internal Control System ensures implementation of objectives through risk-based controls and through monitoring of the controls and provision of advisory services, including in respect of environmental and social performance. The unit assists RAFAKO in accomplishing its goals with a consistent and disciplined approach to the assessment of corporate governance management and other processes. The unit's remit covers all areas of RAFAKO's activities. Internal audits also help to identify risks which are reported in audit reports.
E001RK Sp. z o.o.	The internal control system is adjusted to the size of the organisation and the scale of its operations, and covers management supervision. The special purpose vehicle is responsible for the timely delivery of the Opole project on the terms set out in relevant agreements. A special purpose vehicle involved in the project fully subcontracted to Alstom under agreements signed with RAFAKO S.A. and Alstom. No growth strategy. The company will be dissolved once the project has been completed.
E003B7 Sp. z o.o.	The internal control system is adjusted to the size of the organisation and the scale of its operations. It covers management supervision. The special purpose vehicle is responsible for the timely delivery of the JAWORZNO 910 project on the terms set out in relevant agreements. No growth strategy. The company will be dissolved once the project has been completed. The company has put in place all necessary procedures, including a procurement procedure identifying the units required to get comprehensively involved in the decision making process. All teams must provide comments and objections, if any, in their respective remits, and may stop a process if the boundary conditions are not met.
PGL-DOM Sp. z o.o.	The internal control system spans all organisational units and is adjusted to the scale of the company's operations. The management board is responsible for implementing the internal control system across all organisational units. The system is subject to oversight by the supervisory board. The system is designed to support the business management process. Achievement of set objectives ensures: <ul style="list-style-type: none"> - effectiveness and efficiency of the company's operations, - reliability of financial reporting, - compliance with the company's risk management policies, - compliance with the law, internal regulations and market standards.
RAFAKO ENGINEERING	The internal control system is adjusted to the size of the organisation and the scale of its operations, and covers management supervision.
RAFAKO Hungary Kft.	The internal control system is adjusted to the size of the organisation and the scale of its operations, and covers management supervision.
RAFAKO ENGINEERING Sp. z o. o.	The internal control system (in accordance with the implemented standards – Integrated Management System) covers all inter-linked components, including management control, control culture, risk identification and assessment, control measures, division of responsibilities, information and communication, monitoring and corrective measures.
RENG NANO Sp. z o.o.	The internal control system is adjusted to the size of the organisation and the scale of its operations, and covers management supervision.
Energotechnika Engineering Sp. z o.o.	The internal control system spans all organisational units and is adjusted to the scale of the company's operations. The management board is responsible for implementing the internal control system across all organisational units. The system is subject to oversight by the supervisory board. The system is designed to support the business management process. Ongoing analysis of internal conditions with a potential impact on the operation of a given area is one of the key responsibilities of the management team enabling the achievement of pre-set goals. The analysis covers the following: <ul style="list-style-type: none"> • Corporate governance and organisational structure, • Goals and policies, • Organisation's capabilities, resources, environment, • Information system,

The internal control systems are matched to the size and profile of the individual Group companies' business. The most standardised non-financial area within the Group is the procurement process. Tightening of the

process is an important component of internal control and anti-corruption/anti-fraud measures. The Group companies attach particular importance to employee communication, which is delivered through internal IT systems, regular briefing and training sessions for managers, publishing of the *Ogniwo* magazine, written by and for employees, as well as a radio station at the Racibórz site.

Risk management

The PBG Group companies monitor both external and internal risks that may have a material effect on their situation, including the implementation of the Group's strategy, on an ongoing basis. All risks which the Group is exposed to are thoroughly presented in the prospectus prepared by PBG to introduce Series H and Series I shares to trading and approved by the PFSA in June 2017 (available online at <http://www.pbg-sa.pl/pub/pl/uploaddocs/pbg-s.a.-prospekt-emisyjny-akcji-serii-h-i.1498470366.pdf>) and in the prospectus for RAFAKO Series K shares approved by PSFA in November 2017 (available online at https://www.rafako.com.pl/download?id=17899&lang_code=pl; Annexes 1 and 2 thereto available at <https://www.rafako.com.pl/relacje-inwestorskie/emisja-akcji-2017/prospekt-emisyjny-2017>). In addition, risks are also disclosed in the consolidated financial statements issued by PBG and RAFAKO.

PBG works to improve its risk monitoring procedures and standardise risk mitigation policies and mechanisms across the Group.

PBG and PBG oil and gas have in place consistent risk management solutions, including risk management guidelines applicable both at the bidding and project implementation stages. Both companies have adopted additional risk management procedures applicable to contracts awarded by the Army.

In line with the Arrangement, PBG has also implemented procedures to mitigate risks associated with breach of the Terms and Conditions of the Bonds and thus ensure compliance therewith. Corresponding procedures have been implemented at the subsidiaries that are party to the restructuring documentation related to the Arrangement entered into by PBG.

No separate risk management procedures have been put in place at the PBG Dom Group companies, except PBG ERIGO Projekt Sp. z o.o. Platan Hotel s.k.a., which, given the nature of its business and in compliance with the requirements of the Hilton chain, has adopted the Safety Book, which identifies risks specific to hospitality business and sets out emergency response and management procedures.

RAFAKO S.A. has implemented the Risk Management Policy, which defines the Risk Management System as a continuous, active and regular process, as well as the method of its management supporting the achievement of the company's objectives. The system forms an integral part of the organisation's core management processes, using historical information, feedback from stakeholders, experience and forecasts. RAFAKO identifies risks and threats to its business, including those related to non-financial aspects. Given the nature of RAFAKO's business, risk management functions are spread across various organisational units, including the Controlling Department, whose responsibilities include identification of material operational risks during routine reviews of projects/contracts being performed (company's main products), the Environmental Officer, who identifies environmental risks, the OHS Unit, which identifies OHS risks, and the Internal Audit Unit, which identifies risks during audits, including risks associated with social aspects. RAFAKO's organisational structure includes an Internal Audit Unit, operating in accordance with the adopted Internal Control Rules and based on international standards of internal audit. The Internal Audit Unit performs its internal audits based on the annual audit plan, carries out ad hoc audits and audit activities aimed at, among other things, assessing the effectiveness of the internal control system and improving risk management processes.

The following table presents material risks identified at the PBG Group in individual areas covered by this Statement:

Area	Risk	Description of risk and corresponding risk management measures
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management	<p>Leakage/unauthorised disclosure of personal data of the Group's customers or employees</p>	<p>The Group has implemented security systems and takes appropriate steps on an ongoing basis to minimise security risks to its IT systems and prevent leakage of personal data of the Group's customers or employees. Risk management policies are laid down in internal documents of RAFAKO's corporate IT functions, which provide Group-wide IT services:</p> <p>1) IT Security Policy; 2) IT Risk Management Process.</p> <p>Risk prevention mechanisms dedicated to various risks, including:</p> <p>A) Theft of unencrypted hardware: - training to raise users' awareness; - ensuring compliance with a hard drive encryption system to improve hardware security; - managing access levels and applying an appropriate password policy to ensure an adequate level of hardware security.</p> <p>B) Cyberattack: - implementation of appropriate IT systems and measures, including a second-generation firewall (CheckPoint), web content filtering system (BlueCoat), and ensuring an appropriate logical structure of the computer network (DMZ) - remote user authentication (Radius), antivirus software, e-mail spam filter, local laptop firewalls, ensuring that operating systems are up to date; - training to raise users' awareness.</p> <p>C) Data processing in the cloud: - if possible, avoidance of data processing in the cloud as the Group companies have at their disposal a data centre with dedicated servers; - imposing appropriate security policies on cloud administrators, - ensuring prompt response to any incidents reported.</p> <p>D) Breach of IT security by IT-illiterate employees: - training to raise users' awareness.</p>
environment	<p>Industrial failure leading to environmental damage</p>	<p>Operation of production facilities and equipment, including environmental protection systems, entails a risk of failure that may lead to uncontrolled emission or spillage of harmful substances to the atmosphere, rivers, ground, groundwater, etc. and thus have a negative impact on the natural environment. The Group takes measures to minimise the likelihood of a failure and has in place safety systems and emergency response procedures to remove or minimise the negative environmental consequences of a failure.</p> <p>Group companies carry out routine maintenance inspections as well as take steps to raise employees' environmental awareness. They have in place a range of procedures and instruction manuals to ensure proper operation of facilities and equipment, including repair and maintenance schedules and a system dedicated to regular monitoring of equipment performance to confirm operability. Moreover, only properly trained personnel is allowed to operate equipment with an environmental impact, and operation of any equipment with malfunctioned environmental protection systems is strictly prohibited. Compliance with these policies is inspected as part of internal audits of the IMS, and any non-conformities found are removed by taking corrective and preventive actions. All activities at the Group are carried out in compliance with the radioactive material storage and handling policy.</p>
	<p>Risk of violating environmental protection laws and regulations or other environmental requirements</p>	<p>Environmental and natural resources legislation is being constantly amended. Performance of contracts on non-EU markets exposes the Group to the risk of failure to identify applicable environmental requirements or being unable to promptly ensure compliance with such requirements. Group companies monitor and measure key environmental characteristics to detect any non-conformities early and take preventive or corrective actions as required. In line with applicable procedures, amendments to environmental laws and regulations are monitored on an ongoing basis, and the corresponding list of environmental legislation is updated accordingly. Procedures in place at the Group require its companies to review their ability to deliver a given contract, including to comply with applicable environmental laws and regulations, prior to submitting a bid. In addition, the Group companies' ability to satisfy environmental requirements is assessed as part of environmental audits carried out to oversee the operation of the IMS. The Group takes steps in the area of environmental management to identify and evaluate environmental aspects and risks.</p>

	Risk of environmental contamination caused by natural phenomena	Risk of disastrous weather, hydrological or other natural phenomena leading to exceedance of environmental standards. The Group takes appropriate preventive measures, i.e. monitors weather forecasts for signs of any adverse weather phenomena. Failure response procedures include emergency procedures to be followed to prevent environmental damage and/or harm to employees as well as to prevent threats arising from natural disasters, fires or toxic industrial contamination and the necessity to remove the consequences of such occurrences. Action plans have also been implemented, including response procedures and communication channels, which are to be followed in case of an emergency or crisis. They cover a range of scenarios, including flood, fire, industrial disaster, radiation incident, emission/spillage of harmful substances, and ionising radiation incident. These procedures are of particular importance at our Racibórz plant, which is located in an area with a higher risk of flooding.
social and labour	Violation of standards by suppliers and/or subcontractors	<p>The Group companies perform large-scale contracts involving ongoing cooperation with suppliers and subcontractors, some of which may violate applicable OHS standards, human rights, employment and compensation terms, environmental standards, or rules of ethical business conduct (including anti-corruption and anti-bribery policies). The Group requires its suppliers to satisfy quality standards, comply with environmental regulations and observe OHS rules. In 2018, the Group plans to put in place additional requirements for suppliers with respect to ethical business conduct, diversity, human rights, and corruption and bribery prevention. The Group has adopted a Procurement Policy, which is designed to ensure that ordered goods or services:</p> <ul style="list-style-type: none"> - satisfy quality requirements specified by the employer; - satisfy environmental and OHS requirements laid down in standards attached as schedules to procurement contracts. <p>The Group cooperates exclusively with suppliers which have been screened, evaluated and approved in accordance with the applicable supplier selection and evaluation guidelines. In addition, the Group companies make an annual assessment of their respective suppliers. Suppliers' and/or subcontractors' employees working at construction sites or on the premises of Group companies receive training on the rules of the Integrated Quality, Environmental, OHS and Security Management System. Most agreements with trading partners set out OHS-related terms and conditions, i.e. relevant provisions are incorporated in 82% (by value) of contracts signed by the Group companies with their respective trading partners.</p>
	Risk of accidents and occupational diseases ; risk of non-compliance with OHS and fire safety regulations	<p>Risk of consequences of accidents at work and occupational diseases relating to the Group's operations in the construction sector. The risk is managed and mitigated through:</p> <ul style="list-style-type: none"> - detailed procedures for performing work, such as work rules; - regular fire safety inspections; - day-to-day, quarterly, annual and targeted inspections related to occupational health and safety on the Group companies' premises; - employee training; - monitoring of incident rates. <p>The Group constantly seeks to improve the working conditions of its employees through occupational health and safety improvement (upgrades of premises and circulation routes) and enhancement of work organisation (purchases of appropriate machinery and equipment).</p>
	Risk of workplace bullying	<p>The Group does not tolerate violence or any threat of violence in the workplace, directed against other employees or against their or the Group companies' property. The Group companies have in place relevant grievance and whistleblowing mechanisms. The work rules require Group employees to observe the principles of social intercourse in the workplace. Any violation of the above principles is punishable with legal sanctions (including disciplinary sanctions). In 2018, ethical standards are planned to be implemented across the Group.</p>
	Risk of losing qualified employees and management staff	<p>Dependence of the Group's day-to-day operations and growth on its ability to hire and retain highly-qualified personnel, particularly specialist production staff and engineers – the Group focuses on developing state-of-the-art technologies in the sectors where it operates, which requires the Group to constantly look for the best specialists and involves expensive employee training. The Group strives to mitigate the risk through regular improvement of employee skills, including by financing or co-financing university-level education, training courses and examinations. This risk is also mitigated through the cooperation between RAFAKO and the 'Mechanik' Vocational and Lifelong Learning Centre No. 2 in Racibórz and the educational programme run at RAFAKO's Vocational Training Centre. The Company also regularly engages in initiatives, organised at universities, promoting employment at the Company. The Company plans to raise the qualifications and develop the competences of its personnel responsible for EPC project implementation. The</p>

		Company has implemented a dedicated staff retention management programme designed to keep key employees with the Company.
	Risk of unequal treatment of employees	Different treatment of employees based on unjustified or unfair criteria. Group companies are monitored for the possibility of indirect discrimination when an action could result in adverse discrepancies or a particularly unfavourable situation relating to execution or termination of the employment relationship, terms of employment and promotion. The risk is inherent to the sector in which the Group operates, i.e. the construction sector, where so far men have outnumbered women, both at the education stage and on the labour market. We manage the risk through whistleblowing mechanisms and the companies' declarations on non-discrimination provided for in relevant documentation. By cooperating with universities and the local labour market and conducting regular market benchmark tests, the Group monitors market trends in employment in the engineering sector on an ongoing basis in order to avoid any instances of discrimination.
respect for human rights	Risk of human rights abuses	No violation of human rights is reported at the PBG Group. Group companies, acting in line with applicable Polish laws, eliminate the risk of any infringement on human rights. The companies' organisational culture is based on the principles of equality and non-discrimination. In addition to the existing work rules, in 2018 Group companies plan to implement a set of ethical standards which will also cover human rights. Approximately 22% of contracts (in value terms) between the Group and its trading partners contain clauses concerning respect for human rights.
preventing conflict of interest and corruption	Risk of conflict of interests	The risk of conflict of interests and the risk of failure to report any potential future conflicts of interest by some of the managers/employees with significant decision-making powers, especially with regard to activities requiring contact with trading partners, including suppliers. This risk is mitigated by the procurement procedures and procedures for protection of inside information in place at the Group companies. The Group's transfer price policy and the related procedure for identifying any personal links within the Group also play a major role in managing conflicts of interests. The risk will be further mitigated by implementation across the Group of standards of conduct in the event of a conflict of interests and by non-compete clauses signed by the Group employees. Tightening of the process of managing information as a business property is also of key importance. In an effort to mitigate the risk of conflict of interest and corruption, Group companies incorporate appropriate clauses into their contracts, such as clauses prohibiting employment of the Investor's staff or prohibiting attempts to make discretionary arrangements between the subcontractor and representatives of the Investor. Approximately 35% of contracts (in value terms) between the Group and its trading partners contain clauses concerning ethics.
other, specific risks	Risk associated with personal rights of the Main Shareholder of PBG – risk specific to PBG S.A.	PBG S.A.'s Articles of Association grant special personal rights to its Main Shareholder. Those personal rights are inextricably linked to the Company shares held by the Main Shareholder and include the right to appoint and remove some members of the Supervisory Board. The personal rights were incorporated into the Articles of Association in connection with the performance of the Arrangement and conclusion of the Restructuring Agreement. Therefore, investors should take into account the following risks: the risk of limited ability to change the composition of the Management and Supervisory Boards, risk of limited influence over decisions made by PBG's governing bodies, and risk associated with corporate disputes related to the exercise of personal rights by the Main Shareholder. The Company is neither able to predict how the Main Shareholder will exercise its rights, nor the impact of actions taken by the Main Shareholder (or related disputes) on the Company's operations, its revenue and financial performance. The personal rights vested in the Main Shareholder will expire no later than on the day on which it ceases to be the Company's shareholder. At the same time, the interest held personally by the Main Shareholder in the share capital of PBG S.A. and its position as President of the Management Board eliminate the risk of making decisions that could be detrimental to the Company's operations.

	<p>Risk related to the organisational restructuring of RAFAKO</p>	<p>In March 2016, the Management Board of RAFAKO S.A. resolved to reorganise the company in order to adapt its business model as well as its resources and key processes to the increasingly demanding market in which it operates, and also to the new markets where it intends to operate in the future. As part of the restructuring efforts, the company launched a voluntary redundancy programme which was implemented between December 1st 2016 and January 31st 2017. As part of the continued employment restructuring process, on September 8th 2017 the RAFAKO Management Board decided to reduce the company's workforce by way of group redundancies, in line with the Act on Special Rules Governing Termination of Employment for Reasons Not Attributable to Employees of March 13th 2003. On September 28th, RAFAKO and the trade unions active at RAFAKO closed consultations on workforce reduction as part of the continued reorganisation process. The decision to launch group redundancies, to be completed by July 31st 2018, was an element of the next stage of reorganisation aimed at building a flexible, more cost-effective organisation, well placed to tackle the current market conditions. If RAFAKO fails to meet its restructuring targets, the Group may not be able to achieve an increase in efficiency and productivity. These circumstances may have a material adverse effect on the Group's operations.</p>
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SECTION IV: ENVIRONMENT

The PBG Group's environmental impact has little bearing on local communities. Group companies hold required permits and pay applicable charges for the economic use of the environment. In 2017, no limits defined by the permits were exceeded. One of the few nuisances that the local community may be exposed to in connection with the Group's operations is the noise caused during the prefabrication of steel components by RAFAKO Engineering. The Group's operations do not have a material impact on the quality of air, water or soil, nor do they produce any noise or electromagnetic field emissions. The production facilities used by the Group are located at a distance from the town and do not cause any direct nuisance to local communities.

The basic principles related to environmental protection are defined by the environmental policy at the companies that have implemented the ISO 14001 standard. The other companies operate in compliance with the applicable environmental protection regulations. In keeping with its environmental policy, the Group is continuously seeking to minimise its environmental footprint. Group companies attach particular importance to reducing the consumption of raw materials, fuel, electricity and other resources used during contract implementation, as well as to reducing the amount of generated waste. To demonstrate its commitment to protecting the natural environment, the Group has implemented the ISO 14001 standard.

One of many examples of the PBG Group's environmental awareness is the fact that working with more than 2,000 suppliers the Group regularly assesses them and takes other measures to mitigate their negative environmental impacts. Such measures include:

- Checking whether a potential supplier has in place official decisions and permits required for its services;
- Inclusion of appropriate provisions in contracts; and
- Training the staff of service suppliers before they start working.

The PBG Group defines and secures resources required to maintain and continuously improve the IMS and to ensure effective operation of implemented processes, i.e. funds, human resources, infrastructure and the environment in which the processes are operated.

Selected Group companies allocate funds in their budgets for:

- Costs of inspections and audits;
- Costs of obtaining qualifications and certificates, taking into consideration the requirements of the Pressure Equipment Directive, ISO, and other standards;
- Implementation of investment projects, overhauls;
- Purchase of auxiliary materials and control and metering equipment;
- Implementation of the Environmental Management Programme, OHS Management Programme;
- Implementation of the Training Plan;
- Implementation of the Internal Audit Plan;
- Implementation of the R&D Plan;
- Purchase of personal protective equipment and other equipment necessary for the implementation of the adopted IMS Policy.

The annual environmental impact review includes assessment of environmental aspects based on the following criteria:

- For direct aspects: legal compliance, scale, significance and duration of impact, likelihood of occurrence, and feasibility of improvement steps;
- For indirect aspects: compliance with existing and proposed laws (if known), scale and significance of impact, and feasibility of improvement steps.

Advanced emission control technologies offered by the PBG Group

The new BAT conclusions adopted in April 2017 significantly raised emission caps for the existing and new power plants and introduced new categories of pollutants. This is another challenge, but one the Group's power companies are prepared to tackle, both by upgrading the existing plant and applying new flue gas desulphurisation, nitrogen removal, dust removal and mercury removal technologies that have been developed over many years in partnership with research and measuring institutions. Group companies view the new BAT regulations as an opportunity for new contracts as potential customers may embark on new environmental protection investments driven by the need to put in place optimum environmental technologies and financial solutions. The RP+FT technology offered by RAFAKO helps to meet BAT requirements for all acid pollutants (SO_x, HCL, HF), for dust emissions (through the application of fabric filters) and for mercury (by adding an activated carbon dosing subsystem).

As part of the consistent efforts to enhance its offering, also by adding emission control solutions, RAFAKO seeks to optimise and minimise the environmental footprint of the equipment delivered under contracts with customers. To that end, the company identifies relevant environmental aspects and sets measures aimed to optimise the adverse environmental impacts.

Significant environmental aspects	Environmental impact assessment, actions proposed under the environmental management system, goals and tasks
Conventional stoker-fired, fluidised bed-, and pulverised fuel power and utility sub- and supercritical steam generators	<ul style="list-style-type: none"> • Innovative low-emission technologies for reconstruction of coal-fired power plants comprising 200 MW generating units (adaptation to BAT conclusions) • Stepped-hearth WTTP (Waste Thermal Treatment Plant) with an annual capacity of ca. 100,000 Mg
Flue gas desulfurisation units	<ul style="list-style-type: none"> • Research on a mathematical model for pressure loss in wet flue gas desulfurisation absorbers, covering: <ul style="list-style-type: none"> – onsite research – development of a mathematical model for 50/50 nozzles – model approximation for 70/30 nozzles • Development of a low-cost flue gas desulfurisation technology for small-size power plants • Examination of mercury precipitation in flue gas treatment systems (SCR + EF + FGD) Examination of mercury concentration in FGD media (adaptation to BAT conclusions) • Effects of using formic acid on FGD wastewater parameters
Dust removal	<ul style="list-style-type: none"> • Reduction of submicron particle emissions from steam generator flue gas • Development of a hybrid filter solution to help meet BAT requirements
Diagnostics, upgrades	<ul style="list-style-type: none"> • As provided for in contracts with customers
Contractors conduct	<ul style="list-style-type: none"> • Contract clauses governing the conduct of contractors (for instance, clauses regarding waste management); checking whether a contractor has obtained relevant decisions from competent authorities for given services; training of contractor staff working on RAFAKO sites • Annual assessment of contractors for compliance with environmental requirements set out in contracts, performed by the Contractor Evaluation Team

The tasks and goals delivered by RAFAKO under the Environmental Management Programme approved in 2017, along with their outcomes, are presented in the table below.

GOAL	TASK	OUTCOMES
Reduction in dust emissions from another two boilers in the onsite boiler house	Phase 3 of the project to upgrade the dust removal system in the boiler house – continuation of a 2016 project	Installation of two new dust removal devices, reducing dust emissions from the onsite boiler house by approximately 30%
Reduction in the amount of waste comprising filters from dust removal equipment installed at the shot-blasting machines and transferred for disposal by approximately 50%	Purchase of a filter cleaning device (IDW1710)	Task completed; the installed equipment will lengthen the life of filter cartridges three times and will lead to a threefold reduction in the amount of used filter materials
Rationalisation of gas management through leak prevention	Technical inspections and gas network tightness checks	Inspections carried out in 2017: 1. Compressed air network 2. Oxygen system 3. Natural gas system 4. Argon and argon+CO ₂ +O ₂ systems
Reduction in unsegregated waste by 1%, or about one tonne, from 98.8 tonnes	Training to raise awareness about waste segregation	Reduction in unsegregated waste by over 16 tonnes, or ca. 16%

I. MATERIALS, CONSUMABLES AND WATER

Water supplied to the Group's office locations

PBG Group companies draw water for their own needs from municipal water supply systems under relevant agreements. The water is used for human needs, production and cleaning.

At the Wysogotowo offices, water is used for sanitation and to perform water pressure tests. Total water consumption in 2017 was 3,926 m³.

In Racibórz, Wry and Pszczyna, water is used for sanitation and to perform water pressure tests. At the Racibórz site, water is also used to fill the circulation water pool required to perform water pressure tests. The total water consumption by RAFAKO Group companies was 33,674 m³.

Supply of materials to construction sites:

The primary materials used in the production process include:

- Sheet metal,
- Profiles,
- Pipes.

Other materials used:

- Welding consumables – electrodes and wire
- Paint (Racibórz site).

The table below presents materials and consumables used in 2017.

Materials and consumables	kg/year
Manufacturing materials	10,606,132
Welding consumables	156,173
Paint	173,904

The companies perform contracts using the services of subcontractors that are governed by contracts containing clauses which require the subcontractors to carry out ordered work in compliance with environmental protection regulations, and to minimise environmental impacts. The contracts, to different extents, set out the terms of supplying and using utilities at the construction site.

Sanitation and process water is provided by the employer, in most cases against a charge. The location of utility connection points in the existing infrastructure is determined by the employer.

Contractors water conservation responsibilities include:

- To use water efficiently,
- To use drinking water for industrial processes, such as pressure testing, only after obtaining relevant consent from the employer,
- To draw water from local water sources in accordance with the relevant environmental permits,
- Not to discharge effluent to the ground.

Using equipment emitting ionising radiation without relevant permits is prohibited.

In 2017, the companies did not keep records of water used at their construction sites.

II. FUELS AND ENERGY

Lighting of office buildings and the company's premises in Wysogotowo accounts for the major part of electricity consumption. In 2017, electricity consumption was 1,105,977 kWh. In Racibórz, electricity is used to power manufacturing equipment and for the lighting of production halls and office rooms as well as internal roads and car parks. In 2017, electricity consumption at RAFAKO was 11,292,222 kWh, and the total electricity consumption by the RAFAKO Group companies was 12,089,950 kWh. Group companies strive to reduce energy consumption by using, for instance, energy-saving light bulbs.

Supply of utilities on construction sites

The Group does not measure utilities consumption on the construction sites.

III. AIR EMISSIONS

In Wysogotowo, it is company cars that account for most of the air emissions. At present, the fleet consists of 22 vehicles, which in 2017 consumed approximately 34 Mg of fuel. Welding work performed in the production hall is the second source of air emissions (channelled emissions). The hall is furnished with welding fume extractors that reduce emission of compounds by 90%.

More accurate measurements of emissions to the environment, including CO₂ emissions, are performed by RAFAKO. Those emissions are produced by the coal-fired boilers in Racibórz and Pszczyna, and by natural gas combustion. The boiler house in Racibórz is the source of approximately 90% of total CO₂ emissions.

Coal combustion is not connected with technological processes. The amount of coal consumed depends on heating demand, which is linked to the length of the heating season and external temperatures in the period. The tables below present emissions of greenhouse gases and pollutants in 2017.

Greenhouse gas emissions in 2017, by location

Greenhouse gas emissions / location	Racibórz	Wry	Pszczyna	TOTAL
	kg/year	kg/year	kg/year	kg/year
CO ₂	9,145,340	263,962	30,000	9,439,302

RAFAKO Group's CO₂ emissions totalled 9,530,481.30 kg/year.

Emissions of other substances in 2017, by location

Pollutant emissions / location	Racibórz	Wry	Pszczyna	TOTAL
	kg/year	kg/year	kg/year	kg/year
SO _x	51,660	11	216	51,887
NO _x	16,854	238	15	17,107
PM ₁₀	3,040	7	300	3,347

Emissions of other substances by RAFAKO Group companies in 2017

Pollutant emissions / company	RAFAKO	E003B7	Other companies	TOTAL
	kg/year	kg/year	kg/year	kg/year
SO _x	51,887	84	0	51,971
NO _x	17,107	337	0	17,444
PM ₁₀	3,347	33	0	3,380
TOTAL	72,341	454	0	72,795

Emissions on construction sites

Two sources of emissions have been identified on construction sites (the RAFAKO Group does not measure the emissions discussed below).

Emissions from welding work performed in 2017

Substance	Emission volume kg/year
nitrogen dioxide	0.0713
carbon monoxide	0.1265
other particulate matter	2.139

Emissions from painting work performed in 2017

Substance	Emission volume kg/year
xylene	1.048
butyl alcohol (butanol/1-butanol)	0.393
ketones and their derivatives – OTHER	0.393
butyl acetate (n-butyl acetate)	0.655
ethylbenzene	3.04575
m-dimethylbenzene	2.07111
benzyl alcohol	0.393

IV. WASTE AND EFFLUENTS

Total non-hazardous and hazardous waste generated and transferred to licensed waste collection companies is presented in the table below. Waste collection companies that collect and subsequently recycle waste are preferred. On construction sites, subcontractors are given training focusing on waste segregation and documents required to confirm proper waste management. Group companies' staff undergo such training on an ongoing basis.

Waste, by category / company	PBG	RAFAKO	RAFAKO Group companies
	kg/year	kg/year	kg/year
Total hazardous waste	0	31,280	32,109
Non-hazardous waste	1,110	2,687,038	2,725,051
Total waste	1,110	2,718,318	2,757,160

The manner in which waste is managed by contractors must comply with environmental protection regulations, in particular with the Waste Act. Under the Act, it is the contractor that is responsible for waste generated during project execution (typically with the exception of scrap metal, which the employer manages on its own). Waste must be stored selectively in places designated for this purpose and in a manner preventing any groundwater or soil contamination. Generated waste is transferred to companies that hold permits for waste transport and collection. Contractors are obligated to organise work in such a way as to minimise the volume of waste they generate.

If the Group companies use subcontractor services in the performance of contracts, they are not responsible for waste generation on the construction sites.

In contract execution, the PBG Group complies with all requirements provided for in the contracts and supervises subcontractors' compliance with and implementation of their provisions related to environmental protection and waste management.

The table below presents wastewater discharged by RAFAKO and total wastewater discharged by the RAFAKO Group.

Volume of discharged wastewater, by treatment method	Volume of industrial wastewater treated at the mechanical and biological wastewater treatment plant	Volume of sanitary wastewater discharged to the municipal sewage system	TOTAL
	m3/year	m3/year	m3/year

RAFAKO	28,213	2,222	30,435
RAFAKO GROUP	28,213	4,126	32,339

V. NOISE POLLUTION

The PBG Group's operations do not cause excessive noise emissions. The main source of noise emissions is construction machinery used on construction sites. Such machinery must not exceed noise/vibration limits defined in applicable regulations. If possible, work involving the use of construction machinery is performed in such a manner as to reduce noise and vibration.

VI. OTHER ENVIRONMENTAL IMPACTS

Environmental matters are managed by the PBG Group based on its environmental management systems compliant with the ISO 14001:2004 standard. The Group makes every effort to ensure that subcontractors comply with environmental protection regulations. All subcontractors taking part in contract execution are given training devoted to waste management on construction sites and prevention of environmental incidents, and also receive information about environmental aspects.

The Group often implements its projects in the areas protected under the Natura 2000 scheme or in the vicinity of nature reserves, which requires obtaining a number of permits to perform work and maintaining, under the contract, separate services to monitor compliance with environmental regulations.

The Group has in place a range of procedures and instruction manuals to ensure proper operation of machinery and equipment, including repair and maintenance schedules and a system dedicated to regular monitoring of equipment performance to confirm operability.

Only properly trained personnel are allowed to operate equipment with an environmental footprint. No equipment with malfunctioning environment protection systems may be used.

Steps are taken to raise PBG Group employees' environmental awareness.

Compliance with these policies is inspected as part of internal audits of the IMS, and any non-conformities found are removed by taking corrective and preventive actions.

SECTION V: SOCIAL AND LABOUR

I. WORKFORCE, REMUNERATION, EQUAL OPPORTUNITIES AND DIVERSITY

Workforce-related issues are pivotal to the PBG Group's sustainable development, as evidenced by the Group's HR policy designed to hire and retain highly qualified personnel in a long-term perspective. Employee-related issues are an essential part of management of the Group's resources and lie at the foundations of the objective of creating a working environment which is conducive to the achievement of the Group's strategic objectives and the self-fulfilment of its employees, raising their qualifications, effective communication and cooperation, as well as creating conditions for career path development. In line with the Integrated Management System Policy and other internal documents adopted by the Group, the Group companies declare non-discrimination on grounds of gender, age, religion or nationality, as attested to by the absence of incidents related to human rights abuses in the entire PBG Group in 2017.

Key HR indicators in the Group's human resources policy:

Workforce statistics

As at the end of 2017, the PBG Group had a total headcount of 2,336 employees.

Workforce by sex:

type of employment contract	women				men				TOTAL
	indefinite term	fixed term	trial period	temporary substitution	indefinite term	fixed term	trial period	temporary substitution	
PBG GROUP	363	66	8	4	1,738	146	11	0	2,336
including: at RAFAKO Group	290	59	8	4	1,651	128	11	0	2,151
including at: RAFAKO S.A.	243	12	1	3	1,461	18	3	0	1,741

Workforce by age group:

contract type / employee's age	indefinite-term contract			fixed-term contract			trial-period contract			temporary substitution contract			TOTAL
	<30 years	30-50 years	> 50 years	< 30 years	30-50 years	>50 years	<30 years	30-50 years	> 50 years	<30 years	30-50 years	> 50 years	
PBG GROUP	250	1,133	718	52	117	43	9	8	2	1	3	0	2,336
including: at RAFAKO Group	241	1,008	692	44	107	36	9	8	2	1	3	0	2,151
including at: RAFAKO S.A.	231	854	619	4	19	7	4	0	0	1	2	0	1,741

In the reporting period, the PBG Group hired 86 staff, including:

New hires by sex:

type of employment contract	women				men				TOTAL
	indefinite term	fixed term	trial period	temporary substitution	indefinite term	fixed term	trial period	temporary substitution	
PBG GROUP	5	17	11	4	14	16	19	0	86
including: at RAFAKO Group	1	14	11	4	10	11	19	0	70
including at: RAFAKO S.A.	1	4	4	4	1	2	14	0	30

New hires by age group:

contract type / employee's age	indefinite-term contract			fixed-term contract			trial-period contract			temporary substitution contract			TOTAL
	<30 years	30-50 years	> 50 years	<30 years	30-50 years	> 50 years	<30 years	30-50 years	> 50 years	<30 years	30-50 years	> 50 years	
TOTAL PBG Group	7	17	1	13	12	2	12	13	5	2	2	0	86
including: at RAFAKO Group	1	10	0	13	11	1	12	13	5	2	2	0	70
including at: RAFAKO S.A.	1	1	0	2	4	0	8	7	3	2	2	0	30

In the reporting period, the PBG Group terminated the employment relationship with 426 employees:

type of employment contract	women				men				TOTAL
	indefinite term	fixed term	trial period	temporary substitution	indefinite term	fixed term	trial period	temporary substitution	
TOTAL PBG Group	68	10	2	5	317	24	0	0	426
including: at RAFAKO Group	52	9	1	5	279	20	0	0	366
including at: RAFAKO S.A.	47	6	0	5	256	15	0	0	329

Changes in the PBG Group's staffing levels reflect the restructuring process, resulting from lower number of contracts currently executed and acquired by the Group, as well as organisational changes and restructuring initiatives implemented at RAFAKO. Completed projects and reduced supply of new contracts lead to the losing of key managerial and engineering personnel as well as terminating certain positions and mass redundancies. Therefore, the Group has identified the risk of losing highly qualified staff who are capable of performing work under the contracts sought to be awarded to the Group. One remedy may be recruiting new staff at the time when job openings appear, hiring qualified employees under management contracts, and engaging companies that have appropriate personnel.

Termination of employment by age:

contract type / employee's age	indefinite-term contract			fixed-term contract			trial-period contract			temporary substitution contract			TOTAL
	<30 years	30-50 years	> 50 years	<30 years	30-50 years	> 50 years	<30 years	30-50 years	> 50 years	<30 years	30-50 years	> 50 years	
TOTAL PBG Group	96	149	140	9	21	4	2	0	0	5	0	0	426
including: at RAFAKO Group	95	107	129	7	19	3	1	0	0	5	0	0	366
including at: RAFAKO S.A.	89	94	120	6	12	3	0	0	0	5	0	0	329

The PBG Group adapts to market conditions, therefore the amount of the average monthly pay in 2017 matched the country's average in the reporting period:

Company	average gross monthly pay
PBG GROUP	PLN 5,271.12

including: at RAFAKO Group	PLN 5,292.97
including at: RAFAKO S.A.	PLN 4,959.64

The PBG Group's recruitment policy is closely correlated with its operations. For the purpose of projects executed for customers, the PBG Group also employs personnel under civil-law contracts. 135 staff were employed under such contracts as at December 31st 2017:

Civil-law contracts by type:

type of contract	women		men		TOTAL
	mandate contract	piecework contract	mandate contract	piecework contract	
PBG GROUP	38	3	88	6	135
including: at RAFAKO Group	25	3	70	5	103
including at: RAFAKO S.A.	5	0	26	3	34

Civil-law contracts by age group:

contract type / employee's age	mandate contract			piecework contract			TOTAL
	<30 years	30-50 years	> 50 years	<30 years	30-50 years	> 50 years	
PBG GROUP	17	53	56	0	4	5	135
including: at RAFAKO Group	15	38	42	0	4	4	103
including at: RAFAKO S.A.	2	11	18	0	1	2	34

The PBG Group employs foreigners both as part of its diversity policy and in response to market conditions. Foreigners are employed under employment and civil-law contracts. As at December 31st 2017, 36 foreigners were employed at the PBG Group.

In partnership with a secondary technical school of mechanical engineering, the PBG Group runs a vocational training division and employs students to offer them professional training. In the reporting period, RAFAKO had 143 juvenile employees.

The PBG Group outsources HR, accounting and financial services. The Group does not collect any statistical data concerning outsourcing.

As at December 31st 2017, the Group employed 20 disabled persons, accounting for 0.86% of the total workforce.

Company	Disabled employees
PBG GROUP	20
including: at RAFAKO Group	19
including at: RAFAKO S.A.	15

Annual contributions to the State Fund for the Disabled (PFRON) totalled PLN 1,310,113.

Company	PFRON contributions/ year
PBG GROUP	PLN 1,310,113
including: at RAFAKO Group	PLN 1,234,727
including at: RAFAKO S.A.	PLN 999,854

In the reporting period, the PBG Group provided its employees with various non-pay benefits, including:

Benefits in kind:

- company contribution to the cost of insurance premiums under the PZU Opieka Medyczna healthcare insurance (about 970 employees);
- the MEDICOVER medical package (20 employees);
- directors and officers liability insurance – Management Board members and commercial proxies (21 employees);
- use of company cars for private purposes – management staff and Management Board members (63 employees);
- company flats – management staff and Management Board members (13 employees);
- payment of the Chamber of Construction Engineers membership fee (28 employees);
- partial coverage of the cost of studies – refund of the fees, travel expenses, cost of accommodation for the whole period of study for employees with whom a relevant agreement has been signed (4 employees);
- benefits in recognition of long service, awarded on the occasion of the Power Engineer's Day;
- in-kind awards for students of a vocational school supported by the Company – granted in recognition of good academic performance as well as in “The Helmet” welders' competition;

Benefits from the Social Benefits Fund – awarded in accordance with the Social Benefits Fund Rules (based on economic criteria):

- partial financing of employees' holidays;
- Christmas/Easter financial support;
- partial financing of holidays for employees' children;
- partial financing of the Benefit-Multisport cards;
- loans for the renovation of a house/ flat;
- Christmas gifts for children;
- partial funding of sports and recreation events: Santa Claus party for children, canoeing camps, fishing competitions, etc.;
- funding of prizes awarded in sports competitions;
- non-returnable hardship assistance.

II. RELATIONS WITH EMPLOYEES

The PBG Group has in place a workforce - management communication system, which is continuously improved. In accordance with the Work Rules applicable at the individual Group companies, employees have the possibility to directly contact Management Board members, including in matters related to compliance with the labour law and respecting human rights. In 2017, no complaints were brought in this respect by the employees. At RAFAKO, there are also employee representative bodies in the form of three trade union organisations, of which a total of 801 employees are members (34% of the RAFAKO workforce). In the reporting period, there were no strikes or collective disputes, and no cases of workplace bullying or violation of employee rights were reported.

The employees are provided with opportunities to say their opinion and voice their expectations regarding operation of the company in which they are employed and its corporate culture, for instance in employee opinion surveys carried out every year during the Information and Training Meetings. The results of the anonymous surveys are reported to the Management Boards and serve as the basis for change projects, which are prepared with the employees' participation and are subject to review and approval by the Management Boards. The results of the employee opinion surveys and the proposed changes are communicated to the employees via the information channels used at the Group.

The PBG Group companies operate a procedure for reporting complaints and irregularities – it is provided in in the Work Rules, and in the case of RAFAKO in the Misconduct Prevention Policy. In 2017, one internal audit procedure was carried out at the Group to investigate an alleged case of workplace bullying reported by an employee. The audit found no evidence to support the allegations.

There is no Works Council at the Group, however RAFAKO is engaged in a continuous dialogue with the trade union organisations that operate within its structures as a social partner, and the scope of this dialogue goes beyond what is formally required under the applicable laws. The social partner is informed of all matters which are of key and material importance for RAFAKO and its employees.

In 2017, the following were the most crucial issues from the point of view of the mutual contacts:

1. Implementation of changes in the employee evaluation and bonus system – the social partner was involved in the entire process of preparing the changes and then preparing their implementation;

2. Voluntary Redundancy Programme (RAFAKO) – the social partner was involved in the process of its implementation and then settlement;

3. Employment restructuring – the social partner was involved in the audit held to identify the needs in this respect through periodic meetings, and took part in the process of identifying employee ideas for process changes in various areas (change accelerator). As part of social consultations, RAFAKO complied with all the requests and proposals put forward by the trade unions regarding the restructuring project. The parties agreed on a precise scope of the information to be exchanged as part of the project. The social partner participates in the performance of the Voluntary Redundancy Programme for employees who benefit from legal protection.

In addition to the scope of consultations described above, RAFAKO and the social partner collaborate on an ongoing basis by holding regular bilateral meetings. Some of the issues frequently raised during those meetings are remuneration policies and the organisation of work of employees involved in contract performance.

III. OCCUPATIONAL HEALTH AND SAFETY

One of the most important objectives pursued by the PBG Group is to minimise the number of accidents at the workplace. Health and safety of its own employees, as well as of the employees of its trading partners, is a crucial non-financial aspect of the Group's operations, as confirmed by the environmental and OHS policies applicable at the PBG Group companies. In the period covered by this Statement, there were a total of 65 accidents at work at the PBG Group. No fatal accidents were recorded.

As part of its care for maintaining high OHS standards, the Group:

- Performs systematic audits intended to ensure that the relevant procedures and instructions and strictly followed and obeyed;
- Organises OHS training featuring an extended first aid training programme.

The construction work contracts with the Group's contractors typically include clauses regarding the observance of OHS regulations at the construction site.

Before entering the construction site, every employee is briefed on health and safety, as well as environmental protection. In addition, the employees' professional qualification and medical examination documents are checked for validity. Site managers are required, as part of their scope of responsibilities, to supervise compliance with OHS rules, including in particular with regard to the employees' having appropriate protective clothing while working or being on the premises. Information boards reminding employees of the OHS rules are always placed at the construction sites, and their number often exceeds the number required by the applicable regulations.

Appropriate information boards are also displayed in office buildings. Marking of emergency exits and escape routes, the presence of required first aid supplies and equipment in first-aid kits, and legibility of first-aid instruction boards are monitored on an ongoing basis. The boards also contain clear and up-to-date information on the persons who have been trained to provide first aid. Security issues are a fixed component of the annual audits conducted at the Group companies.

Number of accidents at work involving PBG Group employees / employees of the subcontractors working on PBG Group sites

In the reporting period, there were 65 accidents at work involving employees of the PBG Group companies and of the subcontractors working on the PBG Group companies' sites.

Accident rate (number of accidents at work per 1,000 employees)

In the reporting period, the Group recorded 65 accidents per 2,336 employees. Accordingly, the accident rate (number of accidents at work per 1,000 employees) was 27.82%.

Number of fatal accidents at work among PBG Group employees / employees of the subcontractors working on PBG Group sites

No fatalities were recorded in the reporting period.

Total days lost due to workplace accidents

In the reporting period, the total number of days lost at the Group due to accidents suffered by employees was 2,832.

The average accident severity rate at the Group was approximately 43 days lost per accident.

Number of reported occupational disease cases

In the reporting period, no occupational disease cases were recorded at the Group.

Number of employees working in conditions where the threshold limit values are exceeded

In the reporting period, 242 employees of the PBG Group companies worked in conditions where the threshold limit values for chemical substances and/or physical agents were exceeded.

The table below presents the causes of accidents by category, based on the Central Statistical Office's Accident Statistics Statement, including the number of accidents in a given category in 2017.

Category – cause of an accident at work	Number of accidents
Inappropriate spatial structure of material agent	2
Missing or inappropriate safety devices	1
Missing or inappropriate collective protection equipment	1
Slipping – at the same level	2
Other unspecified material defects	1
Inappropriate coordination of collective work	1
Supervisors tolerating deviations from health and safety regulations	3
Performing work despite inadequate supply of tools, raw materials	1
Inappropriate passageways, access routes	10
Failure to remove unnecessary objects, substances or energy (e.g. waste, packaging, substance residues, failure to switch off power supply)	1
Wrong choice of personal protective equipment	2
Inappropriate organisation of the workplace	1
Using a material agent which is not appropriate for a given work	1
Performing work manually instead of using a material agent	2
Gripping or holding a material agent in a wrong way	8
A material agent having been installed or hanged in a wrong way	1
Employee not using personal protective equipment	2
Other – wrong choice of safety glasses	1
Entering a hazard zone without first checking for safety	3
Using arms and legs incorrectly in a hazard zone	4
Sudden sickness, physical indisposition	1
Fatigue in a forced position	1
Disregarding a threat, recklessness, risk-taking	1
Insufficient concentration on the activity performed	28
Reaction to an unexpected event	24
Lack of experience	4
Other causes	3
TOTAL	110

The most common activities at the time of the accident fell into the following categories: moving around the workstations (13), manual transport activities (11), moving outside of one's workstation (10), welding work (9), working with the use of mechanised tools (6), working with the use of hand tools (4), transport using a crane (4).

Types of work performed at the time of accidents in 2017

Type of work	Number of persons injured
Working with the use of hand tools	4
Working with the use of mechanised tools	6
Welding work	9
Transport using a crane	4
Manual transport activities	11
Operation of machines and devices	2
Production and assembly work	3
Moving around the workstations	13
Moving outside of one's workstation	10
Traffic accidents	0

Walking, running, climbing, descending, etc.	1
Other, not specified above	2
Total	65

Among the reported injuries, the most frequent ones were bruises (19), followed by wounds (15), joint sprains (16), bone fractures (10), burns (6) and eye injuries (4).

The types of injuries suffered by employees in accidents which occurred in 2017 are presented in the table below.

Type of injury	Number of occurrences
Bruises	19
Wounds	15
Joint sprains	16
Bone fractures	10
Burns	6
Eye injuries	4
Total	70

IV. EMPLOYEE DEVELOPMENT AND EDUCATION

As part of its efforts to ensure development, professional advancement, and experience sharing opportunities for its employees, the PBG Group holds a series of Information and Training Meetings, during which the participants can learn about the Group's development directions, current projects, problems, new implementations, significant regulatory changes, and other aspects of the Group's activities in all of its most important areas. Regular meetings dedicated to the management staff, held under the name 'Me, the Leader', include lectures and workshops for managers, conducted by the best business practitioners. The employees are also provided with mandatory employer-organised training, for instance in such areas as OHS.

Training by employee category	Number of employees	women	men	TOTAL
		(no. of hours)	(no. of hours)	(no. of hours)
Administrative/ office staff	1,090	1,656	6,438	8,094
Direct production workers	739	8	6,950	6,958
Indirect production workers	333	37	2,598	2,635
TOTAL	2,162	1,701	15,986	17,687

V. LOCAL COMMUNITIES AND CORPORATE SOCIAL RESPONSIBILITY

The direction of PBG's CSR activities is defined in the document entitled 'Integrated Management System Policy', in which the Group declares its commitment to quality improvement, environmental protection, occupational health and safety, as well as active engagement with local communities, helping those in need, and supporting talent.

The key objectives of the PBG Group's CSR Policy are as follows:

Mitigating negative impact on the natural environment

The Group's operations inevitably affect the natural environment. The Group thoroughly assesses, and makes every effort to prevent, the potential negative impact of its activities on project sites and places where its company headquarters are located.

To that end, it has given priority to the following measures: monitoring the consumption of natural resources and certain emissions to the environment, reducing harmful emissions, proper waste management, containment of any environmental incidents, and raising the environmental awareness of staff and subcontractors.

Building trust-based relations with the business environment

The PBG Group contributes to the establishment and development of a modern and sustainable market economy. We are guided by the business principles of precision, responsibility and quality, and committed to exceeding customer expectations and sharing our expertise with subcontractors. The Group is also a

member of trade associations, including some regional ones, which provide access to the latest scientific and technical knowledge and are a platform for sharing proven best practices and experience. We follow the principle of transparency and comply with corporate governance standards and best practices. We do not differentiate between retail and institutional investors.

Creating a workplace environment conducive to employee development

One of our top priorities is to foster our staff's continuous professional development as well as ensure above-standard working and remuneration conditions. With its corporate culture, appropriate remuneration system oriented towards incentivising employees and building employee loyalty, as well as knowledge management system, we create a competitive workplace environment. The Group offers training programmes as well as personal and career development opportunities. It also pursues activities developing employees' interests in arts and culture.

Raising the quality of life in local communities

The Group is engaged in a range of projects related to promotion of physical activity, sports, history, traditions, arts and culture, religious worship, charity and welfare, healthcare, science and technology, environmental protection and helping those in need. It supports people who live their passion. It is committed to identifying the needs of, and providing support to, the communities where its key investment projects are located.

Following established rules for providing support, working with social partners, and managing social risks:

- Risk mitigation through offering support primarily to local organisations and projects, reviewed by a company employee or recommended by a trusted community representative;
- Clear communication of the Group's social engagement strategy, including information on the preferred forms and scope of aid and a straightforward procedure for reviewing applications;
- Thorough evaluation of applicants' needs to allocate adequate resources, help find additional partners, or reject the application where the support which is applied for is beyond the company's capabilities.

Attainment of the CSR objectives in the area of social engagement is supported by the PBG Foundation, established in late 2010

and dedicated primarily to carrying out projects related to physical activity, sports, history, traditions, arts and culture, charity and welfare, healthcare, science and technology, and environmental protection. The stakeholders and beneficiaries of the PBG Foundation include employees of PBG Group companies and their families, children and teenagers, communities (municipalities, towns, cities, and Polish communities in foreign countries), people in need, and institutions dedicated to promotion of culture.

Business and social goals and social engagement objectives of the Foundation:

- Improving the quality of life of local communities;
- Promoting healthy lifestyles through support for physical activity initiatives;
- Raising employees' health awareness;
- Promoting and improving the accessibility of arts and culture;
- Building relations between business and the world of art;
- Supporting and promoting artists;
- Supporting religious worship;
- Supporting educational projects and development of local communities, including potential candidates for employment;
- Assistance in improving qualifications and retraining;
- Promoting and supporting development of talents;
- Carrying out projects to support business incubators and team building initiatives for employees;
- Strengthening the image of Group companies as socially responsible companies.

Measures, tools and mechanisms applied by the Foundation to pursue its objectives:

- Employee volunteering opportunities;
- Donations;
- Support for projects;
- Partnership with various organisations;

- Undertaking CSR activities;
- Engaging in charitable projects;
- Sponsorship;
- Patronage of arts.

CSR projects carried out by the PBG Foundation in 2017:

Projects to promote physical activity and sports

The PBG Group has a long standing tradition of supporting children, teenagers and adults, in particular PBG Group employees, in pursuing their sports interests. It helps young people achieve their sports goals by providing them with the necessary medical, coaching, training and managerial assistance, which is vital to success, as well as offers them support in acquiring professional sports equipment. 2017 saw the following projects being implemented:

- Promoting physical activity, including by supporting the RETURN employee tennis club;
- Organising sports training programmes for children and teenagers (altogether approximately 80 participants) and promoting healthy competition through sports tournaments;
- Organising a canoeing camp for employees and their families;
- Holding a shooting competition for employees;
- Supporting triathletes and long-distance runners among staff;
- Supporting the mountain biking enthusiasts from RAFAKO MTB Team (21 people) to enable them to buy equipment and sportswear and take part in racing competitions. In recent years, both the team and individual employees have won several 'Power Engineering Championships'. The club also won the team classification of the Bike Marathon, Poland's most important mountain biking event, held in the Beskid Mountains and the Sudetes from April to October;
- Supporting employees who are members of the 'POGromcy' sports club;
- Supporting the KS RAFAKO football club, which coaches children and teenagers and competes in local divisions. It has a total membership of 79 athletes, including employees and their children;
- Supporting the AZS RAFAKO volleyball club;
- Sponsorship of the ZAKSA Kędzierzyn-Koźle volleyball team, many time Champions of Poland and winners of the Polish Volleyball Cup.
- Supporting recreation and sports events for preschoolers from the TKKF Winogrody sports centre in Poznań;
- Sponsorship of RAFAKO Półmaraton Racibórz, a half-marathon and one of the best organised runs in Poland. Sponsorship of prizes for the top finishers of the Polish Power Industry Half-marathon Championship and for the highest-ranked employees competing in the RAFAKO Half-marathon Cup.
- Sponsorship of Ewa Bugdoł, a local talent in long-distance triathlon. Partnership with Ewa Bugdoł to support the PGB Group's charitable activities and provide advice and support to runners and triathletes among the Group's staff;
- Co-financing sports membership schemes for employees and their families.

Projects to promote history, traditions, culture and arts

As part of its project to promote Polish tradition and culture, the PBG Foundation organises painting exhibitions of Polish artists in different parts of Poland. It also provides financial assistance to organisers of exhibitions promoting Polish culture, both in Poland and abroad. The PBG Foundation is a patron of numerous initiatives in science, arts and culture, and supports people in pursuing their passions. It organises exhibitions and private views of both famous and less known artists and supports the local art market through its ten-year old PBG Gallery. The PBG Gallery attracts people of culture, art historians, representatives of art foundations, poets, musicians, and members of local authorities. In 2017, the PBG Gallery held 18 art events (vernissages, finissages, and meetings with artists), of which three were organised in partnership with the University of the Arts Poznań Foundation, the Poznań Fine Arts High School and the Poznań Association of Visual Artists. The Gallery presented and promoted works of 57 artists and 45 students. The PBG Gallery held six open 'Artists and Children Painting Together' workshops, which were attended by 6 artists and 18 children, including 9 children of PBG Group employees. PBG donated one of the paintings from its collection to a charity auction.

In the Racibórz region, the Group sponsored an outdoor event as part of the 'Racibórz Days' celebrations to help promote culture and traditions among the local community.

As part of promoting Christian values, the PBG Foundation supported the publication of the compilation 'John Paul II Postal Stamps from across the World'. As 2017 marked the 100th anniversary of the Fatima Marian apparitions, the Group organised exhibitions in Switzerland and Ukraine to promote knowledge of the events. The Foundation was also involved in the celebrations related to the placing of a relic of St. John Paul II in St. Anne's Church in Poznań.

Charity and children's welfare

The PBG Group helps underprivileged children who are deprived of equal opportunities due to an illness, financial difficulties, or parents' death. The Group helps them develop and have a good start in life, and targets its assistance primarily at children living in or in the proximity of Poznań, where PBG is based, Racibórz, where RAFAKO (the subsidiary) is based, and Włocławek, where the founder of the Group comes from.

The Group provides financial and substantial support for local pre-school, school and educational institutions (about 10 such institutions a year), which benefits school sports clubs, laboratories, school rooms, gyms, events for preschoolers and students.

In 2017, the Group continued its assistance (commenced in 2000) to the Jurek Children's Shelter, run by the Family Restoration Association to take care of children in a domestic environment and to prepare them for adoption. A number of collections of food, school supplies, clothes and toys were organised. Cash was also donated. Activities were undertaken for children's homes in Gorzyczki and Wodzisław Śląski as well as for therapeutic and care centres in Samborowice and Cyprianów. Holiday trips for those children were sponsored. The PBG Group managers and employees are involved in charity projects organised on the Group's initiative. Before Christmas, around 60 persons took patronage over about 100 selected children from the supported children's homes and care centres. A two-day stay at the estate manor in Smólsk was financed for members of the 'Young and Active' Club at the Polish Association of the Blind, Poznań Region. The trip participants could take part in workshops organised on the manor's premises, get to know each other better or relax. A charity ball and a charity drive were organised during the annual company 'Barbórka 2017' event. The proceeds were donated to the PBG Foundation.

Charity projects

The PBG Foundation donated items to the Great Orchestra of Christmas Charity, such as calendars, cards autographed by triathlete Ewa Bugdoł, and albums about the historic estate manor in Smólsk, popularising the history and tradition of that place.

Health protection initiatives

The PBG Group supported two editions of the 'Race for New Life' initiative, designed to promote the idea of informed organ donation and knowledge about transplantology. Participants were encouraged to sign and carry with them declarations of will on organ donation. Coverage of those events was published in the corporate bulletin to promote the initiatives among the employees.

The cash donated to the Professor Zbigniew Religa Cardiac Surgery Development Foundation was spent on the purchase of equipment necessary for research and development work. The funds provided to the Special Kindergarten in Poznań were used to finance four classes of dog-assisted therapy for the children under the care of the kindergarten.

As part of the World Kidney Day, the PBG Group promoted among its employees knowledge about how to care for kidneys and how to prevent renal diseases, as well as made available 150 testers for individual kidney examinations. Employees were taught how to give first aid and were also given key fobs with a first aid kit, reminding them of the importance of having an ICE (in case of emergency) card.

Science and technology

The PBG Group supports education of the youth through educational and scholarship programmes, supporting local schools and organising work placements at PBG Group companies. It has joined the 'Time for Professionals' initiative, whose objective is to encourage young people – through workshops, lectures, competitions, job fairs – to get jobs and gain competencies to meet the requirements of the contemporary, especially local, labour market. The Group sponsors book prizes awarded to the winners of the Nationwide English Language Olympiad for Technical Universities.

Educational trips to the Jaworzno power plant construction site were organised for the PBG Group employees, university students and school children. The purpose of the trips was to educate about the project run by the Group, which is vital to Poland's energy security.

The PBG Foundation has given a model of the National Stadium to the Praga Museum of Warsaw for 'What's up in Praga?', a nationwide exhibition for blind and visually impaired people.

Pro-environmental activities

Each year, as part of the Tree Day, the PBG Group employees actively engage in environmental protection initiatives by planting trees.

Donations

Total donations from the PBG Group for social purposes in the reporting period amounted to approximately PLN 1.93m. The largest amounts were donated for sports, culture, art, science, and local communities.

Sponsorship

The total sponsorship spending (sports, cultural and social projects) in the reporting period was approximately PLN 0.5m.

Employee volunteering programme

PBG Group companies, including their Management Boards and employees, are very active in all the charitable activities described above, also by participating in the Foundation's activities. According to the formal and legal definition (the Polish Act on Public Benefit and Volunteer Work of April 24th 2003, Dz.U. of 2003, No. 96, item 873, as amended), these activities do not meet the criteria for organised volunteer work.

VI. SAFETY OF PRODUCTS AND THEIR USERS

The appropriate level of technical staff's qualifications is vital to the quality and safety of the Group's products and services. All of the PBG Group's products and services meet applicable legal requirements. Prior to their delivery to the user, products are tested and undergo quality inspections. Products are checked for safety and feature instruction manuals. Additionally, the PBG Group organises training sessions for customers' employees in order to ensure the safe use of the Group's products.

VII. OTHER SOCIAL AND MARKET MATTERS

As the PBG Group operates in the B2B segment and acquires contracts in tenders and competitive procedures, it conducts marketing activities through channels that enable direct access to customers, such as holding individual meetings, sending information materials to selected prospective customers and participating in trade fairs and conferences organised in Poland and abroad. The Group does not engage in any ATL activities. Therefore, there is no risk of misleading anyone or violating the ethical codes of advertising. BTL advertising involves only the production of catalogues and brochures distributed mainly at industry conferences and fairs and during meetings with customers. The very nature of such type of communication reduces the risk of any customer being misled and consequently mitigates the risk of potential lawsuits. There is no risk of any financial penalties being imposed, either, because there is no disclosure of any secret information, and the principles of fair competition are adhered to.

As far as developing marketing materials is concerned, the Group has defined a set of rules to be followed when creating the message. The message must be clear, it should take account of the principles of fair competition and provide only true data. It must take into account respect for all social groups, must not contain any racist or xenophobic content or content referring to social segregation.

Before the marketing message reaches the customers, it is repeatedly and thoroughly checked at different levels, for both compliance with the above rules and with the criteria for the correct usage of the Polish language, avoiding loanwords, neologisms, and colloquial speech. Thus, reputation risk associated with the marketing message is minimised.

In an effort to mitigate this risk, the Group companies have also reduced the number of persons authorised to provide information. Day-to-day marketing and public relations communication as well as communication with the media fall within the remit of the Group companies' respective Management Boards and selected authorised persons who may not transfer those authorisations to any third parties.

The Group has in place an internally developed handbook of crisis communication that contains strictly defined action procedures, assigns tasks and responsibility for taking such actions, and defines how to coordinate and manage those actions.

SECTION VI: RESPECT FOR HUMAN RIGHTS

The Republic of Poland, which is the principal place of PBG Group's operations, is a founding member of the United Nations and has been a member of the Council of Europe since 1991.

Therefore, the law which all businesses operating in Poland are required to observe, takes into account both the common law, such as the Universal Declaration of Human Rights, as well as international agreements signed and ratified by Poland, i.e. the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights. In addition, Poland is party to the Convention for the Protection of Human Rights and Fundamental Freedoms.

In line with PBG's Integrated Management System Policy, sustainable development, compliance with legal regulations and respect for human rights are the key commitments of the Management Board of PBG as a holding company, related to the implementation of the Group's strategy.

The rules regarding respect for human rights and non-discrimination, which must be observed by the Group's employees, are also provided for in its internal documents. The Group companies did not implement an additional diversity policy as no instances of discrimination have been reported in the workplace and due to the fact that [??na zielono] our diversity policy follows from the absence of discriminatory behaviour at the Group[???]. Another important reason is that the Group seeks to build teams across the organisation giving priority to employees' competencies. The Management Boards of the Group companies believe that such management of human resources is most beneficial to the organisation.

No instances of human rights abuses occurred at the PBG Group in 2017. In early 2018, following the analyses performed in 2017, work began on drafting a joint and consistent Code of Ethics to be implemented at PBG Group companies in place of the regulations currently in force which are contained in various internal documents. RAFAKO has in place a Code of Ethics.

Section VII: PREVENTING CONFLICTS OF INTEREST AND CORRUPTION

Both Group employees and supervisory bodies are subject to regulations on avoidance of any potential conflicts of interest.

The Group has tools and solutions for preventing any potential and monitoring of the existing conflicts of interest.

Areas considered to be particularly exposed to corruption are logistics and, in the case of listed companies, handling of inside information.

PBG Group companies have implemented a procurement procedure covering the entire process: from the collection of bids to procurement and purchase invoice flow, which requires multi-stage acceptance.

With regard to inside information, the Group companies have implemented relevant procedures to ensure compliance with Polish and EU law. RAFAKO operates a misconduct prevention policy and anti-corruption policy.

Specific risks to which the Group is exposed include misconduct and violation of the legitimate interests of the Group companies. Any undisclosed conflict of interest between employees may result in financial losses to the Group companies.

No instances of infringement of the Group companies' interests, conflicts of interest or corruption were reported at the PBG Group in 2017.

CONTACT DETAILS

ul. Skórzewska 35,
Wysogotowo near Poznań, Poland
62-081 Przeźmierowo
Phone: +48 61 66 51 700
Fax: +48 61 66 51 701
www.pbg-sa.pl
Email: polska@pbg-sa.pl

SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS

Full name	Signature and position
Jerzy Wiśniewski	
	President of the Management Board
Mariusz Łożyński	
	Vice President of the Management Board
Dariusz Szymański	
	Vice President of the Management Board
Kinga Banaszak-Filipiak	
	Member of the Management Board