



# Integrated report

for the year ended  
31 December 2022

Consolidated statement  
of activities of the Pekabex Group

CONTENTS

<b>1. About the Group</b>	7		
1.1. Business model as at 31 December 2022	20		
1.2. Markets and sources of supply	33		
1.3. Value creation model	34		
1.4. Capitals	35		
1.5. Significant agreements	46		
1.6. Other significant agreements	49		
<b>2. Strategy and development of the Pekabex Group</b>	53		
2.1. Pekabex Group Strategy	53		
2.2. Research and development	56		
2.3. Integrated Management System	60		
2.4. Supply chain	62		
<b>3. Activities of the Pekabex Group in 2022</b>	67		
3.1. Events significantly affecting the activities and financial results of the Pekabex Group	68		
3.2. Significant contracts	70		
3.3. Structure of Pekabex S.A. revenue - operating segments	77		
3.4. The Pekabex Group sales revenue structure - operating segments	78		
3.5. Basic economic and financial data for the Pekabex Group	80		
3.6. Basic economic and financial data for Pekabex S.A.	86		
3.7. Management of financial resources	92		
3.8. Differences between financial results and financial forecast	94		
3.9. Structure of major capital and equity investments	94		
3.10. Loans and borrowing taken out	94		
3.11. Granted loans	96		
3.12. Significant transactions concluded with related parties on terms other than arm's length terms	96		
3.13. Agreements providing for compensation for Management Board members in the event of their resignation or dismissal	96		
3.14. Granted and received sureties and guarantees	98		
<b>4. Natural environment</b>	103		
4.1. Pekabex Group's climate policy	104		
4.2. Greenhouse gas emissions	104		
4.3. ISO 14001:2015 – Environmental Management System	106		
4.4. The Group's activities in the field of protection	108		
4.4.1. Use of resources and environmental protection	110		
4.5. Impact on biodiversity	118		
4.6. Compliance with the EU Taxonomy	120		
<b>5. Employee and social issues at the Pekabex Group</b>	133		
5.1. Respect for human rights	134		
5.1.1. Respect for human rights	134		
5.1.2. Ethics and values	134		
5.1.3. Countering discrimination, harassment, and mobbing	135		
5.1.4. OHS	136		
5.2. Employees of the Pekabex Group	141		
5.2.1. Policies applicable to employees	141		
5.2.2. Control systems for employee programmes	142		
5.2.3. Employment structure and remuneration policy	143		
5.2.4. Relations with employees	146		
5.2.5. Internal communication	146		
5.2.6. Internal team building	146		
5.2.7. Employee development	147		
5.2.8. Diversity and social inclusion	147		
5.2.9. Recruitment	148		
5.3. Pekabex for society	149		
5.3.1. Local communities and social engagement	149		
5.3.2. School and academic environments	150		
<b>6. Statement on the implementation of corporate governance principles</b>	153		
6.1. The set of principles to which Pekabex S.A. is subject to	154		
6.2. Pekabex S.A. shareholders, share capital, shares held by directors	156		
6.2.1. Shareholders of Pekabex S.A.	156		
6.2.2. Share capital	158		
6.2.3. Shares held by managing and supervising persons	158		
6.2.4. Indication of the holders of any securities conferring special control powers	158		
6.2.5. Indication of any limitations on the exercise of voting rights	158		
6.2.6. Indication of any restrictions on the transfer of securities	158		
6.3. Appointment and dismissal of managing persons and their competences	159		
6.3.1. Management Board	159		
6.3.2. Supervisory Board	159		
6.4. Principles of amending the Pekabex S.A. Articles of Association	159		
6.5. The General Meeting and shareholders' rights and methods of exercising them	159		
6.6. Membership and changes during the reporting period	161		
6.7. Remuneration policy for managing and supervising persons	164		
6.8. Internal control and risk management system	164		
6.9. Diversity policy for management and supervisory staff	166		
6.10. Business Ethics	167		
6.10.1. Ethical Standards	167		
6.10.2. Countering corruption and conflicts of interest	167		
6.10.3. Infringement reporting system	168		
6.10.4. Countering money laundering and the financing of terrorism	168		
6.10.5. Countering misappropriation of company assets and fraud	168		
6.10.6. Data protection and security	168		
<b>7. Risk management</b>	173		
7.1. Relevant risk and hazard factors	174		
7.2. Sustainability risk management	190		
<b>8. Outlook</b>	201		
8.1. Market position	202		
8.2. Determinants of further development of the Group	202		
8.3. Short-, medium- and long-term perspective	208		
<b>9. Additional information</b>	217		
9.1. Possibilities of implementing investment plans and information on the Group's connections with other entities and other matters	218		
9.2. Unusual events affecting the result of activities	218		
9.3. Disputes and litigations	218		
<b>10. About the report</b>	221		
10.1. Methodology and scope of the report	222		
10.2. Approval for publication	222		
<b>11. GRI content index</b>	225		

## Letter from the President of Pekabex S.A.

Ladies and gentlemen,

**The past year was challenging for the entire construction industry. Above all, it was demanding to operate in the face of the still ongoing war in Ukraine, which caused the prices of fuel, raw materials and construction materials to rise sharply.**

In such an environment, it was extremely difficult to achieve business stability and predictability. Nevertheless, we have successfully dealt with the piling up challenges. Thanks to the flexibility and understanding on the part of our Business Partners, we have been able to solve most of the problems associated with contracts affected by the increasing prices of materials and raw materials. The way we successfully took on many unprecedented challenges allows us to start the year 2023 with optimism. Furthermore, there is no way to open an introductory letter for the Annual Report other than with words of support for our Ukrainian workers and their families.

I am pleased to say that in the past year we have returned to record-breaking performance. The fact that it happened on the 50th anniversary of Pekabex makes the achievement all the more enjoyable. We closed 2022 with historically the highest revenue and an equally high EBITDA. It should also be emphasised that, despite the very challenging environment, we have maintained our precast production volume at a very high level, amounting to 264,093 m<sup>3</sup>. In 2022, we were implementing 585 contracts and we entered the year 2023 with a well-diversified order portfolio of PLN 1.1 billion. It is encouraging to see the growth of our business abroad, particularly in the German market. Last year, export accounted for 26 percent of our total revenue, and our ambition is to achieve 30-percent sales in foreign markets.

The financial position of the Company and the Group is good and we would like to see the culmination of this record-breaking year in the payment of dividends. This will be the eighth consecutive year when dividends are paid. The Management Board's proposal is PLN 0.41 per share. We want to be perceived by the market as a dividend-paying company.



Our tried-and-tested weapon against market turbulence is the 2020-2024 "Secure Development" strategy currently in place. Thanks to this strategy, we were able to get through the COVID crisis safely, and overcome the piling up problems resulting from the war in Ukraine last year. In addition to automation, increasing process efficiency and technical excellence, our strategic focus is on geographical diversification (the largest markets, apart from Poland, are Scandinavia and Germany) and product diversification (prefabricated products can be used in every segment of the construction market: warehouse and logistics buildings, production facilities, stadiums, residential buildings or engineering structures). The third and equally important area is segmental diversification, focusing on three business lines: prefabrication, general contracting for construction investments, and real estate development activities. This allows us to provide comprehensive services within the Group and gives us a better understanding of the needs of our clients. Therefore, real estate development is an important part of our diversification. Last year, we entered the

Częstochowa market, where our first investment is the construction of a complex of flats with a total area of approximately 14,500 m<sup>2</sup> in the Old Town. Also last year, we decided to enter the German market in the area of real estate development projects. The pilot project is a small estate in Falkensee, a suburb of Berlin. In addition, we are executing real estate development projects in the Warsaw, Poznań and Pomeranian markets.

Another equally important area of focus of the Group is sustainability. That is why at the beginning of 2022, we adopted the Pekabex Group Climate Policy, in which we declare our contribution to the fulfilment of the goals of the Paris Agreement and the implementation of EU's strategy to reduce greenhouse gas emissions. We are fully aware of ongoing climate change and its impact, as well as the important role of business in the transition to a low-carbon economy. Modern prefabrication fits in with the new market needs, among others because it uses less cement and steel, helping to reduce the carbon footprint. Construction sites where prefabrication technology is used generate less waste, and the possibility to optimise the circulation of raw materials and reuse recycled prefabricated products is in line with the principles of circular economy, i.e. minimising waste and minimising the use of new raw materials. We intend to further strengthen our leading position in the market through investments and business projects in various lines of business, executed in accordance with the rules of sustainable development, i.e. environmental, social and corporate responsibility. This approach places the Pekabex Group among companies that are increasingly important on European markets, which is reflected in the contracts signed.

There are many signs that 2023 will be another challenging year for the construction industry, which is becoming the new market normal. However, we believe that prefabrication is the future of construction, as expressed in the *mission statement* of Pekabex. We are therefore continuing the transformation of the Group into an entity that increasingly seeks competitive advantage in the use of modern technologies and the provision of comprehensive services to clients. I have no doubt that Pekabex today has the financial and intellectual potential and the appropriate scale of operations to fulfil these intentions.

I find that the opportunities in the residential construction market are particularly attractive. Despite a temporary reduction in demand for ready-made flats due to the collapse of the mortgage market, I expect this market to recover quickly due to the rapid development of the rental housing segment and government programmes subsidising mortgages. The reduction in the number of workers on construction sites, the shortening of the investment process compared to traditional methods by up to 40 percent, and the greater resilience of prefabrication projects to sudden and unexpected increases in the price of raw materials and materials will allow Pekabex to significantly increase its share in this segment.

Despite the temporary slowdown, it is still possible to benefit from the demand for industrial and hall construction projects resulting from nearshoring trends. We can also see spectacular investments, some located just across our western border, resulting from the planned phasing out of the use of internal combustion engines and the related rapid transformation that the automotive industry will undergo.

If the war in Ukraine ends, we will likely witness a construction and economic boom associated with the reconstruction of this country, which will have its consequences for the Polish and European markets. I believe that construction services can regain importance as one of the export specialisations of the Polish economy.

All these factors encourage an optimistic view of the future, without losing sight of the short-term risks. I would like to thank our Shareholders, Clients, Business Partners and, above all, Employees for working together in 2022. I would also like to take this opportunity to thank our entire Team and Business Partners for the tremendous joint effort in helping Ukraine and assure them of our continued support. Feel free to read the Integrated Report of the Pekabex Group.

Kind regards,  
President of the Management Board of Pekabex S.A.  
Robert Jędrzejowski



## About the Group

GRI: 102-1, 102-3

The parent company of the Pekabex Group ("Group") is Poznańska Korporacja Budowlana Pekabex S.A. ("Pekabex", "Company", "Parent Company", "Issuer").

This consolidated statement of activities – integrated report ("Report") meets the requirements for integrated reporting set forth by the International Integrated Reporting Council (IIRC). The financial data was prepared in accordance with the International Financial Reporting Standards (IFRS) and the non-financial data was prepared based on the Global Reporting Initiative guidelines in the GRI Standards version (core level). The report contains, in accordance with Article 55(2a) of the Accounting Act of 29 September 1994 (as amended), a statement of the activities of the Group together with a statement of the activities of the Parent Company, drawn up as a single document together with a statement on the application of corporate governance, a statement on non-financial data and other information. Apart from the cases where it was clearly indicated that the data presented concerns only Poznańska Korporacja Budowlana Pekabex S.A., it applies both to the Group and to the Company.

The company was established in 1972 as Poznański Kombinat Budowy Domów (the Poznań House Building Combined Collective). In 1991, it was transformed into a company wholly owned by the State Treasury, operating under the name of Poznańska Korporacja Budowlana Pekabex S.A. (Poznań Construction Corporation Pekabex S.A.). On 30 December 1991, the Company was registered in section "B" of the Commercial Register maintained by the District Court in Poznań, 11th Commercial and Registration Department, under number RHB 6548.

On 29 April 2002, the Company was entered into the Register of Businesses of the National Court Register (KRS) maintained by the District Court for Poznań-Nowe Miasto and Wilda in Poznań, 8th Commercial Division of the National Court Register, under KRS number 0000109717. It was given the REGON statistical number 630007106.

The Company's headquarters are located in Poznań at ul. Szarych Szeregów 27.

The Company is the owner or perpetual usufructuary of real estate that it rents or leases (as a whole or in part) mainly to the Group companies for the purposes of their business activities. As at the balance sheet date, the Company also owned a logistics and warehousing hall, the area of which has been commercialised and is leased to companies from outside the Group.

**The bodies of the Company are: The Management Board, the Supervisory Board and the General Meeting of Shareholders.**



**As at 31 December 2022, the Management Board of the Company included:**



**Robert Jędrzejowski**

**Functions performed in the Pekabex Group:**

- President of the Management Board of Pekabex S.A.
- Member of the Management Board of Pekabex Inwestycje II S.A.
- Member of the Management Board of Pekabex Development sp. z o.o.
- Member of the Governing Body of G + M GmbH
- Member of the Supervisory Board of Pekabex BET S.A., Pekabex Pref S.A., Kokoszki Prefabrykacja S.A.

Graduated from the Maria Curie-Skłodowska University in Lublin, obtaining a master's degree in law from the Faculty of Law and Administration in 1996. Since 1994, he has held a securities broker licence, and in 2011 he was granted a receivership licence. He has many years of management experience both as a managing partner (President of the Management Board) of Sovereign Capital and as a member of the governing bodies of individual portfolio companies of Sovereign Capital.

Since 2007 he has been a Member of the Management Board of Pekabex S.A., and since 2015 he has been the President of the Management Board.

**Responsible for**

the strategy and management of the Group



**Przemysław Borek**

**Functions performed in the Pekabex Group:**

- Vice-President of the Management Board of Pekabex S.A.
- President of the Management Board of Pekabex BET S.A.
- Member of the Management Board of Pekabex Pref S.A.
- Member of the Management Board of Pekabex Inwestycje II S.A.
- Member of the Management Board of Poznanskie Inwestycje Magazynowe sp. z o.o.
- Member of the Supervisory Board of Kokoszki Prefabrykacja S.A.

Graduated from the Faculty of Civil Engineering at the Gdańsk University of Technology in 1995, obtaining a Master of Science degree in construction and engineering structures. He used his practical skills in designing and analysing steel and reinforced concrete structures to run his own design studio, ARC Projekt. From 2002 he worked as a project manager in Ergon Poland sp. z o.o., then between 2003 and 2007 he held the position of Commercial Director, building the structure and market position of a newly opened Polish branch of Ergon from scratch.

Since 2008, he has been working for the Pekabex Group, where he is the President of the Management Board of Pekabex BET. Vice President of the Management Board of Pekabex S.A. since 2015.

**Responsible for**

sales and contract execution



**Beata Żaczek**

**Functions performed in the Pekabex Group:**

- Vice-President of the Management Board of Pekabex S.A.
- Member of the Management Board of Pekabex BET S.A.
- Member of the Management Board of Pekabex Pref S.A.
- Member of the Management Board of Pekabex Inwestycje II S.A.
- President of the Management Board Kokoszki Prefabrykacja S.A.
- Member of the Management Board of Pekabex Casa Fiore sp. z o.o.
- Member of the Management Board of Pekabex Katedralna sp. z o.o.
- Member of the Management Board of Poznanskie Inwestycje Magazynowe sp. z o.o.

Graduated from the Kozminski University, majoring in marketing and management, with a specialisation in finance and accounting; she also completed postgraduate studies in financial management at the aforementioned university. She completed a management programme at the University of California. She has expertise in the fields of finance, controlling, accounting (including IAS/IFRS standards and transfer pricing), taxes, corporate law, as well as IT tools supporting analysis and reporting. She started her career at Hydrobudowa-6 S.A. (Bilfinger Berger group). Member of the Executive Education Advisory Board at the Kozminski University and the Executive Board at Poznań University of Economics and Business.

Since 2009, she has been working for the Pekabex Group, first as a Member of the Supervisory Board and then as a Financial Director/Member of the Management Board/CFO in the Pekabex Group. Vice President of the Management Board of Pekabex S.A. since 2015.

**Responsible for**

finance and accounting, controlling, administration, purchasing, transport, logistics, IT, legal and personnel matters



**Tomasz Seremet**

**Functions performed in the Pekabex Group:**

- Member of the Management Board of Pekabex S.A.
- Member of the Management Board of Pekabex BET S.A.
- Member of the Management Board of Pekabex Pref S.A.

Graduated from the Faculty of Civil Engineering, Architecture and Environmental Engineering at the Poznań University of Technology, obtaining a master's degree in civil engineering. In addition, he has an unlimited building licence in designing and managing construction work within the scope of civil engineering and construction, as well as the Chartered Engineer of Engineers Ireland (CEng MIEI) certificate. He started his career as a design assistant at the Pekabex S.A. Design Office between 1999 and 2000. Between 2000 and 2005 he worked in the Projekta sp. z o.o. Engineering Office, which belongs to the Dutch group Bartels Engineering BV.

He has been working for the Pekabex Group since 2010. Since 2014, he has been a Member of the Management Board of Pekabex BET, and in 2020 he was appointed as a Member of the Management Board of Pekabex S.A.

**Responsible for**

execution of contracts within the scope of general construction services

## Other key Members of Management of the Group:



**Christophe Carion**

**Functions performed in the Pekabex Group:**

- Member of the Management Board of Pekabex Pref S.A.
- President of the Management Board of Centrum Nowoczesnej Prefabrykacji sp. z o.o.
- Member of the Management Board of Poznanskie Inwestycje Magazynowe sp. z o.o.
- Member of the Governing Body of G + M GmbH

Graduate of De Nayer Instituut (Belgium). In 2000 he graduated with a Master of Science in Building Engineering degree. He started his career as a design engineer at Ergon NV with headquarters in Belgium between 2000 and 2008. In Ergon sp. z o.o., between 2002 and 2005 he provided support for the design department, and between 2005 and 2007 he held the position of Production Director.

With the Group since 2008.

**Responsible for**

production, investment and automation



**Anna Jaroszuk**

**Functions performed in the Pekabex Group:**

- Member of the Management Board of Pekabex BET S.A.

She graduated from the Faculty of Civil and Sanitary Engineering at the Lublin University of Technology in 2005, majoring in technology and organisation of construction. She completed postgraduate studies: "Project Management" at the Poznań University of Economics and Business (2010-2011) and "Psychology of Management" at the WSB University (2013/2014). In 2006, she started working at Ergon Poland sp. z o.o. as an Assistant Project Manager and in 2007 she became a Project Manager.

Part of the structures of the Pekabex Group since 2008, currently in the position of Operations and Development Director. Since 2020, she has been a Member of the Management Board of Pekabex BET S.A.

**Responsible for**

researching, creating, and implementing innovative technological solutions



**Edward Więcek**

**Functions performed in the Pekabex Group:**

- Member of the Management Board of Pekabex Development sp. z o.o.
- Member of the Management Board of real property development companies

In 2001, he graduated from the Warsaw University of Technology, Faculty of Civil Engineering, and in 2004 he completed the Executive MBA programme at the same university. He has an unlimited building licence in designing and managing construction work. Involved in the real estate market since 1996, when he started working for Wacetob. He then worked in the design department of J.W. Construction, and between 2000 and 2003 for the Saudi steel structure manufacturer Zamil Steel. In 2003, he started working in the machine industry for the Finnish manufacturer Tecwill OY. In the following years, he focused on managing housing, hotel and commercial projects – for Wojskowe TBS "Kwatera" (2004-2006), Coteba (2006-2007), Hill International (2007-2014) and Skanska Residential (2014-2018), where he held the position of a Member of the Management Board since 2015.

In the Pekabex Group, he is responsible for real estate development activities. With the Group since 2019.

**Responsible for**

the development of the real estate segment and execution of the real estate projects



**Piotr Witkowski**

**Functions performed in the Pekabex Group:**

- Member of the Management Board of Pekabex Development sp. z o.o.
- Member of the Management Board of real property development companies
- Member of the Supervisory Board of Pekabex Pref S.A., Pekabex Inwestycje II S.A.

Graduated from the University of Warsaw with a Master's degree in law and from the SGH Warsaw School of Economics with a master's degree in finance and banking. He began his professional career at Sovereign Capital where, first as a project manager, then associate director, and finally a Member of the Management Board, he conducted restructuring projects and participated in the management of the fund's portfolio companies.

Since 2007, he has been working for the Pekabex Group in the capacity of an advisor, as the Director of the Legal Department and, currently, as the Director of Development, responsible for, among others, mergers and acquisitions. Within the Management Board of Pekabex Development, he is responsible for structuring real estate development transactions and asset management.

**Responsible for**

development of the Group and the real estate project segment



## Other key Members of Management of the Group:



### Leszek Legat

#### Functions performed in the Pekabex Group:

- President of the Management Board of Kokoszki Prefabrykacja S.A.
- Managing Director of Pekabex BET S.A. Subsidiary in Sweden

Graduated from the Faculty of General Construction at Gdańsk University of Technology with a degree in Technology and Organisation in Construction. Between 2006 and 2009, he worked at NCC, where he was responsible for projects related to reinforced concrete and steel structures.

In August 2009, he started cooperation with the Pekabex Group, creating the Gdańsk Branch. He is currently responsible for all implementation processes at the Gdańsk Branch as well as implementations and sales in Scandinavia, and has been a Member of the Management Board at Kokoszki Prefabrykacja S.A. since 2015.

#### Responsible for

sales and project implementation in Scandinavia and at the Gdansk Branch



### Andrzej Marczak

#### Functions performed in the Pekabex Group:

- President of the Management Board of Kokoszki Prefabrykacja S.A.

He graduated from the Technical Secondary School of Civil Engineering in Szczecin specialising in the field of prefabricated construction, and then obtained a master's degree from the Faculty of Civil Engineering at the Szczecin University of Technology in 1987 and completed postgraduate studies in the field of Management in Construction at the same university. He has unlimited executive building qualifications. Between 1991 and 1996, he was the manager of a prefabricated component plant at Szczecińskie Przedsiębiorstwo Budownictwa Przemysłowego (ESPEBEPE) S.A. From 1996 to 2015, he worked at Przedsiębiorstwo Budowlano-Montażowe "SCANBET" sp. z o.o. as the Director of the Prefabricated Component Plant and Vice-President of the Management Board of the company. Between 2014 and 2017, he was a Member of the District Council of the West-Pomeranian District Chamber of Civil Engineers.

Since 2015, he has been working for the Pekabex Group. He is the Director of the Prefabricated Component Plant in Gdańsk and a Member of the Management Board of Kokoszki Prefabrykacja S.A.

#### Responsible for

administrative supervision in plants located in Gdańsk



### Detlef Dressel

#### Functions performed in the Pekabex Group:

- President of the Governing Body of FTO Fertigteilwerk Obermain GmbH

In 1987, he graduated from the Fachhochschule in Coburg with a degree in civil engineering.

From 1987 to 2001 he worked as the Head of Costing and Prefabricated Component Construction at Dechant-Bau GmbH.

President of the Governing Body of FTO Fertigteilwerk Obermain GmbH, acquired by Pekabex S.A. in 2020. He has been the President of FTO since its establishment. FTO is located in Marktzeuln (Bavaria) and carries out activities consisting in the design and production of prefabricated elements used in the construction of production and warehouse halls, residential and commercial buildings and prefabricated bridge elements.

With the Pekabex Group from 2020.

#### Responsible for

operations and day-to-day management of FTO and G+M

Panattoni Park III hall, Bielsko-Biala





## Composition of the Supervisory Board of Pekabex S.A. as at 31 December 2022:

The competences and principles of work of the Supervisory Board of Pekabex S.A. are defined by:

- The Company's Articles of Association (available on its website),
- Regulations of the Supervisory Board (as above),
- Commercial Companies Code.

As at 31 December 2022, the Supervisory Board of Pekabex S.A. consisted of:

### **PIOTR TARACHA, CHAIRMAN OF THE SUPERVISORY BOARD**

Graduate of the Catholic University of Lublin. In 1993 he graduated from the Faculty of Law with a master's degree in law. In 2001, he completed the MBA Programme at the Leon Kozminski College of Entrepreneurship and Management. He lectured at the Department of Civil Law at the Catholic University of Lublin. Chairman of the Supervisory Board at AUTO-EURO S.A. and of the Supervisory Board at Zakłady Przemysłu Ziemniaczanego "Lublin" sp. z o.o. Since 2003, Piotr Taracha has been the President of the Management Board of Intrograf Lublin S.A.

### **PIOTR CYBURT, VICE-CHAIRMAN OF THE SUPERVISORY BOARD**

Graduate of the SGH Warsaw School of Economics (formerly SGPiS). He graduated in 1980 with a Master of Science in Economics. In 1987, he obtained the title of Doctor of Economic Sciences at Instytut Gospodarki Narodowej (Institute of National Economy), a scholar of, among others, Georgetown University and Harvard University, a researcher at Instytut Gospodarki Narodowej. He has many years of experience in banking and real estate financing, gained in the largest financial institutions on the Polish market. Between 1995 and 1998, he was Vice-President of the Management Board of Polski Bank Rozwoju. From 1992 to 1995, he worked in managerial positions at PBK S.A., including from 1993 as a Member of its Management Board and Director of the Bank. Member of the supervisory boards of many commercial law companies, including the Warsaw Stock Exchange. Chairman of the Management Board of mBank Hipoteczny between 1999 and 2022. He was managing it since its creation for almost 23 years. From 2008 to 2022, he was a Member of the Council of the Polish Bank Association and from 2019 to 2022, he chaired the Audit Committee of that Council. Since 2002, he has also been a Member of the Supervisory Board of Hochtief Polska S.A., and since 2004 – a Member of the Supervisory Board of BRE Locum / currently Art Locum S.A. In February 2022, he was elected chairman of the ESG Committee at the Polish Bank Association. Piotr Cyburt has been a Member of the Supervisory Board of the Company since April 2016.

### **RYSZARD KLIMCZYK, MEMBER OF THE SUPERVISORY BOARD**

Graduated from the Faculty of Law and Administration at the University of Gdańsk in 1998, with a master's degree in law. In 2005 he completed his legal adviser training at the Regional Chamber of Legal Advisers in Gdańsk. He began his career as a political assistant to the Secretary of State in the Political Cabinet of the Minister of Justice between 1998 and 1999. Between 1999 and 2008 he worked as a lawyer in Kancelaria Radców Prawnych Żelaznowski & Głowiński s.c. (Żelaznowski & Głowiński Legal Advisers' Office) in Sopot. Since June 2005, he has been running his own advisory practice – Kancelaria Radcy Prawnego Ryszard Klimczyk. Between 2002 and 2006 he was a councillor of the City of Gdańsk, between 2006 and 2008 – among others, Member of the Supervisory Board of the company Zarząd Morskiego Portu Gdańsk S.A., between 2007 and 2008 – Member of the Supervisory Board of Międzynarodowa Korporacja Gwarancyjna sp. z o.o., and between 2015 and 2017 – Member of the Supervisory Board of Polskie Linie Lotnicze LOT S.A. Since 2002, in addition to advisory practice, he has also held positions in supervisory bodies and management bodies of commercial law companies.

### **MACIEJ GRABSKI, MEMBER OF THE SUPERVISORY BOARD**

He was an investor and co-founder of the Wirtualna Polska website. Maciej Grabski has been a Member of the Supervisory Board of the company since March 2007. He implemented the "Olivia Business Centre" investment – the place of activity of many Polish and international companies with an established market position and a valued reputation.

### **STEFAN GRABSKI, MEMBER OF THE SUPERVISORY BOARD**

He graduated from the Gdańsk University of Technology (Faculty of General Civil Engineering) in 1974, with a design engineer degree. In 1967, he acquired the qualifications of a marine equipment technologist at the "Conradinum" Vocational School and began working as a technician at the Przedsiębiorstwo Instalacji Przemysłowych in Gdańsk. Until 1980, he worked for Instal in Gdańsk, most recently as the Construction Team Manager. For several years, he was leading the so-called Commissioning Group, which dealt with commissioning of technological installations in industrial facilities in northern Poland. Since 1989 he has been running his own business under the name AutoEuro Stefan Grabski, renting out his own facilities, providing technical consultancy and running car washes. In 1998 he was elected to the Gdańsk City Council, where he held the position of Vice-Chairman. At the same time, he was the Chairman of the Ad Hoc Committee for Trade, Craft and Services. Between 2006 and 2010 he was the Chairman of the Audit Committee. Moreover, since 2002 he has been a member of supervisory and management bodies of commercial law companies.

### **MARCIN SZPAK, MEMBER OF THE SUPERVISORY BOARD**

Graduated from the Faculty of Management at the University of Gdańsk in 1995. Obtained a PhD in Economics in 2003. Completed the Advanced Management Program at the IESE Business School University of Navarra. The founder



Panattoni Park III hall, Bielsko-Biała

and long-term president of DS Consulting, a company specialising in strategic, financial and investment consulting. For 5 years, Deputy Mayor of Gdańsk for economic affairs, responsible for strategy, management of the entire investment programme and economic development. For 9 years, responsible for strategic investment programmes, strategy, development and M&A in the Energa Group. Member of the supervisory boards of many commercial companies. Expert in the financing of the infrastructure of the United Nations Development Programme.

### **LESŁAW KULA, MEMBER OF THE SUPERVISORY BOARD**

Master's degree from the Faculty of Law and Administration at Warsaw University, and Master's degree from the Faculty of History at Warsaw University, lawyer. After graduating, he worked as scientific secretary at the Centre for Documentation and Social Studies, publicist and editor at the NOVUM Publishing Institute, and as director at the SONOR Publishing Institute, and later as director and editor-in-chief of the POLONIA Publishing House. He worked in other managerial positions, among others; as President

of the Management Board of Polartis S.A. and EMIASTA. PL S.A. He has held various positions in supervisory boards in state-owned, public and private companies. Since 2002, he has worked, among others, as a lecturer at Wszechnica Polska University in Warsaw, and since 2003 he has also been a member of the University Senate. He cooperated with the Warsaw Voivode, among others as a liquidator in WFTS POLLENA PP, in the years 1994-2007 he was a receiver and court supervisor in the Warsaw Commercial Court, and from 2000 to 2008 he cooperated with the Ministry of the Treasury in the field of promotion and privatisation of State Treasury companies. Currently, the President of the Management Board of Varena Group sp. z o.o. which provides business entities with advisory and comprehensive legal services. Lesław Kula participated in the Course for Advisers to Indebted Enterprises organised by the Development Law Institute Rome-London. Member of the Supervisory Board of the company since 2019. He runs a law office in Warsaw. On 24 January 2023, the Company received the resignation of Mr Marcin Szpak from his position as a Member of the Issuer's Supervisory Board.



**The Group has five production plants in Poland and one in Germany and has branches outside Poland – in Sweden and Denmark, owned by Pekabex BET S.A., and another in Germany, owned by Pekabex Pref S.A. The Group offers comprehensive services in the field of prefabricated concrete structures: design, production, delivery and assembly of prefabricated elements and reinforced concrete and prestressed elements.**

In addition, the Group offers general contracting services mainly for buildings, including halls.

The Group also has a strong presence in the residential construction market, cooperating in this respect with leading developers in Poland and Scandinavia. In order to build its own real estate development business, the Group executes investment projects in Poland and Germany.

Since 8 July 2015, Pekabex S.A. shares have been listed on the official market of the Warsaw Stock Exchange in the system of continuous quotations under the abbreviated name "PEKABEX" and the designation "PBX". The shareholder structure is presented in Chapter 6 of this Report.

**GRI: 102-45, 102-4**

As at 31 December 2022, the Pekabex Group comprised Poznańska Korporacja Budowlana Pekabex S.A. and the subsidiaries subject to consolidation presented below.

**PEKABEX BET S.A.**

Pekabex directly holds 100% of shares in the share capital of Pekabex Bet S.A. (hereinafter referred to as "Pekabex Bet"), which entitles it to 100% of votes at the General Meeting of Shareholders.

The company's primary line of business is the execution of construction contracts (including general contracting) for the design, manufacture, supply and installation of prefabricated concrete structures used in the construction of industrial, retail, office, cultural and sports facilities, halls, residential buildings, bridges and other large-scale structures. On 22 January 2019, Pekabex BET registered a branch in Sweden under the name Pekabex BET S.A. Filial.

On 1 December 2022, Pekabex BET S.A. registered a branch in Denmark, operating under the name Filial af Pekabex BET Spolka Akcyjna.

**PEKABEX PREF S.A.**

Pekabex directly holds 100% of shares in the share capital of Pekabex Pref S.A. (hereinafter referred to as "Pekabex Pref"), which entitles it to 100% of votes at the General Meeting of Shareholders. The main line of business of the company is the provision of production, accounting, administrative, HR and payroll, IT, design and logistics services. Within the structures of Pekabex Pref, there is an organisationally separate Pekabex Pref Branch in Dresden. Its primary business is production services.

**CENTRUM NOWOCZESNEJ PREFABRYKACJI SP. Z O.O.**

Pekabex directly holds 100% of shares in the share capital of Centrum Nowoczesnej Prefabrykacji sp. z o.o. (hereinafter referred to as "CNP"), which entitles it to 100% of votes at the General Meeting of Shareholders. The main subject of the company's activity is the rental of machinery and equipment, the provision of IT services and production services for the Group's companies. After the balance sheet date, on 1 February 2023, Pekabex S.A. and CNP signed a plan of merger in accordance with which Poznańska Korporacja Budowlana Pekabex S.A. will assume all the rights and obligations of the subsidiary, and the subsidiary will be dissolved as of the date of deletion from the register.

**KOKOSZKI PREFABRYKACJA S.A.**

Pekabex directly holds 100% of shares in the share capital of Kokoszki Prefabrykacja S.A. (hereinafter referred to as "Kokoszki Prefabrykacja"), which entitles it to 100% of votes at the General Meeting of Shareholders. The Company has two production plants; a production plant located at ul. Budowlanych in Gdańsk – Kokoszki, which is leased, mainly to Pekabex BET S.A., and a production plant in Gdańsk – Kokoszki at ul. Geodetów. The plant is located within the Pomeranian Special Economic Zone.

**PEKABEX INWESTYCJE II S.A.**

Pekabex directly holds 100% of shares in the share capital of Pekabex Inwestycje II S.A., which entitles it to 100% of votes at the General Meeting of Shareholders. The company's core business is the lease of assets to entities belonging to the Group.

**PEKABEX CASA FIORE SP. Z O.O.**

Pekabex directly holds 75% of the shares in the share capital of Pekabex Casa Fiore sp. z o.o., which entitles it to 75% of votes at the General Meeting of Shareholders. 25% of the shares were acquired by shareholders outside the Group. The company is a special purpose vehicle, and runs the development project Osiedle Casa Fiore in Hafciarska Street in Warsaw. This investment is presented in more detail in this Report.

**PEKABEX INWESTYCJE IV SP. Z O.O.**

Pekabex directly holds 100% of shares in the share capital of Pekabex Inwestycje V sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. It is

a Limited Partner in the company Origin Pekabex Meche-linki sp. z o.o. sp. k.

**PEKABEX CASA BAIA SP. Z O.O.**

At the balance sheet date of the report, Pekabex holds directly 75% of the shares in the share capital of Pekabex Casa Baia sp. z o.o., which entitles it to exercise 75% of the votes at the Shareholders' Meeting. The Company is a special purpose vehicle engaged in a development project consisting in the construction of a modern apartment building in Hel, in Żeromskiego Street. This investment is presented in more detail in this Report.

**PEKABEX DEVELOPMENT SP. Z O.O.**

Pekabex directly holds 100% of shares in the share capital of Pekabex Development sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. The Company is responsible for the coordination of development projects carried out within the Group.

**PEKABEX JASIELSKA SP. Z O.O.**

Pekabex directly holds 100% of shares in the share capital of Pekabex Jasielska sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. It is a special purpose vehicle registered in the National Court Register on 7 July 2020, conducting a development investment consisting in the construction of the third and fourth stages of the Ja\_Sielska housing estate in Poznań.

**PEKABEX INWESTYCJE VIII SP. Z O.O. IN LIQUIDATION**

Pekabex directly holds 100% of shares in the share capital of Pekabex Inwestycje VIII sp. z o.o. w likwidacji, which entitles it to 100% of votes at the General Meeting of Shareholders. The Company is a special purpose vehicle that has conducted and completed development investments consisting of the construction of terraced houses in Józefostaw near Warsaw and the construction of the first and second stages of the Ja\_Sielska housing estate in Poznań. On 23 December 2022, the Extraordinary Shareholders' Meeting passed a resolution to dissolve the company and open liquidation process for it. As at the date of publication of this report, the change has not yet been registered in the National Court Register (KRS).

**PEKABEX KATEDRALNA SP. Z O.O.**

Pekabex directly holds 80% of shares in the share capital of Pekabex Katedralna sp. z o.o., which entitles it to 80% of votes at the General Meeting of Shareholders. It is a special purpose vehicle that conducts the Neonowe Estate investment consisting in the construction of residential buildings and commercial premises at ul. Katedralna in Częstochowa. This investment is presented in more detail in this Report.

**INTERMODAL LOGISTICS HUB BABIMOST SP. Z O. O.**

Pekabex directly holds 100% of shares in the share capital of Intermodal Logistics Hub Babimost sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. The company is a special purpose vehicle operating a warehouse development project in Babimost. This investment is presented in more detail in this Report.

**PEKABEX INVESTMENTS XI SP. Z O. O.**

Pekabex directly holds 100% of the shares in the share capital of Pekabex Inwestycje XI sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. It is a special purpose vehicle registered in the National Court Register on 25 May 2021, conducting a real estate development investment consisting in the construction of the fifth and sixth stages of the Ja\_Sielska housing estate in Poznań.

**PEKABEX INWESTYCJE VII SP. Z O. O.**

Pekabex directly holds 100% of the shares in the share capital of Pekabex Inwestycje XII sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. The company was registered in the National Court Register (KRS) on 2 June 2021.

**PEKABEX INWESTYCJE XIII SP. Z O. O.**

Pekabex holds 100% of the shares in Pekabex Inwestycje XIII sp. z o.o. On 22 April 2021, Poznańska Korporacja Budowlana PEKABEX S.A. purchased 100% of the shares in Kinglet 29 sp. z o.o. under a sales agreement, thus taking 100% control over the Company. On 8 June 2021, the change of the company's name from Kinglet 29 sp. z o.o. to Pekabex Inwestycje XIII sp. z o.o. was registered in the National Court Register (KRS). The company's activities are focused on real estate development projects.

**PEKABEX INWESTYCJE XIV SP. Z O. O.**

Pekabex directly holds 100% of the shares in the share capital of Pekabex Inwestycje XIV sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. The company is a special purpose vehicle for a real estate development project involving the construction of holiday suites in Dziwnówek – Zatoka Wrzosowo. The company was registered in the National Court Register (KRS) on 29 June 2021.

**PEKABEX INWESTYCJE XV SP. Z O. O.**

Pekabex directly holds 100% of the shares in the share capital of Pekabex Inwestycje XV sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. The company was registered in the National Court Register (KRS) on 30 June 2021.

**PEKABEX INWESTYCJE XVI SP. Z O. O.**

Pekabex directly holds 100% of the shares in the share capital of Pekabex Inwestycje XVI sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. The company was registered in the National Court Register (KRS) on 08 September 2021.

**PEKABEX INWESTYCJE XVII SP. Z O. O.**

Pekabex directly holds 100% of the shares in the share capital of Pekabex Inwestycje XVII sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. The Company is the General Partner in Pekabex Inwestycje XVII sp. z o.o. S.K.A. (until 15 February 2023, Pekabex Inwestycje XVII sp. z o.o. S.K.A. operated under the name Pekabex Inwestycje VIII sp. z o.o. S.K.A.). The company was incorporated on 12 August 2022, and registered with the National Court Register on 26 October 2022.





CTPark hall, Opole

**PEKABEX INWESTYCJE XVII SP. Z O.O. S.K.A.**

Pekabex directly holds 100% of shares as a shareholder of Pekabex Inwestycje XVII sp. z o.o. S.K.A. and exercises indirect control through the sole General Partner, Pekabex Inwestycje XVII sp. z o.o., holding 100% of shares in this company. This entitles Pekabex to 100% of votes at the General Meeting of Shareholders. Until 15 February 2023, the company operated under the name Pekabex Inwestycje VIII sp. z o.o. S.K.A.

**PEKABEX INWESTYCJE XIII SP. Z O. O.**

Pekabex directly holds 100% of the shares in the share capital of Pekabex Inwestycje XVIII sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. The company was incorporated on 26 August 2022, and registered with the National Court Register on 27 October 2022.

**ORIGIN PEKABEX MECHELINKI SP. Z O.O.**

Pekabex directly holds 51% of shares in the share capital of Origin Pekabex Mechelinki sp. z o.o. The company is the General Partner at the company Origin Pekabex Mechelinki sp. z o.o. sp. k.

**ORIGIN PEKABEX MECHELINKI SP. Z O.O. SP.K.**

Pekabex is the controlling (parent) entity for Origin Pekabex Mechelinki sp. z o.o. sp. k. The General Partner of the company is Origin Pekabex Mechelinki sp. z o.o. The Limited Partners of the company are Pekabex Inwestycje IV sp. z o.o. and Origin Gdynia 1 sp. z o.o. The company

is a special purpose vehicle which conducts an investment called Kompleks Origin ReVital Mechelinki, which will include Centrum Origin Mechelinki, Apartamenty Origin Mechelinki and Apartamenty Revital. This investment is presented in more detail in this Report.

**POZNAŃSKIE INWESTYCJE MAGAZYOWE SP. Z O. O.**

Pekabex directly holds 100% of the shares in the share capital of Poznańskie Inwestycje Magazynowe sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. The company's main activity is the provision of manufacturing services to companies in the Group. The company was registered in the National Court Register (KRS) on 17 February 2021.

**P.HOMES SP. Z O. O.**

Pekabex directly holds 100% of the shares in the share capital of P.Homes sp. z o.o., which entitles it to 100% of votes at the General Meeting of Shareholders. The company was registered in the National Court Register (KRS) on 08 October 2021. The company is dedicated to the direct implementation of single-family house projects built with prefabrication technology. The company's offer is addressed to individual investors.

**G+M GMBH**

Pekabex directly holds 76% of shares in the share capital of G+M GmbH. The remaining 24% is owned by Fundusz Ekspansji Zagranicznej Fundusz Inwestycyjny Zamknięty

Aktywów Niepublicznych (Foreign Expansion Fund Closed Investment Fund for Non-Public Assets) managed by PFR Towarzystwo Funduszy Inwestycyjnych S.A. The main line of business of G+M GmbH is the management and rental of real estate and movable property. The company holds 100% of shares in FTO Fertigteilwerk Obermain GmbH.

**FTO FERTIGTEILWERK OBERMAIN GMBH**

The company's core business is the production of precast concrete elements. The company provides small and large-size prefabricated products mainly for industrial, warehouse, logistics and housing construction. The company was registered in 2002 and is one of the main prefabricated component plants in Bavaria and Thuringia as a regional and supra-regional supplier of structural prefabricated elements in reinforced concrete construction. The scope of the company's activities includes a comprehensive service from designing the structure to assembling the prefabricated element.

**FALKENSEER GÄRTEN FEA GMBH**

Pekabex holds 100% of the shares in Falkenseer Gärten FEA GmbH. With effect from 23 November 2021, the Group entered into an agreement with FORIS Gründungs GmbH, a company incorporated under German law, to acquire 100% of the shares in the German company operating under the name Lindentor 1089. VV GmbH (renamed Falkenseer Gärten FEA GmbH). The company's activities are focused on real estate development projects. The company

is developing the Stadtvilla flats in Falkensee, a suburb of Berlin.

**REBUILD CONSTRUCTION AUTOMATION SP. Z O. O.**

Pekabex directly holds 50% of shares in the company Rebuild Construction Automation sp. z o.o., which entitles it to 50% of votes at the General Meeting of Shareholders. The remaining 50% of the shares in Rebuild Construction Automation sp. z o.o. are held by Rebuild sp. z o.o., an engineering startup with which the Group collaborates on the automation of production processes. The creation of the company is part of the Group's strategy to continuously develop product and process innovation. The company was incorporated on 24 January 2022, and registered with the National Court Register on 15 March 2022.

**PREFABCAD SP. Z O. O.**

The Group purchased 52% of the shares in Prefabcad sp. z o.o., which entitles it to 52% of the votes at the Shareholders' Meeting. The company's activities are focused on the licensing of software to Group companies. The company was registered in the National Court Register (KRS) on 28 December 2021.



**1.1.**

## Business model as at 31 December 2022

### The Pekabex Group is the largest and one of the most experienced manufacturers of reinforced and prestressed concrete prefabricated elements in Poland.

The Group and its legal predecessors have been active in the construction industry for 50 years.

The Group is constantly developing its range of products and services. At present, the Pekabex Group's activities are focused on three main business lines: the construction of prefabricated concrete structures, the implementation of projects as the general contractor and real estate development activities carried out by the Group on its own account.

#### Prefabrication

The first and main activity of the Group is the production of elements of modern construction systems: reinforced and prestressed concrete prefabricated elements. The Group's products are used in the construction and erection of industrial, commercial, residential, office, infrastructure and energy facilities, car parks, stadiums and unusual projects (e.g. individually designed and manufactured tanks, prefabricated shells, tunnel and bridge elements, stair flights). Prefabricated elements, due to the production technology and the possibility of maximum use of material parameters, are competitive with other materials and technologies used on the Polish and foreign market. The biggest advantages of prefabrication are the possibilities of automating production, shorter contract execution times and fewer workers on construction sites, which improves safety. Prefabrication technology also makes it possible to increase the usable residential area by up to 5-8% compared with the same project using traditional technologies. In addition, prestressing concrete reduces cross-sections of structural elements, which translates into cheaper transport and assembly, and thus attractive selling prices. The sustainable construction aspect of prefabrication technology is also important. The production of prefabricated elements within the Group is handled by

Pekabex Bet, Kokoszki Prefabrykacja and FTO Fertigteilwerk Obermain GmbH. Pekabex Group currently has six production sites, one in Germany and five in Poland, including a plant in Gdańsk, which is one of the most modern facilities of its kind in Europe. It enables the fully automated production of Filigran floor slabs, double Filigran walls and solid walls.

The Group's plants have begun to implement the principles of sustainable development, which is part of a wave of global changes, particularly in the European Union economy, aimed at significantly reducing energy consumption and greenhouse gas emissions and building circular economy. The Group is aware that the construction industry sector plays a key role in the decarbonisation of the economy, which is why its activities in this area are multidirectional, and are described in more detail later in this report in chapter 4: Environment.

#### General contracting for construction investments

The second business line of the Group is the provision of general contracting for construction investments. This line is the next step in building the Pekabex Group's value chain. Projects carried out under this formula use prefabricated concrete structures manufactured at the Group's plants. A large number of projects are also implemented under the 'design and build' model, where the scope of work includes not only the execution of the investment as a general contractor, but also the design phase preceded by an analysis of the investor's needs. Thanks to the provision of general contractor services, the Group not only provides its contractors with high-quality prefabricated elements, but also with comprehensive solutions, through the complete execution of construction projects. The team of the General Contracting Department consists, among others, of engineers and designers from all construction industries who comprehensively support investors at different stages of the investment, in terms of both formal and legal services, and indicating economical technical solutions. They:

- analyse soil conditions and choose the best method of foundation,
- design and deliver optimised structures: as the market leader in reinforced concrete and prestressed concrete prefabricated elements, they select the right skeleton to eliminate costly substructures for elevation, roof and installations,
- propose optimal solutions for sanitary and electrical installations,
- perform all works comprehensively: design and execution,
- take care of the aesthetic appearance of the facility and its immediate surroundings.

The main area of work of the General Contracting Department of Pekabex is large-volume construction and residential construction. These two segments of the Polish construction market were developing very dynamically in recent years. Demand in the area of volume construction is primarily linked to the development of the e-commerce sector, which has noticeably accelerated during

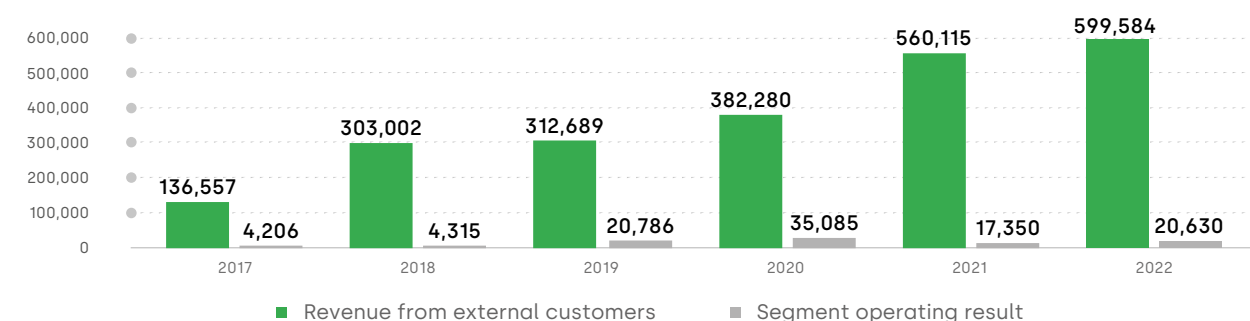
the pandemic period. In response to the growing demand for warehousing and logistics halls, the Group has developed the "Pekabex® Hall System", which incorporates state-of-the-art construction solutions that are protected by law and that offer clients the optimum combination of the lowest possible price, quality, utility value and speed of erection. The "Pekabex® Hall System" is also part of the growing customer interest in sustainable construction. Thanks to the technological concepts used, the structures of buildings constructed using the "Pekabex® Hall System" have a limited carbon footprint, and additionally a high load-bearing capacity of the roof surfaces that enables the installation of photovoltaic panels producing green energy. The Group also offers the execution of projects to a standard allowing BREEAM and LEED certification, in line with the European trend of promoting green construction and minimising negative impact on the environment. The Group cooperates in the area of general contracting of buildings with the largest investors in warehouse and logistics parks in Central and Eastern Europe, such as MLP, Prologis, Panattoni, 7R or CTP.

Housing construction is the second very significant area of activity for Pekabex Group's General Contracting Department. The decline in demand in the housing market that has started in 2022 was preceded by a period of consistent prosperity in the industry between 2013 and 2021. During this period, residential estate sales rates broke records, resulting in developers launching more and more new development projects every year. In the long term, the Polish housing market will see further growth due to the continuing shortage of residential premises. In addition, modern prefabrication solutions are the future of the construction market, including housing construction. Industry experts predict that interest in this construction technology will grow. In response to market demand, the

Group has developed a technological solution, the "Pekabex® Residential Buildings System", which makes it possible to construct buildings that are not only comfortable for their inhabitants, but also architecturally interesting in a quick, safe and economical manner. An important aspect of the "Pekabex® Residential Buildings System", which is gaining increasing importance, is the idea of sustainable construction. Buildings constructed using this technology have better thermal and sound insulation parameters and, thanks to the innovative construction technology, the operation and use of resources is more efficient, which minimises the impact of construction on the environment. The Group carried out a project for the construction of a housing estate in Toruń at ul. Okólna as a general contractor. This was the first real estate project within the framework of the governmental housing programme to be built using prefabrication technology. In addition to this investment, the Group also completed the construction of residential buildings in Włocławek for Miejskie Budownictwo Mieszkaniowe sp. z o.o.

The wide offer of the General Contracting Department in the scope of completion of logistics, warehouse, production, office, commercial and residential buildings, with the use of modern prefabrication technology, is addressed to demanding investors. This is why we apply an individual approach to each project, so that the completed building is tailored to the wishes and needs of the user while keeping the construction process as short as possible, and maintaining high quality.

**Revenue from the segment execution of contracts – construction services (business line – general contracting services) in the years 2015-2022 (PLN thousand)**



**Development activities**

As part of its activities, the Pekabex Group also carries out real estate development projects on its own account under the brand name "Pekabex Development". This is the third business line developed by the Group. It includes special purpose vehicles conducting real estate development activities which use their constantly expanding competences to carry out investments in a comprehensive way, starting from the acquisition of real estate, through construction of facilities and financing to their commercialisation. As part of its real estate development activities, Pekabex offers flats, holiday suites, single-family terraced houses, commercial premises as well as hotel and rehabilitation facilities. Pekabex Development is currently in the process of commercialisation or preparation of the following projects:

- in Poznań: Ja\_Sielska III, Ja\_Sielska IV, Ja\_Sielska V, Ja\_Sielska VI - multi-family buildings,
- in Warsaw: Casa Fiore, ul. Hafciarska 34 – completed with occupancy permit,
- in the vicinity of Gdańsk: Casa Baia Apartments in Hel, Origin Mechelinki Apartments, Revital Apartments and Origin Mechelinki Centre,
- in Częstochowa: Neonowe Estate with residential and commercial premises at ul. Katedralna (the building is expected to meet the criteria for BREEAM certification and the requirements of the "Barrier-Free Facility" of the Fundacja Integracja foundation),

- in Dziwnówek: the Zatoka Wrzosowo investment – holiday suites,
- near Berlin (Germany): high-end flats in Falkensee.

The competitive advantages of using prefabricated components in housing construction include, above all: shorter investment execution time than in the case of traditional construction (buildings made of prefabricated elements are ready for use in up to half the time it takes to complete a building using traditional technology), and the possibility of achieving approx. 5-8% more usable residential area on the same plot surface. An in-house design office, the production of prefabricated components at Pekabex plants, general contracting services, and a broad, professional staff base are all factors that guarantee the Investor comprehensive execution of virtually any investment.

Better technical parameters of buildings, e.g. acoustic, are also important. In addition, the sustainable aspect of construction is becoming increasingly important. Investors pay attention to the amount of construction waste and the carbon footprint of buildings. Concrete is 100% recyclable, and precast concrete elements generate a smaller carbon footprint than monolithic (traditional) construction.

**The table below presents the total usable area in the execution phase and in the preparation phase as at the end of each year\***

	2022	2021	2020	2019	2018	2017
Usable area in the execution phase (m <sup>2</sup> )	27,505	3,107	7,664	8,744	2,832	2,832
Usable area in the preparation phase (in m <sup>2</sup> )	31,129	52,144	39,106	1,752	5,912	5,912
Total area	58,634	55,251	46,770	10,496	8,744	8,744

\* the usable area of the logistics hall, as part of the investment completed in Poznań in Q1 2021, has not been included in the table above



Panattoni hall, Jaryszki

**The three business lines of the Group: production of prefabricated elements, general contracting for construction works and real estate development activities constitute a large competitive advantage and the possibility of optimal use of synergy.**

The Group's three business activities complement and positively influence each other; thanks to such comprehensiveness, Pekabex has great competence and experience in carrying out even the most demanding projects. All this constitutes Pekabex Group's unique business model, which has made it the leader in prefabricated construction in Poland and opened the way for its international expansion. The effectiveness of the three business lines is strengthened by the support departments operating within the Group, such as the Sales Department, Design Department, Logistics Department and others, e.g., HR, IT, Legal Department, Finance Department or Administration.

Pekabex has its own design office, specialising in designing buildings and structures made from precast concrete

units. It employs nearly 160 quality engineers with international experience, and permanently cooperates with external offices.

The projects developed in accordance with the "Pekabex Systems" are modern, safe and economical, and the structures built on their basis stand out in the architectural landscape. The Group applies innovative solutions in line with Polish and European standards. The Group has its own Research and Development Centre (established in 2017), which develops innovative concepts and the best construction solutions for its contractors, taking into account the environmental impact of the offered products. As part of its organisational structure, the Group has also established Pekabex Engineering, a unit that employs high-level engineers focused on improving production processes based on innovative solutions. At the beginning of 2022, the Group incorporated also Rebuild Construction Automation sp. z o.o., dedicated to the automation of manufacturing and research and development work in this area. The Group's Management Board focuses on modern IT solutions and is gradually building a team of programmers and specialists that work on the digitisation and streamlining of production and operational processes in the Pekabex Group.

In its activity, the Group combines the competences of a manufacturing, engineering, construction and real estate development company. Pekabex ensures country-wide, safe transportation of prefabricated elements to construction sites by road or rail-road transport. It also organises the transportation of elements abroad, using sea transport. Constant supervision over the continuity of deliveries and safety of transport of prefabricated elements is exercised by the Logistics Department. The low-loader trucks used by the Group enable the transport of elements over 40 m long and weighing more than 80 t, as well as the vertical transport of prefabricated elements up to 4.3 m high. The number of transports shipped from the Group's Polish plants amounted to 31,377 in 2022 compared to 27,349 in 2021 – an increase of around 15%.



The Group has its own Assembly Department, which, thanks to its qualified engineering and technical staff and experienced assembly workers, implements even the most unusual installations of prefabricated structures while maintaining the highest quality and safety standards. The most labour-intensive and heaviest assembly work is carried out using large construction machinery to its maximum potential under the supervision of skilled workers, which generates a safer working environment, and makes prefabricated construction socially responsible. Regardless of the season and weather conditions, 18 assembly teams (10 at home, 4 abroad and 4 for the German site) are at work on the construction sites, completing the projects on time and in accordance with previously agreed specifications. The assembly of prefabricated elements is a stage in the construction process whose progress and effects can be seen almost immediately, buildings made from the Group's prefabs are built at a speed unattainable with traditional technology, which is also undoubtedly due to the experience and quality of work of the teams of the Assembly Department.

**As at 31 December 2022, the Pekabex Group comprised 32 entities, including Poznańska Korporacja Budowlana Pekabex S.A. as the parent company, Pekabex BET S.A. as the company concentrating the Group's main activities, 21 real estate development companies, including Pekabex Development sp. z o.o. as the coordinator of real estate development projects, and 3 companies located in Germany.**

The Group's business model and the types of activity conducted by the individual companies are presented in the diagram below:

<b>POZNAŃSKA KORPORACJA BUDOWLANA PEKABEX S.A.</b>		
Pekabex BET S.A.	execution of contracts (financing, coordination and production)	100%
Pekabex Pref S.A.	production, design, IT, accounting, administrative and logistics services	100%
Centrum Nowoczesnej Prefabrykacji sp. z o.o.	lease of machinery and equipment and provision of IT services to Group companies	100%
Kokoszki Prefabrykacja S.A.	lease of machinery and equipment to Group companies and production of prefabricated elements in the new plant in Gdańsk-Kokoszki	100%
Pekabex Inwestycje II S.A.	Rental of real estate, machinery and equipment to Group companies	100%
Poznańskie Inwestycje Magazynowe sp. z o.o.	production services	100%
Prefabcad sp. z o.o.	rental of software licences to Group companies	52%
Rebuild Construction Automation sp. z o.o.	design and production process automation services	50%
<b>PROPERTY DEVELOPMENT COMPANIES</b>		
Pekabex Development sp. z o.o.	coordination of development contracts	100%
Pekabex Casa Fiore sp. z o.o.	special purpose vehicle for managing the Casa Fiore housing estate project at ul. Hafciarska in Warsaw	75%
Pekabex Casa Baia sp. z o.o.	special purpose vehicle for the construction of the Casa Baia high-end flats in Hel	75%
Pekabex Jasielska sp. z o.o.	special purpose vehicle for the construction of the JA_SIELSKA housing estate, stages III and IV in Poznań	100%
Pekabex Katedralna sp. z o.o.	special purpose vehicle for the development of Neonowe Estate – residential and commercial buildings at ul. Katedralna in Częstochowa	80%
Origin Pekabex Mechelinki sp. z o.o.	the company is the General Partner at the company Origin Pekabex Mechelinki sp. z o.o. sp. k.	51%
Origin Pekabex Mechelinki sp. z o.o. sp. k.	special purpose vehicle implementing the Origin ReVital Mechelinki Complex investment	55%
Pekabex Inwestycje IV sp. z o.o.	limited partner in the company Origin Pekabex Mechelinki sp. z o.o. sp. k.	100%
Pekabex Inwestycje VIII sp. z o.o. w likwidacji	company conducting the construction of the first stages of the JA_SIELSKA estate development project and the construction of terraced houses in Józefostaw near Warsaw	100%



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Pekabex Inwestycje XI sp. z o.o.	special purpose vehicle managing the construction of stages V and VI of the JA_SIELSKA housing estate in Poznań	100%
Pekabex Inwestycje XII sp. z o.o.	a special purpose vehicle to operate one of the future development projects	100%
Pekabex Inwestycje XIII sp. z o.o.	a special purpose vehicle to operate one of the future development projects	100%
Pekabex Inwestycje XIV sp. z o.o.	special purpose vehicle managing the construction of high-end flats in Dziwnówek – Zatoka Wrzosowo	100%
Pekabex Inwestycje XV sp. z o.o.	a special purpose vehicle to operate one of the future development projects	100%
Pekabex Inwestycje XVI sp. z o.o.	a special purpose vehicle to operate one of the future development projects	100%
Pekabex Inwestycje XVII sp. z o.o.	the company is the General Partner in Pekabex Inwestycje XVII sp. z o.o. S.K.A.	100%
Pekabex Inwestycje XVII sp. z o.o. S.K.A.	a special purpose vehicle to operate one of the future development projects	100%
Pekabex Inwestycje XVIII sp. z o.o.	a special purpose vehicle to operate one of the future development projects	100%
P. Homes sp. z o.o.	company dedicated to single-family house projects built using prefabrication technology	100%
Intermodal Logistics Hub Babimost sp. z o.o.	special purpose vehicle for the construction of a logistics and warehousing hall in Babimost	100%

**COMPANIES LOCATED IN GERMANY**

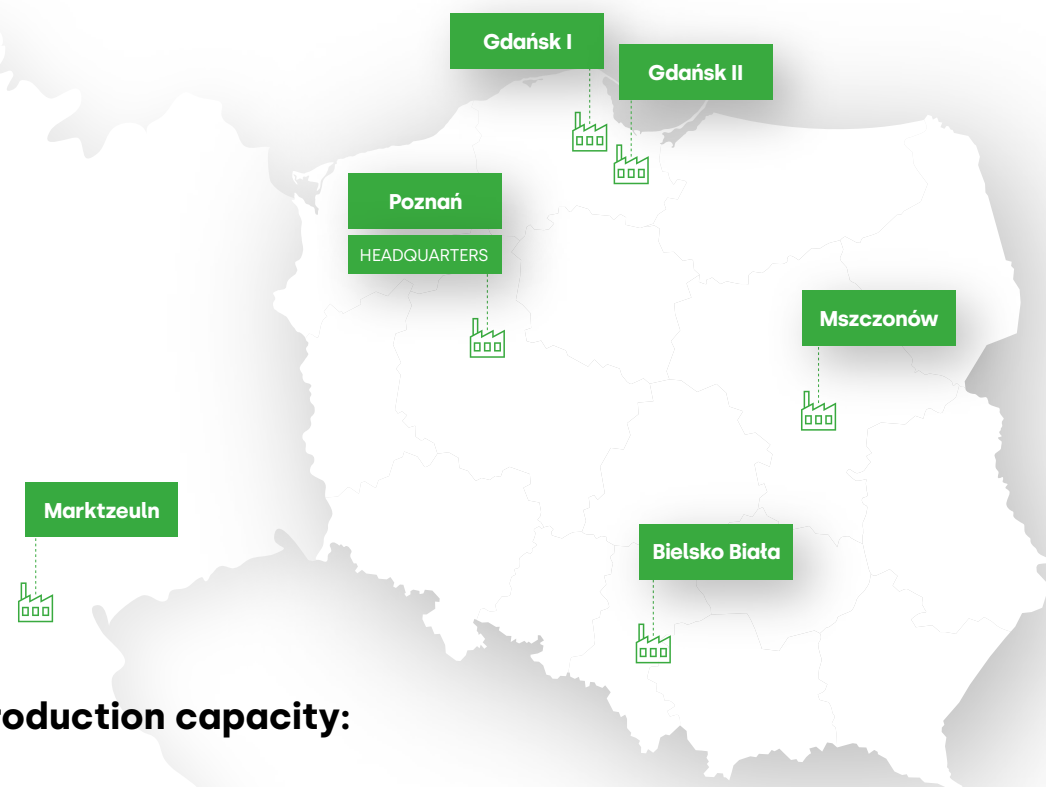
G + M GmbH	renting real estate, machinery and equipment to FTO, holding 100% of the shares in FTO
FTO Fertigteilewerk Obermain GmbH	execution of contracts (financing, coordination and production)
Falkenseer Gärten FEA GmbH	special purpose real estate development vehicle for the construction of a residential estate in Falkensee, a suburb of Berlin



**The Group specialises in the production of traditional prefabricated reinforced elements and modern prestressed elements.**

The Pekabex Group has six production sites. Five are located in Poland: in Poznań, Mszczonów, two in Gdańsk and Bielsko-Biała. The Group also has one production facility located in Germany in Marktzeuln (acquired in late 2020).

All factories produce elements used in large-scale construction (e.g. production halls, warehouses, offices, shopping facilities, stations, parking lots), civil engineering (e.g. bridges, tunnels), as well as elements for non-standard projects. The Group also manufactures elements for residential construction, including ceilings, stairs and balconies, but mainly walls, including solid and triple-layered walls used as external walls with façades, equipped with electrical installations, fitted with windows and external window sills, and finished with special textured plasters.



**Production capacity:**

**Total production capacity:**  
205,000 m<sup>3</sup> – structures and walls, 1,055,000 m<sup>2</sup> – slabs and floor elements, 60,000 m<sup>3</sup> – tubing elements

**Gdańsk I**  
40,000 m<sup>3</sup> – structures and walls  
120,000 m<sup>2</sup> – floor slabs

**Gdańsk II**  
500,000 m<sup>2</sup> – Filigran slabs and double Filigran walls

**Poznań**  
50,000 m<sup>3</sup> – structures and walls  
200,000 m<sup>2</sup> – floor slabs

**Mszczonów/Warsaw**  
25,000 m<sup>3</sup> – structures and walls  
200,000 m<sup>2</sup> – floor slabs  
60,000 m<sup>3</sup> – tubing elements

**Bielsko-Biała**  
25,000 m<sup>3</sup> – structures and walls  
35,000 m<sup>2</sup> – floor slabs

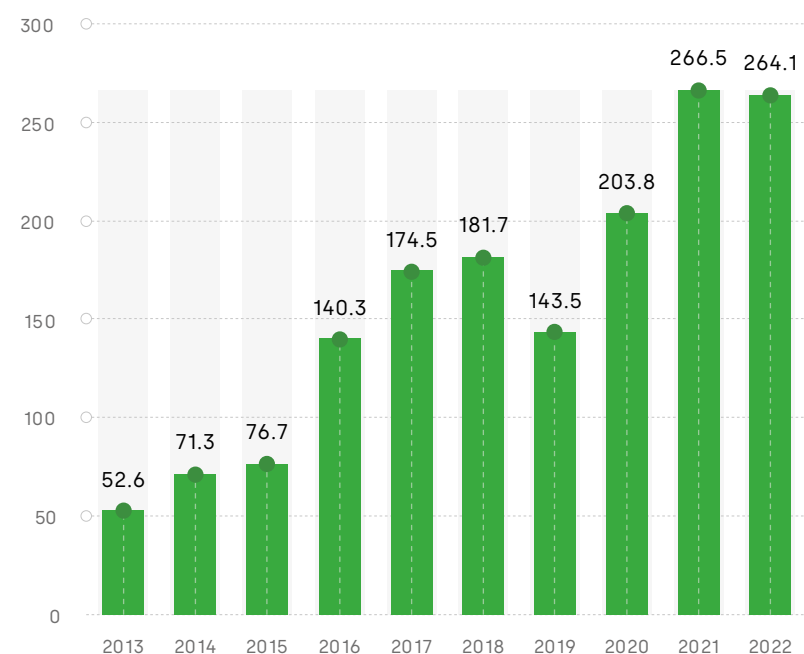
**Marktzeuln (Germany)**  
30,000 m<sup>3</sup> – structures and walls

Architectural concrete element, Pekabex warehouse in Poznań

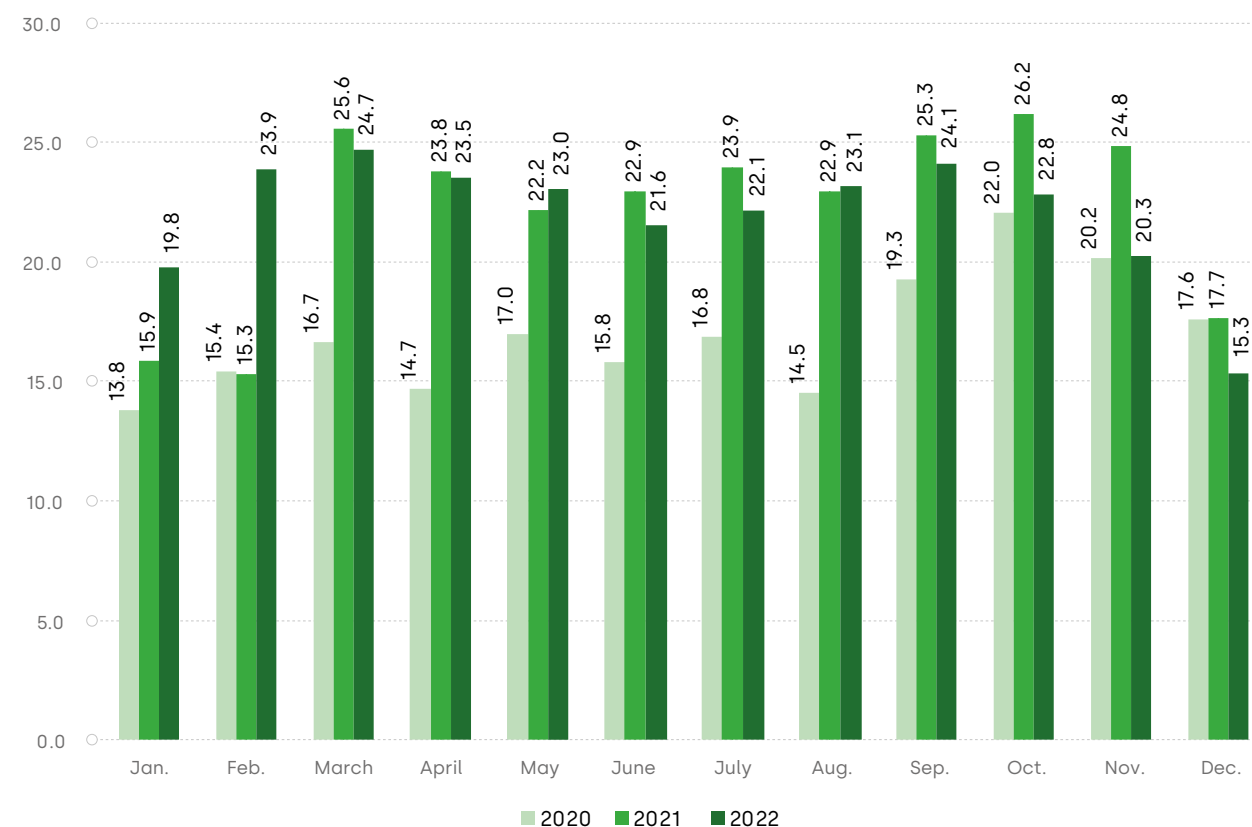




**Total production volume generated by 6 production plants in 2022 amounted to 264.1 thousand m<sup>3</sup>.**



Production volumes by month in 2022 (green) in comparison to the corresponding periods in 2020 and 2021:



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The Group's prefabricated component plants are equipped to manufacture elements with a wide range of dimensions, both in traditional reinforcement technology and using prestressing.

→ Modern equipment and developed technology allow for the production of elements of increased length (45 m girders), as well as considerable mass (over 100 t).

The high quality of manufactured prefabricated elements is achieved thanks to the specialised production equipment, but also the experience and high qualifications of the personnel. The Group also manufactures elements for residential buildings such as stairs and balconies, floor slabs in which sanitary installations can be installed, but mainly walls, including solid walls and three-layer walls, most often used as external walls with an elevation, equipped with electrical installations, having windows and external sills installed, as well as finished with special structural plasters. Such elements do not require additional time and financial resources related to the construction and finishing of the façade at the construction site. Finishing the internal side of the wall requires only painting, fixing window sills and installing sockets and electrical switches.

GRI: 102-2

## Main products manufactured by Pekabex

The Group's offer can be divided according to production technology:

- prestressed elements, including bridge beams, girders, TT slabs, floor beams, roof beams, purlins, tram elements, prestressed concrete sill plates, multi-storey columns, prestressed Filigran elements, prestressed hollow core slabs,
- reinforced elements, including rectangular columns, circular columns, footings (columns with footing), solid walls, two-layer walls, three-layer walls, foundations, retaining walls, walls with aggregate wash, walls with wash facade, balconies, tubing, docks, structural architectural elements,
- prefabricated elements manufactured in a fully automated manner based on Filigran-type elements.

The main products manufactured by Pekabex are presented below.

## Architectural concrete elements

The Group also offers prefabricated elements made of architectural concrete.

Thanks to the development of automation processes in the construction industry, different types of architectural concrete can be used serially in large-scale structural elements.

Sandwich panels, façade cladding, balconies, frame structures (beams and columns) and other elements made of coloured concrete, textured in specially designed matrices and formwork, with the possibility of exposing aggregate (also in different colours) in a washing process, or with smooth surfaces with a closed structure or with a photo on the concrete surface, are products that are increasingly sought after on the market.

### Columns

Pekabex produces reinforced and prestressed columns and footings with square, rectangular and circular cross-sections. The columns can be multi-level, with brackets in all four directions. The largest elements produced by GK Pekabex were over 30 meters high and exceeded the weight of 100 tons.



### Walls

Pekabex manufactures prefabricated single-, double-, and triple-layer wall elements with an insulation layer made of Neopor, PIR or mineral wool. External wall textures may be solid or have a façade layer finished with mineral plasters or washed stone of basalt, granite or other specified aggregate. The façade may also be decorated with formliner prints or with clinker bricks.

Walls are produced in a wide range of sizes and applications: for building commercial buildings, industrial halls, public and residential buildings, for internal and external load-bearing walls, walls of lift shafts, staircases.

### Floor beams

The Group's production plants manufacture reinforced concrete and prestressed concrete beams with rectangular, trapezoidal, T-bar, double-T and L-shaped cross-sections. They are prepared to be joined with a monolithic or prefabricated ceiling made of hollow core slabs, TT slabs or Filigran slabs.



### Filigran walls and floor slabs

Filigran walls and slabs are produced in an automated manner at a new production plant in Gdańsk. The biggest advantages of this product are simple and quick assembly and its light weight.

Filigran elements are dedicated to residential and office construction and are used to build tunnels, silos, tanks, underground garages or fences.

### Slabs

The wide range of slabs produced by the Group includes:

- hollow core slabs,
- reinforced and prestressed TT slabs,
- PS prestressed solid slabs,
- troughed slabs,
- Filigran type slabs.



### Prefabricated engineering products

The Group's production plants manufacture prefabricated reinforced concrete and prestressed concrete elements that are highly advanced in terms of technology and design for the needs of civil engineering.

### Roof girders

Pekabex offers reinforced and prestressed concrete roof girders with spans exceeding 45 metres, as well as roof elements such as purlins, joists, girts. The elements can be equipped with steel accessories.



### Other

Other products manufactured in the Pekabex Group plants include:

- bridge abutments,
- stair stringers and landings,
- balconies,
- docks,
- crane ballasts,
- fountain basins, plinths,
- architectural concrete elements,
- and other prefabricated products manufactured at the customer's request.



GRI: 102-13

## Membership in organisations

As one of ten biggest construction companies in Poland, Pekabex is an active member of organisations and associations in which it actively engages, treating it as an important aspect of its relations with the environment and implementing the idea of responsible business. The main benefits of membership are the opportunity to gain knowledge, current access to industry information, but also the opportunity to share knowledge and gain new contacts and experiences.

Pekabex is a member of the following organisations and associations:

- Stowarzyszenie Producentów Betonów (the Association of Concrete Producers),
- The Polish-German Chamber of Commerce and Industry,
- Pracodawcy Pomorza (the Employers of Pomerania),
- Fundacja Firmy Rodzinne (the Family Companies Foundation),
- Güteschutz Beton,
- Wielkopolska Izba Przemysłowo-Handlowa (the Wielkopolska Chamber of Commerce and Industry),
- Dansk Byggeri,
- Polish Circular Hotspot,
- Polish Green Building Council,
- Polish-Luxembourg Chamber of Commerce.

## Awards and honourable mentions

The most important awards and honourable mentions received by Pekabex in 2022 include:

### Honourable mention in the category "Most Reliable in the Polish Economy 2022"

Pekabex received an honourable mention from ISBnews in the Construction and Development Sector at the third edition of the "Most Credible in the Polish Economy" awards gala. The ISBnews agency honoured companies and institutions that conduct their business in a transparent manner, are honest with their contractors and partners and adhere to the principles of corporate social responsibility. The award was accepted by Robert Jędrzejowski, President of the Management Board of Pekabex S.A.

### Listed in the "Forbes Diamonds" ranking

Pekabex BET S.A. was listed in the "Forbes Diamonds 2022" ranking prepared by the Forbes magazine. It is the fourteenth time the editors of Forbes magazine, in cooperation with Dun & Bradstreet Poland, compiled a list of Polish companies that are growing most rapidly.

### "Poland's Best Employers" ranking by Forbes and Statista

Pekabex was ranked 15th in the "Best Employers. Poland. 2022". "A guide to companies that give far more than promised... by their competitors" is based on a study that was conducted by Forbes in collaboration with the Statista organisation. "Companies people want to work for" is a list of 300 companies that are the best employers in Poland, grouped by industries and sorted by the number of points scored, evaluated in terms of good working and development conditions. The ranking was announced at Kongres Odpowiedzialnego Pracodawcy (Responsible Employer Congress).

### Business Gazelles 2022

"Business Gazelles is the oldest, most reliable and most popular ranking of small and medium enterprises in Poland. "Puls Biznesu" has been compiling it continuously since 2000, pursuing its mission of supporting entrepreneurship. The ranking is based on the most objective criteria – financial performance. Participation is free of charge. Being listed in the ranking means that the company is not only growing rapidly, but is also transparent." Pekabex was awarded the title of Business Gazelle for 2022.

### "Star of 'Builder' Ranking 2022"

The Pekabex Group has been awarded the title of "Star of 'Builder' Ranking" for achieving the highest revenues among manufacturers in the Wielkopolska region. The 'Builder' Ranking lists the largest construction companies in the country.

### Winner of "'Builder' Super Power 2022"

In the 2nd edition of the "'Builder' Super Power" award, accolades were received by 38 people. Marcin Luber, Director of the Design Department of the Pekabex Group, was one of them. It is an acknowledgement of good practices that deserve to be promoted among business partners, clients and the general public. The award recognises the wide-ranging competence, talent, and entrepreneurship and is given to Directors, Managers and Teams from different segments that operate in the construction industry. The awards were presented at the 'Builder' Super Power final on 6 October 2022 in Warsaw.

GRI: 102-6, 102-4

## 1.2.

## Markets and sources of supply

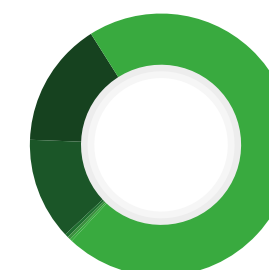
Over 97% of the Group's purchases are made from domestic suppliers. Foreign suppliers come primarily from countries such as Germany, Italy, France, Hungary, and the Netherlands. Key raw materials and materials procured by the Group include steel, cement, aggregates, plywood, accessories and construction chemicals. Key purchases also include transport services and subcontracting services related to the execution of contracts as a general contractor.

Poland is the main market for the Group. The largest domestic recipients of its products include direct investors and general contractors, implementing large-size buildings, residential buildings and infrastructure investments.

The contracts were performed in 2022 in Poland, Germany, Sweden, Denmark, and for the first time in Switzerland and Hungary. Production services are provided in Germany.

### Share of individual markets in total revenue in 2022

Poland	73.53%
Scandinavia (Sweden, Denmark)	15.69%
Germany	10.50%
Switzerland	0.18%
Hungary	0.07%
Other	0.03%



The table below shows the revenue generated in individual markets and the change compared to the previous year:

In thousands PLN	from 1 January to 31 December 2022	from 1 January to 31 December 2021	Change in value	Change %
Poland	1,233,829	1,062,304	171,525	16,1%
Percentage share in total sales	73,53%	70,60%		
Scandinavia (Sweden, Denmark)	263,339	232,975	30,364	13,0%
Percentage share in total sales	15,69%	15,50%		
Germany	176,184	205,340	(29,156)	(14,2%)
Percentage share in total sales	10,50%	13,60%		
Switzerland	2,938	1,577	1,361	86,3%
Percentage share in total sales	0,18%	0,10%		
Hungary	1,163	2,666	(1,503)	(56,4%)
Percentage share in total sales	0,07%	0,20%		
Other	492	-	492	100%
Percentage share in total sales	0,03%	-		
<b>Total</b>	<b>1,677,945</b>	<b>1,504,862</b>		

The increase in total revenue is mainly related to the Execution of contracts – prefabrication segment (increase by PLN 160,053 thousand).

Sales revenue on the territory of Poland increased by PLN 171,525 thousand compared to 2021, i.e. by 16.2%. Revenue from the execution of contracts in Scandinavia increased by PLN 30,364 thousand, i.e. by 13.0%. Sales revenue on the territory of Germany decreased by PLN 29,157 thousand compared to 2021, i.e. by 14.2%. In 2022, the Group was developing sales in Switzerland. Sales growth in the area amounted to 86.3%. The favourable economic situation allowed the Group to conclude a number of new contracts, which were included in the Group's portfolio for 2023 and subsequent years.

In 2022, the CTP Group was the Group's main client. Sales revenue earned thanks to the partnership with one of the largest real estate developers in Central and Eastern Europe amounted to 12.5% of the Group's sales revenue in 2022. The collaboration with CTP Invest Poland sp. z o.o. generated 8.9% of total sales revenue of Pekabex Group, and the collaboration with CTP Eta Poland sp. z o.o. – 3.6%. Revenues generated through the collaboration with this contractor belonged to the "Execution of contracts – construction services" and "Execution of contracts – prefabrication" segments. The Group's second largest client in terms of turnover was SK Ecoplant Co., Ltd. Revenue from sales to this contractor in 2022 reached 6.3% of the Group's revenue. The turnover generated by the collaboration with this contractor belongs to the "Execution of contracts – prefabrication" segment.

GRI: 102-16

**1.3.**

### Value creation model

Pekabex Group integrates all its elements of the value chain in a way that enables the sustainable development of the entire organisation, as well as the acquisition and maintenance of a sustainable competitive advantage, also in the context of dynamically changing market conditions. Efficient flows between the various components of the value creation model allow the Group to achieve its objectives, ensuring flexible adaptation of processes to the volatility of the business environment.

The Group reports on value chain issues in an integrated manner, presenting relevant information on the Group's strategy, performance, opportunities, risks and management, putting them in the context of the environment and the most likely scenarios for its change in the future (Outlook). In addition to the business model, the presentation of the value creation process in the Pekabex Group also covers capital (financial, organisational, human, intellectual, social and natural) and changes taking

place in these different types of capital and their use. Such a presentation allows for an even better reflection not only of important financial conditions and indicators, but also of a number of issues that have a more complex, indirect impact on creating value, significantly affecting the economic results achieved.

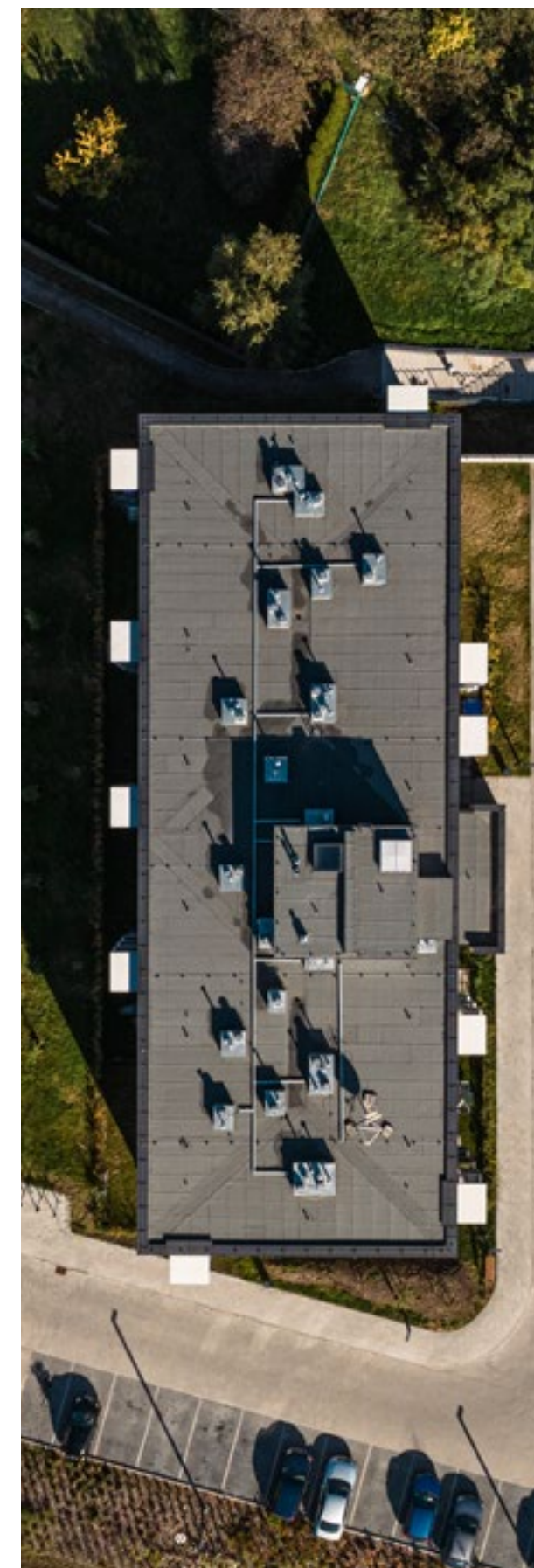
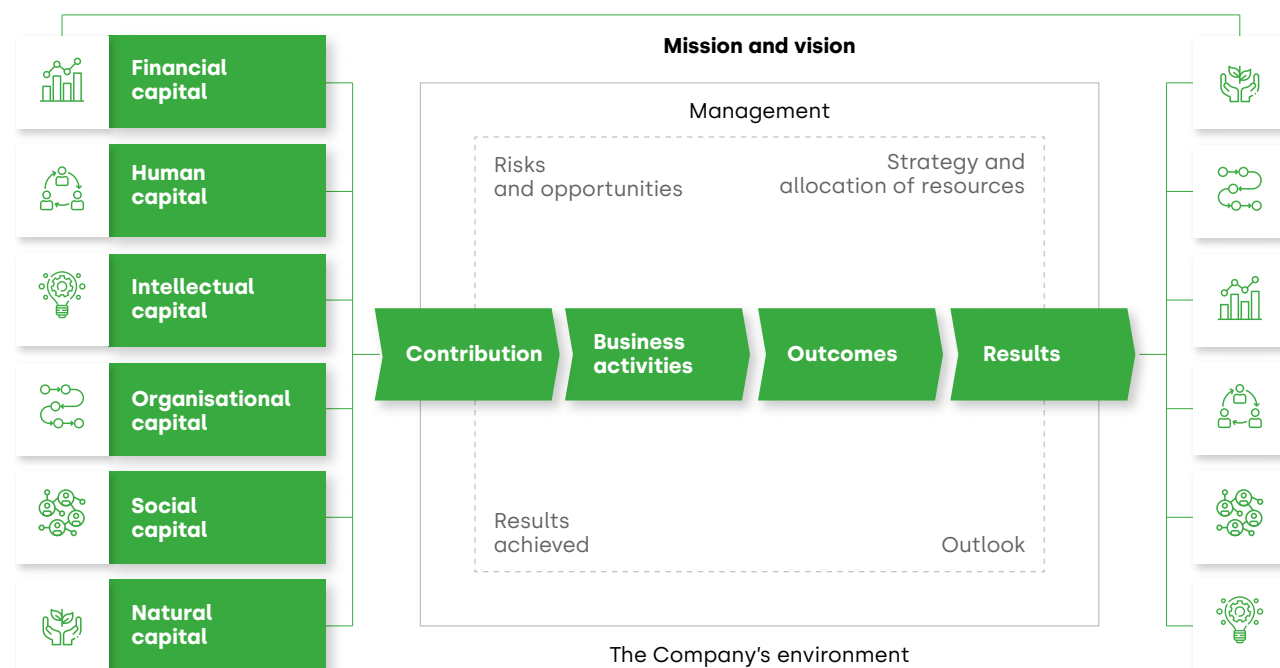
An in-depth presentation of key financial and non-financial issues better illustrates the factors important for the Group's stakeholders, in particular those concerning a longer period than the perspective of its strategy and relating to the foundations of its approach to sustainable development.

**1.4.**

### Capitals

**According to the concept of integrated reporting, the processes taking place in the Group are perceived by it as a whole, from the point of view of creating value for its stakeholders. They can be categorised into six capitals.**

- Financial Capital
- Human Capital
- Intellectual Capital
- Organisational Capital
- Social Capital
- Natural Capital



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### Financial Capital

The financial capital of the Pekabex Group consists of own earned funds, cash flows resulting from the execution of profitable contracts and external financing (including by banks and investors) and guarantee facilities acquired in financial institutions.

The most important aspect of financial capital is to provide the means to implement the Group's operating and investment strategy, and to secure the Group's stability and credibility for investors, employees, suppliers, customers and other stakeholders.

Financial capital allows flexibility and ensures operational security, thanks to which the Group is even able to implement several large, capital-intensive projects at the same time, as well as its own investments. Financial capital enables you to use your resources effectively. It allows the Group to maintain and develop all its business lines, and to build a strong and stable organisation, ready for further growth and resistant to the volatility of market factors. Thanks to its financial capital, the Group can continue to meet its obligations even in the event of unfavourable external conditions.

Financial capital is associated with the processes of obtaining it from external institutions and earning it through good planning and professional management of production and execution of contracts.

### Key capital contributions

- Thanks to the financial capital, the Group has the opportunity to finance the execution of contracts (purchase of materials, production, etc.) until it receives payment for services rendered and goods delivered, as well as expansion on domestic and foreign markets, which contributes to the increase in its value.
- Financial capital and achieving positive results ensure the trust of investors, financial institutions and employees in the Group
- Financial capital provides funding for human, intellectual, organisational, social and natural capital.

### Capital performance management

The Pekabex Group carries out a number of activities aimed at managing the results from financial capital. These include:

- the use of optimal sources of funding,
- managing the order portfolio,
- planning long- and short-term cash flows,
- hedging cash flow due to risks,
- verifying customers' creditworthiness,
- maintaining financial stability through measures to optimise expenditure and asset structure,
- monitoring receivables,
- implementing the hedging policy,
- investing in production capacity,
- automation and computerisation of processes, aimed at increasing efficiency,
- introducing new, innovative products,
- expanding the scope of activity by adding new segments,

### Results achieved

- total assets: PLN 1,324,910 thousand
- short-term receivables: PLN 470,502 thousand
- cash and cash equivalents: PLN 119,496 thousand
- equity: PLN 482,495 thousand
- long-term liabilities: PLN 200,604 thousand
- short-term liabilities: PLN 641,811 thousand
- sales revenue: PLN 1,677,945 thousand
- EBITDA: PLN 127,683 thousand
- net profit: PLN 67,255 thousand
- net debt: PLN 87,909 thousand
- maximum guarantee limits available:
  - insurance: PLN 202,178 thousand (including those used for guarantees granted: PLN 140,684 thousand)
  - banking: PLN 709,345 thousand (including those used for guarantees: PLN 258,968 thousand)
- expansion of the production plant in Mszczonów.
- development of new real estate development projects, including in Germany,
- acquisition on the German market,
- issuance of a new series of bonds worth PLN 40,000 thousand,
- receipt of funding from the National Centre for Research and Development for the development of an innovative product and its production technology,
- conclusion of new agreements and annexes regarding multi-purpose credit lines, including those with a repayment guarantee from BGK.



Pekabex employees on site, Katowice, Poland



### Human Capital

For Pekabex, human capital means, above all, people who have the appropriate knowledge and experience and who pursue its objectives and strategies, which helps create the Group's value.

Pekabex is an engineering company, so, to a large extent, its success depends on engineers. Specialised knowledge and experience is the second key capital of the Group in addition to tangible assets. It is necessary at every stage of the implementation of processes within the organisation, from sales and design, through ordering appropriate raw materials and consumables, work organisation, production of elements, quality control and safe transport, to assembly at the construction site, and in the case of comprehensive project execution – also planning and organising the entire construction process.

In the support departments, the employees of the Group ensure adequate organisational, legal, financial and accounting support for the operations. They provide timely information necessary for decision-making and for the fulfilment of ongoing internal and external reporting obligations.

The employees of the Group have appropriate education and qualifications. They are committed, motivated, flexible and willing to do things out of the ordinary. Human capital is also one of the key success factors in the sustainable development of the organisation, which is why Pekabex, in its human resources management policy, strives to maintain and attract to the organisation employees with competences in line with the Group's business needs, but also capable of creating goodwill and a sustainable working environment that supports innovation, creates opportunities for continuous competence development, and promotes the idea of a learning organisation.

### Key capital contributions

- Qualified engineering and specialist personnel have the necessary knowledge and experience in the industry
- The Group maintains a health and safety management system based on BS ISO 45001:2018
- The Group has implemented a health and safety procedure for subcontractors and external contractors
- The Group employs foreigners.
- Support to refugees from Ukraine in providing shelter and basic living conditions.

### Capital performance management

For 50 years, the Pekabex Group has been creating a multicultural and multinational community in which everyone is valued as a unique individual. It therefore attaches particular importance to respecting and valuing the diversity of its Employees as well as its business partners and customers. In its day-to-day operations, employment policy and cooperation with clients, it is guided by respect for others and the principles of open communication, responsibility, honesty and improvement. This makes the Group a friendly and professional partner.

The Pekabex Group carries out a number of activities aimed at managing this capital. These include:

- Ensuring that employees work in appropriate health and safety conditions,
- Enabling employee growth by providing access to training, subsidising university courses or implementing internal development programmes,
- Investigating employee needs through the "Pekabex Employee Satisfaction Survey" questionnaires,
- Implementing corporate values and establishing an ethics committee to ensure they are followed,
- Providing numerous employee benefits,
- Being open to employing and training foreign nationals,
- Being open to employee initiatives that build a positive working atmosphere, and strengthen relationships.

### Results achieved

- Number of jobs (employees and associates) in all Group companies: approx. 2,700 people.
- Number of foreign employees: 364 people.
- Expenditure on training in 2022 was higher than last year (PLN 931 thousand) and amounted to nearly PLN 1,743 thousand, which constitutes an increase of nearly 53%.
- Number of apprentices and trainees in 2022: 44 people.
- Co-financing of events important for employees (apart from organising company integration events), such as team and individual sports activities.
- The "Pekabex Employee Satisfaction Survey" carried out by the Group in June 2021 and covering all people in the Group's workforce in Poland led to the introduction of changes and improvements. The survey was conducted to define areas for improvement affecting the development of the organisation. All initiatives taken are monitored and their effectiveness is verified. Another survey will be carried out in June 2023 to allow the Group to assess which areas are working well and which need attention.
- Implementation of the Lean Green Belt programme.
- Updating and modernising the staff adaptation process, which makes it easier for new hires to integrate into the company and navigate its structures.
- Development cycle for managers as part of the Manager Academy.
- Improving working conditions: renovations, streamlining internal processes, the idea of creating a friendlier organisation.
- Continuation of the "I Have an Idea" programme, which supports the initiative of positive change in the organisation. 76 ideas were submitted and 22 of them were implemented.
- Work on the intranet and implementation of the new TETA ME software.
- Financial and organisational support for workers from Ukraine, supporting their efforts to provide conditions of stay for their relatives and other people from Ukraine seeking refuge in Poland.
- Financial support for the sick child of the employees of the Group.





### Intellectual Capital

The intellectual capital is based on the experience and knowledge of appropriately selected staff, continuous validation of existing solutions, as well as specialised software (e.g. for design). The main component of intellectual capital is the knowledge of employees and their overall competence, which is why Pekabex employs a team of qualified designers and engineers whose ideas are developed and implemented. The Group is aware that in a rapidly changing market environment, a focus on innovation will be key to maintaining its business position, which is why research and development activities are an important part of the Group's value chain.

The company has its own Research and Development Centre, within which it conducts acoustic, strength and fire resistance tests; the Group has registered its own utility models and is awaiting decisions on further protection rights and on patents filed for registration. Intellectual capital allows the Group to develop effective, optimal and safe design and product solutions.

### Key capital contributions

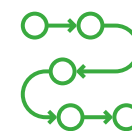
- The Group has implemented procedures for creating and approving documentation and executing contracts.
- The key activity is the optimisation of solutions and processes.
- Technical and IT solutions translate into the productivity of manufacturing and assembly, and consequently – into the value/profitability of contracts.
- Individual product solutions are tailored to the customers' needs.

### Capital performance management

- Implementation of projects in the area of research and development.
- Development of IT systems, robotisation and automation of processes.
- The Group is an active participant in scientific and industry conferences.
- The Group cooperates with technical universities and research institutes.
- The Group is involved in various initiatives supporting new ideas and cooperation between enterprises, e.g. it is a member of the Polish-German Chamber of Commerce and Industry (AHK).
- The Group is an active member of associations working for the development of the construction sector, e.g. Stowarzyszenie Producentów Betonu (the Association of Concrete Producers).

### Results achieved

- The Group has a Research and Development Centre with teams working on specific issues.
- Development and implementation of the "Pekabex® Residential Buildings System" and the "Pekabex® Hall System".
- In 2022, the Group filed one invention with the Patent Office. In total, the Group holds 17 utility model protection rights and 2 patents.
- Product, segment and geographic diversification strategy.
- Research work on the development of an innovative prefabricated bathroom module along with its production technology, for which it received funding from the NCRD.
- In 2022, the Group continued cooperation with universities and vocational schools
- Participation in seminars and scientific conferences to support educational activities promoting the use of concrete prefabrication in construction among architects and civil engineers.
- Organisation of a competition for the best thesis.
- Organisation of profiled internships and placements, and recruitment of the best students and graduates.
- Creation of Pekabex Engineering Department responsible for automation of production processes based on innovative technological solutions.
- The activities of Rebuild Construction Automation sp. z o.o., which is dedicated to the development of automation processes in the Group.



### Organisational Capital

The organisational capital of the Pekabex Group is primarily its organisational structure, mission, vision, strategy, operational and strategic goals. It also includes internal procedures (departmental and inter-departmental), regulations, instructions, directives and internal processes, together with the persons responsible for them.

Finally, the Group's organisational capital is the division of competences between departments and their interaction, driving constant development – of people, infrastructure, factories.

### Key capital contributions

- The Group continuously analyses the need for the improvement or creation of processes and procedures.
- The Group has an effective control system in place.
- The Group's structure is conducive to efficient decision-making.
- The correct identification of persons and units responsible for individual processes ensures their smooth execution.

### Capital performance management

- The Group's top management defines and communicates its strategy, mission, vision, objectives and values.
- The Group has internal procedures regulating responsibility in individual departments.
- The Group edits internal newsletters, including a printed employee quarterly, which supports communication.
- The Group conducts information campaigns among employees using emails, posters, and screens.
- Employees regularly hold departmental meetings.
- The Management Board meets with managers on a regular basis to exchange information about activities and their results.
- The Management Board approves company-wide procedures to better organise processes.

### Results achieved

- In 2022, the Group continued to implement the new ERP-type system (Gardens).
- As part of the organisation's drive for continuous improvement, the "Lean Green Belt" project was continued in 2022 to support dynamic development and processes for problem solving and finding optimal solutions.
- Development of the organizational structure dealing with new areas and segments of activity (developer project execution segment).
- The Group's procedures are being constantly developed and updated.
- Intensive work on the implementation of the sustainable development strategy and its integration with the business model and strategic goals of the organisation.
- Ensuring both timely reporting and execution of contracts according to their schedules.
- The Group has an Integrated Management System in place to manage the Group's key processes on a ongoing basis. The Integrated Management System includes a Quality Management System compliant with ISO 9001, an Environmental Management System compliant with ISO 14001, and a Safety and Hygiene Management System compliant with ISO 45001.



**Social Capital**

Social capital for Pekabex Group means maintaining extensive contacts with social partners: organisations, institutions and communities, as well as common standards and values based on trust and long-term cooperation. The Group pays particular attention to building relationships both inside and outside the organisation. The Group is also involved in a number of projects such as charitable and educational activities, cooperation with academic and scientific centres, employee volunteering and support for many important sports and cultural events.

The stakeholders with whom the Group maintains relations are its customers, employees, potential employees, local communities, school and research establishments, suppliers, media, shareholders and investors, government agencies, banks and other financial institutions.

**Key capital contributions**

- Relying on long-term, committed relationships with customers and suppliers, and being open to a wide range of activities.
- The "Code of Conduct for Pekabex Capital Group Contractors" applies to relations with suppliers.
- The Group reinforces transparent communication with investors through its reporting activities.
- In its relations with employees, the Group demonstrates concern for a safe working environment, ensuring decent working conditions, and eliminating inequalities, caring for the development of employees, and supporting them in combining personal, professional and social goals. In 2022, Pekabex introduced the Code of Ethics which defines the basic principles of conduct within the Group.
- Resolving potential conflicts with local communities and being open to diversity.
- Engaging in and financially supporting local community initiatives.
- Improving the quality of life of local communities by engaging in the construction of public utility facilities; prefabrication significantly reduces construction time, and residents endure less inconvenience associated with investments, such as infrastructural projects.

**Capital performance management**

- Maintaining good relations with local authorities, organisations and parishes.
- Informing, online and offline, about the impact of the Group's activities on the communities.
- Nurturing relationships with universities, which translate into an increase in its human and intellectual capital
- Pekabex communicates regularly with its investors, in particular by publishing stock market reports and holding periodic meetings.
- The Group is a payer of local taxes, thanks to which it contributes to the development of cities and regions.
- Supporting employees' grassroots volunteering initiatives.
- Pekabex cooperates with the media on an ongoing basis to provide stakeholders with a broader view of its activities.
- Employing local subcontractors, thereby encouraging entrepreneurship at the site of the Group's contracts.

**Results achieved**

- In 2022, the Group continued its cooperation with universities and technical high schools.
- In 2022, the Group's employees joined a charity fundraising event to raise money for a heart surgery of the 4-year-old son of two high-seniority Pekabex Group employees. The Group involvement in the campaign included auctions, picnics – open days in the plants, and a cycling challenge to ride more than 100,000 km on bicycles in 2 months. Customers and subcontractors also joined the fundraising. These collective efforts ended in success as the necessary PLN 1 million was raised.
- Employees also took an active part in other voluntary actions, for example by personally participating in the renovation of the day care centre at Dom Aniołów Stróżów (House of Guardian Angels) in Chorzów.
- Organisation of material and financial support for Ukrainian workers and their families in the form of organised Group activities and grassroots employee initiatives in connection with the war.
- The Group supports local initiatives, and in 2022 supported, among others, the execution of the "Green way to school and modernisation of areas of the School and Kindergarten Complex No. 15" project of the Podolany Housing Estate Council in Poznań, submitted and accepted in a competition of the Mayor of the City of Poznań, for which additional funding was required.
- In 2022, the Group paid a total of PLN 4,463 thousand in property tax, and PLN 1,212 thousand in perpetual usufruct tax.





**Natural Capital**

The Group's natural capital consists in reducing direct and indirect environmental impact, reducing resource consumption and the possibility of better control of pollutant emissions related to construction production. All the Group's business activities take into account climate impact, in particular the reduction of greenhouse gas emissions. The Group's Climate Policy includes a commitment to achieve climate neutrality in all emissions ranges by 2050.

**Key capital contributions**

- Taking steps towards decarbonisation in all carbon intensity bands.
- Responsible management of raw materials and materials throughout the supply chain.
- Minimising the amount of waste generated, and running a closed loop economy.
- Reducing noise emissions.
- Aiming to increase the environmental awareness of employees as well as all participants in the supply chain through educational campaigns.
- Cooperating with local communities in order to protect the natural environment.
- Rational use of resources and optimal energy management.
- Using and systematically increasing the share of renewable energy in its activities.

**Capital performance management**

- In 2022, the Group developed and implemented the Climate Policy.
- Involvement in various initiatives to support climate action.
- Modernising the existing machinery stock, and increasing the level of automation in production.
- Using closed water circulation, controlling waste, recycling, using filters.
- The Group maintains oversight of natural capital issues; enhances monitoring and recording processes to meet the highest reporting standards in accordance with the European Commission's non-financial reporting guidelines.
- The Group's logistics are based solely on companies that comply with at least Euro 6 emission standards.
- The Group is working hard to translate the Group's climate strategy into measurable action in the face of global climate challenges.

**Results achieved**

- The Group is a member of the Polish Circular Hotspot, an organisation that works to promote a closed loop economy.
- The Group uses an environmental management system in accordance with the PN-EN ISO 14001:2015 standard.
- The Pekabex Group has improved emission control and prevention of environmental accidents by introducing systematic risk and emergency management.
- The Group controls waste at the assembly stage – up to 100% of the materials used can be reused.
- The Group obtains aggregate from natural sources, and cement from companies whose production method is socially responsible.
- The steel purchased by the Group is obtained in 90% from processed material – only 10% comes from iron ore.
- In 2022, the Group did not pay significant fines, nor was it penalised with significant non-financial sanctions for non-compliance with environmental laws and regulations.
- The Group set up photovoltaic panels at its production plant in Mszczonów, and will systematically carry out installations in other locations.
- The Group carried out a number of educational and information campaigns under the "Pekabex Goes Green" slogan.
- The share of investments in the BREEAM/LEED standard in the Group's operating revenue amounted to 25.3% in 2022
- Forest planting campaign – the Group planted 560.55 m2 of forest area, i.e. 505 trees that consume 3,030 kg of CO2/year.

**1.5.**

## Significant agreements

The Issuer's subsidiaries, Pekabex BET S.A. and FTO Fertigteilwerk Obermain GmbH, entered into significant contracts for the supply of goods and construction works in 2022 and after the balance sheet date, in the ordinary

course of business. Information on the contracts that meet the materiality criterion adopted by the Group is presented herein below.

Contract signing date	Contracting party	Contract subject	Contract value*	Currency
21/01/2022	Lech Fabrics sp. z o.o. sp. k.	The subject matter of the contract is the construction of a storage hall with break area and office space and the necessary technical infrastructure, to be carried out in Kostrzyn	4%	EUR
21/02/2022	Skanska Sverige AB	The subject matter of the contract is the design, manufacture, delivery, assembly of prefabricated elements within the framework of the investment named Malmö Citadells-gymnasium, located in Malmo, Sweden	2%	PLN
18/03/2022	CTP Invest Poland sp. z o.o.	The subject of the contract is a comprehensive "turn-key" execution of the construction of and obtaining the final permit for the use of the warehouse buildings with an admissible function of non-intrusive production, with break area and office premises on the ground floor, technical premises, a guardhouse building, as well as technical infrastructure and land development in Iłowa	25%	PLN
18/03/2022	CTP Invest Poland sp. z o.o.	The subject matter of the contract is a comprehensive "turn-key" execution of the construction of and obtaining the final permit for the use of the warehouse building with the permissible function of non-intrusive production with the area of approx. 31,482.81 m <sup>2</sup> with break area and office premises, together with the guardhouse building, fire pumping station building with fire water tank, transformer station building, and technical infrastructure and land development in Kobyłka	7%	PLN
07/04/2022	Anton Röhr sp. z o.o. International transport Poznań	The subject of the agreement is the implementation of an investment task consisting of the construction of a warehouse building with a social and office part and a gatehouse, as well as technical infrastructure, which will be implemented on the property located in Mosina in Stanisława Lema Street	6%	PLN
28/04/2022	SK Engineering & Construction Co. Ltd. sp. z o.o. Branch in Poland	An annex to a contract the subject matter of which is the execution of a structure for the second stage of an investment consisting in the construction of a lithium-ion battery production plant (M-Project for Poland, Ph-2) located in Dąbrowa Górnicza, Tucznowa	1%**	PLN

Contract signing date	Contracting party	Contract subject	Contract value*	Currency
01/06/2022	SK Engineering Co. Ltd. sp. z o.o. Branch in Poland	The subject matter of the contract is the execution of the prefabricated structure of the buildings named OBL as part of the investment entitled "Lithium-ion battery separator plant – Phase 3_4"	10%	PLN
21/07/2022	A. Epstein and Sons International, Inc.	The subject matter of the contract is the preparation of workshop documentation, production, delivery and assembly of reinforced concrete prefabricated structure elements for the construction of the Newly Weds Foods food processing plant in Kutno	2%	EUR
25/07/2022	Invest – Park Development sp. z o.o.	The subject matter of the contract is the expansion of the Dzierżoniów Industrial Park through the construction of a production and storage hall with office space, break area, and technical space and the development of external areas at ul. Strefowa in Dzierżoniów, including removal of a collision with the power grid	2%	PLN
18/08/2022	Wałbrzych Special Economic Zone "INVEST-PARK" sp. z o.o.	The subject matter of the contract is the implementation of the task entitled "Construction project consisting in the construction of six storage and production halls with welfare area and office space, full land development infrastructure and a photovoltaic installation – Part V, location: Brzeg".	2%	PLN
26/08/2022	MLP Pruszków VI sp. z o.o.	The subject matter of the contract is the turnkey construction of a warehouse building numbered D1.1 in axes 1-9/A-P and a three-storey social service and office building for hall D1.1.	6%	PLN
02/09/2022	KOM-KBH Entrepriise ApS	The subject matter of the contract is the design, manufacture, delivery, and installation of prefabricated elements as part of a project called Søborg Hovedgade in Denmark	2%	DKK
22/09/2022	Serneke Sverige AB	The subject matter of the contract is the design, manufacture, delivery, and assembly of prefabricated elements as part of the investment named Bona Terra, located in Lund, Sweden	3%	PLN
07/10/2022	Consto AB	The subject matter of the contract is the supply of a prefabricated structure for an investment located in Norsborg, Sweden	1%	PLN
17/10/2022	Wałbrzych Special Economic Zone "INVEST-PARK" sp. z o.o.	The subject matter of the contract is the design and construction of a production and warehouse facility with an administrative and welfare area, connections, installations, infrastructure and development of external areas, together with the construction of a 50 kW PV installation on a plot of land in Jaworzyna Śląska.	2%	PLN
21/10/2022	CLIP Logistyka sp. z o.o.	The subject matter of the contract is the execution of construction works for the CLIP 10 hall on a property located in Rabowice, municipality Swarzędz, ul. Bliska.	3%	PLN



Contract signing date	Contracting party	Contract subject	Contract value*	Currency
26/10/2022	NDI Sopot S.A.	The subject matter of the contract is the production, supply and installation of reinforced concrete prefabricated elements within the framework of the investment named "Construction of the municipal stadium in Katowice – stage I"	3%	PLN
30/11/2022	7R S.A.	The subject matter of the contract is the construction of warehouse and production facilities with offices and accompanying road and technical infrastructure, as well as the construction of a road section of a water supply network, a sanitary sewage system with a sewage pumping station with electrical installation and connections in Gdańsk.	9%	EUR
05/12/2022	Miejskie Budownictwo Mieszkaniowe sp. z o.o.	The subject matter of the contract is the construction of two multi-family residential buildings with a photovoltaic installation for self-consumption, a pressure boosting plant and 3 garbage bins, as well as comprehensive landscaping and utility lines, internal roads and 158 parking spaces at ul. ul. Celulozowa in Włocławek	4%	PLN
07/12/2022	Torus Gdynia Północ sp. z o.o. s.k.	The subject matter of the contract is the construction of a warehouse and logistics hall with welfare and office facilities, accompanying facilities and associated infrastructure, including a system of roads, pavements and internal yards, technical infrastructure in the form of networks and connections, on a property in Gdynia	4%	PLN
19/12/2022	Umicore Poland sp. z o.o.	The subject matter of the contract is the construction of the "P5A Odra" facility, together with associated infrastructure, on a property located in the municipality of Nysa	4%	PLN
10/03/2023	Consortium of NDI S.A., NDI Sopot S.A., PGZ Stocznia Wojenna sp. z o.o.	The subject matter of the contract is the construction of buildings: a hull hall, production hall and welfare and administrative building with land development, expansion and reconstruction of the dock, storage yards and internal roads, together with the construction, reconstruction and liquidation of the accompanying technical infrastructure and demolition of the existing canopies on the premises of PGZ Stocznia Wojenna sp. z o.o. in Gdynia at ul. Śmidowicza 48.	1%	PLN
13/03/2023	PTB Nickel sp. z o.o.	The subject matter of the contract are the construction works for the investment entitled "Construction of the JO-SERA Petfood sp. z o.o. production plant in Paproć near Nowy Tomyśl"	3%	PLN
28/03/2023	Azurite Poland Propco II sp. z o.o.	The subject matter of the contract is the implementation of an investment consisting in the construction of a storage hall with an area of approximately 10,369 m <sup>2</sup> and the accompanying infrastructure, located in Wrocław	2%	PLN
31/03/2023	Dechant hoch und ingenieurbau GMBH	The subject matter of the contract is the production and supply of prefabricated concrete elements for an investment project being carried out in the town of Gubin	1%	EUR

\* until 27 April 2022, the gross contract value expressed as a percentage of the Group's revenue generated in 2020, after that date, the gross contract value expressed as a percentage of the Group's revenue generated in 2021.

## 1.6

### Other significant agreements

→ signed during the reporting period and after the balance sheet date

Contract signing date	Contracting party	Contract subject	Contract value*	Currency
10/03/2023	7R Projekt 39 sp. z o.o. and Danfe 30 sp. z o.o.	<p>Conditional investment agreement for the implementation of the investment consisting in the construction of the 7R City Park Gdańsk Airport 1 logistics park at ul. Sqsiedzka in Gdansk. The agreement was concluded subject to the fulfilment of the condition precedent that the Company concludes an agreement with Dafne 30 sp. z o.o. for the sale of 22 shares in the share capital of 7R Projekt 39 sp. z o.o., representing 22% of the share capital.</p> <p>At the same time, additional transaction documentation was executed, including in particular:</p> <p>a/ preliminary agreement for the sale of 22 shares in 7R Projekt 39 sp. z o.o. by Dafne to the Company. The Preliminary Agreement was concluded subject to a number of conditions precedent, in particular obtaining the approval of the President of the Office of Competition and Consumer Protection for the concentration. The Preliminary Agreement shall automatically terminate if the conditions precedent are not fulfilled within 5 months of its conclusion;</p> <p>b/ loan agreements concluded by the Issuer with 7R Projekt 39 sp. z o.o. and 7R Development sp. z o.o. for a total amount of EUR 7,730 thousand, with the loans being granted for the payment of VAT invoices issued by Pekabex BET S.A. acting as the general contractor of the Investment and being disbursed upon the maturity of VAT invoices issued by the general contractor. The loans bear interest on market terms and are secured in particular by a guarantee from 7R S.A., based in Kraków, together with a statement of execution under Article 777 § 1 item 5_ of the Code of Civil Procedure. The loans will be repaid with interest by 10 March 2025, but will become immediately due and payable if the Investment Agreement or the Preliminary Agreement is cancelled or expires.</p>	n/a	EUR

\* Gross contract value expressed as a percentage of the Group's revenue generated in 2021

\*\* Agreement described in more detail in note 3

## In 2022, Pekabex CG entered into new insurance contracts and annexes extending the term of the insurance contracts

with: AVIVA TUO S.A., AXA Ubezpieczenia Towarzystwo Ubezpieczeń i Reasekuracji S.A., Colonnade Insurance S.A., Chubb European Group SE, InterRisk TU S.A. Vienna Insurance Group, PZU, Sopockie Towarzystwo Ubezpieczeń ERGO Hestia S.A., TUIR Warta, TUIR ALLIANZ POLSKA S.A.

These included the following:

- property insurance against contingent events
- civil liability insurance
- insurance of cargo in transport
- insurance of construction and assembly risks in domestic and foreign investments
- insurance of property, machinery and equipment against all risks

- insurance of electronic equipment against all risks
- personal accident insurance for employees
- dedicated insurance (third party liability insurance for the Members of the Management Board, bookkeeping, third party liability insurance for engineers, designers and architects, loss of profit insurance, fiscal and criminal liability insurance, employees' insurance during events and company trips)
- cyber risk insurance
- medical expenses insurance for foreign business trips

Agreements for insurance guarantee lines (applies to contract guarantees), which the Group had at the end of 2022, were as follows:

Name of guarantor	Limit amount as at the balance sheet date (in PLN thousand)	Duration	Changes in 2022 and after the balance sheet date
Towarzystwo Ubezpieczeń i Reasekuracji Allianz Polska S.A.	30,000	30/06/2023	On 27 June 2022, an annex to the general agreement on granting insurance guarantees was signed, extending the term of the agreement. After the balance sheet date, on 10 January 2023, an annex to the agreement was signed concerning: - extension of the contract validity period until 15 January 2024, - increasing the value of the general limit to the amount of PLN 40,000 thousand
Towarzystwo Ubezpieczeń Europa S.A.	6,000	Indefinite period	-
Towarzystwo Ubezpieczeń Euler Hermes S.A.	30,000	Indefinite period	After the balance sheet date, on 20 February 2023, an annex to the general agreement on granting insurance guarantees was signed concerning: - an increase of the limit to PLN 40,000 thousand, - an increase in the unitary limit for a single guarantee: PLN 6,000 thousand.
InterRisk Towarzystwo Ubezpieczeń Spółka Akcyjna Vienna Insurance Group	15,500	08/02/2023	After the balance sheet date on 9 February 2023, an annex to the agreement concerning the extension of its validity until 08 February 2024 was signed.
Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A.	3,000	Indefinite period	-

Name of guarantor	Limit amount as at the balance sheet date (in PLN thousand)	Duration	Changes in 2022 and after the balance sheet date
Sopockie Towarzystwo Ubezpieczeń ERGO Hestia S.A.	40,000	Indefinite period	After the balance sheet date, on 24 January 2023, an annex to the agreement was signed to increase the limit to PLN 50,000 thousand, including the limit for advance repayment guarantees being increased to PLN 10,000 thousand.
Korporacja Ubezpieczeń Kredytów Eksportowych S.A.	3,000	Indefinite period	-
WIENER Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group	7,000	06/02/2023	After the balance sheet date on 2 February 2023, an annex to the agreement concerning the extension of its validity until 06 February 2024 was signed.
Generali TU S.A.	10,000	22/12/2022	After the balance sheet date, on 11 January 2023, an annex to the general agreement was signed concerning: - the extension of its period of validity until 3 January 2024, - increasing the value of the general limit to the amount of PLN 15,000 thousand.
Coface Mainz	21105*	Indefinite period	-
R+V Versicherung	14070*	Indefinite period	-
AXA Versicherung	4690*	Indefinite period	-
VHV Versicherung	2814*	Indefinite period	-
<b>Total</b>	<b>184,865</b>		-

\* the amount of the limit converted from EUR at the average NBP rate of 31 December 2022

On 19 September 2022, the Supervisory Board of Pekabex S.A. adopted a resolution on the selection of Grant Thornton Polska sp. z o.o. sp. k., entered under number 4055 on the list of entities authorised to audit financial statements kept by the Polish Chamber of Statutory Auditors, to review the financial statements of Pekabex S.A. and the Pekabex Group for the first half of 2022 and first half of 2023 and to audit the financial statements of Pekabex S.A. and the Pekabex Group for 2022 and 2023.

The resolution of the Supervisory Board was preceded by the adoption of a resolution by the Audit Committee of the Company, pursuant to which it approved the report of the Management Board on the selection of an audit firm and recommended the selection of Grant Thornton Polska.

The agreement between Pekabex S.A. and the audit firm was concluded on 20 September 2022 and concerns the period indicated above.

The Company has been using their services since its listing on the stock exchange in 2015, including the prospectus examination service.

Information on the auditor's remuneration is presented in note 31.5 to the consolidated financial statements.

Other significant agreements regarding the financing of the Group are described in Chapter 3 of this report.





Apartmenty Origin, Mechelinki, visualisation

# 2.0

GRI: 102-16

## **Strategy and development of the Pekabex Group**

### **2.1.**

#### **Pekabex Group Strategy**

The Group's mission:

**We believe that prefabrication is the technology of the future in the construction industry**

The Group's vision:

**We want to rank in the Top 5 in Europe and build ecological, efficient and beautiful buildings while creating new trends**

The strategic goal of the Group is safe and sustainable development, taking into account the expectations of shareholders, customers and other stakeholder groups, based on a healthy, competent organisation and internal resources, supported by stable funding and appropriate internal processes.

The current strategy for 2020-2024 confirms that the adopted directions of development are appropriate. The adopted strategic principles will be consistently updated, and their implementation will continue in the coming years. The Group intends to further strengthen its leading position on the market by implementing further investments and business projects in various areas of the Group's activity, in line with the rules of sustainable development.

The main lines of action in pursuit of this objective are in particular:

- Growth and diversification of sales, i.a. through foreign expansion.
- Moving up the value chain, mainly by offering comprehensive solutions ensuring the safety and functionality of facilities with the lowest possible impact of activities on the environment.
- Providing modern technology.
- Development of the technical, operational and financial potential of the Group.
- Flexibility of operation with simultaneous operational efficiency and cost optimisation.
- Building brand trust.
- Integrating sustainable development principles into business decisions.



## Sales growth and diversification

- Development in the segment of residential construction in Poland and development of the offer dedicated to this segment.
- Increasing the level of sales effectiveness.
- Increasing sales on the Scandinavian and German markets, in particular by offering increasingly advanced and comprehensive prefabrication and engineering solutions
- Taking advantage of the acquisition on the German market to further develop and strengthen the position of Pekabex in Germany.
- Active efforts to popularise prefabrication through lectures, talks and publications. Pekabex informs designers, investors and general contractors about the solutions it offers.
- Expansion of production capacity in the existing plants

## Comprehensive offer and innovative products

- Developing comprehensive general contracting services and solutions, including those combining different technologies, and developing activities related to real estate development projects, also those for own account. In the opinion of the Management Board, ordering parties in Poland have an increasing appreciation of innovative and comprehensive (all-encompassing) solutions, including both consultancy in the area of precast technology, as well as design, production, transport and assembly of precast units, and comprehensive development of facilities. In order to meet their expectations, the Group intends to continue to offer and widely promote such solutions, also by providing general contracting services. As part of comprehensive services, the Group takes responsibility for the entire investment project (or its separated complete parts) and subcontracts all or some of the tasks (e.g. construction work). The comprehensive contract execution enables the Group to influence the selection of the technology used, thus creating a market for precast technology, as well as to influence the selection of suppliers. Coordinating the entire construction process increases the flexibility of production processes due to the ability to more accurately plan the level of demand for precast products within a given period of time.
- Creating innovative construction and production solutions as products of the Group in the Research and Development Centre operating within the Group since 2017. Developing modern, innovative products and improving production processes in order to reduce the environmental impact of the Group's activities, including by reducing the carbon footprint of products (innovative technological solutions and energy-saving and low-emission materials).
- Continuation of development of the design department, thanks to which the Group will strengthen its competitive

advantage in terms of more technologically complex products and construction solutions.

- Introduction of products requiring more work (e.g. walls with installed windows) and more technically complex (e.g. tubing) and innovative products.

## Continuous improvement of operational efficiency

- Setting key performance indicators for individual processes, monitoring their quality and efficiency.
- Expansion of the process monitoring system, including design, production and contract execution monitoring, based on key performance indicators (e.g. labour costs per m<sup>3</sup> of production), using tools such as reporting and controlling systems.
- Implementation of comprehensive IT solutions facilitating the flow of information and increasing efficiency (e.g. of production) and making it possible to use the available data to better adjust products and services to the market needs. Computerisation, implementation of an ERP-type system.
- Developing structures based on repeatable elements in order to standardise production. Investing in standard and modular formwork, thanks to which all elements can be produced in accordance with the applicable standards, can have positive effects. Thanks to these activities, the Group can shorten the time needed to prepare the production, but also reduce the costs of formwork construction. As a result, the Group's offer becomes more and more flexible and cheaper than that of its competitors.
- Automation and mechanisation of processes aimed at improving the efficiency, quality of products and services offered, as well as reducing the demand for human labour, mainly in production positions, which is a response to the problem of the lack of qualified lower level employees.
- Digitisation and process streamlining.
- Effective supply chain management.

## Market expansion

- Overseas expansion in Scandinavia and Western Europe.
- Development in the residential segment in Poland. Getting closer to the target customer.
- Development of the non-residential construction contracts segment ("Pekabex Hall System®", general contracting).
- Increasing the effectiveness and efficiency of the proactive sales process.

## Learning and development

- Open communication and cooperation between departments in processes and projects.
- Clear procedures, organisational relationships, and



PFR Real Estate, Toruń

operating rules within the Group.

- Development of the competencies of the workforce needed to fulfil the organisation's strategy and objectives.
- Building employee satisfaction and engagement.
- Complying with the Pekabex Code of Ethics and the values defined therein such as respect, honesty, responsibility, continuous improvement, and open communication.

## Sustainable development

The integration of sustainability factors into the business strategy, and the optimal management of these issues is a key challenge for the coming years for the Group Management and the entire organisation. One of the core activities in the area of sustainability has been and will continue to be the inclusion of projects and initiatives related to climate protection, social action, and good corporate governance practices in ongoing operations.

### Environment

The achievement of climate protection targets refers primarily to real actions related to the reduction of greenhouse gas emissions along the value chain taking into account the emission reduction target in the Climate Policy. The Management of the Pekabex Group, being aware of the social importance of combating climate change, supports the provisions of the Paris Agreement on limiting global warming by keeping the temperature increase below 2°C above pre-industrial levels and striving to limit the temperature increase to 1.5°C above pre-industrial levels. The Group will also aim to become climate neutral by 2050. The Group's key activities to achieve this objective include optimising energy sources, managing resources efficiently, running a closed-loop economy, using modern technologies to improve energy efficiency, green certification of products, reducing environmental impact, and biodiversity.

### Society

The Group's Management Board is aware that the Group's business activities affect the social environment, i.e. employees, contractors, and the local community. The Group's sustainable objectives in this area focus primarily on the aspects most affected by Pekabex's activities, i.e. health and safety at work, especially on construction sites, product safety, and the implementation of construction projects taking into account social responsibility, the fight against social inequalities, relations with local communities, and diversity and inclusiveness in the workplace.

### Corporate governance

The Group's Management Board pursues sustainable objectives in the area of corporate governance, taking into account the specific nature of the Group's business and its strategic objectives. Corporate governance is primarily the company's internal governance system to support the key needs of the organisation and the external requirements of stakeholders, including investors. This is achieved primarily through a system of appropriate procedures, standards, and internal control mechanisms implemented to ensure effective management and streamlined decision-making processes. The Group's corporate governance activities focus, among other things, on adhering to standards of business ethics throughout the value chain and countering corruption and bribery, as well as defining the role of key people in the organisation in aligning business strategy with sustainability challenges.

The Pekabex Group strategy has not been formally adopted, however, it is publicly available and is being implemented by the Management Board.



**2.2.**

GRI: 103-1, 103-2, 103-3

## Research and development

As a leading manufacturer of prefabricated structures in Poland, Pekabex has significant R&D potential in the form of qualified staff and a constantly expanding machine park. The separation of a unit dedicated to this work, and the definition of an agenda for its further development allowed these activities to be further developed and systematised, and to reflect Pekabex's strategic objectives.

Achieving the strategic objectives requires centralisation and development of the Group's research and development area, and the establishment of a multidisciplinary unit integrating and developing the innovative activities undertaken to date, researching technologies, processes and products of the construction sector, in particular those related to the production of prefabricated elements. The creation of a dedicated R&D structure is a practice followed by the most innovative companies worldwide. Conducting this type of work, i.e. activities with a high level of risk and often a longer than standard time horizon, requires a different approach than standard business activities. Dedicated project management processes, creation of teams consisting of employees responsible for various areas of company activity, management of know-how diffusion from the environment or portfolio evaluation of conducted activities are most effectively implemented and managed within a separate organisational unit of the company.

The Group's Management Board believes that innovative technological, process and product solutions are the future of the construction industry. This is the only direction of development that makes it possible to meet the expectations of the market and overcome the industry-specific challenges, such as energy transformation (low- or zero-emission buildings), sustainability (closed-loop economy, reduction of the carbon footprint of products, reduction of construction site nuisances, biodiversity protection), changing urban concepts (15-minute city, green city concept, cycling infrastructure), demographic changes (demographic decline, lower human capital, migration), and deglobalisation and geopolitical processes (changes



Panattoni Hall, Jarzyński

in supply chains). From the perspective of new challenges, the search for and creation of new technologies becomes crucial, which is why the Group created the position of Development Director at the Management Board level. The Development Director is responsible for coordinating and creating innovative concepts for technological solutions for the Group's production facilities.

Research and development activity is supported by its systematisation, including the separation of a dedicated unit, and the definition of an agenda for its work, which is why the Research and Development Centre was established within the Group. In 2017, Pekabex Bet received funding from the Intelligent Development Operational Programme 2014-2020 under Measure 2.1 Support for investments in companies' R&D infrastructure. The funds were allocated for the implementation of an innovative project called "Establishment of a Research and Development Centre ('R&D Centre') within the structure of Pekabex Bet S.A.". Thanks to the establishment of the R&D Centre, the Group participates in strengthening the innovativeness of the Polish economy and promoting research and development work in Poland. The Centre cooperates with technical universities in the whole of Poland.

The work of the R&D Centre strengthens the Group's competitive position by generating individualised solutions that reflect the needs of end users in Poland and on European markets (mainly German and Scandinavian). The undertaken development projects are aimed at increasing the number of commercialised innovative products/technologies, which will have a direct positive impact on the

Group's position on the market and its financial results.

The main objectives of the Group related to the Research and Development Centre are:

- Implementation of R&D plans in cooperation with external entities,
- Further increase in the use of modern concrete prefabrication in construction, particularly residential construction, which will allow the Group to participate in the implementation of government and local government housing development programmes and enable it to better satisfy market demand for modern, affordable housing.
- Reduction of construction project costs by using the Group's own innovative solutions and streamlining processes.
- Shortening the time required for construction processes thanks to the use of innovative connections that significantly speed up the assembly on site; the project will enable the Group to manufacture such connections on its own, which will minimise the risk of delays as in the case of subcontractors.
- Adapting the production process to the decreasing availability of workforce, including through automation, accompanied by improvements in productivity and quality parameters and the elimination of errors.
- Increasing the share of more environmentally friendly solutions (e.g. research into the use of green concrete in prefabrication).
- Integration of R&D personnel, previously conducting research and development within the dispersed Design Department.
- Enrichment of the existing apparatus with advanced research and development equipment, enabling undertaking R&D work in areas that have been out of reach thus far.
- Modernisation of the existing infrastructure in order to create appropriate conditions for the installation of equipment and preparation of work stations for specialist R&D personnel.

As part of the strategy chosen by the Management Board to automate production in production plants, a Pekabex Engineering unit dedicated to, among other things, tasks related to the implementation of this strategy was established within the Group's organisational structure in 2020. The Group's Management Board believes that new technologies are the future, which is why Pekabex Engineering employs high-class specialists whose primary duty is to strive to streamline, improve, and perfect production processes based on innovative solutions. The team consists of 5 engineers, including two design engineers and three automation specialists, who carry out the processes of design and development of machines and production equipment, prepare their specifications, and carry out installation, commissioning, and measurements. Pekabex Engineering has developed a total of 140 projects – 80 of them have been completed and 15 are in progress. For some, patent applications have been filed for legal protection; the applications are being processed by the Patent Office. The team's major achievements include the automation of the concrete batching plant by altering

kinetics and developing remote control via a mobile app; the development of an automatically folding mould core for bathroom modules; and the development of a machine for tensioning tendons on prestressed concrete lines. A truck for transporting weights on hollowcore slab lines that automatically follows the saw and does not require an operator, a 10 chamber battery mould for columns, allowing the movement of individual sides to be controlled through the operator's console; and a mesh bender that allows a 12-metre reinforcement basket for columns to be made automatically are all being tested.

At the beginning of 2022, in order to further develop the automation processes in the Group, Pekabex together with Rebuild sp. z o.o. registered a new entity called Rebuild Construction Automation sp. z o.o. Pekabex took a 50% stake in this company. The company is dedicated to the implementation of innovative projects designed to result in the creation of prototypes of machines and production equipment used later in the Group's factories. The new company combines engineers specialising in automation and R&D with specialists in prefabrication. This combination supports the automation of the company's production processes, which will lead to the strengthening of Pekabex Group's position on the market. The aim of the new company is to streamline and propose directions for the development of processes with a view to their automation, as well as to supervise work related to the research and development of new technological solutions.

The Group has been working on the development of prefabrication technology for years. In order to effectively compete on the market, Pekabex has developed a number of innovative solutions, which it has applied for as utility models and inventions. These include, among others, process-accelerating connectors for prefabricated elements, modern and high-quality finished prefabricated elements and innovative technological processes. So far, the Group has submitted 20 utility models (one in 2013, four in 2015, five in 2017, four in 2018, five in 2019 and one in 2020) to the Patent Office, received 17 protection rights and is awaiting consideration of the remaining applications. In addition, in 2021, the Group purchased one utility model from an external entity. The Group has received two patents (in 2019), and is still awaiting the issuance of patents for five inventions submitted for registration (one submitted in 2017, one in 2019, one in 2020, one in 2021, and one in 2022). The Group filed two trademarks with the Patent Office in 2005 (protection was granted in 2007) and another three were filed in 2019 (protection was granted in 2020), with one trademark being filed with the Patent Office of the Republic of Poland, and two with the European Union Intellectual Property Office. After the balance sheet date, the Group filed one application for patent registration with the Polish Patent Office.

The main objective of the research and development work is to improve the production process by standardising the components and their layouts, and speeding up the assembly process on site. The Group's Management Board is also convinced that achieving the highest possible repeatability

of processes will be conducive to increasing the precision of manufacturing, independent production of most elements and accessories and lowering unit costs.

In September 2021, Pekabex Bet signed an agreement for funding from the Smart Growth Operational Programme 2014-2020 under Submeasure 1.1.1. "Industrial research and development work implemented by enterprises" for the implementation of an innovative project entitled "Research and development work on the development of an innovative prefabricated bathroom module together with its production technology".

The project concerns the development, as part of R&D works, of internationally innovative prefabricated bathroom modules intended for multi-family housing and public utility buildings as well as administrative and office parts of industrial facilities, together with a new technology for their production. Bathroom modules will complement Pekabex's range of construction elements in the aforementioned areas, and bring a number of advantages and benefits to customers by increasing the degree of prefabrication of the entire building and shortening the time of investment execution. Prefabricated bathrooms are fully finished and equipped rooms, made outside the building project. They meet high hygiene and safety criteria, and are made using innovative technology.

In 2022, in the course of research and development works on an innovative prefabricated bathroom module, a number of computational analyses, including numerical analyses based on the finite element method and BIM designs, were performed and an extensive programme of experimental tests on separated module components and real-scale experimental models was carried out. The work carried out in collaboration with the project's subcontractors, i.e. the Cracow University of Technology and Instytut Techniki Budowlanej (Construction Research Institute), was exemplary. A wide range of trials and tests confirmed the initial assumptions regarding the feasibility of using innovative materials (lightweight concrete and composite reinforcement) and innovative methods of joining flat structural elements to produce a spatial element using glued joints with defined susceptibility. The research carried out resulted in the submission of an application for patent registration of the "Precast concrete bathroom module and method of joining concrete elements" to the Patent Office in early 2023. The work on the project is expected to be completed in Q3 2023.

The total cost of the Project is PLN 8,803 thousand. The total amount of eligible expenditure is PLN 8,803 thousand. Under the terms of the agreement dated 28 September 2021, the National Centre for Research and Development, as the institution organising the competition, granted Pekabex Bet S.A. a grant not exceeding PLN 4,034 thousand.

The eligibility period for expenditure started on 1 July 2021, and will last until 30 September 2023.

In December 2022, Pekabex BET S.A. received a decision on subsidising the implementation of an innovative project entitled "Research and development of an advanced IT system using AI algorithms for smart measurement and quality control in a precast concrete production and logistics system in accordance with the concept of Industry 4.0" from the Smart Growth Operational Programme 2014-2020 under Submeasure 1.1.1. "Industrial research and development work implemented by enterprises". The project concerns the R&D work on an advanced IT system for smart measurement and quality control in a precast concrete production system based on photogrammetry and/or laser. The above will be achieved by building 3D CAD models and visual control by the operator (tablet, phone, AR goggles) while managing a network of sensors to monitor the energy consumption of production equipment. This will enable automatic calculation of energy consumption per prefabricated unit through the use of a SCADA system, which will permit smart switching from the grid to RES (PV panels), thus reducing primary energy consumption. The implementation of the project is in line with the Group's strategy of working towards increased automation in production and the sustainable development of the organisation.

The project is being carried out in collaboration with the National Centre for Research and Development. The cost of the project is PLN 9,261,000 and the subsidy granted by the National Centre for Research and Development amounts to PLN 5,224,000. The project started in December 2022 and will last until December 2023.

Pekabex actively supports scientific conferences and seminars as a sponsor and contributor. The Group representatives attend the most interesting industry events, either alone or together with partners. In 2022, Pekabex participated in the following events, among others:

**THE 1ST EDITION OF THE ARCHITECTURE AND ENGINEERING COMPETITION ENTITLED "TWO FACES, ONE FUTURE"**

The competition is organised by Builder Polska monthly and Stowarzyszenie Producentów Betonów (the Association of Concrete Producers) as part of the nationwide Builder for the Future educational programme. Pekabex is one of the co-organisers. The main prize for the winning team is PLN 24,000.

**PROPERTY MARKET FAIR IN CANNES (MIPIM)**

Pekabex was once again an exhibitor, together with its partners, at the joint stand of the City of Poznań.

**CASEWEEK POZNAŃ**

Workshops on prefabrication and construction projects for students.

**INTERNSHIP AND APPRENTICESHIP FESTIVAL**

The Festival of the Faculty of Engineering Management at Poznan University of Technology was a great opportunity to present the wide range of Pekabex internships and apprenticeships.



Kaufland shopping facility, Lublin

**LECTURES AT THE AGH UNIVERSITY OF KRAKOW**

One of Pekabex's designers taught a class at the AGH University of Krakow as part of the "Industrial Construction" course.

**WUF 11 IN KATOWICE**

Pekabex participated in the WUF11 World Urban Forum entitled "Transforming our Cities for a Better Urban Future", where important directions for the future of urban development related to urban planning and ecology were discussed.

**EXPO REAL 2022 IN MÜNCHEN**

Pekabex presented solutions for sustainable construction and innovations in the prefabrication industry over the three days of the fair. The "Sustainable Logistics Real Estate" panel addressed the key issues related to the future of logistics facilities.

**PRESS CONFERENCE IN BERLIN**

As a member of the Polish-German Chamber of Commerce and Industry (AHK), we keep an eye on new challenges and opportunities on the German market. Our expansion, assessment of the attractiveness of doing business in Germany and evaluation of cooperation with local actors were some of the topics raised at a press conference held at the headquarters of Haus der Deutschen Wirtschaft in Berlin.

**THE 1ST NATIONWIDE INDUSTRY 360 CONGRESS IN POZNAŃ**

"Nowoczesny Przemysł" magazine invited Pekabex to take part in an expert discussion on the direction of development of Polish industry.

**"PRECAST CONCRETE AND AUTOCLAVED AERATED CONCRETE IN CONSTRUCTION" CONFERENCE**

Many valuable presentations and discussion panels were held in Serock, and one of the lecturers was Przemysław Borek, President of Pekabex, who delivered a presentation entitled "The role of precast concrete in architecture".

**NEW STUDENT PROJECT – "PREFATECHNIKA"**

A tour of the plant in Bielsko-Biała by students from the Częstochowa University of Technology opened the project which will last until the completion of the Neonowe Estate in the centre of Częstochowa. The participants will get to observe all stages of the construction of the estate, from the very beginning (the production of the prefabricated elements for the estate in the plant) to the very end. Through the project, a group consisting of 25 students of penultimate and final year will gain invaluable practical knowledge.

**GO GREEN CONCRETE WORKSHOP ON LOW CARBON CONCRETE**

Low Carbon Concrete Workshops. Przemysław Borek, President of the Management Board, presented Pekabex's green innovations in a lecture held at the International Congress Centre in Katowice.

**PKX DESIGN MEETING 2022**

Pekabex hosted a series of workshops led by top prefabrication specialists – design, production and assembly engineers.

**INVEST IN POZNAŃ**

Pekabex received the "Local Company, Global Success" award in the annual business summary of the year by Invest in Poznań – the Investor Relations Department of the Poznań City Hall.



**2.3.**

## Integrated Management System

Pekabex Group provides customers with the highest quality products and services while striving to minimise the impact of the Group's operations on the environment and maintaining high standards of occupational health and safety.

In 2021, the Group implemented the Integrated Management System (IMS) to manage the Group's key processes in a comprehensive way. This fits in with the organisation's strategy of continuous improvement in operational efficiency and self-growth. Pekabex Group's Integrated Management System includes:

### Quality Management System in line with ISO 9001

The Quality Management System supports the optimisation of the Group's activities and processes and, through an in-depth analysis of the organisational context and stakeholder expectations, enables even greater targeting. In addition, the identification of risks and opportunities that could potentially affect the Group's operations increases the efficiency and repeatability of the processes in place.

### Environmental Management System in line with ISO 14001

The requirements of the Environmental Management System concern the ongoing adaptation of the organisation's planning and process methods to sustainability standards. Another important element of the System is raising environmental awareness among employees and external stakeholders.

### Safety and Hygiene Management System in line with ISO 45001

The main goal of the Safety and Hygiene Management System is to support activities aimed at improving health and safety at work. Based on legislation, hazard identification, occupational risk assessment and assessment of occupational health and safety risks and opportunities, the System provides an effective accident prevention tool and allows for the effective management of employee safety.

## Quality management in production plants

The Group is constantly improving its Quality Management System in order to meet customers' requirements in the best possible way. The quality of prefabricated products is confirmed by numerous awards and distinctions, especially the certificates that the company holds. Products are subject to continuous monitoring, both internal and external. The Group is constantly developing the possibilities of expanding its range of prefabricated elements, thus creating the need for continuous self-improvement and introduction of new technologies.

The Group's products are subject to quality control carried out in the Group for compliance with the requirements of Regulation (EU) No 305/2011 of the European Parliament and of the Council of 9 March 2011 and the Act of 16 April 2004 on construction products, as amended.

Ongoing control over the quality of production of prefabricated reinforced concrete elements, at all stages of the process in each of the 6 production plants, is carried out by the Production Departments, and in the scope of quality control, by the Quality Control Departments. The inspection is carried out in accordance with the Manufacturing Quality Control (Zakładowa Kontrola Produkcji, ZKP) procedures. The scope of production and control described in the ZKP procedures defines the technology of production, principles of supervision and indicates the performance of necessary tests of reinforcement steel and concrete. The quality of the product, the production control and the conformity assessment of the requirements is analysed according to the standards specified in the technical documentation in terms of the acceptable level of quality, the required tolerances, which is the basis for releasing the product for further processing or to the finished products warehouse.

To ensure the products are of the highest quality, each contract has an assigned designer who coordinates the design work on the technical documentation. Each prefabricated element is inspected on the basis of individual technical documentation, and in the case of hollow core slabs produced in series, each production batch is thoroughly inspected on a weekly basis. The results of the inspection are recorded in the product inspection forms. All prefabricated elements are checked for conformity with the technical documentation. They are checked for compliance with the requirements of the relevant harmonised European standards as regards parameters such as:

- prestressing tendon slippage,
- arrangement of mounted details,
- compliance of the dimensions with the design documentation.

The Manufacturing Quality Control (ZKP) system also covers the laboratories operating at the Group's production plants in Poznań, Gdańsk, Mszczonów and Biel-sko-Biała. The laboratories support the control system and technological development guaranteeing the highest



Panattoni Hall, Jaryszki

quality of the Group's products through:

- continuous improvement of the composition of the concrete mix,
- performing tests in accordance with the requirements of standards,
- testing and control of raw materials for the production of fresh concrete mix,
- conducting strength tests of hardened concrete required by the standard.

The Pekabex Group controls the feedstock for production based on the quality documents provided by the qualified supplier in terms of compliance with the technical specifications. Candidates for suppliers fill in appropriate questionnaires through which they are verified to become qualified suppliers. In addition, to confirm technical parameters, materials are randomly tested by accredited laboratories.

Each of the Pekabex production plants holds certificates of conformity in the field of production required by Polish and European law, which allows for marking the prefabricated reinforced concrete elements with the "CE" mark and the "B" construction mark.

In terms of quality management, and to maintain the highest standards, Pekabex Group has implemented and maintains the following certificates:

- integrated management system certificates confirming the Management System's compliance with ISO 9001, 14001 and 45001,
- certificates of conformity for the manufacturing of welded steel structures in accordance with EN 1090-1:2009+A1:2011, EN ISO 17660-1, EN ISO 3834-2, EN ISO 17660-1,
- certificates of conformity with Plant Production Control for the manufactured concrete products – meeting the requirements of national regulations, as well as those of European countries such as Denmark, Germany and Sweden.

The Group has a system of recording/archiving reports from the inspection of prefabricated products (including visual inspections of elements prior to their shipment), which allows for an ongoing analysis of any cases of inconsistencies in the dimensional measurements of finished prefabricated products. The existing quality control system also provides for archiving the so-called declarations of non-compliance. They document nonconformities and specify the methods of their removal based on the decision of the designer dedicated to each performed contract, as well as containing the confirmation of the correct removal of nonconformities by quality controllers. This register of nonconformities is used for further analyses which result in training for employees in the areas in which nonconformities have occurred, leading, consequently, to the reduction in the number of nonconformities.

Some of the Group's contractors organise so-called client audits. As part of these audits, contractors familiarise themselves with the company's production technologies, certificates of compliance with European and Polish law, system documentation and production documents, and check the functioning of quality control systems in practice.

The aim of the quality management system is to provide customers with products and services that meet the highest standards. The Group is constantly developing the services offered and the range of prefabricated elements produced, pursuing the Group's strategy of continuous improvement, implementation of modern technologies and automation of production. This also entails looking for new solutions in the area of process management. What is more, the Group ensures that employees are trained and educated in the field of quality management. This is essential for maintaining the highest level in every aspect of the Group's operations.



**2.4.**

**Supply chain**

The Group has a reliable set of suppliers of key raw materials and consumables for the production of prefabricated elements, in particular steel, cement and aggregate.

The Group's supplier structure is dispersed, which means that the Group is not dependent on one or a few entities.

The Group makes purchases based on cooperation agreements with regular suppliers within the scope of key assortment and services (cement, steel, aggregate, plywood, accessories, chemicals, insulation, transport services). Framework agreements include payment terms, discount conditions and trade credit amounts, but do not constitute an obligation; materials, raw materials and services are supplied on the basis of current orders.

The Pekabex Group has a centralised Purchasing Department with headquarters in Poznań. Purchases are made in accordance with the reported demand using modern tools, including a purchasing platform, which accelerates and streamlines communication with suppliers. The General Contracting Department is a separate purchasing centre, which specialises in purchasing logistics that secures the

performance of contracts within the Group's "Execution of contracts – construction services" business segment.

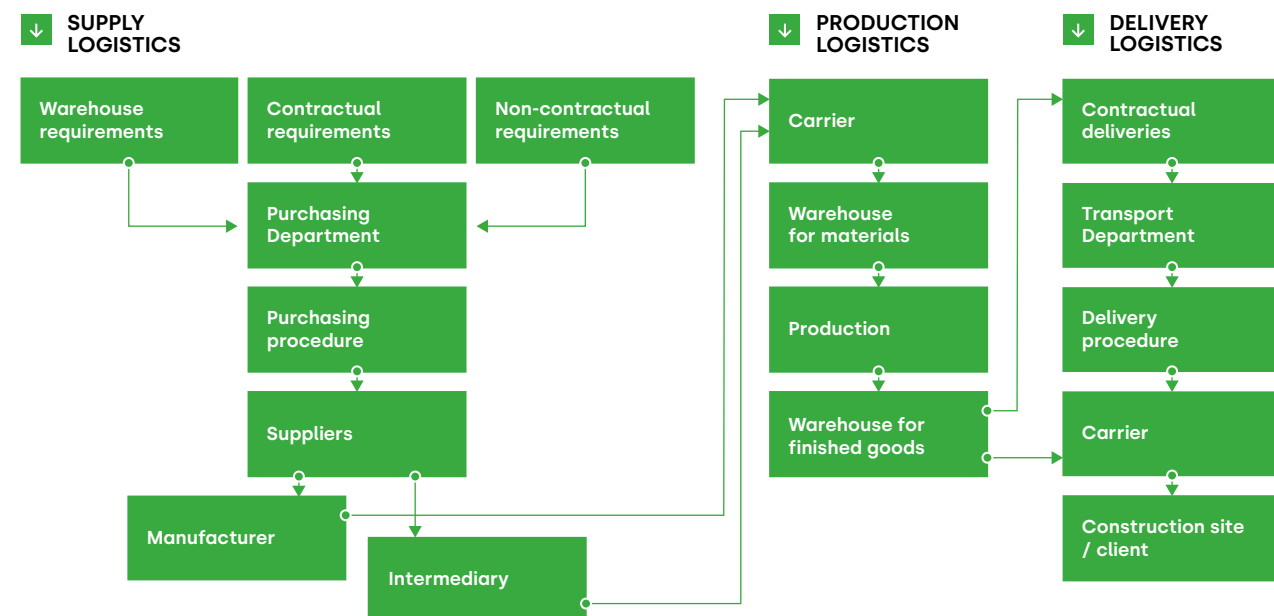
The most labour-intensive part is the organisation of deliveries to the Maintenance Department. Purchases of specialised machinery, equipment or spare parts are very diversified and require technical expertise, knowledge of the industry and, often, short lead times. The group of labour-intensive purchases includes in particular the purchase of aggregates, gravels and sands, as these require separate purchase conditions for individual plants. Foreign purchases, purchases of steel, plywood and thermal insulation are other examples of complicated purchasing processes, which is mainly due to the price volatility of these materials. This is linked to rapidly rising inflation, dynamic increases in the prices of energy, gas, and fuel, and currency fluctuations. The war in Ukraine is also having a big impact on some of the materials and raw materials used in the construction industry. The lack of supplies from Ukraine and Russia, the weakening of Polish zloty, international economic sanctions, and the outflow of workforce from Poland may have a further negative impact on the market.

The orders for the supply of products such as concrete chemicals (concrete admixtures), wood, fasteners, fuels, etc. are the least labour-intensive to process. These purchases are repetitive, and thus the implementation process is systematic.

In the Purchasing Department, individual buyers are responsible for specific purchasing categories, such as steel, aggregates, thermal insulation or tools. In 2022, Pekabex had 657 active suppliers in its database. The Group completed around 11,000 orders with them.



Mokate production plant, Żory



The purchase of electricity and gas also posed quite a challenge for the Pekabex Group in 2022, with the price of energy on the exchange oscillating between PLN 0.7 k/MWh and PLN 3.5 k/MWh. Similar situations occurred in the gas market where the price rose from PLN 0.1 k to PLN 1.2 k/MWh. The Management Board of Pekabex, after careful analysis by the Purchasing Department, has chosen the path of purchasing 90% of its electricity from the exchange, with the application of the prices on the day-ahead market (DAM). DAM is about setting the price on a given day for the next day and, most importantly, combines renewable and coal-fired power, i.e. the more solar panels and windmills work, the cheaper the energy is, because generating MWh from renewable sources is significantly more competitive and greener than coal-fired power. The situation was made all the more difficult by the fact that the Group, as a large entity, could not take advantage of the maximum price that the government had set for small and medium-sized enterprises at PLN 780/MWh. However, in the first quarter of 2023, the validity of Pekabex's strategy was confirmed, as the average energy price oscillated below the maximum price set by the Polish government. With regard to gas, the Group has a forward contract in place with the price below PLN 0.15 k/MWh; again, the Management Board, together with the Purchasing Department, has made the right decision that allows for considerable savings compared to the prices on the gas exchange in 2022 – a maximum of PLN 1.2 k/MWh and currently PLN 0.3 k/MWh.

Pekabex Group's supplier classification process is carried out in accordance with ISO 9001:2015. In the case of key processes, the Group cooperates only with entities that it has placed on the list of qualified suppliers. The application

for inclusion on this list takes the form of a questionnaire to be completed by the supplier candidate. The questionnaire is verified by the Purchasing Department and the Quality Control Department. In the case of strategic materials used for production, their quality is additionally verified by accredited laboratories before the supplier is entered on the list of qualified suppliers. The Group also performs periodic supplier verification in accordance with ISO 9001:2015. The objective of the verification is not only to analyse the quality of delivered products, but also to build good relationships throughout the supply chain by continuously improving the purchasing process.

Execution of deliveries to contractors is a very important element of the supply chain. Transportation to the construction sites is outsourced to external entities with which Pekabex cooperates on a regular basis. Depending on the location of the investment, deliveries are made by land, sea or using both modes of transport. In land transport the Group uses, for instance, standard trailers, designed for elements whose dimensions fall within: 13.6 m in length, 2.45 m in width, 2.6 m in height. Equally often, the Group uses "platform"-type semi-trailers characterised by a similar load capacity in terms of dimensions and weight; however, the visible difference is the lack of a tarpaulin, which allows for quicker loading and unloading of items, the dimensions of which might oscillate around the trailer's maximum of 2.45 m. Other semi-trailers used by the Group fall into the category of specialised fleet, as they enable the transport of elements with extreme parameters: weight up to 100 tonnes, height exceeding 4 meters or overall length above 40 meters. This type of fleet includes, among others, inloaders and nachlaufer-type trailers.



Oversized transport, which accounts for approximately 50% of all deliveries, requires special planning. It takes place between 10:00 p.m. and 6:00 a.m., and requires appropriate permits. Delivery of oversized elements often involves changes in the infrastructure, e.g. removing road signs or extending specific sections of the road. The Pekabex supply/value chain is as follows:

### The graphic presents the deliveries made by the Group in 2022

In addition to raw materials and consumables, Pekabex buys many services on the market, including subcontracting services related to the executed contracts. This includes in particular the business segment in which the Group executes contracts as the general contractor: Execution of contracts – construction services. It is based on a network of subcontractors.

In 2022, Pekabex Group signed 18 agreements with investors in the aforementioned segment. For each project, the Group works with a group of 40 to 60 subcontractors.

The Group selects local companies as subcontractors, thanks to which it has a real impact on the economic situation of local communities.

The execution of contracts as a general contractor means, above all, the coordination of work of a number of subcontractors and suppliers. This requires effective control of all processes by engineers and managers employed in the General Contracting Department, who skilfully manage resources and adapt them to current needs. This is necessary for the timely completion of contracts and maintaining cost effectiveness. Supply chain management requires effective selection of cooperating parties and their ongoing monitoring, but also providing feedback and training to people working in the execution of outsourced contracts.

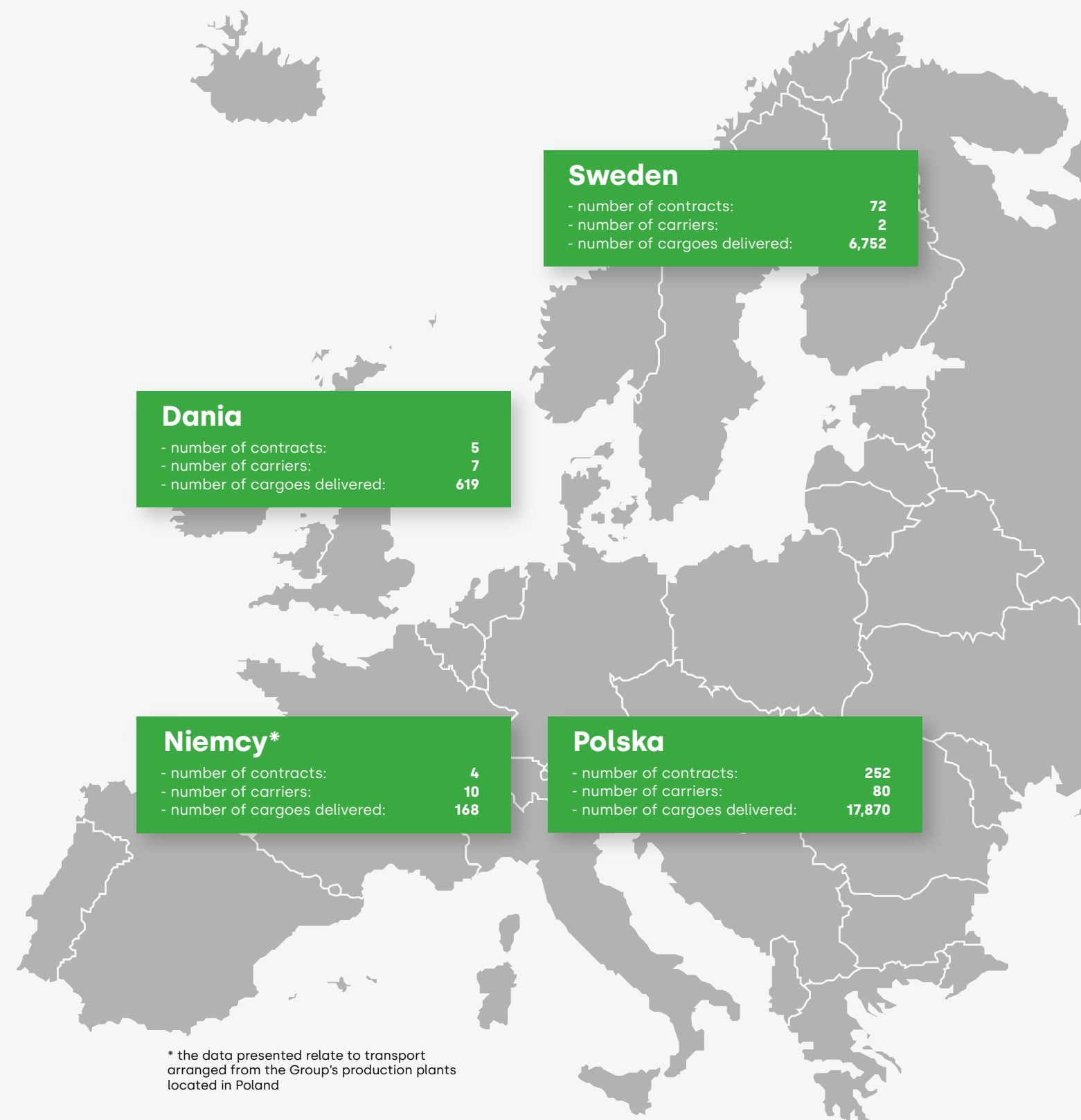
Subcontractors working with Pekabex are verified not only for compliance with the Group's standards in terms of service quality, but also in terms of occupational health and safety and foreigner employment legislation. The Pekabex Group has an occupational health and safety management system based on ISO 45001:2018, which covers employees, but also persons who do not have such a status, but whose work or workplace is controlled by the Group.

The supply chain of an investment executed by the Company as the general contractor includes, apart from subcontractors on construction sites, suppliers who provide consumables and raw materials and selected specialist services.

In 2022, Pekabex's Logistics Department worked on increasing the functionality of the ERP system under development. The situation related to the conflict in Ukraine had a huge impact on the work of the Department. The war has resulted in increased tensions in financial markets, an unprecedented rise in raw material prices and uncertainty in the economy, reflected in a decline in economic growth and rising inflation. The Logistics Department has made every effort to limit the negative impact of this situation on purchases made for the Group and to ensure the continuity of supplies.

Major changes in the suppliers of main raw materials and consumables in 2022:

- at all locations in Poland: change of active energy supplier from Enea S.A. to Energa Obrót S.A. (start of cooperation: January 2023),
- Mszczonów Branch: change of supplier of diesel oil from PUH L.K.R. Nowakowscy sp. j. to Petrojet sp. z o.o. (start of cooperation: December 2022),
- Poznań Branch: change of basalt supplier from Kruszywa Polskie S.A. to Eurovia Bazalty S.A.





PFR Nieruchomości Estate, Toruń

# 3.0

GRI: 103-1, 103-2, 103-3

## **Activities of the Pekabex Group in 2022**



**3.1.**

## Events significantly affecting the activities and financial results of the Pekabex Group

In 2022, the Pekabex Group once again generated record-breaking revenue. In 2022, the Group executed more than 585 construction contracts, both for the supply of prefabricated structures and for comprehensive contract execution services. The contracts related to different types of facilities, and had different scopes, which are described in more detail in the section of the report on business segments.

However, the year 2022 was not an easy one for both Polish and global economy, marked by the unpredictability of the economic environment, rising operating costs, and the volatility of the market of raw materials and consumables.

Demand on prefabricated concrete structures and reinforced and prestressed concrete elements is highly correlated with the development of the construction industry and this industry has a strong link with the economic and macroeconomic situation in a given country. The biggest challenge of 2022 was the unpredictability and volatility of the economic environment. The availability of most key raw materials and consumables was limited for most of 2022 as a result of disrupted supply chains due to the situation in Ukraine, but also another wave of the coronavirus pandemic in China. Geopolitical tensions have also resulted in very high inflation, coupled with a decline in GDP growth and rising interest rates, which have increased operational costs. In addition, some workers from Ukraine have returned home, which caused a labour shortage in the market and an increase in labour costs. There was also a noticeable decline in investments, especially in the residential and infrastructure segments. Real estate developers have been more cautious with their decisions to start new projects, while construction already underway has faced the risk of postponements and delays, or even a halt.

This was due to a decline in demand in the housing market, linked to the slowdown in mortgage lending. As a result of the failure to mobilise EU funds, many planned investments in the infrastructure construction segment have not been started. Local government budgets that could have been used for construction projects have been limited, with the added burden of costs associated with the influx of refugees from Ukraine.

In 2022, as in previous years, the Group's largest revenues came from warehouse and logistics hall construction projects. Despite the difficult economic situation, the warehouse market in Poland is growing quickly and the demand for warehouse space remains high. In Q4 2022 alone, the increase in warehouse stock amounted to approximately 1.4 million m<sup>2</sup>, which is a record-breaking quarterly result. In terms of demand, the entire year 2022 closed at 6.5-7 million m<sup>2</sup> of warehouse space. Currently, Poland is the sixth largest market in the European Union in terms of total warehouse stock, and the second largest in terms of new supply activity, so the potential for development is still very high. Optimistic forecasts related to the growth of this construction segment as well as the noticeable boost in Internet sales (e-commerce) and growth of industrial processing, which drive the demand for warehouse space, allow us to predict that the Group's activity related to the construction of warehousing and logistics halls will also develop in the coming years.

The Group's second major market is residential construction. Pekabex is increasing the share of residential buildings in its contract portfolio year on year. In 2022, the retardation in mortgage lending in the housing market has reduced demand for new premises, which has translated into a decline in the number of new development projects in the housing market. This was particularly evident in the second half of 2022, as the supply of new premises was disrupted in the first half of 2022 by the entry into force of new regulations, which resulted in real estate developers putting a record-breaking number of new premises on the market, partly to ensure that they could be sold under the previous rules. According to preliminary data from Statistics Poland, more residential premises were commissioned to use in 2022 than in the previous year. In contrast, there was a drop in the number of flats for which a planning permission was issued or a notification with a construction design was submitted and the number of flats the construction of which has been initiated. More on the outlook for the housing market can be found in Chapter 8 of the report. Macroeconomic conditions also affect the housing market in Scandinavia, which is an important market for the Group. Rising inflation, rising living costs and interest rate increases have led to a slump in the local real estate markets. The situation is worst in Sweden, which is experiencing the biggest falls in property prices in Europe. According to data from Valueguard, which runs the HOX house price index, at the end of 2022, real estate prices scored a fifteen per cent drop compared to the highest values, recorded in March 2022. This is the biggest slump since the 1990s. Market analysts predict that the decline in Swedish property prices will continue in 2023, although the

rate of decline will be lower. The Swedish housing market is going through a difficult period of slow-down in demand. Inflation is a major challenge across Europe, but has proved particularly strong and persistent in Sweden, where it has been exacerbated by the weakness of the krona and lack of competition in key sectors of the economy. The central bank of Sweden (Riksbank) has been raising interest rates for consecutive months, which has affected the real estate market where a large part of mortgages is financed by floating rate loans. In addition, the amount of debt in relation to household disposable income is high compared to other countries. The rental system in Sweden does not provide easily accessible, low-cost housing, especially in the largest cities, which results in high debt.

Forecasts show that despite the temporary crisis in the housing market, residential construction still has high growth potential, as the deficit in the housing market is still evident and housing stock is much more limited than in Western European markets. Therefore, the Group intends to continue its development in this area in the coming years, both through cooperation with real estate development companies and through its own projects, which are described in more detail in section 3.6 of the report. For many years, the Group has been active and successful in the Scandinavian markets, where it has been carrying out residential construction projects. The Group's Management Board sees sales growth potential in Western European markets, especially Germany.

In 2022, a destabilised market for raw materials and consumables was a major challenge for companies operating in the construction industry, including Pekabex Group. The price spike had a negative impact on the Group's results. Demand for raw materials and building materials on a global scale perceptibly outweighed supply. Companies throughout the sector have permanently operated in a situation of considerable unpredictability, not only due to price spikes, especially for steel, but also because of the need to secure supply chains. For years, the Group has been taking measures to minimise the risk of price volatility of key resources within the framework of its purchasing policy, among other things through advance contracting of raw materials, consumables and energy, as well as subcontractor services (especially in the case of large contracts executed by the Group as the general contractor). The use of an indexation clause in contractual agreements is also an important element introduced by the Group to reduce the uncertainty associated with sudden price changes.

Sustainability, and in particular the organisation's impact on climate change, is also an important factor in the Group's business decisions. Construction is the most material-intensive sector of the economy, and accounts for 37% of global greenhouse gas emissions. It will therefore play a key role in the decarbonisation of the European Union economy, and in achieving the European Green Deal goal of climate neutrality by 2050. The European Commission has unveiled a series of legislative proposals to increase energy efficiency in the construction industry, which Member States will have to implement. From 2050 onwards, all

buildings in the EU are to be zero carbon buildings, meaning no contribution to the production of greenhouse gases. Much sooner, from 2030, this requirement is to apply to newly built structures. Undoubtedly, the new regulations will contribute to changes in the construction market. There is also a growing interest in sustainability among the Group's stakeholders – primarily investors – who tend to pay more and more attention to the use of solutions that reduce carbon footprint and other solutions that are in line with the concept of meeting climate targets and that take into account environmental and social responsibility. The construction market is also moving towards the provision of non-standard, environmentally friendly and flexible solutions that offer the opportunity to stand out and increase the attractiveness of buildings, which is why the market for prefabricated elements will be an increasingly appreciated component of the construction market that responds to contemporary challenges. It is connected with the advantages of prefabrication in the form of the high quality of produced elements, their durability and high quality standards (for instance acoustic ones), cost effectiveness, reduced impact on the environment (ecological aspects) and significant shortening of the time needed for the construction process.

**3.2.**

**Significant contracts**

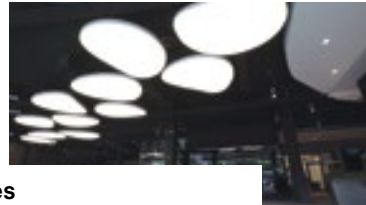
The investments completed by the Pekabex Group in 2022 were characterised by great diversity in terms of design, production and logistics.

The Group has carried out projects for the most demanding clients from the whole of Poland and from Europe.

Its experience in the field of constructing large-scale buildings allows it to be even more effective in contract execution, while at the same time taking care of its own welfare and proper relations with clients and investors.

When implementing projects, Pekabex strives to optimise all aspects and conditions of the investment, taking into account the expectations of each party. The operations of the Company have a real impact on the infrastructure and, consequently, on the surroundings and the quality of life of the residents. The high quality of the components produced by the Group is matched by their durability, aesthetics and speed of construction. These are undoubtedly the features that cause the continuous increase in the popularity and market share of prefabrication technology. In addition, in view of the transformation in the approach to the reduction of the impact of the construction industry on climate, one of the Group's priorities is to work on new technologies that will allow the production of low-emission prefabricated elements characterised by significantly reduced carbon footprint.

Pekabex's offer includes commercial, office, infrastructure, residential, industrial, warehousing and logistics, public utility, and non-standard facilities.



**Retail facilities**



**Office facilities**



**Infrastructure facilities**



**Residential buildings**



**Industrial facilities**



**Warehouse and logistics facilities**



**Public utility facilities**

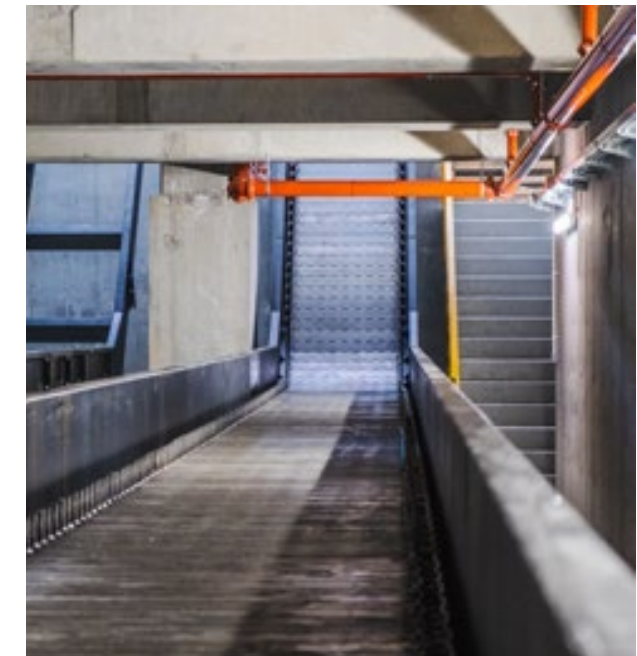


**Non-standard facilities**

**Selected projects out of several hundred contracts executed by the Pekabex Group in 2022 are presented below.**

**Industrial facilities**

The Group has extensive experience and all the necessary resources, from design to production, transport, and its own assembly teams, which ensure that it meets the highest demands of the industrial construction process.



Panattoni Park III hall, Bielsko-Biala

In June 2022, the Group signed a contract for the execution of a prefabricated structure for the third and fourth stage of construction of the M-Project for Poland Ph-2 lithium-ion battery production plant located in Dąbrowa Górnicza, Tuczna. The investment, commissioned by the Korean company SK Innovation, is of significant importance for the Polish economy and the development of the automotive sector in the field of electromobility. Production at the plant is expected to start at the end of Q4 2023. The new plant is being built on a 28-hectare site within the Katowice Special Economic Zone (KSSE) in Dąbrowa Górnicza. The total investment outlays for the establishment and commissioning of the plant in Tuczna will exceed EUR 1.5 billion. The plant's annual production capacity is estimated to total 860 million m<sup>2</sup> of separators. This means that the Tuczna plant will be SK Innovation's largest plant in the world, which will strengthen the company's position as the global leader in this sector.

At the end of 2022, the Group signed an agreement with Umicore Poland sp. z o.o. for the construction of a plant for the production of components for rechargeable batteries – P5A production building in the municipality of Nysa. Umicore is a manufacturer of cathode materials that are supplied to rechargeable battery manufacturers who make batteries for electric vehicles. The investment in Nysa is part of Umicore Group's strategic growth path and will play a key role in the transition towards clean mobility.

**Warehouse and logistics facilities**

Hall construction projects have become the flagship of the Pekabex Group. Warehouse and logistics halls made of prefabricated concrete elements guarantee the high quality and functionality of the facilities, but also faster project completion and lower labour costs on the construction site than in the case of traditional technology, which is very important from the investor's point of view. Modern prefabrication also fits in with market expectations regarding sustainable construction. Fewer materials needed for construction, the possibility of using greener raw materials such as low-emission concrete, less steel consumption than in the case of traditional hall structures – all of this determines the product's smaller carbon footprint. In addition, the facilities built by the Group have a high load-bearing capacity and offer the possibility of mounting solar panels on roofs, installing greywater systems and much more. A number of Pekabex's projects are also BREEAM- or LEED-certified, which confirms the application of environmentally-friendly and socially responsible solutions.



Panattoni hall, Jaryszki

In 2022, the Group continued its cooperation with the largest investors of warehouse and logistics parks in Poland such as MLP, Panattoni, Prologis, CTP or 7R.





Retail facility for Budner, Piastów

In the first quarter of 2022, the Group signed with CTP Invest Poland, an international warehouse developer from the Czech Republic, two further contracts for the development of warehouse facilities with the necessary infrastructure. The first contract was for the construction of a storage hall within CTPark Łtowa. With an area of more than 130,000 m<sup>2</sup>, the hall is the largest facility constructed to date by the General Contracting Department of Pekabex. When completed, CTPark Łtowa will be one of the largest warehouse and industrial parks in the country. It belongs to the Legnica Special Economic Zone and is located by the A18 motorway from Wrocław to Berlin. The appropriate transport infrastructure creates development opportunities for investors. The hall will be suitable not only for warehousing and logistics activities, but also to light manufacturing. The scope of the signed contract also includes the construction of the necessary infrastructure and landscaping. The subject matter of the second contract, signed in 2022 with CTP, was the construction of a warehouse with an area of more than 31,000 m<sup>2</sup> with a permissible function of non-intrusive production, located in Kobyłka. All buildings constructed for CTP have been designed to have minimal environmental impact and to use energy, water and other resources efficiently. Materials and installations are carefully selected to minimise maintenance costs. All the buildings have been built to obtain BREEAM certification.

In 2022, the Group continued its cooperation with Panattoni, executing as the general contractor further contracts for one of the largest developers of warehouse and logistics parks in Europe. In 2022, the Group continued the works on the project located at the Panattoni Park III in Bielsko-Biała, consisting in the construction of three halls with a total area of nearly 100,000 m<sup>2</sup>, with social facilities, a fire reservoir, and the necessary infrastructure.

In August 2022, the Group signed another contract with MLP, which it executed as the general contractor at the MLP Pruszków II Logistics Park. The assembly of the 32,000 m<sup>2</sup> hall under this contract took record-breaking 29 days. To date, the Group has already completed ten projects in this location. The facilities were built using BIM technology, and selected buildings have the prestigious BREEAM environmental certificate.

In 2022, the Group continued its partnership with the investor 7R – one of the leading developers of warehouse and production space. It provides solutions for various industries including logistics, light manufacturing, e-commerce, pharmaceuticals and automotive. In Q4 2022, the Group signed with 7R a contract for the construction of three warehouse and production buildings with social facilities and accompanying road and technical infrastructure at 7R City Park Gdańsk Airport. The total area of the halls is approximately 40,500 m<sup>2</sup>. The complex will have the BREEAM environmental certificate. The project is expected to be completed in the third quarter of 2023.

In 2022, the Group developed cooperation with the Walbrzych Special Economic Zone "INVEST-PARK" sp. z o.o., which has been implementing a programme for the construction of new industrial and warehouse facilities in Lower Silesia for almost 25 years. In 2022, the Group signed two contracts for the construction of Local Business Centres with the developer, one located in Brzeg, and the other in Jaworzyna Śląska. Each project consists in the construction of a modern industrial and warehouse hall with more than 5,000 m<sup>2</sup> of production space and 1,000 m<sup>2</sup> of space for administrative purposes. The contracts also provide for the construction of the necessary technical and road infrastructure and the landscaping of the site.

Both projects are to become incubators of local entrepreneurship and a magnet that will attract investors, creating new jobs.

#### Residential buildings

The Group created a product dedicated to residential buildings – "Pekabex® Residential Buildings System". Prefabricated modules from Pekabex's element catalogue enable quick, safe and economical construction of comfortable and architecturally interesting buildings. The system both guarantees the high quality of the constructed facilities and optimises construction costs and time.



PFR Nieruchomości Estate, Toruń

In terms of the growth of the real estate development segment, the Group finds that the Scandinavian market is of particular importance. The Group continues to successfully develop sales in that region, which is possible, among others, thanks to Pekabex's modern production plant in Gdańsk, opened in 2020. In the Scandinavian market, the Group has long-standing partnership with companies such as Skanska, Smidmek, Serneke, Veidekke, and NCC. The Scandinavian market is a demanding market, where great attention is paid not only to the quality of the products and services offered, but also to sustainability issues, i.e. energy efficiency of buildings, product life cycle, low carbon footprint of the solutions offered, reduction of nuisance of the construction area for local residents, protection of biodiversity, or waste management efficiency. The Group offers products and services that meet the requirements of the Scandinavian market. The ability to adapt to new challenges and the constant work to improve the product and service solutions offered to customers enables the Group's business in that area to grow rapidly.

In the third quarter of the year, the Group signed a contract for the design, manufacture, delivery and installation of

prefabricated elements for the construction of a multi-family residential building in Søborg Hovedgade, Denmark with the Danish company KOM-KBH. The building is distinguished by its simple shape, broken up by glazed balconies on the one side and galleries on the other. The building consists of 6 over-ground storeys (with approximately 13 flats on each storey and some retail space) and a 2-storey underground car park.

In the third quarter of 2022, the Group also signed a contract with Serneke Sverige AB. Its subject matter is the construction of the Bona Terra multi-family building complex in Lund, Sweden. The contract involves the design, manufacture, delivery and assembly of prefabricated elements, to be completed within 46 weeks with the help of 2 assembly teams. The total floor area is about 28,000 m<sup>2</sup> and the total wall area is about 15,000 m<sup>2</sup>, with 13,000 m<sup>2</sup> being walls with a brick façade. The main structures of the project are slabs and Filigran walls manufactured at Pekabex's automated plant in Gdańsk. The Bona Terra project is to comprise 258 flats, with indicative acceptance of the buildings for use in 2024/2025. The building is to be built to the Miljöbyggnad Silver environmental certification standard (Miljöbyggnad – Swedish environmental certification system for buildings), which will confirm the environmental efficiency of the investment, as well as the fulfilment of the sustainability objectives that were developed for the investment together with the Lund community.

The Group's Management Board believes that prefabrication is the future of the residential construction industry; expert analyses predict that in the long term, the share of prefabrication in the residential construction industry will grow. Therefore, the Group is developing its offer for the housing market by proposing modern multi-family housing solutions such as the Pekabex® Residential Buildings System. In previous years, the Group executed significant contracts for the construction of housing estates as a general contractor under the governmental "Mieszkanie Plus" programme. The first one is the project at ul. Okólna in Toruń, under which 320 flats and technical infrastructure such as a playground or a system of roads and pavements around the estate were constructed. The residential buildings that are part of this project were erected at a speed and in quality well above what is possible in conventional construction, i.e. at a rate of around 20 walls per day, which is one storey per week. Eight three-storey buildings were constructed and finished in the first quarter of 2022. Another contract executed by the Group within the framework of the "Mieszkanie Plus" programme was located at ul. Stowackiego in Sianów. The contract involved the construction of seven residential, multi-family, four-storey buildings with the associated infrastructure. A total of 168 flats, parking spaces, a green area and a sports and recreation area have been created. The project is scheduled to be completed at the beginning of the third quarter of 2023.

Another contract in the field of residential construction executed by the Group as the general contractor was the project at ul. Celulozowa in Wrocław. The contract





CTPark hall, Opole

was signed with Miejskie Budownictwo Mieszkaniowe sp. z o.o. and entailed the construction of 288 premises. The project was completed in the third quarter of 2022. Pekabex's modular construction technology allows structural elements to be assembled even at temperatures well below -10°C, which gives an advantage over traditional solutions by significantly reducing the time needed to complete works. The above-mentioned project is a good example of that. In the fourth quarter of 2022, the Group signed another contract with Miejskie Budownictwo Mieszkaniowe sp. z o.o. for the construction of two further multi-family residential buildings in the same location. The contract also includes the creation of the necessary infrastructure, the landscaping of the site, and the installation of solar panels for own use.

Pekabex not only cooperates with Scandinavian real estate developers, but also supplies its products to the domestic market by collaborating with such entities operating in this sector as Echo Investments (Osiedle Enter in Poznań at ul. Sielawy) and TTS Development (Osiedle Panorama in Lublin). The Group is also successfully pursuing its own projects by developing a business line of real estate development projects carried out on its own account. In 2022, the Group's projects were: the Casa Fiore small estate in Warsaw-Międzylesie, the Casa Baia suites on Hel, the next stage of the Ja\_Sielska estate and the Origin ReVital Mechelinki health complex. A detailed description of the real estate development projects carried out by the Group on its own account is provided later in this section.

Pekabex Group also has P.HOMES, a system for the construction of single-family houses in prefabrication technology, in its housing construction offer. Thanks to the use of modern technology, solid, comfortable and ergonomic

modular houses are built in half the time necessary in the case of traditional construction. The offer is primarily aimed at the individual customer.

#### Public utility facilities

The Group's operations also include the execution of contracts related to public utility facilities such as schools, kindergartens, universities, medical institutions or cultural and sports facilities. In 2022, the Group executed about 20 contracts related to the construction or modernisation of public utility facilities both in Poland and abroad.

In February 2022, the Group signed another contract with its long-standing business partner in Sweden, Skanska, for the design, manufacture, delivery and installation of prefabricated elements for a project called Malmö Citadellsgymnasium, located in Malmö, Sweden. The project consists in the construction of a secondary school expected to eventually accommodate 1,200 students under the supervision of 150 teaching staff members. Malmö Citadellsgymnasium is to be located in a modern building in the city centre. The facility is to have three to five storeys with an area of approximately 15,000 m<sup>2</sup> and will be used for carrying out programmes that prepare students for university. The walls and other prefabricated elements designed by the Group as part of the project are strong and safe and will visually blend in perfectly with the eclectic development of Malmö city centre.

In Q4 2022, the Group signed a contract for the manufacture, supply and installation of reinforced concrete prefabricated elements as part of the construction of the City Stadium in Katowice. The contract covers 5,300 prefabricated elements with a total concrete volume of 10,000 m<sup>3</sup>. The general contractor is scheduled to complete the



Show house in the Casa Fiore estate, Warsaw



project in the third quarter of 2024. A new, integrated city stadium is to be built in the south of Katowice, near the A4 motorway exit. The football arena will safely seat around 15,000 spectators. Next to the stadium, there will be a sports hall with 3,000 seats, a public open space, and a complex of six training pitches.



Mokate hall, Żory

for this contract takes place in the plant in Mszczonów, in the newly built hall no. 4. Another major contract for the production and supply of tubing, for a project carried out in Berlin, was signed with Implen Construction GmbH NL Tunnelbau registered in Munich in 2020 and was executed in 2021 and 2022.



Social and office facilities, Panattoni Park III hall, Bielsko-Biala

**Infrastructure facilities**

Pekabex has many years of experience in manufacturing elements for infrastructure construction. Thanks to our extensive knowledge of industrial processes, we sign contracts even for very unusual projects. The hallmarks of our projects are high quality and an innovative approach to unusual spatial conditions.

In 2022, the Group completed the construction of an underground car park at the premises of the Poznań International Fair, carried out as the general contractor. This is one of the most important new projects in Poznań. The facility has three storeys and will accommodate 652 cars. The building reaches 12 metres below ground level and has a surface area of 18.3 thousand m<sup>2</sup>; above, there is a square surrounded by greenery, which serves as a place for meetings, recreation and leisure, with space for cultural events, concerts, and events.

Pekabex has extensive experience in manufacturing tubing elements. The largest contract to date for this type of elements is part of Poland's largest infrastructure project: "Streamlining of Łódź Railway Node – section Łódź Fabryczna - Łódź Kaliska / Łódź Żabieniec". The contract was signed with Przedsiębiorstwo Budowy Dróg i Mostów sp. z o.o. back in 2020, and is scheduled to be completed in the third quarter of 2023. Approximately 30,000 prefabricated tunnel lining elements, known as tubing, are being built as part of the project. The production of elements

**3.3.**

**Structure of Pekabex S.A. revenue – operating segments**

The Company's revenue structure in 2022, together with comparative data for 2021, is presented below:

Data in thousands of PLN	from 1 January to 31 December 2022	from 1 January to 31 December 2021
Revenue from lease	13,805	12,707
Trademark fee	8,342	5,659
Other	18	222
<b>Total</b>	<b>22,165</b>	<b>18,588</b>

Revenue from lease in 2022 constituted 62.3% of total revenue, and in 2021 – 68.4%. Pekabex S.A. conducts all sales in Poland. The Company, as owner or perpetual usufructuary of real estate, leases or rents production properties or parts thereof mainly to Pekabex Group companies for the purposes of their business operations. From 2020, the company also leases a logistics hall built by the Group.

The Company's main customer in each year (mainly due to lease agreements) was Pekabex BET S.A., with which the sales revenue turnover amounted to PLN 19,991 thousand in 2022 and PLN 18,267 thousand in 2021.

The subsidiary Pekabex BET accounts for 90.2% of Pekabex S.A. revenue generated in 2022, and in 2021 this percentage amounted to 98.3%.

Trademark fee revenues increased significantly in 2022, rising from PLN 5,659 thousand in 2021 to PLN 8,342 thousand, which constitutes an increase of 47.4% year-on-year. Revenues from the trademark fees received accounted for 37.6% of total revenues, and for 30.4% in 2021.

Both in 2022 and 2021 the largest supplier of Pekabex S.A. was Pekabex BET S.A.; the turnover in each of these periods exceeded 10% of the Company's costs (including investments).

**3.4.**

## The Pekabex Group sales revenue structure – operating segments

An operating segment is a separated part of operations in connection with which the Group may earn revenues and incur costs. For management purposes, the Group's activities have been divided into parts based on the services provided and their specifications. The Management Board of the Group distinguishes the following reporting operating segments:

- Execution of contracts – prefabrication,
- Execution of contracts – construction services,
- Production services,
- Execution of real estate development projects on the Group's own account,
- Lease services,
- Other.

The segments were distinguished taking into account the specific nature of each of them, including the involvement of assets (including personnel), working capital and risks associated with each segment.

As part of the segment "execution of contracts – prefabrication", the Group recognises revenue and costs related to designing, production, delivery and assembly/erection of prefabricated structures, both in Poland and abroad. The segment presents revenue and costs earned and incurred under contracts where the Group is the supplier of prefabricated elements or the supplier of prefabricated elements together with assembly/erection, as well as the portion of revenue and costs of prefabricated structures which is earned and incurred as part of comprehensive contract execution in the "execution of contracts – construction services" segment.

As part of the "execution of contracts – construction services" segment, the Group presents the part of execution of contracts that is related to revenue and costs under comprehensive execution of contracts as a contractor, with the participation of third-party subcontractors, excluding the part of the contract within the scope of prefabricated structures presented in the segment "execution of contracts – prefabrication".

The segment "execution of real estate development projects on the Group's own account" is a segment in the activities of the Pekabex Group which covers revenue and costs related to real estate development activities. It includes the purchase and preparation of land for investment projects, conducting real estate development

projects on the Group's own account, sale of flats and possibly renting and servicing of residential real estate. All special purpose vehicles engaged in real estate development and the coordinating company, Pekabex Development sp. z o.o., are classified in this segment.

Real estate development companies maintain records to identify costs related to individual components of a project that can be disposed of separately. At the time of recognising sales revenue (which takes place on the date of signing the notarial deed transferring the ownership), the Group recognises the production costs of a given area, reducing the finished products in proportion to the share of the premises sold in the total area of the given type of premises.

Within the "production services" segment, the Group presents revenue and costs related to the production services provided by the Group both in Poland and through its Branch in Germany. The production service presented in this segment consists in the manufacturing of prefabricated elements from the materials provided by the Ordering Party and with the use of machines and equipment provided by the Ordering Party, which is performed in their plants. As part of the service, the Group provides qualified staff, including managers, as well as know-how and expertise.

Within the scope of the "lease services" segment, the Group presents revenue and costs related to the provision of lease services by the Group in non-residential real estate, developed by the Group specifically for this purpose, and in properties in which the Group conducts operations and a small part of which is allocated for lease. The main property allocated for lease is a logistics hall located in Poznań. The hall is a modern logistics, production and office space, built on land belonging to the Group, in the vicinity of the main transport routes of Poznań, on a plot that was previously leased to an external entity. The hall has been divided into two modules with the possibility of further division or merging of areas, and the possibility of arranging social and office space.

In accordance with IFRS 8, the results of the operating segments come from internal reports reviewed periodically by the Management Board of the Parent Company (the main decision-making body in the Group). The results of the operating segments are reviewed periodically on the basis of internal reports by the Management Board of the Parent Company and the Management Boards of the Group companies. The Management Board of the Parent Company analyses the results of operating segments at the level of gross operating profit (loss) understood as the difference between revenues determined according to the degree of advancement of costs, and direct, indirect and departmental costs recognised according to the degree of advancement assigned to these revenues on a given contract. The segment operating results presented exclude Group overheads (including other operating expenses and finance costs). There are no inter-segment transactions.

A portion of non-current assets, due to their specific nature, is used in various segments of the Group. It is difficult to unambiguously allocate the Group's assets to the activities of a particular operating segment, which is why assets are not allocated to operating segments.

Operating segments that have not exceeded the quantitative thresholds are presented in the "other" segment and include the following activities that are sources of revenue for the Group:

- the sale of materials
- accounting, human resources, administration, logistics and other services
- re-invoices,
- leaseback transactions.

The results of the operating segments are reviewed periodically on the basis of internal reports by the Management Board of the Parent Company, and the Management

Boards of the Group companies. The Management Board of the Parent Company analyses the results of operating segments at the level of gross operating profit (loss) understood as the difference between revenues determined according to the degree of advancement of costs and direct, indirect and departmental costs recognised according to the degree of advancement assigned to these revenues on a given contract. The segment operating results presented exclude Group overheads (including other operating expenses and finance costs). There are no inter-segment transactions.

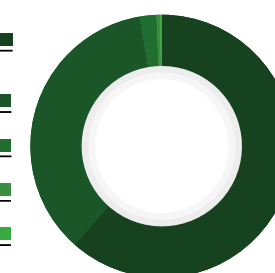
The Group's assets cannot be directly and unambiguously attributed to the activities of a particular operating segment, and are therefore not allocated to the assets of the operating segments. A significant portion of non-current assets, due to their specific nature, is used in various segments of the group.

**Revenue generated in individual segments of the Group's activity in the year ended 31 December 2022 and in the comparable period of 2021 is presented in the table below:**

PLN thousand	Execution of contracts – prefabrication	Execution of contracts – construction services	Production services	Execution of real estate development projects on the Group's own account	Lease services	Other	Total
<b>for the period from 01/01 to 31/12/2022</b>							
Revenue from external customers	1,033,094	599,584	34,504	-	3,202	7,561	1,677,945
Segment operating result	145,001	20,630	3,300	(1,924)	1,749	2,511	171,268
Segment operating profitability	14,04%	3,44%	9,56%	-	54,62%	33,22%	10,21%
<b>for the period from 01/01 to 31/12/2021</b>							
Revenue from external customers	873,042	560,115	36,048	20,781	2,089	12,787	1,504,862
Segment operating result	75,224	17,350	2,806	9,962	1,148	1,328	107,818
Segment operating profitability	8,62%	3,10%	7,78%	47,94%	54,95%	10,38%	7,16%

The volume of revenue and results in 2022 were influenced by two main operating segments of the Group: "Execution of contracts – prefabrication" and "Execution of contracts – construction services" (which includes general contractor services contracts). These two segments accounted for 97.3% of the sales revenue generated by the Group in 2022. Revenue in the prefabrication segment increased by PLN 160,052 thousand, which with operating margin at a level of 14.04%, allowed the segment to generate an operating result that is 92.76% better than that of the previous year. Revenue in the "Execution of contracts – construction services" segment increased by PLN 39,469 thousand compared to 2021; with an operating margin of 3.44%, the segment generated an operating result higher by PLN 3,280 thousand. This result was influenced by an increase in the prices of construction materials and subcontracting services.

Contract execution – prefabrication	61.57%
Contract execution – construction services	35.73%
Production services	2.06%
Other	0.45%
Lease services	0.19%
Execution of real estate development projects on the Group's own account	0.00%





**3.5.**

## Basic economic and financial data for the Pekabex Group

PLN thousand	from 1 January to 31 December 2022	from 1 January to 31 December 2021	from 1 January to 31 December 2020	change in value compared to 2021	% change compared to 2021	change in value compared to 2020	% change compared to 2020
<b>Income statement</b>							
Sales revenues	1,677,945	1,504,862	952,327	173,083	11,50%	725,618	76,19%
Cost of goods sold	1,396,769	1,310,733	785,374	86,036	6,56%	611,395	77,85%
Operating profit	100,013	57,767	69,455	42,246	73,10%	30,558	44,00%
Profit before tax	82,173	49,277	71,478	32,896	66,76%	10,695	14,96%
Net profit	67,255	40,641	57,900	26,614	65,49%	9,355	16,16%

In 2022, the Group achieved record-breaking sales revenues of PLN 1,677,945 thousand, which is an increase of 11.5% compared to 2021. The increase in revenue was generated mainly in the "Contract execution – prefabrication" segment (an increase by PLN 160,053 thousand) and in the "Contract execution – construction services" segment (PLN 39,470 thousand) and is related to the increase in the scale of the Group's operations, the acquisition of new customers and the expansion of cooperation with existing contractors. At the end of 2022, the cost of goods sold amounted to PLN 1,396,769 thousand, which is an increase by 6.6% compared to 2021.

Operating profit for 2022 amounted to PLN 100,013 thousand, which is 73.1% higher than the operating profit achieved in 2021. The EBITDA result for 2022 amounted to PLN 127,683 thousand, which is PLN 43,191 thousand (51.1%) more than the EBITDA result for 2021. Net profit amounted to PLN 67,255 thousand, which is PLN 26,614 thousand more than the net profit generated in 2021.

Profitability ratios, especially net profit margin, increased in 2022. The value of this indicator at the end of 2022 was 4.01%, while at the end of 2021 it was 2.70%. This increase is mainly due to the stabilisation of the prices of raw materials and consumables, the costs of subcontracting services, transport costs and the transfer of the price increases into offers and provisions of contracts concluded with contractors.

### Material costs

Following the geopolitical turmoil in the first quarter of

2022, which shook almost all raw material and consumables markets, price growth started to slow down in the second quarter of 2022, with a market-driven correction of raw material and consumables prices in the third and fourth quarter of 2022. At the beginning of 2022, market shortages and uncertainty caused companies to start filling up warehouses in a bid to avoid the risk of production disruption as a result of limited supply, further driving price growth. During this period, the economy saw record-breaking increases in inventories, which translated into good GDP values for the first half of 2022. In the third quarter of 2022, companies began adjusting inventories to meet shrinking demand, which translated, among other things, into decreases in prices of steel products and other consumables and raw materials. This has had a positive impact on the profitability of the Group's ongoing contracts. However, experts predict that prices for all inputs will rise over the coming year or two. In 2022, as a result of the government's policy of, among other things, introducing an anti-inflation shield and freezing electricity prices, the negative effects of drastic increases in energy and fossil fuel prices have been postponed. Some economists believe that in the long term, the government's actions will cause the high inflation to last longer.

Limited supply with strong demand and panic in the markets following Russia's aggression against Ukraine has pushed steel prices above what was known. The increase in prices was mainly related to the cutting off of supply chains from the East due to warfare, which decreased the availability of scrap metal and iron ore feedstock for steel furnaces. Before the war, 25% of Polish steel imports came from Ukraine, Russia and Belarus. Within two weeks of the

outbreak of war in Ukraine, steel product prices reached unprecedented highs. In the second quarter of 2022 the prices continued to increase, but already less rapidly than in the first quarter. From the third quarter onwards, steel prices began to fall. At the end of the third quarter of 2022, the prices of ribbed bar, which is the basis of the Group's purchases, were already 10-12 per cent lower than in the second quarter of 2022, which set the trend that the market followed in the following months. Towards the end of the year, a stabilisation of the price of this raw material and an improvement in its availability were observed. However, steel production is very energy-intensive and its price is strongly correlated with energy prices. Therefore, rising electricity and fuel prices and the decline in global steel production will certainly not contribute to further decreases in the price of this raw material. In view of this, further turbulence in the steel market is to be expected in the coming year.

After the turbulence in the thermal insulation market in the first half of 2022, in the third quarter of 2022, stabilisation of prices and even decreases in some product ranges were observed. This is very much related to the demand for these materials and the market situation in the real estate development industry. Mineral wool and PIR prices were stable, while polystyrene prices were subject to rather significant decreases exceeding ten percent. Plywood prices are also falling. Due to significantly lower demand and improved availability, the price of plywood began to drop noticeably in the third quarter of 2022 after the increases at the beginning of the year.

In the first quarter of 2023, we are observing continued price pressure from the market and expectations of further decreases in the prices of raw materials and consumables. However, higher energy and gas costs are a strong price driver, which is why, despite price decreases in the last two quarters of 2022 compared to values prior to the global market turmoil, prices remain significantly higher. Undoubtedly, the coming year will be a difficult one for the construction manufacturing industry, due to the high volatility of demand and supply factors.

The Group executes contracts mainly on a short-term basis: in the "Contract execution – prefabrication" segment, the average contract duration is around 56 months, whereas in the "Contract execution – construction services" segment it is around 15-17 months. Therefore, the Group is able to react quickly and transfer increased material costs directly into quotations prepared for customers in a relatively short period of time.

### Labour costs

The Group is also experiencing increasing pressure for rises in employee salaries. The availability of workers has been affected by the pandemic and international restrictions on movement, including mandatory quarantines, testing, etc., and the outflow of workers from Ukraine resulting from the war in Ukraine. In 2022, the growth in demand for workers in the construction industry has slowed down, but increasing inflation causes continued pressure for rises in wages. The

current increases in wage expectations are mainly due to the rising inflation and rising household costs.

### Subcontractor costs

Despite the continuing uncertainty in the investment market since the beginning of 2022 and limited investor activity particularly in the residential construction sector, the prices of subcontracting services in some industries are stabilising, as expected. A reduction in the price of some materials has also been observed. They remain high, however, not least due to rising energy and fuel costs and, above all, rising labour costs. The pressure for rises in wages due to inflation and labour shortages in the construction market kept subcontracting prices high throughout 2022. A decline in some of the services offered by subcontractors may be observed in early 2023. This is mainly due to the stagnation of the residential construction market.

### Logistics costs

Due to the turmoil related to the pandemic and then the geopolitical turmoil caused by the war in Ukraine, transport prices skyrocketed in 2021 and remained high until early 2022 due to high fuel prices. Freight rates reached historic highs. However, since the second quarter of 2022, the prices of transport services has started to rise less rapidly or even decrease, as in the case of maritime transport. The value of the Drewry World Container Index, which provides a way to track freight rates in the shipping of containers year-on-year, has decreased by more than 60%. This is a significant market price adjustment. In the domestic market, the price growth rate for transport services at the end of 2022 was lower than inflation. In the near term, due to the economic downturn, a reduction in demand for transport services and possibly a further adjustment of prices in the market are expected. However, persistent high fuel and labour costs mean that significant falls in the price of transport services, especially in the area of road transport, are not expected in the longer term.

The Group identified the main challenges related to increases in raw material and consumables costs, and in 2022 focused mainly on ensuring the necessary supply volumes for the execution of signed contracts. The Group also negotiated price increases for some of the contracts being executed in 2022, and subsequent contracts with contractors entered into during 2022 were priced based on the increased prices for raw materials and construction services. In some cases, particularly for contracts where it was not possible to ensure price stability for cost items relevant to the contract at the time of bidding and signing, indexing provisions were introduced to ensure the Group's expected margin.

The Group constantly updates bid estimates and secures the availability of the necessary materials and services, reacting to changing market conditions, particularly in the general contracting segment, where the sensitivity to changes in market prices of materials and services is, as a rule, much higher and the direct margins obtained are significantly lower than those obtained in the prefabrication segment.

When executing contracts for the construction of residential facilities, the Group does not use subcontractors on the same scale as when executing production and storage

halls. The Group makes extensive use of prefabricated components manufactured in its own plants. Therefore, the situation in the housing segment remained more stable, with relatively lower pressure for cost increases compared to the hall segment.

In the Management Board's opinion, in the long term, the Group's products, mainly in the area of structures for hall and residential buildings, will continue to gain in terms of price competitiveness. The cost of production of steel structures, which can in certain cases be an alternative to prefabricated structures, will become disproportionately higher than that of prefabricated structures, due to the much higher share of the cost of steel in steel structures than in prefabricated ones.

The increase in wages in the construction sector in the long term is a trend that also has a positive impact on the attractiveness of the product the Group offers compared with the construction of structures and buildings using traditional technology. Thanks to the great possibilities of automating processes in production plants (which is very difficult on construction sites), the share of labour costs is lower, which ultimately translates into lower costs of the construction itself and of the building.



Mokate production plant, Żory

PLN thousand	from 1 January to 31 December 2022	from 1 January to 31 December 2021	from 1 January to 31 December 2020	change in value compared to 2021	% change compared to 2021	change in value compared to 2020	% change compared to 2020
<b>Income statement</b>							
Assets	1,324,910	1,220,339	905,364	104,571	8,57%	419,546	46,34%
Current assets	864,192	767,529	484,919	96,663	12,59%	379,273	78,21%
Cash and cash equivalents	119,496	114,648	104,797	4,848	4,23%	14,699	14,03%
Fixed assets	460,718	452,810	420,445	7,908	1,75%	40,272	9,58%
Long-term liabilities	200,604	210,018	198,319	(9,414)	(4.48%)	2,285	1,15%
Short-term liabilities	641,811	604,699	345,324	37,112	6,14%	296,487	85,86%
Equity	482,495	405,622	361,721	76,873	18,95%	120,774	33,39%

As at 31 December 2022, the Group's assets amounted to PLN 1,324,910 thousand and were higher by PLN 104,571 thousand in relation to the balance as at 31 December 2021.

The increased value of total assets at the end of 2022 is mainly due to the increase in the scale of operations and, consequently, current assets, which amounted to PLN 864,192 thousand at the end of December 2022, which is higher by PLN 96,663 thousand than the value of current assets at 31 December 2021.

The main reason for this growth is the increase in inventories. The value of inventories as at 31 December 2022 amounted to PLN 265,907 thousand, and was higher by PLN 89,761 thousand compared to 31 December 2021. The increase in this balance sheet item is related to the increase in prices, the increase in the scale of operations, and the increase in inventories in real estate development projects under construction (increase in inventories in the real estate development segment by PLN 45,925 thousand compared to the balance as at 31 December 2021).

At the same time, cash levels increased by 4.2%; at the end of December 2022, the Group had PLN 119,496 thousand in bank accounts, which constitutes an increase of PLN 4,848 thousand compared to the end of 2021.

Long-term liabilities as at 31 December 2022 were lower by PLN 9,414 thousand than as at 31 December 2021 and amounted to PLN 200,604 thousand.

The increase in current liabilities as at 31 December 2022 compared to 31 December 2021 is mainly due to an increase in trade liabilities, including long-term contract valuation liabilities (increase by PLN 50,946 thousand). The increase in trade payables is related to the increase in the scale of

operations and in prices. Short-term financial liabilities at the end of 2022 amount to PLN 66,418 thousand and are lower by PLN 14,643 thousand compared to the balance at the end of 2021. The above is due, among other things, to the Group's redemption of the first series of bonds worth PLN 20,000 thousand in June 2022.

Net debt at the end of December 2022 amounted to PLN 87,909 thousand, and was lower than at the end of 2021, when it amounted to PLN 120,786 thousand. This is due to the profit generated by the Group.

The Group pursues its investment policy with a view to increasing production efficiency mainly through automation and increasing production capacity, improving quality, and enhancing safety and working conditions.



The basic financial indicators for the Pekabex Group are as follows:

	2022	2021	2020	change in thousands of PLN	% change compared to 2021	change in thousands of PLN	% change compared to 2020
EBIT [PLN thousand] (operating profit/loss)	100,013	57,767	69,455	42,246	73,1%	30,558	44,0%
EBITDA [PLN thousand] (operating profit/loss plus depreciation)	127,683	84,492	89,454	43,191	51,1%	38,229	42,7%
<b>Profitability indices:</b>							
Return on assets (net financial result / total assets)	5,08%	3,33%	6,40%				
Return on equity capital (net financial result / equity at the end of the period)	13,94%	10,02%	16,01%				
Net margin on sales (net financial result / revenue from sales of products and goods)	4,01%	2,70%	6,08%				
<b>Liquidity ratios:</b>							
Liquidity ratio I (total current assets / current liabilities)	1.35	1.27	1.40				
Long-term liquidity (total assets / short and long-term liabilities)	1.57	1.50	1.67				
<b>Other important:</b>							
Net debt (total financial liabilities – cash and cash equivalents)	87,909	120,786	100,116				
EBITDA LTM (EBITDA for the last 12 months)	127,683	84,492	89,454				
Net debt-to-EBITDA LTM ratio (net debt / EBITDA LTM)	0.69	1.43	1.12				
Financial coefficient (equity capital at the end of the period / total assets)	0.36	0.33	0.40				



**3.6.**

**Basic economic and financial data for Pekabex S.A.**

	from 1 January to 31 December 2022	from 1 January to 31 December 2021	from 1 January to 31 December 2020	change in value compared to 2021	% change compared to 2021	change in value compared to 2020	% change compared to 2020
<b>Income statement</b>							
Sales revenues	22,165	18,588	15,377	3,577	19,20%	6,788	44,10%
Gross profit on sales	17,734	13,996	11,048	3,738	26,70%	6,686	60,50%
Overheads	6,424	5,034	3,585	1,390	27,60%	2,839	79,20%
Other operating revenue	2,212	1,991	1,441	221	11,10%	771	53,50%
Other operating costs	215	881	73	666	(75.60%)	142	194,50%
Operating profit	13,307	10,073	8,832	3,234	32,10%	4,475	50,70%
Financial revenue	13,820	12,751	4,451	1,069	8,40%	9,369	210,50%
Financial expenses	5,097	2,363	1,866	2,734	115,70%	3,231	173,20%
Profit before tax	22,030	20,461	11,417	1,569	7,70%	10,613	93,00%
Net profit	19,231	18,636	9,614	595	3,20%	9,617	100,03%
<b>Statements of the financial position</b>							
Total assets	277,101	280,561	223,769	(3,460)	(1.20%)	53,332	23,83%
Current assets	10,244	51,777	18,230	(41,533)	(80.20%)	(7,986)	(43.80%)
Fixed assets	266,857	228,784	205,539	38,073	16,60%	61,318	29,83%
Long-term liabilities	73,580	74,644	56,158	(1,064)	(1.40%)	17,422	31,02%
Short-term liabilities	23,037	41,172	11,650	(18,135)	(44.00%)	11,387	97,74%
Equity	180,485	164,746	155,961	15,739	9,60%	24,524	15,72%

In 2022, net sales revenue amounted to PLN 22,165 thousand, and was higher than sales revenue achieved in the previous year (PLN 18,588 thousand) and in 2020 (PLN 15,377 thousand). Pekabex S.A. conducts operations in the field of real estate lease to companies from the Group and beyond, and generates revenue from trademark. Gross profit from sales of the Company amounted to PLN 17,734 thousand and increased by 26.8% compared to the profit achieved in 2021 (PLN 13,986 thousand).

General administration costs amounted to PLN 6,424 thousand and were higher by PLN 1,390 thousand, i.e. by 27.6% in comparison to the previous year.

Operating profit in 2022 amounted to PLN 13,307 thousand and increased by 32.1% compared to the profit achieved in 2021. Financial income increased by PLN 1,069 thousand compared to the previous year and amounted to PLN 13,820 thousand at the end of 2022. The financial revenue in 2022 was mainly influenced by a dividend of PLN 5,000 thousand from the subsidiary Pekabex Pref S.A., a dividend of PLN 1,700 thousand from Pekabex Inwestycje VIII sp. z o.o. and a dividend from the subsidiary CNP sp. z o.o. of PLN 625 thousand. The accrued interest on loans granted in the amount of PLN 6,335,000 was also accounted for in the financial revenue item.

As at 31 December 2022, the Company's assets amounted to PLN 277,101 thousand and were lower by 1.2% in relation to the balance as at 31 December 2021. This is mainly due to a decrease in trade receivables of PLN 8,930 thousand compared to the value at 31 December 2021.

Equity represented 65.13% of the balance sheet total and amounted to PLN 180,485 thousand, which constitutes a nominal increase of PLN 15,739 thousand.

Non-current and current liabilities have decreased; this is mainly due to the redemption of the first series of bonds worth PLN 20,000 thousand in June 2022.

**Basic financial indicators for Pekabex S.A.:**

	2022	2021	2020	% change compared to 2021	change in thousands of PLN	% change compared to 2020	change in thousands of PLN
EBIT [PLN thousand] (operating result)	13,307	10,073	8,832	3,234	32,10%	4,475	50,70%
EBITDA [PLN thousand] (result increased by depreciation)	16,186	12,636	11,334	3,550	28,10%	4,852	42,80%
<b>Profitability indices:</b>							
Return on assets (net financial result / total assets)	6,94%	6,64%	4,30%				
Return on equity (net financial result / equity)	10,66%	11,31%	6,16%				
Net profit margin (net financial result / revenue from sales of products and goods)	86,76%	100,26%	62,52%				
<b>Liquidity ratios:</b>							
Liquidity ratio I (total current assets / short-term liabilities)	0.44	1.26	1.56				
Long-term liquidity (total assets / short- and long-term liabilities)	2.87	2.42	3.30				



**The Group's operations in 2022 were influenced by, among other things, investments increasing the value of property, plant and equipment and real estate development projects in progress. These factors will continue to be influential in the following year.**

**Ja\_Sielska housing estate in Poznań**

The JA\_SIELSKA real estate development project is being carried out in Poznań Podolany district, a neighbourhood the development of which consists in a planning transformation from a once partly industrial to a residential function. The neighbourhood is well connected, with numerous service facilities, amenities and recreational areas, including Lake Rusatka located in close proximity. The project has been underway since 2017, with six buildings constructed to date and over 160 residential premises delivered in two stages. The estate was the winner of the 13th edition of TOPBUILDER 2021. In total, there are six project stages planned, i.e. 16 buildings comprising nearly 700 functional flats of various layouts and sizes. Currently, construction works for stage 3 are underway, with 124 premises of 6,500 m<sup>2</sup> to be built in 3 buildings. An underground garage hall has also been designed. It will accommodate nearly 200 vehicles and will be suitable for electric cars. The property is expected to be commissioned for use in the first quarter of 2024. The communal spaces for neighbourhood gatherings and a children's playground have also been planned. The project includes also intensive landscaping with greenery, including native tree species. As at the end of February 2023, almost half of the flats is sold.

The company has applied for planning permissions for the next stages of the project, which consist in the construction of approximately 150, 110, and 130 residential premises respectively, with a total area of approximately 18,000 m<sup>2</sup>. The structures built as part of individual project tasks are supposed to be physically and aesthetically linked together – both above and below ground level – by connecting garage halls. As part of the cooperation with the city, it was also agreed to participate in the reconstruction of the road system of ul. Jasielska, including the construction of a roundabout at the bend in the street.

The buildings on the JA\_SIELSKA estate are constructed using prefabricated elements. The structural elements of the overground structure – walls and ceilings – are manufactured in halls owned by GK Pekabex. The rapid assembly of structures in modern prefabrication technology shortens construction by around 30%. The general contractor for the project is the Contracting Division of GK Pekabex. The concentration of key areas of competence within entities

belonging to the same group of companies allows for the efficient and professional implementation of development projects.

**Origin Mechelinki investment**

On 29 June 2020, the Group concluded, with Origin Investments sp. z o.o. and Origin Gdynia 1 sp. z o.o. ("Origin"), an investment contract for the joint implementation of the project in Mechelinki consisting in the construction of the Origin health complex comprised of holiday suites (106 suites with a total area of 3,620 m<sup>2</sup>), premises for active seniors (58 premises with a total area of 1,925 m<sup>2</sup>), and the Centrum Rehabilitacji ReVital rehabilitation centre (with 63 rooms and full infrastructure for health promotion, rehabilitation and revitalisation). Within the scope of this project, the Group is responsible, among others, for the real estate development and construction process (the general contractor of the project is a company from the Pekabex Group), and Origin, among others, for the operational activities of Origin ReVital and Club Origin programmes. The Parties will seek to finance the project with debt capital. The necessary own contribution will be made by the parties in the following proportion: 45% Origin, 55% Pekabex. The return on investment will be split 50/50. Investment exit is planned after the construction of flats and premises for senior citizens through their sale, and in the case of Origin ReVital – through its sale to an external investor.

Origin Suites are being built in a unique location in Mechelinki – on a hill with a beautiful view of the sea just 180 metres from the plot. Two buildings with 106 suites of varying sizes have been designed. All premises will be finished and partially furnished.

The ReVital Centre will have 62 rooms, more than 1,000 m<sup>2</sup> of rehabilitation space equipped with state-of-the-art equipment and Origin ReVital programme rooms with a swimming pool, aqua-fitness area, spacious kitchen, and a restaurant. Comprehensive rehabilitation and therapy programmes will be dedicated to people with neurological and orthopaedic conditions.

The ReVital Suites will be located in a building adjacent to the ReVital Centre. There will be 58 suites for active seniors, a 24-hour reception and a residents' club. All suites will be finished and equipped. *Assisted living* services will be provided to residents based on their individual needs.

On 21 February 2022, the planning permission was granted. Construction works started in mid-October 2022, and reinforced concrete work is currently underway on level -1 in buildings A, B and D. The planned completion date for buildings A and is the end of 2023, and for buildings C and D – June 2024.

**Neonowe Estate at ul. Katedralna in Częstochowa**

The project at ul. Katedralna in Częstochowa involves the construction of two multi-family buildings with service facilities on the ground floor and an underground car park. The buildings will be equipped with roof-mounted solar panels to power the electrical installation of the common



Neonowe Estate in Częstochowa, Pekabex Development, visualisation

parts of the buildings, i.e. the lighting in the corridors and entrance halls.

On 7 July 2022, the replacement planning permission for the first stage was obtained, and in the second and third quarters of 2022 the detailed design and the workshop design for the production of prefabricated elements, as the project will be carried out for the most part using the "Pekabex® Residential Buildings System", were being developed. The Neonowe Estate will be subject to BREEAM certification. An application for the "Barrier-Free Facility" certificate from the Integration Foundation will also be submitted. This means that both the design and construction process are subject to multi-criteria assessment taking into account stringent requirements and criteria, the implementation of which will have a positive impact on the environment and will facilitate the daily functioning of people with limited mobility or those who move around with small children. The Neonowe Estate implements the idea of sustainable construction. The buildings that will be constructed as part of this development project will be comfortable for the residents and architecturally accessible and the investment

project will be socially responsible. Resource-saving solutions have been taken into account at all stages of the buildings' life cycle, with consideration for the climate and the welfare of future generations. The development of the Neonowe Estate is also part of the city authorities' programme to revitalise the Old Town area of Częstochowa, which is soon to become a local centre of cultural and business life.

At the end of the second quarter of 2022, sales of flats and commercial premises began; at the end of 2022, more than 20% of the units were sold. At the beginning of January 2023, the construction of the first of the two buildings of the Neonowe Estate, which will fill the gap in the frontage of the Katedralna Street, were initiated. During the first quarter of 2023, earthworks and geotechnical work for the underground garage and site preparation for further construction phases were carried out and reinforced concrete work on the foundation slab began. The completion of the first stage of the project is planned for the second quarter of 2024.



**Casa Fiore estate in Warsaw-Międzylesie**

On 13 May 2021, the Group obtained a decision approving the building permit design and granting planning permission. In mid-August 2021, construction works began. The construction was completed in August 2022. At the end of 2022, all finishing works were completed and an occupancy permit was obtained in early January 2023. In mid-February 2023, the signing of contracts transferring ownership of the premises began. At the end of December 2022, around 85% of the premises were sold or reserved. The project consists of 40 independent 2- and 3-storey flats with an area ranging from 59 to 94 m<sup>2</sup>, each with its own garden (a total of over 3,000 m<sup>2</sup> of usable residential area).

Casa Fiore will be a modern housing estate located in Warsaw's Wawer district, which is the green garden of the capital city. The project comprises two- and three-storey flats combining the advantages of modern construction technology with the tranquillity of the surrounding nature. In the vicinity of the estate, there is fast rail transport to the centre of Warsaw, and public utilities such as educational, service, and health care facilities. Forests, parks and bicycle trails in the vicinity also add to the attractiveness of the project.

**Casa Baia Suites in Hel**

With effect from 30 April 2021, the Group acquired a plot of land located in Hel, at ul. Żeromskiego. The project consists in the construction of a modern building with 68 holiday suites and a non-residential unit. The usable area of the building will be approximately 3,100 m<sup>2</sup>. The project will be located in one of the most touristy seaside resorts in the close vicinity of the beach, commercial establishments and the seal centre. The size of the flats on offer will range from 25 to 93 m<sup>2</sup>, and flats with mezzanine floors will be located on the top floor. Prefabricated three-layer walls produced in plants in Poznań and Gdańsk and single-layer walls in 2F technology (double Filigran) from the Gdańsk plant will be used in this project. Construction works started in the second quarter of 2022 and the planned date for completion of the suites and obtaining an occupancy permit is set for the second quarter of 2023.

The Casa Baia building sits below sea level, yet the Group, as the only real estate developer in Hel, decided to build an underground garage. This required innovative design solutions with construction works in extremely difficult conditions. In August 2022, the "white tank" slabs and foundation walls were successfully completed. In September 2022, the assembly of the prefabricated structure began. In December 2022, it was completed and the installation and finishing works in the building began. Pre-sales of premises began in Q1, with around 30% being sold or reserved at the end of December 2022.

**Zatoka Wrzosowo Suites in Dziwnówiek**

Pekabex Development is preparing an investment project involving the construction of 10 buildings for tourist accommodation in the town of Wrzosowo, municipality Kamień Pomorski. The plots on which the project will be implemented are located about one kilometre from the coastline in Dziwnówiek – a well-known summer bathing beach on the Baltic Sea.

The first stage of the project will involve the construction of five buildings with 131 holiday suites for sale, with a total area of approximately 5,700 m<sup>2</sup>. Numerous attractions and amenities have been designed for the owners or users of the premises. The enclosed complex will include a beach volleyball court, a boulodrome, a playground for younger children, a separate playground for older children with climbing frames, a gazebo for gatherings with a fire-place for barbecues, and bicycle parking with a shed with a charger for electric bicycles.

In one of the buildings, the entire ground floor will be dedicated to a leisure area with a swimming pool, gym, sauna, jacuzzi and children's playroom. An outdoor terrace with a paddling pool and sun loungers will be located next to the building.

The construction is expected to start in the second quarter of 2023. The first stage of the holiday complex is scheduled for completion in the second quarter of 2024.

**Stadvilla flats in Falkensee**

With effect from 23 November 2021, the Group entered into an agreement with FORIS Gründungs GmbH, a company incorporated under German law, to purchase 100% of the shares in Falkenseer Gärten FEA GmbH, a company incorporated under German law. The newly acquired company is dedicated to real estate development activities. The acquisition of shares in Falkenseer Gärten FEA GmbH is part of the Group's strategy to expand and develop its real estate development business line also in Germany. Falkenseer Gärten FEA GmbH has already made its first property purchase in Falkensee, an exclusive suburb of Berlin. The project will comprise two premium multi-family buildings, i.e. two-storey villas containing 5 flats each, ranging from 45 to 110 m<sup>2</sup> in size, with above-ground parking spaces. The project is awaiting planning permission, and work is currently underway on the design and legal documentation, as well as planning of the marketing campaign and preparing for sale. Construction is scheduled to start in the second quarter of 2023, with completion expected in the first quarter of 2024.

**Other development investments**

The Group is developing its real estate development activities, and is continuously analysing potential new investment projects. One of the projects under consideration is the construction of a modern intermodal logistics and production centre with an operational railway siding in the immediate vicinity of the Zielona Góra-Babimost airport.



Show house in the Casa Fiore estate, Warsaw

**Production hall in Poznań**

At the end of 2022, the Group started a project to expand the production facility in Poznań by adding a production hall, reconstructing and expanding the concrete batching plant, and upgrading the existing production halls. The investment is linked to the Group's strategic plans, including, among other things, the development of a new product in the form of bathroom modules. Bathroom modules will complement the range of structural elements offered by Pekabex in the area of multi-family housing and public utility buildings, and will bring a number of advantages and benefits to customers by increasing the degree of prefabrication of the entire building and shortening construction time. The estimated value of the entire investment, including the construction of the new hall, the concrete batching plant, the modernisation of the steel yard, new machinery and technological equipment, is approximately PLN 33,000 thousand.

**Production hall in Bielsko-Biała**

In 2023, the Group plans to start a project of construction of another production hall and modernisation of the existing production facility in Bielsko Biała. To this end, the Group has purchased a plot of land with an area of 8,000 m<sup>2</sup>. The investment is linked to the Group's strategic plans and the estimated value of the entire investment, including the construction of the new hall, a new concrete batching plant, modernisation, and new machinery and technological equipment, is approximately PLN 25,000 thousand.



**3.7.**

## Management of financial resources

### Liquidity risk

The Pekabex Group has significant financial resources, which it manages with four main objectives in mind:

- securing short- and medium-term cash flows,
- stabilising fluctuations in the financial result,
- executing financial projections by meeting budgetary targets,
- achieving the assumed rate of return on short- and long-term investments, and obtaining optimal sources of financing,
- effective asset management, e.g. inventories.

In order to ensure an appropriate level of working capital, the Group uses multi-purpose credit and guarantee facilities, described in detail in note 9.5 to the consolidated financial statements. In April 2022, the Pekabex Group signed a reverse factoring line agreement for the first time, which it used during the year. In December 2022, the Group additionally signed an agreement for a factoring line to be used in future periods.

Short-term surpluses of the Group's cash are deposited in high-rating banks. In addition, the Group's companies use them to finance their service providers and material suppliers. This has a positive impact on the Group's result (due to the use of a discount mechanism) and on the financial liquidity of suppliers.

The Group monitors financial risks on an ongoing basis and undertakes actions aimed at minimising their impact on its situation. Understanding threats originating from exposure to financial risks and an appropriate organisational structure and procedures allow for better execution of tasks.

The Group does not enter into transactions on the financial markets for speculative purposes. Transactions constitute hedging against specific risks.

In 2018, the Pekabex Group implemented hedge accounting that ensures symmetrical recognition of changes in the values of the hedging instrument and the hedged item in accounting books and financial statements. In this way, both amounts offset each other, thus eliminating the impact of the hedged risk on the financial result.

### Exchange rate risk

In relation to currency risk management, the following objectives are of the utmost importance:

- hedging short- and medium-term currency cash flows,
- stabilising fluctuations in the financial result of the Group and its subsidiaries,
- executing financial projections by meeting budgetary targets.
- The Group uses financial instruments available to hedge against currency risk.

The Group monitors its currency exposure on an ongoing basis and manages the level of its hedging by:

- regular analyses of its current and expected volume and dates of occurrence (in particular: monitoring changes in payment schedules for construction projects, monitoring the level and dates of occurrence of foreign currency costs of current economic activity),
- reacting to changes in the above-mentioned elements, in particular by using appropriate hedging financial instruments (currency forward contracts),
- regular analyses of current levels of market parameters (in particular the level and volatility of relevant foreign exchange rates).

### Interest rate risk

With respect to interest rate risk management, the following objectives are of the utmost importance:

- debt service cost stabilisation,
- executing financial projections by meeting budgetary targets.

The Group does not conclude any speculative interest rate transactions on financial markets. The Group uses financial instruments available to hedge against interest rate risk.

The Group hedges up to 100% of its exposure to interest rate risk resulting from bank loans with appropriate financial instruments. Depending on market conditions, less than 100% of the exposure may be hedged, and in unusually favourable market conditions the exposure may remain unhedged until the conditions turn unfavourable, in particular for new financing.

At the balance sheet date, the Group had three loans secured in whole or in part by IRS transactions, as described in the consolidated financial statements.

The Group monitors its exposure to interest rate risk on an ongoing basis and appropriately manages the level of its hedging by:

- analysing the current unsecured balance of credits and repayment dates,
- analysing current levels of market parameters (in particular the level and volatility of relevant interest rates and IRS contract prices),
- deciding on hedging or not hedging interest rate risk, and in the case of a decision to hedge, also on the level of hedging, on the basis of the above analyses.



Mokate production plant, Żory

### Credit risk

The Group's maximum exposure to credit risk is determined mainly by the carrying amount of financial assets such as loans, trade and other receivables, financial receivables and derivative financial instruments. The Group limits the exposure to credit risk related to trade receivables by assessing the reliability of contractors and monitoring their financial condition, the use of securities for debts and the internal system of procedures and reporting.

The Group continuously monitors the payment arrears of customers and creditors, analysing the credit risk individually or within individual asset classes defined for this risk (resulting, for example, from the industry, region or structure of recipients).

Trade credit is granted mainly to proven contractors, and the sale of products to new customers is in most cases made with the use of additional security: advances, bills of exchange, prepayments, bank guarantees, and corporate guarantees. In addition, the agreements of most contractors with trade credit include a reservation of the right of ownership of the delivered prefabricated elements until the payment of the amounts due. Additionally, in order to secure receivables due to construction services, the Group exercises its right under Article 6471 § 5 of the Polish Civil Code. It stipulates that the entity concluding the contract with the subcontractor as well as the investor and the contractor shall be jointly and severally liable for the payment of remuneration for construction work performed

by the subcontractor. The Group tries to conclude agreements with reliable contractors. In the opinion of the Management Board of the Company, the financial assets which are not past due and subject to write-down as at individual balance-sheet dates can be considered good credit quality assets.

With regard to trade receivables, the Group is exposed to moderate credit risk connected with a single significant counterparty or group of counterparties with similar characteristics. Overdue receivables that are not subject to write-down do not show a significant deterioration thus far – most of them are in the range of up to a month and there are no significant concerns as to their recoverability.

The credit risk of cash and cash equivalents, market securities and derivative financial instruments is considered insignificant due to the high reliability of entities that are parties to transactions, which include mainly banks and entities known by the Company.

### 3.8.

## Differences between financial results and financial forecasts

Forecasts were not published.

### 3.9.

## Structure of major capital and equity investments

Pekabex generates positive cash flows mainly due to the execution of profitable contracts. In 2022, the Group invested its financial surpluses in overnight deposits on a short-term basis; ultimately, these are used as equity contributions to ongoing investments.

During 2022, the Group expanded its operations by establishing the following companies by deed of incorporation: Rebuild Construction Automation sp. z o.o., Pekabex Inwestycje XVII sp. z o.o. and Pekabex Inwestycje XVIII sp. z o.o.

The incorporation of Rebuild Construction Automation sp. z o.o. is linked to the Group's strategy of continuous development and efficiency improvement through automation and mechanisation of processes. The company was registered with the National Court Register [KRS] on 15 March 2022.

Pekabex Inwestycje XVII sp. z o.o. and Pekabex Inwestycje XVIII sp. z o.o. were incorporated as part of the implementation of a strategy to diversify sales and develop a business line related to real estate development activities. The registration of both companies with the KRS took place on 27 October 2022.

In 2022, the Group has entered into an agreement to purchase shares in Prefabcad sp. z o.o. As of 19 January 2022, Pekabex purchased 52% of the shares under a share purchase agreement, which gives it the right to 52% of the votes at the Shareholders' Meeting and ensures control of the company. The company's activities are focused on the licensing of software to other Group companies.

After the balance sheet date, on 10 March 2023, the Company entered into a conditional investment agreement with Dafne 30 sp. z o.o. and 7R Projekt 39 sp. z o.o. for the implementation of an investment project consisting in the construction of the 7R City Park Gdańsk Airport 1 logistics park at ul. Sądzińska in Gdańsk. The agreement was concluded subject to the fulfilment of a condition precedent, namely the conclusion by Poznańska Korporacja Budowlana Pekabex S.A. and Dafne 30 sp. z o.o. of an agreement for the sale of 22 shares in the share capital of 7R Projekt 39 sp. z o.o., representing 22% of the share capital of that company. The transaction is described in more detail in note 29 of the standalone financial statements of Poznańska Korporacja Budowlana Pekabex S.A. for 2022. The 7R City Park Gdańsk Airport 1 logistics and warehouse park will have an excellent location: just 4 km from Gdańsk Lech Wałęsa Airport, 800 metres from the S6 route exit, 13 km from the centre of Gdańsk and 25 km from the port of Gdynia. The complex will be easily accessible to cars. The complex will feature three modern halls with innovative and environmentally friendly solutions. The interiors will be lit by daylight and LED lamps. The plans include also a 250 kWp solar panel installation with the possibility of expansion. 7R will also provide top-quality thermal insulation for the walls. The complex will have a BREEAM environmental certificate of Very Good.

### 3.10.

## Loans and borrowings taken out

In 2022, new loan agreements were concluded or annexes were signed to increase the value of financing. They are detailed in note 9.5 to the consolidated financial statements.

#### **Annex to the multi-purpose credit line agreement of Pekabex BET S.A. (BNP Paribas Bank Polska S.A.)**

On 29 December 2022, Pekabex BET S.A. signed an annex to the multi-purpose credit line agreement concluded with BNP Paribas Bank Polska S.A., increasing the limit to PLN 150,000 thousand.

#### **Revolving credit agreement of Pekabex BET S.A. (Credit Agricole Bank Polska S.A.)**

On 23 May 2022, Pekabex BET S.A. signed a revolving credit agreement with Credit Agricole Bank Polska S.A. in the amount of PLN 50,000 thousand to finance working capital related to the execution of the CTPark Itowa contract. On 15 November 2022, annex no. 1 reducing the limit amount to PLN 40,000 thousand was signed. The limit availability period will expire on 31 May 2023.

#### **Framework agreement for the Pekabex BET S.A. multi-product line (mBank S.A.)**

On 30 June 2022, Pekabex Bet S.A. signed with mBank S.A. a framework agreement for a multi-product line of PLN 40,000 thousand for financing of the company's current business operations. Financing period end date: 28 June 2024.

#### **Annex to the multi-purpose credit line agreement of Pekabex BET S.A. (Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna)**

On 4 January 2022, an annex to the multi-purpose credit line agreement was signed, increasing the overdraft limit to PLN 50,000 thousand. On 9 June 2022, a further annex to the agreement was concluded, increasing the contractual limit to PLN 200,000 thousand.

#### **Pekabex BET S.A. factoring line agreement (PKO Faktoring S.A.)**

On 5 April 2022, Pekabex BET S.A. signed a factoring line agreement with PKO Faktoring S.A., with a limit of PLN 10,000 thousand. The agreement was concluded for an indefinite period of time. On 9 June 2022, annex no. 1 was concluded, increasing the amount of the limit to PLN 60,000 thousand.

#### **Pekabex BET S.A. factoring limit agreement and an annex thereto (PKO Faktoring)**

On 9 June 2022, Pekabex BET S.A. entered into a reverse factoring agreement (the financing costs of which are borne by the company). The company's funding limit was set at PLN 30,000 thousand.

#### **Framework agreement on the procedure for concluding and settling transactions of Pekabex BET S.A. (Santander Bank Polska S.A.)**

On 10 October 2022, a framework agreement on the procedure for concluding and settling transactions was concluded with Santander Bank S.A., with the allocated limit of PLN 15,000 thousand.

#### **Loan agreement with the Provincial Fund for Environmental Protection and Water Management in Gdańsk – Pekabex BET S.A.**

On 17 November 2022, a loan agreement was concluded with the Provincial Fund for Environmental Protection and Water Management in Gdańsk for the amount of PLN 1,488 thousand for the period until 30 September 2027.

#### **Loan agreement with the Provincial Fund for Environmental Protection and Water Management in Gdańsk – Kokoski Prefabrykacja S.A.**

On 17 November 2022, a loan agreement was concluded with the Provincial Fund for Environmental Protection and Water Management in Gdańsk for the amount of PLN 1,482 thousand for the period until 30 September 2027.

#### **Pekabex Casa Baia sp. z o.o. investment loan agreement. (Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna)**

On 8 April 2022, an investment loan agreement was concluded for a project in Hel, with the loan granted in the amount of PLN 28,100 thousand. The loan's availability period will expire on 31 December 2023.

#### **Revolving credit agreement of Pekabex Casa Baia sp. z o.o. (Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna)**

On 8 April 2022, a revolving credit agreement was entered into to finance the VAT charged on the costs associated with the real estate development project implemented in Hel. The amount of the loan granted was PLN 2,000 thousand. The loan's availability period will expire on 31 December 2023.

#### **Construction and VAT loan agreement – Pekabex Jasielska sp. z o.o. (mBank S.A.)**

On 11 May 2022, a construction and VAT loan agreement was entered into, with the construction loan granted in the amount of PLN 37,393 thousand and a VAT loan of PLN 3,000 thousand. The loan was granted until 12 November 2024.

#### **Annex to the non-revolving credit agreement of Pekabex Inwestycje II S.A. (BNP Paribas Bank Polska S.A.)**

On 30 December 2022, an annex to the non-revolving credit agreement was concluded, increasing the credit amount to PLN 22,000 thousand. The availability period of the credit will expire on 17 August 2028.

#### **Revolving credit agreement – Poznańska Korporacja Budowlana Pekabex S.A. (Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna)**

On 22 June 2022, a revolving credit agreement was entered into, with the granted limit of PLN 7,300 thousand. The loan was granted for 24 months.

**No loan agreements entered into by the Group were terminated by the loan granting entities in 2022. In the presented period, no loan agreements were violated.**



**3.11.**

## Granted loans

In 2022, Pekabex Group companies did not grant any loans to related parties outside of the Group. Loans granted within the Group are described in the separate financial statements.

**3.12.**

## Significant transactions concluded with related parties on terms other than arm's length terms

In 2022, neither the Parent Company nor its subsidiaries entered into significant transactions with related entities on terms other than arm's length terms.

Revenue generated and costs incurred by the Company and the Group in transactions with related entities in 2022 and the balance of liabilities to and receivables due from related entities as at 31 December 2022 were presented in supplementary information and explanations to the standalone and consolidated financial statements, respectively.

**3.13.**

## Agreements providing for compensation for Management Board members in the event of their resignation or dismissal

No such agreements were in force in 2022.



Panatonni Park III hall, Biejsko-Biała

**3.14.**

**Granted and received sureties and guarantees**

Value of sureties and guarantees (in thousands of PLN) as at 31 December 2022 was as follows:

	31/12/2022	31/12/2021
<b>To other entities:</b>		
Surety for payment of trade payables	12,502	17,513
Guarantees granted	-	-
Guarantees granted to construction contracts	374,258	298,003
Guarantees granted by companies incorporated under German law	25,393	21,616
Disputes and litigations	-	-
Disputes and litigations with the Tax Authority	-	-
Other contingent liabilities	-	-
<b>Total contingent liabilities</b>	<b>412,153</b>	<b>337,132</b>

Sureties for the repayment of liabilities relate to contracts of surety which are granted only to companies from the Group and secure the commercial liabilities of companies belonging to the Group.

The values of the guarantees granted to construction contracts constitute the total amount of performance bonds issued to contracting parties and costs of remedying defects and flaws resulting from the performed construction contracts. None of the guarantees granted exceeds the materiality threshold set at 10% of the Group's equity.

As at 31 December 2022, the value of bank and insurance guarantees granted totals PLN 399,651 thousand.

The Group's companies issued promissory notes as collaterals for their lease liabilities, the carrying amount of which as at 31 December 2022 amounted to PLN 23,807 thousand.

The loan guarantees granted, effective as at 31 December 2022, are presented below:

Entity to which the guarantee was granted	Total amount of the loan subject to guarantee	Contract subject matter	Value of the liability as at 31/12/2022	Effective date of the contract	Validity date of the collateral	Entity for which the guarantee was granted	Guarantors	Value of the guarantee
DNB Bank Polska S.A.	120,000	-	Guarantees – PLN 66,249 thousand*	-	30/11/2033	Pekabex BET	Pekabex S.A., Pekabex Pref, Centrum Nowoczesnej Prefabrykacji	PLN 180,000 thousand
Santander Bank Polska SA	200,000	Multi-purpose line of credit to be used on: • guarantees up to the amount of PLN 200,000 thousand, • revolving credit – PLN 50,000 thousand, • overdraft facility • up to the amount of PLN 100,000 thousand, • letter of credit – PLN 100,000 thousand	Sublimit for guarantees – PLN 83,400 thousand*  Overdraft facility – PLN 3,385 thousand	25/11/2024	25/11/2035	Pekabex BET	Pekabex S.A., Centrum Nowoczesnej Prefabrykacji S.A., Pekabex Pref S.A.	PLN 240,000 thousand
PKO BP S.A.	200,000	Multi-purpose line of credit to be used on: • guarantees up to the amount of PLN 200,000 thousand • overdraft facility • up to the amount of PLN 40,000 thousand • revolving credit up to the amount of • PLN 200,000 thousand Investment credit	Sublimit for guarantees – PLN 96,646 thousand*  Overdraft facility – PLN 10,329 thousand	06/03/2023	07/06/2030	Pekabex BET	Pekabex S.A., Pekabex BET S.A.	PLN 340,000 thousand
PKO BP S.A.	30,000	Investment credit	12,783	31/12/2026	31/12/2028	Kokoszki Prefabrykacja	Pekabex S.A., Pekabex BET	30,000
BNP Paribas S.A.	150,000	Multi-purpose line of credit to be used on: • guarantees up to the amount of PLN 150,000 thousand • overdraft facility • up to the amount of PLN 35,000 thousand • letter of credit line up to the amount of PLN 10,000 thousand	Sublimit for guarantees – PLN 54,869 thousand*  Overdraft facility – PLN 0 Revolving credits – PLN 0 Letter of credit – PLN 0	30/11/2023	14/12/2034	Pekabex BET	Pekabex S.A., Pekabex Pref, Pekabex Inwestycje II, Centrum Nowoczesnej Prefabrykacji	165,000
BNP Paribas S.A.	56,480	Non-renewable credit	46,350	14/03/2029	14/03/2032	Kokoszki Prefabrykacja	Pekabex S.A.	67,540



Entity to which the guarantee was granted	Total amount of the loan subject to guarantee	Contract subject matter	Value of the liability as at 31/12/2022	Effective date of the contract	Validity date of the collateral granted	Entity for which the guarantee was granted	Guarantors	Value of the guarantee
BNP Paribas S.A.	7,000	Multi-purpose line of credit to be used interchangeably on: <ul style="list-style-type: none"> <li>• guarantees up to the amount of PLN 7,000 thousand</li> <li>• overdraft facility</li> <li>• up to the amount of PLN 7,000 thousand</li> </ul>	-	30/11/2023	14/03/2032	Kokoski Prefabrykacja, Pekabex BET S.A.	Pekabex S.A. Pekabex BET S.A.	7,700
BNP Paribas S.A.	10,000	Non-renewable credit	6,834	05/04/2026	31/03/2029	Pekabex Inwestycje II	Pekabex S.A. Pekabex BET Pekabex Pref Centrum Nowoczesnej Prefabrykacji	11,000
BNP Paribas S.A.	10,800	Non-renewable credit	7,504	30/11/2027	09/11/2030	Pekabex Inwestycje II	Pekabex S.A. Pekabex BET Pekabex Pref Centrum Nowoczesnej Prefabrykacji	11,880
BNP Paribas S.A.	22,000	Non-renewable credit	3,063	17/08/2028	10/08/2031	Pekabex Inwestycje II	Pekabex S.A. Pekabex BET Pekabex Pref Centrum Nowoczesnej Prefabrykacji	24,000
Provincial Fund for Environmental Protection and Water Management in Gdańsk	1,488	borrowing	668	30/09/2027		Kokoski Prefabrykacja S.A.	Pekabex S.A.	1,482
Provincial Fund for Environmental Protection and Water Management in Gdańsk	1,482	borrowing	670	30/09/2027		Pekabex BET S.A.	Pekabex S.A.	1,488

\* Off-balance sheet liability

\*\* Available limits closed in December 2022

Panattoni hall, Bielsko-Biala





Toruń\_Mieszkania\_Plus\_Estate

**Natural environment**

4.0



**4.1.**

## Pekabex Group's climate policy

The Management Board of Pekabex Group is aware of the progressing climate change and its effects on a micro and macro scale, as well as the important role of business in the transition to a low-carbon economy. Due to the importance of climate issues, the Pekabex Group Management Board decided in early 2022 to adopt and implement the Pekabex Group Climate Policy. This policy provides Pekabex Group with a frame of reference and basis for all decisions and actions taken in the course of its business.

Pekabex Group implements the provisions of the Paris Agreement, the Climate Policy of Poland and the European Union, and operates on the basis of appropriate relations between the company's development and care for the environment and human health.

Pekabex takes a number of measures to reduce its carbon footprint and limit its negative impact on the environment, among others:

- Establishment of short- and long-term climate-related objectives, and implementation of a monitoring and reporting system to periodically review progress in achieving them.
- Annual monitoring of carbon footprint emissions carried out in accordance with the Greenhouse Gas Protocol (GHG), enabling estimation of reduction efficiencies and adjustment of reduction targets.
- Identifying and documenting the significant areas of climate impact of all Pekabex Group activities at each stage of the product life cycle.
- Continuous improvement of energy efficiency to reduce or not increase fuel and energy consumption, but also increasing the share of renewable energy in total energy consumption.
- Investing in our own green renewable energy sources – installation of solar panels on the Group's production facilities – 50-500 kWp installations.
- Retrofitting of office buildings and production halls to improve energy efficiency.
- Implementation of advanced technologies within the production line – new investment purchases and modernisation of the current fleet of machinery and equipment used for production.
- Continuation or launch of research and development work in selected areas related to climate protection, as well as the launch of pilot projects.

- Implementation of innovative solutions to reduce direct emissions, both for the organisation and the product. Introduction of products or services related to activities contributing to climate change mitigation or adaptation to climate change through, among other things, the use of low-carbon production materials.
- Continuous development of knowledge on climate and the culture of climate responsibility among employees, contractors, service contractors, and suppliers within the Pekabex Group value chain, and in particular the promotion of access to knowledge on climate issues.
- Cooperation with local governments, governmental bodies and units, as well as non-governmental organisations dealing with climate issues in order to develop recommended actions and solutions related to adaptation to climate change.
- Implementing the 5Rs: minimising the waste generated, sorting it and sending as much as possible for processing – recycling and reuse.
- Taking into account environmental impact of the investment as an assessment criterion when making decisions on new investments.
- Modernisation of the car fleet – development of electromobility.
- Protection and restoration of biodiversity and ecosystems.

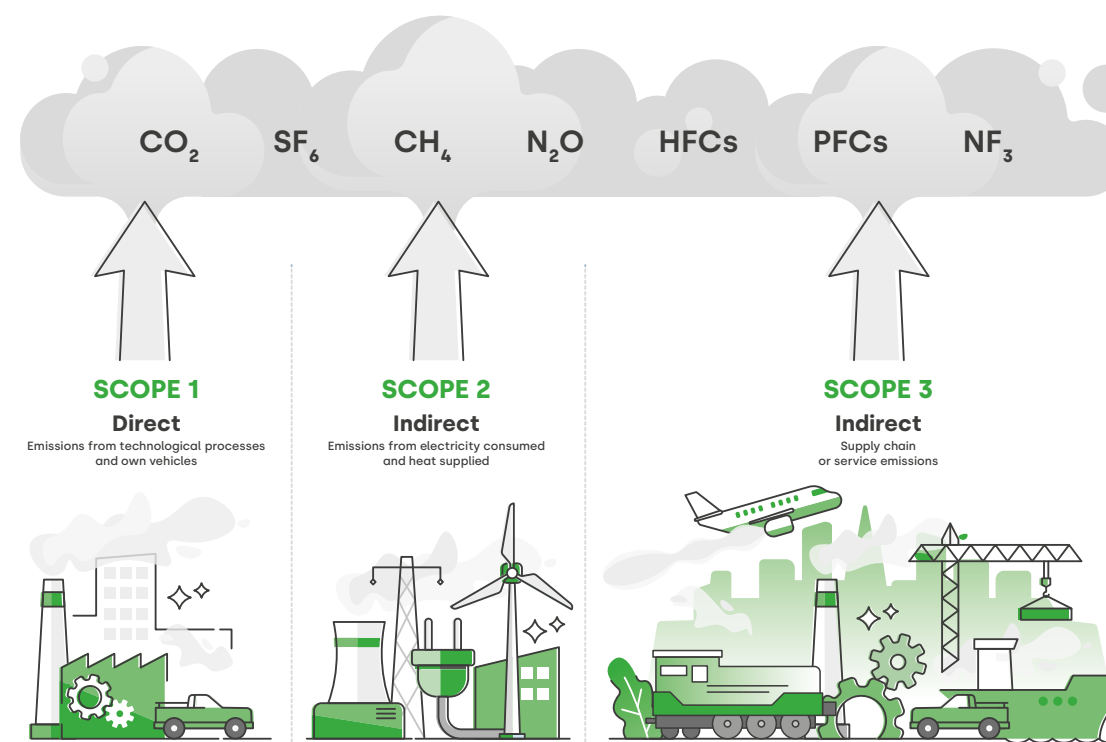
The Climate Policy is complemented by the Group's Integrated Management System Policy, in which we refer to the ISO 14001:2015 Environmental Management System.

The Group identifies and assesses climate risks that occur within its business processes to ensure the safe continuation of its operations and to take any preventive action that may be required. This is described in more detail in chapter 7.2. of this Report. In addition, the Group is working to align its business strategy and investment plans with the requirements of the low-carbon economy and the Paris Agreement.

**4.2.**

## Greenhouse gas emissions

Under the adopted Climate Policy, the Group's main objective is to reduce greenhouse gas emissions, and, consequently, achieve climate neutrality. In view of the importance of combating climate change, through the Policy, the Group commits to gradual reducing of its negative environmental impact and maximising positive climate action along the entire value chain.



Pekabex Group implements the Paris Agreement, taking action to limit global warming by keeping the temperature increase below 2°C above pre-industrial levels, and aiming to limit the temperature increase to 1.5°C above pre-industrial levels.

The Group is already running a number of emission reduction projects, mainly through increases in process efficiency, implementation of innovative technologies, and also through the development of new products that reduce the negative impact on the climate. The Group's Research and Development Centre carries out work aimed at continuous improvement of design technology and organisational and production changes that will contribute to reducing steel and concrete consumption while maintaining or improving product properties.

Activities leading to the reduction of the Group's carbon footprint currently include:

- installation of a solar panel installation at the production facility in Mszczonów and two facilities in Gdańsk, and investment plans to include other locations in the scope of this project,
- purchase of Guarantees of Origin that confirm that electricity was generated from renewable energy sources,
- reduction of electricity consumption – LED, retrofitting of equipment, power guards,
- recycling of process water,
- modernisation of the fleet to EURO 6/hybrid/electric standard,
- the Group's green campaigns conducted under the "Pekabex Goes Green" motto, which, in addition to implementing specific pro-environmental measures, are aimed

at broadening climate awareness among the Group's employees and stakeholders,

- implementation of innovative technological solutions in the area of production (modernisation of the machine park and improvement of technology).

One of the important projects carried out by the Group as part of its strategy to reduce the organisation's impact on climate is the process of obtaining EPDs (Environmental Product Declarations) for some of its products. The declaration is a document detailing the environmental impact of a product during its entire life cycle (LCA). The products that have been certified to date are: prefabricated Filigran panels, prefabricated walls (one-, two- and three-layer walls and brick facade walls), prefabricated reinforced elements, prefabricated prestressed elements, hollow core slabs, prefabricated stairs, docks, and balconies. The EPD certification system is a worldwide environmental programme in which an independent organisation (Instytut Techniki Budowlanej (Institute of Construction Technology) in Poland) assesses, on the basis of ISO 14025, the sustainable use of resources and the impact of products and subsequent structures on the environment.

As part of its investments, Pekabex works with contractors to obtain BREEAM and LEED environmental certification. In addition, the Group intends to obtain BREEAM certification for its own real estate development project – Neonowe Estate in Częstochowa. The first stage of the project is scheduled for completion in the second quarter of 2024. BREEAM and LEED are the two most popular certifications allowing buildings to be assessed on the basis of objective sustainability criteria with an emphasis on reducing

climate impact. The assessment is made on the basis of clearly defined technical parameters which include the origin and characteristics of the building materials used, energy and water consumption, proximity to public transport stops, and impact on biodiversity.

The most important environmentally friendly projects carried out by the Group include the Olivia Business Centre and halls built in cooperation with MLP, Prologis and Panattoni.

**The table below shows the share of revenue from the construction of projects subject to BREEAM and LEED environmental certification in the Group's operating revenue**

Year	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
% share of revenue	25,3%	21,3%	14,9%	19,8%	24,4%	17,3%	15,6%	9,9%	8,8%	6,1%	15,7%

Pekabex Group's Climate Policy is also a commitment to make cyclical disclosures as part of non-financial reporting and to implement emissions management with clearly defined reduction targets. The Group is currently in the process of developing a methodology for calculating direct and indirect emission indicators and a method of their presentation.

**4.3.**

## ISO 14001:2015 – Environmental Management System

In 2022, the Pekabex Group obtained an Environmental Management System certificate of compliance with the ISO 14001: 2015 standard in the scope of installation of reinforced concrete and pre-tensioned prestressed concrete elements and the construction of buildings, including residential buildings, together with the related infrastructure. In 2022, certification was extended to include the preparation and design of production and supplies and the production of prefabricated reinforced and prestressed concrete elements.

- minimising environmental impact at project sites,
- continuous raising of environmental awareness among employees and those working under the Group's supervision.

In connection with the implementation of the System, the role of the Environmental Management System Representative has been established in the organisational structure. The Representative identifies the environmental aspects of the Group's activities, and is to ensure that the established system is maintained in accordance with the standard.

The Group aims to improve the environmental performance of its operations while maintaining the company's business objectives. In accordance with the adopted Environmental Policy, the Group adapts its production processes, technology and organisation of construction works to the applicable legal and other requirements related to the Group's activities. The implementation of new technological solutions makes it possible to minimise the negative impact of the Group's activities on the environment.

As part of the procedures implemented, a record of the environmental impact of the Group and its products and services within the scope submitted for certification is also kept. Maintaining the System requires periodic audits at the Group's construction sites for compliance with ISO 14001 and environmental legislation. The results of the audits are reported to the Management Board of the Group. The procedures and environmental objectives of the System will also be reviewed periodically to identify areas for improvement.

The main principles of the Group's Environmental Management System include:

- the use of modern technology to guarantee the safety of the services provided,

**Register of environmental aspects relating to the Group's certified activities:**

No.	Environmental aspect	Source of aspect: process/activity/service	Location
1	Non-hazardous waste generation	Production processes, administrative services, general contracting, component assembly	Plants, administration and office buildings, construction sites
2	Hazardous waste generation	Production processes, general contracting, component assembly	Production plants, construction sites
3	Electricity consumption	Production processes, administrative services, general contracting, component assembly	Plants, administration and office buildings, construction sites
4	Emission to the air	Production processes, general contracting, component assembly	Production plants, construction sites
5	Natural resource consumption	Production processes, administrative services, general contracting, component assembly	Plants, administration and office buildings, construction sites
6	Noise emission	Production and storage processes, general contracting, component assembly	Manufacturing plants and construction sites in areas where noise-emitting machinery and equipment are present,
8	Vibration emission	Production processes, general contracting,	Production plants and construction sites in areas with machinery and equipment emitting mechanical vibrations
9	Exhaust emission	Transport, administrative services, general contracting, assembly of elements	Plants, administration and office buildings, construction sites (diesel-powered forklift trucks, dump trucks, machinery and equipment, process boiler houses)
10	Water consumption	Production processes, administrative services, general contracting, component assembly	Plants, administration and office buildings, construction sites
11	Discharge of waste water	Production processes, administrative services, general contracting, component assembly	Plants, administration and office buildings, construction sites



**4.4.**

## The Group's activities in the field of environmental protection

The Group complies with applicable environmental law. The Pekabex Group does not carry out projects in areas of particular natural value or in their immediate vicinity. In 2022, there were no significant incidents resulting in environmental damage and no penalties were imposed on Group companies in connection with such damage. There was also no environmental emergency.

Meeting high environmental standards and setting increasingly ambitious environmental targets are a priority for the Group – in order to reduce the Group's environmental impact, the following measures have been introduced:

- compliance with legislation imposed by the legislature,
- implementing new procedures for monitoring environmental aspects,
- responsible management of natural resources,
- reducing waste generation in relation to production,
- introducing new technological solutions,
- modernisation, purchase and use of modern equipment in the technological process,
- raising environmental awareness among employees and managers.

The prefabricated elements produced by the Group are modern, functional, durable, and environmentally friendly. Prefabrication offers the possibility of using lighter structures, which implies lower cement consumption and the resulting reduction of carbon footprint, i.e. the total greenhouse gas emissions, by up to 20% compared to emissions generated in the case of traditional cement. In addition, a sufficiently high load capacity of prefabricated reinforced concrete roofs enables the installation of photovoltaic farms on production and storage halls, which enables the production of green energy.

Concrete is made from such raw materials as cement, aggregates, water, admixtures and mineral additives. It is characterised by a lower carbon footprint compared to

other construction materials such as steel, wood or plastics. What is more, concrete and steel are 100% recyclable.

Pekabex Group takes a number of measures at its production sites to minimise environmental impact and reduce the organisation's carbon footprint.

Such activities include:

- efficient electricity management through investments in renewable energy sources, compensating reactive capacitive power, changing lighting to LED lighting,
- heat recovery by using warm air from compressors to heat the hall, reheating aggregates with heat from the technological process or using insulated production tables to reduce heat loss,
- technological changes: changing the heating of production halls to less carbon-intensive fuels, using semi-finished products with a reduced carbon footprint.

Additionally, in line with the principles of closed loop economy, the Pekabex Group:

- uses rainwater in the concrete production process,
- uses recycled water from the washing of concrete storage bins and mixers and water available after the cutting of elements in the concrete production process,
- repeatedly uses wooden sleepers and stiffening channel sections to transport the elements,
- reuses wooden formwork as moulds for prefabricated elements,
- returns the dust generated during production back to the technological process.

The Group continuously modernises the existing machinery and equipment and purchases modern equipment for the production of prefabricated elements. Each investment decision is analysed in terms of its potential environmental impact, which enables the Group's climate policy objectives to be monitored.

Out of concern for the end user, the Group also manages Pekabex's own real estate development projects in a way that takes into account the climate impact of the investment and sustainable construction objectives. Environmental impact of the investment is taken into account already at the stage of project development and subsequently, throughout the entire period of operation. The following areas are analysed during the investment process:

- place and location,
- reducing the impact of construction,
- materials and resources,
- comfort of use,
- energy optimisation and consumption.

The Group has procedures in place to limit the negative impact on the environment and the local community, which include the construction site and neighbouring areas, during construction activities. The procedures include, among other things, the following actions:

- fencing off the construction site and keeping the area of the site to a minimum,
- proper marking and monitoring of the site entrance,



PFR Nieruchomości Estate, Toruń

- the delineation of communication routes using existing pathways,
- preparing construction sites with emergency situations in mind,
- implementation of high impact construction phases at appropriate times,
- placing of boxes for neighbourhood complaints and requests,
- carrying out periodic servicing of plant and equipment used on site in order to check their technical condition,
- equipping every construction site with environmentally-friendly first aid kits to deal with potential chemical spills,
- ongoing monitoring of the quantities and types of hazardous and non-hazardous waste generated,
- restoring construction sites to their pre-work condition,
- carrying out regular training for employees on environmental protection measures.

According to the Group's Management Board, sustainable construction is the strategy of the future, and therefore the inclusion of climate and social responsibility aspects in its projects is one of the most important principles followed in the Group's operations. The pressure by investors and end customers for sustainability is visible and has a practical dimension that translates into business decisions. The Group uses the highest quality raw materials and consumables in its production and at its construction sites. Construction is carried out in a modular system, which is directly related to the fact that minimum quantities of materials are used during the building process. The Group

is also pursuing a strategy of automating and robotising work in its production facilities, which allows for the use of precise production technology, which in turn translates into increased efficiency in the use of materials: the equipment precisely measures the amount of raw materials needed to produce a given component.

Pekabex products have EPDs verified by independent institutions authorised for a given product group.

In addition, thanks to the use of prefabricated elements in residential construction, it is possible to:

- significantly shorten the implementation time (even by half compared to traditional technologies) and reduce nuisance for the neighbourhood of the construction site,
- reduce the amount of resources necessary at the construction site (workforce, storage space),
- achieve greater safety at the construction site,
- reduce the volume of concrete used for a given residential area,
- significantly reduce transport-related emissions through the use of materials produced in the proximity of the site.

In 2022, the Group joined the PLGBC – Polish Green Building Association. As a member, it co-authors reports on sustainable construction and is active in promoting environmental and climate protection measures.

The Group has an internal team dealing with all environmental and climate issues, coordinated by an environmental manager.

**4.4.1.**

## Use of resources and environmental protection

The Group pays particular attention to optimising processes in order to reduce the use of resources and limit the Group's negative impact on the environment.

All activities aimed at achieving the set goals are carried out taking into account the dynamics of the company's development.

GRI: 301-1, 301-2, 306-2

### → Raw materials and consumables

The Group aims at making the best possible use of available raw materials and consumables. It introduces innovations and processes that contribute to reducing consumption as well as waste.

Ongoing efforts are aimed at further automating the steel yards at all facilities, which will significantly reduce the amount of prestressed and reinforced steel waste. Unused steel is sold as scrap to contractors cooperating with the Group.

#### The table shows the volume of steel waste in relation to production volume

Steel	2022	2021	2020
Consumption in production and on site (thousand kg)	34,866	36,310	30,950
Waste (thousand kg)	2,839	2,933	2,384
Percentage of waste (%)	8.14%	8.08%	7.70%
Production volume (m <sup>3</sup> )*	237,081	239,401	203,846
Waste as percentage of production volume (%)	1.20%	1.23%	1.17%

\*production volume in plants located in Poland

The Group purchases recycled steel; this applies to up to 90% of the steel it purchases.

GRI: 302-1

### → Energy

Companies from the Pekabex Group are implementing projects aimed at improving energy efficiency, such as the thermo-modernisation of the buildings used and replacement of the fleet of machines and equipment with more modern and energy-efficient ones. Information and education campaigns are also carried out to instil good practices in employees, which translates into lower electricity and fuel consumption.

In an effort to increase energy efficiency, the Group replaced the internal lighting of production halls with LEDs in all Group facilities.

The Group's Management Board has initiated a programme to use energy from renewable sources by installing photovoltaic panels on the roofs of production plants. In 2020, the Group completed the first such investment and launched a photovoltaic installation at its production

plant in Mszczonów. Further such investments are planned in other locations - the Group is in the process of obtaining formal and legal permits and connection conditions in this respect.

In 2022, the Group obtained permits for the construction of two photovoltaic farms located in Gdańsk with a capacity of 500 kWp each and one photovoltaic farm in Mszczonów with a capacity of 950 kWp.

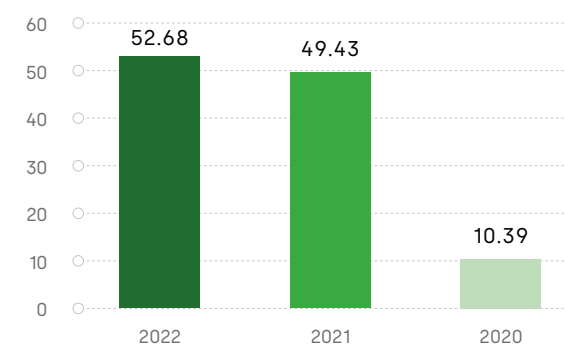
The installation of PV systems on the roofs of the facilities in Gdańsk is currently underway – the commissioning of the installations is planned for early 2023.

The electricity consumed by the production plant in Gdańsk II comes entirely from renewable energy sources – the Group has Guarantees of Origin for the electricity it consumes.

#### The table below shows the amount of electricity generated in connection with the commissioning of the PV photovoltaic installation at the Mszczonów production plant:

Amount of electricity generated (MWh)	2022	2021	2020
Mszczonów	52.68	49.43	10.39

#### Amount of energy generated by the photovoltaic installation in the Mszczonów facility (MWh)





The following table shows the electricity consumption per cubic metre of production at each Group facility

Electricity consumption (MWh)	2022	Consumption per m <sup>3</sup> of production	2021	Consumption per m <sup>3</sup> of production	2020	Consumption per m <sup>3</sup> of production
Poznań	3,053	0.052	3,542	0.058	3,104	0.048
Mszczonów	2,597	0.028	2,680	0.028	2,390	0.032
Gdańsk I	1,723	0.040	1,882	0.040	1,649	0.042
Gdańsk II	802	0.040	697	0.044	568	0.060
Bielsko-Biała	806	0.037	860	0.041	671	0.045
Marktzeuln	584	0.022	603	0.022	-	-
<b>Total</b>	<b>9,565</b>	<b>0.037</b>	<b>9,661</b>	<b>0.040</b>	<b>8,382</b>	<b>0.041</b>

Average electricity consumption per m<sup>3</sup> of production fell by 9.8% between 2020 and 2022. The largest decrease in energy consumption in the analysed period – by 33.3% – was recorded at the Gdansk II production facility.

Thanks to an investment involving the replacement of the boiler room at the Poznań plant, which heats water used in production processes and office space, it is possible to recover heat generated in the heating process to heat aggregates and water, which makes it possible to achieve the optimum temperature of the concrete mix.

The Group also carried out an investment involving the replacement of the boiler room at the plant in Mszczonów, where the fuel was changed to one with lower emissions (heating oil was replaced by LPG).

Other plants use district heating (Gdańsk, Bielsko Biała) or high-methane natural gas (Gdańsk II).

GRI: 303-1, 306-1

→ **Water**

The Group aims through its actions to reduce the use of water resources. Water is a key raw material in the concrete mix production process. At the Group's production facilities, water is drawn from the municipal water supply networks, the exception being the Marktzeuln plant, which has its own water intake. The use of water for production purposes is monitored on an ongoing basis. The process is completely automated, which has a positive effect on both the quality of the offered product and the optimisation of water use. Post-production washing of equipment and machines results in large amounts of wastewater.

The Company undertakes activities aimed at water reclamation. It is currently being reused in technological processes at two of the Group's plants. The plants in Mszczonów and Poznań are equipped with a system of industrial water reclamation.

Aggregate obtained in the technological process is

separated and reused, while post-process water is returned to production and reused. There are sedimentation tanks in other plants, but similar investments are planned for the coming years.

**A water management system has been implemented in the Group, including the following activities:**

- organising education campaigns for employees on water management,
- implementation of a system of ongoing monitoring of water consumption for each process,
- recycling of process water,
- designation of persons responsible for overseeing water management,
- improvement of water management optimisation processes,
- installation of additional technical equipment to support the water consumption monitoring process.

The following tables show the water consumption and the amount of wastewater discharged by each plant.

**Water drawn directly from the water mains\***

Water consumption in m <sup>3</sup>	2022	Consumption per m <sup>3</sup> of production	2021	Consumption per m <sup>3</sup> of production	2020	Consumption per m <sup>3</sup> of production
Poznań	13,394	0.228	16,452	0.268	15,864	0.246
Mszczonów	18,229	0.194	17,831	0.187	13,762	0.183
Gdańsk I	15,948	0.369	16,608	0.356	15,467	0.390
Gdańsk II	2,541	0.128	2,135	0.137	1,564	0.165
Bielsko-Biała	5,943	0.276	5,251	0.253	6,200	0.414
<b>Total</b>	<b>56,055</b>	<b>0.236</b>	<b>58,277</b>	<b>0.240</b>	<b>52,857</b>	<b>0.280</b>

\*the values presented in the table for the years 2020-2022 differ from those presented in the previous Integrated Report for 2021 due to the consumption adjustment that was made following an internal audit.

**Water at the FTO plant in Marktzeuln comes from the company's own intake.**

Water consumption in m <sup>3</sup>	2022	Consumption per m <sup>3</sup> of production	2021	Consumption per m <sup>3</sup> of production
Marktzeuln	4,500	0.167	4,400	0.163

→ **Wastewater**

Volume of wastewater discharged by individual plants\*

Amount of wastewater discharged in m <sup>3</sup>	2022	Discharge per m <sup>3</sup> of production	2021	Discharge per m <sup>3</sup> of production	2020	Discharge per m <sup>3</sup> of production
Poznań	6,334	0.106	8,375	0.136	7,751	0.120
Mszczonów	2,452	0.026	3,168	0.033	2,604	0.015
Gdańsk I	6,218	0.144	13,914	0.299	10,569	0.267
Gdańsk II	458	0.023	525	0.034	854	0.091
Bielsko-Biała	3,836	0.178	2,536	0.122	4,084	0.273
<b>Total</b>	<b>19,298</b>	<b>0.081</b>	<b>28,518</b>	<b>0.119</b>	<b>25,862</b>	<b>0.127</b>

\*the values presented in the table for the years 2020-2022 differ from those presented in the previous integrated report for 2021 due to the consumption adjustment that was made following an internal audit.

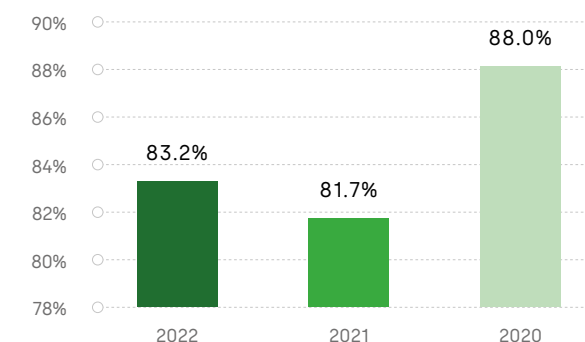
GRI: 303-1, 306-1

→ **Transportation**

In connection with the adoption of a strategy to reduce CO<sub>2</sub> emissions, following the new emission standards, the Pekabex Group is gradually replacing its fleet of vehicles. New vehicles purchased as part of the group fleet have a minimum EURO 6 standard. The fleet has also been supplemented with vehicles with MHEV engines that recover energy during braking. The Group plans to purchase plug-in hybrids and electric vehicles.

Centralised planning and coordination of deliveries throughout the Group enables efficient management of this process, which also contributes to reducing negative environmental impact. The Group aims at making greater use of semi-trailer loading capacity, which translates into fewer deliveries and less involvement of the truck fleet.

**Utilisation of semi-trailer load capacity in 2020, 2021, and 2022**



**Utilisation of semi-trailer load capacity in 2020, 2021, and 2022**

Analysed values	2022	2021	2020
Average load weight [t]	19.97	19.62	21.12
Permissible load [t]	24.00	24.00	24.00
Utilisation of semi-trailer load capacity [%]	83.2	81.7	88.0

Centralisation also makes it easier to combine smaller loads into full-truck loads. As a result, the Group uses the load capacity of semi-trailers and the truck fleet more effectively. The table below shows how the number of transports has been reduced by proper load picking.

**Number of transports and the number of loads between 2020 and 2022**

Analysed values	2022	2021	2020
Number of orders received	4,351	5,345	2,635
Number of loads prepared	3,759	3,758	1,586
Reduction in the number of transports thanks to load picking [%]	13.6	29.7	39.8



GRI: 103-1, 103-2, 306-2

→ **Waste management**

The Group attaches great importance to the rational use of resources and generating the least possible amount of non-recyclable waste in its production facilities. The Group's activities in the field of waste management are based on the circular economy and waste hierarchy, which can be divided into the following stages:

- waste prevention,
- preparing for reuse,
- recycling,
- other recovery methods,
- disposal.

Waste is first sent for recovery, especially recycling. Passing waste for disposal takes place only where its recovery is not possible for technological reasons or is not justified for environmental or economic reasons.

The Group stores its waste in compliance with legal regulations concerning the protection of the environment\* and safety of human life and health, in particular in a manner that takes into account the chemical and physical properties of waste, including its state of matter, and the hazards it may cause. The generated waste is stored selectively in appropriate bins or containers at designated locations.

Each plant has a waste permit specifying the types and quantities of waste along with an annual limit in accordance with current legislation.

Waste, including hazardous waste, is stored in accordance with the following principles:

- technical equipment for waste storage is provided,
- adequate waste storage capacities are provided,

**Waste generated at the Group's facilities, broken down into hazardous and other waste**

Production plant waste	2022	2021
Total waste generated [Mg]	9,228	9,745
Quantity of hazardous waste generated [Mg]	19	40
Quantity of non-hazardous waste generated [Mg]	9,209	9,705
Production volume (m <sup>3</sup> )*	237,081	239,401
Waste in proportion to production volume [Mg/ m <sup>3</sup> ]	0.039	0.041

\*production volume in plants located in Poland

**Share of waste subject to recovery and other forms of treatment**

Type of waste treatment	% share in total waste
Waste subject to recovery operations	99
Waste subject to disposal	1
<b>Total</b>	<b>100</b>

- the waste storage area is protected against unauthorised access,
- the waste is secured against spreading beyond the labelled locations,
- the waste storage site is protected against waste release into the soil, surface water, and groundwater,

In addition, spillage containers are used in the hazardous waste storage facility as an additional safeguard against unwanted environmental impact.

The Group's aim is to reduce the amount of waste generated in production processes and to send as much waste as possible for reprocessing. The following actions are being taken to achieve this objective:

- ongoing monitoring of the amount of waste generated,
- ongoing control of sorting of manufacturing waste,
- implementation of a closed-loop economy,
- the reuse of materials used in production,
- implementation of the 5Rs principle in production facilities,
- training for employees and managers on waste reuse,
- establishing cooperation with new waste collection companies.

\* Ordinance of the Minister of Climate of 11 September 2020 on detailed requirements for waste storage under Article 25(7) and 25(8) of the Act of 14 December 2012 on waste (Dz.U. [Journal of Laws] of 2020, items 797 and 875).

**The following table shows the amount of waste generated by each of the Group's production sites**

Type of waste treatment	Poznań	Mszczonów	Gdańsk I	Gdańsk II	Bielsko-Biała	FTO
Total waste generated [Mg]	1,889	1,985	3,436	1,242	675	821
Quantity of hazardous waste generated [Mg]	6.6	4.2	6.8	0.9	0.1	0.6
Quantity of non-hazardous waste generated [Mg]	1,883	1,981	3,429	1,242	675	820
Production volume (m <sup>3</sup> )*	58,657	93,821	43,203	19,878	21,523	27,012
Waste in proportion to production volume [Mg/ m <sup>3</sup> ]	0.03	0.02	0.08	0.06	0.03	0.03
Waste subject to recovery (% share of total waste)	99	99	99	99	99	99
Waste subject to disposal (% share of total waste)	1	1	1	1	1	1

**The Group recycles 99% of the waste generated in the production process.**

**4.5.**

**Impact on biodiversity**

The Pekabex Group is committed to sustainable development and environmental protection; the Group's activities may affect biodiversity. The areas of the Group's activities that pose the greatest potential risk are those associated with construction works and the resulting transformation of the land used as a construction site. Another hazard is the risk of pollution caused by an accident. The Group makes every effort to limit its potential negative impact on biodiversity. As part of its efforts to achieve this objective, the Group introduces measures such as:

- protecting trees in the construction impact zone from mechanical damage by fencing off the area around them and/or covering tree branches,
- it is forbidden to locate storage places and establish traffic routes in the tree protection zone,
- if necessary, monitoring of the site by naturalists including ornithologists, ichthyologists, herpetologists, entomologists and botanists,
- construction works are halted if animals are present in the project area,
- relocation to new sites of amphibians and reptiles previously living in water bodies destroyed by construction,
- the timing and cycle of the work is correlated with the natural cycle,
- aiming for the top layer of soil (humus) used for finishing works to be of local origin,
- keeping tree felling to a minimum, moving plants to other locations and carrying out compensatory planting.

In addition, the Group participates in the reforestation of land, with 505 trees planted over an area of 560.55 m<sup>2</sup> in 2022, which contributed to a reduction in CO<sub>2</sub> emissions by 3,030 kg/year.



Panattoni hall, Jaryszki





ReVital Mechelinki holiday suites, Pekabex Development, visualisation

## 4.6.

# Compliance with the EU Taxonomy

The EU taxonomy shows what proportion (% share) of the Pekabex Group activity expressed in terms of turnover (sales revenue), capital expenditure (CapEx) and operating expenditure (OpEx) is environmentally sustainable. The taxonomy was introduced by Regulation 2020/852<sup>1</sup> and applies to all companies reporting non-financial information, including the Pekabex Group.

Pursuant to the Regulation, an economic activity shall qualify as environmentally sustainable if it meets all of the following criteria:

- it contributes substantially to at least one environmental objective,
- it does not significantly harm any of the environmental objectives,
- it is carried out in compliance with the minimum safeguards,
- it complies with technical screening criteria.

There are six environmental objectives specified in the Regulation:

- climate change mitigation,

- climate change adaptation,
- the sustainable use and protection of water and marine resources,
- the transition to a circular economy,
- pollution prevention and control,
- the protection and restoration of biodiversity and ecosystems.

The technical screening criteria define in detail what it means to contribute substantially to individual objectives and not to do significant harm. These are set out in Annexes I and II to Commission Delegated Regulation (EU) 2021/2139<sup>2</sup>, as extended by Commission Delegated Regulation (EU) 2022/1214<sup>3</sup>. The European Commission has so far only issued delegated acts specifying criteria for substantial contribution to the first two environmental objectives (on climate change). In the future, the criteria will be extended and will also include the conditions to be met by an economic activity in order to make a substantial contribution to the other four environmental objectives.

1. Regulation (EU) 2020/852 of the Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment.

2. Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

3. Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities.

## → Compliance of Pekabex Group's activities with the taxonomy

An examination of the compliance of the Group's activities with the taxonomy showed that:

- In 2022, 32.4% of the Group's turnover, 32.4% of capital expenditure, and 32.4% of operating expenditure were derived from sustainable activities of the Group.
- In 2022, 49.3% of the Group's turnover, 49.3% of capital expenditure and 49.3% of operating expenditure were derived from the Group's activities that are eligible but not taxonomy-aligned (environmentally unsustainable).
- In 2022, 18.3% of the Group's turnover, 18.3% of capital expenditure and 18.3% of operating expenditure were derived from the Group's activities that are eligible but not taxonomy-aligned (environmentally unsustainable).

	Turnover	CapEx	OpEx
Value in 2022 [PLN thousand]	1,677,963	24,179	39,124
sustainable activities (taxonomy-aligned)	32.4%	32.4%	32.4%
unsustainable activity (taxonomy-eligible but not taxonomy-aligned)	49.3%	49.3%	49.3%
neutral activities (not taxonomy-eligible)	18.3%	18.3%	18.3%

The following section describes the process of examining compliance with the taxonomy, the accounting principles applied and a detailed discussion of the three performance indicators with tables prepared in accordance with the so-called Article 8 Delegated Act, Commission Delegated Regulation (EU) 2021/2178.

## → Examination of compliance with the taxonomy

The process of examining compliance with the EU Taxonomy was carried out with the participation of Pekabex Group employees and with the support of an external consulting company. The process was implemented in the following 4 stages:

### Stage 1: Identification:

Guided by the activity descriptions in the annexes to Commission Delegated Regulation (EU) 2021/2139, the Pekabex Group conducted a review of its activities in terms of revenue, capital expenditure (CapEx) and operating expenditure (OpEx) in 2022 and mapped those activities that qualify as sustainable in accordance with the taxonomy (taxonomy-eligible).

### Stage 2: Allocation:

The corresponding revenue, capital expenditure and operating expenditure of the Pekabex Group in 2022 were then assigned to each activity identified as taxonomy-eligible. Details of the allocation methods used are described in the

"Accounting principles applied" paragraph in this chapter of the Report.

### Stage 3: Verification

Verification of compliance with the taxonomy was carried out through two types of study:

- Examination of compliance with technical screening criteria  
Compliance with the technical screening criteria set out in the annexes to Commission Delegated Regulation (EU) 2021/2139 was examined with regard to the selected, financially significant (a financial materiality threshold of PLN 100 thousand was adopted) activities. For activities that fell below the materiality threshold, compliance was not examined and the associated turnover, CapEx or OpEx was considered taxonomy-eligible but not taxonomy-aligned. For activities that fell above the materiality threshold, the individual criteria of substantial contribution and not doing significant harm

were analysed and the extent to which a given activity complies with the technical screening criteria was verified. This analysis was carried out with the participation of the Pekabex Group representatives and an external consulting company.

- Examination of compliance with the minimum safeguards. Compliance with the requirements of the minimum safeguards was examined using the recommendations published in the Final Report on Minimum Safeguards by the Platform on Sustainable Finance. The minimum safeguards are set out in Article 18 of Regulation 2020/852 and are based in large part on conducting due diligence processes as defined in the UN Guiding Principles on

Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Although the Report by the Platform on Sustainable Finance is not a piece of legislation, it is the only currently available source of interpretation on the minimum safeguards, issued by a body functioning under the European Commission and established under Regulation 2020/852.

The Platform on Sustainable Finance identified four criteria and considered that meeting at least one of these criteria meant non-compliance with the requirements of the minimum safeguards. The criteria and the way of verifying their fulfilment are described in the table below.

Criterion	Verification
Inadequate or non-existent due diligence processes with regard to human rights, anti-corruption policy, countering unfair competition and tax strategy	Due diligence processes were verified through the completion of an extensive questionnaire based on the methodology proposed by the Platform on Sustainable Finance (World Benchmarking Alliance Core UNGP Indicators) by the Pekabex Group (self-assessment) and through additional analysis of corporate documents and processes by an external consulting company. The analysis confirmed that basic due diligence processes are in place at the Pekabex Group.
The company is ultimately held liable or found to have violated labour or human rights law in certain types of labour or human rights litigation	The verification consisted of a review – carried out in cooperation with those responsible for legal and financial matters – of whether there were any final and unappealable judgements against the Company in the areas of human rights, corruption, fair competition, and taxation. The verification showed that there was no information on such final and unappealable judgements
Lack of cooperation with the OECD National Contact Point (OECD NCP)	A verification of the OECD NCP notification database was carried out, showing that there were no notifications in relation to the Group in the period from 01.01.2022 to 31.12.2022
The Business and Human Rights Resource Centre (BHRRRC) made an allegation against the company and the company failed to respond to it within three months	A verification of the Business and Human Rights Resource Centre (BHRRRC) lawsuit database was carried out, showing no lawsuits against the Company in the period from 01.01.2022 to 31.12.2022

The analysis showed that the activities of the Pekabex Group in 2022 were conducted in accordance with the minimum safeguards.

**Stage 4: Calculation**

Based on the information from the previous 3 stages, tables have been drawn up for turnover, capital expenditure, and operating expenditure, as required by Commission Delegated Regulation (EU) 2021/2139.

→ **Accounting principles applied**

In order to calculate the percentage of taxonomy-eligible turnover, capital expenditure (CapEx), and operating expenditure (OpEx), the following rules were applied:

**Turnover**

With regard to turnover, the basis was the total consolidated revenue of the Pekabex Group in 2022, as disclosed in note 1 of the consolidated financial statements for 2022. Revenue from activities that are both taxonomy-eligible and taxonomy-aligned was assigned to the numerator.

**Capital expenditure (CapEx)**

With regard to capital expenditure (CapEx), the basis was the capital expenditure recognised in the individual Group companies. The total amount of capital expenditure is presented in note 6 to the consolidated financial statements for 2022. CapEx was assigned to the different activities in proportion to the share of taxonomy-eligible revenue related to these activities. The portion of capital expenditure related to activities that are both taxonomy-eligible and taxonomy-aligned was assigned to the numerator.

**Operating expenditure (OpEx)**

With regard to operating expenditure (OpEx), the calculation was based on all costs incurred in connection with the current management of the Group's assets and keeping them in good condition. These include costs such as those related to the repair and overhaul of the Group's plant, machinery and vehicles, the costs of maintaining and renovating the Group's buildings, and the costs of maintaining the software that is an asset of the Pekabex Group. OpEx was assigned to the different activities in proportion to the share of taxonomy-eligible revenue related to these activities. The portion of OpEx related to activities that are both taxonomy-eligible and taxonomy-aligned was assigned to the numerator.

For operating expenditure, which is defined in the Commission Delegated Regulation (EU) 2021/2178 in a way that does not refer to international financial reporting standards, all accounts in the Group's accounting system were reviewed and the identified items meeting the definition of OpEx were then proportionally allocated to a particular taxonomy-eligible activity or to a set of other operating expenses (taxonomy-non-eligible).

**Other information**

The source of the data used for the calculations was the financial and accounting system of the Pekabex Group.

The Group avoided double counting when allocating turnover and capital expenditure by making the appropriate exclusions from consolidation in accordance with the applicable accounting regulations. For operating expenditure, which is defined in the Commission Delegated Regulation (EU) 2021/2178 in a way that does not refer to international financial reporting standards, all accounts in the Group's accounting system were reviewed and each of the identified items meeting the definition of OpEx was then allocated to a particular taxonomy-eligible activity.

No activities contributing to more than one environmental objective were identified during the analysis. There was therefore no need for special procedures to avoid double counting.

The Group discloses in this report the share of taxonomy-aligned activities for the first time and the share of taxonomy-eligible activities for the second time. The disclosure in this report relates to the most recent financial year, i.e. the period from 1 January 2022 to 31 December 2022.

The analysis showed that there was no need for detailed desegregation of key performance indicators between the Group's individual operating units in accordance with section 1.2.2.3. of Annex I to Commission Delegated Regulation (EU) 2021/2178.

The Pekabex Group does not carry out, finance or have exposure to the activities referred to in sections 4.26-4.31 of Annexes I and II to Commission Delegated Regulation (EU) 2021/2139 (activities related to the generation of energy through nuclear processes and the production of energy from gaseous fossil fuels).



**Table 1: Percentage of taxonomy-aligned turnover**

Business activities	Code or codes	Turnover (absolute value)	Portion of turnover	Criteria for substantial contribution						Criteria for the "do no significant harm" principle							Percentage of taxonomy-aligned turnover, year 2022	Percentage of taxonomy-aligned turnover, year 2021	Category (enabling activities or)	Category (transitional activities)	
				Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards					
		PLN thousand	%	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																					
<b>A.1. Environmentally sustainable (taxonomy-aligned) activities</b>																					
Construction of new buildings	7.1.	543,994	32.42%	0.00%	32.42%	0.00%	0.00%	0.00%	0.00%		Y		Y	Y	Y	Y	Y	32.42%	n/a		T
<b>Turnover from environmentally sustainable (taxonomy-aligned) activities (A.1)</b>		<b>543,994</b>	<b>32.42%</b>	<b>0.00%</b>	<b>32.42%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>									<b>32.42%</b>	<b>n/a</b>		
<b>A.2. Taxonomy-eligible but environmentally unsustainable (not taxonomy-aligned) activities</b>																					
Manufacture of energy efficiency equipment for buildings	3.5.	55,763	3.32%	0.00%	3.32%	0.00%	0.00%	0.00%	0.00%		N		Y	Y	N	Y	Y				
Construction of new buildings	7.1.	768,609	45.81%	0.00%	32.42%	0.00%	0.00%	0.00%	0.00%		Y		Y	Y	Y	Y	Y				
Acquisition and ownership of buildings	7.7.	3,202	0.19%	0.00%	0.19%	0.00%	0.00%	0.00%	0.00%		N		Y	N	N	Y	Y				
<b>Turnover from taxonomy-eligible but not environmentally sustainable (not taxonomy-aligned) activities (A.2)</b>		<b>827,574</b>	<b>49.32%</b>															<b>49.32%</b>	<b>n/a</b>		
<b>Total (A.1.+A.2.)</b>		<b>1,371,569</b>	<b>81.74%</b>															<b>81.74%</b>	<b>n/a</b>		
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																					
Turnover from taxonomy-non-eligible activities (B)		306,394	18.26%																		
<b>Total (A+B)</b>		<b>1,677,963</b>																			

The Pekabex Group generates revenue from several business segments, included in the taxonomy within the scope of Annexes I and II to the Delegated Climate Act (Commission Delegated Regulation (EU) 2021/2139). In 2022, the Group's consolidated revenue amounted to PLN 1,677,963 thousand. The main items of revenue derived from taxonomy-eligible activities in 2022 were:

- Revenue from the manufacture, sale and assembly of prefabricated elements for new buildings, which is taxonomy-eligible as turnover related to activity 7.1.

Construction of new buildings, as set out in Annex II, amounting to PLN 1,317,604 thousand;

- Revenue from the production and sale of walls with windows, which is taxonomy-eligible as turnover related to activity 3.5. Manufacture of energy efficiency equipment for buildings, as set out in Annex II, amounting to PLN 55,763 thousand;
- Revenue from rental of space, which is taxonomy-eligible as turnover related to activity 7.7. Acquisition and ownership of buildings, as set out in Annex II, amounting to PLN 3,202 thousand.

Of the above activities, only in the case of activity 7.1. Construction of new buildings, the fulfilment of technical screening criteria as set out in Annex II to Commission Delegated Regulation (EU) 2021/2139 has been confirmed, meaning that the turnover associated with this activity has been deemed to be taxonomy-aligned.

The Group also generated PLN 306,394 thousand of revenue from taxonomy-non-eligible activities in 2022. These revenues were mainly derived from the performance of supply contracts.

In 2022, the share of turnover from environmentally sustainable (taxonomy-aligned) activities in total turnover was 32.42% and the share of turnover from taxonomy-eligible but not taxonomy-aligned activities was 49.32%. In total, the share of turnover from taxonomy-eligible activities was 81.74%. The remaining 18.26% of turnover is attributable to revenues from taxonomy-non-eligible activities, i.e. those for which the regulator has not established technical screening criteria in the annexes to the delegated act.

**Table 2: Percentage share of taxonomy-aligned capital expenditure (CapEx)**

Business activities	Code or codes	Capital expenditure in absolute terms	Percentage of capital expenditure	Criteria for substantial contribution Criteria for the "do no significant harm" principle						Criteria for the "do no significant harm" principle							Percentage of taxonomy-aligned capital expenditure, year 2022	Percentage of taxonomy-aligned capital expenditure, year 2021	Category (enabling activities or)	Category (transitional activities)	
				Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards					
		PLN thousand	%	%	%	%	%	%	%		Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																					
<b>A.1. Environmentally sustainable (taxonomy-aligned) activities</b>																					
Construction of new buildings	7.1.	7,839	32.42%	0.00%	32.42%	0.00%	0.00%	0.00%	0.00%		Y		Y	Y	Y	Y	Y	32.42%	n/a		T
<b>Capital expenditure due to environmentally sustainable (taxonomy-aligned) activities (A.1)</b>		<b>7,839</b>	<b>32.42%</b>	<b>0.00%</b>	<b>32.42%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>									<b>32.42%</b>	<b>n/a</b>		
<b>A.2. Taxonomy-eligible but environmentally unsustainable (not taxonomy-aligned) activities</b>																					
Manufacture of energy efficiency equipment for buildings	3.5.	804	3.32%	0.00%	3.32%	0.00%	0.00%	0.00%	0.00%		N		Y	Y	N	Y	Y				
Construction of new buildings	7.1.	11,076	45.81%	0.00%	45.81%	0.00%	0.00%	0.00%	0.00%		Y		Y	Y	Y	Y	Y				
Acquisition and ownership of buildings	7.7.	46	0.19%	0.00%	0.19%	0.00%	0.00%	0.00%	0.00%		N		Y	N	N	Y	Y				
<b>Capital expenditure due to taxonomy-eligible but environmentally unsustainable (not taxonomy-aligned) activities (A.2)</b>		<b>11,926</b>	<b>49.32%</b>															<b>49.32%</b>	<b>n/a</b>		
<b>Total (A.1.+A.2.)</b>		<b>19,764</b>	<b>81.74%</b>															<b>81.74%</b>	<b>n/a</b>		
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																					
<b>Capital expenditure due to taxonomy-non-eligible activities (B)</b>		<b>4,415</b>	<b>18.26%</b>																		
<b>Total (A+B)</b>		<b>24,179</b>																			



Taxonomy-eligible capital expenditure (CapEx) is related to the implementation of the investment plans adopted by the Group's Management Board. In 2022, the Group's capital expenditure amounted to PLN 24,179 thousand. Capital expenditure was primarily incurred on:

- Capital expenditure of PLN 18,914 thousand was appropriated for new equipment and machinery required for prefabrication, which in turn generates revenue from activity 7.1. Construction of new buildings, as set out in Annex II;

- PLN 804 thousand was appropriated as part of capital expenditure for the purchase of specialised equipment (production of walls with windows) under activity 3.5. Manufacture of energy efficiency equipment for buildings, as set out in Annex II;
- PLN 46 thousand of capital expenditure was associated with activity 7.7. Acquisition and ownership of buildings.

The Group also incurred PLN 4,415 thousand of capital expenditure on taxonomy-non-eligible activities in 2022.

In 2022, the share of capital expenditure related to environmentally sustainable (taxonomy-aligned) activities in total capital expenditure was 32.42% and the share of capital expenditure related to taxonomy-eligible but not taxonomy-aligned activities was 49.32%. In total, the share of

capital expenditure related to taxonomy-eligible activities was 81.74%. The remaining 18.26% of capital expenditure was related to taxonomy-non-eligible activities, i.e. those for which the regulator has not established technical screening criteria in the annexes to the delegated act.

**Table 3: Percentage of taxonomy-aligned operating expenditure (OpEx)**

Business activities	Code or codes	Operating expenditure in absolute terms	Percentage of operating expenditure	Criteria for substantial contribution						Criteria for the "do no significant harm" principle							Percentage of taxonomy-aligned operating expenditure, year 2022	Percentage of taxonomy-aligned operating expenditure, year 2021	Category (enabling activities or)	Category (transitional activities)	
				Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards					
		PLN thousand	%	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																					
<b>A.1. Environmentally sustainable (taxonomy-aligned) activities</b>																					
Construction of new buildings	7.1.	12,684	32.42%	0.00%	32.42%	0.00%	0.00%	0.00%	0.00%	0.00%	Y		Y	Y	Y	Y	Y	32.42%	n/a		T
<b>Operating expenditure due to environmentally sustainable (taxonomy-compliant) activities (A.1)</b>		<b>12,684</b>	<b>32.42%</b>	<b>0.00%</b>	<b>32.42%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>								<b>32.42%</b>	<b>n/a</b>		
<b>A.2. Taxonomy-eligible but environmentally unsustainable (not taxonomy-aligned) activities</b>																					
Manufacture of energy efficiency equipment for buildings	3.5.	1,300	3.32%	0.00%	3.32%	0.00%	0.00%	0.00%	0.00%	0.00%	N		Y	Y	N	Y	Y				
Construction of new buildings	7.1.	17,921	45.81%	0.00%	32.42%	0.00%	0.00%	0.00%	0.00%	0.00%	Y		Y	Y	Y	Y	Y				
Acquisition and ownership of buildings.	7.7.	75	0.19%	0.00%	0.19%	0.00%	0.00%	0.00%	0.00%	0.00%	N		Y	N	N	Y	Y				
<b>Operating expenditure on taxonomy-eligible but environmentally unsustainable (not taxonomy-aligned) activities (A.2)</b>		<b>19,296</b>	<b>49.32%</b>	<b>0.00%</b>	<b>35.93%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>								<b>49.32%</b>	<b>n/a</b>		
<b>Total (A.1.+A.2.)</b>		<b>31,980</b>	<b>81.74%</b>															<b>81.74%</b>	<b>n/a</b>		
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																					
<b>Operating expenditure due to taxonomy-non-eligible activities (B)</b>		<b>7,144</b>	<b>18.26%</b>																		
<b>Total (A+B)</b>		<b>39,124</b>																			

Taxonomy-eligible operating expenditure (OpEx) is related to the maintenance of the Group's assets used to carry out taxonomy-eligible activities in proper condition. In 2022, the Pekabex Group's operating expenditure amounted to PLN 39,124 thousand. Operating expenditure was incurred primarily on:

- The maintenance of specialised machinery and equipment (PLN 30,605 thousand) necessary for the implementation of activity 7.1. Construction of new buildings, as set out in Annex II,
- For activities related to the maintenance of tools (PLN 1,300 thousand) necessary for the implementation of activity 3.5 Manufacture of energy efficiency equipment for buildings, as set out in Annex II.
- For operating expenditure related to activity 7.1, OpEx was split proportionally into two parts: PLN 12,684 thousand was attributed to operating expenses related to taxonomy-aligned activities and PLN 17,921 thousand – to operating expenses related to taxonomy-eligible but not taxonomy-aligned activities.

In addition, the Group has incurred operating expenses of PLN 7,144 thousand in relation to taxonomy-non-eligible activities in 2022.

In 2022, the share of operating expenditure related to environmentally sustainable (taxonomy-aligned) activities in total operating expenditure was 12.7% and the share of operating expenditure related to taxonomy-eligible and not taxonomy-aligned activities was 49.32%. In total, the share of operating expenditure related to taxonomy-eligible activities was 81.74%



Show house in the Casa Fiore estate, Warsaw





Pekabex employee health and safety training

5.0

**Employee and social issues at the Pekabex Group**



**5.1.**

## Respect for human rights

GRI:103-1, 103-2, 103-3, 102-16, 412-2, 102-17

**5.1.1.**

### Respect for human rights

Pekabex respects human rights and condemns any violations thereof. Any employee or associate who becomes aware of such violations can bring them to the attention of their supervisor or the Management Board. The e-mail address [komisjaetyki@pekabex.pl](mailto:komisjaetyki@pekabex.pl) has also been set up for this purpose. All such reports are considered individually and are the basis for preventive and corrective actions. In 2022, the Management Board of the Company did not record cases of human rights violations in the Pekabex Group.

In order to minimise the risk associated with observance of human rights, the Management Board creates an atmosphere of mutual respect, fights all forms of discrimination, promotes diversity and implements projects to prevent social exclusion.

The Group expects its contractors to respect human rights, a universally accepted value system, to respect its employees, and to treat them with dignity. With these principles, it is possible to create an ethical value chain.

The Group does not allow the employment of children at any of its locations and is committed to strict adherence to the legally defined age limit when hiring. Adolescents admitted to work must be provided with working conditions appropriate to their age and protected from economic exploitation and any work that could harm their safety, health or physical, mental, moral, and social development or impede their education. The Group does not tolerate or allow the occurrence of forced labour or illegal employment in its organisation. The Group refuses to work with suppliers or service providers suspected of employing children, forced labour or illegal employment. Accordingly, the Group is committed to close monitoring of its suppliers and service providers in this regard.

The laws and regulations applicable to the Group's activities support the prevention of unfair business practices, promote healthy competition and management transparency, and above all protect the employees from abuse and put their safety in the workplace first. The Group's business strategy and regulatory and legal environment enable it to grow in a safe, secure, and sustainable manner. Implementing the appropriate strategies, respecting the values of the Code of Ethics and the principles under the Code of Responsible Business Conduct, as well as complying with the law is a priority for the Group and demonstrates respect for its employees, shareholders, and business partners.

Irrespective of the requirements of the law and criminal sanctions, the Group's Management Board believes that compliance is part of the ethical stance of any company. The Group's Management Board believes that it is the responsibility of every organisation to take a stand with regard to its ethical commitments and the way in which they are implemented in collaboration with its partners, which is why the Pekabex Group is committed to complying with the most important, universally recognised legal standards, such as:

- Universal Declaration of Human Rights,
- Charter of Fundamental Rights of the European Union,
- Fundamental Conventions of the International Labour Organization,
- Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises,
- The Ten Principles of the United Nations Global Compact,
- United Nations Guiding Principles on Business and Human Rights.

GRI: 102-17, 412-1, 414

**5.1.2.**

### Ethics and values

The Management Board of Pekabex pays special attention to ensuring that the companies belonging to the Group, their employees and associates act ethically, both in external and internal relations.

The Pekabex Code of Ethics was adopted at the beginning of 2022 and contains the fundamental values to be followed by the Group's employees; **respect, integrity, responsibility, improvement and open communication** were defined as values of key importance for the organisation and the basis for the Group's existence and development. The Management Board of the Pekabex Group is convinced that thanks to the principles adopted in the form of the Code of Ethics, attitudes such as good cooperation, respect for differences, engaging in new challenges and being a good business partner will be reinforced. Compliance with the provisions of the Code of Ethics is supervised by the Ethics Committee, whose main task is to monitor

compliance of professional ethics with the provisions of the Code. The Committee handles alleged breaches of the Code with due confidentiality. Any employee who has information regarding potential violations of the Code of Ethics has the right and obligation to inform the Ethics Committee by emailing [komisjaetyki@pekabex.pl](mailto:komisjaetyki@pekabex.pl) or by contacting the Committee's elected representative directly. Each of the reported cases is considered individually by the Committee. In 2022, five cases were filed, which shows the awareness of the importance of values and their observance among Group employees. The reported cases mainly concerned behaviour inconsistent with the values.

The implemented values and Code of Ethics became the basis for the development of Good Practices in the production departments of all plants. These are 10 principles based on the Group's values, translated into concrete behaviours that apply to all employees.

**Good practice boards**

**Good practices**

- We respect colleagues regardless of their nationality, origin, religion, gender, education, professional position, sexual orientation, disability or political affiliation
- We do not accept any form of discrimination or aggression
- We carry out our work in accordance with occupational health and safety rules and regulations
- We do not tolerate alcohol in any quantity
- Any theft (including employee time theft) will be penalised
- We are punctual, we start work at the set time
- We respect company property: we take care of the tools and the workplace
- We care about the environment, we respect the rules of the plant
- We do not leave the premises during the shift without the supervisor's permission
- Breaks for each aisle take place according to a schedule
- We keep mobile phone use to a minimum

GRI: 103-1, 103-2, 103-3, 406-1

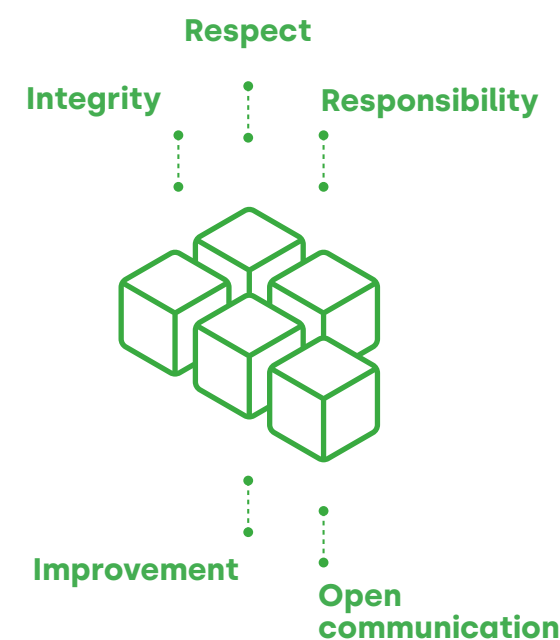
**5.1.3.**

## Countering discrimination, harassment, and mobbing

The Group condemns all forms of discrimination and harassment and is committed to supporting cultural diversity by creating an environment in which everyone has the opportunity for personal and professional fulfilment. Out of respect for the values of the Code of Ethics, the Group has a policy of hiring, rewarding and promoting on the basis of equal treatment.

The Group does not tolerate mobbing in the workplace and undertakes, through internal regulations as well as the promotion of values derived from the Code of Ethics, to prevent and not allow mobbing among Group employees (regardless of the form of employment). In addition, the Group is committed to ongoing monitoring of employee relations to identify potential risks of mobbing. The Group ensures that potential instances of mobbing-like behaviour will be impartially examined by the Ethics Committee and dealt with on a case-by-case basis in order to determine the optimum way of handling them in every case, allowing for making appropriate conclusions and recommendations or possibly with a view to taking appropriate additional measures or personnel decisions.

In 2022, the Group's Management Board did not receive reports of any cases of discrimination, harassment or mobbing.





**5.1.4.**

**OHS**

The life and health of employees is of paramount importance for the Pekabex Group. Everyone working in the Group (regardless of their form of employment) should be safe in the performance of their duties. The Group puts a strong emphasis on education and preventive measures in the field of health and safety in the workplace. Employees take part in training and regular meetings and there is a system of tools, rules and procedures in place to reduce accidents and the risk of occupational diseases. This also helps improve prevention in these areas. The system is subject to continuous improvement through risk analysis and anticipation of risks in the short and long term. At all Group locations, there is zero tolerance for ignoring basic health and safety rules.

In 2022, the Pekabex Group maintained the health and safety management system based on ISO 45001:2018. It covers the employees of Group companies as well as persons who do not have this status, but whose work or workplace is controlled by the Group (the production plant in Germany). The scope of the OHS System certification includes assembly works and general contracting works. In 2022, the Occupational Health and Safety Management System based on ISO 45001 and 14001 was implemented and certified for the production divisions in Poznań, Gdańsk I and Gdańsk II.

The Occupational Health and Safety Management System covers, among other things, hazard identification, accident cause investigation, emergency situations, legal requirements, and contractor safety management. The Group has an OHS Service consisting of 6 employees, with a coordination function at the headquarters in Poznań, 3 employees in the Assembly Department division and 2 employees in the General Contracting Department.

**Accidents at work and near misses**

The Group has defined the procedure to be followed during the process of determining the circumstances and causes of accidents or events that may be classified as near misses. A procedure for corrective and preventive actions has also been established. It guarantees a thorough analysis of all incidents that could be classified as accidents at work or near misses, and makes it possible to avoid similar incidents in the future.

**Hazard identification, risk assessment and control**

The Group identifies and assesses occupational health and safety risks. This process consists in verifying the adequacy of existing control measures regarding acceptable risk levels as defined in the applicable legislation. This enables effective management of occupational health and safety risks. Once a year, a comprehensive update of the

occupational risk assessment is carried out, taking into account the results of measurements of harmful factors in the work environment, and corrective and preventive actions with regard to the occupational health and safety incidents that have occurred.

**Occupational health and safety consultations**

Any changes related to occupational health and safety management require consultation with stakeholders. This involves the employees of the OHS Service presenting the scope of changes, their causes and detailed procedures for new processes. Apart from this, stakeholders, including department managers, are obliged to inform the affected employees about the scope of changes and the need for appropriate training. Consultations with employees include meetings of the OHS Committee and "Take a Minute for Safety" meetings with the workforce.

The Group has established principles of consultation on and participation of employees in, among others:

- hazard identification, risk assessment and determination of protection measures,
- representing their views on health and safety matters,
- stakeholder health and safety needs and expectations,
- assigning appropriate roles, responsibilities and powers regarding health and safety,
- means of supervision over outsourcing, purchasing and contractors,
- planning and implementation of the annual internal audit plan,
- initiating improvement activities in the field of health and safety (issues reported by employees),
- setting requirements for competences, training needs, training and training evaluation,
- incidents (accidents at work and near misses) and non-conformities, as well as determining corrective actions.

**Monitoring the effectiveness of the OHS Management System**

The Group has established rules for monitoring the effectiveness of the OHS Management System, which makes it possible to determine the areas which do not give rise to concern and those in which corrective and preventive measures need to be implemented. Ongoing supervision of working conditions is possible thanks to the monitoring of key parameters of the Occupational Health and Safety Management System. In addition, periodic occupational risk assessments and supervision of harmful factors in the work environment are carried out. Ongoing monitoring of occupational health and safety takes place through daily employee visits to the place of performance of work, resulting in a report which is discussed with managers at a weekly production meeting dedicated specifically to occupational health and safety.

**Assessment of compliance with applicable legal and other OHS requirements**

The Group follows certain rules for periodic inspections of compliance with legal regulations and other OHS requirements. The OHS Service analyses the results of the



Pekabex employee health and safety training

inspections, which is the basis for taking corrective actions. The assessment of the compliance of the OHS Management System with applicable legal and other requirements is documented. In addition, an annual analysis of the state of occupational health and safety is drawn up once a year and includes, among other things, the results of measurements of working environment factors, information on training in occupational health and safety, the most frequent irregularities and major issues, and preventive measures.

**Emergency identification and response**

The Group identifies potential emergency situations that may have an impact on occupational health and safety. The basis for predicting and recognising such situations is determining the probability of occurrence of previously defined hazards. The Group has introduced certain rules for responding to situations that may have a negative impact on safe and sanitary working conditions. Employees report health and safety issues to their immediate supervisor or a member of the OHS Service during one-on-ones, training sessions or regular meetings with the crew within the framework of "Take a Minute for Safety".

**Health and safety at work during the Covid-19 pandemic**

In terms of the safety and health protection of people working during the COVID-19 epidemic, the Group implemented the procedures required by law and fulfilled the recommendations of state administrative bodies. Preventive measures introduced by the Group include:

- conducting awareness campaigns among workers on reducing the risks associated with exposure to SARS-CoV-2 infection at work,
- measures to prevent the spread of the SARS-CoV-2 virus in the Group's workplaces, i.e.: ensuring social distancing, remote work where possible, limiting direct contact

with people from outside the workplace, strict observance of hygiene rules in the workplace, introduction of appropriate disinfection rules,

- introduction of a procedure for testing for SARS-CoV-2,
- provision of personal protective equipment and appropriate workwear,
- installation of dispensers with hand disinfectant in the workplaces and at the construction sites where the Group's employees are present,
- additional disinfection of common areas – handles, doors, furniture in dining rooms,
- decision to disable air conditioning, which could become a potential source of SARS-CoV-2 spread, in all company buildings,
- decision to design and manufacture, with the participation of ReBuild start-up, an automated line for sewing protective masks to be distributed among employees.

**Occupational health and safety training**

The Group organises initial and annual periodic training on occupational health and safety and fire protection, training sessions on specific topics, training sessions within the scope of safety campaigns conducted within the Group, toolbox talks when new equipment is purchased, and "Take a Minute for Safety" meetings with the staff. Once a year, the OHS Service organises a "Safety Month", which includes actions aimed at raising awareness of the hazards and harmful factors occurring in the working environment, and improving working conditions. All areas of health and safety are also subject to annual reporting.

Construction sites run by Pekabex are among the safest in Poland, one of the reasons being that prefabrication technology requires small assembly teams. The teams are very well equipped and thoroughly trained in safe



Pekabex employee health and safety training

assembly. In September 2022, as part of the thematic training conducted in the Group, a specialised two-day training course for employees of the Assembly Department was held, which included, among others, exercises on safety rules for working at heights and providing first aid.

#### Preventive actions

The Group raises the occupational safety awareness of all persons involved in investment projects (and employees in plants) through:

- induction training at the construction site / production facility,
- regular OHS and fire safety training (initial, periodic),
- practical evacuation drills,
- first aid training,
- regular meetings of employees and management within the scope of the "Take a Minute for Safety",
- daily briefings prior to commencement of work,
- thematic safety campaigns (e.g. working in excavations, working at heights, working with chemicals).

In order to improve occupational health and safety, the principle of joined forces is applied, which requires the involvement of employees, the engagement of persons supervising work and the determination of the Management Board, which sets strategic objectives in this area and accounts for their implementation.

The level of safety is significantly affected by:

- the developed safe working methods, especially in areas of increased risk,
- daily workplace inspections, weekly health and safety audits and monthly reviews of working conditions,
- personal and collective protective equipment, appropriate to the parameters of given hazards,
- certified work equipment/tools in good technical condition,
- safety information board and accident rate board,
- security mirrors,

- legally prescribed information, warning, mandatory/prohibition signs and pictograms on machines.

#### Subcontractors

The Group has implemented a health and safety management procedure for subcontractors and external contractors. It guarantees that the developed security principles will be respected by any entity with which a cooperation agreement is to be signed. It is ensured that the employees of contractors and subcontractors have the same health and safety conditions as employees of the Group. Each contractor has an appointed OHS Coordinator, who collaborates with the Legal Department and the OHS Service.

The standard health and safety information package provided by the potential contractor in the bidding process includes:

- safety policy,
- accident history of the last three years,
- instructions for carrying out planned work, including particularly hazardous work (IBWR – safe working instructions),
- procedure to be followed in the event of an accident or other local danger.

Meeting the above requirements is one of the conditions that determine the selection of the contractor.

Agreements with contracting parties include:

- provisions ensuring the contractor's responsibility for compliance with the Pekabex Group's OHS requirements and relevant laws and regulations,
- a clause allowing designated persons to suspend work carried out in violation of safety regulations and rules,
- a statement that all public law receivables are paid by the contractor in accordance with applicable regulations, in particular those governing the employment of staff (ZUS – Social Insurance Institution, US – Tax Office).

#### OHS indicators

Analysis of the data on accidents at work shows that in 2022, compared to the same period in 2021, there was a decrease in the number of accidents at work to 45 incidents (a year-to-year decrease by 8 incidents or 15%). The risk of accidents at work is relatively high for shop-floor workers. Only 13.3% of all accidents that occurred in 2022 took place on construction sites. Most of the incidents that were classified as accidents at work correlated with the length of service of the affected employees. The established circumstances and causes of incidents show that people with longer work experience (more than 36 months) are more likely to have an accident at work. Those who have been working for the company for a longer period are often guilty of acting routinely, lacking caution and failing to comply with the rules that are in line with occupational

health and safety legislation. The statistics show that workers get injured most often while moving around the workplace, with injuries to the upper and lower limbs being the most common. In 2022, a fatal accident occurred on a construction site supervised by the Group. The cause of the accident was the worker's failure to use the required personal protective equipment when working at heights. The accident involved a person employed by a subcontractor with whom the Group was collaborating on a project executed by the Group as the general contractor. The injured worker was under the supervision of the subcontractor. Following the accident, a detailed audit was carried out to investigate the circumstances and causes of the accident. It resulted in appropriate conclusions and preventive actions.

#### OHS performance indicators for 2020-2022

	Production facilities in Poland	Production facility in Marktzeuln (Germany)	Assembly Department
<b>accident severity rate (number of days of incapacity / number of accidents)</b>			
2020	45.93	-	25.20
2021	44.34	28.50	74.00
2022	28.23	45.89	66.60
<b>accident frequency rate (number of accidents at work / number of employees x 1,000)</b>			
2020	41.15	-	107.14
2021	30.64	116.60	31.01
2022	26.26	80.36	37.31

There is a downward trend in the frequency rate of accidents at work per 1,000 employees over the last three years. The accident frequency rate in 2022 decreased by 48.6% compared to 2020 at production facilities located in Poland and at construction sites operated by the Group, the rate was more than two times lower. The value of the accident severity rate, which is the ratio of the number of days of incapacity for work to the number of accidents, fell by 38.5% in domestic manufacturing facilities in 2022 compared to 2020. By contrast, on construction sites under the Group's supervision, the rate increased in 2022 and the average period of incapacity for work of construction site workers was 41 days longer than two years earlier.

In 2022, there were no fatal accidents at the production facility in Germany. Nine accidents during working hours were recorded, all of which were injuries resulting in temporary incapacity for work. As a result of the accidents, the facility's employees remained on sick leave for 413 days. The accident frequency rate fell by 31% in 2022 compared to 2021.

The Group periodically conducts thorough data analyses of health and safety indicators and investigates all incidents and accidents for recurring risks. This makes it possible to take effective preventive and corrective action, and to view safety as a process of continuous improvement.





**5.2.**

**Employees of the Pekabex Group**

**The Pekabex Group employs a team of professionals with expertise and extensive experience.**

The Group's policy is to attract the best specialists and to retain them at the Group for a long period of time, which allows to build high organisational competence. The Group is open to diversity in terms of form of employment, age, gender, nationality and degree of fitness.

As a large employer, the Pekabex Group offers development opportunities for both high-class engineers, specialists, physical workers, and young people entering the employment market, who are offered the possibility to combine work and learning. Young workers gain experience and learn from older workers, while, in turn, their energy and fresh ideas stimulate innovation in the Group.



Assembly worker

GRI: 401-2

**5.2.1.**

**Policies applicable to employees**

The Group's fundamental employee policies are the Work Regulations and the Remuneration Regulations. In March 2022, new Work Regulations were introduced at the Pekabex Group. The update of the regulations was aimed at adapting the provisions to legislative changes and current labour market conditions. After the balance sheet date, in February 2023, the new Pekabex Group Remuneration Regulations came into force.

The Code of Ethics, which sets out and disseminates the standards of ethical behaviour, is another document of importance for the Group employees. Each employee is responsible for complying with the law and the principles listed in the Code of Ethics and undertakes to react when witnessing behaviour that violates the Pekabex Group's values.

Employees with an employment relationship established with the Group are entitled to the following wage and non-wage benefits:

- appreciation bonuses, awards,
- function bonuses,
- financing of accommodation, in particular for employees coming from abroad to Poland or delegated to projects abroad,
- benefits resulting from the provisions of the Labour Code, e.g. severance pay, overtime and night work allowances,
- benefits paid for the settlement of domestic and international business trips,
- energy meals, OHS clothing,
- fresh fruit,
- private medical care,
- co-financing of participation in the MultiSport Programme,
- loans for employees' housing needs, financed from the Company's Social Benefits Fund (ZFSS),
- hardship benefits from the Company's Social Benefits Fund.

Within the Group, employees can participate in a group insurance scheme and medical care on favourable terms.

OHS Department employee

<p><b>1,717</b></p> <p>the number of employees and persons whose work or workplace is controlled by an organisation covered by the OHS system</p>	<p><b>100%</b></p> <p>percentage of employees and persons whose work or workplace is controlled by an organisation covered by the OHS system</p>	<p><b>39</b></p> <p>number of accidents** in the Pekabex Group facilities in 2022 (49 in 2021)</p>	<p><b>6</b></p> <p>number of accidents** at construction sites operated by the Pekabex Group in 2022 (4 in 2021)</p>
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\* As at 31 December 2022  
 \*\* Defined as work-related emergencies with an external cause and resulting in injury





Assembly worker on the construction site

The Group provides employees with the necessary work tools, appropriate to their positions.

In 2022, the Group allocated PLN 2,907 thousand (PLN 2,205 thousand in 2021) for hardship and holiday benefits, loans, sports cards and recreational and sports activities (e.g. participation of employees in marathons, a bicycle race, a yacht race, a skiing tournament, a family picnic on the occasion of the 50th anniversary of the company) from the Company's Social Benefits Fund.

In connection with the application of the provisions of the Act on Employee Capital Plans (PPK), all companies in the Group have PPKs, established in cooperation with PKO Towarzystwo Funduszy Inwestycyjnych S.A.

In 2022, a training policy to regulate employees' access to training and learning subsidies was introduced. The document guarantees access to training to all employees and clearly sets out the rules for obtaining funding for learning purposes. It also indicates the mandatory training required in individual jobs. In addition, training needs are examined each year for the following year.

In 2022, the Pekabex Group had no collective labour agreements in force. Employees have the possibility to form trade unions.

### 5.2.2.

## Control system for employee programmes

In 2022, as in the previous year, the Group did not have a common employee share scheme or an option grant scheme for key employees.

In 2016, the Extraordinary General Meeting of Shareholders adopted a resolution on the issue of A-series subscription warrants with the waiver of subscription rights of the existing shareholders and granting the consent to the implementation of the Management Option Grant Programme in the Company. The Programme was carried out until 31 December 2020 and consisted in the issuance of warrants for eligible persons. When determining the eligible persons, the Supervisory Board took into account the Management Board's recommendations approved by the General Meeting. According to the rules of the Programme, warrants were issued and delivered in three tranches – until 30 May 2017, 30 May 2018 and 30 May 2019.

GRI: 102-8

### 5.2.3.

## Employment structure and remuneration policy

The Pekabex Group strives to provide its staff with the greatest possible comfort and safety. The Group complies with the provisions of the Labour Code and the provisions on delegating workers abroad.

Pekabex Group's remuneration policy applies to all employees and is consistent with the Group's business strategy objectives and risk management strategy, takes into account sustainability factors, and is in line with the organisation's culture and values in relation to the Group's long-term interests. The remuneration policy also prevents conflicts of interest, acts as a preventive measure against fraud and minimises the occurrence of risks of misappropriation of assets.

### Statistics on the Group's full-time employees

a. Total number of employees by type of contract and gender	IN TOTAL	Pekabex Group	
		women	men
Type of employment contract:			
fixed period	643	159	484
indefinite period	1,074	190	884
<b>TOTAL NUMBER OF EMPLOYEES</b>	<b>1,717</b>	<b>349</b>	<b>1,368</b>

b. Total number of employees broken down by place of employment	IN TOTAL	Pekabex Group	
		women	men
Poznań	771	200	571
Mszczonów (Badowo Mściska)	226	51	175
Łódź	11	4	7
Gdańsk	225	64	161
Bielsko-Biała	143	22	121
Marktzeuln (Bavaria)	112	4	108
Germany Branch	169	1	168
Germany (construction sites)	7	0	7
Denmark (construction sites)	14	0	14
Warsaw	7	3	4
Sweden (construction sites)	32	0	32
<b>TOTAL</b>	<b>1,717</b>	<b>349</b>	<b>1,368</b>



GRI: 405-1

<b>Organisational supervision bodies</b>			
<b>Breakdown by structure and age:</b>			
	<b>IN TOTAL</b>	<b>Women</b>	<b>Men</b>
<b>Management Board of Pekabex and its subsidiaries</b>			
under 30 years of age	0	0	0
30 to 50 years of age*	11	3	8
over 50 years of age	2	0	2
<b>Supervisory Board</b>			
under 30 years of age	0	0	0
30 to 50 years of age	2	0	2
over 50 years of age	5	0	5
<b>IN TOTAL</b>	<b>20</b>	<b>3</b>	<b>17</b>

<b>Employee categories</b>			
<b>Breakdown by structure and age:</b>			
	<b>IN TOTAL</b>	<b>Women</b>	<b>Men</b>
<b>senior management*</b>			
under 30 years of age	1	0	1
30 to 50 years of age	31	11	20
over 50 years of age	5	0	5
IN TOTAL	37	11	26
<b>mid-level management**</b>			
under 30 years of age	19	13	6
30 to 50 years of age	128	33	95
over 50 years of age	24	1	23
IN TOTAL	171	47	124
<b>blue collar workers***</b>			
under 30 years of age	211	7	204
30 to 50 years of age	461	15	446
over 50 years of age	217	11	206
IN TOTAL	889	33	856
<b>other employees****</b>			
under 30 years of age	218	122	96
30 to 50 years of age	350	125	225
over 50 years of age	52	11	41
IN TOTAL	620	258	362
<b>IN TOTAL</b>	<b>1,717</b>	<b>349</b>	<b>1,368</b>

\* senior management – directors and deputy directors

\*\* mid-level management – managers and deputy managers

\*\*\* blue collar workers – concrete placers, reinforcers, construction workers, etc.

\*\*\*\* other employees – specialists, junior managers, coordinators, foremen, charge-hands, assistants, accountants, etc.

Pekabex employee health and safety training





**5.2.4.**

## Relations with employees

Employees are valued for their individuality, innovative approach to tasks, commitment, loyalty, identification with the Group and building its positive image.

The Group supports its employees in developing their passions and interests; the curiosity about the world and the diversity of employees from different cultures and countries translates into their potential, as well as the potential of the entire Group.

In 2021, the Group launched the "Pekabex Employee Satisfaction Survey" project, which will be carried out periodically every two years. The survey was conducted by an external entity and was designed to measure the satisfaction and commitment of the Group's employees. The decision to have the survey carried out by an independent entity was dictated by the care of the Group's Management Board for an independent assessment of employees and the desire to define real areas for development and improvement of the organisation. The conclusions of the study were presented to the Management Board and managers and employees at specially organised meetings. Follow-up activities included the formation of working groups to develop concrete solutions and plans for the implementation of changes in the organisation. As a result, in 2022, a number of initiatives have been introduced that addressed the following key areas:

- improving communication: cyclical interdepartmental meetings; greater attention to the information flow (meetings and additional contact channels: information monitors, boards, work on the creation of an intranet); reducing the number of e-mails; ensuring feedback; discussing misunderstandings and problems,
- increasing access to training: implementation of the Training Policy; annual training needs survey; training catalogue,
- improving working conditions: continuation of refurbishment of break areas, sanitary facilities and office spaces,
- working atmosphere: principles of team building within departments have been implemented; employees initiate grassroots actions joined by all production facilities (e.g. bicycle competition), company-wide team-building events are organised (skiing competition, yacht race, bicycle race); in 2022, as part of the 50th anniversary celebrations, family picnics were organised for employees and their families.

The second edition of the survey will take place in June 2023. This will allow the Management Board to verify the effects of the initiatives undertaken, as well as to adapt further measures to the needs of the employees.

GRI: 103-1, 103-2

**5.2.5.**

## Internal communication

In 2022, a corporate communicator was introduced, which significantly improved internal communication between employees and unified communication channels. Work has also begun on the implementation of an Intranet (PekaNet), which will ultimately serve as a knowledge base for employees. PekaNet will contain news from company life, materials on HR and personnel matters, and information on ongoing projects. There will be tabs for the knowledge base (procedures, instructions, descriptions of the activities of the different offices), announcements, internal job offers, and any important information from the employee's point of view. The informative function in the Group is currently fulfilled through social media profiles on the most popular platforms (Facebook, Instagram, LinkedIn, etc.) and the company's quarterly magazine (electronic and paper versions). To ensure that all employees have access to information, work is underway to introduce digital signage monitors (currently available in spaces at the Poznań headquarters) and a solution to make the Intranet accessible to production staff. In addition, in break rooms there are boards with posters and announcements on internal recruitment.

A lot of information about the projects and the Company's team is published on the website and social media. Pekabex profiles on: Facebook, LinkedIn, Instagram or YouTube are followed by several to over a dozen thousand people, including a large group of employees. This allows for an understanding of the general direction of activities, ongoing visibility of the work of other departments and individuals, as well as of ongoing projects, and thus transparency and equal access to information. In February 2022, the new website, [www.pekabex.pl](http://www.pekabex.pl), was launched. It has been expanded with new modules dedicated to contractors, employees, and other stakeholders of the Group, containing the most important information about the Group.

GRI: 103-1, 103-2

**5.2.6.**

## Internal team building

The year 2022 was full of team-building events, both company-wide and at branch and departmental level. Company-wide events included:

- President's Cup Yacht Race,
- Mazurian bicycle race,
- Open days in production plants as part of a charity event for the child of Group employees,
- Anniversary picnics for employees and their families,

- Inter-divisional cycling competition.

In the past year, many of the employees' activities were centred around a single goal: to raise funds for the heart surgery of a 4-year-old child of two Pekabex employees. Employees came up with initiatives independently and organised collections and auctions, integrating around a worthy cause. Thanks to the commitment of Pekabex employees, more than one million zloty was raised for the boy's life-saving heart operation.

In 2022, departmental team-building rules have been implemented. The rules describe the principles for organising such team-building events and their budget. The implementation of this document has encouraged departments to organise team-building events, which undoubtedly has a positive impact on cooperation within teams. Three large-scale team-building events have been planned for 2023, but employees are also coming up with smaller-scale team-building events on their own. They can always count on the support of their employer. Another example of such support is the "Passion Coordinator" initiative. Anyone who has a passion and wants to include others in it was encouraged to join the initiative. Passions selected in 2023 will receive funding for their related activities.

GRI: 103-1, 103-2, 401-2

**5.2.7.**

## Employee development

The most valuable resource of the Pekabex Group are people, which is why the Management Board focuses on their development and enables them to acquire the necessary qualifications.

The Pekabex Group is also constantly developing, so that every employee can find an area in which they can satisfactorily achieve their professional goals. The construction industry is undergoing constant changes, which is why the Group's employees participate in specialist conferences, both as speakers, who share their experience, and as participants, who update their knowledge and draw inspiration for further work.

Pekabex is growing in technical and managerial competence. The vast majority of our training courses are technical courses for those who work in factories and on construction sites. These are primarily training sessions authorising the participants to operate material handling, electrical, and welding equipment. The Group takes advantage of the opportunities offered by Krajowy Fundusz Szkoleniowy (National Training Fund) and acquires funds for training for employees of all its areas.

In response to employee needs, and following the results of the "Employee Satisfaction Survey" conducted in 2021, the Group decided to introduce a number of training cycles such

as development programmes, manager academies, and negotiation, communication, computer skills, specialised, language and personal effectiveness training. Also, the Group annually subsidises employees' postgraduate studies and other courses and training to enhance their development path. In the coming years, training programmes will be developed in order to further improve competences and care for the development of human resources, as the employees are the Group's greatest asset. The Group is also building plans for further professional development for key managers, and aims to build an organisation based on a culture of clear feedback and open communication that helps to develop and improve.

The training sessions conducted in 2022 were attended by 900 people:

- 600 people took part in specialised training courses on 55 topics including effective communication, personal effectiveness, computer skills, time management, and stress management. Internal training sessions for managers were also organised as part of the implementation of the training plan. These were: Manager Academy and Contract Manager Academy. A total of 72 people completed these training sessions,
- and 300 people from 37 departments completed technical training required to perform the duties of their positions. The most commonly delivered training was the gantry crane operator course.

Due to the Group's presence in foreign markets, we naturally offer language courses for employees. These are mainly English and German courses at different levels. In addition, the Group provides Polish language courses for the employed foreigners.

GRI: 405-1

**5.2.8.**

## Diversity and social inclusion

For 50 years, the Pekabex Group has been creating a multicultural and multinational community of unique individuals. This is why it attaches particular importance to respecting and valuing the diversity of its employees, as well as its business partners and customers. In its day-to-day operations, employment policy and cooperation with clients, it is guided by respect for others, open communication, responsibility, honesty, and self-improvement. This makes for a friendly organisation and a professional partner.

Pekabex supports the employment of women, which has increased since 2021, amounting to 46%\* in 2022 (white-collar positions). The Group's female employees are site engineers, project managers, quality controllers, board members, managers, gantry crane operators and designers.

\* the data refers to locations in Poland, the indicator for the entire Group at the end of 2022 was 38%.



We emphasise ethnic and national diversity not so much because of the differences, but because of the similarities and opportunities to learn about each other's cultures. In 2022, we employed 364 foreigners from, among others, Ukraine, Belarus, Georgia or Nepal. The employer provides foreign workers with access to Polish language courses and guarantees induction training and further competence development.

The Group creates friendly workplaces for people with disabilities. Currently, there is one worker with a mild disability in the Group.

**5.2.9**

**Recruitment**

The Pekabex Group implements a recruitment policy aimed at attracting the best engineers and specialists on the market. We hire dozens of new employees every year. As an employer, the Group is committed to a transparent recruitment and hiring process, based on equal opportunities and the possibility for any interested person to participate in the process. Selection is based on the candidate's skills and competences and on their fit for the position. The company has a Recruitment Procedure which describes the rules for recruiting and selecting candidates, including in internal recruitment. An additional source of valuable candidates is the employee referral programme, which has attracted 28 new employees. In addition, a description of the recruitment process in the Group has been posted on the Group's website in the "Careers" tab.

GRI: 401-1

**Table with employee turnover rates for the Pekabex Group**

	2022	2021	2020
total employee turnover rate	28.0%	32.9%	30.4%
voluntary employee turnover rate*	17.9%	23.4%	20.2%
involuntary employee turnover rate*	10.3%	9.5%	10.2%

\* the rate is calculated by dividing the number of employees with employment contracts who left the company during the reporting period (either voluntarily or involuntarily) by the total number of employees at the end of the period  
 voluntarily – when the employee decides to leave the company or retires  
 involuntarily – when the employer decides to terminate the employee's contract

In 2022, 437 white-collar and blue-collar workers were hired. The employee turnover rate of 28.0% was lower than in 2021 (32.9%). The decrease in turnover is undoubtedly influenced by an increase in the quality of the recruitment process through a greater emphasis on candidate-job fit, a series of recruitment training courses for managers, as well as the "Welcome to Pekabex" adaptation process, improved in 2022. Its purpose is to welcome new hires to the Group's structures, familiarise them with the company and make it easier for them to navigate around it, which is particularly important in the first months of employment.

The adaptation process includes:

- induction meeting on the first day of employment (departments: HR, Personnel, IT) – all locations,
- quarterly production plant tours,
- a guide for new employees,
- welcome package,
- discussions with new employees after 6 weeks,
- quarterly meetings for new employees with the Management Board and representatives of designated departments,
- induction award for the mentor of a new hire – production area.

The Group is very active in the labour market and has developed a number of ways to reach potential candidates, through direct searches, recommendations, job offers on recruitment portals, industry forums, career centres.

In addition, the Pekabex Group conducts employer branding activities in schools and universities and through its participation in job fairs and promotional campaigns. For more on cooperation with educational institutions, see section 5.3.2. of this Report.

GRI: 103-2, 203-1, 203-2

**5.3.**

**Pekabex for society**

**5.3.1.**

**Local communities and social engagement**

The Pekabex Group cares about the development of the communities in which it operates: it cooperates with local suppliers and subcontractors, pays taxes and fees to local budgets and collaborates with local governments. In 2022, the Group celebrated the 50th anniversary of its operation, which is why particular attention was paid to the values mentioned above in the context of the company's history.

The Group cooperates with public institutions and NGOs in solving important socio-economic problems. Pekabex creates jobs directly, as an employer and an ordering party, but also indirectly, by building production plants and offices.

The Group's activities influence the improvement of housing conditions and the development of infrastructure. In 2022, the Group worked, among others, on residential estate construction projects located in Częstochowa, Włocławek, Lublin, Hel, and Warsaw. Infrastructural contribution includes the construction of an underground car park in the centre of Poznań, at the premises of the Poznań International Fair. The Group's contribution to the development of local entrepreneurship included such important constructions as subsequent production and storage halls for the Wałbrzych Special Economic Zone, largely dedicated to rental by micro, small and medium-sized enterprises. Projects for local communities are carried out not only in Poland. In 2022, the Group worked on the Citadells-gymnasium high school in Malmö, Sweden, and completed the Ekebäckshöjd residential estate in Gothenburg.

The Group has been engaged in social initiatives, employee volunteering and NGO support for years. The numerous activities in this area undertaken in 2022 include:

- involvement of employees in The Great Orchestra of Christmas Charity,
- activities as part of the "Pekabex Goes Green" environmental initiative, including joining Polskie Stowarzyszenie Budownictwa Ekologicznego (Polish Green Building Association) and the activities of Pekabex laboratories and Research and Development Centre to reduce the carbon footprint of the Group's products,

- long-term support for the Zoo in Gdańsk Oliwa as part of employee initiatives was continued in 2022,
- a major three-month mobilisation of employees and business partners took place at our head offices as part of a charity collection for the heart operation of 4-year-old Filip, the son of two Pekabex employees. Through the organised sports events, picnics or auctions of "handicrafts and talents", the Group helped raise more than PLN 1 million necessary for the operation,
- employees taking an active part in other voluntary actions, for example by personally participating in the renovation of the recreation room at the Dom Aniołów Stróżów care centre in Chorzów,
- the Group's support for local initiatives, which in 2022 included the execution of the "A green way to school and modernisation of areas in the School and Kindergarten Complex no. 15" project of the Podolany Residential Estate Council in Poznań, submitted and accepted in a competition of the Mayor of the City of Poznań, for which additional funding was required.
- the financial support Pekabex once again provided to, among others: Malta Charity Concert (Maltański Koncert Charytatywny), theatre performances in children's hospitals, or "The Donors' Christmas Tree" fundraising campaign to support those in need at Christmas time, organised by Gazeta Wyborcza,
- the devotion with which the Group and its employees addressed the need to help the people of Ukraine following the outbreak of war.

The war in Ukraine, which broke out in late February 2022, and its consequences have forced hundreds of thousands of people to leave their homes and seek refuge in Poland. Poles, as the closest neighbours, and often friends of the Ukrainian citizens living and working here, were the first to help the refugees, who are mainly women, children and elderly people. The Pekabex Group has joined in the relief efforts.

The Group's Management Board decided to provide financial support for aid campaigns for people in need who live in the attacked areas of Ukraine. In addition, cash and in-kind collections have been launched in all Pekabex branches. Both employees and Group partners have participated. The collected items are distributed to refugees on



Pekabex employee health and safety training

an ongoing basis or sent to collection points. In the very first days of the war, the Group provided cars from the company's fleet to transport people from the border, as well as company housing to accommodate mothers with children fleeing the war. As a sign of support, Ukrainian flags were displayed at all Pekabex branches. On social media, logos have been updated and information about the support provided has been released. There was also an information campaign targeting Ukrainian workers on the type and possibilities of assistance. The Group's Management Board intends to continue its activities, adapting them to the current needs in this area, while being aware that the assistance provided must be of a long-term nature.

Community engagement also means openly working to educate children, young people and local communities:

- Traditionally, the Group has conducted lectures and study visits to production plants and universities; these activities are described more extensively in section 5.3.2 of this Report.
- As a member of the Employers' Council of the Poznan School of Logistics, our specialists have participated in educational projects for students and pupils of logistics technical high schools.
- For the sake of good neighbourly relations, the Group organised visits to the production plants for local residents, including children, as part of "Open Days at the Production Plant" in Poznań, Gdańsk and Bielsko-Biała, during which they could learn about the daily work in the

plants and see the spots that are important as points of contact.

### 5.3.2.

## School and academic environments

The Pekabex Group is in continuous contact with secondary schools and universities. Each year, the Group organises internship and apprenticeship programmes for secondary school and university students, and the best participants are offered employment. Every year, the Group admits dozens of apprentices and trainees who attend construction sites, plants and offices to learn about their future profession under the guidance of experienced employees. At the end, of course, the best of them receive job offers from the Group.

In 2022, the Pekabex Group offered internships and apprenticeships to 64 pupils and students, 64% of whom then started working for the company. The summer internship and apprenticeship programme has become another periodic activity of the Group. The past year was also very intense in terms of expanding and strengthening cooperation with the education system.

### List of cooperating secondary schools and universities:

Universities	Location
Poznan University of Technology – Faculty of Engineering Management	Poznań
Gdańsk University of Technology – Faculty of Mechanical Engineering	Gdańsk
Gdańsk University of Technology – Faculty of Civil and Environmental Engineering	Gdańsk
Cracow University of Technology	Kraków
Czestochowa University of Technology	Częstochowa
School of Management and Banking	Poznań
School of Banking	Gdańsk, Poznań, Toruń, Wrocław, Warsaw
Secondary schools	Location
The Głuszczyce Home Army Force School Complex in Grójec	Mszczonów
Construction Technical School Complex No. 1	Poznań
Stowarzyszenie Inicjatyw Międzynarodowych (Association of International Initiatives)	Poznań
Construction Technical School Complex No. 1	Poznań
Cracow University of Technology	Kraków
Electrical Technical School Complex in Kielce	construction site in Kielce
State Building Schools	Gdańsk
Construction Technical School Complex No. 1	Poznań
Vocational School Complex No. 1 in Kielce	construction site in Kielce
Construction Technical School Complex No. 1	Poznań
Construction Technical School Complex No. 1	Poznań
Stanisław Noakowski Architectural and Construction School and High School Complex	Warsaw

As part of its cooperation with universities and schools, the Pekabex Group carries out numerous scientific projects to promote Pekabex as an employer and the prefabrication industry as a whole. Initiatives that started in 2022 include:

- PrefaTechnika with the Czestochowa University of Technology (i.e. a practical programme that lasts over a year, including lectures and trips to construction sites, plants and workshops organised by Pekabex),
- Pekabex Ambassadors at universities (Poznan University of Technology, Gdańsk University of Technology),
- educational visits to production plants (in Bielsko-Biała, Mszczonów, Poznań, Gdańsk),
- lectures on the entire organisation and functioning of the company and its departments,
- lectures on specific topics such as design or construction, but also entering the labour market and recruitment,
- "Prefabricate your diploma with Pekabex" – best thesis award,
- joint research with professors and doctors,

- internships and apprenticeships,
- theses – Pekabex specialists to sponsor theses on the business side,
- fairs organised at universities and schools,
- substantive support for Academic Circles.

Another important aspect of cooperation with universities is that a member of the Pekabex Group Management Board sits on the Executive Council of the Poznan University of Economics and Business and on the Executive Education Advisory Board of the Kozminski University.

Pekabex is increasing its presence in educational institutions every year, as the Group's Management Board is aware that it is a valuable source of candidates and the best employees. However, it is not only recruitment that matters here; such meetings are a great opportunity to promote prefabrication and modify its perception as the future of construction.





PFR Nieruchomości Estate, Toruń

# 6.0

## **Statement on the implementation of corporate governance principles**

**6.1.**

## The set of principles to which Pekabex S.A. is subject

Poznańska Korporacja Budowlana Pekabex S.A. and its bodies have, since 1 July 2021, applied the corporate governance principles set out in the document Good Practices of Companies Listed on the Warsaw Stock Exchange 2021, adopted by Resolution No. 13/1834/2021 of the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A. of 29 March 2021, with the exception of the following:

**Rule 1.4.2.**

The information posted on the website on the ESG strategy should, among other things: present the value of the gender pay gap ratio paid to its employees, calculated as a percentage of the difference between the average monthly pay (including bonuses, prizes and other allowances) of women and men for the last year, and present information on the actions taken to eliminate possible inequalities in this respect, together with a presentation of the risks involved and the time horizon over which equality is planned to be achieved.

The Company does not present the gender pay gap ratio for Pekabex S.A. Poznańska Korporacja Budowlana Pekabex S.A. because as a holding company it does not, as a rule, employ staff, and salaries in the Pekabex Group are set individually depending on competence, experience and other factors determining the employee's value to the Group.

**Principle 2.1.**

The company should have a diversity policy for the Management Board and the Supervisory Board, adopted by the supervisory board or the general meeting respectively. The diversity policy sets out diversity objectives and criteria in areas such as gender, field of study, specialist knowledge, age and work experience, among others, and indicates when and how the achievement of these objectives

will be monitored. In terms of gender diversity, the condition for ensuring the diversity of the company's bodies is that the minority participation in the respective body is no less than 30%.

The members of the Supervisory Board are elected by the shareholders, and the members of the Management Board are elected by the members of the Supervisory Board at their discretion. Therefore, in the Company's opinion, there is no need to adopt a diversity policy. Past practice has shown that members of the Company's bodies have been selected on the basis of their competence and professional experience, and not on the basis of their membership of particular social groups, gender or minorities.

**Principle 2.2.**

The persons deciding on the election of the members of the company's Management Board or Supervisory Board should ensure the comprehensiveness of these bodies by selecting diversity in their composition, making it possible, among other things, to achieve the target ratio of a minimum minority shareholding set at no less than 30%, in line with the objectives set out in the adopted diversity policy referred to in principle 2.1.

Past practice has shown that members of the Company's bodies have been selected on the basis of their competence and professional experience, and not on the basis of their membership of particular social groups, gender or minorities.

**Rule 2.11.6.**

In addition to the activities resulting from legal provisions, once a year the Supervisory Board shall draw up an annual report and submit it to the Annual General Meeting for approval. The report referred to above shall include at least information on the extent to which the diversity policy in respect of the Management Board and the Supervisory Board has been implemented, including the achievement of the objectives referred to in principle 2.1.

As indicated in the information to rule 2.1, the Company does not have a diversity policy with respect to the Supervisory Board members and therefore the Supervisory Board's report does not contain information on the implementation of this policy.

**Principle 3.3.**

A company included in the WIG20, mWIG40 or sWIG80 index shall appoint an internal auditor heading the internal audit function, who shall act in accordance with internationally recognised standards of professional practice for internal auditing. In other companies where no internal auditor meeting the aforementioned requirements has been appointed, the audit committee (or the Supervisory Board if it performs the functions of an audit committee) shall annually assess whether there is a need to appoint such a person.

The Company believes that there is no need to appoint an internal auditor at this stage.



Panattoni hall, Jaryszki

**Principle 3.10.**

At least once every five years, a company included in a WIG20, mWIG40 or sWIG80 index shall have its internal audit function reviewed by an independent auditor selected with the participation of the audit committee.

As indicated in the information to principle 3.1 and 3.3, the Company does not maintain an internal audit, and does not appoint an internal auditor, and therefore no internal audit reviews are performed.

**Principle 4.1.**

The company should enable shareholders to participate in the General Meeting of Shareholders. using electronic means of communication (e-meeting) if this is justified by the expectations of shareholders communicated to the company, as long as it is able to provide the technical infrastructure necessary for holding the General Meeting of Shareholders.

The Company's Articles of Association exclude participation in General Meetings by means of electronic communication. The Company's General Meetings are held off-line and, for the time being, the Company does not consider it necessary to invest in infrastructure to enable General Meetings to be held remotely.

**Principle 4.7.**

The Supervisory Board gives its opinion on draft resolutions submitted by the Management Board to the agenda of the General Meeting.

The General Meeting shall always be attended by at least one member of the Supervisory Board, who shall have the right to present any objections of the Supervisory Board to draft resolutions by the Management Board.

**Principle 4.8.**

Draft resolutions of the general meeting on items on the agenda of the General Meeting of Shareholders should be tabled by shareholders at least 3 days before the General Meeting of Shareholders.

Pursuant to Article 401 § 5 of the Commercial Companies Code, shareholders have the right to propose draft resolutions on matters on the agenda even at the General Meeting of Shareholders itself.

The full text of the Information on the status of the company's application of the principles contained in the Code of Good Practices of Companies Listed on the Warsaw Stock Exchange 2021 can be found at: <https://pekabex.pl/wp-content/files/Informacja-na-temat-stosowania-Dobrych-Praktyk-GPW-2021.pdf>



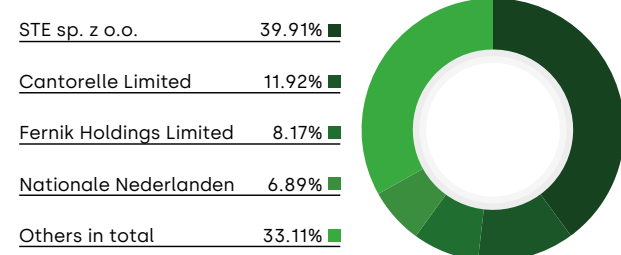
**6.2.**

**Pekabex S.A. shareholders, share capital, shares held by directors**

**6.2.1**

**Shareholders of Pekabex S.A.**

To the Group's knowledge, the shareholding structure of Pekabex S.A. as at 31 December 2022 was as follows (information on shareholders holding more than 5% of shares in the Company's share capital):



Shareholder	Number of shares held (items)	Number of votes at the General Meeting of Shareholders	Percentage of the total number of votes at the General Meeting of Shareholders	Share in basic capital	Nominal value of shares (in PLN)
STE sp. z o.o.	9,908,963	9,908,963	39,91%	39,91%	9,908,963
Cantorelle Limited	2,958,170	2,958,170	11,92%	11,92%	2,958,170
Fernik Holdings Limited	2,029,382	2,029,382	8,17%	8,17%	2,029,382
Nationale Nederlanden	1,710,000	1,710,000	6,89%	6,89%	1,710,000
Others in total	8,219,997	8,219,997	33,11%	33,11%	8,219,997
<b>Total</b>	<b>24,826,512</b>	<b>24,826,512</b>	<b>100%</b>	<b>100%</b>	<b>24,826,512</b>

As of 31 January 2022, the Management Board of Poznańska Korporacja Budowlana Pekabex S.A. received from Mr Maciej Grabski, Asterios SARL with its registered office in Luxembourg, Broadwalk Services Limited with its registered office in Nicosia, Cyprus, and TONSA S.A. – SICAF – RAIF with its registered office in Luxembourg, notifications made pursuant to Article 69a(1)(3) in conjunction with Article 69(2) (2) of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies. Pursuant to the notifications, Mr Maciej Grabski, Asterios, Broadwalk and Tonsa indirectly acquired 363,402 shares in the Company. The indirect acquisition of the Company's shares was the result of:

- the acquisition by STE sp. z o.o. with its registered office in Gdańsk ("STE"), which is a subsidiary of Tonsa, of

124,378 shares in the Company, representing 0.50% of the Company's share capital and carrying 124,378 votes at the Company's General Meeting which represent 0.50% of the total number of votes in the Company, on 3 December 2021;

- Tonsa taking control of Sovereign Capital S.A. with its registered office in Warsaw ("Sovereign"), which owns 239,024 shares in the Company, representing 0.96% of the Company's share capital and carrying 239,024 votes at the Company's General Meeting which represent 0.96% of the total number of votes in the Company, which took place on 26 January 2022 in performance of the share purchase agreement on the sale of Sovereign Capital S.A. shares, concluded on 25 January 2022 between Tonsa and Opoka II FIZ with its registered office in Warsaw.



Mokate production hall, Żory

As a result of the transactions indicated above, the notifying parties do not directly hold any shares in the Company, however:

- Tonsa, through STE, indirectly holds 10,147,987 shares in the Company, representing 40.88% of the Company's share capital and carrying 10,147,987 votes at the Company's General Meeting which represent 40.88% of the total number of votes in the Company,
- Broadwalk, through Tonsa and STE, indirectly holds 10,147,987 shares in the Company, representing 40.88% of the Company's share capital and carrying 10,147,987 votes at the Company's General Meeting which represent 40.88% of the total number of votes in the Company,
- Asterios, through Broadwalk, Tonsa, and STE, indirectly holds 10,147,987 shares in the Company, representing 40.88% of the Company's share capital and carrying 10,147,987 votes at the Company's General Meeting which represent 40.88% of the total number of votes in the Company,
- Mr Maciej Grabski indirectly holds 10,474,235 shares in the Company, representing 42.19% of the Company's share capital and carrying 10,474,235 votes at the Company's General Meeting which represent 42.19% of the total number of votes in the Company, whereby through Asterios, Broadwalk, Tonsa, STE, and Sovereign Mr Maciej Grabski holds 10,147,987 shares in the Company, representing 40.88% of the Company's share capital and carrying 10,147,987 votes at the Company's General Meeting which represent 40.88% of the total number of votes in the Company, and through PWM Mr Maciej Grabski holds 326,248 shares in the Company, representing 1.31% of the Company's share capital and carrying 326,248 votes at the Company's General Meeting which represent 1.31% of the total number of votes in the Company.

The notifications indicate that there are no direct or indirect subsidiaries of the notifying parties, other than those indicated above, which hold any shares in the Company.

- None of the notifying parties is a party to any voting trust agreement within the meaning of Article 87(1)(3)(c) of the Act on Public Offering, however, on 23 December 2020, Tonsa and PWM entered into a written agreement within the meaning of Article 87(1)(5) of the Act on Public Offering, covering an agreement on the acquisition of shares in the Company, voting in concert at the Company's general meeting, and pursuing a consistent policy towards the Company. Accordingly, the notifying parties notified that:
- Tonsa, through STE and Sovereign, together with PWM, indirectly holds 10,474,235 shares in the Company, representing 42.19% of the Company's share capital and carrying 10,474,235 votes at the Company's General Meeting which represent 42.19% of the total number of votes in the Company,
  - Broadwalk, through Tonsa, STE and Sovereign, together with PWM, indirectly holds 10,474,235 shares in the Company, representing 42.19% of the Company's share capital and carrying 10,474,235 votes at the Company's General Meeting which represent 42.19% of the total number of votes in the Company,
  - Asterios, through Broadwalk, Tonsa, STE and Sovereign, together with PWM, indirectly holds 10,474,235 shares in the Company, representing 42.19% of the Company's share capital and carrying 10,474,235 votes at the Company's General Meeting which represent 42.19% of the total number of votes in the Company,
  - Mr Maciej Grabski, through Asterios, Broadwalk, Tonsa, STE, Sovereign and PWM, indirectly holds 10,474,235 shares in the Company, representing 42.19% of the Company's share capital and carrying 10,474,235 votes at the Company's General Meeting which represent 42.19% of the total number of votes in the Company.

In addition, the notifications contained information that none of the notifying parties is a holder of financial instruments referred to in Article 69b(1)(1) and 69b(1)(2) of the Act on Public Offering.

**6.2.2.**

### Share capital

The Company's share capital amounts to PLN 24,826,512, which is tantamount to 24,826,512 shares with a par value of PLN 1 per share, entitling to a total of 24,826,512 votes at the General Meeting of the Company.

All shares are non-preference bearer shares and are divided into:

- 21,213,024 series A shares
- 3,000,000 series B shares
- 613,488 series C shares

All shares of the Company are ordinary shares, each of which entitles to exercise one vote at the General Meeting. Major shareholders have no voting rights other than those attached to the shares held. Shares are ordinary bearer shares and do not involve any special rights or obligations other than those resulting from the provisions of the Code of Commercial Companies.

The Company is not aware of any agreements (including agreements concluded after the balance sheet date) which may result in future changes in the proportions of shares held by the existing shareholders and bondholders.

**6.2.3.**

### Shares held by managing and supervising persons

The table below presents the share of votes and shares held by the managing and supervising persons in accordance with the declarations received at the end of each year:

Managing and supervising persons in the Parent Company of the Pekabex Group	Number of votes at the General Meeting of Shareholders as at 31/12/2022	Number of votes at the General Meeting of Shareholders as at 31/12/2021
Robert Jędrzejowski (directly and indirectly through Fernik Holdings Limited) – President of the Management Board of Pekabex S.A.	8.18%	8.18%
Maciej Grabski (indirectly through Pekabex Wykup Managerski sp. z o.o. and Sovereign Capital S.A. and STE sp. z o.o.) – Member of the Supervisory Board of Pekabex S.A.	42.19%	41.23%**
Przemysław Borek (directly) – Vice-President of the Management Board of Pekabex S.A.	0.67%	0.67%
Beata Żaczek (directly) – Vice-President of the Management Board of Pekabex S.A.	0.37%	0.37%
Tomasz Seremet (directly) – Member of the Management Board of Pekabex S.A.	0.22%	0.22%

\*\* indirectly through Pekabex Wykup Managerski sp. z o.o. and Asterios SARL, Broadwalk Services Limited, and TONSA S.A. – SICAF – RAIF and STE sp. z o.o."

**6.2.4.**

### Indication of the holders of any securities conferring special control powers

The Company did not issue securities conferring special control rights.

**6.2.5.**

### Indication of any limitations on the exercise of voting rights

There are no restrictions on the exercise of voting rights.

**6.2.6.**

### Indication of any restrictions on the transfer of securities

There are no restrictions on the transfer of ownership of the Company's securities.

**6.3.**

## Appointment and dismissal of managing persons and their competences

**6.3.1.**

### Management Board

The Management Board has between one and four members. The Supervisory Board may appoint an elected member of the Management Board as President of the Management Board, and elected members as Vice President of the Management Board. Members of the Management Board are appointed for a joint three-year term. They are appointed and dismissed by the Supervisory Board in a secret ballot. Members of the Management Board may also be dismissed or suspended in their activities by the General Meeting. The Supervisory Board may dismiss individual or all members of the Management Board before the end of its term of office. Each member of the Management Board may resign before the end of their term of office by submitting a written resignation to the Chairman of the Supervisory Board or, if there is no Chairman, to any member of the Supervisory Board, to the Company's address.

**The competences and working principles of the Management Board of Pekabex S.A. are set out in the following documents:**

- Articles of Association of Pekabex S.A. (available on the Company's website),
- Regulations of the Board of Directors (available on the Company's website),
- Commercial Companies Code.

The competence of the Management Board includes all matters not reserved for the competence of other bodies of Pekabex S.A.

The Management Board is not entitled to make decisions on the issue or repurchase of own shares. Decisions in this respect are taken by the General Meeting.

**6.3.2.**

### Supervisory Board

The Supervisory Board consists of five to seven members,

including the Chairman of the Supervisory Board and the Deputy Chairman of the Supervisory Board. Members of the Supervisory Board are appointed by the General Meeting. Members of the Supervisory Board are appointed for a joint term of three years. A member of the Supervisory Board may be dismissed by the General Meeting at any time. Each Member of the Supervisory Board may resign before the end of his or her term of office by submitting a written resignation to the Management Board - to the Company's address.

**The competences and working principles of the Supervisory Board of Pekabex S.A. are set out in the following documents:**

- Articles of Association of Pekabex S.A.,
- Regulations of the Supervisory Board (available on the Company's website),
- Commercial Companies Code and other legislation.

**6.4.**

## Principles of amending the Pekabex S.A. Articles of Association

The Articles of Association shall be amended by resolution of the General Meeting, and by entry in the National Court Register.

**6.5.**

## The General Meeting and shareholders' rights and methods of exercising them

The Company's General Meeting operates on the basis of the Articles of Association, the Regulations of the General Meeting (both documents available on the Company's website), and the provisions of law, including the Commercial Companies Code. The specific powers of the General Meeting are set out in Articles 20 to 24 of the Articles of Association. Shareholders exercise their rights in the manner prescribed by the Articles of Association, the Rules



of Procedure of the General Meeting and the applicable regulations.

**Convening the General Meeting of Shareholders**

- The General Meeting of Shareholders convenes as an Ordinary or Extraordinary Meeting.
- The General Meeting of Shareholders may be held at the Company's registered office in Poznań, in Warsaw or in Gdańsk.
- An Ordinary General Meeting of Shareholders is held annually within six months after the end of a trading year.
- The fact of convening the General Meeting together with the date (day, time) and venue is announced by the Management Board on the Company's website and in the manner specified for providing current information in accordance with the provisions on public offering and conditions for introducing financial instruments to organised trading and on public companies.
- The announcement of convening the General Meeting should be published 26 days before the date of the meeting and include all the elements required by the Commercial Companies Code.

The rights of shareholders and the manner in which they are exercised at the General Meeting are set out in detail in the Commercial Companies Code and in the Regulations of the General Meeting and the Company's Articles of Association.

A shareholder shall participate in the General Meeting and exercise his/her voting right personally or through a proxy. The provisions of these Rules relating to a representative shall apply accordingly to any other representative.

Persons who are shareholders of the company 16 days before the date of the General Meeting, proxies or statutory representatives of shareholders, members of the Management Board and the Supervisory Board, and in the Ordinary General Meeting also persons listed in section 7 item of the Regulations of the General Meeting,

**Powers of the General Meeting**

- Examination and approval of the Company's financial statements for the previous financial year and of the Management Board's report on the activity of Pekabex S.A.
- Granting discharge to members of the Company's governing bodies from the fulfilment of their duties.
- Deciding on profit distribution or loss coverage.
- Postponement of the dividend day or division of the dividend payment into instalments.
- Adopting resolutions on the appointment or dismissal of members of the Supervisory Board.
- Adopting resolutions on the suspension of the members of the Management Board in their activities and their dismissal.
- Adopting resolutions on the disposal and lease of the company or its organised part, and establishing a limited property right on them.
- Adopting resolutions on increasing or decreasing the share capital.

- Adopting resolutions on the issue of convertible bonds and subscription warrants.
- Adopting resolutions on the creation, use and liquidation of reserve capitals.
- Adopting resolutions on the use of supplementary capital.
- Adopting resolutions on the merger, division or transformation of the Company, its dissolution and liquidation.
- Adopting resolutions on the redemption of shares.
- Adopting resolutions on amendments to the Articles of Association and the Company's object of activity.
- Adopting resolutions on other matters reserved for the General Meeting by law, in particular the Commercial Companies Code, and the provisions of the Company's Articles of Association.

**Session of the General Meeting of Shareholders**

- The General Meeting is opened by the Chairman of the Supervisory Board and, in their absence, by any member of the Supervisory Board. In the event of the absence of Supervisory Board members, the General Meeting is opened by any member of the Management Board.
- From among those entitled to vote, the General Meeting elects a Chairman who directs its work and ensures that the meeting proceeds smoothly and properly.
- The General Meeting adopts resolutions only in matters included on the agenda, unless the entire share capital is represented at the Meeting and none of those present objects to holding the General Meeting or placing particular matters on the agenda.
- Resolutions of the General Meeting are included in the minutes prepared by a notary public.
- The General Meeting is valid regardless of the number of shares represented.

**Voting**

The General Meeting makes decisions in the form of resolutions. Votes at the General Meeting are open. Resolutions of the General Meeting shall be adopted by an absolute majority of votes unless the provisions of the Commercial Companies Code, the Company's Articles of Association or these Regulations provide otherwise. A secret ballot is ordered for the election of the Company's bodies or its liquidator and for motions for dismissal of the members of the Company's bodies or liquidators, for holding them liable, as well as in personal matters. In addition, a secret ballot is ordered at the request of at least one shareholder or their representative.

GRI: 102-18, 102-22

**6.6.**

**Membership and changes during the reporting period**

→ **Management Board**

**As at 31 December 2022 and as at the date of this report, the Management Board was composed of:**

- Robert Jędrzejowski - President of the Management Board,
- Przemysław Borek - Vice-President of the Management Board,
- Beata Żaczek - Vice-President of the Management Board,
- Tomasz Seremet, Member of the Management Board.

More detailed information on the individual members of Management Board of Pekabex S.A. can be found in chapter 1 of this Report.

In the period from 1 January 2022 to 31 December 2022, the composition of the Company's Management Board remained unchanged.

As of 11 March 2021, the Issuer's Supervisory Board dismissed the Management Board of the old term and appointed the Management Board for a new three-year term with an unchanged composition. Members of the Management Board participate in the bodies of other Pekabex Group companies. The Members of the Management Board do not engage in any activities competitive to the Issuer's business, nor do they participate in a competitive company as a partner in a Civil Code partnership, a partnership, a company, or participate in a competitive legal entity as a member of its body.

**Description of the Management Board's activities**

The Management Board operates on the basis of the Articles of Association, the Rules of Procedure of the Management Board, and the applicable regulations, including the provisions of the Commercial Companies Code.

The Management Board manages the Company's affairs, and represents the Company. All matters relating to the management of the Company's affairs not reserved by law or the provisions of the Articles of Association for the General Meeting or the Supervisory Board are the responsibility of the Management Board. The internal division of competences between the individual members of the Management Board are made by the Management Board by resolution.

The main form of work of the Management Board is meetings. Meetings of the Management Board shall be held on a fixed date as required. The President of the Management Board directs the work of the Management Board,

and convenes and chair the meetings of the Management Board. The President of the Management Board may authorise another member of the Management Board to convene and chair meetings of the Management Board.

The Management Board makes decisions in the form of resolutions by an absolute majority of votes, unless stricter requirements are laid down by law. Each member of the Management Board shall have one vote. In the event of a balance of votes, the President of the Management Board has the casting vote. When appointing a proxy, the unanimity of all members of the Board of Directors is required. Any member of the Management Board may revoke a proxy.

The members of the Management Board shall be obliged to co-operate with each other, and to inform each other of significant actions taken in the Company's affairs. In performing their duties, the members of the Management Board act in accordance with the procedures adopted by the Company and good corporate practice. The members of the Management Board are obliged to participate in the General Meeting in such a composition as to be able to provide substantive answers to the questions asked during the General Meeting.

The Management Board is obliged to provide the Company's Supervisory Board with regular and comprehensive information on all significant matters concerning the Company's business.

Two members of the Management Board acting jointly are authorised to make representations on behalf of the Company.

→ **Supervisory Board**

**As at 31 December 2022, the Supervisory Board consisted of:**

- Piotr Taracha, Chairman of the Supervisory Board
- Maciej Grabski - Vice Chairman of the Supervisory Board
- Ryszard Klimczyk - Member of the Supervisory Board
- Piotr Cyburt - Member of the Supervisory Board
- Stefan Grabski - Member of the Supervisory Board
- Marcin Szpak - Member of the Supervisory Board
- Lesław Kula - Member of the Supervisory Board

More detailed information on the individual members of the Supervisory Board of Pekabex S.A. can be found in Chapter 1 of this Report.

For the period from 1 January 2021 to 31 December 2022, the composition of the Company's Supervisory Board remained unchanged.

As of 23 June 2022, the General Meeting of the Issuer dismissed the Supervisory Board of the old term and appointed the Supervisory Board of the new term with an unchanged composition.

After the balance sheet date, on 24 January 2023, Mr Marcin Szpak's resignation from his function of Member of the Issuer's Supervisory Board was received by the Company. The reason was not indicated in the resignation.

### Description of Supervisory Board's activities

The Supervisory Board operates on the basis of the Articles of Association, the Regulations of the Supervisory Board and applicable laws, including the provisions of the Commercial Companies Code. The organisation of the Supervisory Board and the manner in which it carries out its activities shall be laid down in the Rules of Procedure of the Supervisory Board adopted by the Board. The Supervisory Board exercises constant supervision over the Company's activities, and in all areas of its operations.

In addition to the matters set out in the Commercial Companies Code and other provisions of the Company's Articles of Association, the competence of the Supervisory Board includes, in particular:

- evaluation of the Management Board report on the Company's activities and the financial statement for the previous financial year in terms of their consistency with the books, documents and facts,
- evaluation of the Management Board's proposals on the distribution of profit or coverage of loss,
- submitting a written report to the General Meeting on the results of the evaluation referred to in the subsections above;
- the appointment of a statutory auditor to audit the financial statements,
- adopting the Rules of Procedure of the Supervisory Board,
- adopting the consolidated text of the Company's Articles of Association,
- approving the Rules of Procedure of the Management Board,
- once a year, preparing and presenting to the Ordinary General Meeting a concise assessment of the Company's situation, taking into account the assessment of the internal control system, and the significant risk management system for the Company,
- considering and giving its opinion on matters to be covered by resolutions of the General Meeting,
- appointing and dismissing members of the Management Board, which is without prejudice to Article 23(2)(2) of the Company's Articles of Association,
- suspending members of the Management Board, which is without prejudice to Article 23.2.2) of the Company's Articles of Association,
- determining the principles and amounts of remuneration for members of the Management Board,
- agreeing to members of the Management Board holding positions in the bodies of other companies, and receiving remuneration for this.

The amendment to the Code of Commercial Companies and Partnerships, which came into force on 13 October 2022, introduced, among other things, a number of regulations concerning the rules for the functioning of supervisory boards of companies.

The purpose of the amendment with regard to the operation of supervisory boards of companies was primarily to regulate procedural issues related to the functioning of this body and to extend and formalise the competences of supervisory boards in order to ensure real and effective control over the activities of companies.

The amendment introduced a number of provisions to strengthen the scope of companies' supervision. Those related to the obligation to inform about the company's current situation are of particular importance. The management board is obliged to provide the supervisory board, without being requested to, with information on:

- the management board's resolutions and their subject matter,
- the company's situation,
- progress in the planned development of the company's business,
- transactions and other events or circumstances that materially affect or may affect the company's financial position, including its profitability and liquidity,
- changes to the information previously given to the supervisory board if these changes materially affect or are likely to affect the position of the company.

The information referred to in points 1-3 above should be communicated at each supervisory board meeting, unless the board decides otherwise, e.g. to limit the frequency of passing such information along. However, the events and circumstances referred to in points 4 and 5 above should be communicated to the supervisory board as soon as they occur.

### → Audit Committee

In accordance with section 23 of the Regulations of the Supervisory Board, this body may create committees from among its members. There is an Audit Committee within the Pekabex S.A. Supervisory Board.

The Audit Committee is composed of at least three members of the Supervisory Board, at least one of whom should meet the conditions of independence in the meaning of Article 86(5) of the Act of 7 May 2009 on auditors and their self-government, entities authorised to audit financial statements and public supervision (Dziennik Ustaw of 2009 No. 77 item 649 as amended), and have qualifications in accounting or financial auditing.

### **As at 31 December 2022, and as at the date of this report, the Audit Committee appointed by the Company's Supervisory Board was composed of:**

- Piotr Cyburt - Chairman,
- Piotr Taracha - Member of the Committee,
- Stefan Grabski - Member of the Committee.

For the period from 1 January 2022 to 31 December 2022, the composition of the Company's Audit Committee remained unchanged.

Two of the three members of the Audit Committee, Piotr Cyburt and Piotr Taracha, meet the independence criteria in accordance with Article 129(3) of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision.

The Audit Committee member with knowledge and skills in accounting or auditing is Mr. Piotr Cyburt, PhD in economics, who in his career was, among other things, associated with

the Institute of National Economy in Warsaw, was President of the Management Board of one of the banks in Poland and a member of the Council of the Polish Bank Association. In the years 1990-1992 he was one of the founders and first employees of Deloitte and Touche in Poland.

Stefan Grabski, a member of the Audit Committee, has experience, knowledge and skills in the field of broadly understood construction industry. He is a construction engineer who graduated from the Gdańsk University of Technology (General Construction Department), worked, among others, as a Head of the Construction Team, for several years leading the so-called Start-up Group, dealing with the start-up of technological installations in industrial facilities in northern Poland.

### **The Audit Committee held 6 meetings in 2022.**

The tasks of the Audit Committee include in particular:

- monitoring the financial reporting process,
- monitoring the effectiveness of internal control, internal audit and risk management systems,
- monitoring the performance of a financial audit,
- monitoring the independence of the statutory auditor or audit firm, including receiving from the statutory auditor or audit firm annual written confirmation of their independence and discussing its risks, and in the event of doubt as to whether the statutory auditor or audit firm has become excessively dependent on the Company – deciding whether the statutory auditor or audit firm may continue to carry out statutory audits,
- supervision over the organisational unit dealing with the internal audit,
- ensuring compliance with the procedure for selecting the entity authorised to perform audit activities, including auditing financial statements, in accordance with Article 16(3) of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014,
- recommending to the Supervisory Board at least two entities authorised to audit financial statements, indicating a duly justified preference for one of them,
- approving, after carrying out an assessment of the threats and safeguards related to independence, the performance of services other than auditing the financial statements by the statutory auditor or audit firm.

The auditing firm auditing the financial statements of Pekabex S.A. and the consolidated financial statements of the Pekabex Group, Grant Thornton sp. z o.o. sp. k., did not provide the Group with any services other than an audit or review of the financial statements or assessment of remuneration report.

### **The main principles of the policy on the selection of the auditor in the Company adopted by the Audit Committee, are as follows:**

- The Audit Committee submits a recommendation to the Supervisory Board including the identification of the audit firm to which it proposes to entrust the performance of the statutory audit.
- If the selection of the audit firm does not concern the

extension of the contract for the audit of financial statements, the recommendation of the Audit Committee indicates at least two entities to choose from and duly justifies the preference for one of them.

- The recommendation regarding the selection of an audit firm is drawn up in accordance with the procedure described in the "Procedure for selecting the Poznańska Korporacja Budowlana Pekabex S. A. audit firm". The procedure is carried out by the Pekabex Group Management Board which prepares the initial recommendation for the Audit Committee.
- Before making the recommendation referred to above, and before accepting or continuing the commission of a statutory audit, the audit firm and the key statutory auditor shall submit to the Audit Committee a written statement confirming their independence and the required powers and competences.

When issuing a recommendation, the Audit Committee takes into account whether the audit firm, the key statutory auditor and the members of the audit team have experience in auditing individual and consolidated financial statements of companies operating in the construction or manufacturing sector with a scale of activity similar to that of Pekabex.

The recommendation concerning the selection of the auditing company for the 2022 report met the applicable conditions.

### **The main principles of the policy of Pekabex S.A. regarding the provision by audit firms and their affiliates of permitted non-audit services, adopted by the Audit Committee, are as follows:**

- Neither the statutory auditor nor the audit firm carrying out statutory audits of Pekabex, nor any of the members of the affiliated companies to which the statutory auditor or audit firm belongs may, during the period from the beginning of the audited period until the issuance of the audit report, provide directly or indirectly to the Pekabex Group, Pekabex S.A. or entities controlled by it within the European Union any services that are not audits of financial statements, except for the unprohibited services referred to in Article 136(2) of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision. Providing unprohibited services is possible only with the consent of the Audit Committee, after the Audit Committee has carried out an assessment of the threats and safeguards to the independence referred to in Articles 69-73 of the Act.
- The key statutory auditor, the audit firm, its staff involved in carrying out the audit and the natural person directly involved in the audit activities, whose services are used or supervised by the key statutory auditor or audit firm, as well as persons closely associated with them, may not participate in providing bookkeeping services for Pekabex and in the preparation of Pekabex accounting records or financial statements in the financial year preceding the audit period, during the period covered by the audit report and during the audit period.
- The Management Board of Pekabex monitors the amount of fees paid for the services of the audit firm and promptly notifies the Audit Committee accordingly.



**6.7.**

## Remuneration policy for managing and supervising persons

On 21 July 2020, the General Meeting of Shareholders adopted the Remuneration Policy for the Members of the Management Board and Supervisory Board. In 2022, the Company published the Report on the Remuneration of the Members of the Management Board and Supervisory Board for 2021. The remuneration policy contributes to the business strategy, long-term interests, and stability of the Company by setting out the basic principles for determining the remuneration of the members of the Company's Management Board and Supervisory Board. The policy is also intended to increase the transparency of the Company's activities, and is aimed at promoting the achievement of the tasks set on the basis of criteria, strategies and general objectives. The remuneration policy is the basis for the remuneration of the members of the Company's Management Board and Supervisory Board.

The policy regulates, among other things, the rules for the individual components of the remuneration of the members of the Management Board and members of the Supervisory Board, the conditions of service or work.

The Group's key management personnel include members of the Management Board of Pekabex S.A., members of the management boards of its subsidiaries and members of the Parent Company's Supervisory Board. Benefits (including salaries) paid to key personnel in 2022 and other information on the value of salaries, awards and benefits are presented in note 26 of the supplementary information and disclosures to the consolidated financial statements of the Pekabex Group. Pekabex does not have any liabilities resulting from pensions or benefits of a similar nature for former managers, supervisors or former members of administrative bodies.

Both the Remuneration Policy for Management Board and Supervisory Board Members and the Supervisory Board and Management Board Remuneration Reports for 2021 and previous years are published on the Group's website.

**6.8.**

## Internal control and risk management system

The Company's Management Board is responsible for the implementation and functioning of the internal control system in the process of preparing financial statements. The risks are described in detail in Chapter 7.

The Group has an internal control system adapted to the specific nature of its business and organisational structure. Its main role is to ensure the effectiveness and efficiency of operations, the integrity of financial reporting, and the compliance of its activities with applicable laws, ethical standards and internal regulations. The internal control system is also designed to identify and control the risks associated with the Group's operations, and is intended to support the regularity of internal processes in achieving business objectives. Control activities are undertaken at all levels of the company's organisational structure. The Management Board, through internal control, improves the flow of information within the entity, ensures the transparency of the organisation and the economic and accounting correctness of the business operations carried out, while bearing in mind the adequate protection of available data.

The internal control system forms the totality of procedures, policies, reporting systems, regulations and control mechanisms that guarantee the security and stable development of the Group.

Financial statements are prepared by qualified staff of the Accounting Department, the Finance Department, and the Controlling Department under the supervision of the Vice-President of the Management Board of the Company acting as the Chief Financial Officer. The accounts are based on the books of account, maintained using the Gardens ERP system with the finance and accounting module. The correct implementation of accounting principles by individual companies is monitored on an ongoing basis by the Chief Accountant, the Accounting Department, the Finance Department, and the Controlling Department. Financial statement preparation is a planned process that includes the appropriate division of tasks between the employees of the financial division, suitable with respect to their qualifications. Accounting books are the basis for individual financial statement preparation. Preparation of consolidated financial statements is carried out on the basis of uniform consolidation packages. The financial statements of the Issuer and the Pekabex Group are prepared in accordance with the International Financial Reporting Standards. The companies belonging to the Group and subject to consolidation also follow the International Financial Reporting Standards or (if not applicable)



PFR Nieruchomości Estate, Toruń

convert the financial data compliant with the applied standards (Polish Accounting Standards "PAR" and the Accounting Act or German Accounting Standards "HGB") in order to prepare a consolidation package subject to consolidation at the level of the Pekabex Group.

Control activities applied in financial statement preparation include:

- assessment of significant unusual transactions in terms of their impact on the Group's financial position and the manner in which they are presented in the financial statements,
- verification of the adequacy of adopted assumptions for valuation of estimated values,
- comparative and substantive analysis of financial data,
- verification of the arithmetic correctness and consistency of the data,
- an analysis of the completeness of disclosures,
- verification of the compatibility of data with reports resulting from the management reporting system.

The annual financial statements are prepared by the Chief Accountant and the Deputy Financial Officer and submitted for verification to the Chief Financial Officer and then to the entire Management Board for final verification and authorisation.

Annual financial statements are audited by an independent statutory auditor who, having completed the audit, presents their conclusions and observations to the Audit Committee or the entire Supervisory Board.

In addition, the basic elements of internal control include:

- ongoing analysis of financial results and key indicators significant for the conducted business activity based on the estimated financial budget and legacy data,
- participation of senior management in the planning phase, and then in the analysis of budget deviations,
- procedures for warehouse management and periodical inventories,
- ongoing monitoring of contract execution in material and financial terms, with the involvement of individual project managers,
- procedure for the circulation and approval of documents to ensure that entries in the accounts are in line with accounting evidence and that the costs of the system are properly allocated; the stage-based process of document approval minimises the risk of irregularities,
- analysis of current financial reports,
- monitoring of payments and flows,
- payment procedure,
- collection, analysis, and control of data at each stage of the bidding process.

The basic external audit in the process of preparing financial statements consists in:

- verification of data by an independent statutory auditor,
- direct supervision of the Audit Committee and the Supervisory Board.

GRI: 405-1

**6.9.**

## Diversity policy for management and supervisory staff

The Company does not have a diversity policy in place for the Management Board and Supervisory Board. The members of the Supervisory Board are elected by the shareholders, and the members of the Management Board are elected by the members of the Supervisory Board at their discretion. Therefore, in the Company's opinion, there is no need to adopt a diversity policy. Past practice has shown that members of the Company's bodies have been selected on the basis of their competence and professional experience, and not on the basis of their membership of particular social groups, gender or minorities.

Organisational supervision bodies – breakdown by structure and age:			
Management Board of Pekabex and its subsidiaries	IN TOTAL	Women	Men
under 30 years of age	0	0	0
30 to 50 years of age*	11	3	8
over 50 years of age	2	0	2
<b>Supervisory Board</b>			
under 30 years of age	0	0	0
30 to 50 years of age	2	0	2
over 50 years of age	5	0	5
<b>IN TOTAL</b>	<b>20</b>	<b>3</b>	<b>17</b>

GRI: 205-1, 205-2, 205-3

**6.10.**

## Business Ethics

**6.10.1.**

### Ethical Standards

After the balance sheet date, the Group adopted the Pekabex Group Code of Responsible Business Conduct. The document is a set of principles, values, and practices that guide the organisation on a daily basis in its internal relations and in its relationships with business partners. The provisions in the Code relate to environmental and social conduct, as well as corporate governance.

The Code is based on existing and internationally recognised standards defining human rights and labour law standards and regulations. The Pekabex Group wants to develop in a safe and sustainable manner and is therefore committed to acting in accordance with the provisions of the Universal Declaration of Human Rights, with respect for ethics being one of the priority areas of concern for the Management Board. The Code sets out the core values that reinforce the process of shaping an ethical business environment. The overriding objective of the Code is to ensure conduct in compliance with Polish and international legal regulations. The Code also contains references to other documents applicable in the Group, with the aim of setting out a clear framework for dealing with concerns or observed irregularities and violations.

The Code of Responsible Business Conduct is complementary to the Group's Code of Ethics, which is an internal guide to employee ethics.

The rules of conduct contained in both codes apply to all employees and business partners, and compliance with them is a prerequisite for working with the Group.

The Ethics Committee is the body responsible for respecting the provisions of the Code. Other tasks of the Committee include the implementation of procedures resulting from the Code and overseeing the handling of reports of violations. The Committee also has the initiative to report on the need to revise the provisions of the Code and is responsible for communicating the Code and organising ethics and human rights training.

**6.10.2.**

## Countering corruption and conflicts of interest

The considerable value of contracts executed by the Group companies generates the risk of corrupt behaviour. The Group's Management Board has a zero tolerance policy in this regard.

The Group's Management Board does not tolerate any manifestation of corruption at any time or place and considers that corruption is a threat to the core principles and values with which the Group identifies. The organisation takes measures to prevent corruption and, to this end, raises awareness of this issue among employees (regardless of their form of employment) and external stakeholders. The Group's organisational structure, operations and decision-making processes take into account the risks of corruption and seek to eliminate them, in particular by ensuring the greatest possible transparency. The reporting of irregularities and malpractices related to corrupt activities is carried out in accordance with the Pekabex Group Anti-Corruption Code.

Personal interests that employees may have in relation to the Group's business interests are a potential source of conflict of interest and can be particularly harmful to the proper functioning of the organisation. Therefore, any suspected conflict of interest or potential conflict of interest should be reported.

Employees of the Group (regardless of their form of employment) and business partners working with the Group are required not to offer or give, or accept or solicit any financial or personal benefit. They are also obliged to report any suspicions or indications that an act of corruption has been committed.

Any employee or associate who discovers corrupt practices may bring them to the attention of their supervisor or the Management Board. All such reports are considered individually and are the basis for preventive and corrective actions. In 2022, the Company Management Board did not record any corrupt practices in the Pekabex Group.

The risks involved relate to the Group's reputation, deterioration of relationships with counterparties, legal liability and other areas which are described in chapter 7. In order to minimise risk, the Management Board creates an atmosphere of mutual trust and rejects all manifestations of lack of transparency in actions taken within the Group.



**6.10.3.**

### Infringement reporting system

The Group has the "Procedure for anonymous reporting of violations of the law" in place adopted by the Management Board in 2018, which formalises the issues of reporting and responding to information about actual or potential violations of common law and the Group's procedures and standards. All Group employees have access to information and tools to enable them to report perceived breaches and irregularities. They are:

- e-mail address: komisjaetyki@pekabex.pl,
- the possibility of reporting in person directly to a member of the Management Board or a member of the Supervisory Board,
- by post to the Group's registered address.

If the reporting person wishes to do so, he or she remains anonymous and is supported in making the report to prevent retaliation or other unfair treatment. The reporting person's data is protected, and appropriate measures are taken to maintain the confidentiality of the reporting person's identity. For each report, investigations are carried out and, depending on the findings, appropriate action is taken in accordance with procedure and legislation. Each investigation concludes with binding findings and a recommendation for remedial action.

The Group is working on a new procedure on whistleblowing and protection of whistleblowers, which will be aligned with the requirements of Directive (EU) 2019/1937 of 23 October 2019.

In 2022, there were no instances of non-compliance with the law resulting in significant financial penalties being imposed on the Pekabex Group. In 2022, there were no instances of violations of fair competition rules.

**6.10.4.**

### Countering money laundering and the financing of terrorism

The Group has implemented and complies with all anti-money laundering legal requirements. The Group is committed to remaining vigilant with regard to financial flows whose origin or destination could be criminal. The Group examines the compliance of its activities with statutory obligations. The Group has a Procedure for Countering Money Laundering and the Financing of Terrorism in

place. It sets out the principles for conducting business in accordance with regulations to counter money laundering and the financing of terrorism and the principles for the fulfilment of obligations imposed by the applicable regulations in this regard, it identifies the persons responsible for performing certain tasks related to the implementation of the procedure, it sets out the principles for monitoring the instances of money laundering and money laundering risk areas, the principles for developing and updating the money laundering risk analysis, and the principles for educating employees about the procedure and raising their awareness in this respect.

**6.10.5.**

### Countering misappropriation of company assets and fraud

The Group does not tolerate any behaviour that might be considered fraud or misappropriation of assets. The Group undertakes to strictly comply with the regulations and standards in force in the various countries of its operations, in particular with accounting, tax, and customs regulations and standards. The Group takes appropriate measures to ensure that all commercial and financial transactions are properly reflected in financial documents, which should be kept secure and protected against unauthorised access. Educating employees on how to detect and report fraud and misappropriation of company assets is also an important aspect of these measures. Records are to be stored in such a way that they can be audited in accordance with the applicable legislation. The Group also has a control system in place to reduce the risk of fraud and misappropriation of company assets. The system consists of the totality of procedures, policies, reporting systems, regulations, and control mechanisms that guarantee the security and stable development of the Group.

**6.10.6.**

### Data protection and security

The Group protects and safeguards any information of economic value the disclosure of which could expose the Group, its employees or external stakeholders with whom the Group does business to harm against possible disclosure to unauthorised persons. The Group ensures that confidential information and sensitive data provided to it by its business partners and employees (regardless of their form of employment) are used only to the extent necessary for the conduct of its business and the performance of its duties.

#### Intellectual property and image protection

The Group considers intellectual property and its image and reputation to be vital for its success. The Group



CTPark hall, Opole

protects its brands, products, and innovative solutions and respects the intellectual property rights of its collaborators and other market players, promoting fair competition and expecting the same from its business partners and employees. The Group does not make unauthorised use of the intellectual property of contractors, competitors or third parties, nor does it resort to unfair business practices that would result in unwarranted damage to the image or reputation of other companies. The Group does not use the image of employees or third parties without first obtaining permission from them to do so.

The Group expects its employees (irrespective of their form of employment), as well as its business partners and other collaborators not to disclose confidential information and/or information that may unjustifiably damage the Group's reputation when speaking on social media on subjects directly or indirectly related to the Group, its business, products or projects. The Group stipulates that, under current legislation, it has the right to protect its reputation and its own image and, if necessary, can pursue its rights in court.

#### Information system security and personal data protection

The Group's Management Board believes that the protection of data and information is a prerequisite for the security of the entire organisation, and IT systems security issues are crucial to the Group's business continuity. IT security encompasses all matters related to ensuring information confidentiality and integrity and access to information flows in corporate IT systems. The cybersecurity system in place at the Group ensures that data is adequately protected against unauthorised access at every stage.

Apart from a set of existing rules and procedures, the security system consists of the technical solutions implemented in the Group. Key infrastructure components have full redundancy by operating in high-availability clusters. The company has up-to-date service contracts with manufacturers of critical solutions to ensure the protection of IT

systems. Access to the infrastructure at the branch level is provided via dedicated, encrypted links provided by external operators. Group employees can only access information via a dedicated portal and VPN connection. All external access mechanisms are protected by an MFA (Multi-factor Authentication) system provided by an external supplier. Multi-factor authentication consists of at least two components: 'something you know' (usually an employee password) and 'something you have' (usually a dedicated application on a mobile device). This method of access control provides a level of security many times higher than any other commonly used in the world. In addition, all server systems are monitored by a dedicated system for their availability and utilisation of key resources, and any anomalies detected are reported to administrators automatically. In addition to the basic service provided by the Group's IT employees, who work in an on-call rotation system to reduce incidence response times, the Group decided to cooperate with an external SOC (Security Operation Centre) service provider. This solution guarantees continuous 24/7/365 supervision of critical infrastructure, which allows for taking immediate action in the event of any anomalies in the security system. The SOC procedures define the communication flow between the SOC operator's staff and decision-makers in the Group in terms of taking specific actions in the event of security incidents.

Personal data, in particular confidential and sensitive data, are collected and processed in accordance with applicable legislation. All employees (regardless of their form of employment) and the Group's business partners are obliged to comply with the law, with the procedures in place within the Group and with the principles of due diligence in this regard.

In order to protect data (including personal data) from loss in the event of accidental deletion, system failure or a security incident (e.g. ransomware encryption), the Group has implemented a backup system together with an appropriate retention policy, which guarantees resistance to virtually any situation that could result in data loss. Copies are stored on disk arrays enabling rapid recovery



and restoration of failed systems. These arrays are kept in two locations other than the Group's primary data centre, both geographically distant from it. In addition, to ensure resilience against ransomware attacks, to which backups stored in disk collections could be potentially vulnerable, additional, regularly made tape backups are stored in a dedicated vault. The use of tapes also allows the retention of copies to be significantly extended and data to be recovered even long after any loss.

Employee knowledge and awareness is one of the key elements of IT security, which is why the Group conducts risk awareness campaigns and training to develop effective preventive behaviour. Employees' knowledge is tested in practice through socio-technical measures aimed at tricking them out of their login credentials. If an employee makes a mistake in security procedures, they are referred to additional data security training. Another activity carried out by the Group to verify security features is penetration testing carried out by an external partner, verifying both the tightness of security policies and resistance to known vulnerabilities.

The Group has an IT Data Protection Policy, which describes a system for effective information security management.

#### **Insider trading**

The Group complies with the law and good practices of listed companies regarding the management of confidential information and exercises due diligence in this regard. The Group undertakes to ensure that employees who may come into possession of privileged information about the company comply with the rules of the market and do not, under any circumstances, use or disseminate such confidential information.

#### **Unauthorised access incident**

In November 2022, a case of unauthorised access to the digital data of Pekabex Group companies was reported. The incident did not impair access to the data, nor their integrity or security. The Group's Management Board thoroughly analysed the circumstances of the incident and notified the relevant authorities of the case. The Group is aware of the risks and has appropriate solutions in place to prevent most attacks. The Group is protected against the risk of negative consequences of unauthorised access through the measures described in section 7.2, in paragraphs concerning IT systems security and personal data protection. At the same time, in order to minimise financial losses resulting from such events, the Group has active insurance against cybersecurity risks.



PFR Nieruchomości Estate, Toruń



GRI: 102-11, 102-15

## **Risk management**

Implementation and operation of the risk management system is the responsibility of the Company's Management Board. The Board regularly carries out the process of risk analysis and identification of key risks. All risks identified during this process are assessed in terms of frequency and severity of materialisation.

The Management Board of the Parent Company is continuously monitoring developments related to the war in Ukraine and the possible further development of the COVID-19 pandemic. Detailed information on the possible impact of the war in Ukraine and the COVID-19 pandemic on the Group's operations is provided in the introduction to the Pekabex Group consolidated financial statements.

A description of the significant risk factors and risks associated with the Group's activities which may adversely affect policies applied in relation to employee, social, environmental and climate issues, as well as risks associated with products and relations with the external environment, together with a description of the management of all these risks, can be found in the table below.

**7.1.**

**Relevant risk and hazard factors**



The Pekabex Group is exposed to risks associated with its operations, which it actively manages.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
<b>Risk of engineering error</b>		
The Company offers comprehensive design services provided by internal and external engineers. Execution and design involve the risk of engineering error, resulting in significant costs or even the demolition of a facility.	4	Careful selection of engineering staff with appropriate qualifications and experience, as well as constant training of designers mitigate the above-mentioned risk. Additionally, the Group applies internal quality control procedures.
<b>Risk of accidents at work</b>		
The activities of the Group's companies, as it is with any other enterprise whose main activity is the production and provision of construction and assembly services, are subject to the risk of occupational accidents. This applies mainly to employees operating machinery and equipment in plants and on construction sites.	4	In order to minimise this risk, the Company undertakes actions to improve occupational health and safety. Before they are allowed to work, each employee must receive health and safety training and training for work at a given position, and each employee in the production area must wear protective clothing and personal protective equipment. The Group monitors this risk on an ongoing basis and takes appropriate actions.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
<b>Risk related to the macroeconomic situation</b>		
<p>The achievement of the Group's strategic objectives and financial results is affected by, among other things, macroeconomic factors whose effects are independent of the company's actions. These include the stability of the political situation, inflation, the general condition of the Polish economy, changes in the economic situation, the level of gross domestic product, tax policy, changes in interest rates and national real estate market policy. The Group's business activity is primarily closely dependent on the construction industry situation, investment demand, enterprises' development plans and plans concerning infrastructure expenditure.</p> <p>In connection with the economic and political situation (war in Ukraine), the development of industries in which the Group operates or intends to operate may be slowed down due to, for instance, suspension of investment processes, incomplete implementation of investment programmes and changes in the investment conception, often after the completion of two-stage tendering procedures, which are costly for bidders.</p> <p>The construction industry is highly sensitive to the macroeconomic situation and its development is highly dependent on the economic cycle. From the point of view of the Company's strategic decisions, the ability to adapt the organisation and its operations to the changing economic situation in the country and in the regions where the Group companies implement projects is of key importance for the Group.</p>	4	In order to minimise the risk, the Group monitors the market situation and cooperates with recognised external advisers. The Company conducts activities aimed at cost optimisation and development on new markets. The actions undertaken are aimed at preparing the financial and organisational side of the Group for changing business cycles.
<b>Risk of slowdown in the development of the industries in which the Group operates</b>		
In connection with the current economic and political situation, the development of industries in which the Group operates or intends to operate, may be slowed down due to, for instance, suspension of investment processes, incomplete implementation of investment assumptions, abandonment of the implementation of investment programmes and changes in the investment conception, often after the completion of two-stage tendering procedures, which are costly for bidders. If the development of industries in which the Group operates is halted, its operations, financial position, results of operations or prospects may be adversely affected.	3	The Group diversifies its revenue sources, also by operating on foreign markets, which allows it to mitigate the risks associated with slower growth in particular industries. Moreover, in order to minimise the risk, the company monitors the market situation and conducts activities aimed at cost optimisation and development on new markets. The actions undertaken are aimed at preparing the financial and organisational side of the Group for changing business cycles.



Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
<b>Risk related to strategic objectives</b>		
The strategic objectives of the Group may not be achieved. The market on which the Group companies operate is subject to constant changes, therefore its financial situation depends on developing an effective, long-term strategy and adapting it to changing conditions. All wrong decisions taken as a result of inability to adapt to changing market conditions may have a material adverse impact on the Group's operations, financial position, results or development prospects.	3	In order to minimise this risk, the Management Board monitors and directs the implementation of the Group's strategy on an ongoing basis.
<b>Risk related to the nature of construction activities</b>		
Construction activity is based on the execution of individual contracts, and the results obtained from it often depend on external factors not attributable to the contractor. Delays and downtimes in the implementation of construction projects may be caused by, among others: (i) deficiencies or errors in the design documentation prepared by the contracting party; (ii) exceeding the legal deadlines for obtaining appropriate decisions and approvals necessary to execute the construction work contract; (iii) adverse weather conditions; (iv) unfavourable ground conditions; (v) the effects of the ongoing COVID-19 pandemic; (vi) other factors, including political factors directly or indirectly (war in Ukraine), that are unforeseeable at the stage of preparing the design and related works. Delays and work downtimes may hinder the effective management of operating costs, which may result in a temporary reduction in the Group's production potential and have a negative impact on its financial results.	3	The Group makes every effort to ensure that the agreements concluded do not contain any provisions sanctioning disadvantageous situations for the Group. At the same time, it employs highly qualified staff.
<b>Risk related to the loss of capability to execute contracts as a result of failure, destruction or loss of assets</b>		
In the event of the failure of machines used by the Group companies, their damage or loss, there may be a risk of temporary suspension of execution of the concluded contracts, in whole or in a substantial part. Significant downtime may lead to failure to meet agreed contract execution deadlines and may result in contractual penalties, which may have a negative impact on the Group's operations, financial position or results.	2	The Group monitors the machinery park on an ongoing basis, carries out modernisations and expansions, and has appropriate insurance at an adequate level. Additionally, in the event of a failure, production may be transferred to other Group plants.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
<b>Risk related to changes in the market prices of raw materials</b>		
The economic effectiveness of the production conducted by the Group companies is largely dependent on fluctuations in raw material prices, including in particular steel, cement and aggregates. The high price volatility observed recently may adversely affect the Group's results. An increase in raw material prices results in an increase in the Group's production costs. There is a significant risk that the prices of strategic raw materials it uses will increase which will cause the prices of the offered products to further increase and, as a result, their sale will decrease. It should be noted that an increase in raw material prices should apply equally to all manufacturers, including the Company's competitors, which increases the chances of passing on these costs to customers. The Group analyses raw material markets and service prices on an ongoing basis. Offers submitted to the commissioning parties take into account current market prices and the anticipated price volatility. Due to the average contract execution periods, the aforementioned risk has so far been limited. The Group does not use derivatives to hedge prices of goods and services.	3	This risk is minimised by, among others, cooperation with reliable suppliers on the basis of long-term contracts, monitoring the market of raw materials used by the Company, not being dependent on a single supplier, executing contracts with a relatively short execution period and ongoing monitoring of raw material prices and reacting to price changes by adjusting valuations and offers for customers. In certain contracts with counterparties, the Group also uses price indexation provisions for the most volatile and cost-critical items.
<b>Risk related to possible claims for damages from contractors</b>		
Group companies execute orders and construction projects for a diverse group of customers. Contracts concluded with them contain clauses obliging the Group companies to execute the subject of the contract in accordance with specified technical requirements and within specified timeframes. The parties also include provisions regulating liability for damages and contractual penalties. In particular, delays at any stage of the production process may cause delays in the delivery of products manufactured at the request of customers, and thus result in an obligation to pay contractual penalties to them. This may contribute to a decrease in the profitability of a given contract, and consequently have a negative impact on the Group's financial situation. Moreover, failure to execute or the improper execution of contracts or other events causing liability on the part of the Group companies result in the risk of raising significant claims for damages and claims for contractual penalties against them. It cannot be ruled out that claims will result in the loss of contracting parties, deterioration of financial conditions for service provision or weakening of the Group's competitive position. The occurrence of any of the above circumstances may have a material adverse impact on the Group's operations, financial position, results or development prospects.	3	The Group applies internal procedures for monitoring and controlling the production process, and the execution of contracts. This means that its reaction to events is immediate.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
<b>Risk related to the execution of development projects</b>		
Due to their complex legal and technical nature, there are many significant risks associated with the implementation of development projects. These include in particular, failure to obtain the required permits necessary to use the land in accordance with the Group's plans or to deliver the building ready for use, delays in completion of construction, costs exceeding budget assumptions due to adverse weather conditions, insolvency of contractors or subcontractors, labour conflicts with contractors or subcontractors, shortage of material or construction equipment, accidents or unforeseen technical difficulties, and changes in the regulations governing the use of land. The occurrence of any of these risks may result in a delay in the completion of the development project, increase of costs or loss of profit, a freeze of the funds invested in the purchase of real estate for the project and in some cases, the Group's inability to complete the investment, which may have a material adverse impact on the Group's operations, financial position or results.	3	The Group has an organisationally separate team of specialists in real estate development projects. The Group applies internal procedures for monitoring and controlling the production process, and the execution of contracts. This means that its reaction to events is immediate.
<b>Risk related to liability under warranty for physical defects and guarantee of quality of manufactured products</b>		
The Group companies are responsible for any warranty for physical defects in their products, unless excluded on the basis of the concluded agreement and under the guarantee of quality of performed work in cases where it was granted. There is a risk that, should any defects or faults be discovered during the warranty or guarantee periods, the contracting authorities will raise claims against the Group companies, which may result in additional costs and, consequently, have a material adverse effect on the Group's operations, financial position and results of operations. This risk is lower in relation to prefabricated constructions manufactured by the Group than in the case of comprehensive services.	3	The Group applies internal procedures for quality control and contract execution, and employs suitable, trusted subcontractors. The level of defectiveness of prefabricated elements is very low in relation to traditional construction. The Group has a separate department dealing with post-contract services, which reacts to any comments made by the ordering party on an ongoing basis.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
<b>Risk related to the insolvency of contracting parties</b>		
Applied assessment systems, monitoring of the financial standing of contracting parties, receivables collateral and the internal system of procedures and reporting may not be suitable and appropriate for each type of contracting party. In addition, there is a possibility of underestimating the risk related to the financial standing of contracting parties.	3	The Group continuously monitors arrears by analysing credit risk individually or within particular asset classes defined on the basis of this risk (e.g. by industry, region or customer structure). Trade credit is granted to reliable contracting parties, and the sale of products to new customers is usually carried out with the use of additional collateral in the form of advances, bills of exchange, prepayments, bank guarantees, and corporate guarantees and sureties. In addition, most contracting parties with trade credit in contracts have a reservation of the right of ownership of the delivered precast elements until the payment of receivables.
<b>Risk related to new investments</b>		
Investments implemented by the Group mainly concern the acquisition of investment land, construction of new plants and increasing production capacity. There is a risk that the planned investments will not be completed and that they will not yield a satisfactory return on capital employed. The occurrence of these risks may result in a slow-down in the Group's development and strategy implementation.	2	If new plants are constructed or production capacity increases, the Group carries out market analysis and discerns possible scenarios in order to make an optimal decision and secures the financing of the investment in question in advance. Additionally, the Group prepares plans for its operations after the expansion of operations.



Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
<b>Risk of failure of M&amp;A transactions</b>		
<p>The Management Board of the Company does not exclude that in order to strengthen its primary business, further development of the Group or entering into complementary activities may take place through mergers and acquisitions. A merger or acquisition transaction may give rise to a number of significant risk factors, the intensity of which may increase as the scope of the target company's activities differs from the Group's business profile. There is a risk that the future results of acquired entities and synergy effects will be worse than expected or the occurrence of the planned synergies will be significantly delayed. It also cannot be ruled out that events adversely affecting the results of the acquired entities (e.g. undisclosed liabilities towards third parties) will be disclosed after the transaction has been completed. Therefore, even exercising the utmost diligence may not allow to protect against the occurrence of the risk factors described above. Any deviation from the assumed transaction objectives, as well as the disclosed liabilities, may have a material adverse effect on the Group's future financial results. In addition, the execution of mergers and acquisitions involves the succession of rights and obligations of the acquired entity on a formal basis. The scope of responsibility for the liabilities of an entity participating in the consolidation process is determined by the provisions of law. Therefore, in the event that certain liabilities are disclosed after the transaction has been finalised, there is a risk that this may adversely affect the Group both in terms of financial results and formal legal position.</p>	3	<p>In order to minimise the risk of acquiring an entity burdened with risks (ranging from equity to legal and organisational risks), the Group performs a legal, functional and organisational audit of the entity to be acquired before making any financial commitments. Before making an investment decision, the Group also considers the possibility of carrying out a transaction together with a partner and the impact of such a solution on reducing the Group's risk. Additionally, the Group prepares plans for its operations after the expansion of operations.</p>
<b>Credit risk</b>		
<p>There is a possibility of insufficient monitoring of customer and creditor arrears. The applied analysis of individual credit risk or credit risk within individual asset classes determined for specific risk factors may overestimate or underestimate the real risk level.</p>	3	<p>The Group reduces exposure to credit risk by assessment and monitoring of the financial condition of contracting parties, the application of collaterals of receivables and the internal system of procedures and reporting. In addition, the Group tries to make transactions with reliable contracting parties.</p>

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
<b>Interest rate risk</b>		
<p>The Group is exposed to interest rate risk in connection with the following categories of financial assets and liabilities: loans, borrowings, debt securities (other financial assets), other debt instruments, financial leasing. The Group companies use loans to finance their operating and investment activities. These liabilities bear interest at variable interest rates. In the case of an increase in WIBOR and EURIBOR interest rates, there is a risk of an increase in financial costs, which will adversely affect the Group's profitability.</p>	2	<p>The Group assesses the risk on a case-by-case basis, depending on the credit agreement. For part of the investment / long-term loans, the Group enters into interest rate swap (IRS) transactions. In 2018, the Group implemented a hedge accounting policy in order to limit the risk of result fluctuations caused by changes in the valuation of the derivative instrument, i.e. the IRS.</p>
<b>Risks related to guarantees</b>		
<p>In connection with their business activity, the Group companies commission insurance companies and banks to issue guarantees concerning, among others, payment of the bid bond, proper execution of the contract, proper removal of flaws and defects, and reimbursement of advance payments, which are required by investors, ordering parties and other contracting parties. If the contracting party is satisfied with guarantees granted by insurance companies and banks at the request of the Group companies, the guarantors will be entitled to a claim against the Group companies for the repayment of the amount paid, increased by the costs of the guarantee execution, with interest. In addition, in the event of breach of the Group companies' obligations under agreements with insurance companies and banks, on the basis of which guarantees are issued, these entities will be able to satisfy their claims through the performance of collaterals indicated in the agreements.</p>	2	<p>The Group applies internal procedures for monitoring and controlling the production process, and the execution of contracts. This means that its reaction to events is immediate.</p>
<b>Risk related to concluding contracts with related parties</b>		
<p>The Group companies enter into transactions with other entities that belong to the Group, including related entities within the meaning of the Corporate Income Tax Act. These transactions ensure effective conduct of business activity within the Group and include, among others, mutual rendering of services, including design services, execution of works and sale of goods. Due to the specific nature of transactions between related parties, the complexity and the ambiguity of legal regulations concerning the methods of examining the prices and the difficulties in identifying comparable transactions, it cannot be excluded that the methods of determining arm's length conditions adopted by the Group entities will be challenged by tax authorities or tax inspection authorities. This may have a material adverse effect on the Group's operations, financial position, results or prospects.</p>	2	<p>As a general rule, the Group does not conclude agreements with related entities on terms other than arm's length terms. The Group employs qualified staff and monitors changes in regulations and judicial decisions on an ongoing basis, cooperating with recognised external advisers, and applies for individual interpretations.</p>

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
<b>Risk related to the possibility of breach of obligations under financial contracts by Group companies</b>		
Financial agreements concluded by the Group companies as part of their business activities impose on them, among others, obligations to maintain specific financial ratios at agreed levels, and to provide information, including information on their financial position. Non-compliance with these obligations and breaches of prohibitions may result in the termination of the agreement and the obligation to repay the credit early. In addition, the financing entity may be entitled to satisfaction through the exercise of rights related to the established collaterals, including the acquisition of ownership of the encumbered assets of the Group or an order to sell them. Additionally, the Group companies use parts of their car fleets, computer hardware, machines and devices under lease agreements. Non-execution of obligations under lease agreements or other breach of their provisions may result in termination of the agreements by the financing parties and the obligation to return the leased assets, which may affect the Group companies' ability to conduct business activities and, consequently, the possibility of performing obligations under contracts.	3	The Group applies internal procedures for monitoring and reporting obligations arising from financial agreements and fulfils them in a timely manner. The Group monitors and adjusts its financial policy to operational needs on an ongoing basis.
<b>Bonds risk</b>		
The benefits from the bonds consist in the redemption of bonds through payment of their nominal value and payment of interest and, in some cases, also of bonuses. Such services will not be provided or may be delayed if, as a result of the deterioration of the financial standing, the Company does not have sufficient funds at its disposal on the due dates. In the event of failure to meet the obligations under the Bonds when due, in whole or in part, the bondholder shall be entitled to make a written demand for immediate early redemption of all the bonds held by it. In addition, failure to meet obligations associated with the bonds may result in the risk of the Company's bankruptcy and, consequently, the risk of losing all or part of the funds invested in the bonds. The bonds do not constitute a bank deposit and are not covered by any deposit guarantee scheme.	2	The Group monitors its obligations under the concluded agreements and fulfils them in a timely manner. Moreover, it monitors and adjusts its financial policy to operational needs on an ongoing basis.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
<b>Risk of insufficient insurance protection</b>		
Insurance policies held by the Group may not protect it against all risks and losses it may incur in connection with its operations. Certain types of insurance may be entirely unavailable or unavailable on commercially reasonable terms, for example in the case of risks related to natural disasters, terrorist attacks or wars. Other factors, including in particular inflation, changes in construction law and environmental issues, may also make insurance proceeds insufficient to repair the damage suffered. Additionally, the Group may incur significant losses or damages for which it is impossible to obtain full or any compensation. This means that the Group may not be covered by sufficient insurance protection against all damages it may incur. Nor can it ensure that in the future there will be no material losses exceeding the limits of insurance protection.	2	The Group periodically verifies the level of insurance protection, and in the case of implemented agreements, analyses the adequacy of insurance held in relation to operational risks and customer requirements on an ongoing basis. The Group cooperates with an experienced insurance broker. The Group has property, civil liability (including personal liability), transport, construction and assembly risks, machinery and equipment, electronic equipment, cyberrisk and employee accident insurance.
<b>Risk related to administrative and legal proceedings</b>		
The Group companies are parties to administrative and legal proceedings, including ones related to receivables and liabilities under trade agreements. There is a possibility that an outcome may be unfavourable for the Group. Moreover, it is possible that in the future other proceedings may be instituted against the Group companies or by the Group companies in connection with its business activity, whose outcomes might be unfavourable for the Group. Some of the unfavourable decisions made in legal, arbitration or administrative proceedings may have a material adverse effect on the Group's operations, financial performance, financial condition or development prospects.	3	The Group employs qualified staff and monitors changes in regulations and judicial decisions on an ongoing basis, cooperating with recognised external law firms. When regulations change, the Group adjusts to the new rules and obligations.



Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
<b>Risk related to the Poznań plant's location in the vicinity of single-family housing and the proceedings in connection with the determination of the permissible noise level</b>		
One of the Group companies, Pekabex BET, is a party to administrative proceedings to determine the maximum permissible level of noise emitted to the environment by the Poznań plant. As at the date of publication, there are no longer any proceedings in this matter, however, the Group cannot exclude that any future proceedings, should they occur, will result in a final decision unfavourable to Pekabex BET. In such a case, the company will be obliged to comply with reduced noise emission standards. Moreover, in accordance with environmental protection regulations, in the event that the noise level specified in the decision is exceeded, the Regional Inspector for Environmental Protection may impose a fine on Pekabex BET, and in particular cases, i.e. threat to life or health or a significant deterioration of the environment, it may suspend the operation of the plant to the extent necessary to prevent the deterioration of the environment. The above may have a significant negative impact on the activities, financial situation and results of the Group.	4	Wherever possible, the Group reduces noise emissions by using a special self-consolidating mix in production. The Group has implemented and is implementing further investments aimed at reducing noise emissions (for example, silencing the operation of overhead cranes). The Group installed information boards on the plant premises, reminding employees to observe silence at night. There are also training courses for employees, as well as for employees of external companies, on preventing inconveniences in the area.
<b>Risks related to competition</b>		
The Group's operations are exposed to the risk of competition from entities that offer services in the same markets. In particular, the Group is exposed to significant competition on the construction market, where it offers the execution and assembly of prefabricated constructions. Due to strong competition on the Polish construction and prefabrication market, the Group also accepts orders from foreign customers, geographically diversifying its sales revenue.	2	The Pekabex Group reduces the competition risk by ensuring the high quality of services provided, systematic improvement of knowledge and qualifications in the field of modern technologies, diversification of revenue sources (product and geographical), comprehensive services and customer service, innovativeness, investing in highly qualified engineers and specialists, systematic improvement of efficiency and effectiveness.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
<b>Risk related to loss of liquidity</b>		
Like any other business entity, the Group is exposed to the risk of loss of liquidity, i.e. the ability to settle its financial liabilities in a timely manner.	2	The Group actively manages the liquidity risk by monitoring payment due dates of both receivables and liabilities, and demand on cash with respect to handling short-term payments (current transactions monitored weekly) and long-term demand on cash, based on cash flow forecasts updated monthly. The demand for cash is compared with available sources of funds (in particular by evaluating the ability to obtain credits) and collated with investments of free funds.
<b>Risk related to foreign exchange rate changes</b>		
The majority of the Group's transactions are conducted in PLN. The Group's exposure to currency risk results from foreign sale and purchase transactions, which are executed primarily in EUR and SEK, as well as from construction contracts executed in Poland, in particular as a comprehensive contractor, denominated in EUR. Therefore, significant fluctuations in the exchange rates of EUR or SEK to PLN may, in particular, reduce the value of the Group's receivables or increase the value of its liabilities. Changes in foreign exchange rates may therefore have an adverse effect on the Group's operations and financial position.	1	Revenue and costs in Scandinavia are earned and incurred mainly in PLN and SEK. Revenue and costs earned and incurred by the branch in Germany in EUR are, to a large extent, in balance. For significant contracts denominated in foreign currencies (in particular in EUR), the Group minimises the risk by entering into currency transactions (forwards). In order to limit the impact of changes in the exchange rate to PLN on the results achieved by the Group in 2018, a hedge accounting policy was implemented.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
<b>Risk related to inability to find new employees and retain qualified employees</b>		
The development of the Group, in line with the adopted assumptions, depends on the possibility to retain staff and recruit employees with appropriate qualifications and experience, in particular in the area of prestressed concrete and reinforced structures. The Group may have difficulty in acquiring personnel with appropriate knowledge, experience and qualifications. The Group may also experience an outflow of employees due to the political situation, which may involve especially employees from abroad. The loss of appropriately qualified personnel may significantly delay or prevent the implementation of the Group's strategy and limit its capabilities during the implementation of individual projects. The Group may also be forced to propose higher salaries and additional benefits to attract suitable employees or retain current ones. The above circumstances may have a material adverse effect on the Group's operations, financial position, results or development prospects.	4	The market for qualified employees is complex and the Group faces difficulties in attracting them. In order to recruit an adequate number of suitably qualified people, the Group has created and is intensively expanding an internal recruitment department, uses internal incentive programmes, and cooperates with employment agencies. The Group also hires employees from abroad.
<b>Risk related to the loss of key employees</b>		
The Group's success depends on key employees, including the management staff. These individuals have skills and experience related to the construction and building industry, as well as in the field of obtaining financing, organising the production and construction process, marketing and project management. Temporary or permanent loss of the ability to provide services by key and qualified employees may have a material adverse effect on the Group's operations, financial position, results or prospects for development and price of shares.	4	The Group strives to mitigate the risk by building long-term relationships with its employees and providing an attractive working environment. The status of a public company listed on the WSE additionally contributes to building a good image.
<b>Risks related to employees working in Germany</b>		
Pekabex Pref hires Polish employees and delegates them to Germany to work for the clients of the local branch of the company. The accounts with these employees are settled in accordance with the rules applicable to employees temporarily delegated to perform work in another EU Member State, i.e. for example social security contributions on their salaries are paid to ZUS (the Polish Social Insurance Institution). Consequently, it cannot be ruled out that the actual circumstances in which the employees work may be grounds for the conclusion that their permanent place of work is Germany, and the delegation rules are not applicable in their case. In addition, it cannot be ruled out that the company may be covered by collective labour agreements applicable to workers in the construction industry in Germany. This creates a risk of employees demanding that their working conditions and pay be shaped in accordance with the provisions of these collective agreements.	3	At the date of the report, to the best of the Group's knowledge, there are no grounds for questioning the practice adopted by the Group. The status of a public company listed on the WSE should additionally limit the risk, as it builds a good image of the Company.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
<b>Environmental protection risks</b>		
The provisions of the law on environmental protection in Poland impose obligations pertaining to the remediation of land contaminated with hazardous or toxic substances on owners. It should be noted that if the so-called historical pollution of the land surface (damage that occurred by 30 April 2007, as well as damage that was caused by activities completed before 30 April 2007) is revealed in the areas for which the entity in charge are the Group companies, they may be required to remediate the land, regardless of who caused the damage and when it was caused, and the costs of pollution removal or remediation may be significant.	2	In the Group's assessment the risk is small, however, its occurrence may have a material adverse impact on the Group's operations, financial position and results. The Group strives to reduce the use of raw materials needed for production processes by using new technologies, and implements procedures to reduce the environmental impact of the company. The Company holds all the permits required by law.
<b>Risk related to the change of tax law regulations and its interpretation, and to the change of individual interpretations of tax law regulations received by the Group companies</b>		
Tax law regulations are complicated and opaque, and subject to frequent changes. There is a risk that with the introduction of new regulations, the Group companies will have to incur significant costs related to their compliance and/or non-compliance with the new regulations. Additionally, tax authorities apply tax law in a non-uniform manner, and there are significant discrepancies in the judicial decisions of administrative courts in the area of tax law. The Company cannot guarantee that tax authorities will not interpret tax regulations implemented by the Group companies in a different way, one that is unfavourable for the companies. It cannot be ruled out that individual tax interpretations obtained and applied by the Group companies will be challenged. In view of the above, there is a possibility of potential disputes with tax authorities, and the resulting questioning of the correctness of the Group's companies' tax settlements in the area of non-time-barred tax liabilities and determination of tax arrears of these entities. Moreover, due to the fact that the Group operates in various jurisdictions, it is also affected by double taxation avoidance agreements concluded by the Republic of Poland with other countries. A different interpretation of these agreements by tax authorities, and amendments to these agreements, may also have a material adverse effect on the Group's operations, financial position or results. In addition, in 2017, regulations on VAT reverse charge were introduced with respect to the specified types of construction services (as at the balance sheet date no longer in force). Due to the lack of practice and judicial decisions regarding the implementation of new regulations, there is a risk of misinterpretation by the Group companies, and consequently issuing invoices with an incorrect VAT rate, which will result in the necessity to make corrections and possible refunds of underestimated tax.	4	The Group employs qualified staff and monitors changes in regulations and judicial decisions on an ongoing basis, cooperating with recognised external advisers, and applies for individual interpretations.



Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
<b>Risk related to changes in foreign law</b>		
The Group also operates abroad, mainly in Germany and Scandinavia. Foreign law provisions may be subject to different interpretations and may be applied in a non-uniform manner. In addition, the laws of the jurisdictions in which the Group operates are subject to change. It is impossible to rule out the risk that the introduction of new regulations will lead to significant costs associated with the need to adapt to them and to possible costs associated with non-compliance. The Group cannot guarantee that its interpretations of regulations in force in the countries in which it operates will not be questioned, which may result in corresponding legal consequences for the Group. This may have a material adverse effect on the Group's financial position or results.	3	The Group employs qualified staff and cooperates with recognised external advisers. When regulations change, the Group adjusts to the requirements resulting from the new rules and obligations.
<b>Risk related to operations on markets other than the Polish market</b>		
The Group also operates in Germany, Sweden and Denmark. Statutory law is the foundation of civil law. The regulations in force in the countries mentioned are subject to various interpretations and may be applied in a non-uniform manner. The Company cannot ensure that its interpretation of the laws of the countries in which it operates will not be questioned, and any such questioning may result in a penalty or fine or a necessity to change its practice. All this may have a material adverse effect on the Group's financial position or results.	2	The Group employs qualified staff and cooperates with recognised external advisers.
<b>Risk related to the internal control system in the Company's structures</b>		
It cannot be ruled out that the procedures existing in the Company will not be fully suitable for the Company and Group activities, and consequently will not become a source of reliable information about the Company and the Group. This may have a negative impact on the effectiveness of the way the Company is managed and, consequently, on the Group's development prospects and financial results.	2	The Group reviews and updates its procedures in accordance with changes in regulations and ongoing internal processes.

Description of the risk	Materiality (1-5, 5 being the maximum materiality)	Counteracting
<b>Risk factors related to the capital market</b>		
<p><u>Risk related to suspension of trading</u> Pursuant to the provisions of § 30 of the Rules of the Warsaw Stock Exchange ("WSE"), trading in the Company's shares may be suspended by the Management Board of the WSE for a period of up to three months if a Company violates the regulations governing the WSE, if the safety and interests of trading participants so require or upon the request of the Company.</p> <p><u>Exclusion risk</u> Pursuant to § 31 of the WSE Rules, the WSE Management Board excludes the Company's shares from stock exchange trading in certain cases.</p> <p><u>Risk related to share price volatility</u> Securities issued by public companies periodically experience significant changes in their trading price and volume, which may have a material adverse effect on the share price. Fluctuations in the securities market may also have an adverse effect on the share price, regardless of the Group's business, financial condition and results of its operations or prospects. Therefore, the execution of purchase and sale orders for shares might not take place at the expected level.</p> <p><u>Risk of limited liquidity of shares</u> The admission and introduction of shares to trading on the WSE does not guarantee their sufficient liquidity. Companies listed on stock exchanges experience periodic, significant fluctuations in the trading volume of their securities, which can also have a material adverse effect on the market price of the shares.</p> <p><u>Risk related to administrative sanctions for violation of the Public Offering Act and the Act on Trading in Financial Instruments</u> If the Company fails to perform or improperly performs the obligations referred to in the Acts and in Regulation 809/2004, the Financial Supervision Authority may issue a decision on excluding the securities from trading on the regulated market, for a definite period or indefinitely, or apply other sanctions.</p> <p><u>Risk associated with publishing reports on the Company or changing the recommendation to a negative one</u> Reports on companies published by stock analysts have an impact on the stock price and liquidity of shares.</p>	2	The Group employs qualified staff and cooperates with recognised external advisers. When regulations change, the Group adjusts to the requirements resulting from the new rules and obligations. The Group reviews and updates its procedures in accordance with changes in regulations and ongoing internal processes.

**7.2.**

## Sustainability risk management



Sustainability risk means an environmental, social or governance situation or condition that, if it were to occur, could have a material adverse effect, actual or potential, on the Group's operations. The objective of sustainability risk management is to support the Group's long-term value through integrated management of the impact of these factors on the implementation of the Group's business strategy.

The Management Board of Poznańska Korporacja Budowlana carried out an analysis of risks and opportunities related to climate change and sustainability issues, both in terms of physical risks and transformation (transition) risks. The categorisation of risks was done in accordance with the TCFD (Task Force on Climate-Related Financial Disclosures) guidelines.

### Climate risk management

The Management Board identifies and assesses climate risks that occur within the business processes to ensure the safe continuation of the Group's operations and to take possible preventive action. The Group is working to align its business strategy and investment plans with the requirements of the low-carbon economy and the Paris Agreement.

Under the adopted Climate Policy, the Group's main objective is to reduce greenhouse gas emissions and, consequently, achieve climate neutrality. The Pekabex Group implements the Paris Agreement, taking action to limit global warming by keeping the temperature increase below 2°C above pre-industrial levels and aiming to limit the temperature increase to 1.5°C above pre-industrial levels.

According to IPCC (Intergovernmental Panel on Climate Change) publications, the world is currently going to get warmer by 4°C or more. The Paris Agreement aims at limiting global temperature increase to well below 2°C by 2100. This is why the Management Board chose these 2 scenarios for the climate scenario analyses.

Transformation (transition) risks are risks associated with social and political pressures that will change regulations and expectations for reducing the climate impact of economic activity. Economic pressures and good risk management practices will force companies to adapt to changing social, technological, economic, environmental and political (STEEP) conditions. Analysing the risks and opportunities associated with climate change involves determining the level of sensitivity to global pricing of emission rights, taxes, the need to seek low-carbon technological solutions, and the potential for breakthrough operational methods.

Physical risks are the effects of climate change that are gradual in nature, appropriate to the timescale of cause (increasing concentration of greenhouse gases) and effect (new level of thermal equilibrium of the globe).

**The following table presents the risks identified in the analysis process:**

Risk category	Materiality (1-5, 5 being the maximum materiality)	Description of the risk	Counteracting
Transformation Risks - Regulatory and Legal (Compliance)	4	<p><u>Issue pricing and reporting obligations</u></p> <p>Due to the impact of the construction sector on CO<sub>2</sub> emissions, environmental regulatory measures are being taken to minimise them.</p> <p>There is a risk of a significant increase in the cost of operations through the introduction of additional or increased emission charges which will translate in particular into the prices of materials purchased by the Group.</p> <p>In addition, the rapid regulatory changes make it necessary to regularly adjust the reporting and emissions monitoring processes for each of the Group's activities.</p>	<p>The Group employs qualified staff and cooperates with recognised external advisers. When regulations change, the Group adjusts to the requirements resulting from the new rules and obligations.</p> <p>The Group reviews and updates its procedures in accordance with changes in regulations and ongoing internal processes.</p> <p>The Group monitors greenhouse gas emissions in Scope 1 and Scope 2, and is developing a system for reporting and monitoring sustainability indicators.</p>
Transformation Risks - Regulatory and Legal (Compliance)	4	<p><u>Regulation of product solutions</u></p> <p>Due to the impact of the construction sector on CO<sub>2</sub> emissions, environmental regulatory measures are being taken to minimise them.</p> <p>This may materially affect the products manufactured and offered by the Group, and the need to adapt them to the requirements of stricter regulations (for example, on the energy efficiency of buildings). The risk of a significant increase in the price of the products and services offered by having to use more expensive technologies and materials is important here.</p>	<p>Risks are reduced by carrying out thorough calculations and obtaining Environmental Product Declarations (EDP), which detail the environmental impact of a product over its entire life cycle (LCA).</p> <p>The threat is also mitigated by promoting LEED and BREEAM products and services to investors and increasing in sales revenue.</p>
Transformation Risks - Regulatory and Legal (Compliance)	3	<p><u>Exposure to litigation</u></p> <p>Due to the impact of the construction sector on CO<sub>2</sub> emissions, environmental regulatory measures are being taken to minimise them.</p> <p>There is a risk that the Group will not be able to meet all the requirements imposed on it, which may translate into administrative and judicial proceedings.</p>	<p>The Group employs qualified staff and cooperates with recognised external advisers. When regulations change, the Group adjusts to the requirements resulting from the new rules and obligations</p>



Risk category	Materiality (1-5, 5 being the maximum materiality)	Description of the risk	Counteracting
Transformation risks – Technology	3	<u>Replacement of existing products and services with lower emission options</u> There is a significant risk that the current transformation processes will significantly affect the range of products produced by the Group, and there will be a need to replace them with other products and services with significantly lower carbon footprints. Important here is the risk of a significant increase in the price of the products and services offered by having to use more expensive technological processes - the purchase of innovative machinery and technological lines and more expensive materials.	Risks are reduced by carrying out thorough calculations and obtaining Environmental Product Declarations (EDP), which detail the environmental impact of a product over its entire life cycle (LCA). The threat is also mitigated by promoting LEED and BREEAM products and services to investors and increasing in sales revenue. The Group is increasingly introducing technological solutions in line with the principles of the closed-loop economy, increasing the share of renewable energy consumed in the Group, and planning significant investments in this area.
Transformation risks – Technology	3	<u>Failed investments in new technologies</u> The need to apply new technological solutions in order to reduce the carbon footprint of the products and services produced by the Group carries the risk that the planned investments will not be realised, and that they will not yield a satisfactory return on the capital employed.	If production capacity increases, the Group carries out market analysis and discerns possible scenarios in order to make an optimal decision and secures the financing of the investment in question in advance. Additionally, the Group prepares plans for its operations after the expansion of operations.
Transformation risks - Market	3	<u>Changing customer behaviour, and uncertainty in market signals</u> Climate change and new trends may cause customers to turn away from traditional and prefabricated building solutions. The Group may misinterpret market signals and expectations, which may result in poor decisions being made by the Group's management.	Risks are reduced by carrying out thorough calculations and obtaining Environmental Product Declarations (EPD), which detail the environmental impact of a product over its entire life cycle (LCA). The threat is also mitigated by promoting LEED and BREEAM products and services to investors and increasing in sales revenue. The Group is increasingly introducing technological solutions in line with the principles of the closed-loop economy, increasing the share of renewable energy consumed in the Group, and planning significant investments in this area.

Risk category	Materiality (1-5, 5 being the maximum materiality)	Description of the risk	Counteracting
Transformation risks - Market	3	<u>Increased cost of raw materials</u> There is a significant risk that both the current transformation processes forcing manufacturers of materials used by the Group to adapt to the necessary changes and the rapid climate change causing extreme weather events and thus also a significant reduction in the availability of materials and raw materials will significantly increase their prices.	The Group's activities are focused on working with suppliers who have a far-reaching awareness of the changes taking place and who are actively working to reduce emissions during production processes. Pekabex Group is developing a plan for supply chain sustainability in the face of weather changes, which will include scenarios for dealing with natural disasters.
Transformation risks – Reputation	3	<u>Changing consumer preferences, stigmatisation of the sector, and increased stakeholder concerns / negative feedback</u> Climate change and new trends may cause customers to turn away from traditional and prefabricated building solutions. Increased stakeholder concerns and possible stigmatisation of the sector may reduce the availability of funding sources.	The Management Board monitors market trends; Group companies are members of many associations and organisations that have an impact on the sector, and are leaders of change. The Group employs qualified staff and cooperates with recognised external advisers. In the event of changes in regulations and reporting requirements, the Group constantly adjusts to the requirements of the new rules and obligations.
Physical risk	2	<u>Chronic: changing weather patterns, and rising average temperatures and sea levels</u> <u>Sharp: extreme weather events</u> Extreme weather conditions, including heat waves, droughts and floods, are expected to become more frequent and intense. This affects natural ecosystems, human health and water resources. Extreme weather conditions and events, in particular, could result in a material adverse effect on the Group's supply chain, and thus on the implementation of the Group's strategy.	Pekabex Group is developing a plan for supply chain sustainability in the face of weather changes, which will include scenarios for dealing with natural disasters.

The occurrence of the climate risks described above according to the TCFD guidelines could result in a significant slowdown in the Group's growth and the implementation of its strategy.

The Management Board of Pekabex Group is taking active measures to mitigate these risks and take advantage of the opportunities that arise in this situation. Pekabex cooperates with suppliers who are aware of the changes taking place and actively work to reduce emissions generated in their production processes. Pekabex Group is a leader in

the production of prefabricated elements in Poland. The experience and qualified staff working on innovative solutions offer the Group the opportunity to be a leader of change and introduce innovative products and services to the market, as well as reduce energy consumption and emissions. Other opportunities identified by the Management Board are mainly access to cheaper financing and cost reduction through reduced consumption of materials and raw materials.

## Social, labour and human rights risk management

Risk category		Description of the risk	Counteracting
Risk of forced and child labour in the value chain	3	<p><b>Forced labour and child labour</b> Most existing cases of forced labour in global supply chains involve migrant labour and debt bondage. In addition, employees are often exposed to forced labour due to precarious employment relationships. Such situations arise primarily in the informal economy and in seasonal, temporary or contract work.</p> <p>The risk in this area identified by the Group is low and only relates to the employment of migrants by the recruitment agencies that the Group collaborates with, which is related to the limited control of the processes carried out outside the Group.</p> <p>According to 2021 UNICEF data, more than 70 per cent of children are working illegally in agriculture, including farming, fishing, aquaculture, forestry and animal husbandry, and almost a third is not in school. The Group has not identified any significant child labour risks in its value chain. The sector and the markets in which the Group operates are hardly exposed to such issues.</p>	<p>The Group adamantly rejects all forms of forced labour and child labour below the legal age. This declaration applies to the Group's employees regardless of their form of employment, but also to suppliers and business partners.</p> <p>The Group is committed to monitoring and controlling compliance with the Labour Law and to complying with the most important generally recognised legal standards throughout the value chain.</p> <p>As part of its due diligence, the Group regularly assesses its suppliers and service providers for possible breaches. Particular emphasis is placed on respecting the rights of migrant workers, who are often highly dependent on their employer or employment agency. The Group expects its suppliers to put in place effective countermeasures in the case of detecting forced labour or child labour.</p>

Risk category		Description of the risk	Counteracting
Risk of discrimination and unequal treatment	3	<p><b>Risk of occurrence of discrimination and unequal treatment</b> In the Polish context, the diversity of the workforce currently mainly relates to gender, although in the near future employers will face a progressive diversification of the workforce also on the basis of nationality, religion or race.</p> <p>The Group has mainly identified a risk of discrimination or unequal treatment on the basis of gender, especially since the industry in which the Group operates is stereotypically considered to be a male area. Another risk for the Group is the risk of discrimination on the basis of nationality. The Group employs foreigners.</p> <p>The occurrence of instances of discrimination or unequal treatment may entail reputational and financial risks for the Group. Financial risks are related with possible compensation to the aggrieved parties. In addition, the risk also includes bad atmosphere and lack of cooperation within the organisation, which may translate into increased employee turnover and a reduction in the Group's financial performance.</p>	<p>The Group opposes all forms of discrimination on the basis of gender, but also on the basis of religion or beliefs, nationality, disability, age or sexual orientation.</p> <p>The risk is mitigated by providing access to complaint submission mechanisms and complying with the diversity policy and the Code of Ethics. The Group also has a Recruitment Policy in place, providing candidates with equal access to the positions offered.</p> <p>The Group creates a friendly and open corporate culture that promotes equal treatment.</p>
Risk of violation of labour rights	3	<p><b>Risk of violation of labour rights</b> The risks identified by the Group in this area can be related in particular to: exceeding acceptable working hours, fair pay and income, and freedom of association. The Group cooperates with recruitment agencies and the defined risk is mainly connected with the limited control of processes outside the Group.</p> <p>Violations of labour rights within the Group may entail the risk of reputational damage and financial risk, related to possible compensation for the injured parties and penalties from institutions that supervise and control compliance with labour law.</p>	<p>The Group complies with the law and accepted standards in this respect. The risk is mitigated primarily through periodic supplier assessment, standardisation of the rules of conduct in the procurement process and its transparency, as well as by building lasting relationships with contractors based on trust and mutual respect.</p> <p>Contractors are expected to comply with laws and ethical standards as described in the Pekabex Group Code of Responsible Business Conduct.</p> <p>Any infringement that violates labour rights is cause for terminating the cooperation with the supplier.</p>



Risk category		Description of the risk	Counteracting
Risk of mobbing, harassment, and abuse	3	<p><u>Incidence of mobbing, harassment, and abuse</u></p> <p>The occurrence of incidents of mobbing, harassment, and abuse may entail reputational risks for the Group as well as financial risks, related to the possible compensation to victims. In addition, the risk also includes bad atmosphere and lack of cooperation within the organisation, which may translate into increased employee turnover and a reduction in the Group's financial performance.</p>	<p>The Group does not tolerate any form of mobbing, harassment or abuse.</p> <p>The risk is mitigated by providing access to complaint submission mechanisms and developing an organisational culture based on the values of the Pekabex Group Code of Ethics. An important aspect of risk mitigation is building employee awareness of violation risks and promoting positive behaviour. The Group also conducts information campaigns to familiarise employees with the Group's values and standards.</p>
Occupational health and safety risks	4	<p><u>Violation of occupational health and safety regulations</u></p> <p>The cases of loss of health or life by employees as a result of breaches of occupational health and safety regulations may entail reputational risks for the Group as well as financial risks, related to possible compensation for the injured parties and penalties from institutions that supervise and control compliance with occupational health and safety laws.</p>	<p>Maintenance of the Occupational Health and Safety Management System based on the ISO 45001 standard.</p> <p>Risks are also minimised through: identifying hazards, assessing and controlling risks; consulting employees on areas for improvement; providing the required personal protective equipment; internal audits; detailed analysis of near misses and accidents at work; carrying out periodic OHS training and practical classes; organising information campaigns; monitoring the effectiveness of the OHS system; continuous assessment of the compliance of the OHS system with the applicable standards; hazard identification and preventive measures.</p> <p>The Group works with suppliers and service providers who comply with OHS laws, standards, and recommendations.</p>

## Corporate governance risk management

Risk category		Description of the risk	Counteracting
Internal fraud risk	3	<p><u>Internal fraud</u></p> <p>The risks identified by the Group in this area are related to the misappropriation or use of company assets, vandalism, theft, the use of official position to obtain personal benefits resulting in financial losses, criminal and administrative sanctions, criminal and civil liability.</p> <p>Risks may be related to insufficient physical security of facilities or property against theft or damage; errors or inadequate inventory taking; insufficient security of IT systems; failure to assign clear ownership to property entrusted to employees for use for business purposes; and lack of effective oversight of Group assets.</p>	<p>The risk is mitigated by providing access to violation reporting mechanisms, information and education activities conducted among employees and business partners, and promoting the right attitudes among employees.</p> <p>The Group expects its contractors and employees to comply with the law and with the ethical standards described in Pekabex Group's Code of Ethics and Code of Responsible Business Conduct.</p> <p>The Group also enforces compliance with internal procedures and due diligence in the performance of professional duties.</p>
Risk of corruption and conflict of interest	4	<p><u>Risk of incidents of corruption and conflict of interest</u></p> <p>The risks in this area are mainly related to financial losses, which may be caused by the payment of damages, financial penalties, penalty interest or litigation costs, distortion or falsification of management information, which may result in an inappropriate decision, the incurring of commitments that are unfavourable in terms of business, an increase in expenses or costs of operations or insufficient verification of financial terms in contracts concluded.</p>	<p>The risk is mitigated by compliance with the Anti-Corruption Code, the Code of Ethics, and the Code of Responsible Business Conduct.</p> <p>Monitoring impartiality towards potential suppliers and overseeing the supplier selection approval process.</p> <p>Introduction of a multi-stage approval procedure for contract and other business-related agreements. Setting project budgets, monitoring them and analysing deviations. Clear assignment of tasks and responsibilities and prioritising of tasks at different positions. Effective strategic risk management policies and compliance with internal policies and procedures.</p>
Risk of insider trading	3	<p><u>Risk of insider trading</u></p> <p>Insider trading negatively affects the cost of capital and trust of capital market participants and gives an unfair business advantage.</p> <p>Insider trading incidents may result in financial penalties, criminal and civil liability, and damage to the Group's image.</p>	<p>The risk is mitigated by adherence to the Group's insider information reporting policy; maintaining an insider register to identify potential sources of insider information leak; periodic monitoring of the insider information circulation process; and promoting the values set out in the Code of Ethics and the Code of Responsible Business Conduct among employees.</p>

Risk category		Description of the risk	Counteracting
Data security and protection risks	2	<p><u>Occurrence of unauthorised access to information</u></p> <p>The risks identified in this area relate to unauthorised disclosure, loss of information, commercial espionage, hacker attacks, financial and tax extortion, forgery, money laundering, and indirect terrorist financing. Such incidents may result in material and financial losses for the Group, but also in financial penalties, criminal and civil liability, and damage to the Group's image.</p>	<p>The risk is minimised through a dedicated, encrypted link for connecting to the main servers (dedicated portal and VPN connection), multi-factor authentication and continuous raising of employee awareness through training and information campaigns on existing threats. Staff knowledge is reviewed and tested on an ongoing basis.</p> <p>Maintaining an effective system of protection against unauthorised access to data through state-of-the-art technical solutions implemented in the Group (full redundancy through operation in high-availability clusters), cooperation with an external SOC (Security Operation Centre) service provider, and 24/7/365 supervision of critical infrastructure.</p> <p>Data loss protection: the Group has a backup system in place, in which backups are stored on disk arrays located outside the Group's data centre.</p> <p>Maintaining effective preventive procedures that offer protection against data security threats.</p> <p>Assessing suppliers and business partners for possible risks of abuse in the value chain.</p> <p>Effective use of the organisation's violation reporting system that enables the reporting of potential violations by external parties too.</p> <p>Expecting the Group's contractors and employees to comply with the law and the ethical standards described in the Pekabex Group's Code of Ethics and Code of Responsible Business Conduct.</p>
Legal risk	3	<p><u>Failure to comply with legislation</u></p> <p>The risks identified relate to non-compliance with legislation, misinterpretation of new rules and regulations, requirements imposed by the regulator and supervising bodies. Incidents in this area may result in financial penalties, criminal and civil liability, and damage to the Group's image.</p>	<p>The risk is mitigated by constant monitoring of the regulatory environment and legislative developments, including those related to sustainability factors such as social issues, respect for human rights, countering corruption, environmental protection, and labour issues.</p> <p>Preparation and drafting of guidelines before regulatory changes come into force.</p> <p>Ongoing cooperation with capital market regulators and consulting firms.</p> <p>Training for employees on the law or aimed at preparing them for the announced changes in the law.</p>

Mokate production hall, Żory





PFR Nieruchomości Estate, Toruń

GRI: 102-6, 102-15, 103-3

## Outlook

# 8.0



## 8.1.

### Market position

The Group is the largest manufacturer of prefabricated concrete elements in Poland; it offers comprehensive services in the field of prefabricated concrete structures, from design, through production and delivery, to assembly of prefabricated elements made of reinforced and prestressed concrete.

In addition, the Group offers general contracting services, mainly for buildings, including halls and production and warehouse facilities, but also housing estates. The Group is also active in the development of residential and commercial buildings.

As at the balance sheet date, the Group had six production plants: five in Poland and one in Germany. In addition, the Group has a branch in Germany belonging to Pekabex Pref and branches in Sweden and Denmark belonging to Pekabex BET. Implementation of contracts is carried out primarily in Poland, Germany, Sweden, and Denmark, while production services are carried out in Poland and Germany. Residential development projects that are the Group's own investments are carried out in Poland and Germany.

The demand for prefabricated construction elements made of reinforced and prestressed concrete is closely correlated with the development of the construction sector and this is strongly linked to the macroeconomic situation in the country concerned, including in particular the economic situation.

Prefabricated constructions are currently used for the erection of virtually all types of structures.

Many of the problems currently faced by construction companies can be solved with prefabrication technology: Key benefits:

- less human labour is required due to the automation of processes in the production facility and professional on-site assembly, resulting in a significant improvement in worker safety,
- high quality – production in the controlled environment

- of the production hall,
- possibility of obtaining very high parameters (e.g. load-bearing capacity, span, fire protection),
- speed of project execution, and thus lower costs, e.g. financial costs or costs of maintenance of the construction site,
- lower operating costs of buildings, e.g. due to large load capacity of girders – no need to remove snow from roofs or use additional reinforcements when installing solar panels,
- smaller environmental impact – prefabrication reduces the carbon footprint of the structure. Concrete, like few other building materials, is fully recyclable.

Poland is the main market for the Group. The largest domestic customers of its products include general contractors and direct investors implementing large-scale structures, residential facilities and infrastructure investments. Another large market is the Scandinavian market, on which the Group has been operating for several years and is developing its competences in the field of providing the highest quality solutions for housing construction. On the other hand, the purchase of shares in the company incorporated under German law at the end of 2020 gives the Group the opportunity to expand on this promising market, not only by increasing the sales of manufactured elements, but also thanks to the possibility to develop the provision of services in the general contractor's role. This is currently one of the Group's main lines of development.

According to the Spectis report published in 2022, the Pekabex Group is the largest manufacturer on the heavy concrete prefabrication market in Poland. According to the report, Pekabex's share in the production of the 50 companies analysed is 18.3 per cent, while the 10 largest companies in the report account for 68.8 per cent of the heavy prefabrication segment.

## 8.2.

### Determinants of further development of the Group

#### Construction market in Poland

In 2022, the construction market in Poland was subject to a number of unfavourable factors that made this period one of the more difficult in the history of the free market economy in Poland. The factors that had the strongest impact on the situation in the construction market included the rapid increase in the prices of energy, consumables and raw materials and subcontracting services, linked to the energy crisis in Europe and the rising inflation rate, which reached record-breaking levels, last observed in the Polish economy in the 1990s. In 2022, as a result of the

war in Ukraine, the Polish construction market was also facing reduced access to workforce due to an outflow of workers from Ukraine. Disrupted supply chains were also a major problem, caused not only by the armed conflict across our eastern border, but also by China sustaining the zero-COVID policy and the consequent closure of ports and factories in industrialised parts of the country. All these factors have clearly resulted in a slowdown in construction projects, most evident in the housing market and the public investment segment.

According to a preliminary estimate by Statistics Poland, gross domestic product (GDP) in 2022 was 4.9 per cent higher in real terms than in 2021, compared to an increase by 6.8 per cent in 2021 (in constant previous year's prices). Based on preliminary data published by Statistics Poland, total construction and assembly production (in constant prices) was 6.2 per cent higher than in 2021. For specialised construction enterprises, the dynamics of construction and assembly output was higher by 5.4 per cent in January-December 2022 (compared to the same period in 2021), while for civil engineering enterprises, it was higher by 2.8 per cent. Higher production dynamics (by 11.7 per cent) were also recorded by entities specialising in the construction of buildings. According to the preliminary data of Statistics Poland, construction and assembly output prices increased by 12.6 per cent in 2022 compared to 2021.

The data describing the construction market show that, despite the slowdown in investment activity, market players have managed to build up a buffer of orders and financial surpluses in previous periods, thanks to which, despite the economic downturn, 2022 ended with a few per cent increase in the value of the market. The outlook for the next two years is more concerning, both in terms of the volume of work carried out and the profitability of the contracts. As far as profitability is concerned, the past years can be described as successful for construction companies. However, due to price increases of virtually all types of raw materials and construction materials as well as energy carriers and labour, the next few years may bring a correction. The increasing cost of raising capital to finance day-to-day operations is also becoming a growing problem, with a reduction in investment and increasing debt. In the fourth quarter of 2022, as many as 45 per cent of companies in the construction industry predicted a decline in orders and a deterioration in their financial condition in the near term (EFL Barometer). In 2022, 357 Polish companies declared bankruptcy (10.8 per cent less than in the previous year). Industry statistics show that industrial and commercial companies were the most likely to declare bankruptcy and in both sectors there were fewer bankruptcies than a year ago. In contrast, the third largest industry group, construction sector, recorded a 24.5 per cent year-on-year increase in entities that declared bankruptcy. Insolvencies of companies in this industry are expected to increase further in 2023. Small and medium-sized enterprises are most affected by this. Many construction contracts valued in 2020-2021 were being executed at a loss in 2022. The renegotiation of contract terms and conditions was a common practice

and, in the face of unprecedented increases in material prices, so were price claims by subcontractors and general contractors against investors.

After the unprecedented price increases and material shortages that took place in the post-pandemic reality of the last six months of 2021, at the beginning of 2022, the construction market enjoyed a short phase of relative stability, which lasted less than two months. The outbreak of war in Ukraine has once again disrupted all economic processes throughout Europe. Poland has been particularly affected due to its key role in providing humanitarian and military aid to the fighting Ukraine since the beginning of the conflict. The next quarters of 2022 were a period of unusual economic turbulence, which affected, among others, the construction market. Many companies, especially smaller subcontractors, have had to face a massive outflow of Ukrainian workers, who in previous years accounted for around 80-90 per cent of foreigners legally employed on Polish construction sites. In addition, another wave of material price increases has begun, which coincided with an energy crisis caused by a shortage of energy raw materials due to the cut-off of supplies from across the eastern border. All these geopolitical events and dependencies in the domestic economy have fed inflation at a rate last observed in the 1990s. According to Statistics Poland, the average annual price index for consumer goods and services in 2022 compared to 2021 was 114.4 (a price increase of 14.4 per cent, compared to the 4.9 per cent increase recorded in 2021). CPI inflation peaked in October 2022, when it reached 17.9 per cent. The dynamic growth of the consumer price index in 2022 has also intensified the pressure for wage increases. In 2022, wages in the construction sector grew at a double-digit rate of around 12-15 per cent year-on-year. The record-breaking price dynamics of goods and services in the Polish economy forced the Monetary Policy Council to dynamically raise the NBP reference rate from 0.1% in October 2021 to 6.75% in September 2022. This has entailed a spike in debt service cost, mainly for loans and leases, which are an important source of financing for construction companies. Temporary shortages in the availability of certain consumables and raw materials added to price growth. The disruption of supply chains was caused by the armed conflict in Ukraine and the sanctions imposed on the Russian and Belarusian markets, but also by perturbations in the economy of the world's largest manufacturer – China. As a result of the 'zero-COVID' policy pursued by Chinese authorities, the lockdown of factories and ports important for supply chains, such as the port of Shanghai, continued in 2022.

The second half of 2022 was clearly worse for the Polish economy than the first half, also in the construction market. Due to the unfavourable economic climate, rising borrowing costs and, above all, the uncertain international and economic situation, there has been a decline in the launch of new investment projects. This was most evident in the housing market, which accounts for almost one-fifth of the construction market. According to Statistics Poland, the construction of 200,300 residential premises started in 2022, which is 27.8 per cent less than the previous year. Real



estate developers started the construction of 115,300 residential premises (a decrease by 30.7%), while individual investors – of 82,200 (a decrease by 22.5%). The condition of the housing market and the stifling of demand were significantly affected by the abrupt stagnation in lending, especially in terms of mortgages. This was due to the rise in interest rates and the consequent increase in debt service cost and tightening of credit conditions. A slowdown in investments, albeit to a lesser extent, also affected the industrial and warehouse construction segment. This is caused primarily by record-breaking increases in construction costs and not by weakening demand, as demand for new warehouse space continues to remain relatively high in this part of Europe. As far as the office space market is concerned, demand in this segment has still not recovered after the COVID-19 pandemic. The segment of public investment, which is crucial for the Polish construction industry and accounts for around 50-55 per cent of domestic construction output, is currently in limbo, awaiting EU funds, without which major infrastructure projects, especially in the rail and energy segments, will not start. In the latter case, however, many investments can be initiated and financed by companies with State Treasury shareholding. However, without EU funds, there will be no investment incentive in local authorities, in which national funds under governmental programmes have been the main investment driver since mid-2021. The inflow of new funds from the EU budget for 2021-2027 is not expected until 2024. Funds from the National Recovery Plan, which were supposed to fill the gap in EU funding between 2022 and 2023, remain the subject of a political dispute between the Polish government and EU institutions and are still not available to Poland. A certain way out of this deadlock, albeit eminently provisional and belated, may be to pre-finance selected investment projects under the National Recovery Plan by the Polish Development Fund on the understanding that Poland will eventually receive funds from the NextGenerationEU programme (an EU recovery fund of EUR 750 billion to support member states affected by the COVID-19 pandemic). However, the amounts available through the Polish Development Fund cannot substitute the EU funds that have not been received.

Yet another challenge faced by the construction industry is the European Union's climate policy and the associated green revolution seeking to reduce the carbon footprint of the economy. It will redirect the attention of market participants towards decarbonisation, the responsible use of raw materials throughout the supply chain, and the transition to a closed-loop economy. The negative impact of construction on climate and the environment continues to grow. Pursuant to data from the Global Status Report for Buildings and Construction 2022, the construction sector accounts for more than 34 per cent of demand for electricity and around 37 per cent of CO<sub>2</sub> emissions in the European Union. Achieving energy efficiency in buildings and reducing energy intensity in relation to the volume of buildings being constructed are becoming crucial. Recycling is also gaining significance, both in terms of using recycled materials in the construction process and creating buildings that can be easily recycled. Alongside the green transformation

policy of the European Union, sustainable construction ideas such as green city or 15-minute city, which focus on improving the quality of life of residents and being environmentally friendly, are becoming more and more popular. In addition, they influence urban space engineering, building design solutions and the final cost of the building, which will need to be accommodated by investors, architects, and construction companies. The current geopolitical situation related to the war in Ukraine is forecast to accelerate the transformation of the European Union's energy policy, which may also affect the construction sector, which will have to adapt even faster to new regulatory requirements to reduce the energy intensity and carbon footprint of both newly constructed and revitalised buildings.

PMR experts forecast that the construction market growth rate will slow down in the next five years and will average 1.7% annually throughout the six-year period, which will be significantly lower than the rate observed in the last five years (7.5%). The most important construction-related factors affecting the construction market outlook are:

- Increases in the price of building materials and availability problems that are likely to recur.
- A key phase of infrastructure programmes using EU funds from the 2014-2020 EU budget.
- The outflow of workers from across the eastern border due to Russia's aggression against Ukraine and the demographic problem.
- The impact of the situation in Ukraine on EU and Polish energy policy.
- The inevitable investments in renewable energy sources (RES) and decarbonisation of the economy, the need for modernisation and investment in transmission infrastructure.
- Record-breaking investor activity in the warehouse and logistics market.
- A slowdown in the housing market.

#### **Construction market in Poland – prefabrication**

Pursuant to the report entitled "The concrete prefabrication market in Poland. 2022", published by PMR, an analytical company, the value of the domestic concrete prefabrication market in 2021 was PLN 5,315 million, which is an increase by 80 per cent between 2017 and 2021. The data for 2020 showed that there was a total of 240 companies operating in the heavy concrete prefabrication market in Poland, of which the first 15 had 40 per cent of the total market share. Experts predict that in the coming years the prefabrication market will experience further growth. By 2027, the market is expected to grow in value by 45 per cent. This is also correlated with the growing interest in prefabrication technology in Western European and especially Scandinavian countries, where, according to current estimates, prefabrication accounts for 40-50 per cent of the construction market share. Indeed, heavy concrete prefabrication is a Polish export product. According to PMR, export of this type of product has been on a strong upward trend for several years, and 2021 proved to be a record-breaking year for the export of prefabricated structural elements for construction or civil engineering made of cement, concrete or artificial stone (nearly

40 per cent year-on-year). In terms of value, it was the best result on record (PLN 800 million). For comparison, the value of export between 2017 and 2020 oscillated between PLN 510-580 million. The main customers for Polish prefabricated products are Sweden, Germany, and Denmark. It is noticeable that, as a result of a significant decline in demand on the domestic market and the weakening of Polish zloty, some of the largest prefabrication manufacturers are increasing their export activity.

The strong increase in costs currently observed in the construction industry will further accelerate the development of construction projects using this technology. In fact, the construction industry is now facing one of the biggest challenges, i.e. adapting to dynamic increases in construction costs. Modern prefabrication could be the answer. The reduction in the number of employees on construction sites, the significant reduction in the duration of the investment process compared to traditional methods by up to 40%, and the greater resistance of prefabricated projects to sudden and unexpected increases in the prices of raw materials and consumables, resulting from short lead times, are the key factors of prefabrication's competitive advantage in times of challenges related to cost optimisation. The use of prefabrication technology also allows for the development of a standard for individual elements while maintaining the highest quality, which translates into repeatable architectural, technical, and organisational solutions. All of this shortens the operating cycle and, consequently, increases the profitability rate of real estate development projects. What is more, prefabrication offers the opportunity to significantly reduce the necessary workforce and the risks associated with poor quality work by unskilled workers. Ready-made elements, manufactured in factories, arrive at the construction site, which makes it possible to minimise the number of people involved in the construction process, thereby reducing occupational health and safety risks. The price of energy is an important limiting factor for many industries. Heavy concrete prefabrication is not a particularly energy-intensive manufacturing process, so an increase in energy costs should not have a significant impact on market development.

The trends related to preventing the negative effects of climate change are gaining popularity in Europe. Particular emphasis is put on promoting sustainable construction. This is linked to new European Union regulations, which will further drive the use of innovative and energy-efficient technologies in the construction of buildings. Modern concrete prefabrication is the answer to these issues. Another advantage of building using this technology is the possibility to apply a number of pro-environmental solutions, which make the buildings more energy efficient and contribute to the idea of sustainable construction. This is important in an era of increasing awareness of social and climate responsibility issues among investors and end customers. Increasing market expectations in this respect are forcing the construction industry to change its approach to the construction process. Modern prefabrication fits in with the new market needs, not least because it uses less cement and steel than traditional construction,

which contributes to a lower carbon footprint. Construction sites where prefabrication technology is used generate less pollution and waste, and the possibility of reusing recycled prefabricated elements is in line with the principles of a closed-loop economy (minimising waste and the use of new raw materials).

In the longer term, the growth of the prefabrication market will be most strongly influenced by the development forecasts for residential and non-residential construction, as well as engineering construction, which is gaining importance in this context. The factors considered in forecasts for the prefabrication market include the impact of the war in Ukraine and the prospects of its rapid post-war reconstruction, where prefabrication could be widely used as a technology that allows for erecting buildings up to two times faster than traditional construction. This could drive the development of the concrete prefabrication market in Poland. Demographics will also be conducive for the development of prefabrication. The decline in the number of professionally active people will lead to a preference for solutions that require less workforce involvement on construction sites. This is where prefabrication has an advantage over other building construction technologies, as it allows for the reduction of the number of people working on site.

The prefabrication market also encompasses the modular prefabrication market. A multi-family building based on a modular solution is being constructed in Mysłowice (Forbes); the factory will deliver 56 fully finished and equipped modules (27 flats). The building will incorporate a number of technologically advanced, environmentally friendly solutions. Such projects confirm that prefabrication is the future.

Taking into account the current market situation and the factors and trends that may influence the future shape of the prefabrication market, the Group has adopted a strategy of diversifying its activities, developing simultaneously three business lines (prefabrication, general contracting, and real estate development) and increasing export, especially to Scandinavian markets and Germany. The Group is also making use of the acquisition in the German market to further develop and strengthen its position there. The Management Board of the Group also sees great potential in investments in modern technological lines and process automation, which significantly increases the quality and efficiency of production. The Group takes advantage of emerging market opportunities, among others, by offering comprehensive services, also in the general contractor's role, in the field of prefabrication (i.e. design, consulting, production, delivery, assembly), which is particularly important in the case of large projects. The fact that the Group has five production sites in Poland and one in Germany, which significantly optimises transport costs, is also a plus. In the long term, infrastructure projects in the area of expanding the national railway network also represent an opportunity for the development of prefabrication. These are to be co-financed under the European Funds for Infrastructure, Climate, and Environment programme

for 2021-2027 (FENIKS) and the Connecting Europe Facility (CEF) 2021-2027 programme. There are plans to build 1,800 kilometres of railway lines by 2034 to provide transport to, among other things, the Centralny Port Komunikacyjny transfer hub.

**Development of non-residential construction (industrial and warehouse facilities)**

According to Statistics Poland, in 2022, 22,700 new non-residential buildings were commissioned, and 2,300 were extended (which constitutes an increase by 0.6 per cent and a decrease by 3.3 per cent compared to the previous year, respectively). The total usable floor area of new and expanded non-residential buildings was 15.9 million m<sup>2</sup>, which is 12.6 per cent more than in 2021. In 2022, industrial and warehouse buildings accounted for as much as 55.5 per cent of the space commissioned. Commercial and retail buildings also constituted a significant share (11.8 per cent). Increases in commissioned space year-on-year were recorded for: industrial and warehouse buildings (by 34.4 per cent), hotels and tourist accommodation buildings (by 30.4 per cent) and transport and communication buildings (by 0.8 per cent).

Industrial and warehouse construction is the largest, but also the most prospective non-residential construction segment. Despite the uncertain economic situation and the war in Ukraine, the warehouse market in Poland continues to grow. Pursuant to the report entitled "Polish Warehouse Market 2022", published by the AXI IMMO consulting company in February 2022, the total warehouse space in Poland at the end of 2022 was 28.3 million m<sup>2</sup> and the volume of transactions reached 6.69 million m<sup>2</sup>, which constitutes a decrease by 9 per cent year-on-year. A change in the structure of demand has also been observed. The share in demand of the e-commerce market has been taken over by manufacturing companies, which locate their output and order picking in warehouse and logistics parks. Logistics operators still had the largest share in the tenant mix in 2022 that exceeded 50 per cent.

The vacancy rate in Poland in 2022 was 4.1 per cent which means that there is still little speculative space. This is due to, among other things, the conditions imposed by banks with regards to financing. They require a high level of space reservation by prospective tenants, reaching up to 50 per cent, which makes it more difficult to obtain loans. In the current macroeconomic situation, the trend is not likely to change in the short to medium term. 2022 was also characterised by significant rent increases. The average rates offered in the majority of warehouse and logistics park locations increased by around 20 per cent on average compared to the previous year. This was caused by rising construction costs (materials, energy, fuel and labour) and, where there was a CPI adjustment clause in the contract, the rapidly growing inflation rate. Despite this, the country's total rental, energy and labour costs are still among the lowest in Europe, which is why locating investment projects here is attractive compared to other Old Continent countries and Poland is among the fastest growing warehouse and logistics markets in Europe. As the figures for the end

of 2022 show, the largest amount of warehouse space is located in the Mazowieckie Province (20 per cent of the total supply), followed by the Silesian Province (17 per cent) and the Łódzkie Province (14 per cent). In western Poland, i.e. Dolnośląskie, Wielkopolskie, Lubuskie, and Zachodniopomorskie provinces, a total of 43 per cent of all new warehouse space was completed in 2022. By contrast, in eastern Poland, i.e. in the Warmińsko-Mazurskie, Podlaskie, Lubelskie, Podkarpackie and Świętokrzyskie provinces, the new projects completed account for only 4.5 per cent of new supply. This proportion may be reversed in the future due to the growing needs of serving the Ukrainian market.

Forecasts associate the development of the warehouse and logistics space market with the further expansion of the e-commerce sector and the development of light manufacturing. According to Statistics Poland, the share of online sales in total trade in 2022 was around 11 per cent. Experts from the PMR consulting company predict this share to increase to almost 20 per cent by 2025. Automation and progress of technological processes allow for rapid development of light manufacturing in Europe, including Poland. Halls adapted for light production can be located in logistics parks, which diversifies the use of these facilities. In the years to come, a greater share of manufacturing real estate in the sales structure is to be expected, not least due to the growing importance of nearshoring (a business strategy consisting in outsourcing part of a company's work to a nearby country) and friendshoring (a business strategy consisting in the collaboration of supplier networks of countries that cooperate on a political and military level). In addition, there is a great deal of interest in city logistics, which is forecast to become increasingly popular as competition between companies is no longer just about price and product quality, but also about speed of delivery to customers. This type of facility is also attractive to courier companies. Last mile logistics facilities, located close to large urban agglomerations or in cities, respond to the market's need to reduce delivery times to end customers, so real estate developers are bringing more and more of these types of facilities to the market, and their share of total warehouse and logistics space will grow steadily. Prime products in 'core' and 'core+' locations will continue to attract the most interest. There is also an increase in the popularity of green solutions. These include the use of solutions that offer superior energy and water efficiency in buildings and the use of renewable energy sources. Many real estate developers are choosing to certify projects under the international BREEAM and LEED systems. The fact that more and more investors are communicating their sustainability (ESG) measures to clients also drives the popularity of green solutions.

The Pekabex Group's answer to warehousing market demand is the "Pekabex® Hall System". The system incorporates the latest legally protected\* construction solutions to provide customers with the optimum combination of the lowest possible price, quality, performance and speed of construction. The "Pekabex® Hall System" offers a reduced carbon footprint thanks to the lower use of cement in the construction and, thanks to the high load-bearing capacity

of the roof structures erected, it allows for the installation of solar systems that produce green energy.

\* Patents and utility models – filed and obtained in the Patent Office

**Residential construction market**

Data from Statistics Poland show that in 2022, compared to the previous year, there was an increase in the number and area of residential premises commissioned to use. In 2022, 238,600 premises with a total floor area of 22.0 million m<sup>2</sup> were put into use. Compared to the previous year, increases were recorded in the number of premises – by 3.9 thousand (1.7 per cent) and in the floor area of premises – by 223.4 thousand m<sup>2</sup> (1.0 per cent). Real estate developers put into use 141,700 residential premises – 0.7 per cent less than in 2020, while private investors put into use 88,300 residential premises – 19.4 per cent more. In 2022, 112,300 new residential buildings were completed, which constitutes an increase by 2.6 per cent compared to 2021. In 2022, the construction of 200,300 residential premises was initiated, which constitutes a decrease by 77,100 (27.8 per cent) compared with 2021. The number of building permits issued and submitted notifications with construction projects was 12.6 per cent lower.

The statistics describing the situation in the housing market in 2022 are distorted in terms of supply, as a very large number of new flats were put on sale between April and June 2022 to ensure that they could be sold on terms applicable prior to the entry into force of the Act on Developers Guarantee Fund. However, the sales in the entire housing industry has dropped significantly since mid-2022. In the second half of 2022, some flats, previously put on sale, were withdrawn from the market. The main reason for this was the decline in demand caused by the limited access to mortgages, increase in interest rates, the tightening of creditworthiness assessment rules, and the uncertainty of the political and economic situation and the persistence of exceptionally high flat prices. In some markets, the number of flats available for sale at the end of December 2022 was at a record high, with clearly limited demand. In terms of prices, it was only in the last quarter of 2022 that developers started offering numerous special offers and discounts, which could be observed in the slight adjustment of the prices of sold flats. However, the average prices of residential premises in the first three quarters of 2022 were higher compared to the same period of 2021, i.e. by 13.6 per cent in Q1, by 12.4 per cent in Q2, and by 12.1 per cent in Q3.

In the short term, the outlook for the coming year for the real estate development industry is not the most promising. The continuing high cost of investment financing and the slow sale of premises that are already on the market will most likely result in a further slowdown in new investment projects. There is some hope in the stimulation of mortgage lending thanks to the announced new government programme, "Pierwsze Mieszkanie" (My First Home), which could be a strong demand-driving factor in the property market. The programme will involve subsidies for fixed-rate mortgages. Economists also anticipate a reduction in the

NBP reference rate by 25 bp or even 50 bp by the Monetary Policy Council in the third quarter of 2023. A decrease in the cost of credit could also be hoped for in connection with banks basing their interest rates on the new WIRON (Warsaw Interest Rate Overnight) index.

The PRS (private rented sector) companies are becoming a noticeable player in the real estate market. In 2022, the PRS market was estimated at 11,600 premises, with 10,000 premises currently under construction. The prospects for the development of the private rented sector in Poland are great, as the Polish PRS market is still small compared to Western Europe, but is growing very dynamically, as investors in the PRS sector can count on a higher return on investment than in the old EU countries. Compared to Prague, four times as many new flats for rental are being built in Warsaw in 2022. The development of the PRS market is also supported by the current economic situation in Poland. The large influx of migrants from across the eastern border, the limited availability of mortgages for the average citizen and the slower growth of rental rates than loan instalments make rental accommodation attractive. However, the uncertainty of the legislative environment is what inhibits the development of the private rented sector. In mature European markets, the level of regulation is very high compared to Poland, which associates this form of investment with significant uncertainty that may negatively influence investors' decisions.

Even though 2022 was one of the most dynamic periods in the history of the Polish housing market, the situation in the industry is quite stable. Developers have a moderate number of flats under construction, with a good level of pre-sales and a stockpile of building permits accumulated over the last three years, which, if the situation improves, will allow new development projects to be launched quickly.

The average duration of construction of a new residential building (calculated from the date of construction commencement to the date of putting into service) was 42.5 months in 2022. Residential construction was dominated by traditional improved construction technology, which was used in the construction of 98.5 per cent of new residential buildings put into use. At the same time, there is a noticeable trend of increasing popularity of the application of solutions in the field of prefabricated housing in Poland; It meets the market demand, mainly due to the speed of erection of buildings and the repeatability of solutions. Facilities constructed in the prefabricated technology are completed in half the time necessary to erect them in a traditional manner. Although traditional construction will remain the dominant technology for the construction of residential buildings for many years to come, the share of prefabrication technology is forecast to increase from 1-2 percent in the last few years to 8-10 percent in the next decade.

The Group sees great potential for the development of prefabrication in the residential segment. There is growing interest in modular construction among developers, particularly because of the pace of work. Building with



prefabricated elements speeds up investments, guarantees repeatable high quality and, as the financing costs and prices of materials rise and the availability of construction services decreases, it becomes relatively cheaper and more convenient. The use of prefabricated elements in construction is changing in line with the trends set by Western Europe, and the disparity in their use will continue to decrease. In addition to selling prefabricated products to the residential market, the Group also carries out development projects as a general contractor. It has realised, among others, flats as part of the Mieszkanie Plus programme in Toruń and Sianów, as well as for other investors of multi-family buildings, e.g. in Włocławek and Poznań. The Group also carries out its own property development projects. Pekabex is currently in the process of completing or preparing to complete the following projects: Ja\_Sielska III, Ja\_Sielska IV, Ja\_Sielska V, and Ja\_Sielska VI in Poznań, Casa Baia Apartments in Hel, Origin Mechelinki Apartments, Revital Apartments and Origin Mechelinki Centre in the vicinity of Gdańsk, Neonowe Estate (the building is expected to meet the requirements and criteria for BREEAM certification and the "Barrier-Free Facility" certificate from the Integration Foundation) in Częstochowa, the Zatoka Wrzosowo holiday suites project in Dziwnówek, and the Stadtvilla flats in Falkensee in the vicinity of Berlin (Germany). A broader description of the Group's investments can be found in section 3.6 of this Report.

Responding to the demand of the residential market, the Group has developed the "Pekabex® Residential Buildings System" dedicated mainly to multi-family housing, but applicable also to public and collective housing buildings. The technology used in the System makes it possible to erect buildings at a rate unattainable for traditional construction, which translates into a reduction of investment costs and faster return on investment. In addition, buildings constructed on the basis of the System also allow to obtain a higher usable area rate, which translates into higher revenue from investment. The System is a practical solution that allows for combining it with other elements available on the market.

The Group's also offers a solution in the field of residential construction addressed directly to individual customers, P.HOMES. It is a system for the construction of single-family houses in prefabrication technology. The technology used to build P.HOMES houses significantly exceeds the load-bearing and strength parameters of wooden, LECA and concrete, as well as brick houses. The technology of prefabricated elements allows for quick and effective assembly of the house structure in less than a month, while ensuring the extraordinary durability of the building. P.HOMES is a sustainable construction solution in which environmental aspects play a leading role. The constructed low-energy buildings are warm and have a low humidity. Within the scope of P.HOMES, the Group offers comprehensive construction of turnkey or builder's finish buildings. The Group offers the implementation of all stages of the project, from design to the acceptance of the finished residential building with all installations and plot development. The Group's P.HOMES offer includes the possibility of

selecting a ready-made building design out of nine modern and functional house designs available or configuring your own house, which can be up to seven times cheaper in use than traditional buildings.

### 8.3.

## Short-, medium- and long-term perspective



The Group's management is committed to safe and sustainable growth that takes into account the expectations of shareholders, customers and other stakeholder groups.

The Group's value is being built by focusing on improving the margins of its order book and acquiring new construction contracts and its own development projects. The Group's Management Board implements a policy of geographical diversification (the largest markets are, apart from Poland, also Scandinavia and Germany), segmental diversification (three business lines: prefabrication, general investment execution, property development) and product diversification (prefabricates can be used in every segment of the construction market: warehouse and logistics buildings, production halls, residential buildings, etc.)

#### → **Key internal factors relevant for the competitiveness and development of the company**

##### **High quality of products**

Thanks to the use of modern technical and technological solutions, prefabricated structures manufactured by the Group are of very high quality. They offer very high parameters e.g. in terms of load-bearing capacity, span and fire resistance.

The Group operates an Integrated Management System based on three cooperating systems, namely: Quality Management System in line with the PN-EN ISO 9001:2015 standard, Occupational Health and Safety Management System in line with the PN-ISO 45001:2018 standard and Environmental Management System in line with the PN-EN ISO 14001:2015 standard.

The Group has adequate intellectual resources and production capacity to implement the most difficult projects, and its highly qualified personnel, through their experience,

knowledge and competence, further strengthen Pekabex's competitive advantage.

##### **Product diversification and comprehensiveness of the offer**

The operating activities of the Group can be divided into several business segments (a broader description can be found in note 1 on segments). Thanks to this diversity, the Group can take advantage of the economic situation both as (i) a subcontractor – manufacturer of prefabricated elements, including for warehouse (industrial) and residential buildings, (ii) as a general contractor, successfully making use of its comprehensive knowledge and experience, and (iii) as a developer, carrying out residential projects on its own account.

In the opinion of the Management Board, investors in Poland have an increasing appreciation of innovative and comprehensive solutions, including both consultancy in the area of precast technology, and design, production, transport and assembly of precast units, as well as comprehensive development of facilities as a general contractor. For Pekabex, the coordination of the entire construction process increases the flexibility of the production processes thanks to the possibility to more precisely plan the demand for prefabricated products within a given period. The Group intends to continue the development of its product offering, including more technologically complex, higher-margin products, while also developing solutions that are cheaper for the end user and more environmentally friendly by using technologies to reduce, for example, steel in components.

##### **Market expansion**

The Group plans to increase its share of sales in the markets of Western Europe and Scandinavia, primarily through a stronger presence in the housing market there, but also through the development of its general contracting segment. To this end, the Group made an acquisition in the German market at the end of 2020 by acquiring shares (in cooperation with Fundusz Ekspansji Zagranicznej Inwestycyjny Zamknięty Aktywów Niepublicznych [Foreign Expansion Closed Investment Fund for Non-Public Assets], managed by PFR) in the German company G + M GmbH. With this transaction, the Group took possession of a production facility in Germany, located in Marktzeuln (Bavaria). At the end of 2021, the Group also acquired a German real estate development company, through which it is carrying out its first pilot real estate development project in Germany consisting in the construction of Stadtvilla flats in Falkensee, an exclusive suburb of Berlin.

The integration of the acquired entities into the Group was continued in 2022, with emphasis on effective cooperation between both parties. The activities undertaken in this area are carried out by a team of specialists from different departments and have brought tangible business results, opening up the field for the exchange of experiences. An important aspect of cooperation is process integration and the creation of space for the joint execution of projects. Through its activities, the Group aims to achieve synergy, which opens up opportunities for expansion into

new markets. The presence of the German companies in the Group has increased their potential, which has made them more competitive, especially with regard to ongoing projects in eastern Germany, but has also opened up opportunities for the Group to enter new markets, such as Switzerland. The Group's capabilities boost its offering by increasing the scope and complexity of the solutions it proposes and by increasing its production capacity. This also opens up prospects for the introduction of new housing products (prefabricated façade walls, highly processed prefabricated elements) to the German market, which has not previously been included in the portfolio of the Marktzeuln production site. This broadens the group of target customers and is in line with the Group's strategy. The current production potential of the plant is about 30,000 m<sup>3</sup> of prefabricated elements per year. The Group is aiming at increasing the production capacity of the Marktzeuln plant by investing in automation and streamlining processes at the site.

For many years the Group has been developing its operations and successfully executing contracts on the Scandinavian and German markets, continuously increasing the scale of its operations on the latter. Currently, revenue from these markets account for 26 per cent of total revenue for 2022.

##### **Automation and digitisation**

Automation and digitalisation are embedded in the Pekabex Group's strategy as a key factor in increasing competitive advantage. The Management Board believes that automation is the future of construction production, as it plays a key role in increasing the efficiency and quality of production processes. The Group's investment policy is directed towards the purchase of appropriate machinery, equipment, and systems to reduce operating costs and optimise work. The Group also puts emphasis on investment in innovative technologies, which is also carried out through special units within the Group established for this very purpose.

As part of the Management Board's production automation strategy a Pekabex Engineering unit has been established in the Group's plants. It is dedicated, among other tasks, to the implementation of this strategy. The Group's Management Board believes that the future belongs to new technologies, which is why Pekabex Engineering employs high-class specialists whose priority at work is to strive to streamline, improve, and perfect production processes based on innovative solutions. The implementation of automation processes in the Group is also supported by Rebuild Construction Automation sp. z o.o. The company is dedicated to the implementation of innovative projects aimed at creating prototypes of machines and production equipment used later in the Group's production plants. The new company combines engineers specialising in automation and R&D with specialists in prefabrication. The company's tasks support the automation of the Group's production processes, leading to the strengthening of the position of Pekabex on the market.

In addition, within the IT department, a section dedicated to supporting the automation and computerisation of processes carried out in the Group was established, and the process of developing an ERP system integrating most of the Group's processes continued.

Since the end of 2020, the Group makes use of the fully-automated Gdańsk II production facility, which is one of the most modern factories of its kind in Europe. An innovative process line for the automated production of prefabricated "Filigran" floors and walls has been installed at the plant.

As part of process optimisation, the Group has the Production Process Recording System in place at its production facilities, which measures processes, providing data that allow for identification of areas for improvement and further automation. Production reporting is implemented in all Group factories and the data from the reports are also used to improve work in other departments such as the Execution Department, the Sales Department, and the Warehouse.

**Technological and product innovation**

According to experts, the innovations that will enable the construction industry to develop in the long term are augmented reality and software for the sector, and data management systems. Building Information Modelling (BIM), which is the basis for the further digitisation of implemented projects, will have a significant impact on the increase in the efficiency and productivity of construction companies. However, digitisation in the industry should not only be limited to BIM, but also include digitisation of all process chains. Digitisation is most profitable in the areas where the most mistakes are made. Experts jointly distinguished the key directions of implementation of innovations in the construction industry, including the use of artificial intelligence, drone systems and robotisation.

The Group has been working on the development of prefabrication technology for years, and has its own Research and Development Centre. In order to effectively compete on the market, Pekabex has developed a number of innovative solutions, which it has applied for as utility models and inventions. These include, among others, connectors for prefabricated elements accelerating assembly processes, modern and high-quality finished prefabricated elements, and innovative technological processes. At the turn of 2020, the Group created a modern design service centre (Shared Services Centre) in Gdańsk, where the Group's activities in the field of design services for prefabricated concrete elements and modular structures used both in industrial, office space, and residential construction are developed. The Group supplements its offer of prefabricated products with complementary services in the form of consulting on this technology, which will strengthen its competitive advantage within the scope of more technologically complex products and construction solutions.

In 2022, the Group conducted research and development work as part of the contract for a grant under the Smart Growth Operational Programme 2014-2020, co-financed by

the European Regional Development Fund, for R&D work on the development of an innovative prefabricated bathroom module together with its production technology, signed in 2021, and started work in this area.

In December 2022, Pekabex BET S.A. received a positive decision on funding from the Smart Growth Operational Programme 2014-2020 under Submeasure 1.1.1. "Industrial research and development work implemented by enterprises" of the implementation of an innovative project entitled "Research and development work on an advanced IT system using AI algorithms, dedicated for smart measurement and quality control in the prefabricated concrete production and logistics system in accordance with the concept of Industry 4.0".

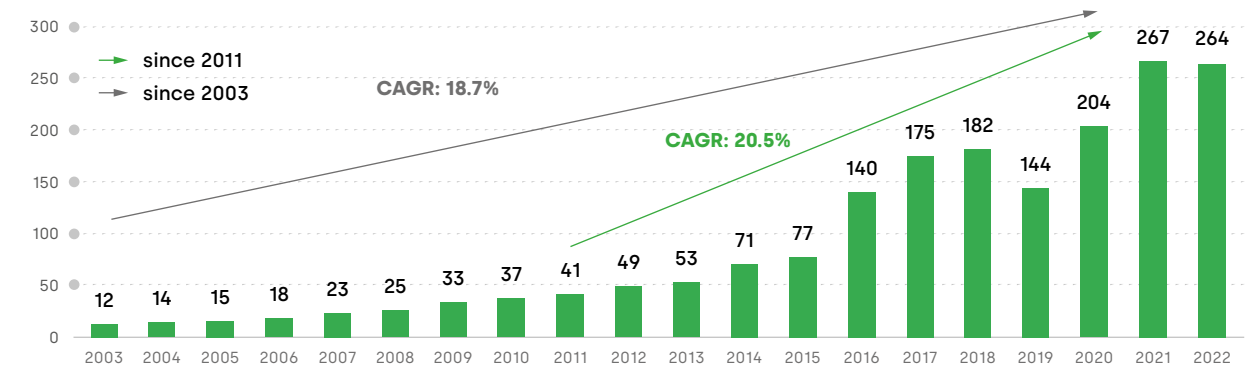
**Strong financial position**

The Pekabex Group has significant financial resources which it manages with a view to, among other things, fulfilling its financial forecasts by meeting budget assumptions and achieving the assumed rate of return on long-term investments.

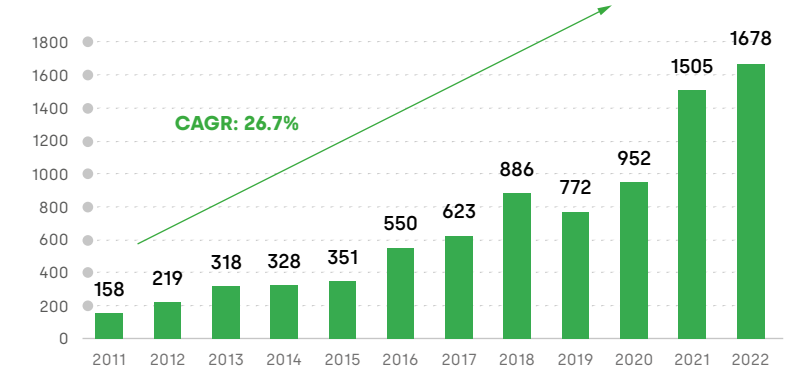
Decisions taken by the Management Board strengthen the market position of the Pekabex Group and allow long-term implementation of investment plans in the periods forecast by the Group.

The charts below present the basic values and indicators showing the development of the Group in recent years.

Production volume in the years 2003-2022 (in thousand m³)

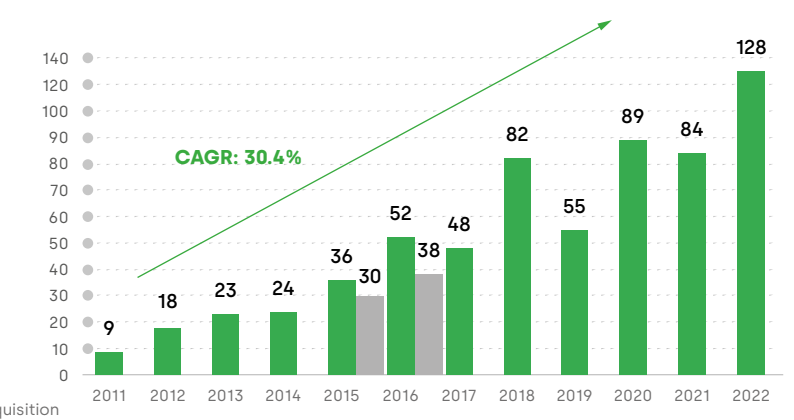


Sales revenue (in PLN million)



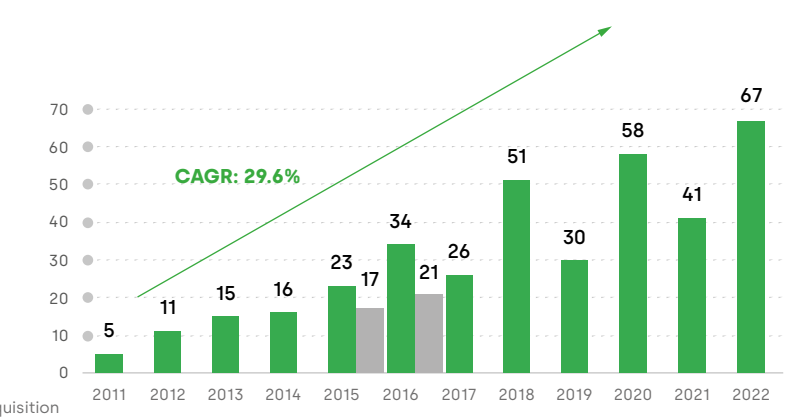
EBITDA (in PLN million)

- EBITDA
- EBITDA\*



Net result (in PLN million)

- Net Income
- Net Income\*





**Order portfolio**

The Group started 2023 with a strong and diversified order portfolio (backlog). It contains the aggregated value of contracts signed by the Group until 31 December 2022, which are/will be implemented and recognised in sales revenue after the balance sheet date.

The values of the order portfolio for individual periods/years result from the schedules indicated in the contracts and the assumption of their timely implementation.

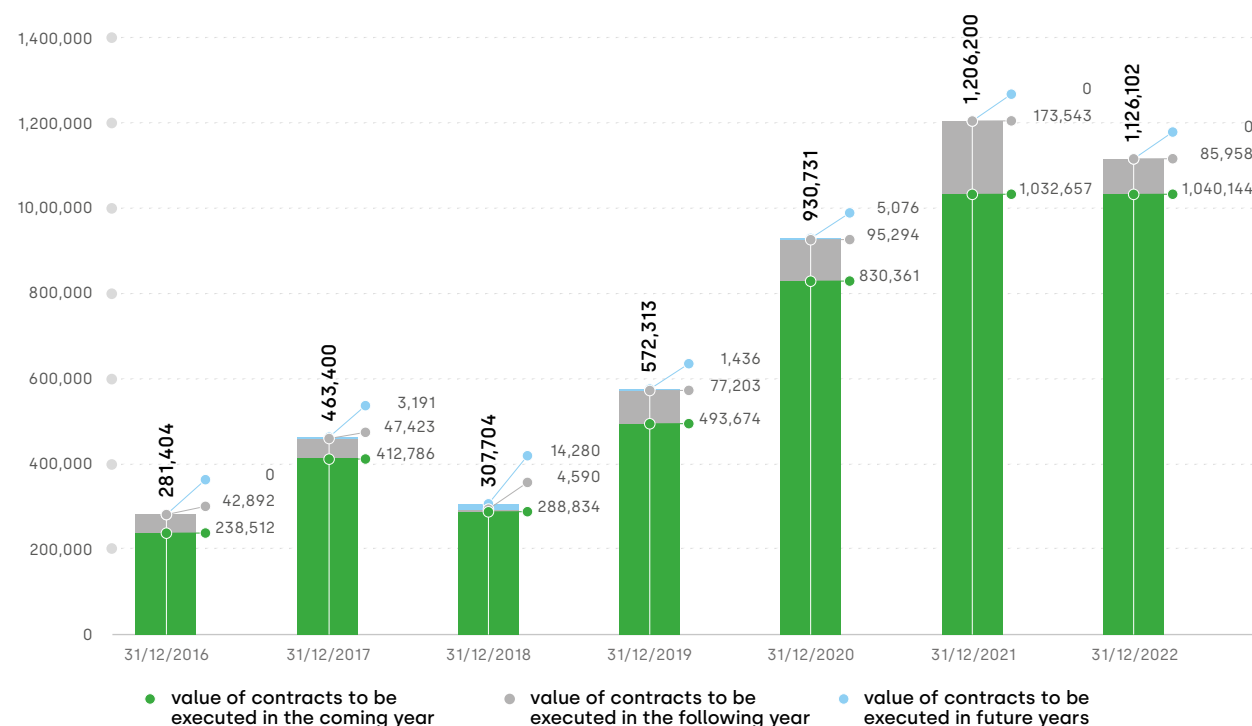
The order backlog also includes planned\* and estimated\*\* revenue from the Casa Fiore Estate project located in Warsaw-Międzylesie, the Casa Baia Apartments in Hel and the Ja\_Sielska III estate with a total value of PLN 77,936 thousand to be generated in 2023 and PLN 53,700 thousand to be generated in 2024. Recognition of revenue in

this segment, in accordance with the Group's accounting policies and the International Financial Reporting Standards, takes place on the date of signing the notary deed transferring ownership of the property.

The value of signed contracts as at 31 December 2022 amounted to PLN 1,126,102 thousand, with PLN 1,040,144 thousand to be generated in 2023 and PLN 85,958 thousand to be generated in future years, while at the end of December 2021, the value of signed contracts amounted to PLN 1,206,200 thousand, with PLN 1,032,657 thousand generated in 2022 and PLN 173,543 thousand generated in future years.

\* Planned revenue – based on signed developer agreements  
 \*\* Estimated revenue – based on the Group's budget assumptions

**Order portfolio in 2016-2022 (in PLN thousand)**



→ **Key external factors relevant for the competitiveness and development of the company**

**General contractor service costs**

The year 2022 was difficult for the construction market. The key factors that contributed to the market situation were, first and foremost, the dynamic increases in the prices of construction materials, energy, and labour, resulting from proliferating crises in recent years. The outbreak of the COVID-19 pandemic, the disruption of global supply chains, the war in Ukraine, as well as the highest inflation in over 20 years and the associated interest rate increase, have all contributed to strong market turbulence. A significant proportion of construction site workers were Ukrainian nationals. Due to the war in their homeland, they were forced to return and join the army. For a market specialising in contracting, this means a shortage of workers and an increased cost of finding workforce. Pursuant to a report prepared by DLA Piper law firm and CCM (Construction & Claims Management) engineering and consultancy company, 88 per cent of construction companies in Poland experienced difficulties in completing investment projects.

In 2022, in the face of strong increases in contract execution costs, many subcontractors and general contractors decided to negotiate remuneration adjustments with investors. The Pekabex Group negotiated the terms of its contract agreements too and introduced a mechanism securing the profitability of the project to the clauses of certain types of contracts.

Over the coming year, the Group anticipates a relative stabilisation in the growth of construction material prices. The Group spreads the risks related with financing investments and diversifies its portfolio. It also updates bid estimates on an ongoing basis and reserves the necessary materials and services in response to changing market conditions.

In the housing segment, the contracts are executed over a longer time span (1-2 years), however, the Group makes extensive use of the products manufactured at its own plants and executes a large portion of the contracts using its own workforce. Consequently, the situation in the housing segment remains relatively stable and is characterised by less pressure for cost increases compared to the hall segment.

The Group has identified major challenges related to the increase of costs of raw materials, supplies, and services. It ensures the necessary volumes of supplies and subcontracted services for the concluded contracts, and works out the actual costs of performing the various scopes of work. There is growing pressure on employee salary increases, but from the point of view of the Group's strategy this is a positive trend, affecting the competitiveness of the Group's offering. The Group is committed to automating production and increasing the efficiency of human labour.

**Costs of raw materials and consumables**

Thanks to its competences, the Group is able to continue to increase efficiency using its know-how in the field of management, achieve cost synergies, primarily related to the costs of administration, logistics and the purchase of raw materials and consumables (e.g. by increasing purchasing power in relation to its suppliers), and increase its bargaining power in contacts with customers. Having plants in different parts of Poland and abroad gives the Group greater flexibility in the supply of prefabricated elements, which reduces the unit cost of their transport to the contract execution sites. Location was the primary criterion in the selection of plants to be acquired. The Group is working to further increase its cost competitiveness based on economies of scale in production, specialisation, standardisation, and experience, and is optimising the cost of materials by reducing waste and using technology to reduce their consumption, such as steel saturation.

The procurement of some consumables and raw materials is based on forward contracts, which reduce to some extent the risk of sudden price increases, and enable the liquidity of supplies to be secured. In terms of sales, as a rule, the Group executes contracts in the medium and short term, which allows it to react quickly to market changes and to translate rising material costs directly into the valuations prepared for customers, but the recent unprecedented price increases in the market have shown that a partial solution for securing the level of planned margins, which the Group applies, is to introduce price adjustment mechanisms in contracts with contractors in relation to the changes in the level of prices of the main materials in the contracts concluded by the Group.

**Rising interest rates**

The series of increases announced by the Monetary Policy Council took the reference rate from 0.1 per cent in October 2021 to 6.75 per cent in September 2022. This has significantly increased debt service costs for companies. Businesses have had to face an increase in interests paid on bank loans, bonds and other available financial instruments, as well as difficulties with financing. However, economists point out that the rise in interest rates to date and the related rise in WIBOR rates have not in themselves significantly worsened the repayment of loans by companies. Record-breaking company margins achieved in previous periods have allowed for accumulating savings, which, at the macroeconomic level, offer a lot of room for absorbing increases in debt service costs by companies. It is only the persistence of high interest rates and WIBOR rates, together with the ever-increasing high cost pressure on companies and the simultaneous reduction in economic growth, that can cause a tangible deterioration in loan repayment.

A significant proportion of the interest financial costs of the Group is generated by working capital loans. The need for working capital results from the production and sales cycle in the Group; the costs of production materials, other production costs, delivery and assembly costs are incurred first, and only at the end of the month in which

the goods or services are delivered at the earliest (or even half a month later) sales invoices are issued. Sales are usually invoiced with a payment term of 30 days. Possible delays in payments by the Group's counterparties need to be accounted for too. The level of financial costs for investment loans was lower in 2022 because they are largely hedged by IRS transactions. The Group's level of investment debt in 2022 was lower than in 2021.

The state of the Polish economy, as that of the global markets, depends primarily on three interdependent elements: the levels of economic growth, interest rates, and inflation.

#### Costs of energy carriers

The war in Ukraine has caused turmoil in the energy market, with Europe, including Poland, facing an energy crisis. According to the Bloomberg Energy Crisis Index, Poland was the worst performer among the large European countries (index value 47, compared to 40 for Germany). The increase in gas and electricity prices is more acute here than in the rest of the EU and the UK.

Before the war in Ukraine, Russia supplied around 30-40 per cent of the gas imported into the Union. Gas had been a very cheap commodity for years, increasing the competitiveness of the economies of Western European countries, especially Germany. In addition, it fit into the European Union's energy policy as a resource with far fewer emissions than coal and less public opposition than nuclear power. Following a reduction in the availability of gas from Russia, Europe has increased gas import from countries such as Norway, the US, Qatar, and Algeria to make up for the shortage. The construction of five new LNG terminals has also begun. The terminals will feed the European gas network. Thanks to the diversification of sourcing, filling of storage tanks, savings in energy consumption and an exceptionally warm autumn, wholesale gas prices in Europe have fallen by almost two-thirds (around EUR 100/MWh) since their peak in August (around EUR 300/MWh). After the gas price turmoil due to Russia's aggression against Ukraine, the current destruction of the scale of demand has surprised even commodity market analysts. According to the Puls Biznesu portal, the reduction in gas consumption in the third quarter of 2022 reached up to 50 per cent in the industrial part and several per cent in the distribution part. In the fourth quarter of 2022, the average price of natural gas purchased in EU countries was PLN 473.60/MWh, which constitutes an increase by over PLN 100 compared to the previous year. The reduction in the price of gas was mainly influenced by the very mild temperatures in winter and the significant reduction in demand as a result of both administratively imposed savings programmes and independent decisions by companies and consumers forced by high prices.

The situation was also difficult in the coal market. As a result of the sanctions, coal supplies from Russia have been halted. This is a serious problem for EU economies, because before the outbreak of war in Ukraine, nearly half of the coal imported to the EU came from Russia. Currently,

on average, 11 per cent of energy is generated from coal in the EU, but it is not evenly distributed across all countries. In Poland, for example, around 70 per cent of energy is produced by burning coal. In addition, around 2 million households in the country depend on coal, using it as fuel in winter. The raw material imported from Russia is to be replaced by that from new markets and by increased import from other suppliers. Poland already imports or will make efforts to import coal from Australia, Canada or Kazakhstan, among others. The issue of logistics and distribution of the imported raw material may prove to be a bottleneck. As a result of the turmoil in the coal market and uncertainty over coal availability, raw material prices reached record-breaking highs. The price of one tonne of coal at ARA (Amsterdam-Rotterdam-Antwerp) ports peaked at USD 390. By the third quarter of 2022, this price fell to USD 190 per tonne of raw material. In contrast, the price of a tonne of coal in Poland rose from PLN 800 -1,000 (before the outbreak of war in Ukraine) to around PLN 3,000 in the second quarter of 2022. In the third quarter, it was PLN 2,000 per tonne. Had it not been for the government's strong intervention in the market for this commodity, its price could have changed even more. In addition, despite the availability of this raw material on the main European markets, there was still a problem with the availability of coal used for heating in Poland, which affected households especially in winter. The government estimated at the end of September 2022 that 600,000-700,000 households in Poland had no coal for the winter. According to Statistics Poland, the average price of a tonne of hard coal in Poland in 2022 was PLN 2,329.03. For comparison, in 2021, the average price of a tonne of hard coal was PLN 996.60 and in 2020 – PLN 887.95.

Pursuant to the data published by the JODI (Joint Oil Data Initiative) international organisation, Russia is the second largest oil producer in the world after the United States, so as a result of the war in Ukraine, the fuel market experienced a real shock in the first days of Russian aggression, which translated into a drastic increase in fuel prices. This caused panic: people stormed petrol stations and oil prices hit record highs on exchanges. In March 2022, the price of a barrel of oil reached USD 130 in the US and USD 140 in Europe, before falling back to around USD 100 per barrel in the second quarter. By the end of 2022, the price of oil ranged between USD 80 and 85 per barrel on world markets. Although oil production in OPEC+ countries and the US is not forecast to fill the gap associated with lower crude oil supplies from Russia in 2023, oil prices on world markets have not exceeded USD 100 per barrel. The oil price is also affected by the recessionary trends looming on the horizon, driven especially by China and its zero-COVID policy.

The energy crisis has led many European countries to accelerate the development of renewable energy sources, and such trends are also being observed in Poland. The European Commission has increased the target for the share of renewable energy in gross final energy consumption for 2030 from 40 to 45 per cent, to be accompanied by simplified investment procedures for clean energy sources,

energy conservation, and mandatory solar panels in new buildings. Renewables have huge potential to reduce energy prices and make economies less dependent on fossil fuels. In March 2022, the government adopted the "Premises for the Update of Polish Energy Policy until 2040". The updated document addresses energy sovereignty, i.e. Poland's independence from coal, gas and oil supplies from Russia. An important element of the strategy is also the acceleration of the development of RES and grid and storage infrastructure. Also, Polskie Sieci Energetyczne (PSE) has for the first time taken into account in its updated investment plan that by the end of the decade RES could provide up to half of the electricity. Statistics Poland's data for 2020 indicate that only 16.1 per cent of energy was obtained from RES that year, so a real revolution lies ahead. In Poland coal, not gas, will be the transition fuel. The Polish government has also published plans to build the country's first nuclear power plant. The investment is expected to be completed in 2033. The energy crisis and the related electricity prices have also forced companies to upgrade their existing energy sources and invest in RES.

The Management Board monitors the markets of raw materials and consumables essential for production, including the energy market. The Group is pursuing a policy that seeks to minimise the adverse effects of price volatility. Discussions are underway with the Group's key suppliers, such as cement mills or gas and energy suppliers, to review their supply protection policies and contract prices for future periods.

The Group's gas purchase contracts are valid until the end of 2023 with the price contracted in 2021. The Group's power purchase agreements that expired at the end of 2022 also maintained the 2021 price throughout their validity period. Of course, the price increase will translate into an increase in costs for the Group, but the share of the cost of electricity, heat, and technical gas in the Group's total costs, particularly in the cost of materials and energy, is not significant and accounts for approximately 2 per cent of the value of this item of Group costs represented by type.

In addition, from January 2023, the Group has the option to purchase electricity on DAM (Day-Ahead Market – spot market), where energy is purchased at the wholesale prices currently quoted on Towarowa Giełda Energii. DAM is advantageous because it does not assume the risk that is present on the forward market and, in addition, allows for the purchase of electricity as a combination of energy obtained from non-renewable and renewable sources. The greater the share of renewable energy in the energy mix (PSE), the lower the price is for the buyer. After Q1 2023, the Group observed that the purchase of electricity on DAM has proven to be more favourable than in the case of forward contracts. The Group is currently in the process of negotiating gas purchase contracts for 2024 and beyond. Following the turbulence in the energy carrier market caused by the war in Ukraine, gas prices have stabilised and are returning to the levels from before the outbreak of the conflict across our eastern border.

#### Sustainable construction

In the opinion of the Management Board, the environmental (ecological) aspect of the business is becoming increasingly important. This is due to the necessary transformation of the economy of Poland and the whole of Europe towards a low-carbon economy. The expectations and preferences of contractors regarding the offered products and services are changing; today, more attention is paid mainly to the carbon footprint of products and the amount of non-recyclable construction waste. The process of transformation and adaptation requires far-reaching changes in the construction industry. The changes will cover every aspect of the activity – from contract management processes to the range of materials used for production.

In the opinion of the Management Board, the changes may affect the Group's future financial results. The Management Board estimates that the competitiveness of prefabricated products will increase compared to traditional technology. Prefabrication uses waste materials, in particular steel (most of the purchased steel is recycled), and recycled waste from the prefabrication process (concrete is recyclable). Structures designed with prefabrication technology in mind are lighter than those constructed in a traditional way, which means lower carbon dioxide emission and lower carbon footprint of the product. Low carbon concrete with a reduced carbon footprint is increasingly being used in the production of prefabricated elements.

The Group operates in line with the Pekabex Group Climate Policy, adopted in 2022. The Group has identified and assessed risks related to climate change and social, labour, human rights and corporate governance issues, as described in chapter 7.2 of this Report. Currently, the Group is working on developing a sustainability strategy and setting sustainability goals for the organisation and directions for business model adaptation, especially in the context of climate change, taking into account the potential risks and economic benefits involved.





Origin Suites, Mechelinki

**Additional information**

9.0



**9.1.**

**Possibilities of implementing investment plans and information on the Group's connections with other entities and other matters**

Information on the intentions is described in chapter 8 of the Report. The scope of investments will depend on the development of the economic situation in the country and its impact on the financial situation of the Group.

The structure of the Company's Group is described in chapter 1 of this report.

Information on organisational or capital relations of the Company is described in supplementary information to the consolidated statements of the Group.

All transactions entered into by the Issuer or its subsidiary with related parties were compliant with the arm's length standard.

There were no changes in the basic management principles of the Issuer and the Pekabex Group in 2022.

**9.2.**

**Unusual events affecting the result of activities**

In 2022, apart from the market situation caused by the war in Ukraine and events described in the Report, there were no other unusual factors and events having a significant impact on the financial results achieved and on the financial results that the Group will achieve in the future.

**9.3.**

**Disputes and litigations**

As at 31 December 2022, the Group was not a party to any material (i.e. where the value of the subject of the dispute exceeds 10% of the value of consolidated equity) legal proceedings for which it would be reasonable to create a reserve. The Group recognises the following other open and significant disputes in 2022:

**Pekabex BET – a court dispute with Marathon International**

On 31 May 2016, Pekabex BET concluded a contract for the execution of construction work with Marathon International sp. z o.o. sp. k. for the total net value of PLN 18,157 thousand. On 25 May 2017, in connection with the ordering party's failure to submit a payment guarantee, pursuant to Art. 6494 of the Civil Code, the Company terminated the contract. The contracting party failed to pay part of the receivables on time, justifying this, inter alia, by the fact that Pekabex BET failed to present final declarations on no arrears with respect to subcontractors, and by defects. The Management Board of the Company is of the opinion that payment suspension is unjustified. As at the balance sheet date, receivables invoiced due to the settlement of completed work amounted to a gross value of PLN 22,333 thousand. In addition, on 30 May 2017, the contracting party drew a bank guarantee in the amount of PLN 1,640 thousand justifying it by the necessity to cover the penalties imposed on Pekabex BET. The Management Boards of Pekabex BET and Pekabex S.A. analysed the grounds for imposing penalties by the contracting party and decided that they were not justified. Pekabex BET has filed a lawsuit against Marathon International, with total value of the object of litigation exceeding PLN 5,281 thousand. The claims relate to receivables resulting from the construction work performed by Pekabex BET on the premises of the investment carried out for Marathon International and the return of the unduly drawn and paid bank performance bond. Despite the fact that Pekabex BET performed the investment task and provided the ordering party with the permission to use the investment, the ordering party incorrectly charged contractual penalties and failed to pay the remaining part of remuneration due under the construction work agreement. The maximum possible level of penalties under the agreement amounts to 12% of the net remuneration. Despite the penalties not being justified, a write-down within the prudent valuation of the Management Board was created to update receivables in the amount of the maximum level of penalties that the contracting party may impose on the Company, i.e. in the amount of PLN 2,179 thousand. Additionally, in 2018, the Group increased the amount of write-downs for receivables under the contract

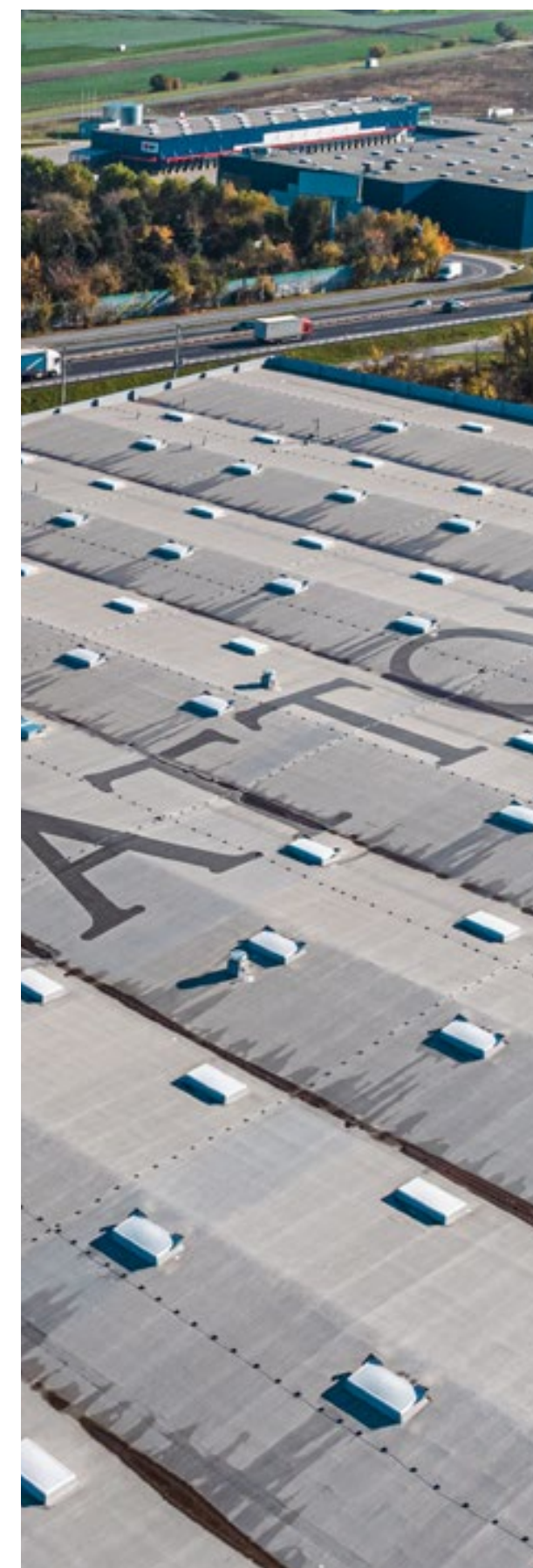
with Marathon International by PLN 2,000 thousand. As at the balance sheet date, the total amount of write-downs for receivables under the aforementioned contract is PLN 4,179 thousand.

On 27 March 2020, in the case involving the drawing of a bank guarantee, in which Pekabex BET claimed the amount of over PLN 1,640 thousand, the Regional Court in Poznań awarded it PLN 1,313 thousand with interest. On 30 April 2021, the Poznań Court of Appeal upheld the judgement of the first-tier tribunal, dismissing the contractor's appeal in its entirety. The judgement is now final and binding. The Group received the amount awarded plus interest. Marathon International filed a cassation appeal with the Supreme Court. The company filed an answer to the complaint indicating, among other things, that there were no grounds for accepting the complaint. The Supreme Court accepted the cassation appeal for examination.

On 11 August 2020, the Regional Court in Poznań delivered to Pekabex BET S.A. a statement of claim dated 29 June 2020 filed by Marathon International sp. z o.o. sp. k. for the amount of PLN 6,612 thousand with default interest accrued since 15 July 2020. Pekabex BET S.A. prepared a response to the claim, with the entire amount claimed being disputed. Despite the claim being unfounded, as part of prudent risk valuation, the Management Board decided to create a reserve in the amount of PLN 3,000 thousand in the second quarter of 2020. Evidentiary proceedings are currently pending.

The total value of allowances for receivables and provisions due to the dispute with Marathon amounts to PLN 7 192 thousand.

As at the date of publication of this Report, the Group companies are not parties to any proceedings involving claims or liabilities which, individually or jointly, exceed 5% of the Group's equity. In the reporting period, there were no other significant settlements due to court cases not described in the report.



Panattoni hall, Jarząszki





Panatonni Hall, Bielsko-Biala

# 10.0

## About the report



GRI: 102-45, 102-46, 102-47, 102-50, 102-52, 102-53, 102-54, 102-56

**10.1.**

## Methodology and scope of the report

The document covers the Pekabex Group, where Pekabex S.A. is the Parent Company.

It was prepared as an integrated report, in accordance with the requirements for integrated reporting set by the International Integrated Reporting Council (IIRC). The financial data was prepared in accordance with International Financial Reporting Standards (IFRS). Non-financial data was prepared in accordance with the guidelines of the Global Reporting Initiative in the GRI Standards version (core level). The report is published on an annual basis, i.e. it covers the period from 1 January to 31 December 2022. The financial part was audited externally, the non-financial part was not verified externally.

The content of the report (relevant topics) was defined on the basis of the results of a meeting with the management held in Poznań, and taking into account the context of stakeholders – based on PN-ISO 26000 standard and

competition analysis. The most important topics for Pekabex and stakeholders are: occupational health and safety, diversity and equal opportunities, employees, reducing energy consumption, indirect economic impact, consumption of raw materials, consumables and water, reducing wastewater production, compliance with environmental and socio-economic regulations, economic performance, reducing emissions and customer health and safety. Key stakeholder groups in Pekabex include its employees, customers, investors, suppliers, media, local communities and business partners. Application of the PN-ISO 26000 standard helps maintain the context of sustainable development.

If you have any questions about the report, please contact Ms Beata Żaczek:

[beata.zaczek@pekabex.pl](mailto:beata.zaczek@pekabex.pl)

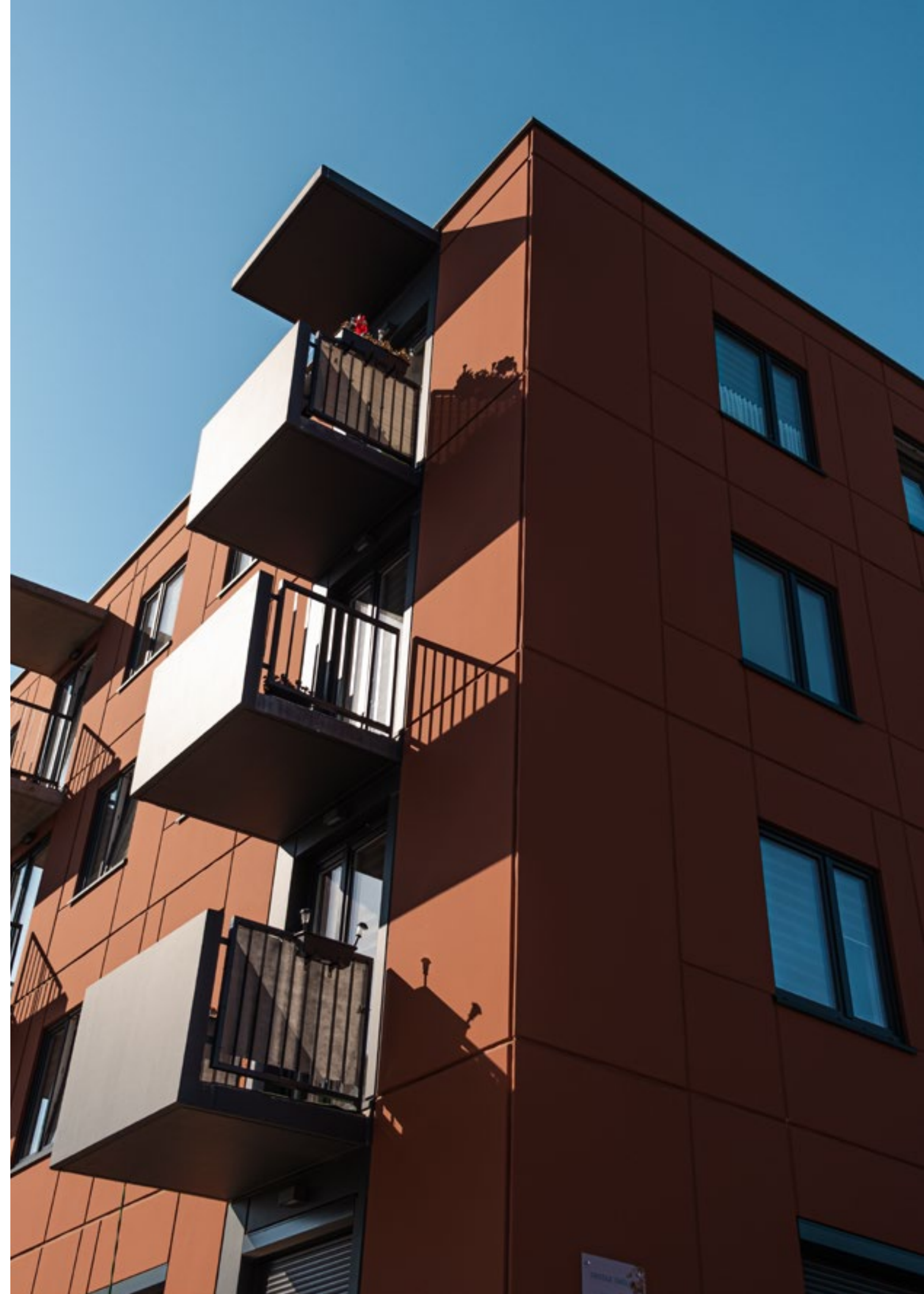
**10.2.**

## Approval for publication

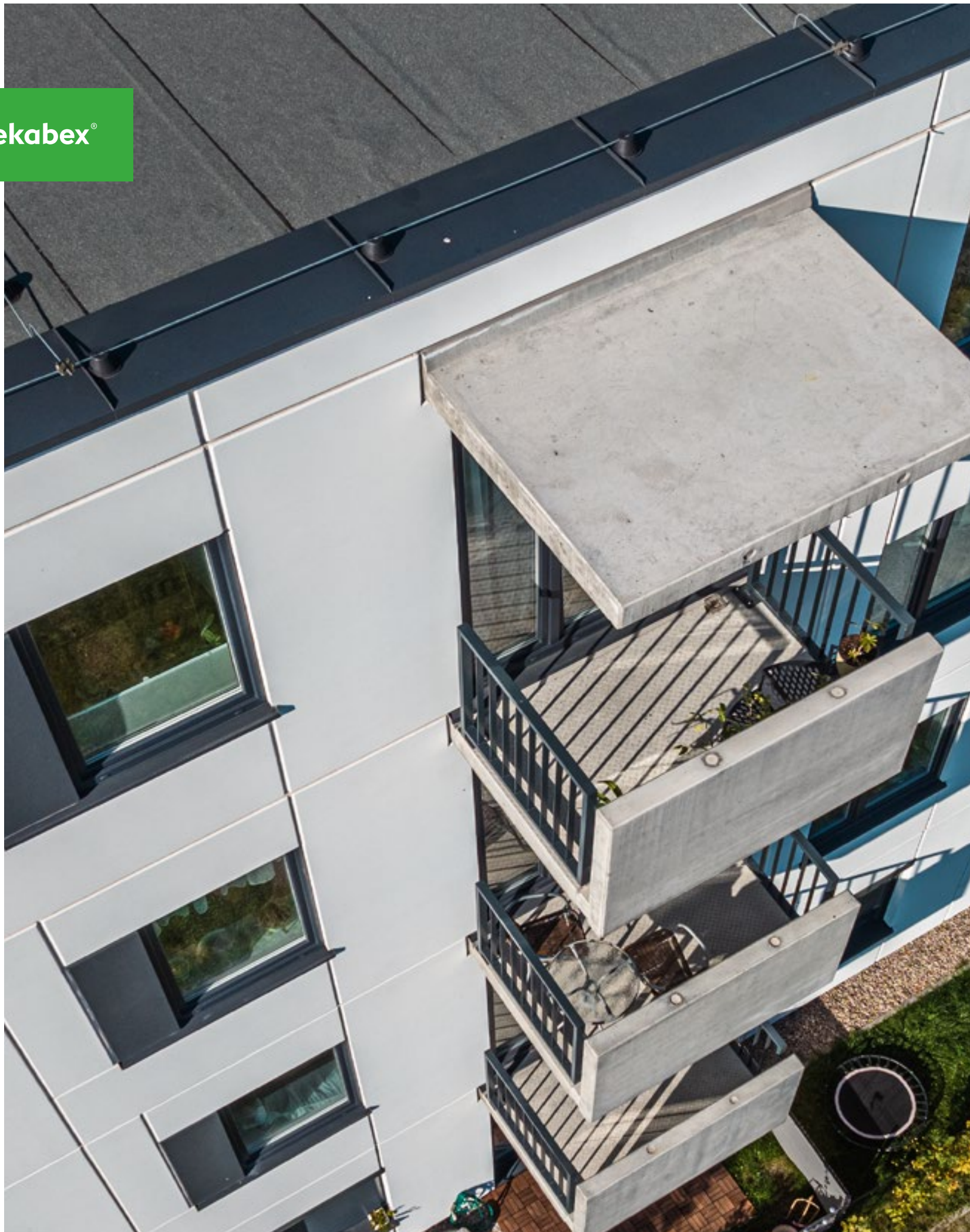
This Report of the Pekabex Group, prepared as at and for the period ended 31 December 2022, was approved for publication by the Management Board of the Parent Company on 17 April 2023.

Date	Full name	Function	Signature
17/04/2023	Robert Jędrzejowski	President of the Management Board	Robert Jędrzejowski
17/04/2023	Beata Żaczek	Vice-President of the Management Board	Beata Żaczek
17/04/2023	Przemysław Borek	Vice-President of the Management Board	Przemysław Borek
17/04/2023	Tomasz Seremet	Member of the Management Board	Tomasz Seremet

PFR Nieruchomości Estate, Toruń







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# 11.0

GRI: 102-55

## **GRI content index**

Indicator no.	Indicator name	Page no.
102-1	Name of the organisation	7
102-2	Description of the organisation's activities, main brands, products and/or services	20-29, 30-31
102-3	Headquarters location	7
102-4	Location of operational activities, including the number of countries in which the organisation operates, together with the names of those countries where the main operations of the organisation are located or which are particularly important in relation to the content of the report	16-19, 33-34
102-5	Form of ownership and legal structure of the organisation	154-160
102-6	Markets served	33-34, 46-51, 201-215
102-8	Data on employees and other persons working for the organisation	143
102-9	Supply chain description	62-65
102-11	Risk management in the organisation	60-61, 173-198
102-13	Membership in associations and organisations	32
102-14	Statement by top management	4
102-15	Description of key impacts, opportunities and risks	173-198, 201-215
102-16	Organisational values, code of ethics, rules and standards of conduct	35-45, 53-55, 134
102-17	Internal and external mechanisms for obtaining information on ethical and legal behaviour and matters relating to the integrity of the organisation	134, 168
102-18	Supervisory structure of the organisation together with committees reporting to the highest authority	8-15, 161-165
102-22	Number and gender of the members of the highest supervisory/ management body and its committees	8-15, 161-165
102-23	Chairman of the highest governing body	8-15
102-45	Business entities recognised in the consolidated financial statements	16-19, 222
102-46	Process of defining report content and aspect scopes	222
102-47	Relevant topics identified	222
102-50	Reporting period	222
102-52	Reporting cycle	222
102-53	Contact person	222
102-54	Statement on reporting in accordance with GRI Standards	222
102-55	GRI Index	225-228
102-56	External report verification policy and current practice	222

Indicator no.	Indicator name	Page no.
103-1	Clarification of topics identified as relevant with indication of limitations	56-59, 67-100, 104-107, 116-117, 134, 135, 146, 147, 154-160
103-2	Management approach and its elements	56-59, 67-100, 104-107, 116-117, 134, 135, 146, 147, 149-150, 154-160
103-3	Evaluation of approach to management	56-59, 60-61, 67-100, 104-107, 134, 135, 201-215
203-1	Contribution to the development of infrastructure and the provision of services to society	149-150
203-2	Identification and description of the significant indirect economic impact, with the indication of scale and scope of the impact	149-150
205-1	Countering corruption and conflict of interests	167, 168-169
205-2	Communication and training on anti-corruption policies and procedures in place in the organisation	167, 168-169
205-3	Action taken in response to corruption cases	167, 168-169
301-1	Raw materials/materials used by weight and volume	110
301-2	Percentage of recycled materials used in the production process	110
302-1	Energy consumption of the organisation by raw material type	110, 111
303-1	Total water consumption per unit of production by source	113, 115
304-1	Location and size of owned, leased or managed land located in protected areas or areas of high biodiversity value outside or adjacent to protected areas	118
304-3	Protected or revitalised habitats	118
305-1	Direct greenhouse gas emissions	104-107
306-1	Total volume of waste water by quality and destination	113, 115
306-2	Waste by type of waste and disposal method	110, 116-118
307-1	Monetary value of penalties and total number of non-financial sanctions for non-compliance with environmental laws and/or regulations	108-109
401-1	Total number of new hires, employee turnover rate	148
401-2	Fringe benefits provided to full-time employees that are not available to temporary or part-time employees	146
403-1	Occupational health and safety management system	136-139
403-2	Hazard identification, risk assessment and incident analysis	136-139
403-5	Occupational health and safety training	136-139
403-7	OHS prevention and hazard mitigation in the context of business relationships	136-139
403-8	Employees covered by the occupational health and safety management system	136-139



Indicator no.	Indicator name	Page no.
403-9	Accidents at work	136-139
405-1	Composition of supervisory bodies and staff by gender, age and other diversity indicators	144, 147-148, 166
406-1	Number of cases of discrimination and actions taken	135
412-1	Business units of the organisation subject to human rights impact review or assessment	134
412-2	Employee training on human rights policies and procedures	134
414	Evaluation of suppliers based on social responsibility criteria	134