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# PKP CARGO Group Sustainability Report 2022



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**Dear Stakeholders,**

I have the honor to present to you the Sustainable Development Report of the PKP CARGO Group, a very significant document describing the non-financial aspects of our business.

This significance stems from the fact that, for any stock exchange-listed company, what matters is not only its revenue, EBITDA, EBIT, net profit, investment volume or debt ratios, but also the various aspects of our activity that are intended to benefit our society and employees, specifically the numerous initiatives pursued within the framework of projects aimed at the protection of natural environment, protection of cultural and national heritage, development of sports and recreation, and improvement of public health.

Accordingly, this report describes the details of our broadly construed ESG activities and requirements related to the EU taxonomy, because sustainability postulates are at the core of the economic policies pursued by both the EU and Poland. This pursuit will be one among the key factors driving the growth of the

PKP CARGO Group. This is because our ambition as a corporate group is not only to generate economic benefits for our shareholders and employees, but also to care about our environment and keep improving our corporate culture. We strive to ensure that our activities exert a favorable impact on the lives of local communities.

The PKP CARGO Group presents its Sustainable Development Report for the first time, in line with the capital market's best practices. At the same time, we are replacing the somewhat outdated form of non-financial data reporting. I wish to emphasize that this is a joint effort of employees of PKP CARGO S.A. and our subsidiaries, demonstrating the Group's involvement in areas of particular significance to our stakeholders. Without this report, the picture of our activities would be incomplete. Its purpose is to enable you to get to know the Group better in all aspects of its existence.

**Dariusz Seliga**

President of the PKP CARGO S.A.  
Management Board





# 01

## > About the PKP CARGO Group

# Information about the Group

The PKP CARGO Group (hereinafter also referred to as the Group) is the largest rail freight operator with a significant and well-established position in the European Union. Its competitive advantage is the long-standing cooperation with the leading Polish sea-ports in Gdańsk, Gdynia, Szczecin and Świnoujście as well as strategic partnerships with rail operators from countries such as Lithuania, Latvia and Romania. The Group has 25 transshipment terminals located, among other locations, in Gliwice, Poznań-Franów, Warsaw, Małaszewicze, Medyka-Żurawica and Paskov in the Czech Republic.

The PKP CARGO Group specializes in intermodal transport in the all-train system in Poland and in selected European Union countries: the Netherlands, the Czech Republic, Austria, Slovakia and Germany. The Group has an extremely well-developed network of conventional, container and conventional-container terminals.

For years, the PKP CARGO Group has been not only an important link in the transport chain of resources within the European Community, but also a key partner on the New Silk Road. The Group's experience as an international logistics operator allows it to be heavily involved in this project, which is key to improving trade between Europe and the People's Republic of China. PKP CARGO Group's services in the area of intermodal transport, e.g. transshipments, customs services or monitoring, not only affect the efficient delivery of products from China to Poland, but also other European Union countries, which influences the continuity of deliveries.

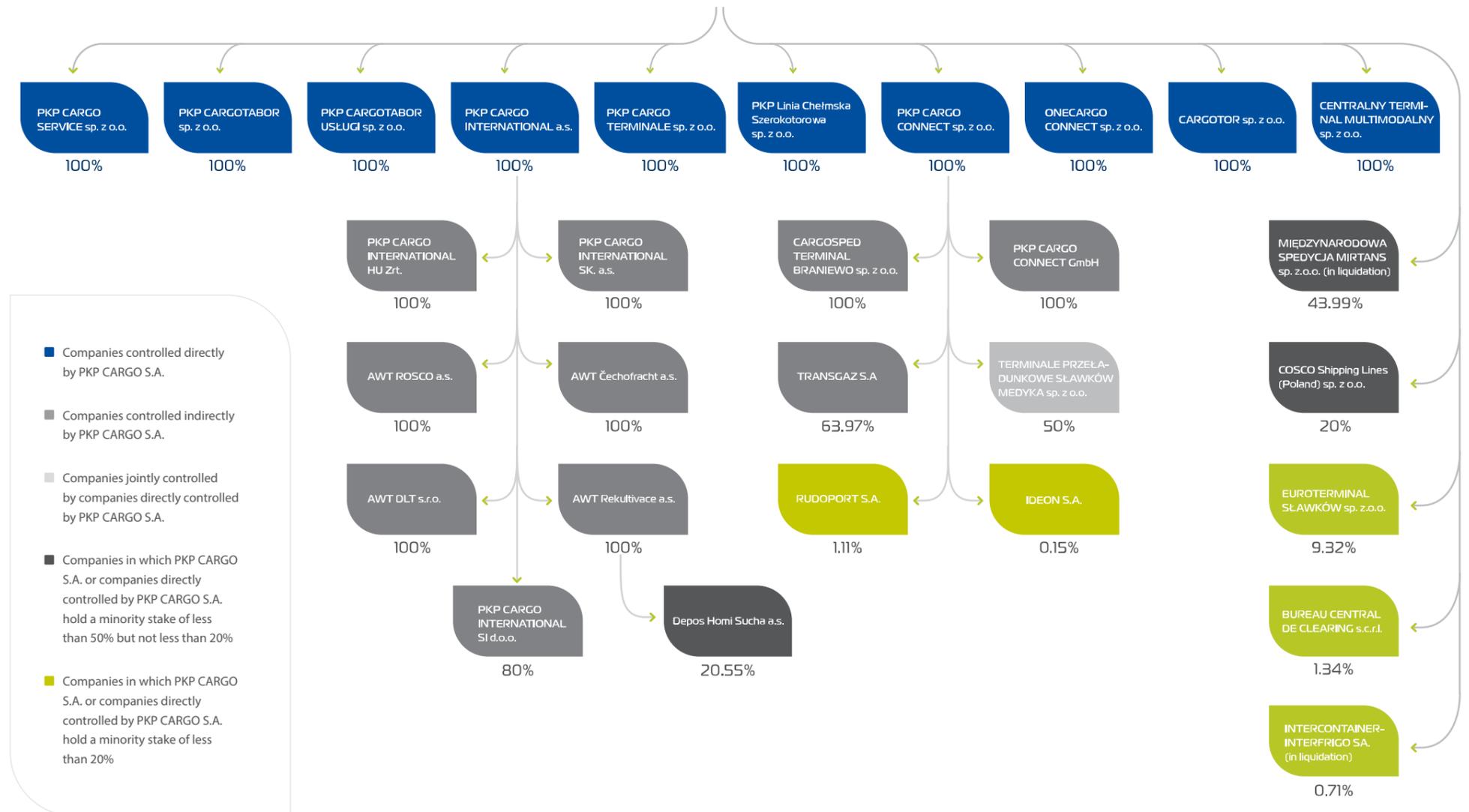
In order to provide holistic and as comprehensive as possible transport services, PKP CARGO Group integrates companies operating in specialized areas within one organization. In this report, in addition to the data of the parent company PKP CARGO S.A., data collected from entities comprising the Group, whose non-financial data have been reported so far under the Statement on Non-Financial Data, are included. The structure of the whole PKP CARGO Group includes 20 subsidiaries, 10 of which are directly controlled by PKP CARGO S.A., 10 are indirectly controlled and one is co-controlled by a company fully controlled by PKP CARGO S.A. Another three companies are those in which PKP CARGO S.A. or controlled companies hold a minority share of less than 50%, but not less than 20%. The last group consists of five companies in which PKP CARGO S.A. or directly controlled companies hold a minority share of less than 20%.

**GRI: 2-2**

In the following report, in addition to PKP CARGO S.A. parent company, seven fully consolidated subsidiaries are included:

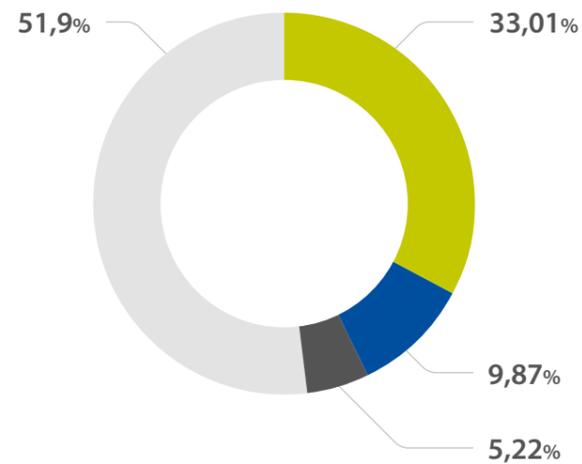
- PKP CARGO SERVICE Sp. z o.o.
- PKP CARGOTABOR Sp. z o.o.
- PKP CARGO TERMINALE Sp. z o.o.
- CARGOSPED TERMINAL BRANIEWO Sp. z o.o.
- CARGOTOR Sp. z o.o.
- PKP CARGO CONNECT Sp. z o.o.
- PKP CARGO INTERNATIONAL a.s.

## PKP CARGO S.A.



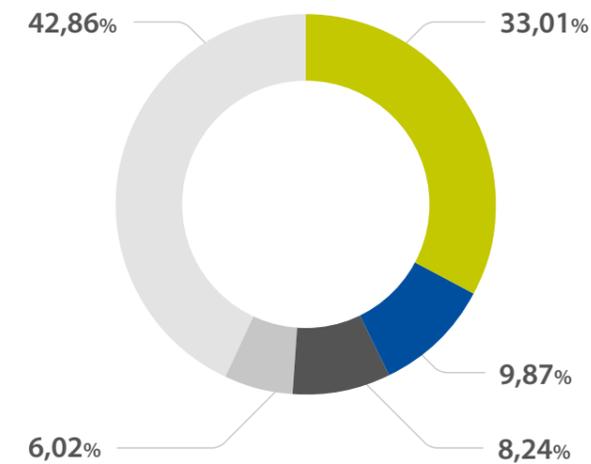
## > PKP CARGO S.A.

PKP CARGO S.A is the holding company based in Warsaw at ul. Grójecka 17, operating in Poland. The company's shareholders as at 31 December 2022 were:



■ Polskie Koleje Państwowe S.A. ■ Nationale-Nederlanden OFE  
■ AVIVA OFE ■ Other shareholders

Other shareholders accounted for 51.9%. The figures applicable as at 31 December 2022 have changed. The share ownership as at the date of publication of the report is presented below:



■ Polskie Koleje Państwowe S.A. ■ Nationale-Nederlanden OFE  
■ Grupa Funduszy Alianz ■ Generali PTE  
■ Other shareholders

## > PKP CARGO SERVICE Sp. z o.o.

PKP CARGO SERVICE sp. z o.o. is a capital company operating in Poland, fully owned by PKP CARGO S.A. Its registered office is located at ul. Grójecka 17 in Warsaw. The company has been operating under its current name since 16 March 2005, having previously operated as "Agencje Celne PKP

CARGO sp. z o.o." (established in 2002). It is a dedicated company in the structure of the PKP Cargo Group to operate the rail sidings. In addition, it carries out rail freight transport and provides traction services.

## > CARGOTOR Sp. z o.o.

CARGOTOR Sp. z o.o. is a capital company operating in Poland, fully owned by PKP CARGO S.A. Its registered office is located at ul. Lubelska 13 in Warsaw. The company manages the Małaszewicze Transshipment Zone, which consists of approximately 180 km of track with stations: Chotyłów, Małaszewicze,

Kobylany, Bór and the Zaborze, Wólka, Podsędków and Raniewo regions. CARGOTOR sp. z o.o. manages 24 shipping points with a total length of 14.7 km of tracks. In addition, the company is involved in making logistics and service infrastructure available to rail carriers on a commercial basis.

## > PKP CARGOTABOR Sp. z o.o.

PKP CARGOTABOR Sp. z o.o. is a company fully owned by PKP CARGO S.A. Its headquarters are located in Warsaw at 17 Grójecka street. Its main area of activity is the maintenance of rolling stock and its adaptation to the requirements of the customers and the requirements of the goods transported. It provides its services through six Units, including three Rolling Stock Repair Units, comprising in total twelve Sections located in Gdynia, Olsztyn, Tczew, Toruń, Gorzów Wielkopolski, Jaworzyna Śląska, Kluczbork,

Szczecin, Dąbrowa Górnicza, Kraków, Tarnowskie Góry, Zabrzeg Czarnolesie, the Locomotive Repair Unit with Sections in Ostrów Wielkopolski and Czerwieńsk, and two Units located in Zduńska Wola and Łódź (from 31 January 2023) specializing in the production and regeneration of components for wagons and locomotives. It is one of the largest companies dedicated to the repair, maintenance and modernization of rolling stock in Europe.

## > PKP CARGO CONNECT Sp. z o.o.

PKP CARGO CONNECT is a company fully owned by PKP CARGO S.A. It has its headquarters at ul. Leszno 12 in Warsaw. The PKP CARGO CONNECT Group comprises the following entities: CARGOSPED Terminal Braniewo Sp. z o.o., PKP CARGO CONNECT GMBH, TRANSGAZ S.A. and Transshipment Terminal Sławków-Medyka Sp. z o.o. It specializes in the national and

international transport of containers, interchangeable bodies and semi-trailers, using customer-dedicated trains and operator trains as part of the intermodal service network. To provide services, it operates sea, road and rail transport within Poland, other European Union countries and Russia, Belarus, Ukraine, Kazakhstan and the UK.



## > PKP CARGO INTERNATIONAL Group

PKP CARGO INTERNATIONAL a.s. is another company which is 100% owned by PKP CARGO SA. Its head office is located in the Czech city of Ostrava at uli. Betonářská 580/14 and comprises, among others, PKP CARGO INTERNATIONAL a.s., PKP CARGO INTERNATIONAL HU Zrt., PKP CARGO INTERNATIONAL SK a.s., PKP CARGO INTERNATIONAL SI d.o.o. and AWT ROSCO a.s. The company specializes in transporting heavy goods such as coal, steel, construction materials or products for the automotive, food and chemical industries. The Group provides services throughout Europe in areas such as long-distance rail transport,

intermodal transport, freight forwarding by rail, operation of sidings, construction of railway facilities and track services, rental, repair and washing of railway wagons, repair and maintenance of locomotives. The Group has its own intermodal transshipment terminal Paskov, operates 60 rail sidings and owns approximately 400 km of traction. The Group employs around 1,500 employees. In addition to freight transport, PKP CARGO INTERNATIONAL Group, through its company AWT Rekultivace a.s., has extensive experience in reclamation, earth and construction works and waste management.

## > PKP CARGO TERMINALE Sp. z o.o.

PKP CARGO TERMINALE is fully owned by the PKP CARGO S.A. company. Its head office is located at ul. Kolejowa 55 in Żurawica. PKP CARGO Terminale was established in 2011 to serve PKP CARGO LOGISTIC CENTRUM MEDYKA-ŻURAWICA Sp. z o.o., which was established near the border with Ukraine, at the Medyka-Mościska border crossing. On 31 October 2019, a merger was effected of PKP CARGO TERMINALE SP. Z O.O. with its registered office in Żurawica (as the Acquiring Company) with PKP CARGO CENTRUM LOGISTYCZNE MAŁASZEWICZE SP. Z O.O. with its registered office in Małaszewicze (as the Acquired Company) pursuant to Article 492(1)(1) of the Commercial Company Code, i.e. through the transfer of all assets of PKP CARGO CENTRUM LOGISTYCZNE MAŁASZEWICZE SP. Z O.O. to PKP CARGO TERMINALE SP. Z O.O.

- ◆ in the area of Przemyśl on the Polish-Ukrainian border in the 3rd European Transport Corridor, as a road and rail connection from Berlin, through Wrocław, Kraków, Przemyśl, Lviv to Kiev with a length of 1640 km at the border with Ukraine, at the railway border crossing Medyka-Mościska,
- ◆ in the Terespol area on the Polish-Belarusian border in pan-European transport corridor no. II Berlin – Poznań – Warsaw – Brest – Minsk – Smolensk – Moscow – Nizhny Novgorod

The terminals are designed to handle trade between the countries of the European Union, Ukraine, Belarus and the Far East. The terminals at the junction of the 1435 mm and 1520 mm railway tracks allow the transshipment and storage of most cargoes.

## > CARGOSPED Terminal Braniewo Sp. z o.o.

CARGOSPED Terminal Braniewo Sp. z o.o. is a company operating in Poland; it belongs to CARGO CONNECT Sp. z o.o. with its registered office in Braniewo, ul. Błotna 21. CARGOSPED deals with the sale of transshipment and related auxiliary services, customs and freight forwarding services and the sale of imported coal. As part of its activities, CARGOSPED prepares and

performs terminal services such as transshipment, storage, sorting, bagging and customs and freight forwarding services with its own resources. Since March 2022, the company has been trading in coal imported from various countries, apart from Russia, by Polish entities.



## Governing body

### > PKP CARGO S.A.

**GRI:** 2-9

PKP CARGO S.A. is governed by the Shareholder Meeting, the Management Board, the Supervisory Board and the following Committees: Audit Committee, Nomination Committee and Strategy Committee. The organization's management system is defined by the following documents: Articles of Association, Management Board Bylaws, Supervisory Board Bylaws, Shareholder Meeting Bylaws and Organizational Bylaws.

### Supervisory Board

**As at 31 December 2022, the Supervisory Board of PKP CARGO S.A. was composed of:**

- |                          |                   |                       |                    |
|--------------------------|-------------------|-----------------------|--------------------|
| > Władysław Szczepkowski | > Henryk Grymel   | > Jarosław Ślepaczuk  | > Michał Wnorowski |
| > Andrzej Leszczyński    | > Tomasz Pietrek  | > Jarosław Stawiarski | > Marek Ryszka     |
| > Grzegorz Dostatni      | > Paweł Sosnowski | > Izabela Wojtyczka   |                    |

The Supervisory Board at PKP CARGO S.A. is obliged to appoint three committees.

### Supervisory Board Audit Committee

The Supervisory Board Audit Committee consists of at least three members of the Supervisory Board with the proviso that a majority of the members of the Audit Committee, including its Chairman, must meet the independence criteria. At least one Member of the Audit Committee must be qualified in

accounting or auditing. At least one Audit Committee Member must have expertise and skills in the industry in which the Company operates. The Committee Members are appointed for a period corresponding to the length of the Supervisory Board's term of office.

#### Responsibilities of the Audit Committee:

- ♦ overseeing the organizational overseeing the organization- al unit dealing with internal audit;
- ♦ monitoring the financial reporting process;
- ♦ monitoring the effective operation of internal control systems, risk management systems and internal audit,
- ♦ monitoring the performance of financial audit activities;
- ♦ controlling and monitoring the independence of the statutory auditor and the audit firm;
- ♦ selection of an audit firm to carry out an audit of the unconsolidated financial statements of PKP CARGO S.A.,
- ♦ selection of an audit firm to carry out the audit of the consolidated financial statements of PKP CARGO Group.

#### Nomination Committee

The Nomination Committee consists of three Supervisory Board Members, of whom at least one Supervisory Board Member must satisfy the independence criteria and be appointed in the manner provided for in the Company's Articles of Association, who serves as the Chairman. The Nomination Committee Members are appointed for a term corresponding to the Supervisory Board's term of office.

#### Management Board

**The PKP CARGO S.A. Management Board consists of between one and five members, including the President of the Management Board.**

- › Full composition of the Management Board is listed in the chapter [Governing body- key information](#)

#### President of the Management Board

**GRI:** 2-11

Since April 2022, the position of the President of the Management Board at PKP CARGO S.A. has been held by Dariusz Seliga, who has many years of experience in serving on the Management Boards and Supervisory Boards of capital companies. Previously, he held the position of the President of the Management Board of PKP CARGO CONNECT. In 2019, he was associated with the company PKP CARGO INTERNATIONAL a.s. (a Czech company owned by PKP CARGO S.A.) initially as a Member of the Management Board and from 2021 as the President of the Management Board. From 2004, he worked in the administration of the Warsaw local government, where he held the

#### Responsibilities of the Nomination Committee:

- ♦ organization and ongoing supervision of the recruitment procedure for the positions of members of the Management Board and the process of evaluation and appointment of the Management Board Members.
- ♦ assisting in the achievement of the Company's strategic objectives by providing the Supervisory Board with opinions and proposals on the employment structure and remuneration of the Company's employees, including in particular Members of the Company's Management Board and senior executives.

#### Strategy Committee

The Strategy Committee consists of at least three Supervisory Board Members, of whom at least one Supervisory Board Member must satisfy the independence criteria and be appointed in the manner provided for in the Company's Articles of Association. The Committee Members are appointed for a period corresponding to the length of the Supervisory Board's term of office.

#### Responsibilities of the Strategy Committee:

- ♦ defining the strategy,
- ♦ implementing the strategy and the annual and multi-year business plans of the Company and its Group.

position of Attorney to the Mayor. A year later, he became the Mayor of the Włochy district, and was subsequently elected as a Member of the Sejm of the Republic of Poland for the 5th, 6th and 7th terms. Dariusz Seliga is a graduate of Administration at the Paweł Włodkowic University College in Płock, postgraduate studies at the L. Koźmiński Academy of Entrepreneurship and Management in Warsaw and the National Defense University of Warsaw, as well as postgraduate managerial studies at the Executive MBA Railway Sector. He completed 4 years of doctoral studies at the National Defense University of Warsaw.

## › PKP CARGO SERVICE

**GRI:** 2-9

PKP CARGO SERVICE is managed by the Company's Management Board and the Supervisory Board. In accordance with the applicable Organizational Bylaws, there are also Offices, Teams and Independent Positions in the company, headed by Directors, Managers and relevant employees, respectively.

**The Management Board is appointed for a three-year term. As at 31 December 2022, the Management Board was composed of:**

- › Robert Szydlik – President of the Management Board
- › Zbigniew Prus – Management Board Member in charge of Operations

The appointment of the Supervisory Board is governed by the Commercial Company Code and the Company's Deed of Incorporation.

**As at 31 December 2022, the Supervisory Board was composed of four Members:**

- › Witold Olech – Supervisory Board Chairman
- › Andrzej Siwy – Supervisory Board Vice-Chairman
- › Andrzej Kołodziejczyk – Supervisory Board Member
- › Dorota Żurowska – Supervisory Board Member

#### President of the Management Board

**GRI:** 2-11

Robert Szydlik has a university degree and over 3 years of experience in managerial positions. He was educated at the University of Warsaw and the Polish Academy of Sciences. He later completed an international MBA in management studies authorized by the Apsley Business School (London). He continues his education in management and is currently pursuing his personal development through an international DBA (Doctor of Business Administration) in management studies focusing on change management, legal aspects of companies, HR and mediation. HR oraz mediacjami.



## > PKP CARGO CONNECT

GRI: 2-9

PKP CARGO CONNECT is governed by the Management Board of the Company, the Supervisory Board and the Shareholder Meeting. The competences of the Management Board include managing the company's affairs and representing it externally, as well as all activities not reserved for other bodies. The term of office of the Members of the Management Board is three years.

The Management Board consists of the President and one or two other persons.

### As at 31 December 2022, the Management Board was composed of three Members:

- > Paweł Piotr Skoczowski – President of the Management Board
- > Damian Paczkowski – Management Board Member
- > Adam Witold Stolarz – Management Board Member

The governing body is the Supervisory Board, whose duties are defined by the Commercial Companies Code and the Articles of Association of PKP CARGO CONNECT Sp. z o.o. The term of office of the Supervisory Board Members is three years.

The Supervisory Board can consist of three to six members.

### As at 31 December 2022, the Supervisory Board was composed of five Members:

- > Marek Henryk Olkiewicz – Supervisory Board Chairman
- > Marcin Rolski – Supervisory Board Member
- > Bartosz Tomasz Kaczmarek – Supervisory Board Vice-Chairman
- > Joanna Werońska – Supervisory Board Member
- > Romuald Łanczkowski – Supervisory Board Member

## President of the Management Board

GRI: 2-11

**Paweł Skoczowski** – President of the Management Board of PKP Cargo Connect Sp. z o.o. and Transgaz S.A., an executive manager with business and consulting experience, both in the areas of planning and strategic management. While managing commercial companies in the logistics industry, he is responsible for creating value by improving the efficiency of business processes, creating and implementing commercial policies and implementing pricing strategies. During the Covid'19 pandemic and after the outbreak of war in Ukraine, he was responsible for managing the continuity of border terminals and directly participated in the reconstruction of supply chains to Ukraine using the infrastructure of the managed entities. He teaches

the subject "Strategic Management" to managers as part of the MBA program at the John Paul II Catholic University of Lublin. He is a graduate of the University of Information Technology and Management in Rzeszów, postgraduate studies at Kozminski University and Executive Master of Business Administration at the Institute of Economics of the Polish Academy of Sciences. He participated in management courses: "Oxford Strategic Management Executive Program" at Oxford University Saïd Business School, "Leadership for Global Business and Politics" program at Yale University School of Management and business training courses at MIT Sloan School of Management, ICAN Institute and E&Y Academy of Business.

## > PKP CARGO INTERNATIONAL

GRI: 2-9

The organizational structure of PKP CARGO INTERNATIONAL Company is governed by the Company's Organizational Bylaws. The Company is governed by the Management Board consisting of the President and a Member of the Management Board and the Supervisory Board. Other prominent positions in the Company are Chief Commercial Officer, Chief Financial Officer, Chief Technical Officer, Legal Services Manager & Chief HR Officer, Train Transport Director, Chief Operating Officer, Marketing Department and Communication and Board Office Director.

Management Board Members are elected and dismissed by the Shareholder Meeting. Following a recruitment procedure, they hold office for a term of five years.

### As at 31 December 2022, the Management Board of PKP CARGO INTERNATIONAL was composed of:

- > Dariusz Michał Seliga – President of the Management Board,
- > Michal Kubiček – Management Board Member

The governing body is the Supervisory Board, consisting of four Members appointed for a term of five years. Two thirds of the Supervisory Board Members (two positions at most) are elected and dismissed by the Company's Shareholder Meeting. One third of the Supervisory Board is elected and recalled by the employees. The election of a member of the Supervisory Board by the employees is organized by the Management Board.

### As at 31 December 2022, the Supervisory Board was composed of:

- > Tamara Obcarska – Supervisory Board Member
- > Milan Malachovský – Supervisory Board Member
- > Stanislav Kubáček – Supervisory Board Member
- > František Malovec – Supervisory Board Member

## President of the Management Board

GRI: 2-11

**Dariusz Seliga** has many years of experience in serving on the Management Boards and Supervisory Boards of capital companies. Previously, he held the position of the President of the Management Board of PKP CARGO CONNECT. In 2019, he was associated with the company PKP CARGO INTERNATIONAL a.s. (a Czech company owned by PKP CARGO S.A.) initially as a Member of the Management Board and from 2021 as the President of the Management Board. From 2004, he worked in the administration of the Warsaw local government, where he held the position of Attorney to the Mayor. A year later, he became the Mayor of the Włochy district, and was subsequently elected as a Member of the Sejm

of the Republic of Poland for the 5th, 6th and 7th terms. Dariusz Seliga is a graduate of Administration at the Paweł Włodkowic University College in Płock, postgraduate studies at the L. Koźmiński Academy of Entrepreneurship and Management in Warsaw and the National Defense University of Warsaw, as well as postgraduate managerial studies at the Executive MBA Railway Sector. He completed his 4-year doctorate course of study at the National Defense University of Warsaw.

## > CARGOSPED Terminal Braniewo

GRI: 2-9

CARGOSPED is governed, in accordance with the Deed of Incorporation, by the Shareholder Meeting, the Supervisory Board and the Management Board. One to three Management Board members are eligible. As at 31 December 2022, there was one person on the Management Board – the President of the Management Board, Janusz Skinder.

As at 31 December 2022, the Supervisory Board comprised three members, in compliance with the Deed of Incorporation, which provides for between three and five members.

### As at 31 December 2022, the Supervisory Board was composed of:

- > Magdalena Lew – Supervisory Board Chairman
- > Edyta Filipczak – Supervisory Board Member
- > Witold Strobel – Supervisory Board Member

## President of the Management Board

GRI: 2-11

Janusz Skinder has served as the President of the Management Board since 29 October 2018.

He graduated from the Poznań University of Economics and Business with a degree in computer science and economic cybernetics. As a scholarship holder of the Polish State Railways, he started working for the railways in 1978. Having passed the exam to become a referendary of the commercial and freight service, he was employed as a second class deputy stationmaster. Subsequently, he held the positions of controller of the commercial and freight service, deputy head of the district station, deputy director of the freight plant and director of the Intermodal Market in the PKP Cargo Directorate.

While working on the railways, he completed postgraduate studies at the University of Gdańsk in transport management. Also at that time, he passed the exam for members of supervisory boards and for more than six years served first as Vice-Chairman and then as Chairman of the Supervisory Board of one of the CHP companies.

In mid-2001 he terminated his employment contract with PKP, moving to POLZUG Intermodal Polska sp. z o.o. as a

Member of the Management Board, a position he held for 12 years. For the next five years, he ran his own business. In August 2018, he joined LHS in Zamość as Board Representative for Intermodal Transport, from where he moved on to CARGOSPED Terminal Braniewo Sp. z o.o., where he remains President to this day.

He has been a Member of the Association of Rail Transport Experts and Managers.



## > PKP CARGOTABOR

GRI: 2-9

The corporate bodies of PKP CARGOTABOR are the Shareholder Meeting, the Supervisory Board and the Management Board.

### As at 31 December 2022, there were three persons on the Management Board, appointed for a three-year term:

- > Jerzy Ernst – President of the Management Board
- > Stanisław Cichoń – Management Board Member,
- > Robert Czajla – Management Board Member

The Supervisory Board consists of five members, appointed for a three-year term.

### As at 31 December 2022, the Supervisory Board was composed of:

- > Zenon Kozendra – Supervisory Board Chairman
- > Anna Maria Woźniak – Supervisory Board Member
- > Marek Furman – Supervisory Board Member
- > Mikołaj Goraj – Supervisory Board Member
- > Andrzej Morel – Supervisory Board Member, Employee Representative,

## President of the Management Board

GRI: 2-11

Jerzy Ernst graduated from the Częstochowa University of Technology with a degree in electrical engineering, specializing in power engineering, and completed postgraduate studies in Business Finance Management at the University of Economics in Katowice.

He is experienced as a manager in the railway industry. In 2008-2013, he held the position of Member of the Management Board – Economic and Financial Director at PKP CARGOWAGON Tarnowskie Góry Sp. z o.o. In 2013, he took up the position of Production Management Director at PKP CARGOWAG, which was transformed into PKP CARGOTABOR Sp. z o.o. in 2014. He has been involved with PKP CARGOTABOR to the present day, since 2015 as Director of the South Region, then Director of the Production Management and Planning Office, and since October 2017 as President of the Management Board.

## > PKP CARGO TERMINALE

GRI: 2-9

PKP CARGO TERMINALE is governed by the Management Board, the Supervisory Board and the Shareholder Meeting.

**As at 31 December 2022, there were three persons on the Management Board, appointed for a two-year term:**

- > Hanna Jażdżyk – President of the Management Board,
- > Maciej Krochmalski – Management Board Member,
- > Bogusław Marciniak – Management Board Member,

The Supervisory Board consists of four members, appointed for a three-year term.

**As at 31 December 2022, the Supervisory Board was composed of:**

- > Zenon Kozendra – Supervisory Board Chairman
- > Piotr Jędral – Supervisory Board Vice-Chairman
- > Agnieszka Markiewicz – Supervisory Board Member
- > Robert Góral – Supervisory Board Member

### President of the Management Board

GRI: 2-11

**Hanna Jażdżyk** has served as President of the Management Board since 22 August 2022.

She is a graduate of the University of Warsaw at the Faculty of Management in the field of banking, insurance and public finance and of the Academy of Economics and Humanities at the Institute of Management in Warsaw, where she earned the title of Master of Business Administration. She also completed her doctoral studies at the College of Management and Finance at the Warsaw School of Economics in the field of economic sciences in the discipline of management science. In recent years, she has worked in the international environment of companies specializing in infrastructure construction. She served as President of the Management Board in a local government company responsible for municipal management. She was a member of the supervisory board at Lublin Airport S.A. She specializes in the supervision and management of enterprises in the field of finance and restructuring of capital market companies. She is currently associated, as the President of the Management Board, with a company that is a leader in the intermodal market

## > CARGOTOR

GRI: 2-9

CARGOTOR is governed by the Management Board, the Supervisory Board and the Shareholder Meeting.

As at 31 December 2022, there was one person on the Management Board - Marek Słomka, President of the Management Board. The joint term of office of the Members of the Management Board lasts three financial years.

The Supervisory Board consists of four members. The joint term of office of the members of the Supervisory Board lasts three financial years.

**As at 31 December 2022, the Supervisory Board was composed of:**

- > Marcin Koper – Supervisory Board Chairman
- > Stanisław Wojtera – Supervisory Board Member
- > Krystian Kłoczkowski – Supervisory Board Member
- > Marcin Szewczak – Supervisory Board Member

### President of the Management Board

GRI: 2-11

**Marek Słomka** has served as the President of the Management Board since 9 September 2022.

He has over 16 years of experience in the rail industry. First at PKP S.A. and then at PKP CARGO S.A. Since 2014, he was associated with CARGOTOR and for several years held the position of Sales Office Director.

Mr. Marek Słomka is a graduate of Economics at the Warsaw School of Economics and of the Executive MBA postgraduate studies at the Marseille Graduate School of Management (organized by the University of Gdańsk).

## Conflict of interest

GRI: 2-15

Should a Member of the Management Board or a Member of the Supervisory Board of any of the companies belonging to the PKP CARGO Group know or suspect that a conflict of interest has arisen concerning them or another Member of the Management Board or a Member of the Supervisory Board, they are obliged to immediately notify respectively the Chairman of the

Supervisory Board or the President of the Management Board in the company in whose management or supervisory body they serve. If the Supervisory Board or the Management Board receives the above information, the Supervisory Board or the Management Board, as the case may be, shall verify such information and take actions aimed at removing the conflict of interest.



# Development and investments

GRI: 203-1

Capital expenditures of PKP CARGO amounted to PLN 613.0 million in 2022. It is an amount excluding right-of-use assets and purchase of computer software. The largest investments concerned expenditures connected with rolling stock expansion and management, e.g. purchase of wagons for transporting containers (performance of an agreement entered into for several years) and repairs and service of wagons and locomotives. The costs of the operations were PLN 607 million. PLN 3.5 million was designated for purchasing rolling stock, ICT and office equipment. The company also incurred capital expenditures on infrastructural operations in the area of real estate concerning: a long-term construction of a terminal and a Rolling Stock Maintenance Point (PUT) at the Geniusze station (expenditures in 2022 amount to PLN 4 million) and on lower investments and modernizations regarding, most of all, improvement of sewage management, construction of resupply central heating system, rebuilding of water supply networks as well as modernization of the building of the Company's Head Office with regard to fire protection at PUT (all the works were completed from the budget of PLN 1.6 million).

PKP CARGO CONNECT started and completed works for an amount of PLN 3,933.3 thousand, including cash distributed for: machines and equipment and workshop fit-outs (PLN 79 thousand), intangible assets (PLN 175.12 thousand), information and telecommunications technology (PLN 210 thousand), workshop and office furnishing (PLN 242 thousand) and for right-of-use assets (real estate: PLN 712 thousand, wagons: PLN 189 thousand, moveable property, plant and equipment: PLN 2,229 thousand, components in repair: PLN 272 thousand). The only expenditure incurred by the company that can be treated as infrastructural expenditure was repair of the access road to the Zaborze Terminal in the amount of PLN 3.7 thousand. In 2022, CARGOTOR completed renovations and repairs for PLN 1,351 thousand within the process of ongoing maintenance of rail infrastructure.

GRI: 203-1

Infrastructural investments and supported services (PLN ths)



PKP CARGOTABOR performed a number of important infrastructural investments in 2022 affecting the local economies favorably in terms of reduction of negative impact on natural environment (dust, noise) and reduction of carbon emissions. In addition, PLN 310 thousand was incurred for replacement of lamps for energy-saving (LED) ones in 2022, and PLN 2.49 million for continuing the investment project in the Section in Tarnowskie Góry, started in 2013 (planned completion in 2023). The effect of the financing was the completion of building varnishing and blasting systems and scales. Another continued operation was the construction of a chamber for wet-blasting in the Section in Olsztyn, for which the company designated PLN 80 thousand in 2022 (the operation started in 2021 and completed in 2022). PKP CARGOTABOR also began building an internal water supply system on plot no. 750 w in the Section in Jaworzyna Śląska, with the capital expenditures incurred so far in the amount of PLN 100 thousand.

The biggest investment project of PKP CARGO TERMINALE was construction works connected with the construction of the Karsznice Container Terminal, which is planned to be completed in October 2023. The expenditures incurred last year amounted to PLN 22,562 thousand. The investment project is to improve accessibility of the logistics sector for interested entities. The network is part of the Baltic – Adriatic Corridor, which runs across six Member States and connects Baltic ports in Gdynia/Gdańsk and Szczecin/Świnoujście with Adriatic ports. The remaining cash was distributed for the construction of light circuit and modernization of the Raniewo Terminal (expenditure of PLN 1,613 thousand), modernization of Square D on the Container Terminal (PLN 3,629 thousand), modernization of overhead cranes (PLN 1,450 thousand) and for other investments (PLN 1,217 thousand).

# PKP CARGO Group's Units

GRI: 203-1

PKP CARGO S.A. has seven units supervising various regions of Poland. Their major tasks include resource management in the operating area, organization and performance of cargo

deliveries, transshipment or storage. Furthermore, they carry out transports using means of other rail operators as well as traction service of transports provided by the Company.

In 2022, the following organizational units comprised the PKP CARGO S.A. enterprise structure:

- > Central Unit of the Company,
- > Lower Silesian Unit of the Company,
- > Southern Unit of the Company,
- > Northern Unit of the Company,
- > Silesian Unit of the Company,
- > Eastern Unit of the Company,
- > Western Unit of the Company,



PKP CARGOTABOR provides services in 6 Units, in which the diverse business activity is conducted in 16 locations all over Poland. Ongoing maintenance and repairs of diesel locomotives are performed in Czerwieńsk, Tczew and Olsztyn. Ongoing maintenance of electric locomotives takes place first of all in Tczew, while periodic repairs are done in Ostrów Wielkopolski and Zduńska Wola. Works connected with maintenance and repairs of wagons are done by the Sections located in Szczecin, Gdynia, Tczew, Olsztyn, Toruń, Gorzów Wielkopolski, Jaworzyna Śląska, Kluczbork, Tarnowskie Góry, Dąbrowa Górnicza, Kraków and Zabrzeg Czarnolesie. In addition, 2 highly specialized Units operate within the Company's structure – one in Zduńska Wola, whose task is to produce and regenerate components of the circulation reserve, and also, since 31 January 2023, the Traction Equipment Production Unit, with its registered office in Łódź, whose major task is to produce components for electric locomotives. Branches of PKP CARGO CONNECT are located in Warszawa, Białystok, Gdynia, Katowice, Koroszczyń-Zaborze, Kraków, Lublin, Małasz-

wicze, Poznań, Szczecin. In Wrocław, there are two branches. The company also oversees the following customs agencies: AC Braniewo, AC Dorohusk, AC Gdynia, AC Hrubieszów, AC Korczowa (border crossing), AC Kostrzyn, AC Kraków, AC Kuźnica Białostocka, AC Małaszewicze, AC Medyka, AC Siemianówka, AC Sławków, AC Świecko, AC Szczecin, AC Warszawa, AC Werchrata, AC Wrocław, AC Zaborze. In addition, the company supervises the following terminals: TK Gliwice, TK Poznań, TK Warszawa, TP Dorohusk, TK Mława, TP Wólka, TP Zaborze, TP Railport Medyka.

PKP CARGO TERMINALE manages terminals in Medyka, Żurawica, Małaszewicze, Kowalew, Podśędki and Raniewo.

PKP CARGO INTERNATIONAL, PKP CARGO SERVICE, CARGOSPED TERMINAL BRANIEWO and CARGOTOR have no units of their own.

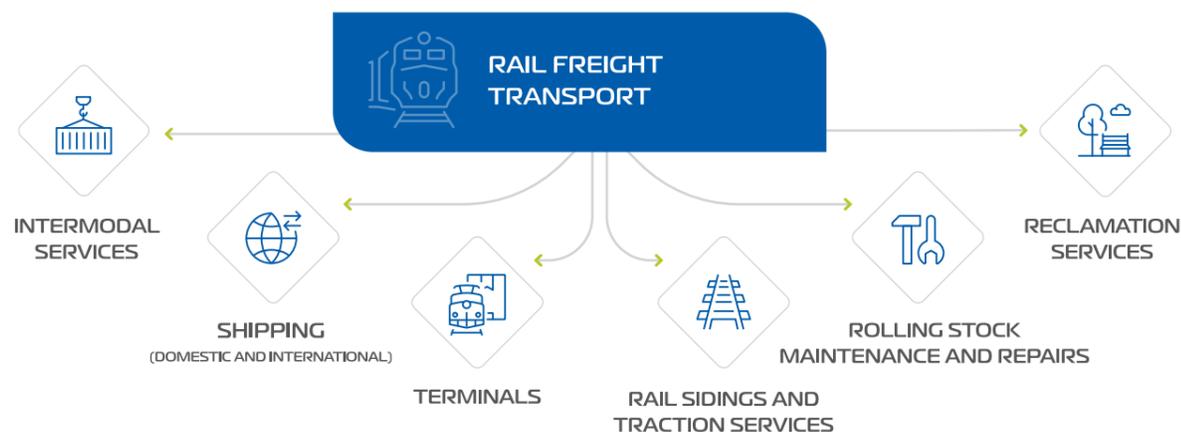
# Products and services

GRI: 2-6

The PKP CARGO Group conducts business activity primarily in the sectors of (cargo, mostly rail) transport and the related services (e.g. while servicing rail sidings). Particular subsidiaries also carry out the following activities:

- logistics (PKP CARGO CONNECT, PKP CARGO SERVICE),
- freight forwarding (PKP CARGO CONNECT),
- remediation, including construction works and production, storage and sales of fuels (PKP CARGO International),
- management and maintenance of rail infrastructure (CARGOTOR),
- repairs/maintenance of rail lines and wagons (PKP CARGO INTERNATIONAL) as well as rail rolling stock (PKP CARGOTABOR),
- transshipment and cargo handling (PKP CARGO TERMINALE),
- sales of transshipment services and the related customs and freight forwarding services (CARGOSPED Terminal Braniewo).

In addition, PKP CARGO INTERNATIONAL also runs an intermodal terminal in the Czech Republic (Ostrava-Paskov), while CARGOSPED Terminal Braniewo is engaged in coal trading.



## Business activity of PKP CARGO Group companies

GRI: 2-6

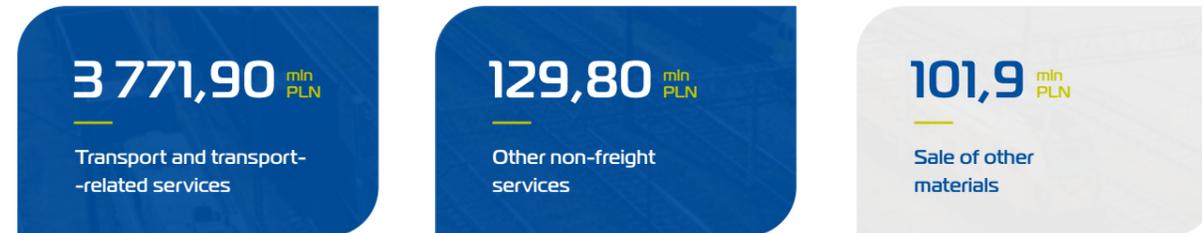
Net sales value of each service in 2022 (PLN million)



> **PKP CARGO S.A.**

The main area of the PKP CARGO Group's activity is rail freight in Poland and within the European Union. The company also provides the following services: transport-related services, traction and station services, comprehensive handling of sidings and rolling stock lease and repair services.

Net sales value of each service in 2022 (PLN million)



The company provides services in the territories of Poland and Austria, the Czech Republic, Germany, Holland and Slovakia.

> **PKP CARGO SERVICE Sp. z o.o.**

The basic services offered by the company include: comprehensive handling of rail sidings, rail freight operations, repairs, diagnostics and maintenance of rail infrastructure, rolling stock maintenance services and domestic road transport and unloading. The company's portfolio also includes supplementary services: training and technological management connected with carburizing service.

Net sales value of each service in 2022 (PLN million)



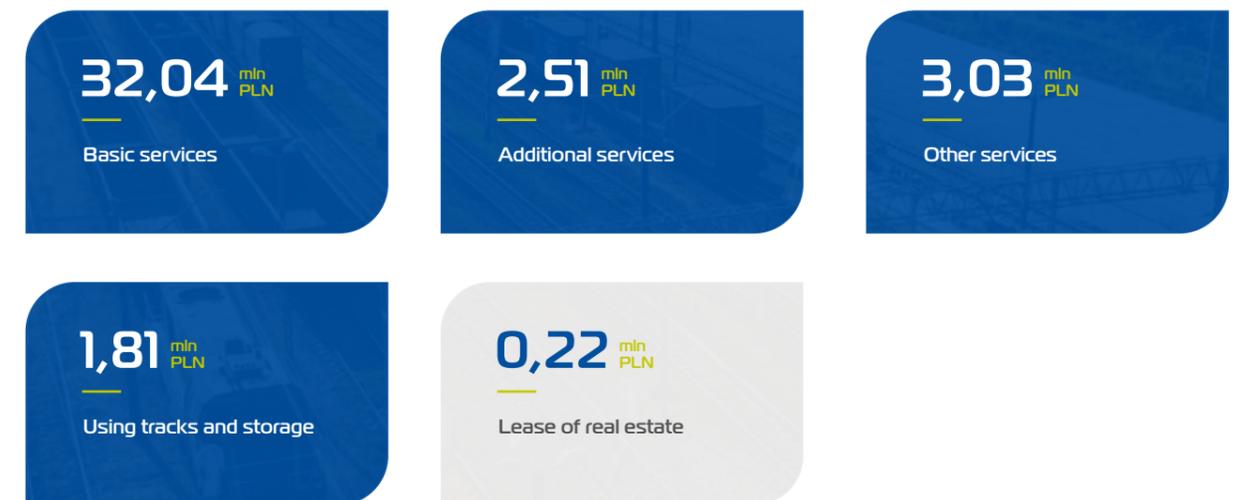
The organization provides services in the entire territory of Poland and to a slight extent in the territory of Germany.

To perform its tasks, the Company cooperates with key suppliers, mainly in terms of access to rail infrastructure, supply (of traction energy, diesel fuel, materials for repair of rail infrastructure and rolling stock), leases of real estate, lease of traction vehicles and wagons and services related to repair and renovation of railway infrastructure as subcontractors.

> **CARGOTOR Sp. z o.o.**

The Company handles provision of access to rail infrastructure and its maintenance in Poland. Its basic services are understood as managing track and service infrastructure (forwarding points and track systems) along with the requisite plant and buildings as well as making infrastructure available to rail operators on commercial terms.

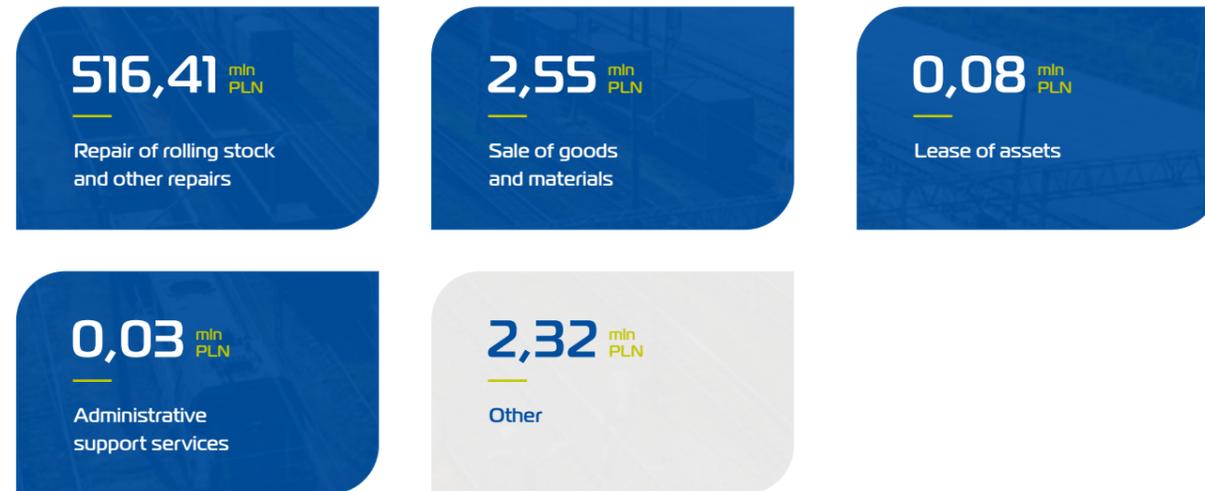
Net sales value of each service in 2022



> **PKP CARGOTABOR Sp. z o.o.**

The company offers five major services: repairs of wagons, electric and diesel locomotives, components for wagons and locomotives and rolling stock machines as well as calibration of wagons.

Net sales value of each service in 2022



The company's services are addressed mainly to the Polish market and provided in 16 locations in Poland. Repair of rolling stock is also performed for the PKP CARGO Group company in the Czech Republic.

The majority of suppliers for PKP CARGOTABOR are manufacturers of components and materials used for repairs of rolling stock as well as entities providing services supporting maintenance processes, such as regeneration of components, welding services.



> **PKP CARGO CONNECT Sp. z o.o.**

The company provides railway shipping and road freight forwarding services, cargo transshipment and customs agencies services. It also leases assets and sells goods and materials.

Net sales value of each service in 2022



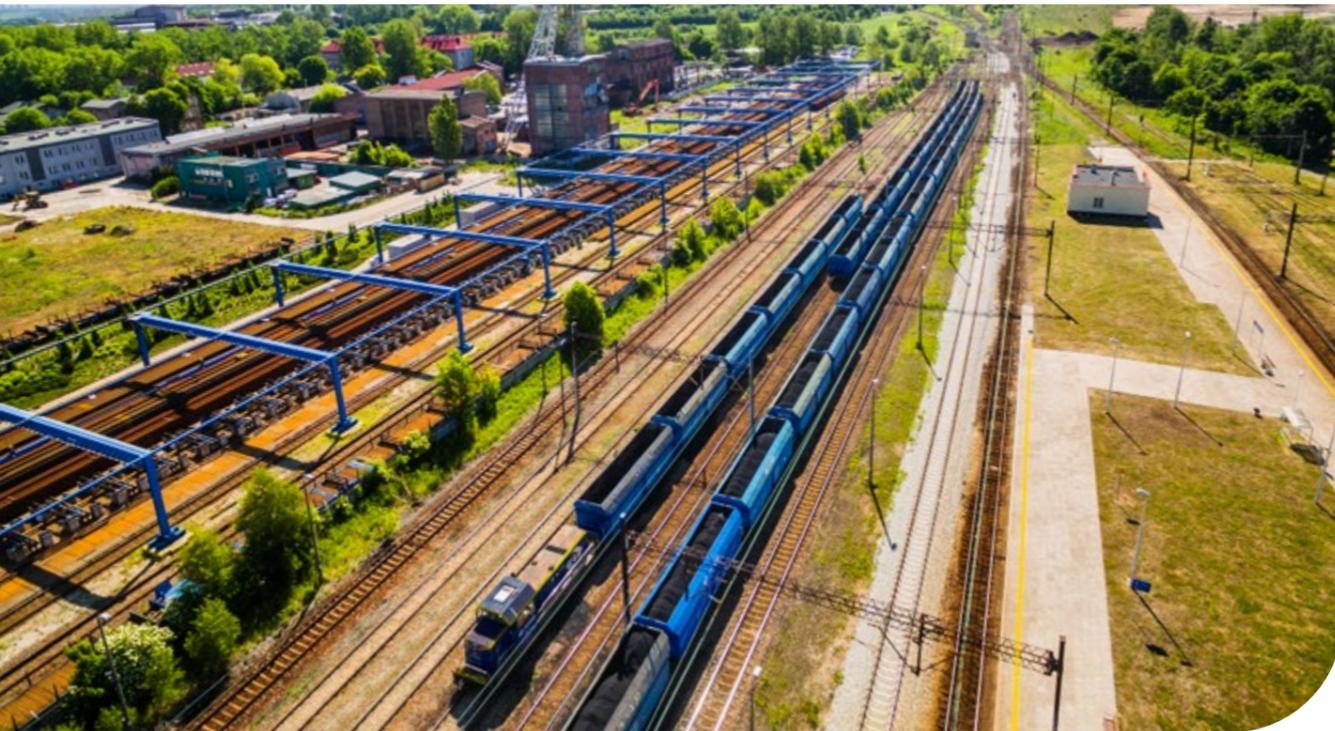
PKP CARGO CONNECT conducts activity in Poland and 29 other European countries. It also reaches Turkey, China and the United States.

> **PKP CARGO INTERNATIONAL a.s.**

The company provides services in the area of rail transport and freight forwarding services, handling sidings in the Czech Republic and Hungary, cargo services as well as remediation and construction services. It also performs repairs of rolling stock and sales of finished products.



PKP CARGO INTERNATIONAL a.s. provides services on the Polish market and abroad also on the Czech, Hungarian, Slovenian and Slovak markets.



> **PKP CARGO TERMINALE Sp. z o.o.**

The Company provides transshipment and cargo handling services in the territory of Poland. Cargo delivered for transshipment is imported and exported by the Company's customers and sent mainly to EU markets (including Polish ones) as well as to Kazakh, Uzbek and Ukrainian markets. The organization does not participate in the process of cargo deliveries to transshipment terminals.

PKP CARGO TERMINALE performs, among other services, transshipment of coal, whose availability was limited last year, which caused some anxiety in the society. The reloaded coal was further distributed in the Polish market. It was delivered, among other places, to Polish power plants and townships to be further distributed to households.

Net sales value of services in 2022



> **CARGOSPED Terminal Braniewo Sp. z o.o.**

The Company sells transshipment services, additional services connected with transshipment (storage, sorting, bagging) as well as customs and freight forwarding services. The terminal is equipped with devices and infrastructure which make it possible to reload coal, mineral fertilizers, carbon black, construction materials. CARGOSPED cooperates both with direct importers/exporters as well as freight forwarders.

Customs and freight forwarding services are provided first of all to any business partners ordering transshipment of their cargo on the terminal, thus offering comprehensive service (customs clearance, transport organization, preparation of documentation, etc.).

The Company also sells imported coal.

Net sales value of each service in 2022



The outlet for the Company's services are companies importing coal, artificial fertilizers, soot to Poland. Wholesale and semi-wholesale outlets for coal sales are companies from the territory located at most about 250 km away from the company's head office (the target outlet is the market of small manufacturers using coal for heating). The retail market covers customers located within a dozen or so kilometers away from the company's head office.

and customs and freight forwarding services. In order to offer a comprehensive service, it purchases (rail) transport services from companies of the PKP CARGO Group and road transport services from local Polish companies.

Information on value chain, supply chain and due diligence procedures with respect of compliance with human rights in the supply chain [GPW S-P6] can be found in chapter three of this report, in particular: 3.2. Accountable business relations.

The Company prepares and performs terminal services with its own resources (transshipment, storage, sorting, bagging, etc.)



# Activity in industry organizations

GRI: 2-28

Activity in industry organizations is an important area for the PKP CARGO Group. Particular companies from the Group are active in various groups, depending on the conducted business activity. Being active makes it possible to express their opinions on issues affecting the development of the industry as well as share knowledge and experience with other companies.

PKP CARGO takes part in the works of the following international organizations to which PKP S.A. belongs.

- **UIC** (International Union of Railways) – membership of PKP CARGO S.A. in the ATTI special group (sub-group of UIC). PKP CARGO participates in various projects and committees, including **UIC WUSG** (Wagon Users Study Group). Representatives of PKP CARGO S.A. cooperate with the UIC Sustainable Development Platform, sharing opinions and comments to documents being prepared as well as monitoring the works of the Platform. These focus on five major topics concerning environment and sustainable development:

    - ◆ air quality,
    - ◆ circular economy,
    - ◆ energy efficiency and CO2 emissions,
    - ◆ noise and vibrations,
    - ◆ sustainable land use.
  - **OSJD** (Organization for Cooperation between Railways). Participation in commissions of OSJD: Commission on Freight Traffic, Commission on Transport Law, the Working Group on Transport Law in the field of updating the Rules for the Transportation of Dangerous Goods and the Working Group on Transport Law on the development of technical regulations for stowing and fastening of goods. Cooperation because of the importance of transit transport in the directions East-West-East, and especially transports from/to China (at present, in accordance with regulation issued by PKP S.A. and in agreement with MI DTK, PKP, since February 2022 until further notice, has not taken part in the works of the working groups (because of the war in Ukraine).
  - **CER** (Community of European Railway and Infrastructure Companies). Representatives of PKP CARGO participate in the work of CER's Environment and Energy Strategy Group. The Group handles issues about, among others, rail noise, CO2 emissions, energy costs, energy crisis, alternative fuels,
  - prohibition on the use of glyphosate, etc. The topics depend on the work of EU institutions and draft documents to which CER provides comments and presents positions. Within the works, responses are also prepared for consultations conducted by the European Commission.
  - **CIT** (International Rail Transport Committee)/ CUI. The membership is important from the perspective of cooperation and international transports.
  - **CCTT** (International Coordinating Council on Trans-Eurasian Transportation).
  - **FTE** (Forum Train Europe) as an independent member (European Timetabling Forum). PKP CARGO S.A. participates in projects or committees.
  - **CEEK** (Center for Railway Energy Efficiency). Initiative of the railway industry for saving energy, conducted under the patronage of PKP Energetyka S.A. Because of the planned acquisition of PKP Energetyka S.A. by PGE Polska Grupa Energetyczna, it is uncertain what happens to the CEEK initiative; this will be resolved in the future.
  - **SEG** (Polish Association of Listed Companies).
  - **SII** (Association of Individual Investors)
- In addition, PKP CARGO S.A. participates in the works on the development of **AVV** – General Contract of Use for Freight Wagons. AVV is neither an association nor an organization but this project is very important for the Company, which is a signatory of the AVV Contract since 2006 and for this pays the annual membership fee.



PKP CARGO SERVICE participates in the work of three organizations:

- **The Association of Rail Employers**, where the Company cooperates to protect the rights and represent the interests of its members in contacts with trade unions, government administration bodies and local government bodies.
- **The Association for the Promotion of Sport, Tourism and Culture "Kolejarz" [Railwayman]**, where the Company is active to promote physical culture, sport, tourism and cultural activity.
- **Center for Railway Energy Efficiency (CEEK)**. The Company cooperates there to increase railway energy efficiency by reducing electricity use and promoting railway as an ecological means of transport.

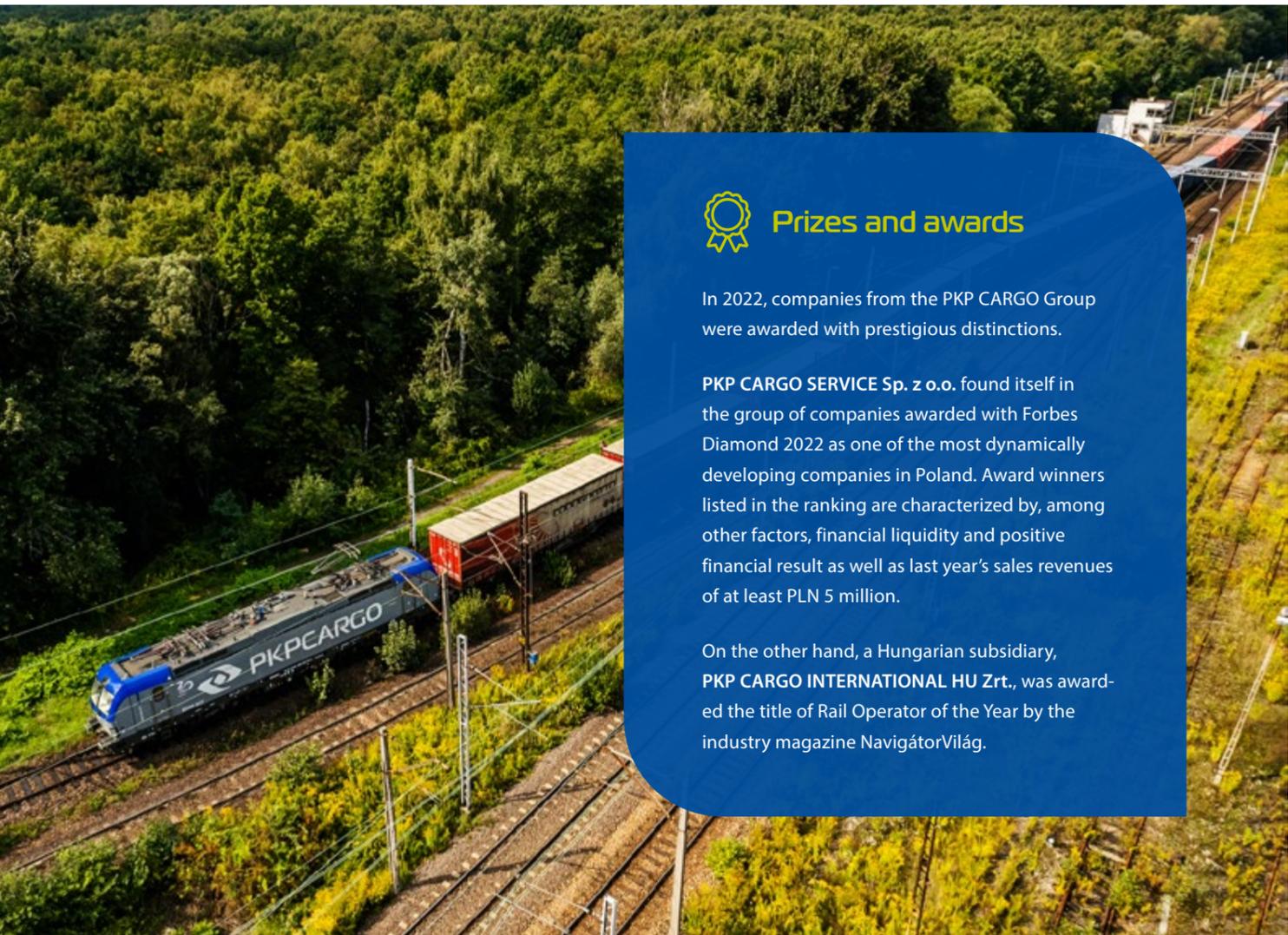
Organizations in which PKP CARGOCONNECT participates:

- **FIATA** (International Federation of Freight Forwarders Associations) with global reach, which handles preparation of documents used by freight forwarders and all people organizing transport.
- **PISiL** (Polish Chamber of Freight Forwarding and Logistics) – the Chamber associates entrepreneurs conducting business activity involving the provision of international and Polish freight forwarding, logistics, transport, customs agencies and other services connected with handling goods trading. The aim of the Chamber is to protect rights and represent interests of members before government and administration bodies, local government bodies and before international organizations of freight forwarders, shippers or carriers.
- **The National Chamber of Maritime Commerce** – an organization of business self-government associating business entities active in maritime commerce. Its aim is to ensure to the Chamber's members comprehensive assistance in their business activities to meet their needs and satisfy their interests, create conditions for development of economic life and support business initiatives taking into consideration special characteristics of maritime regions.
- **The Association of Rail Employers (ZPKP)** having an impact on shaping legislation concerning the interests of employers belonging to the Association, and supporting employers through organizing legal, economic and organizational advisory service.
- **The Polish-Ukrainian Chamber of Commerce (PUiG)** aiming to support cooperation, promote business activity, promote a positive image between Polish and Ukrainian entrepreneurs.

**Organizations in which PKP CARGO INTERNATIONAL participates:**

- > Association of Security Advisors and Experts (Asociace bezpečnostních poradců a znalců)
- > Czech Treasury Association (Česká asociace Treasury)
- > The Association of Owners and operators of rail vehicles (Sdružení držitelů a provozovatelů železničních vozů)
- > Czech Association of Cleaning Stations (Česká asociace čistících stanic)
- > Employers' Association of Mining and Oil Industry (Zaměstnavatelský svaz důlního a naftového průmyslu)
- > GCU (General Contract of Use for Wagons) Bureau
- > VSP – GCU (General Contract of Use for Wagons) Bureau
- > Agreement on freight Train Transfer Inspection (ATTI) UIC
- > The Union of Human Resources Personnel of the Czech Republic (Svaz personalistů České republiky)
- > Association of Owners and Operators of Private Rolling Stock (Združení vlastníků a prevádzkovateľov súkromných koľajových vozidiel)
- > GCU (General Contract of Use for Wagons) Bureau
- > Agreement on freight Train Transfer Inspection (ATTI) UIC

Members of the Association of Rail Employers are also PKP CARGOTABOR and PKP CARGO TERMINALE. CARGOTOR Sp. z o.o. It belongs to the Association of Rail Employers and participates on the program council of Employers of the Lublin Region.



**Prizes and awards**

In 2022, companies from the PKP CARGO Group were awarded with prestigious distinctions.

PKP CARGO SERVICE Sp. z o.o. found itself in the group of companies awarded with Forbes Diamond 2022 as one of the most dynamically developing companies in Poland. Award winners listed in the ranking are characterized by, among other factors, financial liquidity and positive financial result as well as last year's sales revenues of at least PLN 5 million.

On the other hand, a Hungarian subsidiary, PKP CARGO INTERNATIONAL HU Zrt., was awarded the title of Rail Operator of the Year by the industry magazine NavigátorVilág.

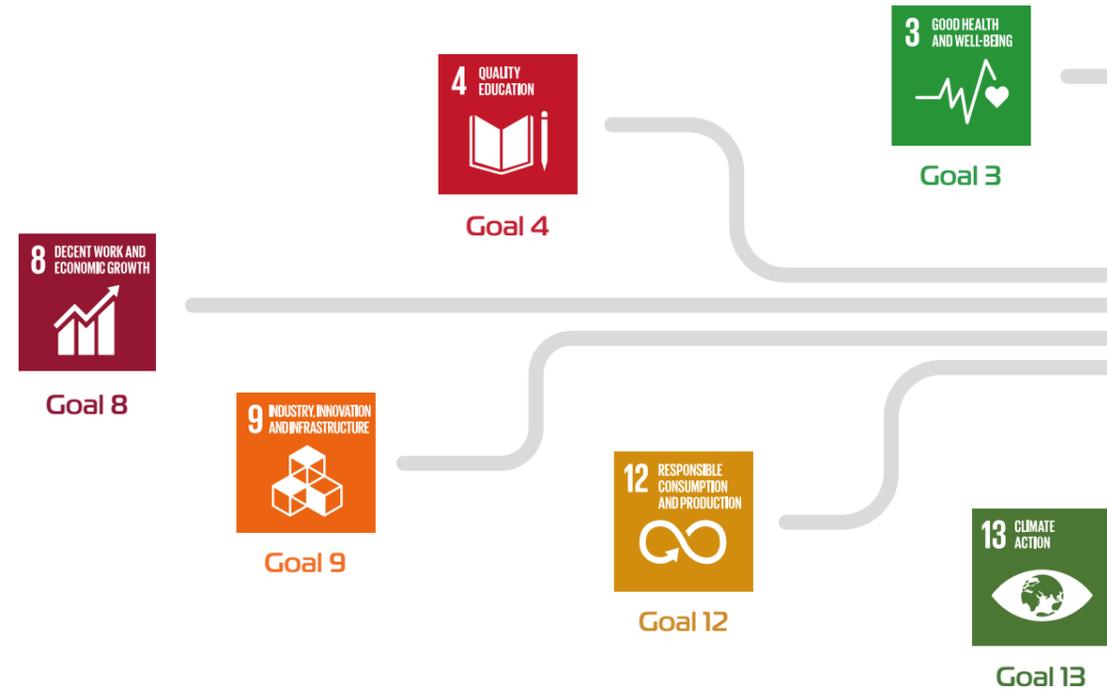
# Approach to sustainable development

Including elements of sustainable development in the strategy of such a complex group as PKP CARGO Group is extremely significant. It allows us to increase positive and minimize negative impact of the organization both at the management level and the level of local sites where we reach with our services, also through cooperation with suppliers and subcontractors.

**GRI: 2-22**

In 2022, PKP CARGO implemented the process of sustainable development reporting based on the Global Reporting Initiative standards in all areas, reviewed the policies paying special attention to the above and started implementing elements of an ESG strategy. Furthermore, PKP CARGO is guided in its business activity by the ISO 26 000 standards with regard to the following areas: organizational order, human rights, work relationships,

protection of the natural environment, fair market practices, consumer relationships and social involvement. PKP CARGO CSR/ESG activities are also consistent with the performance of Sustainable Development Goals defined by the United Nations resolution: "Transforming our world: the 2030 Agenda for Sustainable Development," including in particular:



## Strategy and business model in view of sustainable development

### GRI: 2-22

The PKP CARGO Group conducts business within one main segment – domestic and international cargo freight and provision of comprehensive logistics services related to rail freight. The Group additionally provides services related to rolling stock repairs, infrastructure maintenance and land reclamation services, but they are not material for the Group's business and therefore are not treated as separate operating segments.

### Key suppliers

As they operate on the freight transport market, both the PKP CARGO Group and the Company are dependent on the largest supplier of access services to rail infrastructure in Poland, namely PKP Polskie Linie Kolejowe S.A. (PKP PLK). This company is a domestic supplier that provides access to the prevalent portion of rail infrastructure in Poland in accordance with the price list approved annually by the President of the Office of Rail Transport. This infrastructure is made available for a fee on the same terms to all rail operators offering passenger and cargo rail transport. PKP PLK renders services to the PKP CARGO Group that include the provision of access to rail infrastructure, the provision of access to traction network equipment, the directing and carrying of traffic and access to train handling equipment.

Moreover, the Group's main supplier for traction fuel and traction energy is PKP Energetyka S.A. This supplier specializes in selling and supplying electricity, selling liquid fuels and providing electrical energy-related services.

### Key customers

PKP CARGO Group transported in 2022 100.6 million tons of goods and, as the rail freight leader, we provide transport services in all segments of the market. The major sector in transport activity are solid fuels, with the share of 51% in all transports provided in 2022. In this market sector, transport services were provided for 166 customers (parent companies plus their subsidiaries) and their major commodity was hard coal. The second segment of transport activity of PKP CARGO was aggregates and construction materials, with the share of 21% in all transports provided by PKP CARGO in 2022. In the segment, transport services were provided by 89 customers (parent companies plus their subsidiaries) and the services were commissioned mainly from Lower Silesia and the area around Kielce. Liquid fuels and chemicals in 2022 had a share

of 8% in all the transports of PKP CARGO; in this market sector, transport services were provided by 105 customers (parent companies plus their subsidiaries). Transports of ores and metals are another area of PKP CARGO's activity with a share of 6% in all transports provided in 2022. In this market sector, transport services were provided by 85 customers (parent companies plus their subsidiaries). Intermodal transports were at a level of 8% share in the total transport volumes and were provided for 61 customers (parent companies plus their subsidiaries). The last distinguished cargo category for cargo transported by PKP CARGO in 2022, with a 3% share in all the transports of PKP CARGO S.A., was agricultural produce and timber and timber products. In this market sector, transport services were provided by 70 customers (parent companies plus their subsidiaries). The highest freight volume was provided by customers of large companies and corporate groups.

### Strategy

PKP CARGO S.A.'s strategy concerning the Company's impact on the environment, the economy and the society, taking into consideration protection of human rights, distinguishes three timeframes. The implementation of the strategy may be successful depending on many internal and external factors. In 2022, the following were considered the most significant: geopolitical situation (in particular, the war in Ukraine), infrastructural investments, increase in energy costs, economic growth (including the rate of inflation and decarbonization), taxonomic disclosures, trends resulting from generally applicable laws (especially legislative regulations in the European Union), customer relations and social involvement, environmental protection and fair market practices.

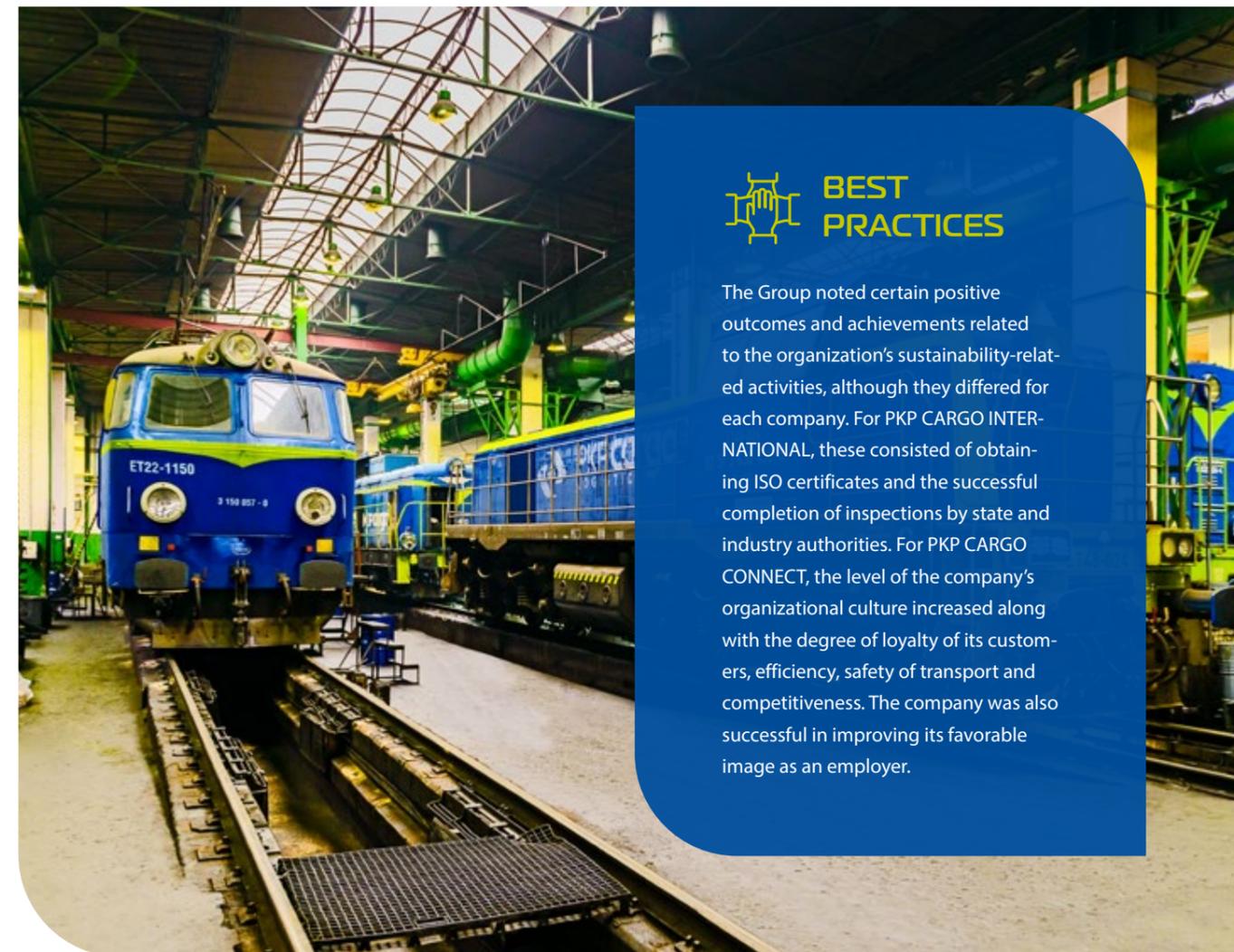
In the short term, the Company focuses on enforcing its existing policies related to employee rights and sustainability focus in the investment planning process. At the Group level, there are plans to adopt shared regulations aimed at the protection of human rights.

In the medium term, the strategy calls for ongoing social dialogue and improvement in employment conditions by observing the freedom of association and expanding employee rights and guarantees. In terms of environmental impact, the following activities are planned: rolling stock upgrades, switching locomotives from diesel fuel to electric power, optimization aimed at saving energy and fuel, participation in infrastructural

investments and gradual phasing out of non-renewables in favor of RES. All these actions are intended to contribute to the reduction of our carbon footprint. Plans for the coming years include the establishment, implementation and management of an ESG strategy at the level of the PKP CARGO Group, by updating policies and adapting activities to the requirements of the Corporate Sustainability Reporting Directive (CSRD).

The long-term strategy consists for the most part of actions to be taken towards decarbonization through volume increases in transport categories other than coal and coke, an increase in the share of rail transport in total transport and the use of hydrogen-powered locomotives.

A coherent sustainable development strategy for the whole Group is being developed. Each company within the PKP CARGO Group keeps monitoring the impacts and developments within these areas on an ongoing basis and conducts targeted actions aimed at preventing the unfavorable consequences of their operations by complying with the applicable provisions of general law and internal standards. Sustainable development issues are significant for the Group's day-to-day business, as they are taken into account in ongoing operations and medium and long-term plans.



### BEST PRACTICES

The Group noted certain positive outcomes and achievements related to the organization's sustainability-related activities, although they differed for each company. For PKP CARGO INTERNATIONAL, these consisted of obtaining ISO certificates and the successful completion of inspections by state and industry authorities. For PKP CARGO CONNECT, the level of the company's organizational culture increased along with the degree of loyalty of its customers, efficiency, safety of transport and competitiveness. The company was also successful in improving its favorable image as an employer.

## Management of CSR activities

GRI: 2-12

### > PKP CARGO S.A.

The Company's Management Board designates, approves and oversees activities related to the organization's impact on the economy, natural environment and society, carried out by pertinent substantive departments. The Management Board Member – Employee Representative acts as the ambassador and initiator of projects in the field of social involvement. Constant support from the Company's Management Board enables us to respond to changing needs and obligations in all ESG areas on an ongoing basis. Owing to this, we are capable of aligning our actions with up-to-date market and social trends and the expectations of our stakeholders aware of the significance of the pursuit of ESG concepts by companies.

The Management Board adopts the long-term strategy for PKP CARGO, which includes operational objectives, initiatives and tasks. The Management Board then requests approval of the PKP CARGO S.A. Supervisory Board. In such situations, pertinent information is provided to stakeholders in the form of current reports. However, the Management Board does not verify the effectiveness of supervision over the pursuit of activities related to the organization's impact on the economy, natural environment and society.

### > PKP CARGO SERVICE Sp. z o.o.

The company has put in place documented procedures governing environmental issues, which are approved by way of Management Board resolutions, while the Integrated Management System Policy adopted by the Management Board covers environmental issues. Currently, a document entitled "Pursuit of the objectives of the Integrated Management System" is being developed.

Moreover, PKP CARGO SERVICE deployed an Environmental Management System that satisfies the requirements of the ISO 14001 standard. The system enables the formulation of environmental objectives, which are approved by the President of the company's Management Board. Progress towards the achievement of such objectives is evaluated periodically – once per year – within the framework of the Environmental Management System Review.

### > PKP CARGO CONNECT Sp. z o.o.

The company has put in place documented procedures and instructions related to environmental protection, which are approved by way of Management Board resolutions. Moreover, the company's Management Board adopted the Environmental Policy of PKP CARGO CONNECT Sp. z o.o.

An Environmental Management System was also implemented, under which the procedure "P05\_Ś – Target setting and action

planning" was adopted. It defines uniform rules and procedures for setting general and specific targets and action plans for the pursuit of the company's Environmental Policy. Furthermore, the procedure takes into account the identified significant threats related to the company's business. According to it, once per year the company's Management Board approves environmental targets and the degree of their achievement.

GRI: 2-17

With a view to improving competences, developing knowledge and skills and gaining experience in ESG areas, the PKP CARGO S.A. Management Board conducts annual self-assessments of its sustainability-related activities. During its meetings, substantive units provide information about the organization's impact on the

economy, the natural environment and people. The Management Board also participates in internal or dedicated training courses on CSR-related topics. Moreover, regulations governing the activities of the management body are reviewed to ensure the maximum effectiveness of its work.

## Responsible business policy

GRI: 2-23

The degree of PKP CARGO's involvement in CSR matters is defined in the PKP CARGO S.A. Socially Responsible Business Policy. It specifies who the Company's stakeholders are, the areas in which it manages CSR activities and the development opportunities in this direction. It defines the principles of responsible business adopted by the Company and emphasizes the role of integrating CSR activities and building the Company's value through their communication. A respectful, professional and responsible attitude of PKP CARGO S.A. towards its stakeholders is part of the process of strengthening the Company's position as a modern and independent logistics operator.

The Policy was adopted in 2019 and it contains principles and values consistent with Polish and international law and based on the guidelines of the international ISO 26 000 standard. It is updated on an ongoing basis to live up to market expectations and standards, including international ones, in terms of the Company's approach to sustainable business, based on which it was originally created – in 2022, for instance, the focus was on specifying in detail the principles of due diligence. Despite the absence of normative acts governing this aspect to which explicit references might be made, due diligence was the general direction of the Company's business activities and social projects.

The processes of updating and adjusting the Policy also apply to the precautionary principle. This notwithstanding, when executing projects targeted predominantly at employees, the Social Communication Department takes into account in each case the guidelines adopted by PKP CARGO S.A. for the organization's risk assessment process.

The CSR policy also takes into account respect for and protection of human rights, which form the framework of all guidelines on socially responsible business contained therein. This means, among other issues, referring to the principle of the ISO 26 000 standard and the key areas contained in its preamble, specifically human rights, corporate governance, labor relations and fair market practices. The Company's plans also include the insertion of direct references in the document to generally applicable legislative acts (national and international) – the Company's activities are fully consistent with them.

In its general assumptions, the document points to the need to respect human rights in all aspects of the organization's activities and business relations covered therein to the full extent. More detailed provisions may be found in internal standards and regulations – they pertain to such issues as labor relations and relations between the employer and trade unions (e.g. under the existing collective bargaining agreement).



As regards the protection of human rights, the Group companies are required in particular to:

1. prevent discrimination in employment, especially on the grounds of gender, age, disability, race, religion, nationality, political opinions, trade union membership, ethnic origin, denomination, sexual orientation;
2. comply with regulations governing the protection of personal data resulting from the provisions of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016;
3. protect the health and safety of employees and customers.

The policy is available to all employees on the Company's intranet. The distinct aspects of responsible business are presented to employees in various forms, including through newsletters, occasional articles and official communication from the pertinent Management Board Member, and at the management level during quarterly meetings with trade unions. The policy was also distributed to the PKP CARGO Group subsidiaries.

The application of CSR standards and regulations in the Group bore fruit in the form of the creation of positive and lasting relationships with society and the business environment and a sustainable impact on the environment, while supporting the achievement of the Group's business objectives. The organization is guided by the adopted high standards for the conduct of its ongoing operations. All standards and obligations resulting from the applicable laws and internal regulations are observed with great attention and strictness.

**GPW:** S-P5

PKP CARGO S.A. does not have a separate policy in place governing the respect for human rights, yet its Socially Responsible Business Policy contains the principle of respecting human rights and serves as a guideline laying down the rules and standards of conduct in all areas of the organization.

**GRI:** 2-24

The guidelines for conduct in accordance with applicable international standards lay down the rules governing the conduct of commercial activities and the functioning of PKP CARGO in the areas of employment, occupational safety and environmental protection. The organization also follows the guidelines set forth in its CSR Policy. Moreover, since 2008, the Company has been pursuing activities and projects related to corporate social responsibility. Through the

development of partnership-based social dialogue, the Company supports freedom of association and builds transparent labor relations. For more on this, see Section 5: Responsibility for employees and the social environment.



Running a business in a sustainable and responsible manner is not only an ethical thing to do, but it also contributes to the achievement of the overarching goal of the company's operation, which is to generate profit. Sustainable development issues are an increasingly significant topic for all our stakeholders – from employees to business partners and investors. In the PKP CARGO Group, we perceive the development of ESG areas as an opportunity for our organization, especially given the fact that our business is focused on rail transport, itself one of the least emission-intensive modes of transport. Our organization is certainly very open to development in ESG areas,

**Agnieszka Bareja**  
Director of the Management Board  
Office and the Investor Relations  
Department.



# 14 thousand

the number of PKP CARGO S.A. employees to whom CSR activities and projects are addressed, including employee support programs promoting the concepts of safe work, mental health and preventive healthcare, building work-life balance.

Responsibility for the pursuit of each obligation is distributed in accordance with the assigned scope of tasks in the distinct management divisions and organizational units operating within them. As regards the endeavors to roll out the concept of corporate social responsibility (CSR projects), planning and execution are supervised by the Management Board Member – Employee Representative. In terms of commitments for shaping labor relationships (in line with human rights and generally accepted standards), ongoing social dialogue is conducted at two levels – at the level of PKP CARGO S.A. and at the level of the Company's distinct units.

All units are required to take into account the obligations set forth in the Policy pertaining to organizational strategies, operating policies and procedures in those areas of the Company's business which they are in charge of in accordance with the organizational structure. Moreover, the Social Communication

## Reporting on CSR activities

**GRI:** 2-13

Within PKP CARGO, distinct tasks related to the Company's impact on people, the natural environment and the economy are delegated to the Management Board, in accordance with the scope of competence set forth in the Organizational Bylaws of PKP CARGO S.A. (and subsidiaries). The Bylaws lay down the principles of corporate responsibility management and the organization of the structure – no specific person has been appointed for this purpose, either from senior management or any of the lower-level staff. If necessary, specific tasks, projects of their parts are carried out by the best suited individuals.

Department implements these policies and procedures in the area of social projects by adhering to the adopted CSR concept: annual planning, ongoing implementation, verification and summary. Responsible business activities are audited at least once every year (both internally and externally). To date, such audits have resulted in favorable conclusions, and the course of action has been perceived as consistent with the company's specific nature and generally applicable regulations, which confirms the validity of the adopted approaches.

All organizational units align the training cycle with their needs in accordance with the directions implemented under the applicable international and national regulations governing such issues as the natural environment, reducing CO<sub>2</sub> emissions, counteracting discrimination and harassment in the work environment, and advancing ethical principles. The Social Communication Department executes corporate social responsibility projects, and for this reason it seeks to employ people with directional education in the field of CSR. The pursuit of such initiatives is included in the job descriptions of respective employees and the Department's organizational regulations.

At the time of publication of this report, work is underway on harmonizing the provisions of the Responsible Business Policy for the whole Group. Similar provisions apply at the level of distinct subsidiaries, where they govern business operations and business relations through a reliable fulfillment of accepted obligations and compliance with the principles of fairness and equal treatment of counterparties. All assignments are carried out in compliance with the terms of relevant contracts, codes and company directives.

For instance, in PKP CARGO SERVICE, regular reports on the organization's impact on the economy, people and the natural environment are prepared for meetings of the Management Board and are consolidated at the Group level. Earlier, they are reported to pertinent substantive units in subsidiaries. On an as-needed basis, corrective actions are taken at the level of distinct companies.

## GRI: 2-14

The review and approval of the information contained in the sustainable development report are subject to the same procedure as the financial statements or the Management Board activity report. The report is submitted in the electronic document circulation system, where approvals are collected from the relevant substantive departments. Then, the report is forwarded for a legal and formal review. Once approved by the supervising Management Board Member, that is the President of the Management Board, the report is discussed at

a meeting by the full composition of the Management Board. All Members are required to read the report (including the analysis of the materiality of the topics) and approve it.

The reported data are consolidated at the level of the PKP CARGO Group and verified by PKP CARGO S.A. All materials submitted for the preparation of the report are subject to approval by the governing body of the company concerned.

# Taxonomic disclosures

## Compliance with the EU classification of environmentally sustainable activities (Taxonomy)

On 18 June 2020, Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment, amending Regulation (EU), was adopted. Subsequently, on 21 April 2021, a classification of environmentally sustainable activities based on the Regulation, called the Taxonomy, took its current shape. The Taxonomy defines which specific economic activities, absent the fulfillment of additional criteria, including technological and social ones, may be considered environmentally sustainable.

Based on the provisions of the said Regulation, the PKP CARGO Group identified its business activities that are eligible for the Taxonomy and evaluated their alignment with the Taxonomy.

### Accordingly, an analysis was carried out in terms of the percentage share of:

- › revenue generated from products and services related to these activities in the PKP CARGO Group's total revenue,
- › capital expenditures (CAPEX) of the PKP CARGO Group corresponding to the assets or processes conducted as part of the Group's activities,
- › operating expenses (OPEX) of the PKP CARGO Group reflecting all spending on the day-to-day handling and maintenance of the Group's assets.

Consequently, it was established that in 2022 the following percentages were eligible for and aligned with the Taxonomy:



Distinct types of activity were assigned to only one activity qualifying for the Taxonomy. No portion of the Group's revenue, CAPEX or OPEX was double-counted. In cases where revenue generated from the respective activity was considered eligible for the Taxonomy, also the CAPEX and OPEX related to this activity were assigned to it in full and excluded from other activities. The remaining CAPEX and OPEX values (not related to the eli-

gible revenue-generating activities) were evaluated in terms of their possible inclusion in other categories of eligible activities. Distinct CAPEX and OPEX items were ascribed to only one activity. In situations where it seemed reasonable to ascribe them to more than one activity, the most suitable one was selected.

### The calculation of the share of revenue eligible for the Taxonomy was based on the following principles:

- › for the revenue ratio, adopted as the basis for the calculation (the ratio denominator) was the consolidated revenue from contracts with customers,
- › in turn, plugged into the numerator was the consolidated revenue generated from activities eligible for Taxonomy.

The activities of the PKP CARGO Group that contribute significantly to mitigating climate change and are Taxonomy-aligned (section A1) in terms of revenue include:

**6.2.** freight rail transport – that is the rental and operation of means of freight transport on mainline rail networks as well as short line freight railroads. In particular, revenue generated from the carriage of goods, excluding fossil fuels, using locomotives and wagons with zero direct emissions of CO<sub>2</sub> in exhaust gases when operated on tracks with the necessary infrastructure and using locomotives fitted with conventional engines where such infrastructure is unavailable (electric-and-combustion),

**3.3.** manufacture of low carbon technologies for transport – that is the repair, maintenance, modernization, reassignment and retrofitting of low-emission transport vehicles and rolling stock. In particular, revenue generated from the repair and maintenance of locomotives and freight wagons with zero direct emissions of CO<sub>2</sub> in exhaust gases when operated on tracks with the necessary infrastructure and using locomotives fitted with conventional engines where such infrastructure is unavailable (electric-and-combustion),

**6.14.** infrastructure for rail transport – that is the construction, modernization, operation and maintenance of surface and underground railroads, bridges, tunnels, stations, terminals and rail service infrastructure facilities, and safety and traffic management systems, including the provision of architectural and engineering services, design services, construction oversight services, and surveying and mapping services, etc., conducting physical, chemical and other analytical tests on all types of materials and products. In particular, revenue from the maintenance and operation of electrified trackside infrastructure and from the provision of infrastructure and installations intended for the transshipment of cargo in intermodal connections, that is terminal infrastructure and load-bearing structures for the loading, unloading and handling of cargo.

**The activities of the PKP CARGO Group that are eligible for the Taxonomy, but are environmentally unsustainable (Taxonomy-unaligned – section A2) in terms of revenue, include:**

**6.2.** freight rail transport – that is the rental and operation of means of freight transport on mainline rail networks as well as short line freight railroads. Assigned to this category was revenue from the carriage of goods by locomotives using conventional combustion engines and revenue from the carriage of fossil fuels.

**6.6.** freight transport services by road – that is the purchase, financing, lease, rental and operation of vehicles for the provision of freight transport services by road. Assigned to this category were all activities considered environmentally unsustainable.

**3.3.** manufacture of low carbon technologies for transport – that is the repair, maintenance, modernization, reassignment and retrofitting of low-emission transport vehicles and rolling stock. Assigned to this category was revenue from repairs and maintenance of diesel locomotives and those freight wagons that are predominantly intended for the carriage of fossil fuels.

**6.14.** infrastructure for rail transport – that is the construction, modernization, operation and maintenance of surface and underground railroads, bridges, tunnels, stations, terminals and rail service infrastructure facilities, and safety and traffic management systems, including the provision of architectural and engineering services, design services, construction oversight services, and surveying and mapping services, etc., conducting physical, chemical and other analytical tests on all types of materials and products. Assigned to this category was revenue from the maintenance and operation of non-electrified trackside infrastructure and from the provision of infrastructure and installations (terminal infrastructure and load-bearing structures) intended for the transshipment of cargo as part of non-intermodal services.



The remaining revenue is generated by activities that are not considered eligible for Taxonomy (section B).

Plugged in as the basis for calculating the revenue ratio was consolidated revenue from contracts with customers disclosed in the “Consolidated Financial Statements for the financial year ended 31 December 2022”.

The percentage share of revenue from products or services related to Taxonomy-aligned activities, based on disclosures for 2022, is presented in Table 1.

**The calculation of the CAPEX ratio eligible for the Taxonomy was based on the following principles:**

- › the calculation (ratio denominator) was based on the PKP CARGO Group’s consolidated capital expenditures, which included: property, plant and equipment, intangible assets and right-of-use assets.
- › capital expenditures related to activities eligible for the Taxonomy were plugged into the numerator.

**The activities of the PKP CARGO Group that contribute significantly to mitigating climate change and are Taxonomy-aligned (section A1) in terms of CAPEX include:**

**6.2.** freight rail transport – that is the rental and operation of means of freight transport on mainline rail networks as well as short line freight railroads.

**3.3.** manufacture of other low carbon technologies – that is the repair, maintenance, modernization, reassignment and retrofitting of low-emission transport vehicles and rolling stock. Assigned to this category were expenditures on electric locomotives and freight wagons not intended for the carriage of fossil fuels.

**3.6.** manufacture of other low carbon technologies for transport – that is the manufacture of technologies aimed at a substantial reduction of greenhouse gas emissions in other sectors of the economy.

**6.14.** infrastructure for rail transport – that is the construction, modernization, operation and maintenance of surface and underground railroads, bridges, tunnels, stations, terminals

and rail service infrastructure facilities, and safety and traffic management systems, including the provision of architectural and engineering services, design services, construction oversight services, and surveying and mapping services, etc., conducting physical, chemical and other analytical tests on all types of materials and products. Assigned to this category were expenditures related to electrified trackside infrastructure and expenditures on the provision of infrastructure and installations (terminal infrastructure and load-bearing structures) intended for the transshipment of cargo as part of intermodal services.

**7.3.** installation, maintenance and repair of energy efficiency equipment – that is individual renovation measures consisting in installation, maintenance or repair of energy efficiency equipment.

**The activities of the PKP CARGO Group that are eligible for the Taxonomy, but are environmentally unsustainable (Taxonomy-unaligned – section A2) in terms of CAPEX, include:**

**3.3.** manufacture of low carbon technologies for transport – that is the repair, maintenance, modernization, reassignment and retrofitting of low-emission transport vehicles and rolling stock. Assigned to this category were expenditures on diesel locomotives and those freight wagons that are predominantly intended for the carriage of fossil fuels.

**6.14.** infrastructure for rail transport – that is the construction, modernization, operation and maintenance of surface and underground railroads, bridges, tunnels, stations, terminals and rail service infrastructure facilities, and safety and traffic management

systems, including the provision of architectural and engineering services, design services, construction oversight services, and surveying and mapping services, etc., conducting physical, chemical and other analytical tests on all types of materials and products. Assigned to this category were expenditures related to non-electrified trackside infrastructure and expenditures on the provision of infrastructure and installations (terminal infrastructure and load-bearing structures) intended for the transshipment of cargo as part of non-intermodal services.



The remaining CAPEX are generated by activities that are not considered eligible for Taxonomy (section B).

The percentage share of capital expenditures on products or services related to Taxonomy-aligned activities, based on disclosures for 2022, is presented in Table 2.

Plugged in for the calculation of the CAPEX ratio presented Table 2 were the consolidated capital expenditures disclosed in sec. 3.6. “The Company’s and the PKP CARGO Group’s investments” of the “Management Board report on the activity of PKP CARGO and the PKP CARGO Group for 2022”.

**The calculation of the OPEX ratio eligible for the Taxonomy was based on the following principles:**

- › plugged into the denominator was all spending on the day-to-day handling and maintenance of the PKP CARGO Group's assets. These included: maintenance and repairs of wagons and locomotives, track infrastructure and container terminals, expenses related to repairs and overhauls of equipment, surface cleaning expenses, consumption of utilities, building security expenses, equipment legalization expenses.
- › OPEX related to activities eligible for the Taxonomy were plugged into the numerator.

**The activities of the PKP CARGO Group that contribute significantly to mitigating climate change and are Taxonomy-aligned (section A1) in terms of OPEX include:**

**3.3.** manufacture of low carbon technologies for transport – that is the repair, maintenance, modernization, reassignment and retrofitting of low-emission transport vehicles and rolling stock. In particular, expenses related to the repair and maintenance of locomotives and freight wagons with zero direct emissions of CO<sub>2</sub> in exhaust gases when operated on tracks with the necessary infrastructure and using locomotives fitted with conventional engines where such infrastructure is unavailable (electric-and-combustion);

**6.2.** freight rail transport – that is the rental and operation of means of freight transport on mainline rail networks as well as short line freight railroads. Assigned to this category was short-term lease of electric locomotives and freight wagons not intended for the carriage of fossil fuels.

**6.14.** infrastructure for rail transport – that is the construction, modernization, operation and maintenance of surface and underground railroads, bridges, tunnels, stations, terminals and rail service infrastructure facilities, and safety and traffic management systems, including the provision of architectural and engineering services, design services, construction oversight services, and surveying and mapping services, etc., conducting physical, chemical and other analytical tests on all types of materials and products. In particular, expenses related to the maintenance and operation of electrified trackside infrastructure and to the maintenance of infrastructure and installations intended for the transshipment of cargo in intermodal connections, that is terminal infrastructure and load-bearing structures for the loading, unloading and handling of cargo.

**The activities of the PKP CARGO Group that are eligible for the Taxonomy, but are environmentally unsustainable (Taxonomy-unaligned – section A2) in terms of OPEX, include:**

**3.3.** manufacture of low carbon technologies for transport – that is the repair, maintenance, modernization, reassignment and retrofitting of low-emission transport vehicles and rolling stock. Assigned to this category were expenses related to the repair and maintenance of diesel locomotives and those freight wagons that are predominantly intended for the carriage of fossil fuels.

**6.2.** freight rail transport – that is the rental and operation of means of freight transport on mainline rail networks as well as short line freight railroads. Assigned to this category was the short-term lease of diesel locomotives and those freight wagons that are predominantly intended for the carriage of fossil fuels.

**6.6.** freight transport services by road – that is the purchase, financing, lease, rental and operation of vehicles for the provision of freight transport services by road. Assigned to this category were all activities considered environmentally unsustainable.

**6.14.** infrastructure for rail transport – that is the construction, modernization, operation and maintenance of surface and underground railroads, bridges, tunnels, stations, terminals and rail service infrastructure facilities, and safety and traffic management systems, including the provision of architectural and engineering services, design services, construction oversight services, and surveying and mapping services, etc., conducting physical, chemical and other analytical tests on all types of materials and products. Assigned

to this category was spending on the maintenance and operation of non-electrified trackside infrastructure and on the maintenance of infrastructure and installations (terminal infrastructure and load-bearing structures) intended for the transshipment of cargo as part of non-intermodal services.

**7.2.** Renovation of existing buildings – that is construction and civil engineering works or preparation thereof. Assigned to this category were all activities considered environmentally unsustainable.



The remaining OPEX are generated by activities that are not considered eligible for Taxonomy (section B).

As regards the OPEX ratio, due to its specific definition included in the Taxonomy, it was impossible to clearly identify such expenses in the "Consolidated Financial Statements of the PKP CARGO Group for the financial year ended 31 December 2022".

The percentage share of operating expenses spent on products or services related to Taxonomy-aligned activities, based on disclosures for 2022, is presented in Table 3.

Accordingly, the OPEX denominator for the purposes of the Taxonomy is not the same as total operating expenses incurred by the PKP CARGO Group as disclosed in the said Consolidated Financial Statements.



Table 1. Percentage of revenue from products or services related to Taxonomy-aligned activities – based on disclosures for 2022

Business activities (1)	Code(s) (2)	Revenue (absolute value) (3)	Part of sales (4)	Criteria pertaining to a significant contribution						Criteria pertaining to the principle "do no significant harm"						Minimum safeguards (17)	Taxonomy-aligned percentage of revenue for 2022 (18)	Taxonomy-aligned percentage of revenue for 2021 (19)	Category "auxiliary activity" (20)	Category "activity supporting transition" (21)
				Mitigation of climate change (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Mitigation of climate change (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)					
		PLN million	%	%	%	%	%	%	%	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	%	%	E	T
<b>A. ACTIVITY ELIGIBLE FOR THE TAXONOMY</b>																				
<b>A.1. Types of environmentally sustainable activity (Taxonomy-aligned)</b>																				
♦ Cargo rail transport	6.2	1 772,5	32,9%	32,9%	0,0%	0,0%	0,0%	0,0%	0,0%		YES		YES	YES		YES	32,9%	n/a		
♦ Manufacture of low carbon technologies for transport	3.3	12,7	0,2%	0,2%	0,0%	0,0%	0,0%	0,0%	0,0%		YES	YES	YES	YES	YES	YES	0,2%	n/a		
♦ Infrastructure for rail transport	6.14	46,5	0,9%	0,9%	0,0%	0,0%	0,0%	0,0%	0,0%		YES	YES	YES	YES	YES	YES	0,9%	n/a		
Revenue from environmentally sustainable activity (Taxonomy-aligned) (A.1)		1 831,8	34,0%	34,0%	0,0%	0,0%	0,0%	0,0%	0,0%								34,0%	n/a		
<b>A.2 Activity eligible for the Taxonomy but not environmentally sustainable (Taxonomy-unaligned)</b>																				
♦ Cargo rail transport	6.2	2 071,0	38,4%																	
♦ Freight transport services by road	6.6	65,8	1,2%																	
♦ Manufacture of low carbon technologies for transport	3.3	8,8	0,2%																	
♦ Infrastructure for rail transport	6.14	431,2	8,0%																	
Revenue from activities eligible for the Taxonomy but not environmentally sustainable (Taxonomy-unaligned) (A.2)		2 576,9	47,8%																	
TOTAL (A.1+A.2)		4 408,6	81,8%																	
<b>B. ACTIVITY NOT ELIGIBLE FOR THE TAXONOMY</b>																				
Revenue from activities not eligible for the Taxonomy (B)		981,3	18,2%																	
TOTAL (A+B)		5 390,1	100,0%																	

Table 2. Percentage of capital expenditures on products or services related to Taxonomy-aligned activities – based on disclosures for 2022

Business activities (1)	Code(s) (2)	Capital expenditures in absolute terms (3)	Percentage of capital expenditures (4)	Criteria pertaining to a significant contribution						Criteria pertaining to the principle "do no significant harm"						Minimum safeguards (17)	Percentage of Taxonomy-aligned capital expenditures in 2022 (18)	Percentage of Taxonomy-aligned capital expenditures in 2021 (19)	Category "auxiliary activity" (20)	Category "activity supporting transition" (21)
				Mitigation of climate change (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Mitigation of climate change (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)					
		PLN million	%	%	%	%	%	%	%	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	%	%	E	T
<b>A. ACTIVITY ELIGIBLE FOR THE TAXONOMY</b>																				
<b>A.1. Types of environmentally sustainable activity (Taxonomy-aligned)</b>																				
♦ Cargo rail transport	6.2	111,8	14,4%	14,4%	0,0%	0,0%	0,0%	0,0%	0,0%		YES		YES	YES		YES	14,4%	n/a		
♦ Manufacture of low carbon technologies for transport	3.3	115,2	14,8%	14,8%	0,0%	0,0%	0,0%	0,0%	0,0%		YES	YES	YES	YES	YES	YES	14,8%	n/a		
♦ Manufacture of other low carbon technologies	3.6	2,5	0,3%	0,3%	0,0%	0,0%	0,0%	0,0%	0,0%		YES	YES	YES	YES	YES	YES	0,3%	n/a		
♦ Infrastructure for rail transport	6.14	9,2	1,2%	1,2%	0,0%	0,0%	0,0%	0,0%	0,0%		YES	YES	YES	YES	YES	YES	1,2%	n/a		
♦ Installation, maintenance and repair of energy efficiency equipment	7.3	0,6	0,1%	0,1%	0,0%	0,0%	0,0%	0,0%	0,0%		YES					YES	0,1%	n/a		
<b>Capital expenditures pertaining to an environmentally sustainable activity (Taxonomy-aligned) (A.1)</b>		<b>239,4</b>	<b>30,8%</b>	<b>30,8%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>								<b>30,8%</b>	<b>n/a</b>		
<b>A.2 Activity eligible for the Taxonomy but not environmentally sustainable (Taxonomy-unaligned)</b>																				
♦ Manufacture of low carbon technologies for transport	3.3	408,2	52,6%																	
♦ Infrastructure for rail transport	6.14	41,5	5,3%																	
<b>Capital expenditures on activities eligible for the Taxonomy but not environmentally sustainable (Taxonomy-unaligned) (A.2)</b>		<b>449,7</b>	<b>57,9%</b>																	
<b>TOTAL (A.1+A.2)</b>		<b>689,1</b>	<b>88,8%</b>																	
<b>B. ACTIVITY NOT ELIGIBLE FOR THE TAXONOMY</b>																				
<b>Capital expenditures on activities not eligible for the Taxonomy (B)</b>		<b>87,1</b>	<b>11,2%</b>																	
<b>TOTAL (A+B)</b>		<b>776,2</b>	<b>100,0%</b>																	

Table 3. Percentage share of operating expenses on products or services related to Taxonomy-aligned activities – based on disclosures for 2022

Business activities (1)	Code(s) (2)	Operating expenses in absolute terms (3)	Percentage of operating expenses (4)	Criteria pertaining to a significant contribution							Criteria pertaining to the principle "do no significant harm"						Minimum safeguards (17)	Percentage of Taxonomy-aligned operating expenses in 2022 (18)	Percentage of Taxonomy-aligned operating expenses in 2021 (19)	Category "auxiliary activity" (20)	Category "activity supporting transition" (21)
				Mitigation of climate change (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Mitigation of climate change (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)						
		PLN million	%	%	%	%	%	%	%	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	%	%	E	T	
<b>A. ACTIVITY ELIGIBLE FOR THE TAXONOMY</b>																					
<b>A.1. Types of environmentally sustainable activity (Taxonomy-aligned)</b>																					
♦ Manufacture of low carbon technologies for transport	3.3	156,8	12,5%	12,5%	0,0%	0,0%	0,0%	0,0%	0,0%		YES	YES	YES	YES	YES	YES	12,5%	n/a			
♦ Cargo rail transport	6.2	9,5	0,8%	0,8%	0,0%	0,0%	0,0%	0,0%	0,0%		YES		YES	YES		YES	0,8%	n/a			
♦ Infrastructure for rail transport	6.14	23,8	1,9%	1,9%	0,0%	0,0%	0,0%	0,0%	0,0%		YES	YES	YES	YES	YES	YES	1,9%	n/a			
Operating expenses pertaining to an environmentally sustainable activity (Taxonomy-aligned) (A.1)		190,1	15,2%	15,2%	0,0%	0,0%	0,0%	0,0%	0,0%								15,2%	n/a			
<b>A.2 Activity eligible for the Taxonomy but not environmentally sustainable (Taxonomy-unaligned)</b>																					
♦ Manufacture of low carbon technologies for transport	3.3	511,8	40,9%																		
♦ Cargo rail transport	6.2	361,8	28,9%																		
♦ Freight transport services by road	6.3	3,8	0,3%																		
♦ Infrastructure for rail transport	6.14	90,9	7,3%																		
♦ Renovation of existing buildings	7.2	1,7	0,1%																		
Operating expenses on activities eligible for the Taxonomy but not environmentally sustainable (Taxonomy-unaligned) (A.2)		969,9	77,6%																		
TOTAL (A.1+A.2)		1 160,0	92,8%																		
<b>B. ACTIVITY NOT ELIGIBLE FOR THE TAXONOMY</b>																					
Operating expenses on activities not eligible for the Taxonomy (B)		90,4	7,2%																		
TOTAL (A+B)		1 250,4	100,0%																		

# Relations with the environment

The maintenance of ongoing contact with each stakeholder group enables us to obtain feedback on the Group’s activities in many different aspects and take them into consideration in our planned investments and day-to-day operations.

This also permits the PKP CARGO Group to mitigate its adverse impact and amplify its favorable impact on local communities and the natural environment. The continuity of this communication enables us to build meaningful stakeholder engagement, characterized by responsiveness and goodwill on both

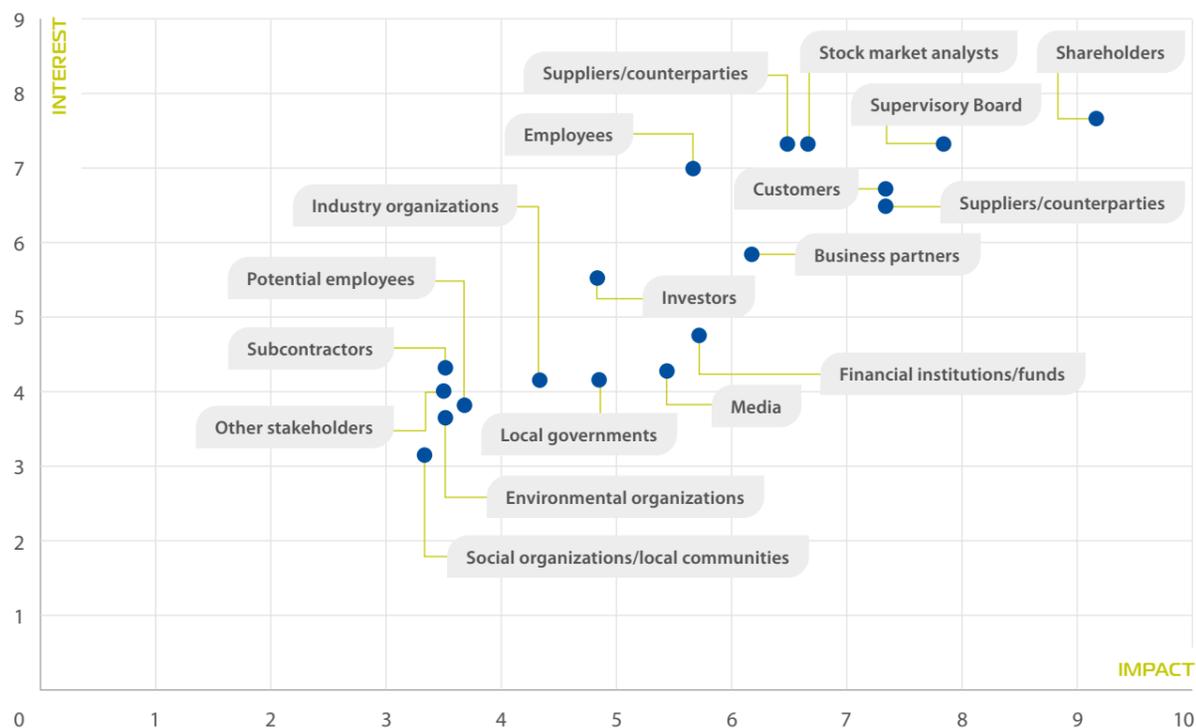
sides. The organization strives to achieve this through honesty and transparency of its actions taken within the framework of bilateral relations, compliance with all legal time limits, solving disputes based on facts and substantive argumentation, and unceasing openness to personal contacts.

## Stakeholders of the PKP CARGO Group

The main categories of the Group’s stakeholders have been identified on the basis of key aspects of the Group’s operations and analysis of its value chain – from suppliers, to employees and customers, to institutions providing capital and significant

elements of our economic and social environment. Distinct categories of the Group’s customers have been identified, including through requests for proposals, announcements about tender procedures, trade fairs, etc.

### Map of stakeholders



### Description of the stakeholders

Stakeholders	Description
> Employees	The PKP CARGO Group employs approx. 20 thousand people. The Group’s employees form its intellectual capital (knowledge and experience) on which success may be built.
> Customers	The biggest recipients of the services provided by the PKP CARGO Group are heating plants, power plants, combined heat and power plants, enterprises and local governments.
> Suppliers/ counterparties	Operating on the freight transport market, the Group is dependent on the largest supplier of access services to rail infrastructure in Poland, namely PKP Polskie Linie Kolejowe S.A. (PKP PLK). In turn, PKP Energetyka S.A. is the Group’s main supplier of traction fuel and traction energy.
> Shareholders	PKP CARGO S.A.’s share capital is divided into 44,786,917 shares. The main shareholders are: PKP S.A., Nationale-Nederlanden OFE, Allianz Funds and Generali PTE
> Stock market analysts	Analysts representing brokerage houses or investment funds.
> Financial institutions/ funds	Banks and insurers are financial institutions cooperating with the PKP CARGO Group to the largest extent. In addition to day-to-day financial and insurance service, they provide, among others, funding for execution of the Group’s investment plans.
> Media	The Company is an entity of public interest due to its strategic role in the transport of freight. Moreover, as a stock exchange-listed company, PKP CARGO is interested in reliable communication through all media channels.
> Social organizations/ local communities	Social organizations constitute one of the engines of development of a civil society. The PKP CARGO Group actively supports environmental protection initiatives (including initiatives related to ecology of transport), science and education, culture and art, safety and leveling out social differences.
> Supervisory Board	Members of the PKP CARGO S.A. Supervisory Board
> Competitors	Companies conducting the same or similar business activities to PKP CARGO or its subsidiaries. Due to the Group’s involvement in business operations conducted outside the Polish market, foreign entities with a similar business profile are also considered competitors.
> Business partners	Companies, units and organizations with which PKP CARGO cooperates in the execution of joint initiatives or business projects.
> Industry organizations	Organizations gathering companies falling into the “rail freight transport” category operating both domestically and internationally.
> Local governments	Administrative bodies (territorial and local) representing communities, established to direct and manage public affairs in the interest of local residents.
> Potential employees	Candidates for employees, trainees, apprentices, persons in the process of recruitment for work, students of institutions of higher education and schools with a professional profile that prepare them for work in the rail sector.
> Environmental organizations	Organizations whose goal and mission are to support and advance environmental causes.
> Subcontractors	Businesses cooperating with the PKP CARGO Group and rendering commissioned services or delivering ordered products.
> Investors	Retail investors – persons holding shares of PKP CARGO S.A. stock.
> Other stakeholders	Other businesses, organizations or individuals and persons interested in the activities and financial performance of PKP CARGO S.A.

# Engagement of stakeholders

GRI: 2-29

The PKP CARGO Group conducts a dialogue with its stakeholders in a regular and transparent manner through various channels.

PKP CARGO's stakeholders are usually engaged through earnings calls, meetings with analysts and representatives of the Management Board, events (such as the Customer Forum) and industry fairs. For certain subsidiaries, these may also include: the company's website (along with an attached RFP form), customer satisfaction surveys and cooperation with trade unions representing employee interests.

Direct contact with stakeholders or their representatives takes place over the telephone, e-mail, regular mail and meetings at the companies' head offices.

External communication with public administration bodies is governed by the applicable laws, regulations, government guidelines, methodological instructions issued by ministries, technical standards and decisions of state administration bodies that pertain to the Group's business.

The primary objective of stakeholder engagement is to find out stakeholders' opinions and take them into account in the Company's business, the ultimate goal of which is the market success

of the PKP CARGO Group. The specific objectives of cooperation differ for each stakeholder category and party concerned (such as the respective subsidiary).

By taking care of the needs of our employees we are able to increase their job satisfaction and improve our operational efficiency, thus enabling the Group to use the knowledge and experience of our personnel more effectively. Maintaining good business relations with customers and contractors helps us negotiate contracts, increases our chances of maintaining continuity of the provision of key services (such as access to rail infrastructure in Poland), fuel and electricity necessary for the conduct of our business.

Banks and insurers are financial institutions cooperating with the PKP CARGO Group to the largest extent. In addition to day-to-day financial and insurance service, they provide, among others, funding for execution of the Group's investment plans. Currently, foreign capital accounts for a major portion of the Group's financing structure. The smooth execution of projects that require financial support depends on good relationships with this stakeholder category.

The said activities translate into the high quality of services offered by the PKP CARGO Group, which has a favorable impact on the Group's stock exchange valuation. It determines the Company's value and depends on the perception of our business by the shareholders. As at 31 December 2022, the Company's share price stood at PLN 14.50.

Cooperation with industry organizations provides the Group with the opportunity to grow its business abroad, establish business contacts and participate in international logistics projects.



## > Methods of building significant stakeholder engagement by the PKP CARGO Group, broken down by category



### Employees

- training courses improving the qualifications of employees and increasing their safety (including OHS training)
- numerous grants from the Company Social Benefits Fund, e.g. for sports activities and vacations
- adaptation program for newly hired employees
- Post-Accident Psychological Support Program
- adoption of the Code of Ethics
- organization of sports events, such as "Biegamy Pomagamy" [We Run & Help]
- deployment of the Company Collective Bargaining Agreement (ZUZP)



### Customers

- communication via the website (including the RFP form), hotline and social media
- access to our procurement platform
- satisfaction and opinion surveys
- regular meetings with customers
- industry conferences, fairs



### Counterparties

- transport and logistics fairs (e.g. Innotrans in Berlin)
- cooperation on financial settlements, the use of shared IT systems and access to rail infrastructure (of the PKP S.A. Group)



### Shareholders/financial institutions

- earnings calls and investor conferences
- Shareholder Meetings
- Direct meetings with the Management Board
- Participation in conferences dedicated to retail investors



### Local communities

- co-financing of and active participation in initiatives pursued by social organizations

## Responsibility for legal and administrative issues

In 2022, breaches of laws and regulations occurred only in the parent company – PKP CARGO S.A. In the subsidiaries covered by this report, no such breaches occurred. Accordingly, the table below describes only PKP CARGO.

GRI: 2-27

PKP CARGO S.A.	Case 1	Case 2
Number of significant breaches of laws or regulations in 2022, including:	1	2
number of reported cases for which fines were imposed	1	1
number of cases for which non-financial sanctions were imposed	0	1

In 2022, PKP CARGO paid fines for breaches of laws or regulations in connection with three cases of material non-compliance detected in the same year: one in the Real Estate Department and two in the Company's Central Unit.

### Fines for non-compliance with laws or regulations paid in 2022 (PKP CARGO S.A.)

	Case 1		Case 2	
	Number	Amount of fines in PLN	Number	Amount of fines in PLN
fines for cases of non-compliance with laws or regulations which occurred in 2022	1	36 773,54	1	2 000,00

The Company has no information on any fines paid in 2022 for cases of non-compliance with laws or regulations which occurred before 2022.



GRI: 201-4

PKP CARGO S.A. and three subsidiaries (PKP CARGOTABOR sp. z o.o., PKP CARGO INTERNATIONAL a.s. and CARGOTOR sp. z o.o.) received financial aid from the government in 2022 based on the application of generally accepted accounting principles. It consisted of tax credits, subsidies, grants and other benefits. No representative of any government was present in the shareholding structure of PKP CARGO S.A. or its subsidiaries.

### Financial aid obtained from the government in 2022 (in ths PLN)

	PKP CARGO S.A.	PKP CARGOTABOR sp. z o.o.	PKP CARGO INTERNATIONAL a.s.	CARGOTOR sp. z o.o.
tax credits	-	-	392,59 <sup>2</sup>	-
grants	96 198,59	129,68	1 867,22 <sup>3</sup>	51,00 <sup>5</sup>
investment grants, research and development grants and other types of grants	-	-	10 824,10 <sup>4</sup>	-
other financial benefits obtained or due from any government	-	324,35 <sup>1</sup>	-	1 972,07 <sup>6</sup>
<b>TOTAL</b>	<b>96 198,59</b>	<b>454,03</b>	<b>13 083,91</b>	<b>2 023,07</b>

<sup>1</sup> De minimis aid.

<sup>2</sup> Tax credit – car taxes (in 2022, no tax was paid for passenger cars or small commercial vehicles, the tax was paid for cars with a GVM greater than 7.5 tons).

<sup>3</sup> ROCET grant from the Ministry of Transport of the Czech Republic for traction energy.

<sup>4</sup> Grant from the European Union funds for an extension of the Paskov terminal (Phase 3): EUR 2,077,762.98.

<sup>5</sup> Reimbursement of the costs of assistance for Ukrainian citizens from the Warsaw City Hall (Praga Południe district).

<sup>6</sup> Reimbursement of funds spent on capital expenditures – grant from the Center for EU Transport Projects.



# 02

➤ **Responsible  
management**

# Governing body - key information

Responsible approach to management is the cornerstone of PKP CARGO Group's operations, which the Group implements primarily through the deployment and adherence to clear rules, procedures and policies, which are guiding principles in all areas of operations. The policies described in this report, in general, apply to the parent company - PKP CARGO S.A., unless otherwise stated. In the future, it is planned to unify the principles unequivocally for the entire PKP CARGO Group.

GRI: 2-10

## Appointment of governing body Members

The principles of appointing Members of the management body are clearly defined at PKP CARGO S.A. They are provided for in the Articles of Association of the company and in the Bylaws for Appointing Management Board Members in PKP CARGO S.A., as well as in the Bylaws for the Election of Candidates for the Employees' Representative to the Management Board of PKP CARGO S.A. and for the Employees' Representatives to the Supervisory Board of PKP CARGO S.A. and the Procedure for their Recall.

The Management Board of PKP CARGO S.A. is composed of one to five Members. The President of the Management Board and Members of the Management Board are appointed for a joint three-year term of office. The President of the Management Board and other Members of the Management Board are appointed by the Supervisory Board in accordance with the principles set out in the company's Articles of Association and the Bylaws of Appointment. The number of the Members of the Management Board is determined by the Supervisory Board, which also determines the qualifications and skills common to the members of the Management Board.

As at 31 December 2022, the PKP CARGO S.A. Management Board was composed of:

- > **Dariusz Seliga**  
President of the Management Board
- > **Marek Olkiewicz**  
Management Board Member in charge of Operations
- > **Jacek Rutkowski**  
Management Board Member in charge of Commerce
- > **Maciej Jankiewicz**  
Management Board Member in charge of Finance
- > **Zenon Kozendra**  
Management Board Member, Employee Representative



The principles of appointing Members of the Management Board are very important to us, therefore the entire process has been formally included in procedures and regulations at the level of the parent company and its subsidiaries. At PKP CARGO Group, there are persons appointed to ensure that the implemented procedures are transparent, adopted in accordance with the law and for the benefit of the organization and its shareholders.

It is noteworthy that the appointment of the Members of the Management Board is preceded by a recruitment procedure for a Member of the Management Board, which is prepared, organized and carried out by a professional HR consulting company selected by a resolution of the Supervisory Board of PKP CARGO S.A. All candidates for Members of the Management Board file relevant statements on meeting independence criteria.

**Agnieszka Bareja**  
Director of the Management Board and Investor Relations Office



The Nomination Committee, which oversees the qualification process, is also involved in the recruitment procedure for the Board Members. The Supervisory Board also selects one Management Board Member from among candidates nominated by the Company's employees.

### Criteria that are applied for the purpose of appointing the management body

- ◆ familiarity with the company's activities
- ◆ familiarity with the functioning of commercial companies
- ◆ experience in building relations with the company's stakeholders
- ◆ general awareness of labor law
- ◆ expertise and experience in managing human resources teams, including a minimum of five years' experience in senior management positions
- ◆ ability to think strategically and develop business strategy
- ◆ leadership skills
- ◆ ability to foster a collaborative culture
- ◆ objective-driven attitude
- ◆ negotiation and organizational skills
- ◆ ability to manage change and crisis situations
- ◆ readiness to learn and make other people develop
- ◆ academic background
- ◆ command of a foreign language

As part of the recruitment procedure for the positions of Board Members, no criteria related to diversity have been introduced in PKP CARGO Group, nor are stakeholder opinions considered. The exception is CARGO INTERNATIONAL company, where both diversity criteria and stakeholders' opinions are taken into account when selecting Management Board Members. Stakeholder opinions are also taken into account by the CARGOSPED company.

### Regulations in the field of appointment of Members of a management body in individual subsidiaries.

#### > PKP CARGO TERMINALE Sp. z o.o.

In accordance with the Deed of Incorporation of PKP CARGO TERMINALE sp. z o.o. Members of the Company's Management Board are appointed by the Supervisory Board following a recruitment procedure, while Members of the Company's Supervisory Board are appointed for a joint term of office and dismissed by the Shareholder Meeting. The Members of the Management Board of the Company are appointed (by resolution of the Supervisory Board) by the Supervisory Board following a recruitment procedure. The recruitment procedure is carried out in accordance with the "Principles for appointing Members of the Management Board of PKP CARGO TERMINALE sp. z o.o." adopted by the Resolution No. 09/IV/2020 of the Supervisory Board of PKP CARGO TERMINALE sp. z o.o. of 26 March 2020.

#### > PKP CARGO CONNECT Sp. z o.o.

Pursuant to the Articles of Association of PKP CARGO CONNECT sp. z o.o., Members of the Management Board are appointed by the Supervisory Board following a recruitment procedure, the purpose of which is to verify and assess the qualifications of candidates and to select the best candidate for a Member of the Management Board. The Supervisory

Board of PKPCC, by the Resolution No. 18/2018 of 23 March 2018, adopted the "Principles of appointing members of the Management Board of PKP CARGO CONNECT Sp. z o.o.". The resolution is binding and applicable to the appointment of Board Members in the Company.

As for the Supervisory Board Members, according to the Articles of Association, the Members of the Supervisory Board are appointed for a joint term of office and dismissed by the Shareholder Meeting. Furthermore, according to the Articles of Association: "A Member of the Management Board, a proxy, a liquidator, a manager of a branch or plant and a chief accountant, a legal counsel or an attorney employed by the company, as well as a person directly subordinate to a Member of the Management Board or a liquidator, may not be a member of the Supervisory Board at the same time. The principle expressed in the first sentence applies respectively to members of the Management Board and liquidators of a subsidiary company or cooperative. A Member of the Supervisory Board may be a person who meets the requirements set out in Article 19, paragraphs 1-5 of the Act on the Rules for Managing State Property."



Thus, the rules for the appointment of Members of the Supervisory Board derive from the company's Articles of Association and generally applicable provisions: the Commercial Company Code and the Act on the Rules for Managing State Property.

➤ **PKP CARGOTABOR Sp. z o.o.**

The Management Board Members are appointed by the Supervisory Board in accordance with the "Principles of appointment of the Management Board Members of PKP CARGOTABOR Sp. z o.o." adopted by the Resolution No. 36/2018 of 18 April 2018. The Supervisory Board is appointed pursuant to resolutions of the Shareholder Meeting in accordance with § 17(2) of the Company's Deed of Incorporation.

➤ **CARGOTOR Sp. z o.o.**

The appointment of the Management Board and the Supervisory Board are indicated in the Company's Deed of Incorporation

➤ **PKP CARGO INTERNATIONAL a.s.**

The Members of the Management Board are selected and recalled by the General Meeting after a recruitment procedure, the purpose of which is to verify and assess the qualifications of the candidates, thereby selecting the best candidate for the Management Board Member.

Following the entry into force of this provision, only persons who simultaneously meet the following conditions may be appointed as Members of the Management Board:

- a. hold an academic degree obtained in the Czech Republic or an academic degree obtained abroad and recognized in the Republic of Poland on the basis of special provisions,
- b. have been employed for at least five years or have performed a similar activity on the basis of a contract of employment, appointment, election, nomination, contract of employment with a cooperative or provision of services on the basis of another contract or self-employment,
- c. have at least three years' experience in managerial or independent positions or as a result of self-employment,
- d. fulfil other requirements for a member of a statutory body than those set out in a) - c), in particular they do not violate any legal restrictions or prohibitions on serving as a member of a statutory body in commercial companies;

Other conditions are provided for in the Articles of Association.



➤ **PKP CARGO SERVICE Sp. z o.o.**

Pursuant to the Deed of Incorporation of PKP Cargo Service Sp. z o.o., the principles of remuneration and determination of the amount of remuneration for Management Board Members and Supervisory Board Members are adopted by the Shareholder Meeting. The company does not have separate remuneration policies for members of these bodies or for senior management.

## Remuneration

**GRI:** 2-19

The Remuneration Policy for the Management Board and Supervisory Board Members of PKP CARGO S.A. is in force, which was adopted by the Resolution No. 23/2020 of the Ordinary General Meeting of PKP CARGO S.A. on 29 June 2020. In November 2020, the principles of remuneration of the Supervisory Board Members of PKP CARGO S.A. were updated by the Resolution No. 6/2020. The obligation to consider the commonly binding legal regulations, which regulate the basis of assessment differently, was introduced. This resulted in a reduction in the remuneration of the Supervisory Board Members.

In PKP CARGO S.A. Company, additionally, the Remuneration Policy Report is issued every year.

PKP CARGO Group subsidiaries do not have their own remuneration policies for the Management Board and Supervisory Board Members.

### Remuneration of the Management Board and Supervisory Board

The Members of the Management Board of PKP CARGO S.A. are entitled to a fixed monthly basic remuneration and to a variable remuneration (bonus), which depends on the fulfilment of financial or non-financial objectives, as well as to other additional cash and non-cash benefits. The remuneration of the Supervisory Board Members consists only of a fixed remuneration determined by the General Meeting.

#### Basic remuneration

The basic remuneration varies depending on the position held and the scope of competence of the respective Management Board Member. Its amount is determined by the Supervisory Board, considering the relevant legal provisions. This follows a recommendation by the Nomination Committee.

#### Bonus

The bonus for the Members of the Management Board is determined in a balanced manner and adapted to the financial situation of the company and the management objectives adopted. The total bonus may not exceed 50% of the basic remuneration payable in the financial year. The bonus is partly linked to the company's performance, which means that the adopted remuneration system indirectly contributes to the development of the company's business and improves the financial results.

The principles of awarding bonuses, setting management objectives, defining their importance and the criteria for their implementation and settlement are defined by a separate resolution of the PKP CARGO S.A. Supervisory Board. The Supervisory Board sets management objectives not later than by the end of the 4th month of each consecutive financial year in which these objectives are to be achieved.

#### Additional non-cash benefits

The Members of the Management Board use technical equipment and resources constituting PKP CARGO S.A. property to perform their duties, e.g. company cars.

The Members of the Management Board and Supervisory Board of PKP CARGO S.A. are also included in the collective D&O insurance purchased by the Company. The D&O<sup>1</sup> policy covers all Members of the Management Board and the Supervisory Board in general, with no mention being made of them personally by name. Therefore, it may not be feasible to attribute tax revenue to a specific person, as the composition of the bodies may change during the period of insurance. Consequently, the value of such insurance per member of a body is not shown in the tables as one component of remuneration.

<sup>1</sup> Liability insurance for members of governing bodies of capital companies

### Payment for termination of management contract

PKP CARGO S.A. concludes management contracts with the Management Board Members for the duration of their positions in the Management Board with the obligation to provide personal services. The term of office is determined by the Company's Articles of Association. The management contract with a Member of the Management Board is terminated as of the date of termination of this position. The aforementioned contract may be terminated by the company with a notice period of not less than one month indicated therein. Such a contract may provide for a right of the Management Board Member to severance pay in the event of its termination or expiry.

### Non-competition

The Management Board Members of PKP CARGO Group companies have access to confidential information concerning the companies, therefore non-competition agreements are concluded with them during their term of office in the Management Board and after its termination. The non-competition clause is in force for the period indicated in the contract and is set by the Supervisory Board individually for each Management Board Member. In respect of the execution of the non-competition clause, the Management Board Member is entitled to compensation for each month of refraining from competitive activities. If a Member of the Management Board is suspended, during the period of suspension they are not entitled to any pecuniary or non-pecuniary benefits, unless the Supervisory Board decides otherwise.

### Pension scheme

The Members of the Management Board and Supervisory Boards of PKP CARGO S.A. may voluntarily participate in the Employee Capital Plans launched by the company, in accordance with the general rules of this scheme.

The remuneration policy of PKP CARGO's governing bodies does not consider the objectives and results with regard to managing the company's economic, environmental and social impact.

Currently, some subsidiaries<sup>2</sup> have their own regulations regarding the remuneration of the Management Board and Supervisory Boards, but it is planned to unify the regulations for the entire PKP CARGO Group.

### Information on the return of variable remuneration components

In the hitherto activity of PKP CARGO S.A. there were no prerequisites for the company to apply for reimbursement of variable remuneration components by a Member of the Management Board.

Information on the remuneration policy for senior management and employees can be found in Section "Employment"

## Evaluation of the performance of the governing body

**GRI:** 2-18

The PKP CARGO S.A. Supervisory Board oversees the management of the organization's impact on the economy, the environment and people through the operation of committees appointed from its membership. The committees periodically collect information in the above-mentioned areas and each time at the Supervisory Board meeting they present the results obtained. The evaluation is carried out once a year on an independent basis.

The Supervisory Board prepares a report on its activities for the General Meeting containing an assessment of the company's standing, including an assessment of the internal control system and the risk management system, compliance and the internal audit function.

There is a system of cyclical evaluations of the companies and its management in PKP CARGO Group, which is carried out, inter alia, in the form of external audits conducted by independent and certified entities (inter alia, within the Integrated Management System). The Group's procedures and established processes concerning, among other things, information security are also reviewed annually. The objectives set for the Management Board Members include improving safety by achieving a certain value of the accident rate.

In the event that audit recommendations are received, appropriate action is taken. In 2022, no action was taken in response to the assessment.

Currently, some subsidiaries<sup>3</sup> have their own regulations in the area of evaluation of the work of the governing body, but it is planned to unify regulations for the entire PKP CARGO Group.

# Accountable business relations

## Value chain

The PKP CARGO Group's value chain encompasses all activities undertaken by PKP CARGO S.A. and its subsidiaries which lead to the provision of the highest quality services. At each stage of its operations, starting from the design of a service, its implementation, execution or customer support, PKP CARGO Group is guided by values such as quality and compliance with ethical principles. The Group employs competent and qualified employees, ensuring the performance of the highest quality services. Moreover, the Group's operations

are based on relations with proven and key suppliers of services, materials and products. The basic value creation processes of PKP CARGO Group include sales, preparation and implementation of services rendered. Auxiliary processes within the Group's value chain also include activities related to management and administration, human resources management and accounting services equipped with modern IT tools to support the work.



<sup>2</sup> Subsidiaries with their own regulations

<sup>3</sup> Here are subsidiaries that have their own regulations

**GRI: 2-6**

PKP CARGO Group operates in the transportation, forwarding and logistics industry. The main area of the Group's activity is rail freight in Poland and within the European Union.

PKP CARGO Group does not offer products or services that are banned or withdrawn in selected markets, as well as products or services that are the subject of public debate or public concern.

However, in 2022, a public concern was caused by the limited availability of coal, the handling of which is dealt with by the CARGO TERMINALE company. In contrast, at CARGO INTERNATIONAL in the Czech Republic - at the depot in the Hermanice district of Ostrava, a public concern was caused by the amount of dust generated when transshipping coal and other materials for heating plants. The problem was reported to CARGO INTERNATIONAL by the City Council. In order to resolve the issue, in agreement with the municipality, the Company has used fog cannons, which have proved effective and are still being deployed; except that it has placed containers in this

part of the city for residents to help with waste disposal. If necessary, this initiative will be resumed this year. CARGO INTERNATIONAL remains in communication with the municipal authorities.

Within the PKP CARGO Group, all purchases are made in accordance with the Procurement Bylaws, which define the general principles of procurement. It is available on the Group's purchasing website, at: <https://ezakupy.pkpcargo.com/> This document is binding for both the ordering party and the contractor. In addition, the Group has a Purchasing Instruction, which is directed solely at the contracting authority. The instruction describes in detail all phases of the purchasing process, starting from planning and needs analysis, through market reconnaissance, preparation and execution of the purchase procedure, up to the selection of the contractor and signing of the contract and contractor evaluation.

In PKP CARGO S.A. and PKP CARGO Terminale Sp. z o.o. companies, the Rules for the award of contracts financed or co-financed from EU funds are also in force.



## PKP CARGO Group supply chain

**GRI: 2-6**

In order to provide the highest available quality of services, PKP CARGO Group carefully selects its suppliers while the evaluation criteria allow for an unbiased selection. The procedures in force at the Group provide for the exclusion of suppliers who have breached the principles of social co-existence in business trading. These principles include honesty, reliability and loyalty. Following the performance of a service for PKP CARGO Group, each supplier is assessed via the Supplier Assessment Card. The parameters of each assignment are subject to evaluation, including timeliness, quality of execution, contractual penalties/complaints, cooperation, including simplicity of contact. All business relations are conducted by the company in a transparent and fair manner, under market conditions.

➤ **PKP CARGO S.A.**

PKP CARGO S.A.'s supply chain includes, inter alia, companies delivering materials necessary for the operation, including rolling stock, fuel, lubricating oils, spare parts for rolling stock repairs and overhauls, clothing, personal protective equipment, chemicals. In addition, suppliers

include entities providing, for example, licenses, certificates, access, IT equipment, software and its updates or IT services.

➤ **PKP CARGO CONNECT Sp. z o.o.**

The company purchases rail freight services, particularly from other companies belonging to the PKP CARGO Group as well as road freight transport services. PKP CARGO CONNECT's supply chain is mainly made up of small entities which specialize in transporting specific cargo categories. It is notable that the PKP CARGO CONNECT Group comprises, among others, subsidiaries which provide services at transshipment terminals and PKP Cargo Connect GmbH. It is a provider of, among other things, international logistics services providing transport, transshipment, warehousing and customs services. It also specializes in the transport and handling of containers particularly at the port of Hamburg, which is an important link between Europe and markets in the Far East.

➤ **PKP CARGO SERVICE Sp. z o.o.**

The company's activities are based on cooperation with key suppliers mainly in terms of access to rail infrastructure, supply of traction energy, diesel fuel, materials for repair of rail infrastructure and rolling stock, lease of real estate, lease of traction vehicles and wagons, services related to repair and renovation of railway infrastructure as a subcontractor. In addition to dependence on the largest provider of rail infrastructure access services, i.e. PKP PLK, and the monopolist in the supply of traction energy, i.e. PKP Energetyka. The selection of suppliers is based on the Procurement Bylaws and the Purchasing Instruction.

➤ **CARGOSPED TERMINAL BRANIEWO Sp. z o.o.**

The company prepares and performs terminal services with its own resources, including transshipment, storage, sorting, bagging and customs and freight forwarding services. In order to offer a comprehensive service, it purchases transport services: by rail from companies of the PKP CARGO Group and by road from local Polish compa-

nies. For the purposes of the company's trade in imported coal, in 2022 it acquired goods from companies registered in Poland and abroad trading in, among other things, Russian coal. Since March 2022, the company has been trading in coal imported from various countries, other than Russia, by Polish entities.

➤ **PKP CARGOTABOR Sp. z o.o.**

Most of the Company's suppliers participate in the production of parts and materials used in the repair of rolling stock. Most of the Company's suppliers are involved in the production of parts and materials used for rolling stock repairs. Depending on its requirements, the Company also subcontracts certain services, e.g. painting of locomotives, repair of generators, repair of wheelsets. It sometimes cooperates with intermediaries, such as representatives of foreign companies for Poland. In 2022, suppliers of parts for repairing rolling stock (bearings, monoblock wheels) as well as providers of repair services for aggregates were foreign entities.

> **PKP CARGO TERMINALE Sp. z o.o.**

The Company provides transshipment and cargo handling services. Cargo delivered for transshipment is imported and exported by the Company's clients.

The company's activities are based on cooperation with key suppliers mainly in terms of purchase of rail services, transshipment services provided by subcontractors, supply of electricity, gas, diesel fuel, materials for repairing machines and equipment and rail infrastructure, tenancy or real properties. The biggest service provider is PKP CARGO S.A., from which the Company purchases services connected with transshipment services, such as maneuvering work, wagon weighing, making wagons available at a client's disposal, freightage. PKP CARGO S.A. also sub-leases real properties to the Company. The selection of suppliers at the Company is based on the Procurement Bylaws and the Purchasing Instruction.

> **CARGOTOR Sp. z o.o.**

Every year, the Company prepares a 5-year Business Plan, taking into consideration revenues and train volumes broken down by particular services offered by the Company. The Plan is based on analysis following from the best knowledge of the sales department acquired from rail carriers performing transports using CARGOTOR's infrastructure. The Company provides access to the infra-



structure managed by it to Rail Operators having active contracts for assignment and use of throughput capacity. The rail infrastructure is provided in the Małaszewicze Transshipment Zone and at Forwarding Points in the territory of Poland.

The rail carriers using CARGOTOR's infrastructure perform transports of various ranges of goods:

- ◆ Małaszewicze Transshipment Zone: coal, containers, cast iron, cement, gas
- ◆ Forwarding Points: aggregate used for road investments, coal usually for cogeneration plants, timber for paper mills

Complaints are handled on the telephone, rarely in writing.

Source documents for the supply chain are as follows: Network Regulations 2022/2023, Regulations for Access to Plants, Agreement on using capacities 2022/2023 of PKP CARGO S.A. and price lists.



The above documents are available at <https://cargotor.com/>

The area connected with the supply chain is reported for the first time, therefore the PKP CARGO Group cannot present significant changes to reported data compared to the previous reporting periods.

## Minimum safeguards

GPW: S-P6

At present, the PKP CARGO Group is preparing the so-called minimum safeguards, which are part of the EU Taxonomy. The solutions which the PKP CARGO Group plans to implement for all the subsidiaries aim to monitor effectively risks

in the supply chain and in the supply chain regarding human rights, including employee rights, non-compliance with tax laws, corruption practices and unfair competition.

### Declaration of PKP CARGO S.A. on minimum safeguards

- ◆ as a rail freight operator in Poland and the European Union and a key partner on the New Silk Road, ensuring professional management of an integrated chain of logistics services, the Company places an emphasis on promoting activity conducted in a transparent, ethical and responsible manner. The PKP CARGO S.A. Anti-Corruption and Gift Policy with the PKP CARGO S.A. Code of Ethics support the process of growth of the organizational culture and the standards of conduct included there are universal in nature, aiming to strengthen the Company's image, competitive edge and economic value. Thus, the Anti-Corruption and Gift Policy defines the rights and obligations of participants of the process of preventing and combating corruption and describes how to report suspicions of corruptive practices. Furthermore, the aim of the Policy is to lay down uniform rules as regards counteracting and combating any forms of corruption and economic malpractice, building Employees' awareness with regard to identification of corruptive behaviors and counteracting such behaviors by, among others, specifying rules for accepting and giving gifts. The PKP CARGO S.A. Code of Ethics sets out the basic rules of conduct developed by the representatives of PKP CARGO S.A. with the participation of its Employees and Clients, such as reliability, cooperation, good management, safety, professionalism, modernity, transparency, responsibility and respect, which the Company is guided by when taking actions in relations with Employees, Clients, Suppliers, Competitors and the social and natural environment,
- ◆ counteracting corruption and development of ethical attitudes among PKP CARGO S.A. employees in relations with the Company's Clients, Business Partners and Competitors – these aims are consistent with the assumptions of the PKP CARGO S.A. Corporate Social Responsibility Policy. That document promotes attitudes of social responsibility in business activities (Corporate Social Responsibility), both internally – among Employees and subsidiaries, and in the external business environment of the Company. The Corporate Social Responsibility Policy identifies the following main areas for managing CSR activities: Organizational Governance, Human Rights, Labor Relations, Environmental Protection, Fair Market Practices, Consumer Relations and Social Involvement,
- ◆ any activities taken by the Company are possible due to qualified personnel working with commitment, and human capital is an extremely important part of the Company's intellectual capital. The document entitled the PKP CARGO S.A. HR Policy defines fundamental areas of the Company's HR policy, including safety and security at work, raising professional qualifications and partnership in the dialog with the Employer.
- ◆ Negative attitudes and behaviors among the Company's Employees are to be prevented by the Anti-Harassment Policy at PKP CARGO S.A. Protection against workplace harassment covers all the employees of PKP CARGO S.A. regardless of the type of performed work or occupied position. To counteract workplace harassment, the Employer is supported by Shop Stewards appointed at the PKP CARGO S.A. Head Office and the Company's Units, together with the anti-harassment commission.

Preparation of a system of minimum safeguards, which will include the entire value chain and supply chain in the PKP CARGO Group is for us one of priority projects in the area of sustainable development. Choosing business partners and suppliers in a responsible way has a great impact on development of the whole market and at the same time on dissemination of the concept of sustainable development also among smaller companies. The EU Taxonomy, which is already in force, as well as the proposed Corporate Sustainability Due Diligence Directive (CSD-DD), which is about to be adopted, clearly show which direction should be chosen on the way to build a sustainable supply chain. Our organization has already taken the first steps in this direction.

**Edyta Grzeńkiewicz**  
the Head of the Compliance  
Department, PKP CARGO S.A.



From among the members of the PKP CARGO Group, a special Code of Conduct with Suppliers is in force at PKP CARGO CONNECT. It describes minimum requirements for suppliers regarding conduct compliant with the values and principles of social responsibility.

**Expectations from suppliers following from the Code of Conduct with Suppliers:**



Compliance with occupational safety and health rules



Compliance with employee rights



Ensuring appropriate conditions at work



Compliance with the right to development



Compliance with environmental protection laws



Making efforts to reduce environmental footprint permanently



Maintaining the highest standards of fairness in all areas of cooperation

In accordance with the procedures of the Integrated Management System in the PKP CARGO Group, an instruction – procedure for assessment/verification of subcontractors or rail operators has been introduced. Depending on the department (freight forwarding by road, by railway, by sea), the assessment is made on a quarterly or annual basis.

The assessment concerns mainly standards for providing services, focusing on technical aspects (rolling stock, timeliness, accessibility, contact/information), but also taking ethical issues into consideration. If any violations and irregularities are found in a business partner's conduct (e.g. exposures to social, environmental or ethical risks), the cooperation with the business partner is suspended.

Information about the decision to suspend the cooperation must be provided to the Director/Manager and assessment "1 – do not use services" should appear in the system.

So far, no violations have been found in agreements which were in force in 2022 or those which had been in force until 2022. At the same time, over 94% of services provided by the Company are performed in the territory of the European Union, which means that cooperation with suppliers that could possibly breach the standards described in the Code poses no risk. About 6% of the services are performed outside the EU territory but still in Europe (Ukraine, Belarus, Russia and Turkey).

**Confidentiality in client relations**

**GRI: 418-1**

The issue of privacy protection for clients at PKP CARGO S.A. is regulated by the "Personal Data Protection Policy at PKP CARGO S.A." and "PKP CARGO S.A. Privacy Policy". Both policies were introduced and entered into force by Resolution No. 171/2019 adopted by the PKP CARGO S.A. Management Board.



In 2022, no cases of breaching clients' privacy took place in the PKP CARGO Group.

# Ethical standards

Ethical standards are defined at PKP CARGO S.A. by the Code of Ethics and the Anti-Corruption and Gift Policy. PKP CARGO S.A. provides its Employees but also persons from outside of the Company (e.g. Clients, Suppliers, Business Partners) with communication channels to report safely any breaches and abuses. Employees are obligated to signal immediately any irregularities by making an anonymous or personal report. At the Company,

any reports of violations, no matter through which channel they are signaled, are reviewed and handled by the Compliance Department in accordance with internally adopted regulations. At present, work is being done on implementing the Code of Ethics and the Anti-Corruption and Gift Policy at the other companies from the PKP CARGO Group.

## Code of Ethics

**GPW:** G-P2

It is very important for the PKP CARGO Group to adhere to the applicable ethical standards. At PKP CARGO S.A., the Code of Ethics is in force, which includes a list of values and rules of conduct which the Company is guided by in the relations with employees, clients, suppliers, competitors and with the social environment. Furthermore, the above rules define the Company's approach to minimization of the damage done by the enterprise to the natural environment during conducted business activity. The document was prepared in cooperation with PKP CARGO S.A.'s employees and clients.

At present, work is being done to implement the PKP CARGO Group Code of Ethics and the PKP CARGO Group Anti-corruption and Gift Policy as well as to appoint Compliance Coordinators in each company of the Group who will cooperate with the PKP CARGO S.A. Compliance Department. Compliance Coordinators in each company of the Group will be responsible for explaining any

ethical violations and corruptive practices and they will be also obligated to present the PKP CARGO S.A. Compliance Department with quarterly reports on their activity, including the number of reported irregularities, conducted verification procedures, performed training courses, as well as an annual report on the operation of the PKP CARGO S.A. Group Anti-corruption and Gift Policy as well as the PKP CARGO Group Code of Ethics. The annual report will cover in particular a summary of reported violations and repair activities taken in connection with detected violations. The above solution will contribute to intensifying prevention measures but also allow for monitoring processes connected with the area of ethics, counteracting corruption and other malpractice in the entire PKP CARGO Group by developing the right ethical culture, which is possible only due to an appropriate policy for building the Employees' awareness and involvement of governing bodies and top managerial staff ("tone from the top").

Ethical values prevailing in PKP CARGO:

>

✓ Respect	✓ Good management	✓ Modernity
✓ Reliability	✓ Safety	✓ Transparency
✓ Cooperation	✓ Professionalism	✓ Responsibility

At PKP CARGO S.A., there are positions of Ethics Officer and Compliance Officer. The Compliance Officer is assigned the tasks of supervising internal verification procedures in response to suspecting the occurrence of violations of the Code of Ethics and reporting to the Supervisory Board's Audit Committee and the Company's Management Board on the functioning of the Code, including in particular a summary of reported violations of the Code of Ethics and repair activities taken in connection with the found violations. The Ethics Officer is a person employed in the position responsible for the ethics and counteracting fraud and corruption in the Compliance Department at the PKP CARGO S.A. Head Office.

The Ethics Officer's job is to supervise compliance with the rules laid down in the Code of Ethics and his or her work is monitored by the Compliance Officer.

The Ethics Officer, among other things, acts to explain a case connected with a possible violation of ethical standards and accepts reports about violations of ethical standards prevailing at PKP CARGO S.A. Furthermore, the Ethics Officer assesses and verifies violations reported by Employees and persons from outside of the Company and conducts verification procedures. The Ethics Officer's duty is also to keep a Register of Reports about violations of the Code of Ethics and conduct a campaign promoting the Code of Ethics at the Company among the Employees, especially initiating solutions for making the Code popular.

Currently, the subsidiaries have their own regulations in the area of ethics and counteracting corruption, but it is planned to unify regulations about the area for the entire PKP CARGO Group.

## Anti-Corruption and Gift Policy

**GRI:** 3-3 205 **GPW:** G-P3

PKP CARGO S.A. is opposed to any corrupt practices and believes that it is necessary to comply, in the course of its business activity, with applicable regulations, including laws and ethical standards aimed at preventing any sign of corruption. As a market leader in its industry, PKP CARGO S.A. feels it should promote the conducted business activity in a transparent and responsible manner, while respecting the highest ethical standards. Corruption prevention issues are regulated by the "PKP CARGO S.A. Anti-Corruption and Gift Policy".

The Policy contains standards of conduct which are universal, and it serves the purpose of enhancing the image, competitiveness and economic value of PKP CARGO S.A. The rules contained in the Policy are binding for the Company's Employees, all individuals cooperating with it based on civil-law agreements and other individuals performing any activities on behalf of or for PKP CARGO S.A. The Anti-Corruption and Gift

Policy is also addressed to any stakeholders (i.e. Clients, Suppliers and any Business Partners) by setting standards of conduct in business relations. Thus, the Policy is communicated to Clients so that they observe the internal anti-corruption rules adopted in PKP CARGO S.A. in contacts with its representatives.

Anti-corruption issues and the Company's proper policy in this regard have a great impact on the economy through clear business rules, transparency and building trust. If this area is managed properly, this guarantees that PKP CARGO S.A. operates in accordance with the law, complying with transparent rules. The area also has an impact on the environment and society, as the Company guarantees complies with the law while doing business and that suppliers are selected in a clear and transparent manner. Any actual or potential suppliers are treated in the same way and have equal access to cooperation opportunities.



#### The PKP CARGO S.A. Anti-Corruption and Gift Policy:

- ◆ Defines rights and obligations of the process of preventing and combating corruption in PKP CARGO S.A.
- ◆ Specifies how suspected corrupt behavior can be reported
- ◆ Implements adequate anti-corruption procedures, including reporting and documenting potential corruption incidents
- ◆ Lays down uniform rules as regards counteracting and combating any forms of corruption and economic malpractice
- ◆ Develops employee awareness as regards identification and prevention of corrupt behaviors
- ◆ Defines the rules of accepting and giving gifts in the Group

The Policy is communicated to Clients so that they observe the Company's internal anti-corruption rules in contacts with its representatives. All employees are obligated to familiarize themselves with the anti-corruption Policy and follow it in the performance of their professional duties or provision of services.

To counteract potential violations, the Compliance Department conducts a promotional campaign for the Code of Ethics, the Anti-corruption and Gift Policy at the Company among the Employees, with the aim to make popular the documents and the rules defined in them. In addition, the Department also educates Employees through training courses and a newsletter and also receives questions and gives replies to Employees about the Code of Ethics and the Anti-corruption and Gift Policy.

In the future, the PKP CARGO S.A. Anti-corruption and Gift Policy will be implemented in the entire Group.

#### Cases of corruption

**GRI:** 205-3

In 2022, no cases of corruption took place in the PKP CARGO Group. No public court cases regarding corruption were initiated against PKP CARGO and the Employees.

## Reporting violations and removing adverse consequences of business activity

**GRI:** 2-25, 2-26 **GPW:** G-P4

At PKP CARGO S.A., irregularities are studied by the Compliance Department.

PKP CARGO S.A. provides its Employees and other stakeholders, including Clients, Suppliers, Business Partners with various communication channels making it possible to report safely any violations, including cases of corruption and other abuses. Employees are obligated to report any irregularities immediately by sending anonymous or personal reports.

#### Everybody using the anonymous or personal reporting system should give the following information:

- ◆ a detailed description of the event (date and place of the event, the participants, a description of what happened, etc.),
- ◆ nature of the event,
- ◆ data of witnesses of the event (if any),
- ◆ evidence for the event – in the form of attachments.

The Code of Ethics and the Anti-Corruption and Gift Policy allow for reporting irregularities by whistleblowers, openly or anonymously. Any person reporting an irregularity may turn directly to the Coordinator for the ethics and counteracting

fraud and corruption (Ethics Officer) in the Compliance Department or submit a report through an external entity. Whether it is a personal or anonymous report, a verification procedure is always carried out by the Compliance Department.

#### Reports may be sent through three channels:

- ◆ via a dedicated e-mail address [sygnal@pkpcargo.com](mailto:sygnal@pkpcargo.com) (information for Employees is provided on the PKP CARGO S.A. intranet page in the Anti-Corruption Policy tab and in the Code of Ethics tab. Information for individuals from outside the Company is provided on the website),
- ◆ by traditional post, to the following address: Ethics, Anti-Fraud and Corruption Coordinator PKP CARGO S.A., 02-021 Warszawa, ul. Grójecka 17 – with a note: "personal" (Polish: "do rąk własnych"),
- ◆ by personally conveying a memo to the Compliance Coordinator.

#### Anonymous reports may be sent through three channels:

 online platform  
<https://cargo.liniaetyki.pl>

 e-mail address  
[cargo@liniaetyki.pl](mailto:cargo@liniaetyki.pl)

 hotline  
22 290 69 13

An employee using this solution is guaranteed absolute anonymity, since these channels are operated by an external entity, where a conversation is held using a PIN code. A representative of the external entity shall inform the reporter about the stages of the procedures and its completion. The Compliance Department receives the content of a report from the external entity and then takes further steps to explain the cases connected with the reported irregularities.

The Compliance Department monitors the implementation of issued recommendations after completing the verification procedure. At the same time, the Compliance Officer informs the President of the Management Board about any conducted verification procedures concerning, among other issues, corruption, conflict of interest, personal conflicts, workplace harassment, etc. The Compliance Officer also keeps a Register of Reports on Violations of the Anti-Corruption Policy at PKP CARGO S.A. and a Register of Reports on Violations of the PKP CARGO S.A. Code of Ethics.

Employees, Clients, Suppliers and other stakeholders may submit their comments in the systems for reporting and reviewing complaints, while the Compliance Department updates the Code of Ethics at its own initiative or based on submitted comments.

For the Code of Ethics, in 2022, the PKP CARGO S.A. Compliance Department recorded several cases where ethical principles were violated. These cases were explained in detail during the conducted verification procedure and relevant recommendations were issued to prevent such behaviors in the future.

#### Effectiveness of actions taken

**GRI:** 3-3 205

The effectiveness of systems for reviewing complaints and other repair processes is verified by analyzing annual reports which the Compliance Officer presents to the Supervisory Board's Audit Committee and the Company's Management Board. The reports cover topics connected with the functioning of the Code of Ethics and the Anti-corruption and Gift Policy and cover, among other things, a summary of reported violations and repair activities taken in connection with the detected violations.

The Compliance Department monitors recommendations resulting from verification procedures. In 2022, there were eleven such procedures and all the recommendations were put into practice. Each report on a verification procedure prepared by the Compliance Department is presented to the President of the Management Board for giving an opinion, while recommendations are implemented by the manager of each substantive unit.

If a report includes findings with recommendations, appropriate modifications are introduced to the organization's policies and procedures.

#### Informing about critical events

**GRI:** 2-16

Incidents or critical events are reported to directors/ managers of relevant units and the Management Board of the Company. This is done by drawing up a formal report about the incident with a detailed description of the situation and its effects. In the next step, the document is read by the relevant director/manager, as well as the Management Board of the Company. Depending on the type of incident (concerning health and safety issues, employee issues, etc.) further steps are taken and corrective actions are implemented.



# 03

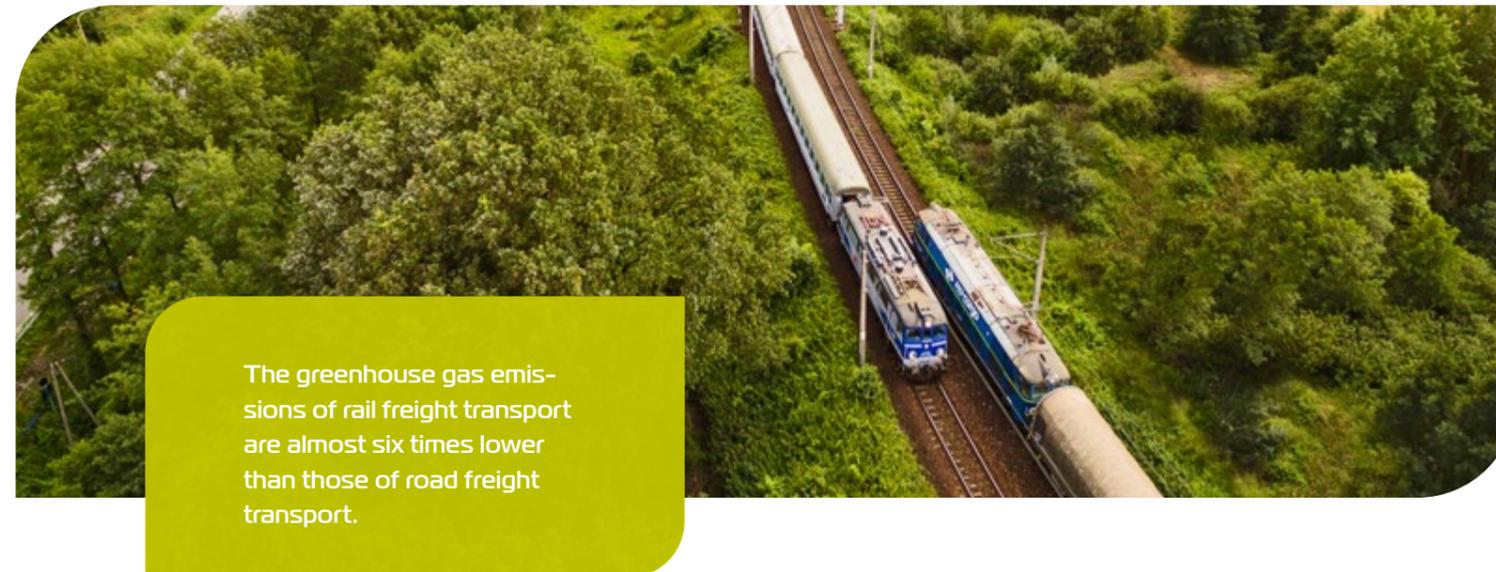
## > Environmental responsibility

# Managing environmental issues

GRI: 3-3 201

Responsible environmental management is one of the ESG standards implemented at PKP CARGO. The key components of sustainable development are included in the Company's business strategy. As of 2019, the "Socially Responsible Business Policy" of PKP CARGO S.A. is in force at the Company, which is a signpost for the implementation of conscious actions, also in the field of the environment.

The Company's core business of operating rail freight transport is one of the most important areas of land transport progress, which responds to expectations related to climate protection. The strategic objective of PKP CARGO S.A.'s responsible activities in the area of environmental protection is to carry out safe freight transport with rolling stock that meets environmental requirements. The Company is investing in both the purchase of new rolling stock and modernization of the fleet in use, as well as in maintenance and repair facilities and its equipment for rolling stock diagnostics. The aim of these measures is to achieve high standards of rolling stock maintenance and to protect the environment from the potential consequences of rolling stock breakdowns and accidents.



Environmental issues are regulated internally and monitored. The monitoring system is implemented within the framework of the "Integrated Management System", which is attested with certificate No. JBSI-12 /5/2022 for compliance with the requirements of the following standards:

- › PN-EN ISO 9001:2015-10 (international quality management standard),
- › PN-ISO 45001:2018-06 (international standard for occupational health and safety management system),
- › PN- EN ISO 14001:2015-09 (international standard for environmental management),
- › PN-EN ISO/IEC -27001:2017-06 (standard relating to information security management).

Jobs carried out as part of mitigating negative environmental impacts include:

- ♦ minimizing air emissions through the purchase of modern electric locomotives and the modernization of the existing rolling stock, i.e. locomotives and wagons, as well as through the successive elimination of low emission sources, i.e. small coal-fired boiler houses for heating buildings and technical facilities;
- ♦ rail transport safety – training and supervision in the transport of dangerous goods;
- ♦ protection against noise – a program of acoustic modernization of freight wagons is gradually being implemented (cast-iron brake blocks are being replaced with composite ones);
- ♦ protection against leaks of hazardous substances – measures and technologies are being applied to eliminate the danger at source (environmental first-aid kits, leach trays, oil separators, double shell tanks, etc.);
- ♦ and – internal regulation of waste management supervision – among other things, the methods of dealing with waste posing the greatest environmental risks have been established (e.g. waste of electrical and electronic equipment, asbestos, batteries, locomotive wrecks, etc.);
- ♦ environmental education – building employees' environmental awareness, their responsible involvement in sustainable development through training and educational materials.

Thanks to the regulations devised in this way, the principles adopted in daily practice allow to minimise the negative impact of the PKP CARGO Company on the environment. Within the framework of the current system of management of environmental topics, a separate climate policy has not been separated. In view of the development opportunities presented to railway companies by the EU's sustainable development system, which moves towards promoting low-emission forms of transport, and in order to meet the expectations of the environment, PKP CARGO S.A. is planning to implement a climate policy in subsequent years.

At the same time, the PKP CARGO Company monitors the environmental aspects thoroughly, which are assessed as significant. The purpose of their monitoring is:

- ♦ having awareness of the magnitude of environmental impacts,
- ♦ tracking the established metrics,
- ♦ implementation of the environmental program and improvement of emission and energy intensity indicators.



Significant environmental aspects are related to the Company's core business of freight transport and rolling stock maintenance and repair. The most important of these are climate protection, protection against environmental damage, water protection and protection against the effects of waste generation.

# Sustainable Development Goals

The development of rail transport forms part of the achievement of global climate and environmental goals. The rail transport strategies that are being implemented will deliver a range of environmental benefits, from improving air quality to mitigating the consequences of climate change. This fits in with the achievement of the global Sustainable Development Goals adopted by the UN in Agenda 2030.

The pro-environmental activities undertaken by PKP CARGO S.A. support the implementation of the four UN Sustainable Development Goals:



Goal 9



Goal 11



Goal 12



Goal 13

Below is a description of the programs implemented by PKP CARGO S.A. in support of the individual Sustainable Development Goals.

## Searching for new technologies in low-emission transport



Goal 9  
Innovation, industry, infrastructure

PKP CARGO S.A. has been working towards the development of zero-emission rail freight transport by undertaking cooperation with other business entities. In 2021, during the TRAKO International Railway Fair in Gdańsk, a letter of intent was signed between Grupa Azoty, PKP CARGO S.A. and PESA. Among other things, the companies pledged to jointly carry out research and development projects aimed at developing optimal ways of using hydrogen to power rail vehicles and methods of transporting hydrogen and refueling rail vehicles.

In 2022, PKP CARGO S.A. focused on observing the rail market for new implementations related to hydrogen solutions. In addition, a Company representatives actively participated in the development of the CER position paper "Hydrogen propulsion in the European railway sector".

The second initiative undertaken by the company is to analyze plans for the introduction in Europe of self-acting couplings, the so-called, which enable the digitalization and automation of transport. To this end, in 2022 the company collaborated with DB and tested a test train equipped with DAC automatic couplings in Poland. The tests were conducted in areas considered crucial for the Company's operations, specifically: at classification or marshalling yards, in relation to the carriage of bulk cargo and on thermal coal tippers.



Such a solution will, first of all, speed up the process of forming trains so that depots can be sent on their way more quickly. In addition, it will allow the speed of the train-sets to be increased. This will increase the efficiency of the rail operators but will also improve the capacity of the rail network. These benefits will translate into a reduction in the cost of rail transport and thus make it more competitive with road transport. Automatic couplings should help us to increase the share of rail in freight transport.

Marek Olkiewicz  
PKP CARGO S.A.  
Board Member for Operations



## Sustainable transport



### Goal 11 Sustainable cities and communities

Rail transport is one of the solutions that contributes significantly to reducing the carbon footprint of land transport. Transporting goods by rail, compared to road transport, has a much lower environmental impact. It is related to:

- ♦ reduced use of space,
- ♦ undisturbed functioning of ecosystems due to deterioration of the acoustic climate,
- ♦ increased transport safety and reduced traffic congestion in cities and on motorways
- ♦ lower emissions of greenhouse gases and exhaust fumes.



## Resource-efficient management



### Goal 12 Responsible consumption and production

In order to optimize resource consumption, an integrated management system has been introduced (Certificate No. JBS112 /4/2020 for compliance with the requirements of PN-EN ISO 9001:2015-10, PN-ISO 45001:2018-06, PN- EN ISO 14001:2015-09, PN-EN ISO/IEC -27001:2017-06).

Implemented solutions minimise the consumption of raw materials, energy and reduce waste generation.

Hauling goods by rail instead of road, along with its customers, the Company prevents potential emissions of almost 2.9 million tons of CO<sub>2</sub> annually<sup>1</sup>. More than 90% of freight turnover is carried out by electric traction, which does not generate emissions directly – thus combining mobility with climate and environmental protection. What is more, the space required for rail lines is less than that required for roads and motorways for road transport, resulting in limited interference with the landscape. The use of

modern railway technology for the construction of rail lines and rolling stock minimizes the disruption to ecosystems due to the deterioration of the acoustic climate. Shifting traffic from road to rail transport is an excellent way to move towards environmentally clean, sustainable mobility.

Another important activity in support of Goal 12 is to invest in the purchase of modern electric locomotives by PKP CARGO S.A. At the end of 2022 the Company owned 796 electric locomotives, including 21 multi-system locomotives (allowing trains to cross the borders of European countries without stopping associated with the change of power supply system) and over 49 thousand freight wagons (in the wagon fleet owned by the Company, as many as 3.8 thousand wagons are intermodal platforms, used to transport, inter alia, containers, semi-trailers and car exchangeable bodies). The company is gradually reducing the number of diesel locomotives in service, while modernizing those currently in use. The fuel savings for modernized diesel locomotives compared to historical data are up to 49%.

The tables below present the structure of the locomotives and wagons used in 2018-2022.

### Structure of locomotives used by the Group and PKP CARGO S.A., by traction type

Description	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	Change 2022-2021
diesel locomotives	731	850	1,103	1,261	1,286	-119
of which in PKP CARGO S.A.	555	671	912	1 065	1 077	-116
electric locomotives	816	969	968	1 079	1 066	-153
of which in PKP CARGO S.A.	796	946	949	1 059	1 049	-150
Total	1 547	1 819	2 071	2 340	2 352	-272
of which in PKP CARGO S.A.	1 351	1 617	1 861	2 124	2 126	-266

Source: Proprietary material

### Structure of wagons used by the PKP CARGO Group and PKP CARGO S.A.

Description	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	Change 2022-2021
Wagons owned and leased	53,459	56,183	58,453	62,330	64,151	-2,724
of which in PKP CARGO S.A.	49 312	51 533	53 619	57 272	59 127	-2 221

Source: Proprietary material

<sup>1</sup> The indicated value is a 5-year average value, recalculated according to the electric traction ton-kilometers performed by PKP CARGO S.A. in Poland and the overall emission factor for rail freight transport provided by CER in 2022.

## Climate-friendly transport



### Goal 13 Climate action

PKP CARGO S.A.'s business profile of rail transport translates into the Company's core business activities being part of environmentally-friendly actions in the dimension of limiting climate change and contributing to the reduction of greenhouse gas emissions in freight transport.

GRI: 3-3 201

### Progress in the implemented environmental measures for the PKP CARGO Group and PKP CARGO S.A.

Planned goal	Implementation status in 2022
<ul style="list-style-type: none"> <li>Preparation of the PKP CARGO Group to provide reporting on climate protection issues, including the development of a methodology for calculating the carbon footprint so that it can be presented reliably to stakeholders (customers, society, competitors, etc.).</li> </ul>	<p>PKP CARGO S.A. identified climate-related risks and opportunities and took delivery of the outsourced work on developing a methodology for calculating the carbon footprint. Due to unavailability of some data, the carbon footprint is currently not calculated in all 3 scopes but only in scope 1 and 2. As further steps, it is planned to introduce carbon footprint calculation activities for the Subsidiaries and to develop a methodology for data collection and calculation of scope 3.</p>
<ul style="list-style-type: none"> <li>Compliance with earth surface and groundwater quality standards for locations where PKP CARGO S.A. bears responsibility for pollution.</li> </ul>	<p>Necessary agreements related to the remediation of historical soil contaminants revealed on land owned by the Company have been concluded. The remediation work requires, among other things, a long period of application of biopreparations and will last up to 2031.</p>
<ul style="list-style-type: none"> <li>Compliance with standards for installations subject to emission standards</li> </ul>	<p>A new paint shop was put into operation, which reduced VOC emissions and enabled emission standards to be met. Charges for the economic use of the environment were significantly reduced (no increased charges and reduced emissions due to the reduction of substances on the filters).</p>
<ul style="list-style-type: none"> <li>Having the required water permits; no increased charges for wastewater discharge</li> </ul>	<p>Two new waste generation decisions were obtained, and documentation was submitted for obtaining decisions for three sites (decision procedure – pending).</p>
<ul style="list-style-type: none"> <li>Having the required water permits; no increased charges for wastewater discharge</li> </ul>	<p>Due to a shortage of funds, the required investments were not made with regard to water and wastewater management, resulting in the payment of increased water use charges for four of the Company's sites.</p>

As indicated in the last paragraph in 2022, not all the planned investments in the field of wastewater management were made. As a result, it was not possible to obtain all the required water permits, and for this reason increased charges are being paid for 4 of the Company's locations.

At two of the Company's locations, remediation work is being carried out as part of the earth surface quality standards, which will result in the land being cleared of historical contamination. In addition, administrative proceedings for waste management permits are ongoing.

In the past year, no final environmental penalties were imposed on PKP CARGO S.A. and no decisions issued on the use of the environment were revoked. In the past reporting year, there were no incidents or accidents resulting in serious pol-

lution of the environment. The company achieved its targets related to the partial development of the method for calculating the carbon footprint. Therefore, the activities carried out can be assessed as effective.

## Disclosures in line with TCFD recommendations

GRI: 3-3 201, 201-2

PKP CARGO S.A. pays great attention to environmental issues in its operations. The Company plans to develop disclosures in line with TCFD recommendations. Selected environmental issues have already been reported by the Company – such as the approach to environmental issues or a detailed description of climate risks and opportunities for the organization.

The Company will aim to become as advanced as possible in its disclosures in the four areas – corporate governance, strategy, risk management and metrics and targets – over the coming years.

### Corporate governance

A systemic approach to the management of environmental matters, including climate change issues and related risks and opportunities for the organization, is included in the key documents of the company described at the beginning of the section, the Integrated Management System (Certificate No. JBS112/4/2020) and the "Responsible Business Policy". The Company also has a "Risk Management Policy at PKP CARGO S.A.", adopted by Resolution No. 115/2022 of the Management Board of PKP CARGO S.A. of 20 April 2022. One of the key tasks is to increase the probability of achieving the set goals and objectives in terms of reducing the likelihood of risk occurrence and adequately protecting against possible consequences. A key part of the process to make this possible is the creation of risk handling plans. The processes established in the aforementioned policy impose an obligation on the owners of the area to assess risks. The primary objective of risk management is to guarantee the safety of operational activities, also in terms of identifying climate risks and opportunities. Therefore, for every decision taken, in addition to a profit-maximizing focus, an acceptable level of risk is determined at the same time.



PKP CARGO S.A.'s activity in the area of social involvement is supported by the Company's Management Board. The ambassador, and at the same time the initiator of projects in this area, is the Management Board Member – Employee Representative. Constant support on the part of the Company's Management Board makes it possible to respond on an ongoing basis to changing needs and obligations in the ESG area. It enables them to be adapted to the most current market and social trends, as well as to the expectations of stakeholders aware of the important role of the implementation of ESG concepts by companies.

The key internal document related to environmental protection at PKP CARGO S.A., i.e. the "Environmental and Climate Protection Report", is published cyclically in the second quarter of each year, in relation to the data for the previous year. The report is approved by the Chief Operating Officer. The content of the report covers environmental aspects and describes the impact of PKP CARGO S.A. on animate and inanimate natural systems, including soil, atmosphere and water. It takes into account the impacts associated with outputs (energy and water) and outputs (emissions, wastewater and waste). An important element of the report is the identification of significant environmental elements, which show the impacts that determine their significance, the boundaries of the impacts, the associated measurable values and the management and effects achieved and expected. The next edition of the report summarizing the year 2022, with an assessment of the performance of the environmental objectives and a reassessment of the environmental aspects, with the identification of significant aspects and the objectives and targets set for them, will be published in 2023.

## Area of strategy

In the area of strategy, the Company goes beyond the baseline in terms of disclosure by identifying climate-related risks and opportunities, which are described in detail under "Climate change – risks and opportunities for the organization"

## Risk management area

The effectiveness in terms of minimizing risks for individual environmental management processes is assessed periodically as part of the formally adopted "Risk Management Policy at PKP CARGO S.A.". If the level of risk requires it, treatment programs are prepared, the implementation of which is controlled by the Risk Leader. This prevents potential breaches of the continuity of repair processes, which in turn might exert unfavorable consequences on the smooth conduct of the transportation process, which forms the basis of PKP CARGO S.A.'s business.

## Area of metrics and targets

PKP CARGO annually performs an environmental review in the form of an internal report, which includes indicators of the environmental performance of the Company's activities. The report describes in detail the achievement of targets set for environmental aspects that were considered significant in the previous reporting period. The report also reprioritizes all environmental aspects and sets environmental tasks for future years.

The Company calculates scope 1 and scope 2 greenhouse gas emissions from 2020 onwards. Details are presented under "Emissions"

# Climate change – risks and opportunities for the organization

Monitoring of risks, including business risks in the area of environmental protection, is an element of the "Risk Management Policy at PKP CARGO S.A."

Due to its operations across the country as well as abroad, the Company monitors on an ongoing basis the consumption of materials, fuels and energy during its activities that affect the environment. In order to avoid any environmental violations and minimise the risk of sanctions being imposed on the PKP CARGO Company, constant supervision and control of the manner in which activities are carried out is necessary.

In order to achieve compliance of activities with the regulations in force, qualified personnel managing environmental protection issues is involved, who have tools in the form of software constituting an updated database on the scope of use of the environment. Employees have access to up-to-date regulations

and manuals and participate in specialized training. Dedicated training is also provided to remaining employees responsible for tasks associated with the transport of cargo, supervision and maintenance of emission-generating installations, and for waste management.

Employees of the environmental protection division carry out annual environmental reviews in which they assess the effects of environmental activities, formulate environmental objectives and tasks for the following years according to criteria established on the basis of legal requirements and external and internal audits and controls.

The environmental risk assessment system is assigned to individual posts and falls under the responsibility of employees. Risk assessments at individual Plants are carried out by employees at the environmental positions. At the Head Office, employees in the Environmental Protection and Green Deal team in the Rolling Stock and Technical Support Office are responsible for this.



For individual identified business risks that have been identified as requiring action, those responsible for this area develop Risk Management Plans.



PKP CARGO identifies climate risk as the potentially negative impact of climate change on the Company in two dimensions – physical risk and transition (transition) risk.

## 1. Physical risks

The Company assumes that physical climate risks are weather phenomena beyond its control, which can have two dimensions – acute (extreme phenomena such as droughts, floods, fires, etc.) or chronic (understood as, for example, long-term changes in average temperatures or rising water levels).

In case of PKP CARGO S.A., these phenomena may make it difficult or, in extreme cases, impossible to carry out transport operations.

## 2. Transformation (transition) risks

The second area of risk is transformation risks arising from the need to transition to a low-carbon economy and to adapt operations in such a way as to be resilient to climate change.

## Climate-related opportunities

With regard to climate change, in line with the TCFD recommendations, PKP CARGO S.A. identifies both risks and opportunities in this respect.

The activities carried out by the Company, which include rail and multimodal freight transport, are the type of activities that respond to the expectations of the environment related to climate issues.

The Company identifies its opportunities in several aspects: At the level of regulation in the European Union and projections related to the development of products and services, there is a visible trend related to the development of rail transport as an element to achieve CO<sub>2</sub> reduction targets. The company identifies this as a potential opportunity for a change in transport lending policy, with rail transport being prioritized because of the contribution it can make to reducing CO<sub>2</sub> emissions and its impact on combating climate change.

At the level of state regulation and decisions, it is estimated that state aid will have a significant impact on supporting rail transport in the coming years. The company estimates that this approach should translate into increasing interest in rail transport and that rail services should be relatively cheaper. As a result, this could increase the chances of attracting new customers, which are potentially freight producers, suppliers and customers.

In terms of documents based at the national level, the “National Energy and Climate Plan 2021-2030”, developed by the Ministry of State Assets, is relevant. At the EU level, the strategic approach of the Member States in tackling climate change will play an important role – one of the key points is the development of energy-efficient and low-carbon transport. This will translate into the promotion of environmentally friendly transport projects and the pursuit of a favorable environment for shifting transport from road to rail or inland waterways (particularly over distances of more than 300 km).

Rail network management systems are currently being developed (ERMTS – European Rail Traffic Management System; TEN-T multimodal core network), which will have a positive impact on capacity and the development of information services. Thanks to these solutions, rail transport has the opportunity to develop, offering a service of the highest quality.

In connection with the announcement of the European Green Deal, the Company expects that this will be one of the factors influencing the emergence of tools standardized on a European scale, such as carbon calculators, which will make it possible to compare emissions across different modes of transport

and thus guidelines on the eco-labelling of transported freight. In the perspective of the development of rail transport, this would be a significant factor in building awareness of climate change, both among customers and direct consumers, for whom the benefits of low-carbon mobility will be an important part of purchasing decisions.

PKP CARGO estimates that the opportunities described above should indirectly help it to strengthen its position as a leader in freight transport and further expand into foreign markets.



# Energy

GRI: 302-1, 302-3, 302-4

Data on fuel consumption, electricity consumption and energy intensity by PKP CARGO S.A. are presented below.

## Fuel consumption for traction purposes and working machinery and vehicles

		Fuel in Mg											
		Freight trains								Vehicles and machinery			
Fuel		Motor traction				Steam traction							
No.		2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
1	hard coal	-	-	-		210,6	50,8	45,8	80,7	-	-	-	
2	LPG	-	-	-		-	-	-		5,9	3,0	4,8	5,2
3	motor spirits	-	-	-		-	-	-		214,8	162,5	178,1	195,7
4	diesel fuel	29 625,0	21 823,4	23 165,3	21 748,6	-	-	-		825,4	728,5	774,2	743,5

## Comparison of traction and non-traction electricity consumption

Electricity	Electricity consumed [MWh]					Percentage of total electricity consumed [%]				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
traction	673 042,610	578 999,715	483 762,472	523 373,985	523 645,102	97%	96%	96%	96%	97%
non-traction	21 849,544	21 382,488	19 778,018	19 769,277	17 239,287	3%	4%	4%	4%	3%
<b>Total</b>	<b>694 892,154</b>	<b>600 382,203</b>	<b>503 540,49</b>	<b>543 143,26</b>	<b>540 884,389</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Percentage of primary energy carriers used to generate traction electricity

Resources, media	2018	2019	2020	2021	2022
hard coal	44,30%	50,00%	49,01%	48,60%	no data
brown coal	42,60%	29,00%	25,68%	23,20%	no data
natural gas	3,50%	8,00%	8,92%	7,80%	no data
others	1,00%	1,00%	1,59%	2,00%	no data
<b>Non-renewable resources in total:</b>	<b>91,40% ▼</b>	<b>88,00% ▼</b>	<b>85,20% ▼</b>	<b>81,60% ▼</b>	no data
<b>Renewable resources in total:</b>	<b>8,60% ▲</b>	<b>12,00% ▲</b>	<b>14,80% ▲</b>	<b>18,40% ▲</b>	no data

## Energy consumption per area and for freight turnover (energy consumption)

Indicators	Unit	Energy consumption indicators				
		2018	2019	2020	2021	2022
energy consumption for solid fuel boiler plants	kWh/m <sup>2</sup> /year	208,47 8,3% ▲	211,55 1,5% ▲	190,59 9,9% ▼	198,54 4,2% ▲	187,65 5,5% ▼
energy consumption of a fuel oil-fired boiler plant	kWh/m <sup>2</sup> /year	114,93 0,1% ▲	156,68 36,3% ▲	170,35 8,7% ▲	176,10 3,4% ▲	121,3 31,1% ▼
energy consumption for natural gas-fired boiler plants	kWh/m <sup>2</sup> /year	107,56 30,0% ▲	137,22 27,6% ▲	139,57 1,7% ▲	156,31 12,0% ▲	126,96 18,8% ▼
energy consumption for LPG boiler plants	kWh/m <sup>2</sup> /year	119,82 3,5% ▲	112,73 5,9% ▼	116,68 3,5% ▲	158,51 35,8% ▲	134,56 15,1% ▼
energy consumption in electric traction	kWh/thousand brtkm	12,014 5,4% ▲	12,208 1,6% ▲	11,82 3,2% ▼	12,139 2,7% ▲	11,6049 4,4% ▼
energy consumption in motor traction	kg ON/ thousand brtkm	5,01 17,3% ▲	4,80 4,2% ▼	5,53 15,2% ▲	6,08 9,9% ▲	5,66 6,9% ▼

Fuel consumption for heating and technological purposes expressed in thermal energy

Fuel	Fuel consumed					Conversion to energy [thousand GJ]					Percentage of total thermal energy generated				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
hard coal [thousand Mg]	2,198	1,892	1,618	1,283	1,067	46	39	33	27	22	37,7%	37,1%	33,0%	23,9%	25,3%
coke [thousand Mg]	0,577	0,384	0,236	0,226	0,131	16	11	7	6	4	13,1%	10,5%	7,0%	5,3%	4,6%
fuel oil [thousand Mg]	0,924	0,909	1,029	1,282	1,065	40	39	44	55	46	32,8%	37,1%	44,0%	48,7%	52,9%
natural gas [thousand m <sup>3</sup> ]	390,0	300,0	300,0	571,2	316,0	14	11	11	21	12	11,5%	10,5%	11,0%	18,6%	13,8%
LPG [thousand Mg]	0,120	0,102	0,095	0,093	0,062	6	5	5	4	3	4,2%	4,8%	5,0%	3,5%	3,4%
<b>OWN PRODUCTION – TOTAL</b>						<b>122</b>	<b>105</b>	<b>100</b>	<b>113</b>	<b>87</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



Data published on the KOBIZE website are to be obtained The calorific values (CV) and CO<sub>2</sub> emission factors (EC) to be reported under the Emissions Trading Scheme, according to which the calorific values for individual years are as follows:

energy carriers	unit	GJ/unit				
		2018	2019	2020	2021	2022
hard coal	Mg	20,7	20,7	20,7	20,7	20,7
coke	Mg	28,2	28,2	28,2	28,2	28,2
fuel oil	Mg	43,0	43,0	43,0	43,0	43,0
LPG	Mg	47,3	47,3	47,3	47,3	47,3
natural gas	m <sup>3</sup>	0,03620	0,03662	0,03654	0,03654	0,03656

\* density = 860.0 kg/m<sup>3</sup> was adopted for the conversion of fuel oil into Mg

## Water and wastewater

GRI: GRI 303-5

Data on the key areas related to water intake by PKP CARGO S.A. are shown below.

### Water abstraction from surface intakes and deep-water wells in 2022.

No.	Location of water intake	Plant	[m <sup>3</sup> ]
1.	Kuźnica – well	Centralny (Central)	48
2.	Chabówka– well	Południowy (Southern)	215
3.	Stróże – well	Południowy (Southern)	494
4.	Szczecin – the Parnica river intake	Zachodni (Western)	835
5.	Gniewczyna– well	Centrala (Center)	2 651
<b>Total</b>			<b>4 243</b>

### Amount of water purchased in 2022

No.	Plant	[m <sup>3</sup> ]
1.	Centralny (Central)	25 046
2.	Dolnośląski (Lower Silesian)	13 484
3.	Południowy (Southern)	33 026
4.	Północny (Northern)	12 473
5.	Śląski (Silesian)	15 353
6.	Wschodni (Eastern)	11 203
7.	Zachodni (Western)	15 169
8.	Centrala (Center)	6 246
<b>Total</b>		<b>13 2000</b>





### Closed-loop process water consumption in 2022.

Plant	Installation/process	[m <sup>3</sup> ]
CT Centralny (CT Central)	automatic washing plant for rolling stock in a closed-loop system 80% (washing of locomotives)	807

Source: Proprietary material

Water consumption according to the water meter throughout the year is 807 m<sup>3</sup>. The washing plant operates in a closed-loop system; approximately 80% is recirculated. 155.9 m<sup>3</sup> of wastewater was discharged from the washing plant.

Key data on wastewater generated by the PKP CARGO Company are shown below.

### Amount of wastewater discharged to the sewerage system and to non-drainage tanks in 2022.

No.	Plant/location	[m <sup>3</sup> ]
1.	Centralny (Central)	22 469,00
2.	Dolnośląski (Lower Silesian)	10 096,30
3.	Południowy (Southern)	24 668,61
4.	Północny (Northern)	12 532,77
5.	Śląski (Silesian)	11 515,50
6.	Wschodni (Eastern)	7 485,45
7.	Zachodni (Western)	10 588,59
8.	CENTRALA (CENTER)	8 083,58
<b>Total</b>		<b>107 439,80</b>

### Amount of wastewater discharged to water and soil in 2022.

No.	Plant/location	[m <sup>3</sup> ]
1	Centralny/Kutno	155,09
2	Dolnośląski/Kamieniec Ząbkowicki	3 024,00
3	Południowy/ Zabrzeg Czarnolesie	48,21
4	Południowy/Żurawica	2 386,00
5	Zachodni/ Szczecin	28 471,00
6	Centrala/Gniewczyna	211,00
<b>Total</b>		<b>34 295,30</b>

# Emissions

GRI: 3-3 201

PKP CARGO carries out freight transport using electric locomotives. Due to the fact that not all rail lines in Poland are electrified, on selected lines and railway sidings the Company has to use diesel locomotives, which generate emissions resulting from the use of diesel engines. Electric traction accounts for approximately 96% of the Company's traffic.

Another area of potential emissions generated by the PKP CARGO Company is the consumption of electricity used in large quantities for traction purposes. The structure of fuels used for the production of electricity at the moment is fully dependent on purchases of this energy by the traction energy supplier, which is PKP Energetyka S.A. The percentage of electricity coming from RES in the energy mix purchased by the supplier is small.

An additional area of identified emissions is the administrative buildings and technical facilities owned within Poland. For heating some of these facilities, own heat sources fired by coal, coke, fuel oil, natural gas and LPG are used. The decommissioning of solid fuel boiler plants that have become outdated or are located in areas where local anti-smog resolutions are in force is being progressively carried out. Decommissioned boiler houses are replaced, as far as possible, by district heating connections or boiler houses fired by fuels with lower emissions. The Company's use of renewable sources in heat generation still represents a small percentage.



## GRI: 305-1, 305-2

The company calculates the value of GHG (greenhouse gas) emissions in scope 1 – as direct emissions and in scope 2 – as indirect emissions.

Direct and indirect greenhouse gas emissions as CO<sub>2</sub> equivalent

No.	Scope and calculation method	GHG emissions in tCO <sub>2</sub> e		
		2020	2021	2022
<b>DIRECT EMISSION &gt; Scope 1</b>				
1	Scope 1	94 769,40	100 602,90	93 241,00
<b>INDIRECT EMISSION &gt; Scope 2</b>				
2	Scope 2 - market based method	347 948,86	343 724,80	336 411,82
3	Scope 2 - location-based method	362 620,93	401 717,11	394 716,87
<b>TOTAL EMISSION &gt; Scope 1 + Scope 2</b>				
4	Scope 1 + Scope 2 market based method	442 718,26	444 327,70	429 652,82
5	Scope 1 + Scope 2 location-based method	457 390,33	502 320,01	487 957,87



As emission factors for 2022 were not available as of the report preparation date, 2021 factors were used to calculate emissions for 2022.

**Scope 1** relates to greenhouse gas emissions from the operation of diesel locomotives, coal combustion in steam locomotives, fuel combustion in boiler plants, cars and emissions from refrigerant losses in air conditioners operated in buildings and vehicles.

**Scope 2** relates to greenhouse gas emissions arising from the consumption of electricity in electric locomotives and the consumption of non-traction electricity and heat in facilities and equipment.

## GRI: 305-4

## Greenhouse gas emission intensity indicators

Indicators:	Unit	CO <sub>2</sub> emission intensity indicator		
		2020	2021	2022
Emissions from rail freight transport	g-eq CO <sub>2</sub> /tkm	17,1	15,8	15,0



The calculated intensity indicator relates to freight transport itself and results respectively from the magnitude of the carbon footprint calculated for traction electricity consumed in Poland and the carbon footprint calculated for fuel consumed in diesel locomotives and ton-kilometer's performed in diesel and electric traction, respectively.

## PKP CARGO S.A. operates several RES installations:

- > 12 solar collectors with a total capacity of 21.07 kW are installed at the Northern Plant (Zakład Północny).
- > The Lower Silesian Plant (Zakład Dolnośląski) uses solar panel installations and heat pumps with a total capacity of 110 kW.
- > The Central Plant (Zakład Centralny) has heat pumps with a total capacity of 13.5 kW. RES installations are used for domestic water and space heating purposes.

## Waste materials

## GRI: 306-4

## Management of waste materials not intended for storage at PKP CARGO S.A. in 2022.

no.	Waste material	code	initial amount	generated	handed over	final amount
1	sawdust, shavings, cuttings, wood, chipboard and veneer containing dangerous substances	03 01 04*	0,000	0,000	0,000	0,000
2	sawdust, shavings, cuttings, wood, chipboard and veneer, other than those listed in 03 01 04	03 01 05	3,377	6,910	7,481	2,806
3	other organic solvents, washing solutions and mother liquors	07 01 04*	0,000	0,000	0,000	0,000
4	waste from paint and varnish removal containing organic solvents or other hazardous substances	08 01 17*	0,000	0,000	0,000	0,000
5	wastes from paint or varnish removal other than those mentioned in 08 01 17*	08 01 18	0,000	0,000	0,000	0,000
6	waste printing toner containing hazardous substances	08 03 17*	0,000	0,000	0,000	0,000
7	waste printing toner other than that mentioned in 08 03 17	08 03 18	0,000	0,000	0,000	0,000

no.	Waste material	code	initial amount	generated	handed over	final amount
8	waste adhesives and sealants containing organic solvents or other dangerous substances	08 04 09*	0,000	0,000	0,000	0,000
9	slags, bottom ash and boiler dust (excluding boiler dust mentioned in 10 01 04)	10 01 01	10,309	79,192	63,723	25,778
10	coal volatile ash	10 01 02	0,000	0,000	0,000	0,000
11	rinse water containing hazardous substances	11 01 11*	0,000	0,000	0,000	0,000
12	degreasing wastes containing hazardous wastes	11 01 13*	0,000	0,000	0,000	0,000
13	waste from turning and sawing of iron and its alloys	12 01 01	11,571	283,560	289,580	5,551
14	particles and dust of iron and its alloys	12 01 02	0,000	0,000	0,000	0,000
15	waste from turning and sawing of non-ferrous metals	12 01 03	0,000	0,000	0,000	0,000
16	halogen-free metalworking waste emulsions and solutions	12 01 09*	0,000	0,000	0,000	0,000
17	welding waste	12 01 13	0,000	1,574	0,671	0,903
18	other waste, not listed elsewhere	12 01 99	0,000	0,000	0,000	0,000
19	used grinding materials other than those mentioned in 12 01 20	12 01 21	0,000	47,800	47,800	0,000
20	mineral hydraulic oils	13 01 13*	0,000	0,000	0,000	0,000
21	mineral-based non-chlorinated engine, gear and lubricating oils	13 02 05*	0,450	66,288	55,006	11,732
22	synthetic engine, gear and lubricating oils	13 02 06*	0,000	0,000	0,000	0,000
23	other engine, gear and lubricating oils	13 02 08*	5,466	83,721	77,781	11,406
24	solid waste from grit chambers and oil/water separators	13 05 01*	0,000	0,000	0,000	0,000
25	sludges from oil/oil separator drainage1)	13 05 02*	0,000	4,500	3,400	1,100
26	sludge from collectors1)	13 05 03*	0,000	0,000	0,000	0,000
27	oil from oil dehydration in separators	13 05 06*	0,000	0,000	0,000	0,000

no.	Waste material	code	initial amount	generated	handed over	final amount
28	oily water from the dewatering of oils in separators	13 05 07*	0,000	0,000	0,000	0,000
29	mixture of waste from grit chambers and oil/water separators	13 05 08*	0,000	1,142	1,142	0,000
30	fuel oil and diesel oil	13 07 01	0,000	0,000	0,000	0,000
31	other fuels, (including mixtures)	13 07 03*	0,000	0,911	0,911	0,000
32	other emulsions	13 08 02*	0,000	0,010	0,000	0,010
33	other waste, not listed elsewhere	13 08 99*	0,000	5,856	4,114	1,742
34	other solvents and solvent mixtures	14 06 03*	0,200	0,180	0,380	0,000
35	paper and cardboard packaging	15 01 01	0,000	0,000	0,000	0,000
36	plastic packaging	15 01 02	0,000	0,000	0,000	0,000
37	metal packaging	15 01 04	0,000	0,000	0,000	0,000
38	mixed packaging waste	15 01 06	0,000	0,000	0,000	0,000
39	glass packaging	15 01 07	0,000	0,000	0,000	0,000
40	textile packaging	15 01 09	0,000	0,000	0,000	0,000
41	packaging containing residues of, or contaminated with, dangerous substances (e.g. plant protection products of toxicity classes I and II – very toxic and toxic)	15 01 10*	0,316	8,218	8,088	0,446
42	absorbents, filter materials (including oil filters not otherwise specified), wiping cloths (e.g. rags, cloths) and protective clothing contaminated by hazardous substances (e.g. PCBs)	15 02 02*	11,600	66,023	61,516	16,107
43	sorbents, filter materials, wiping cloths (e.g. rags, scouring cloths) and protective clothing other than those mentioned in 15 02 02	15 02 03	3,297	21,520	21,987	2,830
44	worn-out tires	16 01 03	0,511	5,756	4,339	1,928
45	worn-out or unusable vehicles	16 01 04*	112,700	10 141,012	10 253,712	0,000
46	worn-out or unserviceable vehicles free of liquids and other hazardous substances	16 01 06	0,000	27 026,782	27 026,782	0,000
47	oil filters	16 01 07*	2,032	12,390	11,259	3,163

no.	Waste material	code	initial amount	generated	handed over	final amount
48	brake linings, other than those mentioned in 16 01 11	16 01 12	3,463	8,827	8,313	3,977
49	liquefied gas tanks	16 01 16	0,000	0,000	0,000	0,000
50	ferrous metals	16 01 17	1 189,348	12 297,005	12 969,751	516,602
51	non-ferrous metals	16 01 18	7,017	20,654	17,040	10,631
52	plastics	16 01 19	0,574	2,067	2,093	0,548
53	glass	16 01 20	0,140	1,267	1,094	0,313
54	hazardous components other than those mentioned in 16 01 07 to 16 01 11, 16 01 13 and 16 01 14	16 01 21*	0,017	3,106	2,980	0,143
55	other components, not mentioned elsewhere	16 01 22	0,263	13,542	9,834	3,971
56	other components, not mentioned elsewhere	16 01 99	181,731	181,085	237,563	125,253
57	other waste, not listed elsewhere	16 02 11*	0,247	0,742	0,511	0,478
58	worn-out devices containing freons, HCFC, HFC	16 02 12*	0,000	0,000	0,000	0,000
59	worn-out devices containing free asbestos	16 02 13*	0,363	4,174	4,002	0,534
60	discarded equipment containing hazardous components other than those mentioned in 16 02 09 to 16 02 12	16 02 14	18,525	67,450	57,186	28,789
61	worn-out devices, other than those listed in 16 02 09 to 16 02 13	16 02 15*	0,010	0,000	0,000	0,010
62	components removed from discarded equipment other than those mentioned in 16 02 15	16 02 16	1,412	5,933	5,373	1,973
63	inorganic waste, other than that mentioned in 16 03 03, 16 03 80	16 03 04	0,195	0,821	0,405	0,611
64	organic waste, other than that mentioned in 16 03 05, 16 03 80	16 03 06	0,000	0,000	0,000	0,000
65	gases in containers (including halons) containing hazardous substances	16 05 04*	0,000	0,000	0,000	0,000
66	gases in containers, other than those mentioned in 16 05 04	16 05 05	0,035	0,000	0,035	0,000

no.	Waste material	code	initial amount	generated	handed over	final amount
67	laboratory and analytical chemicals (e.g. chemical reagents) containing hazardous substances, including mixtures of laboratory and analytical chemicals	16 05 06*	0,000	0,002	0,002	0,000
68	lead batteries and rechargeable batteries	16 06 01*	9,817	6,928	14,197	2,548
69	nickel-cadmium batteries and rechargeable batteries	16 06 02*	2,140	6,639	3,600	5,179
70	alkaline batteries (except those mentioned in 16 06 03)	16 06 04	0,000	0,000	0,000	0,000
71	other batteries and rechargeable batteries	16 06 05	0,264	0,434	0,371	0,328
72	wastes containing crude oil and its products	16 07 08*	0,800	0,549	0,540	0,809
73	Waste showing hazardous properties	16 81 01	0,000	0,000	0,000	0,000
74	magnetic and optical information media	16 80 01	0,000	0,000	0,000	0,000
75	concrete waste and concrete rubble from demolition and renovation works	17 01 01	0,000	5,280	5,280	0,000
76	crushed brick	17 01 02	0,000	0,000	0,000	0,000
77	wastes from other ceramic materials and fittings	17 01 03	0,220	0,065	0,220	0,065
78	mixed waste from concrete, brick rubble, waste ceramic materials and equipment, other than those mentioned in 17 01 06	17 01 07	0,000	1,020	1,020	0,000
79	wood	17 02 01	0,000	6,462	0,120	6,342
80	glass	17 02 02	0,155	0,006	0,000	0,161
81	plastics	17 02 03	0,206	2,670	1,866	1,009
82	wood, glass and plastic waste containing or contaminated with hazardous substances (railway sleepers)	17 02 04*	5,154	2,670	0,170	7,654
83	waste tar board	17 03 80	0,000	3,410	3,410	0,000
84	copper, bronze, brass	17 04 01	0,000	0,009	0,006	0,004
85	aluminium	17 04 02	0,020	0,000	0,020	0,000

no.	Waste material	code	initial amount	generated	handed over	final amount
86	lead	17 04 03	0,000	0,000	0,000	0,000
87	iron and steel	17 04 05	62,144	94,201	124,512	31,833
88	cables containing oil, tar and other hazardous substances	17 04 10*	0,000	0,000	0,000	0,000
89	cables other than those mentioned in 17 04 10	17 04 11	1,567	0,033	0,049	1,551
90	soil and ground, including stones, containing hazardous substances	17 05 03*	0,000	0,000	0,000	0,000
91	track ballast (aggregates) containing dangerous substances1)	17 05 07*	0,000	0,000	0,000	0,000
92	insulation materials containing asbestos1)	17 06 01*	0,000	0,000	0,000	0,000
93	insulation materials other than those mentioned in 17 06 01 and 16 06 03	17 06 04	0,000	0,050	0,000	0,050
94	asbestos-containing structural materials	17 06 05*	0,000	0,600	0,600	0,000
95	mixed construction and demolition waste other than those mentioned in 17 09 01, 17 09 02 and 17 09 03	17 09 04	0,000	15,213	15,213	0,000
96	screenings	19 08 01	0,000	0,000	0,000	0,000
97	content of grit chambers	19 08 02	0,000	0,000	0,000	0,000

no.	Waste material	code	initial amount	generated	handed over	final amount
98	stabilized municipal sewage sludge	19 08 05	0,000	0,000	0,000	0,000
99	grease and oil mixture from oil/water separation other than those mentioned in 19 08 09	19 08 10*	0,000	0,000	0,000	0,000
100	sludges containing dangerous substances from biological treatment of industrial waste water	19 08 11*	0,000	0,000	0,000	0,000
101	sludges containing dangerous substances from other than biological treatment of industrial waste water	19 08 13*	0,000	0,000	0,000	0,000
102	sludge from non-biological treatment of industrial wastewater, other than that mentioned in 19 08 13	19 08 14	67,000	0,000	19,500	47,500
103	spent activated carbon	19 09 04	0,000	0,000	0,000	0,000
104	wood containing hazardous substances	19 12 06*	0,000	0,000	0,000	0,000
105	wood other than that mentioned in 19 12 06	19 12 07	113,925	4,278	83,164	35,040
<b>TOTAL</b>			<b>1 828,581</b>	<b>50 620,535</b>	<b>51 529,710</b>	<b>919,406</b>





# 04

➤ **Responsibility  
for employees and  
the social environment**

# Responsible employer

GRI: 3-3 401

**Human capital is one of the key capitals of the PKP CARGO Group. All the companies belonging to the Group are stable and reliable employers that create safe and friendly workplaces in a responsible manner.**

The PKP CARGO Group makes efforts to ensure that its employees feel safe while performing their duties, that they receive support in development as well as equal treatment. Therefore, appropriate policies and procedures are developed to regulate particular employee areas. What is more, the Group also offers support for employees in non-work-related spheres of life, e.g. suggesting solutions to support caring for health every day.

## HR policy area in the PKP CARGO Group:

- ◆ Creating secure jobs, achieved, among other things, by transparency of contracts and a wide range of benefits
- ◆ Acquiring and educating professionals, achieved, among other things, by cooperation with the best experts and professionals and creating space for achieving professional ambitions
- ◆ Caring for employees from the very first day, achieved, among other things, by a friendly and effective onboarding process
- ◆ Improving and ensuring development, achieved, among other things, by providing and financing training in order to obtain, renew or improve professional qualifications
- ◆ Awarding and motivating, achieved, among other things, by preferring employment contracts for an indefinite term, orientation to long-term cooperation with employees, expanded remuneration system based on stable internal regulations, including: the Collective Bargaining Agreement, the Bylaws of the Company Social Benefits Fund, Rules for Using Concessionary Fares for Transport Services
- ◆ Operating a socially responsible business, achieved, among other things, by creating positive and durable relations with employees, the society and the business milieu.

PKP CARGO S.A. maintains social dialogue with employees as a form of partnership cooperation. The goal is to jointly work out respected solutions, such as the Agreement on Principles of Cooperation between Social Partners and the Agreement on Mutual Commitments of the Parties to the Bargaining Agreement from 2005. These solutions and dialogue became a common ground for cooperation and affected positively both business processes and aspects important for the employees.

In 2022, a collective dispute arose, which was resolved in January 2023 by signing an agreement by the PKP CARGO S.A. Management Board and the trade unions operating at the Company.

**The social dialogue with employees is a very important tool used by our Company. It helps understand points of view and arguments of both parties. I am very happy that we were able to resolve the collective dispute in 2022 and achieve a remuneration agreement. Owing to the agreement, we ensured social stability at the Company, which will certainly affect our everyday activity positively. Care for human capital of our enterprise is one of our priorities. The Management Board cares for improving working conditions at PKP CARGO SA and one element of these conditions is remuneration. The extent of pay raises at the Company must take into consideration its financial capabilities, therefore I am glad that due to the dialogue with our partners from trade unions we were able to achieve a compromise.**

**Dariusz Seliga**  
President of the  
PKP CARGO SA  
Management Board



## Hiring

GRI: 2-19 2-20

The compensation rules at PKP CARGO Group are established in accordance with the generally applicable laws and internal regulations in force in the Group companies.

### The compensation system at PKP CARGO SA is comprised of the following:

- ◆ The Company Collective Bargaining Agreement for Employees Hired by the Establishments of PKP CARGO SA (hereinafter: CCBA),
- ◆ Resolutions of corporate bodies of PKP CARGO S.A. to establish and introduce the rules for compensating key management at PKP CARGO S.A.,
- ◆ Regulations for paying bonuses to employees in the work establishments.

Compensation of the employees remunerated in accordance with the CCBA consists of fixed and variable elements, depending on their position.

### Fixed compensation elements include:

- ◆ basic salary,
- ◆ duty-related allowance,
- ◆ length-of-service allowance.

### Variable compensation elements include allowances for work:

- ◆ in conditions which are harmful to health, onerous and dangerous,
- ◆ overtime,
- ◆ on Sundays and public holidays,
- ◆ at night,
- ◆ allowance for kilometers,
- ◆ allowance for one-person traction service.

In addition, employees are also eligible for monthly bonus paid in accordance with the regulations for paying bonuses to employees in the work establishments.

Pursuant to the delegation contained in the Company Collective Bargaining Agreement, the employees of the company's headquarters and the employees on management and independent positions in the work establishments receive the compensation in accordance with the rules defined in the Resolution adopted by the PKP CARGO S.A. Management Board. A fixed compensation element of this employee group is the monthly compensation determined on the basis of individual compensation ratio which is adequate to the work position as well as the average monthly compensation in the enterprise sector published by the Statistics Poland (GUS) (specified in the Resolution). The employees receiving compensation under the Resolution adopted by the PKP CARGO S.A. Management Board may be paid, depending on their position, the annual bonus based on the Management Through Objectives Program in place in PKP CARGO S.A. if the Program is launched in the given year.

In addition, the compensation system includes, among others, the following benefits and perks: jubilee award, disability severance pay, retirement severance pay, coal allowance in the form of cash equivalent, a cash benefit paid on the occasion of the Railway Employee Day, additional paid leaves for which employees on certain positions are eligible. In the process of determining compensation, no independent consulting agency takes part, but the trade unions actually have an impact on the process.



GRI: 2-21

Annual total compensation ratio

	PKP CARGO Group	PKP CARGO S.A.	Subsidiary companies
Sum of the annual total compensation for the organization's highest-paid individuals in 2022	2 060 332,43	305 082,99	1 755 249,44
The median of annual total compensation for all employees in the Organisation (excluding the highest-paid individual) in 2022	69 309,52	68 607,73	70 011,30

GRI: 2-7

Employees of PKPCARGO Group and PKP CARGO S.A.

W – Women, M – Men

	PKP CARGO Group			PKP CARGO S.A.			Subsidiary companies*		
	W	M	Total	W	M	Total	W	M	Total
Number of employees*	5 014	15 072	20 086	4 014	10 253	14 267	1 000	4 819	5 819
permanent employees	4 688	13 858	18 546	3 795	9 620	13 415	893	4 238	5 131
temporary employees	326	1 214	1 540	219	633	852	107	581	688
non-guaranteed hours employees	0	0	0	0	0	0	0	0	0
full-time employees	4 988	14 983	19 971	4 003	10 224	14 227	985	4 759	5 744
part-time employees	26	89	115	11	29	40	15	60	75

\* Number of employees for subsidiary companies includes active employees, employees on unpaid and parental leaves, rehabilitation services

GRI: 2-8

Workers who are not employees

	PKP CARGO Group
Total - Workers who are not employees	815
Self-employment / Sole proprietorship	8
Commission contract	585
Management Services Agreement	4
Subcontract	205
Appointments (Supervisory Board)	9
Managerial contract	4

GRI: 401-1

New employee hires and employee turnover

W – Women, M – Men

Total number and rate of new employee hires during the reporting period, by age group, gender and region	PKP CARGO Group			PKP CARGO S.A.			Subsidiary companies*		
	W	M	Total	W	M	Total	W	M	Total
Number of new employees in 2022									
under 30 years old	116	422	538	78	264	342	38	158	196
from 30 to 50 years	212	505	717	147	254	401	65	251	316
over 50 years old	27	127	154	8	37	45	19	90	109
TOGETHER	355	1 054	1 409	233	555	788	122	499	621

\* Number of employees for subsidiary companies includes active employees, employees on unpaid and parental leaves, rehabilitation services

Employment rate of new employees in 2022	PKP CARGO Group			PKP CARGO S.A.			Subsidiary companies*		
	W	M	Total	W	M	Total	W	M	Total*
under 30 years old	46%	32%	34%	48%	34%	36%	42%	29%	31%
from 30 to 50 years	12%	9%	10%	12%	7%	9%	13%	12%	13%
over 50 years old	1%	2%	1%	0%	1%	1%	5%	4%	4%
TOGETHER	7%	7%	7%	6%	5%	6%	12%	10%	11%

Number of employees in 2022	PKP CARGO Group			PKP CARGO S.A.			Subsidiary companies*		
	W	M	Total	W	M	Total	W	M	Total*
under 30 years old	254	1 333	1 587	164	788	952	90	545	635
from 30 to 50 years	1 731	5 461	7 192	1 228	3 436	4 664	503	2 025	2 528
over 50 years old	3 029	8 278	11 307	2 622	6 029	8 651	407	2 249	2 656
TOGETHER	5 014	15 072	20 086	4 014	10 253	14 267	1 000	4 819	5 819

\* Number of employees for subsidiary companies includes active employees, employees on unpaid and parental leaves, rehabilitation services



**Total number and rate of employee turnover during the reporting period, by age group, gender and region.**

	PKP CARGO Group			PKP CARGO S.A.			Subsidiary companies*		
	W	M	Total	W	M	Total	W	M	Total
<b>Number of employee departures in 2022</b>									
under 30 years old	25	182	207	17	83	100	8	99	107
from 30 to 50 years	126	462	588	68	237	305	58	225	283
over 50 years old	291	930	1 221	239	692	931	52	238	290
<b>TOGETHER</b>	<b>442</b>	<b>1 574</b>	<b>2 016</b>	<b>324</b>	<b>1 012</b>	<b>1 336</b>	<b>118</b>	<b>562</b>	<b>680</b>
<b>Employee turnover rate in 2022</b>									
under 30 years old	10%	14%	13%	10%	11%	11%	9%	18%	17%
from 30 to 50 years	7%	8%	8%	6%	7%	7%	12%	11%	11%
over 50 years old	10%	11%	11%	9%	11%	11%	13%	11%	11%
<b>TOGETHER</b>	<b>9%</b>	<b>10%</b>	<b>10%</b>	<b>8%</b>	<b>10%</b>	<b>9%</b>	<b>12%</b>	<b>12%</b>	<b>12%</b>

	PKP CARGO Group	PKP CARGO S.A.	Subsidiary companies
Number of voluntary departures in the reporting period	1 742	1 181	561
Number of forced departures in the reporting period	170	51	119
Total number of employees* in the reporting period	20 086	14 267	5 819
Voluntary employment turnover rate	8,7%	8,3%	9,6%
Forced employment turnover rate	0,8%	0,4%	2%

\* Number of employees for subsidiary companies includes active employees, employees on unpaid and parental leaves, rehabilitation services

Number of employee departures in the PKP CARGO Group does not include the completion of 47 fixed-term contracts and 57 deaths.

## Safety and health of employees

**GRI:** 3-3 403

Care for occupational safety and health and employees' health is one of the key issues in all the companies from the PKP CARGO Group. The OSH area is part of the Integrated Management System which is in place in the PKP CARGO Group.

By implementing and applying appropriate occupational safety and health procedures and monitoring their effectiveness, the PKP CARGO Group makes a positive contribution to protecting human rights. Actions taken to ensure good and safe working conditions include arranging workplaces in accordance with ergonomics, ensuring measurements of the working environment (dust, vibrations, noise, lighting), ensuring inspections of air-conditioning, ventilation, electrical and fire systems or providing medical and sport packages. Furthermore, in the PKP

CARGO Group, depending on the performed work, employees receive supportive meals in the form of meal vouchers on the days of doing specific works as well as personal protective equipment, work clothing and footwear and cleaning agents.

In each company from the PKP CARGO Group, documents are issued or updated on an ongoing basis to regulate issues affecting employees' safety and health. As an example, at PKP CARGO SERVICE, these are: Detailed Organizational Bylaws of the OSH Team (DOB-OSH), Detailed Organizational Bylaws of Executive Areas (DOB-EA), the Program for Improving the Culture of Occupational Safety and Health for 2022.

## OSH management system in the PKP CARGO Group

**GRI:** 403-1

At PKP CARGO S.A., the OSH issues are taken care of by the Occupational Safety and Health Team. The Company has implemented an occupational safety and health management system, in accordance with the ISO PN-EN ISO 45001:2018-06 standard. The system has been implemented on the basis of the following standards: Occupational health and safety management PN EN 45001, Occupational Risk Assessment in accordance with the Polish PN-N-18002 standard. The system covers all the employees of PKP CARGO S.A. The

implemented system regulates key issues connected with identification of risks associated with the OSH area, ensuring safety of employees at work as well as proceeding in case of an accident and preventive and post-accident measures.

The basic OSH goals for PKP CARGO S.A. and ultimately for all the Group companies are defined in the Book of the Integrated Management System, adopted in March 2022.

### Basic OSH goals and the ways to achieve them



Taking actions continuously aiming to reduce the number of accidents at work, occupational diseases and potential accidents – done on an ongoing basis, semi-annual and annual OSH reports in the PKP CARGO S.A.



Taking measures aiming to reduce the number of people who are exposed at work to harmful, dangerous or onerous factors with proposals to remove or limit the threats – information in the annual OSH report at PKP CARGO S.A.



Measures aiming to select the right collective or individual protection to prevent threats to employees' life and health – taken on an ongoing basis, records of occupational risk assessment.



Measures for improving working conditions – a plan for improving working conditions at PKP CARGO S.A. and the annual OSH report at PKP CARGO S.A.



Implementation of principles of safe work – posters, training, promoting the right work safety culture – the annual OSH report at PKP CARGO S.A.



Raising employees' qualifications by participation in relevant courses and training and taking into consideration their role and involvement for occupational safety and health measures – the annual OSH report at PKP CARGO S.A.



Implementation of new legal norms in view of OSH in workplaces by amending regulations, instructions, procedures – the annual OSH report at PKP CARGO S.A.



Promoting physical activity among employees – sports activities, sports cards.

#### Procedures concerning occupational safety and health issues included in the Integrated Management System:

- ◆ PW 1-1 Human resources management
- ◆ PW 2-1 Investigation of accidents at work
- ◆ PW 2-2 Supervision of potential accidents and occupational diseases
- ◆ PW 2-3 Subcontracting and controlling works involving significant threats
- ◆ PW 2-4 Identification of threats in workplaces and assessment of the associated occupational risk
- ◆ PW 3-3 Data monitoring, measurement and analysis
- ◆ PW 3-9 Being ready for emergencies and responding to emergencies, operational control
- ◆ PW 3-11 Context. Estimating risks and opportunities in management of the following areas: quality, natural environment, energy, OSH and information security.
- ◆ PW 6-1 Identification and assessment of environmental aspects and legal and other requirements regarding the environmental and OSH management systems

At the PKP CARGO Group, all sorts of measures are taken to minimize the risk of accidents at work and occupational diseases.



The measures taken at the PKP CARGO Group for good working conditions include primarily inspections of working conditions and compliance with OSH regulations and principles, as well as inspections of the electrical system and lightning rods, inspections of ventilation systems and air-conditioners, arranging workplaces in accordance with ergonomics (e.g. purchasing ergonomic chairs, replacement of lighting), chimney inspections, provision of supportive meals, distribution of personal protection equipment as well as working clothing and footwear and cleaning agents. In addition, measurements of the working environment are performed, as well as inspections of machines and equipment and fire systems and leisure rooms are modernized. To minimize the risk of occurrence of undesirable events at the PKP CARGO Group, introductory and periodic OSH training courses are conducted, as well as specialist and first aid training courses.

#### Preventive measures are also conducted at the Group to familiarize employees with documentation raising awareness of workplace hazards.

##### Examples of such documentation are:

- ◆ OSH instructions about using specific machines, equipment or tools
- ◆ operating and maintenance manual for specific machines and equipment
- ◆ occupational risk assessment sheets, with indicated threats and preventive measures minimizing the probability of dangerous events
- ◆ reports on measurement of harmful factors in the work environment and interpretations of the reports with recommended preventive measures
- ◆ material safety data sheets
- ◆ current information raising employees' awareness
- ◆ analysis of potential accidents, with preventive and repair measures
- ◆ analysis of OSH situation, including accident rate
- ◆ plan to improve the OSH situation
- ◆ analysis of places of occurrence of potential accidents, with preventive measures
- ◆ post-accident information including findings from the conducted procedure concerning prevention.

## Policy of organization of the OSH area exemplified by PKP CARGO SERVICE

### Social issues



#### Protection of children and youth

it is prohibited to employ underage persons because of a high risk of a serious accident on railway workplaces. An exception to this is cooperation with the Railway Technical College, whose students have the opportunity to participate in practical training / job preparation under adequate supervision.



#### Promotion of healthy lifestyle

by co-financing the opportunity to use various sports facilities..



#### Using prevention measures to limit the spreading of SARS-CoV-2 coronavirus

protecting employees appropriately and publishing guidelines, messages, information or model procedures updated on an ongoing basis as soon as legal regulations are amended or new findings emerge.

### Issues of respecting human rights



#### Ensuring the appropriate anti-harassment and antidiscrimination policy

the issue of respecting employee rights, and especially human rights, is of enormous importance for doing work safely.

### Employee matters



#### Participation of employees in developing work safety

the opportunity to report observations about existing hazards and suggestions, collecting comments of employees about using personal protection equipment and working clothing so that they are as comfortable as possible and at the same time safe



#### Motivating to do work safely and supervising work

motivating and awarding employees distinguished in the OSH area – thus promoting involvement in the development of the work safety culture



#### Cooperation with Occupational Medicine

active participation of Occupational Medicine physician taking care of the work establishment at meetings of the OSH Commission.

## Measures taken by PKP CARGO SERVICE in the OSH area SERVICE

### Employee matters



Meetings of the OSH Commission, security visits, inspections of the OSH situation, visits of top managers aiming to collect the most important comments from employees.



Continuous improvement of the "Arbiter" ["Arbitrator"] motivation and supervision program aiming to provide authorized persons with tools to motivate employees to do work more accurately, more cautiously and consequently in a safer way.



Continuous improvement of the "Niewiele brakowało" ["Near miss"] program – an alternative way to report potential accidents with the possibility of indicating the observer's response.

### Social issues



An agreement with Captain Jan Rybczyński and "Groźny" Train Crew Private Railway Technical College in Tychy on practical vocational training and vocational traineeships.



The opportunity for the Company's employees to use and participate in the Multisport Program – higher level of physical activity affects favorably one's health and well-being, and consequently their safety.



Register of preventive measures for reducing the risk of the spreading of SARS-CoV-2 coronavirus including: nine messages, four information letters, twelve decisions of the President of the Management Board, twenty-six guidelines with thirty-three updates.

### Issues of respecting human rights



Providing the opportunity to report doubts and problems arising in the work environment and also making it possible to bring about efficient mediation and reach agreement. Zero tolerance policy on situations involving workplace harassment or discrimination.

Bearing in mind the highest value, which is the employee's life and health, the overriding aim must always be to minimize the accident risk by continual and careful risk analysis and taking immediately preventive measures, therefore the occupational safety and health system at PKP CARGO SERVICE Sp. z o.o. is given priority. It should be remembered that building the culture of safety is a continuous process, which must be constantly improved, so it is impossible to restrict oneself to measures required by law, because it is necessary to use any best practices and additional actions that may contribute favorably to the safety of our employees.

**Jacek Ataman**  
the Head of the OSH Team,  
OSH Specialist, PKP CARGO SERVICE



### Verification of the effectiveness of the measures taken

At the PKP CARGO Group, the effectiveness of the measures taken in the OSH area is verified on an ongoing basis with the use of the following tools, among others:

- ♦ reports on inspections of the OSH situation
- ♦ register of hazards occurring in the area of rail infrastructure and potential accidents
- ♦ consultations with the social party during meetings of the OSH commission
- ♦ analysis of the OSH situation
- ♦ analysis of new occupational diseases
- ♦ register of accidents at work
- ♦ post-accident reports
- ♦ reports on measurement of harmful factors in the work environment
- ♦ internal and external audit reports
- ♦ assessment of compliance with legal requirements
- ♦ implementation of plans to improve working conditions

#### Verification of the effectiveness of the measures taken

Progress of the measures taken is evaluated at the PKP CARGO Group based on the implementation of post-audit and post-accident recommendations. While assessing the effectiveness of measures and procedures, the information about the number, frequency and severity of accidents is also taken into consideration. The effectiveness is also measured by a decrease in the number of accidents at work and their severity.

The Group has an Occupational Health and Safety Management System in place. In accordance with its assumptions, goals are set every year in the OSH area that should be achieved. In 2022, these goals were as follows:

- ♦ to eliminate hazards and reduce risks in the area of OSH: constant efforts to reduce the number of accidents, to intensify or maintain inspections of the OSH situation, in 2022 at a similar level as in 2021;
- ♦ to take into account legal requirements, customers' requirements and other identified requirements at each stage of providing services: the organization for selected employees of first aid and firefighting training courses as well as training

during test evacuation of employees;

- ♦ reducing every year the number of accidents at work, occupational diseases, monitoring potential accidents among employees: verifying, in consultation with employees, the number of employees provided with a type of safe footwear and large scale replacement of such footwear as Chelsea boots or military half boots for boots ensuring better stabilization of the ankle (as of 2022, a still higher standard of provided footwear);
- ♦ close cooperation with employees and their representatives (including the OSH Commission) in developing safe conditions of work and organizational solutions of the occupational safety and health management system:

In 2022, the plan to improve working conditions as well as the removal of irregularities reported to the infrastructure manager were implemented at a level of 90%.

In 2022, no amendments were introduced to the OSH policies and procedures.

### Identification of threats, risk assessment and investigation of accidents

**GRI:** 403-2

All the processes at the Company, also those concerning identification of threats, risk assessment and investigation of accidents, are subject to occupational risk assessment in accordance with the PN-ISO 45001:2018-06 standard.<sup>1</sup> In the PKP CARGO Group, environmental inspections and reviews of workplaces are carried out. A system for improving working conditions has been introduced, too.

Hazards are identified on the basis of the procedure of "Identification of threats in workplaces and assessment of the associated occupational risk." Teams appointed to carry out this task are made up of people who have been trained on occupational risk assessment. The team consists of OSH service employees, a representative of employees and an employee from the assessed workplace. Risk assessment forms for each workplace are updated at least every three years. After each conducted post-accident procedure, investigating the causes and circumstances of accidents at work, the forms are additionally verified and updated.

<sup>1</sup> A standard for occupational safety and health management, which includes relevant requirements and guidelines. It obligates organizations to establish, implement and maintain a continuous and proactive process of identifying hazards. The process should take into consideration, among other factors, work organization, social factors (e.g. workload), routine and exceptional measures and situations, including hazards related to the infrastructure, substances and physical conditions in the workplace, human factors or the manner of doing work. The complete content of the standard is available here: [https://bhp.org.pl/wp-content/uploads/2021/02/PN-ISO-45001\\_2018-06P-1.pdf](https://bhp.org.pl/wp-content/uploads/2021/02/PN-ISO-45001_2018-06P-1.pdf)

To eliminate OSH threats to the fullest possible extent and reduce the associated risks, the following measures are taken at the PKP CARGO Group:

- ♦ ongoing inspections of the OSH situation,
- ♦ regular meetings of the OSH Commission with representatives of all the trade unions,
- ♦ constant identification and analysis of potential accidents,
- ♦ constant supervision to update places where accidents at work may potentially happen,
- ♦ performing, on a quarterly basis, an analysis of accidents that occurred.

Furthermore, at CARGO SERVICE, employees participate in the "ARBITER" motivation and supervision program.

The OSH area at the PKP CARGO Group is supervised by persons with proper competence, in compliance with the requirements defined in the Regulation issued by the Council of Ministers on 2 September 1997 regarding occupational safety and health service. In addition, the basis for effective management of occupational safety and health issues is verification that the implemented system and procedures work effectively, therefore documents and regulations are analyzed and updated on an ongoing basis.

### Reporting irregularities

According to provisions of the Labor Code concerning OSH, employees are required to report irregularities as this is an employee's primary duty under the Labor Code to comply with occupational safety and health rules.

If irregularities are found in the area of rail infrastructure, employees may report them to the email address [bezpiecniwpracy@pkpcargo.com](mailto:bezpiecniwpracy@pkpcargo.com). It is also possible to report hazards and potential accidents via a form available on the OSH website in the Intranet.

In an emergency or dangerous situation, employees have the right to refrain from work. Such a situation should be every time reported to the employee's manager.

### OSH training

GRI: 403-5

As part of occupational safety and health training, introductory and periodical training courses are conducted at PKP CARGO. Three times a year, employees directly involved in rail traffic and rail traffic safety receive the so-called periodic instructions.

At the PKP CARGO Group, OSH training courses are conducted resulting from the employer's duty as well as additional training courses:

- ♦ introductory training (general and job-related instruction);
- ♦ periodical training (after the period depending on the type of performed work);
- ♦ training for persons designated to provide first aid, firefighting and evacuation of employees (conducted periodically in such a way as to ensure the proper functioning of the fire prevention and first aid systems);

Furthermore, on behalf of rail traffic safety, periodic instructions are provided in the Group by managers, which include the topic of safe performance of official duties connected with rail traffic safety. Within the process, employees also receive information about the scope of recommended preventive measures that are given as a result of conducted post-accident procedures and finding of railway commissions investigating railway accidents and incidents. Safety training takes place while employees are working.

## Promotion of employees' health

GRI: 403-6

At the PKP CARGO Group, a number of cyclic projects have been performed for many years to promote employees' health. They include post-accident psychological support project, the opportunity to purchase additional health insurance, information program about prostate cancer and cervical cancer as well as running and cycling campaigns. Employees can also use a sports card (Multisport or Fitprofit, depending on the company) and thus receive co-funding for using various sports facilities, such as swimming pool, gym, etc.

Programs performed at the PKP CARGO Group aim to increase employees' involvement, improve work quality, ensure safe and decent working conditions as well as to build work-life balance.

### Building the culture of safe workplace / employee support programs:

At the PKP CARGO Group, apart from the measures required by OSH laws, a number of projects were performed in 2022 that aimed to increase employees' safety and affect their health in a positive way.

#### Project: Post-Accident Psychological Support (PPS)

A cyclic project performed at PKP CARGO since 2017, aiming to support employees in coping with stress, to help them maintain good psychophysical condition, to teach them effective ways of regenerating and concentrating. Thus, the project contributes to improving working conditions and building the safety culture in rail transport.

Due to the above project, the following sustainable development goals and tasks are being implemented:



#### Goal 3 – Healthy lives and well-being

- ♦ 3.4. By 2030, to reduce premature mortality from non-communicable diseases by one-third, through proper prevention and treatment, as well as promotion of mental health and well-being.
- ♦ 3.6. By 2020, to halve the number of cases of death or disability as a result of traffic accidents – we continue efforts to achieve this goal, as the number of accidents is an ever-important problem.
- ♦ 3.8. To provide universal health care for all the people, including protection against financial risks, access to quality medical services, and access to safe, effective, high-quality affordable medicines and vaccines.



#### Goal 8: Economic growth and decent work

- ♦ 8.8. To protect labor rights and promote safe working environment for all employees, including migrant workers, especially women and those working in dangerous conditions.

In 2022, a Psychological Support Helpline operated within the project, accessible to nearly 7,000 employees directly involved in rail traffic. The hotline was staffed with psychologists specialized in the rail sector support. The hotline was free of charge for callers and ensured their anonymity. Moreover, employees were offered the opportunity to visit psychologists – as part of the project, cooperation was established with 14 psychology centers

across Poland. As part of the project, preventive actions were also carried out on stress and post-traumatic stress prevention, followed up by communication projects, including the monthly Post-Accident Psychological Support newsletter for several thousand PKP CARGO S.A. train drivers. Since 2012, psychologists have been contributing to the contents of the newsletter.



### “Direction: Safety at Work” Campaign

periodically recurring project carried out by the Group since 2019. Its purpose is to build a safe workplace culture, change awareness (through treating safety as a priority) and shape attitudes conducive to the safe performance of professional duties.

In 2022, two Sustainable Development Goals were implemented through the “Direction: Safety at Work” project:



#### Goal 3 – Healthy lives and well-being

3.6. By 2020, to halve the number of cases of death or disability as a result of traffic accidents globally – we continue efforts to achieve this goal, as the number of accidents is an ever-important problem.



#### Goal 8 – Economic growth and decent work

8.8 Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

In 2022, the “Direction: Safety at Work” campaign was targeted at all several thousand PKP CARGO S.A. employees, and its main slogan was: “I care about my safety at work, because I love coming back home”. It was crucial to reach our approx. 7,000 employees who work in positions directly related to train traffic (including train engineers, shunting masters and inspectors). The campaign used posters, intranet website, leaflets, promotional video, special e-mail address, regular articles in internal and external media. In 2021-2022, the campaign also included prevention activities in the area of mental health, stress and post-traumatic stress, which may affect the safety of transport processes.

As a result of the campaign, we were able to provide our employees with information about safety at work in key positions for rail traffic safety and about the involvement of social partners in promoting a safe workplace bringing measurable results – for instance, additional protocol no. 12 to the Collective Bargaining Agreement adopted in 2021, regarding safety issues applicable to train drivers and ensuring professional psychological care after a rail accident. Moreover, in 2020-2022, due to the pandemic, a new distribution channel for the Post-Accident Psychological Support newsletter was launched as part of the campaign – tablets to reach train drivers in their daily work as a new access channel.

The main benefits of the project included: increased awareness of the role and significance of work safety among employees and a change in attitudes regarding compliance with health and safety regulations – building the internal conviction among employees that safety also depends on their own actions and promoting the topic of safety among representatives of the rail sector in Poland.

#### “WIN” campaign

project – health prevention within the PKP CARGO Group, executed since 2022, aiming to raise the awareness of the PKP CARGO Group’s employees regarding preventive checkups for some of the most frequently occurring oncological diseases (breast cancer and prostate cancer).

In 2022, the following Sustainable Development Goal was pursued through the “WIN” campaign: Healthy lives and well-being

The WIN campaign was targeted at all employees of the PKP CARGO Group. It was based on programs promoted by the National Healthcare Fund, that is the government-sponsored campaign “I Intend to Live a Long Life” and the “National Oncology Strategy”, dedicated to both women (breast cancer prevention) and men (prostate cancer prevention). The campaign was based on considerations related to the average age of employees of the rail sector in Poland and the statistically most common diseases threatening employees in the targeted average age group.

In 2022, as part of the campaign, 3 coherent information campaigns were conducted (in September, October and November), each time addressed to several thousand employees, mailing campaigns, articles published on the intranet on the home page, and, since September 2022, on a dedicated campaign website. Moreover, a thematic CSR Newsletter was sent out to subsidiaries (in September, October and November 2022) and a thematic Post-Accident Psychological Support Newsletter was distributed among several thousand train drivers (November – prostate cancer month). A letter of support for the WIN campaign was also prepared: a joint letter from the Management Board and Trade Unions – Signatories of the Company Collective Bargaining Agreement expressing support for the Campaign and promoting preventive medical checkups among employees.

#### A Running-Friendly Company

project promoting sports interests among employees, encouraging a healthy and active lifestyle and integrating teams employed in various locations across the country, working in various positions. The “Running-Friendly Company” is a key initiative of the PKP CARGO Group in the area of work-life balance, which has been gradually developed since 2013. The “Running-Friendly Company” initiative promotes a healthy life-work balance and supports employees in taking socially beneficial and charitable activities. In 2022, nearly 250 employees participated in the project. The project was executed in pursuit of the third Sustainable Development Goal: Healthy lives and well-being.

In 2022, the project was developed based on the following three pillars:

- ◆ Sports/integration, consisting of the promotion of a healthy lifestyle through the participation of the Company’s employees in various running events
- ◆ Charitable: PKP CARGO employees helped people in need by running. The Company regularly supported various initiatives, including the national charitable Poland Business Run, and provided assistance to the Foundation’s beneficiaries – people with motor disabilities
- ◆ Symbolic and historical aspects – commemorating significant events in the history of Poland by way of sports events

Communication activities related to the project were addressed to all companies in the PKP CARGO Group. Through the project, the Company promoted physical activity and a healthy lifestyle among several thousand people.

#### Relay 2022

In 2022, as part of the Running-Friendly Company project, PKP CARGO S.A. organized the “PKP CARGO Running and Cycling Relay around the Earth”. It was open to all employees, regardless of their place of residence. Participants tallied on their own and reported the distances covered using mobile sports apps. The Company also invited cyclists to the project for the first time, in response to the bottom-up recommendations received from employees. Over a span of three months, the Relay participants ran or cycled a total of over 40,000 kilometers, the same as the Earth’s circumference! Through their participation in the project, nearly 250 employees achieved a shared goal in the spirit of work-life balance and sustainability, promoting care for the natural environment and bottom-up initiatives reducing CO2 emissions (e.g. bicycle as an environmentally friendly mode of transport).

Furthermore, over 20 participants took part in the accompanying campaign “We Are Active at PKP CARGO S.A.,” as part of which employees most committed to the cause created messages motivating other participants to engage in sporting activities and combine their professional lives with caring for their health.



We are very pleased that our company organizes projects related to physical activity. Since day one as an employee, I have been an active participant in these initiatives and I appreciate the fact that this area is significant for our organization. I think that such initiatives do promote healthy habits among employees, encourage physical activity, and this directly translates into their better health and physical and mental well-being.

**Jarosław Sadek**

Rail Traffic Safety Inspector,  
Coordinator of the Team of  
Permanent Members of the Rail  
Committees at PKP CARGO S.A.



### Work related injuries

GRI: 403-9

In 2022, there were no fatalities in PKP CARGO S.A. resulting from work-related injuries. At the same time we have recorded 62 work-related injuries in the Company - mainly concerning limbs injuries such as ankle sprains. In 2022, as a result of accidents in the Company, 3737 working days were lost. Highest risk of injury with potentially serious consequence is attributed to maneuvering works, works with energy and electrical devices. In 2022 the Company hasn't noted these types of injuries. As part of preventive measures in the Company the Working Conditions Improvement Plan, inspections and regular controls are implemented in the workplaces. The job-related risk is assessed on an ongoing basis.

### Work-related ill health

GRI: 403-10

In 2022, there were no fatalities at PKP CARGO S.A. resulting from ill health related to work. There were also no reported cases of illness related to work. The most common occupational disease in recent years has been detriment related to the loss of hearing. In accordance with applicable legal regulations, PKP CARGO S.A. applies to the Regulation of the Council of Ministers of June 30, 2009 on occupational diseases which defines a catalog of diseases and occupational diseases.

PKP CARGO S.A. conducts environmental studies and workplace assessment for each position that involves harmful factors (such as increased noise, vibration level, increased dustiness or other harmful factors). Among parameters checked are the level of the maximum allowable concentration of chemical agents/ particles or noise levels. In case of identification of exceeding the maximum detrimental level of a harmful factor, solutions are implemented to minimize its impact, e.g. shields, additional equipments for the employee such as headphones or earplugs limiting the level of noise etc. Additionally, parallel to above mentioned activities the Company provides periodic medical tests in a separate, accelerated mode and with increased frequency - these are designed for workers in exposed positions to the counter-act harmful factors and prevent any harmful impact. The Company regularly takes care about work safety in workplaces. Regardless of any harmful factors, it is a standard procedure to equip employees, mainly blue-collar workers, in appropriate protective clothing, personal protective equipment, appropriate equipment tools, and the provision of training and instruction.

The main threats that may exert an impact on the deterioration of the health of PKP CARGO Group employees include:

- ◆ physical factors: noise, general vibrations and vibrations affecting upper limbs, optical radiation (welding process), industrial dusts: jobs performed in the open space near the loading or unloading process, during maintenance and repair works
- ◆ chemical agents: tasks related to the use of chemical preparations, e.g. for spraying
- ◆ psychophysical factors: static or dynamic physical loads
- ◆ social factors, including unequal treatment, workplace harassment, discrimination

The threats listed above were identified by the following teams or as part of the following efforts:

- ◆ team identifying work-related hazards and assessing occupational risks in the PKP CARGO Group
- ◆ conflict resolution committee
- ◆ social consultations during OSH inspections
- ◆ consultations with the social party during meetings of the OSH commission

None of these threats caused any illness in the reporting period.

In order to minimize the risk of adverse events listed above, the PKP CARGO Group took the following actions:

- ◆ adoption of the "anti-harassment and anti-discrimination" procedure,
- ◆ adoption of the rules of ethics,
- ◆ application of appropriate technological and organizational measures, collective protection measures and individual protection measures,
- ◆ replacement of preparations previously used for spraying (herbicides).

All the above data were compiled on the basis of the register of occupational diseases and occupational risk assessment cards.



## Approach to diversity, workplace harassment (mobbing) and building an inclusive organization

GRI: 3-3 405, 3-3 406

The PKP CARGO Group applies the principles of equal treatment of all employees and strives to ensure diversity in all its aspects. Diversity is perceived within the Group as an opportunity for development, which is made possible owing to the exchange of experience and knowledge between employees and teams working for the organization. From the date of onboarding, new employees may benefit from the knowledge of colleagues who have acquired years of professional experience and are willing and available to introduce them to the duties and principles of the organization. This not only enables a quick onboarding process, but also helps build interpersonal relations.

PKP CARGO S.A. does not have in place a separate policy against discrimination. However, the area of preventing discrimination and workplace harassment (mobbing) are governed by the provisions of the Company's code of ethics, including those preventing any discrimination and expressing zero tolerance for any forms thereof in relations with employees, customers and suppliers.

The approach adopted by PKP CARGO SA to the area of diversity is described in the Personnel Policy and the CSR Policy. Ultimately, uniform rules in this area will be put in place for all PKP CARGO Group companies.



**Activities in the area of diversity**

The PKP CARGO Group takes measures to prevent discrimination by shaping a work environment based on respect, openness, reliability and fairness, creating and strengthening positive relations between employees and building an organizational culture rooted in company values. Moreover, the Group emphasizes the requirement to observe the right to rest, protection of personal data and privacy, offering the possibility of work on a flexible schedule to enable employees to maintain a balance between their professional career and private life, such as flexible working hours or the possibility of remote work.

In its recruitment process, PKP CARGO SA is primarily guided by respect for the principle of equal treatment, in compliance with the applicable national and international laws. This means that the Company accepts differences and dissimilarities among candidates for work and employees. This applies to both the recruitment process and employment, onboarding, wage rules, employee evaluation, training and termination of employment contracts.

An important area for PKP CARGO Group companies is the maintenance of a gender balance in middle and top management and the removal of pay gaps between men and women.

Also, PKP CARGO SA has regulations in place that ensure fairness and objectivity in professional development and work organization. These include the Personnel Policy of PKP CARGO SA, which regulates topics such as recruitment, training, development and social dialogue, and provisions of the Company Social Benefits Fund. CSBF benefits are dependent on the so-called social criteria, or the personal, family and financial situation of eligible employees. Decisions on granting aid and its amount are taken by social committees consisting of the representatives of employers and company trade unions.



GRI: 405-1 GPW: S-P1

**Diversity of governing bodies and employees**

W – Women, M – Men

Percentage of employees who belong to the management bodies of the organization	PKP CARGO Group			PKP CARGO S.A.			Subsidiary companies		
	W	M	Total	W	M	Total	W	M	Total
<b>Management Board</b>									
under 30 years old	0%	0%	0%	0%	0%	0%	0%	0%	0%
from 30 to 50 years	4%	50%	54%	0%	20%	20%	5%	58%	63%
over 50 years old	0%	46%	46%	0%	80%	80%	0%	37%	37%
<b>TOGETHER</b>	<b>4%</b>	<b>96%</b>	<b>100%</b>	<b>0%</b>	<b>100%</b>	<b>100%</b>	<b>5%</b>	<b>95%</b>	<b>100%</b>
<b>Supervisory Board</b>									
under 30 years old	2%	2%	4%	9%	0%	9%	0%	3%	3%
from 30 to 50 years	7%	40%	47%	0%	55%	55%	9%	34%	44%
over 50 years old	14%	35%	49%	0%	36%	36%	19%	34%	53%
<b>TOGETHER</b>	<b>23%</b>	<b>77%</b>	<b>100%</b>	<b>9%</b>	<b>91%</b>	<b>100%</b>	<b>28%</b>	<b>72%</b>	<b>100%</b>
<b>Management Board and Supervisory Board</b>									
	<b>16%</b>	<b>84%</b>	<b>100%</b>	<b>6%</b>	<b>94%</b>	<b>100%</b>	<b>20%</b>	<b>80%</b>	<b>100%</b>

Percentage of employees who belong to categories listed below:	PKP CARGO Group			PKP CARGO S.A.			Subsidiary companies		
	W	M	Total	W	M	Total	W	M	Total
<b>senior management</b>									
under 30 years old	0%	1%	1%	0%	0%	0%	0%	1%	1%
from 30 to 50 years	17%	31%	48%	17%	26%	43%	16%	35%	52%
over 50 years old	17%	34%	51%	17%	40%	57%	18%	29%	47%
<b>TOGETHER</b>	<b>34%</b>	<b>66%</b>	<b>100%</b>	<b>34%</b>	<b>66%</b>	<b>100%</b>	<b>34%</b>	<b>66%</b>	<b>100%</b>
<b>middle management</b>									
under 30 years old	0%	1%	1%	0%	0%	0%	0%	0%	1%
from 30 to 50 years	15%	34%	49%	12%	32%	44%	21%	38%	59%
over 50 years old	15%	35%	50%	16%	40%	56%	13%	27%	40%
<b>TOGETHER</b>	<b>30%</b>	<b>70%</b>	<b>100%</b>	<b>28%</b>	<b>72%</b>	<b>100%</b>	<b>34%</b>	<b>66%</b>	<b>100%</b>
<b>other employees</b>									
under 30 years old	1%	7%	8%	1%	6%	7%	2%	10%	12%
from 30 to 50 years	8%	27%	35%	8%	24%	32%	8%	35%	43%
over 50 years old	16%	41%	57%	18%	42%	61%	7%	39%	45%
<b>TOGETHER</b>	<b>25%</b>	<b>75%</b>	<b>100%</b>	<b>28%</b>	<b>72%</b>	<b>100%</b>	<b>16%</b>	<b>84%</b>	<b>100%</b>
<b>Percentage of all employees by age and gender</b>									
under 30 years old	1%	7%	8%	1%	6%	7%	2%	10%	11%
from 30 to 50 years	9%	27%	36%	9%	24%	33%	9%	35%	44%
over 50 years old	15%	41%	56%	18%	42%	60%	7%	38%	45%
<b>TOGETHER</b>	<b>25%</b>	<b>75%</b>	<b>100%</b>	<b>28%</b>	<b>72%</b>	<b>100%</b>	<b>17%</b>	<b>83%</b>	<b>100%</b>

GRI: 405-2

Ratio of basic salary and remuneration of women to men

W – Women, M – Men

Ratio of base salary received by women in comparison to men in the organisation	PKP CARGO Group	PKP CARGO S.A.	Subsidiary companies
senior management	0,84	0,99	0,81
middle management	0,89	1,00	0,87
other employees	1,10	1,11	1,10

Ratio of total salary received by women in comparison to men in the organisation	PKP CARGO Group	PKP CARGO S.A.	Subsidiary companies
senior management	0,72	0,99	0,68
middle management	0,90	1,00	0,88
other employees	0,94	0,88	0,94

GRI: 406-1

In 2022, no cases of discrimination were recorded in the PKP CARGO Group.



### Support for parents

In the PKP CARGO Group, we support parents. We offer them flexible working hours and pre-kindergarten subsidies. Moreover, the Group offers benefits from its social fund, such as financial support for vacations and benefits in the form of

life insurance or the possibility of participation in a healthcare program for the whole family, thereby supporting employees who have families in their everyday lives. More information on social benefits and benefits is presented in section 5.1.8.

GRI: 401-3

### Parental leave

W – Women, M – Men

	PKP CARGO Group			PKP CARGO S.A.			Subsidiary companies		
	W	M	Total	W	M	Total	W	M	Total
Total number of employees that were entitled to parental leave, by gender; from 1.01.2022 to 31.12.2022	456	1 445	1 901	382	1 326	1 708	74	119	193
Total number of employees that took parental leave, by gender, from 1.01.2022 to 31.12.2022.	181	262	443	122	255	377	59	7	66
Total number of employees that returned to work in the reporting period after parental leave ended, by gender, from 1.01.2022 to 31.12.2022	143	256	399	119	251	370	24	5	29
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender, from 1.01.2021 to 31.12.2021.	125	237	362	112	237	349	13	–	13
Number of employees who returned to work after their parental leave ended in previous reporting year (2021)	137	267	404	120	266	386	17	1	18
Employee Return index	79%	98%	90%	98%	98%	98%	41%	71%	44%
Employee Retention Index	91%	89%	90%	93%	89%	90%	76%	0%	72%

### Space for development

GRI: 404-1

Development activities for employees offered by the PKP CARGO Group are aimed at ensuring the proper number of staff with the required competences and increasing the job satisfaction of employees. Through regular training, employees gain up-to-date competences, translating into their professional development.

PKP CARGO S.A.'s training system consists of four types of support for employee development:

- ♦ Adaptation program, carried out in accordance with the needs and expectations of various groups of positions: administrative employees, non-administrative employees

working in the Company's facilities and managerial staff. A carefully selected professional training program is supposed to ensure that new employees are integrated into the organization and familiarized with their duties as quickly as possible.

- ♦ Mandatory training by way of tutorials, examinations, e-learning solutions and periodic instructions. The effect of the continuous training process are licenses and improvement of qualifications by employees. Regular updating of knowledge and acquiring new skills in the rail sector is particularly significant for individuals employed in positions related to rail transport safety. For instance, at PKP

CARGOTABOR these include: courses for welders, courses for operators of trolleys, cranes, hoists and winches, courses for gas cutters and courses for drivers of rail vehicles, shunting vehicles and setters.

- ♦ Training aimed at developing competences in building relationships and team communication as well as developing skills in using MS Office. In 2022, such training was delivered in face-to-face and remote formats.

- ♦ Grants for employees' college and postgraduate education:
  - ♦ education at a B.A. and M.A. levels: 30% of the cost for the first year, 60% of the cost for the second and subsequent years of studies, provided that the studies are related to the employee's work
  - ♦ postgraduate studies: 50% of the cost.

Also, the PKP CARGO Group organizes thematic conferences attended by employees. For example, in 2022, PKP CARGOTOR hosted the conference "Rail systems" and the scientific and technological conference "Modern technologies and management systems in rail transport".

GRI: 404-1

### Average number of training hours per year per employee, broken down by gender and employee category

W- Women, M- Men

Average hours of training that the organization's employees have undertaken during the reporting period	PKP CARGO Group	PKP CARGO S.A.
<b>Total number of training hours in 2022</b>	<b>Total</b>	<b>Total</b>
senior management	1 326	372,5
middle management	6 903	612,0
other employees	171 640,3	79 499,0
<b>TOTAL</b>	<b>179 868,9</b>	<b>80 483,5</b>

Number of employees in 2022	Total	Total
senior management	175	65
middle management	669	416
other employees	19 242	13 786
<b>TOTAL</b>	<b>20 086</b>	<b>14 267</b>

Average number of training hours in 2022	Total	Total
senior management	7,57	5,73
middle management	10,32	1,47
other employees	8,92	5,77
<b>Average for the Organisation</b>	<b>8,95</b>	<b>5,64</b>

GRI: 404-1

In 2022, no assistance programs were carried out in the PKP CARGO Group in the transitional period related to the completion of a professional career resulting from retirement or termination of employment.

### Freedom of association

GRI: 2-30 GPW: S-P4

In the PKP CARGO Group, the freedom of association for employees is a fundamental right. Trade unions associating employees represent their professional and social interests. The management boards of PKP CARGO Group companies cooperate with trade unions on an ongoing basis in various areas, e.g. in the performance of the Company Collective Bargaining Agreements. The execution of such agreements in distinct companies of the PKP CARGO Group enabled them to formally detail and solidify the nature of the relationship between these companies and trade unions.

The purpose of Company Collective Bargaining Agreements is to ensure appropriate working conditions and fair employee compensation as well as opportunities for professional and personal development of employees and respect for their interests while abiding by the principles of fair and equal treatment.

Partnership-based social dialogue with employees, a component of the internal CSR Policy, plays a major role at PKP CARGO. The significance of social dialogue is in line with both the Company's strategic approach and recognized legal and market standards, including the ISO 26 000 Standard guidelines in two key areas: "organizational governance" and „labor relations". The PKP CARGO S.A. management supports a dialogue based on the principle of equality of the parties and mutual trust, pursuit of compromise and respect for the law. At the same time, it promotes the idea of partnership, which it sees as a natural evolution of social dialogue under market economy conditions, with globalization and increased competition, and as a factor for sustainable business development, job preservation and social improvement. This dialogue is developed in a consistent and long-term manner, including on the basis of the Good Principles for Social Dialogue adopted by the Social Partners in 2017, which refer to general human values: responsibility, honesty, respect, openness, discipline. Jointly developed standards, adapted to the company's business needs, serve to raise awareness of the important role of an open, partnership-based approach in seeking solutions that are optimal for both parties involved in the dialogue, with a view to increasing the effectiveness of the company's decision-making processes.

Since 2005, PKP CARGO SA has been operating under the Company Collective Bargaining Agreement and other agreements governing the areas of mutual obligations and shaping relations between the employer and trade union organizations

representing employees. While taking care of transparent rules of cooperation, PKP CARGO SA updates, on an ongoing basis, its internal regulations defining the terms of its cooperation with social partners, i.e. the trade union organizations operating in the Company.

Because the Company is composed of a group of employers, dialogue with social partners is conducted by:

- ◆ at the Company level – the President of the Management Board or a person designated thereby and the competent statutory bodies of supra-company trade unions operating at the level of PKP CARGO S.A. and company trade unions being a party to the CCBA;
- ◆ at the Company's Head Office level – a person designated by the President of the Management Board and the competent statutory bodies of company trade unions;
- ◆ at the Company's unit level – the Company's unit manager and the competent statutory bodies of company trade unions.

The basic form of dialogue are cyclical meetings, held as a rule once a month at plant level and once a quarter at the Company level, during which current issues, important to both parties, are discussed. Fundamental and crucial matters are discussed during regular additional meetings of the PKP CARGO SA Management Board with representatives of trade union organizations that are parties to the Company Collective Bargaining Agreement.

Social communication, carried out regularly by the Management Board Member – representative of PKP CARGO S.A. employees, contributes to the promotion of partnership dialogue and serves as a tool for building modern partnership in management with the participation of the social party. PKP CARGO SA promotes partnership in social dialogue on an ongoing basis. The Company's main initiatives and communication channels in this area include:

- ◆ Regular meetings of Company Collective Bargaining Agreement signatories – regular quarterly meetings, thematic meetings and consultations.
- ◆ Internal communication – regarding various aspects of social dialogue – is carried out on an ongoing basis, as required, including through the Company's internal channels, such as the intranet of the Management Board Member – Employee Representative dedicated to the subject of social dialogue, articles involving the leaders of the largest trade union organizations – published in the Company bulletin, mailings, letters to trade unions and employees, and an e-mail address for ongoing contact with trade unions.



As a responsible employer, we focus on creating stable jobs and managing our team based on respect for employee rights and human rights. This is manifested, for instance, in respecting freedom of association, trade union membership and the right to negotiate wage terms with the employer. Due to the high level of unionization in the Company, we keep developing partnership-based dialogue with representatives of our trade union organizations – Signatories of the PKP CARGO S.A. Collective Bargaining Agreement.

Zenon Kozendra  
Management Board Member  
– Employee Representative



At PKP CARGOTABOR Sp. z o.o., several trade union organizations operate, of which a significant percentage of employees are members. Also, the Company's Management Board regularly meets with trade unions in order to discuss various significant decisions regarding the Company and employees.

Among the PKP CARGO Group companies described in the report, only CARGOSPED does not have a collective bargaining agreement in place. For this reason, the table below does not include this company.

GRI: 2-30

### Collective bargaining agreements

	PKP CARGO Group	PKP CARGO S.A.	Subsidiary companies
Number of employees*	20 086	14 267	5 819
Number of employees belonging to collective bargaining agreements	19 847	14 267	5 580
Percentage of total employees covered by collective bargaining agreements	99%	100%	96%

## Social benefits

**GRI:** 401-2

For the PKP CARGO Group, its social policy and benefits offered to employees are an element of caring for our staff. This is why they cover various aspects of life, such as health, leisure, support in difficult situation, financial assistance in emergency situations, etc.

### Company Social Benefits Fund

The Company Social Benefits Fund (CSBF) has been established at PKP CARGO S.A., based on the rules following from generally applicable provisions of law and the Collective Bargaining Agreement.

PKP CARGO Group companies run their social policies separately, on the basis of their own Company Social Benefits Fund regulations, taking into account the local needs and preferences of their personnel.

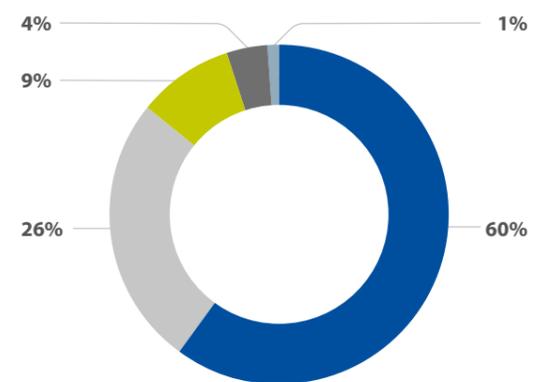
Within its capabilities, the CSBF satisfies the living, social and cultural needs of the Company's employees, old age and disability pensioners and members of their families.

CSBF benefits are earmarked for:

- ◆ Subsidizing vacations, "holidaymakers", excursions, summer camps, winter camps, "green schools", school and kindergarten trips, short-term recreation, rallies. The variety of grants awarded gives those eligible the opportunity to choose the form of recreation that is right for them.
- ◆ Subsidizing the education of children in kindergartens and nurseries – introduced at the request of employees;
- ◆ Organization of sporting, recreational and cultural events with an integration and relaxation function;
- ◆ Subsidizing the use of sports facilities, recreation and sports programs, FITPROFIT cards and other sports cards and discounts, providing access to a number of facilities all across Poland.
- ◆ Occasional in-kind assistance;
- ◆ Living and random aid, which may be received by individuals who have found themselves in a particularly difficult livelihood situation;
- ◆ Low-interest loans for housing purposes.

In 2022, PKP CARGO SA posted a CSBF write-off for the benefit of 33,381 entitled individuals, including 14,414 employees and 18,983 pensioners.

### Financial resources of Company Social Benefits Fund



- vacation support
- loans
- material assistance, grants
- cultural and educational activities and sport and recreation
- kindergarten, nursery

Moreover, employees and members of their families, as well as old age and disability pensioners are eligible for reduced travel services in the form of reduced tariffs in trains operated throughout the country. The cost of employees purchasing a discounted travel service for the second class is covered entirely by the employer. These entitlements are offered pursuant to the Agreement of 27 November 2013 between ZPK and carriers operating passenger railway transport on discounted travel services, and the company's internal regulations.

In 2022, such entitlements were purchased for the following numbers persons:

- ◆ for employees – 11,865 entitlements,
- ◆ for members of employees' families – 1,502 entitlements,
- ◆ for railway pensioners – 5,546 entitlements in package I and 4,803 entitlements in package II.

Employees and their family members were issued 469 international tickets, which enabled them to travel around Europe for a nominal fee.

### Life insurance

PKP CARGO SA offers its employees the possibility of purchasing life insurance offered by PZU – in accordance with the "Insurance Program for members of the PZU Help in Life Club and their spouses and adult children", entered into between PKP CARGO SA and PZU. The employee selects the insurance option from among the twelve available options, which differ in the insurance cover, type of benefits and the amount of the premium. The insurance premium is deducted from the salary or other payments made to the employee. In 2022, 71% of employees were covered by life insurance.

### Medical care

PKP CARGO SA offers its employees a medical care program based on a healthcare arrangement made with Towarzystwo Ubezpieczeń Zdrowie S.A. "Medical care program for PKP CARGO SA employees and their family members". The scope of medical care depends on the Medical Benefits Package selected by the employee. Employees may choose one of the available packages: basic, extended, full, VIP. Individuals who submit a statement of accession to the Medical Care Program receive co-funding of PLN 10 from their employer to the premium they pay.

### Old-age and disability pension insurance

In accordance with the law, employees of PKP CARGO Group companies are covered by compulsory social insurance, including old-age and disability pension insurance. In accordance with the provisions of the Act on the Social Insurance System, an employee who has become incapable of work may apply for a disability pension. In turn, as regards old-age pensions, the capital accumulated on the employee's sub-account, after reaching the retirement age and submitting an application for a pension by the employee, serves as the source of funding for the retirement benefit. Moreover, the Group has established Employee Capital Schemes (PPKs), a solution enabling employees to collect money for their future, with the contribution paid by employers in the amount of 1.5% of the employee's gross monthly wage.

### Additional benefits

The Company Collective Bargaining Agreement for Employees Hired by the Establishments of PKP CARGO SA provides for sector-specific benefits to which employees are entitled. These include:

- ◆ Jubilee awards paid once every 5 years for long-term work in a rail company, with the first award becoming payable after 15 years of work in the sector;
- ◆ Coal allowance due after one year of work for a rail company;



- ◆ Additional vacation leave of 8 days per calendar year, granted to employees hired under an equivalent working time system, at workstations that are open 24 hours a day and on all days of the week;
- ◆ An additional day off from work on the occasion of the Railway Employee Day;
- ◆ Concessionary transport services, in accordance with the rules laid down in the agreement entered into between the Association of Rail Employers and rail operators offering concessionary transport services for the Company's employees;
- ◆ Distinctions in the form of state awards or honorary badges along with a cash award for employees with special achievements and merits at work;
- ◆ Additional post-mortem benefit paid to the employee's family in the event of the employee's demise as a result of an accident at work, equal to ten times the average monthly wage at PKP CARGO SA in the previous year;
- ◆ Benefit equal to the cost of treatment and rehabilitation of employees who suffered a rail accident while performing their professional duties.

### Shares in the company

PKP CARGO SA does not provide its employees with benefits in the form of shares of stock.

At PKP CARGO SA, part-time employees are entitled to the same benefits and rights as full-time employees.

The exception is entitlement to concessionary transport services, purchased for persons employed at least half-time and entitlement to international tickets (full-time employment required)



# 05

> About this report

**GRI: 2-4**

The PKP CARGO Group's Sustainability Report covers the period from 1 January 2022 to 31 December 2022. It has been prepared in compliance with the most recent Global Reporting Initiative (GRI) Standards and the following additional documents:

- ◆ International Integrated Reporting Council (IIRC) guidelines,
- ◆ Accounting Act of 29 September 1994,
- ◆ ESG Reporting Guidelines published by Warsaw Stock Exchange.

The purpose of the Sustainability Report is to describe as completely as possible the Group's endeavors in the ESG (environmental, social, governance) areas identified by stakeholders as significant, thereby solidifying the Group's relations with its key stakeholders.

**GRI: 2-3**

The report on the PKP CARGO Group's non-financial information in 2022 encompasses consolidated non-financial data pertaining to the PKP CARGO Group and its parent company, PKP CARGO S.A. in line with the structure of the organization included in the Consolidated Financial Statements for the financial year ended 31 December 2022. The report covers

2022 and its comparative period, that is the preceding year. The period covered by non-financial reporting is the same as the period covered by the Consolidated Financial Statements. The report contents have been reviewed and approved by the Management Board of the Group's parent company, PKP CARGO S.A.

The selection of topics and indicators for the report is the outcome of our materiality analysis whereby topics relevant to the organization have been identified in consideration of their actual and potential impact on the economy, climate and society.

**GRI: 3-1**

The Sustainability Report provides the opportunity to provide our stakeholders with information about the achievements and performance of PKP CARGO and the whole Group. The PKP CARGO Group has adopted the principles of openness and dialogue as the basis for our communication endeavors, enabling us to discover and fulfill the needs and expectations of various stakeholder groups and respond to them properly. Accordingly, a study of relevant topics was carried out once again prior to the preparation of this document. The first such study, in a simplified form, was carried out in 2017, the next – extended

one – in 2018, and the latest, which serves as the basis for this report, was completed at the end of 2022. It consisted of a survey of a broad spectrum of stakeholders. Its outcomes enabled us to identify the most significant matters to be presented in the report, specifically those covering the following areas: human resources, social and environmental aspects, counter-acting corruption and bribery, respect for human rights.

**The list of material topics for the report was determined in the following stages:**

- ◆ **Identification** – external analysis of the best market practices and publications about the PKP CARGO Group with a parallel internal analysis of documents and presentations in the Company, which led to the selection of 37 key ESG and business-related topics. These topics were then divided into the following 4 areas: business operations, impact on employees, impact on the natural environment and the social dimension of business operations.
- ◆ **Determination of materiality** – at the turn of January 2023, the Group's stakeholders were requested to fill out an anonymous questionnaire and assign weights to specific topics in order to determine their materiality. The surveyed stake-

holders included: suppliers, customers and contractors, counterparties, analysts of brokerage houses, representatives of non-governmental organizations and public and financial institutions, subsidiaries and employees of Group companies. The survey results made it possible to establish priorities when selecting and determining the scope of the content presented in this report.

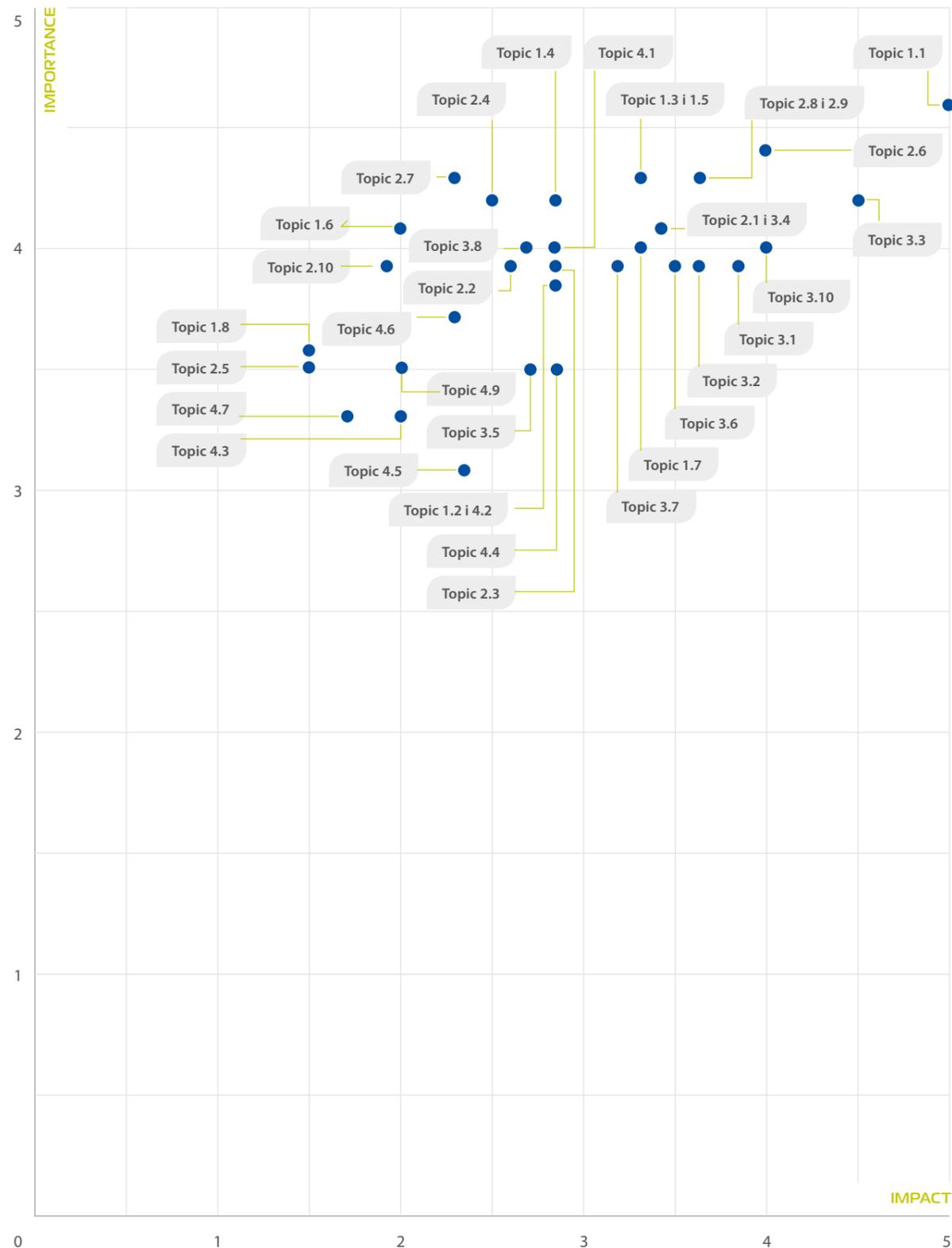
- ◆ **Determination of the impact** – representatives of the PKP CARGO Group evaluated the impact of the issues covered in the study on the business run by the Company and the Group. This evaluation was based on expert knowledge and significance of the distinct areas from the vantage point of people responsible for running the business and implementing the strategy.

The outcomes of the analysis are presented in the materiality matrix which depicts topic areas of the perceived greatest impact and, at the same time, of key significance for the PKP CARGO Group's stakeholders.

In total, 15 material topics were selected from 4 areas (business operations, employee issues, environmental issues, social dimension and responsible management).



### Materiality matrix



Topic 1.1	Financial performance
Topic 1.2	Tax management, taxes paid
Topic 1.3	Maintaining confidentiality in customer relations ; activities preventing data loss
Topic 1.4	Prevention of anti-competitive behaviour
Topic 1.5	Prevention of corruption (training, identification and resolution of possible incidents)
Topic 1.6	Compliance with laws and regulations (including those regarding supply and use of products and services)
Topic 1.7	Ethical marketing and marketing communication
Topic 1.8	Purchases from local suppliers
Topic 2.1	Employment management: number of new employees, salaries, employee rotation, benefits
Topic 2.2	Minimum notice periods regarding operational changes
Topic 2.3	Employee retirement plans
Topic 2.4	Standard entry level wage compared to local minimum wage
Topic 2.5	Employees hired from the local community
Topic 2.6	Occupational health and safety
Topic 2.7	Employee education and training, career development support
Topic 2.8	Diversity, equal opportunities and access to senior positions, equal pay for men and women
Topic 2.9	Prevention of discrimination
Topic 2.10	Prevention of violations of workers' rights of freedom of association and collective bargaining
Topic 3.1	Resources and materials used by company
Topic 3.2	Minimization of the amount of produced waste, recycling
Topic 3.3	Energy consumption and methods of reduction of Energy consumption
Topic 3.4	Water consumption and methods of reduction of water consumption
Topic 3.5	Company's impact on biodiversity
Topic 3.6	Greenhouse gas emissions and methods of reduction of emissions
Topic 3.7	The company's impact on climate and measures to prevent climate change
Topic 3.8	Compliance with environmental regulations, prevention of violations of the law
Topic 3.9	Assessment of the environmental impacts of company's suppliers
Topic 3.10	Prioritizing investments in sustainable and energy saving cargo transport services
Topic 4.1	Human rights assessment of company's operations, employee training on human rights policies
Topic 4.2	Indirect economic impact, infrastructure investments, local market development
Topic 4.3	Operation with local community engagement, impact on local communities
Topic 4.4	Assessment of the social impacts of company's suppliers
Topic 4.5	Sponsoring
Topic 4.6	Health and safety impacts of products and services on customers
Topic 4.7	Human rights training of security personnel
Topic 4.8	Employees initiatives and volunteering
Topic 4.9	Charity work

Topics identified as being significant:

1. **Business operations**
  - ◆ Financial performance
  - ◆ Customer relations – confidentiality
  - ◆ Measures applied to eliminate cases of corruption
  - ◆ Ethics and reliability in marketing communication and sales
2. **Employee issues**
  - ◆ Employment in the company: recruitment, employee compensation, employee turnover, benefits
  - ◆ Employee health and safety
  - ◆ Employee diversity and equal opportunity
  - ◆ Measures applied to eliminate cases of discrimination
3. **Environmental issues**
  - ◆ Waste and sewage – reduction of production, recycling
  - ◆ Reduction of energy consumption
  - ◆ Reduction of water consumption
  - ◆ Greenhouse gas emissions and ways to reduce them
  - ◆ Company's climate impact, counteracting adverse climate changes
  - ◆ Investments in energy efficient and sustainable freight transport services
4. **Social dimension and responsible management.**
  - ◆ Respect for human rights

Moreover, as part of the dialogue with stakeholders, other topics were mentioned in addition to those included in the questionnaire. In response to market expectations and with a view to applying the market's best practices, the Group's report also includes additional topics indicated by stakeholders. These include:

- ◆ identification and counteracting of workplace harassment
- ◆ employee motivation and development
- ◆ Group's assets, in particular rolling stock
- ◆ freight transport volumes
- ◆ funding obtained

The PKP CARGO Group extends its words of appreciation to all stakeholders for sharing their opinions and to all individuals involved in the preparation of this report for their contribution and diligence.

This report has been prepared with the advisory support of the TAILORS Group.

Should you have any questions or suggestions regarding the content of this report, please contact us.

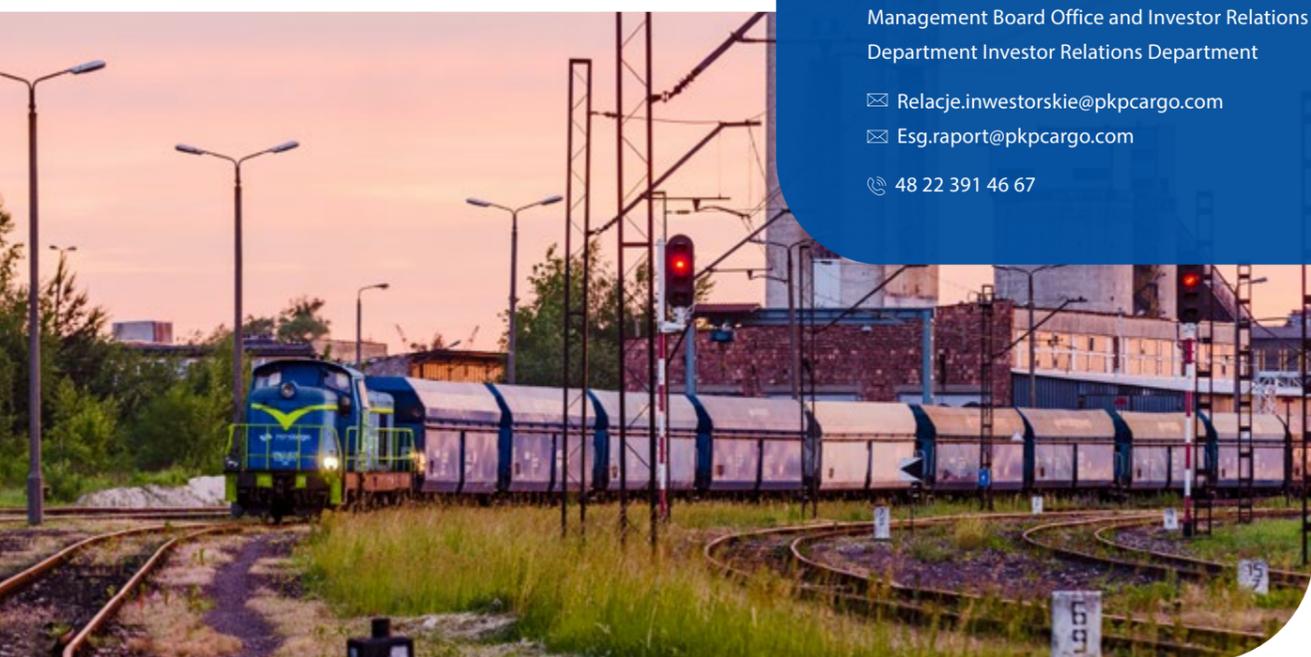
**GRI: 2-3**

**Point of contact point for matters related to this report and the reported information**

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