



2020



# STATEMENTS

of the LUG S.A.  
Capital Group for 2020

NON-FINANCIAL

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# 1 Summary of non-financial information for 20202020

## 2020

for the LUG Group means:



**495,622** pcs,  
luminaires manufactured



**PLN 182.7** million  
in revenue



**5,492** MWh  
of consumed energy;



**1 829** Mg CO<sub>2e</sub>  
(Scope 1+2)



**9 060** m<sup>3</sup>  
of water used



**458** Mg  
of waste generated

### Average LUG luminaire:

Will shine for over 13 years in its life cycle

The institution using it will emit 4.74 Mg CO<sub>2e</sub> to the atmosphere

But only 0.78 per mil\* of these greenhouse gas emissions ( 3.69 kg) are "built in" by the manufacturer

Replacing lighting with LEDs is the most cost-effective way of reducing greenhouse gas emissions because as early as the first year after the installation of a new luminaire, the balance of emissions to the atmosphere is positive thanks to energy efficiency exceeding 50% compared to traditional light sources.



to produce it the following was used:  
1.12 kg of steel  
1.15 kg of aluminium  
0.17 kg of plastics  
0.15 kg of glass

The following was consumed:  
11.1 kWh of energy  
11.8 l of water

and the following was produced:  
0.92 kg of waste  
18.2 l of sewage

Over 500 employees of the LUG Group devoted on average 4 hours of work per year to its design, production, delivery to the customer and service

\* Assumptions: (1) luminaire life 60,000 h (min 30,000 h, max 100,000 h); (2) average daily use 12h; power 118W(min 16W, max 220W); (3) luminaire used in Poland, with an emission intensity of 669 gCO<sub>2e</sub>/kWh to IEA data for 2019.



2020

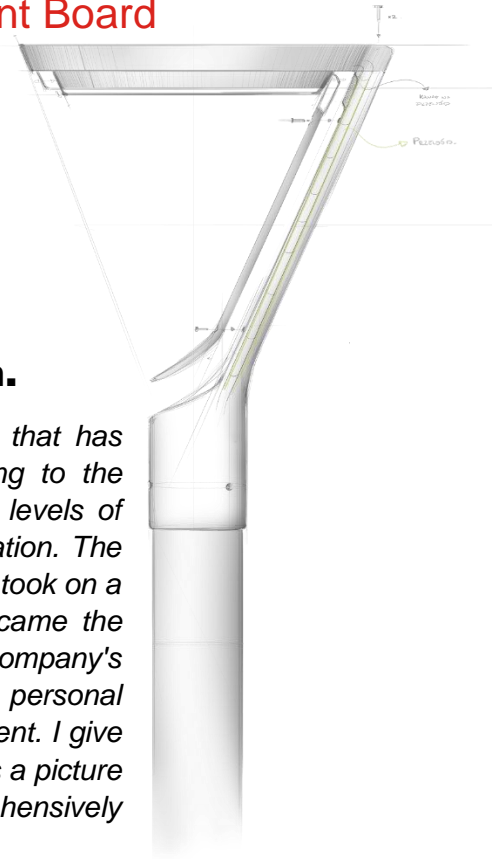


**LETTER FROM  
THE PRESIDENT**  
OF THE MANAGEMENT BOARD





## 2 Letter from the President of the Management Board



### **Sustainable light for a time of breakthrough.**

*2020 was a unique twelve months determined by the pandemic that has changed our lives, redefined businesses and given new meaning to the concepts of responsibility and solidarity. We felt its effects on all levels of functioning and got to know a completely new face of our organization. The words "we know as much about ourselves as we have been tested" took on a deeper meaning, and responsibility, teamwork and innovation became the order of the day. All this was to ensure that the stability of company's operations provided financial security to its employees, and the personal protective equipment provided guarantees a safe working environment. I give you the third non-financial report of LUG S.A. Capital Group which is a picture of how we managed in the time of breakthrough and comprehensively describes our achievements in sustainable development.*

*In 2020, we took up the gauntlet and challenged ourselves on many fronts. In the interest of our functioning as an organization, we have established a crisis team to manage the changing situation and coordinate operational changes within the Group. In the spirit of social solidarity, we responded to the appeal of the authorities of the Lubuskie Province and, using our business relations, we organized and coordinated the delivery of huge quantities of personal protective equipment to local hospitals and the region's residents. In accordance with our basic value, which is innovativeness, in a few months we developed, tested and implemented our own PURELIGHT LUG solutions - a new family of UV-C luminaires ensuring effective surface and air sterilisation commonly used to fight SARS-CoV-2 virus.*

*We have also used this difficult time to reduce the impact of our operations on the environment and the immediate surroundings. We reduced our total energy consumption from all sources by 15.3% during the year. At the same time, we produced 15% more luminaires, thus reducing electricity consumption per luminaire by more than ¼ to 11.1 kWh/pc. By as much as 12.4% we have reduced the amount of greenhouse gas emissions (in bands 1+2), and today the production of one luminaire is about 3.69 kg CO<sub>2</sub>, i.e. 23.8% less than a year ago.*

*Our efforts to improve energy efficiency, reduce greenhouse gas emissions and combat climate change were recognized in the Climate Crisis Awareness 2020 study. For the second time LUG S.A. found itself among the companies awarded with the title of the Climate Conscious Company. This year, for the first time, we were also assessed for corporate social responsibility by the EcoVadis rating agency, where we received an overall score of 60/100.*

*A year ago, we were the first company in the European Union to report the percentage of revenue generated from the sale of environmentally sustainable products and services. Although the regulatory requirements in this respect are yet to come into force, the LUG Group is ready to meet them. This year we have expanded this section of our report and we are presenting complete tables of compliance with the EU Taxonomy. We maintain a high degree of this compliance, as 91.4% of the LUG Group's revenue comes from environmentally sustainable products and services.*

*At the beginning of 2021, we concluded a contract for the extension of a production and storage hall at the Research and Development Centre in Nowy Kisielin. The planned investment will be a contribution to sustainable development through the application of solutions reducing energy consumption, increasing energy efficiency and the possibility to produce own energy from renewable sources. We will tell you more about this next year. In the meantime, we continue to work on and implement solutions that will not only reduce our impact on the environment, but also on our customers. At the beginning of the new year, we signed a contract with the Capital City of Warsaw for modernization of street lighting, under which we will provide more than 40,000 new luminaires in LED technology. This investment will be a significant contribution to the sustainable development of the city and will reduce electricity consumption by more than 30 GWh, contributing to a nearly threefold reduction in electricity costs per year. The planned retrofitting in Warsaw will be the largest project of this type in Poland, as well as one of the largest in Europe. Our sustainable light will illuminate Warsaw and many other places in Poland and around the world as we break new ground and create a new post-pandemic reality.*

*I would like to invite you to read our report and to get acquainted with all the information concerning the LUG Group's approach towards sustainable development issues. Please keep in mind that this is just a fraction of the effort and dedication our teams have put into achieving great results in 2020. Thank you for being a part of LUG.*

*Enjoy your reading!*



*Ryszard Wtorkowski,  
President of the Management Board of LUG S.A.*

 **LUG**<sup>®</sup>

**2020**



**BUSINESS MODEL  
AND GOVERNANCE**



### 3 Business model and governance

*[G.1.2]* The LUG S.A. Capital Group is a leader among manufacturers of professional luminaires and their biggest Polish exporter. The company, which was established in 1989, has undergone a dynamic transformation over the years from a local company to an international capital group present in over 70 markets around the world.



The target market of the LUG S.A. Capital Group is the *general lighting* segment. When operating in this segment, LUG specialises in providing professional solutions aimed in particular at professional customers (B2B). The offer includes a wide range of infrastructure, industrial and architectural luminaires used in areas such as industrial, commercial, sports, office, hotel, medical, educational, cultural and public utility illumination, city and park lighting, and road infrastructure.

LUG also offers its partners services in the field of design, delivery of complete lighting solutions, as well as technical advice.

The LUG Capital Group consists of 11 companies (the structure of the Group is described in detail in chapter 3.5 *Capital Group*). In 2020, the distribution of products offered by LUG was carried out in over 70 countries worldwide.

Export revenue in 2020 increased by 11.5% compared to 2019 and accounted for 62.1% of total revenue. The most important export direction are European countries, whose share in total sales revenue in 2020 accounted for 43.46%, which was an increase in the share in revenues by 3.5 percentage points compared to the previous year. The share of export revenue to Middle East and Africa countries increased by 48.33% to 6.79% in 2020. The objective of the LUG S.A. Capital Group is to achieve a 75% share of the total export revenue in 2021.

In 2020, abroad LUG operated based on representative offices located in Berlin, Dubai, London, Sao Paulo, Posadas, Lagos and Istanbul. The branches in Berlin, London, Sao Paulo, Posadas, Lagos and Istanbul operate through subsidiaries, while the branch in Dubai functions as a foreign representative office. At the beginning of 2021, Issuer's subsidiary, LUG Light Factory Sp. z o.o. submitted a declaration of interest in direct investment in Morocco. The declaration submitted by the Management Board of the company concerns launching an investment project in the field of production of electrical equipment in the Kingdom of Morocco as part of a joint venture with a local partner.

On the Polish market, the distribution of LUG products is largely based on wholesale networks as well as electrical and general construction wholesalers. As of 31.12.2020, the commercial structure of LUG in Poland consisted of 9 commercial offices located in the biggest cities in the country: two offices in Warsaw



and one office each in Gdynia, Szczecin, Katowice, Wrocław, Płock, Poznań and Łódź.

In addition, in 2019, the LUG Group joined the group of members of the World Economic Forum which confirms that as a company specialising in the design, development and production of comprehensive LED lighting solutions, it wants to actively respond to the challenges posed by the modern world by increasing energy efficiency, reducing emissions of harmful gases into the atmosphere and improving the safety and comfort of societies around the world. In 2020, Issuer's subsidiary, LUG Light Factory, was awarded by the World Economic Forum as one of the companies which, in response to the coronavirus pandemic, thanks to its quick response and 30 years of experience, found a new direction of development which resulted in PURELIGHT LUG solutions - a new family of UV- luminaires

C. The World Economic Forum has published an article on its website addressing best practices, ways in which companies can survive the current coronavirus crisis.

### 3.1 Development based on internationalisation and innovation

As part of the Strategic Development Directions for the LUG S.A. Capital Group for the years 2017-2021, the internationalisation of activities was considered one of the key areas. One of the most important stages for this was the opening of a production plant in Posadas, Argentina at the end of 2018. It is the third production plant of LUG and at the same time the first one outside Poland. In 2020, LUG's foreign expansion was focused around the West African market, and as a result, LUG West Africa Limited was established with its seat in Lagos, Nigeria.

Due to the need of risk diversification and geographical diversification of income sources, in 2020, the LUG Group carried out the tasks connected with export development, strengthening of sales structures, maintaining relations and gaining new clients on foreign markets as well as independence from the Polish economy. With a global pandemic looming in 2020, these actions required increased commercial efforts, creative and out-of-the-box actions, and the ability to adapt very quickly to changes in the environment.

All products from the PURELIGHT LUG portfolio can be purchased, besides LUG's traditional sales channels, also on the implemented e-commerce platform which together

In response to the world's needs related to the SARS-CoV-2 pandemic and based on years of experience in the lighting industry, we have developed proprietary UV-C products for air and surface disinfection in an extremely short time, which are our direct contribution to the fight against coronavirus.

**Ryszard Wtorkowski,**  
President of the Board of LUG S.A.



with a blog has an additional educational values and is a source of knowledge about UV-C technology and methodology of selection of disinfection luminaires.

### 3.2 Market

The lighting industry is fragmented, diverse and complex, and its products are used in many areas. There are three main segments within the entire lighting market:

- general lighting;
- backlighting;
- automotive lighting.

The European lighting sector is diverse and large in size. It includes a number of entities with a significant global presence and several thousand SMEs, which are mainly active in the distribution of luminaires. The lighting sector employs around 150,000 people in Europe and accounts for around 30% of the industry's global revenue. It is a mature segment, characterised by a stable customer market.

The lighting market in Poland, much as in Central and Eastern Europe, is very fragmented. In addition to small domestic manufacturers and importers, there is a group of several entities operating in the field of professional lighting technology, which specialise in the production of luminaires for commercial applications. The Polish lighting market is also characterised by seasonality and strong dependence on the construction industry, but thanks to its openness to innovations and megatrends related to sustainable development it has good prospects for development and growth.

The target market of the LUG Group is the general lighting segment which includes application segments, such as the architectural, infrastructure, commercial, industrial, office, medical and educational segments, as well as hotels and restaurants. The competitive advantage of the LUG Group is the comprehensive service in the scope of design services, providing complete lighting solutions, adjusting ready-made solutions to the individual needs of customers (the so-called customization), as well as technical consultancy. Moreover, the LUG Group has its own *Smart City* solutions in the form of the Urban lighting management system which was developed by the subsidiary, BIOT. The LUG Group also stands out with its advanced approach to research and development issues which results in developing new solutions tailored to customer needs.

Currently, the most popular technology on the market is solid-state lighting (LED), which is the fastest growing lighting segment due to its versatile and energy-efficient character. Europe is the largest market for LED lighting, with the European industry's share in the global market being 23%. The main demand drivers in the lighting industry are expected to be population growth, increasing urbanisation and climate change, increasing interest in and demand for energy efficient and environmentally friendly products.

Therefore, the vast majority of luminaires in LUG's offer are LED luminaires, which enable the reduction of energy consumption and greenhouse gas emission to the atmosphere. The share of LEDs in our sales structure in 2020 was 99%, compared to 1% for conventional luminaires.

The major factors driving the growth of the lighting industry are:

- cost optimization;
- looking for savings with LED technology;
- smart and economical management of street lighting;
- progressive automation.

An exponential increase in demand for UV-C light sources and luminaires has become a new, very fast-growing trend that emerged in 2020 in response to societal needs created by the outbreak of the SARS-CoV pandemic. The COVID-19 pandemic triggered an unprecedented surge of interest in the use of ultraviolet light for room disinfection.

Paradoxically, in the era of widespread domination of LED light sources in this specialized market niche, which is the production of high-intensity ultraviolet radiation, conventional UV-C lamps in the form of linear, low-pressure mercury vapour lamps are returning to favour. The 254 nm radiation they produce most effectively breaks down the coronavirus RNA and thus inactivates it. As part of the fight against the pandemic, in 2020, the LUG S.A. Capital Group developed and implemented a family of UV-C luminaires at a record pace which includes both luminaires for surface disinfection and products that disinfect the air and can work in the presence of people, as well as hybrid solutions.



All new products have undergone independent testing to confirm their effectiveness and safety. According to their results, PURELIGHT luminaires significantly increase the work safety level not only in medical facilities, but also in educational and public administration institutions. The new products can be widely used in public transport, service companies and manufacturing. They meet all safety requirements and offer a number of additional functionalities:

- Operation timer - indicates when the radiator needs to be replaced;
- Motion detector - switches off the luminaire as soon as the door in the room is opened;
- Remote control - possibility of remote control activation without risk of unwanted luminaire activation;
- SMART control - comfortable luminaire management via mobile application.

### 3.3 Business model

The business model of the LUG S.A. Capital Group is based on the design, production and sales of innovative lighting solutions and design and counselling services for architects, designers, contractors and wholesalers, the company also offers a comprehensive formula for selling Light as a Service (*LaaS*) using its expertise and many years of experience.



Sustainability is an important issue in the Group's activities and climate change is seen as an important challenge, therefore the LUG Group adjusts its business model, and strategic and management activities accordingly, which are described in more detail in chapter 3.6 *Management Structure*.

In recent years, the LUG Group, while improving its business model, has taken into account the issues of climate change, among others, by applying the following measures:

- development of innovative technologies as one of the three priority areas for the Group;
- introduction of "Strategic development directions of the LUG S.A. Capital Group for the years 2017-2021", as well as setting the key non-financial efficiency indicators, which include areas contributing to the reduction of greenhouse gas emissions, improvement of energy efficiency and respect for the natural environment;
- design, production, and a high share (99%) in the sales structure of LED luminaires, which are considered the most energy-efficient and versatile lighting technology that reduces energy consumption and greenhouse gas emissions.

A detailed description of the impact of the LUG Group on climate change, as well as the impact of climate change on the Group's operations can be found in chapter 7.1 *Climate Change*.

#### Group strategy

*[G.1.1]* In 2017 the Executive Board of LUG S.A. passed a resolution on adopting the document "Strategic development directions of the LUG S.A. Capital Group for the years 2017-2021". The description of the adopted mission and objectives of LUG included in it opens with the slogan:

**WE CREATE INNOVATIVE LIGHT FOR  
LIVING WITH PASSION.**

The strategy distinguishes three priority areas in which the Capital Group identifies the need for development:





- internationalisation – building local structures allowing for foreign activities;
- innovation – takes into account the implementation of R&D projects with a total value of about PLN 25 million;
- organisation culture – management through values.

The focal point for the various planes of planned development are people. This foundation is the basis for the division of stakeholder groups defined in the development strategy. In terms of cooperation in achieving the objectives set, in particular, the importance of the following five groups was highlighted:

- stewards – persons who determine the conditions of spatial development, i.e. local governments, mayors, village heads, city presidents;
- architects – people creating architectural spaces, deciding on the elements of their designs in cooperation with industry professionals;
- interior designers – people who design the smallest unit of space, which is the interior;
- employees – people employed in the LUG S.A. Capital Group companies;
- owners – shareholders and investors of LUG S.A.;

In terms of supporting stakeholder groups, LUG has gone beyond product distribution by developing the Architect Support Programme. Within the scope of this Program, LUG offers the cooperation of its consultants and lighting designers with architects and interior designers.

The main objective included in the Strategic Development Directions is to achieve a growth rate of the LUG S.A. Capital Group in relation to sales revenue at a level of 10% CAGR in 2017-2021.

The document defines three supporting objectives:

- growth – the share of completed projects worth more than EUR 1 million in sales revenue at a level of 10% by 2021;
- globalisation – an increase in the share of export revenue to a level of 75% in revenue of the Capital Group by 2021;
- margins – increasing and permanently maintaining, over a period of several years, the gross sales margin at a level exceeding 40%.

Moreover, in the field of sustainable development, the LUG Group plans to achieve the following objectives:

- an increase in the average number of training hours per employee;
- a reduction in the rotation rate of employees employed for an indefinite period of time;
- an increase in the proportion of women among employees;
- an increase in the number of architects and designers attending training courses and lectures on lighting;
- a lack of complaints from local communities;
- a reduction of energy consumption per product unit;
- a reduction in greenhouse gases emitted to the atmosphere within ranges 1 and 2 per product unit;
- a reduction of waste weight per product unit.

The above objectives result from the issues identified as significant as a result of the materiality survey carried out in 2019, and joined the other priorities of the LUG Group strategy. The objectives set include the areas of labour, social and the environment. The main objective selected from among the issues of the employee area is investing in employees and taking care of their development, safety, employment stability and diversity, as well as increasing interest in the lighting industry and the exchange of knowledge and experience among architects and designers in this area. The LUG Group also cares about the comfort of the local community and the places where LUG's production plants are located. Out of concern for the environment, the Group seeks to minimise its negative impact by reducing energy consumption, improving energy efficiency, reducing greenhouse gas emissions, and managing waste in a way that moves towards a circular economy model.

In the first quarter of 2021, we began working on the LUG Group strategy for the next period. This work is scheduled to be completed by the end of 2021.

More information on the Group's Strategy is available on the company's website at: <https://www.lug.com.pl/Strategia/>.

## **LUG values**

*[G.1.2]* The foundation of LUG's development strategy and the direction of shaping the organisational culture is management through values. In practice, this means that every day the LUG Group is guided by certain values at each decision-making level. During work on the "Tree of Values" project, LUG developed a set of common principles and values:

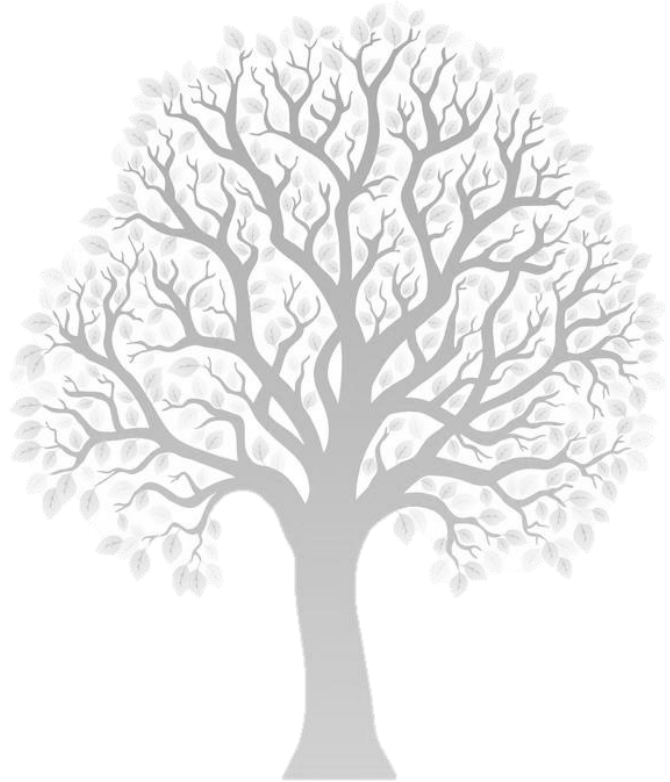
- Responsibility – We take responsibility for all our choices, actions and words.
- Satisfaction – We derive joy from our actions, we care about comfort and satisfaction.
- Partnership – We are guided by understanding, a willingness to cooperate and respect for all.
- Innovation – We think outside the box and create new ideas in the areas of products, technology and management.
- Development – We want to grow every day.

The basis for the work on the "Tree of Values" project was primarily the social aspect of LUG's business activity. The commitment to values translates not only into the professional life of LUG employees, but also their families and the entire environment in which LUG operates.

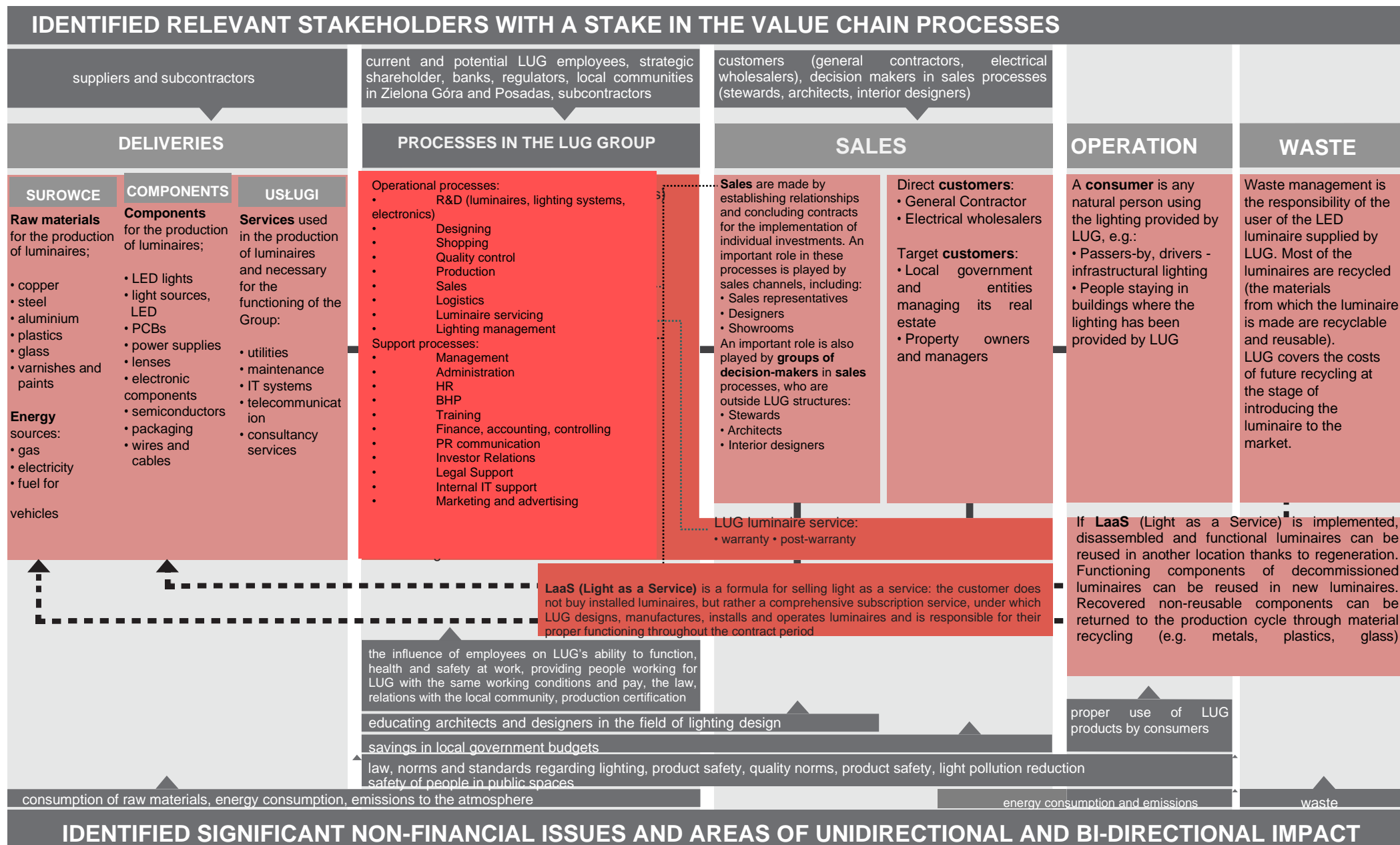
One of the priority values of LUG is innovation. Owing to innovative technologies and top-class lighting solutions, LUG products contribute to improving safety and increasing people's comfort, as well as to the reduction of the negative impact of light on the environment, including the increasingly better known and identified problem of light pollution. LUG has introduced the Urban control system developed by its subsidiary BIOT. The system - due to the fact that it is a wireless solution on the one hand can be used in a compact urban structure, on the other hand it perfectly copes in dispersed rural areas,

and the speed and dynamics of the system allows to use it also in places where the requirements are the greatest, i.e. on highways and expressways. It is a lighting management system that allows you to monitor the condition of each luminaire, measure the electricity used, schedule and automatically adjust lighting to the prevailing conditions such as the weather or traffic. The BIOT company is constantly developing the system with new areas.

For more information on Group Values, please visit:  
<https://www.lug.com.pl/Strategia/>.



### 3.4 Value chain



### IDENTIFIED SIGNIFICANT NON-FINANCIAL ISSUES AND AREAS OF UNIDIRECTIONAL AND BI-DIRECTIONAL IMPACT



The value chain model presented on the previous page is based on a material flow analysis. It includes operations at the stage of extraction of raw materials, creation of materials and components and their transport to the LUG Group, a set of operational processes in progress in the LUG Group and the transport of products to customers, the phase of their use and the end of life phase. This model is used in the processes for calculating greenhouse gas emissions, analysing processes in the circular economy model and analysing the mutual influences of the LUG Group and the environment. The model of the luminaire value creation process – the main product of the LUG Group - is presented below.



### 3.5 The Capital Group

The LUG S.A. Capital Group consists of 11 companies operating in various areas of business activity. Within the structure of the Capital Group the parent company LUG S.A. acts as a holding vehicle. Parent company's activity was focused on the area of supervision and control over subsidiaries and the implementation of a new development strategy.



#### The LUG S.A. Capital Group as at the date of publishing this report:

In 2020, LUG Services Sp. z o.o. with its registered office in Zielona Góra as well as LUG West Africa Limited with its registered office in Lagos, Nigeria joined the LUG S.A. Capital Group.

#### LUG Group subsidiaries:

- LUG Light Factory Sp. z o.o. - conducts operational activities at the stages of design, implementation, production and sale of luminaires. Most of the processes taking place in the business activities of the Capital Group are located there. Company's structure includes two key facilities for the entire enterprise: the headquarters of LUG Light Factory Sp. z o.o. located in Zielona Góra, performing production, storage and administrative functions, and the LUG Research and Production Centre located in Nowy Kisielin near Zielona Góra.
- LUG Argentina S.A. – was established in 2017 in Buenos Aires with the aim to conduct industrial activity, including production, processing, assembly and installation of luminaires, commercial activity, including sales of luminaires and accessories, and consulting activity in the field of lighting technology, including projects related to energy saving.
- LUG GmbH, LUG Lighting UK Ltd, LUG Turkey (LUG AYDINLATMA SISTEMLERİ ANONİM ŞİRKETİ), LUG do Brasil Ltda, T.O.W. LUG Ukraine - deals with sales and promotion of LUG products and offers

professional lighting solutions in foreign markets such as Germany, the UK, Ireland, Turkey and other markets in the region, South American countries. T.O.W.'s activities LUG Ukraine is suspended.

- BIOT Sp. z o.o. - a technological company which is the result of cooperation between LUG S.A. and a team of electronics experts, programmers and engineers, dealing with creating and developing innovative *Smart City* class system.<sup>1</sup>
- LUG Services Sp. z o.o. - was established on 27 January 2020 and it provides a comprehensive service of projects including preparation, financing, implementation and maintenance of lighting investments, as well as integration of software components cooperating with lighting installations.
- ESCOLIGHT Sp. z o.o. – established on 24 October 2019 as a related entity, the object of which is to provide lighting management services: Light-as-a-Service, consisting of comprehensive project management including preparation, financing, execution and service of lighting investments.
- LUG West Africa Ltd. – established on 5 June 2020, the object of its activity is to carry out commercial activities in the field of professional LED lighting solutions in Nigeria and other West African countries.

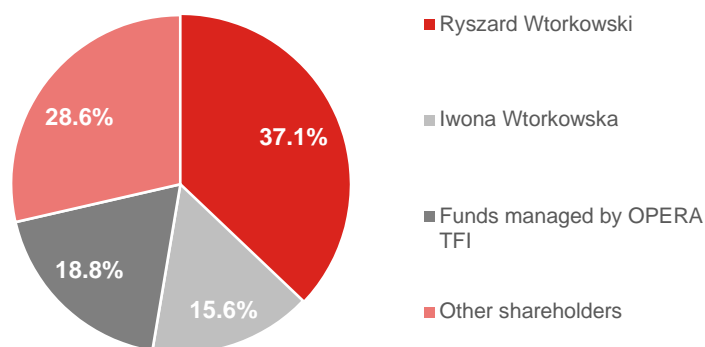
## LUG Group Shares

Company's share capital is divided into 7,198,570 ordinary bearer shares. Since 2007, LUG Group shares have been listed in the Alternative Trading System (NewConnect), belonging to the NCIndex (0.51% share) in the NC Focus segment. Ticker: LUG.

In order to ensure the transparency of the company's activities, as well as an effective information policy, LUG S.A. has been applying the principles of "Good practices of companies listed on NewConnect" since 2009. 16 out of 17 recommended rules were accepted for application and they can be downloaded from LUG's website (<https://www.lug.com.pl/relacje-inwestorskie/spolka/lad-korporacyjny>).

## Shareholding structure

The share of shareholders in the initial capital holding with at least 5% of LUG S.A. shares as at 31.12.2020 is as follows:



<sup>1</sup> In 2020 there was the change in BIOT shareholders following which LUG S.A. increased its shares to the level of 75.5% in BIOT capital. The other shareholder holding 24.5% of shares is Mr. Tomasz Guzowski.

### 3.6 Governance structure

*[G.2.1]* The governing bodies of LUG S.A. are the Management Board, the Supervisory Board and the General Meeting. The operation and selection of the company authorities are regulated by the Articles of Association of LUG S.A.

The corporate governance of LUG S.A. consists of the following documents:

- The Articles of Association of LUG S.A.;
- The Rules of Procedure of LUG S.A. Management Board.;
- The Rules of Procedure of the General Meeting;
- The Rules of Procedure of the Supervisory Board;
- The statement of the Management Board of LUG S.A. on relations of the Supervisory Board members with the shareholders.

#### Management Board of the Company

There were no changes in the composition of Company's Management Board during the period covered by the report. As of 31/12/2020 and as of the day of approving this report for publication, the Management Board of LUG S.A. acted in the following composition:



**Ryszard Wtorkowski**  
President of the Management Board



**Mariusz Ejsmont** Vice-President of the Management Board, Chief Technical Officer



**Małgorzata Konys**  
Member of the Management Board  
Chief Financial Officer

#### Supervisory Board

As at 31.12.2020 and as at the day of approving this report for publication, the Supervisory Board of LUG S.A. acted in the following composition:



**Iwona Wtorkowska**  
President of the Supervisory Board



**Renata Baczańska**  
Member of the Supervisory Board



**Eryk Wtorkowski**  
Member of the Supervisory Board



**Zygmunt Ćwik**  
Member of the Supervisory Board



**Szymon Zióło**  
Member of the Supervisory Board

The current term of office of the Supervisory Board began on 28.06.2019, on the date of the Ordinary General Meeting of Shareholders and the adoption of the resolution on the appointment of the existing members of the Supervisory Board for another term of office. The current term of the Supervisory Board of LUG S.A. is shared among its members and lasts 3 years.



## **The role of senior management structures in the area of sustainable development**

Sustainable development issues related to ESG areas (Environment – natural environment, Social – employee and social issues, Governance – management governance) are an important element of the LUG Group's operations and are of ongoing interest to higher management structures. The Management Board does not hold regular meetings dedicated to ESG issues, but it does monitor actions taken on an ongoing basis, and individual issues in the ESG domain are the responsibility of the appointed relevant teams. The highest level of governance for ESG issues is the President of the Management Board, who coordinates and assigns responsibilities to designated persons from the team for individual issues.

Activities related to individual ESG areas are constantly supervised by the following members of the senior management of the LUG Group:

- cooperation with industry organisations – Vice-President of the Management Board;
- cooperation with local and government authorities – President and Vice-President of the Management Board;
- cooperation with the local community (including support for non-profit organisations and charity work) - HR Director / Holder of the Power of Attorney;
- cooperation with universities and training – Head of the Training Department;
- environmental issues – Vice-President of the Management Board.

Company's Management Board periodically analyses non-financial data, discusses planned activities related to a given ESG area and participates in the creation of the non-financial report by accepting the structure and its main assumptions. In 2019, the Management Board together with the senior management of the Company and the Group took part in workshops held as part of the materiality survey, the purpose of which was to identify stakeholder groups, significant non-financial issues and risks related to significant non-financial areas. In order to determine the significance of issues and company's involvement in important ESG areas on an ongoing basis, the materiality survey with the participation of the Management Board will be repeated every two years.

There is no separate structure responsible for climate change issues in the LUG Group, and they are included in the overall activities of the senior management. Some of the activities were carried out in cooperation with the Pol-Lighting industry organisation. The topic of climate change was addressed for the first time by the LUG Group in 2019 in preparation for a project aimed at identifying and analysing the risks and opportunities associated with climate change on company's operations. This project was started and completed in 2020 after which the solution planning and implementation phase began. All commenced and planned activities related to climate change in the LUG Group are described in detail in Chapter 7.1 *Climate change*.

### 3.7 Ethics and human rights in LUG

*[G.4.1]* The broadly understood ethical activity in business is one of the priority areas for the Capital Group and the LUG Management Board. As a company with a recognisable brand and organisational culture, LUG cares about the observance of generally accepted standards and creating standards tailored to the conducted activity at every level of business.

In accordance with the guidelines for companies listed on NewConnect, the LUG S.A. Capital Group focuses on a transparent and effective information policy in its operations. People are the focal point of the Capital Group's development, as indicated in the Strategic Development Directions. Based on the "Tree of Values" built around this foundation, LUG attaches great importance to the observance of ethical standards in its business activities. The function of LUG's Value Ambassador was appointed to control the observance of the values adopted in the Capital Group.

Human rights issues are fundamentally important for the LUG Capital Group. All activities conducted by LUG are carried out in an open and transparent manner with respect to human rights as stated in the UN Universal Declaration of Human Rights, as well as in compliance with the applicable laws and regulations. The LUG S.A. Capital Group is against any manifestations of violating the rights of external or internal stakeholders of the LUG S.A. Capital Group companies, as well as actions inconsistent with LUG values adopted during the strategic process in 2019.

Companies within the LUG Capital Group conduct their activity in accordance with the legal regulations valid on the territory of Poland and in accordance with the local law applicable to Group's companies. The authorities of Group's companies do not use or approve of underage or child labour under any circumstances, nor do they tolerate forced labour at any stage of their operations.

#### **Documents and procedures**

The LUG Group does not have the Code of Ethics.

The project of developing and implementing the Code of Ethics of the LUG S.A. Capital Group was launched in 2018. As part of the first stage of conceptual work on the creation of the Code of Ethics, a multidisciplinary project team consisting of specialists from different areas of the company was established. Following comprehensive work and internal consultations, the project was successfully introduced into the second stage, which ended in 2019 with the creation of the first draft of the Code. At the turn of 2019/2020, the document covering all major areas of Group's operations entered the final stage of work consisting of verification, supplementation and preparation of the final version ready for implementation by the Management Board and communication to employees and other stakeholders.

With the Covid-19 pandemic announced in the first quarter of 2020 and the need to focus on the top priorities of maintaining business continuity, implementing security procedures, obtaining protective funding,

implementation of a hybrid work system, and other issues, the project team suspended work on the Code. It was resumed in 2021 and it is scheduled to be completed and the Code is expected to enter into force by the end of 2021. Originally planned for completion by the end of 2020, at the time of publication of this report, given the volatility of the pandemic situation, completion, adoption and implementation of the Code of Ethics is projected by the end of 2021.

At LUG Light Factory Sp. z o.o. the issues of employee ethics are partially regulated in the Labour Terms and Conditions binding in the company which cover such issues as:

- salaries and employee benefits;
- prohibition of child and juvenile labour;
- prohibition of forced labour;
- standardized working hours;
- anti-harassment;
- prohibition of discrimination;
- freedom of association and collective bargaining.

In addition, the companies of the Capital Group are bound by the Code of Good Practices, which contains a set of internal rules of cooperation and ethics. The Code regulates issues such as:

- the standard for organising external meetings;
- the standard for organising internal meetings;
- cooperation between departments;
- taking care of LUG data and resource security;
- occupational health and safety.

*[G.4.6]* All information related to the area of ethics and good practices is communicated to employees through the extranet, internal orders, brochures, internal mailings and posters. In 2020, the LUG Group did not conduct any training in this area.

*[S.3.4] [S.3.6] [S.6.1]* The issue of counteracting mobbing is regulated in LUG Light Factory Sp. z o.o. under the Anti-Mobbing Policy adopted in 2011. The Policy defines the procedure for the complaint process together with its accompanying functions:

- Any employee who considers that they have experienced harassment may make a written complaint to their employer.
- The employer, within 14 working days from the date of the complaint, shall appoint an Anti-Mobbing Commission consisting of a representative of the employer, a representative of the employees, and a person appointed jointly by the employer and the employees.
- The employer conducts training in the Anti-Mobbing Policy for new employees as part of adaptation training.

Besides the reporting procedures described in the Anti-Mobbing Policy, the LUG S.A. Capital Group has an internal mechanism in force through which every employee, regardless of his/her position in the organizational hierarchy, has the possibility to personally, informally and directly contact

LUG CEO in order to report all irregularities, complaints, grievances as well as to discuss individual needs, challenges, successes and problems

The LUG Group is not bound by any regulations regarding the use of conflict minerals. Minerals belonging to this group are used in trace amounts in electronic components used for manufacturing LUG Group products. The LUG Group plans to implement appropriate due diligence procedures in the future that will minimize the risks associated with the use of such minerals.

### Anti-corruption

*[S.10.1]* As a result of the materiality survey, a low risk of corrupt behaviour towards contractors was identified. Nevertheless, the area of counteracting corruption was considered important for further development. The LUG S.A. Capital Group is guided by the principles of transparency and respect for generally accepted standards in every aspect of its activity. LUG's approach is characterised by zero tolerance for all manifestations of abuse, including corrupt practices.

During the year subject to the report, LUG Capital Group companies had no formalised Anti-Corruption Policy document. Elements of LUG countermeasures can be found in the following documents:

- LUG Light Factory Work Policy which contains provisions regarding the lack of tolerance for abusive or criminal behaviour;
- LUG Code of Good Practices which regulates the issue of accepting gifts from contractors. The received gifts are transferred to the HR Department, and are later used to support selected charities;
- Purchase supervision procedure and instructions for the procedure.

The Code of Ethics, which is currently being developed, will also comprehensively cover issues related to counteracting corruption.

### Information security



*[S.13.1] [S.13.2]* With the commencement of the application of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (General Data Protection Regulation),

LUG S.A. has introduced the Global Policy of Security of personal data processing. Its purpose is to ensure the protection of personal data controlled by LUG S.A. against internal and external threats, as well as conscious and unconscious threats. The Policy defines the rules for the processing of personal data and its protection, regulating the method of its management, protection and distribution within the company and in business relations. This Policy, after being accepted by the Management Board of LUG S.A. as the dominant company, has been recommended to Management Boards of dependent and related companies within the

LUG Group as a document constituting the basis for safe personal data processing.

In order to ensure the highest level of information security, in 2021, the LUG Group decided to start the process of information security management system implementation. The project is in the early stages of implementation and the scope will be further refined in future periods.

In 2020, the LUG Group had a single incident involving the personal data of one individual. The Issuer, in accordance with internal procedures for incident response, prepared an explanatory report and informed the participants of the incident providing extensive explanations. The proceedings of the President of the Office for Personal Data Protection are currently underway to assess the materiality of the incident.

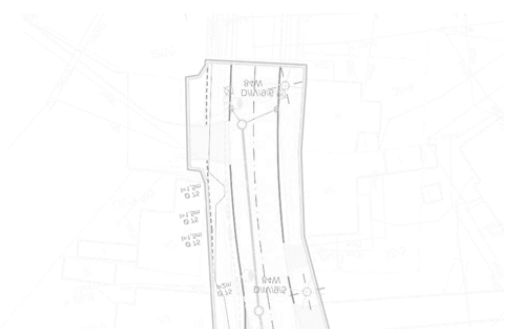
### **Statistics and control**

[\[S.6.2\]](#) [\[S.6.3\]](#) [\[S.7.1\]](#) [\[S.7.2\]](#) [\[S.8.1\]](#) [\[S.8.2\]](#) [\[S.10.2\]](#) [\[S.10.3\]](#) In 2020, no complaint relating to bullying, forced labour, child labour or discrimination was filed. There were also no claims concerning elements of the working environment. In 2020, the LUG S.A. Capital Group did not identify any cases of practices bearing the traits of corruption or other events having the characteristics of a human rights violation.

[\[G.4.2\]](#) [\[G.4.3\]](#) [\[G.4.4\]](#) [\[G.4.5\]](#) [\[G.4.7\]](#) [\[S.7.3\]](#) [\[S.7.4\]](#) [\[S.8.3\]](#) [\[S.8.4\]](#)

LUG S.A. Capital Group companies perform current monitoring meeting the highest ethical standards. In the reporting period, no ethical audits were carried out at LUG Capital Group companies or at subcontractors. No ethical clauses were included in contracts with contractors. At the beginning of 2020, design work began on the introduction of General Terms and Conditions of Cooperation with Contractors, which will contain guidelines and standards for entities cooperating with the LUG S.A. Capital Group. This work was not finalized in 2020 because it was suspended due to organizational difficulties caused by the global SARS-CoV-2 pandemic. However, it should be emphasised that when selecting suppliers and business partners, the Group places particular emphasis on the quality and management standards they meet, as well as the legal and technical requirements that guarantee the highest quality of the solutions undertaken, also in ethical terms. On a daily basis, cooperation within the supply chain takes place with suppliers with an established position on the European market and a good reputation, who, in LUG's opinion, also meet the requirements of socially responsible business.

In 2019, LUG conducted direct audits of component suppliers' factories, which were carried out by a local partner on behalf of LUG. In 2020, face-to-face audits were not possible due to the Covid-19 pandemic and lockdown restricting movement. The results of the 2019 audits were directly reviewed by LUG's Vice President of the Management Board, as well as the Chief Operating Officer of Supply Chain and Production and the head of Research and Development Division.





### 3.8 Management Systems

*[G.2.2]* The role of the parent company, LUG S.A., is to manage and control other entities in the Capital Group, whereas operating activities are conducted in the subsidiary LUG Light Factory Sp. z o.o. Due to the structure of the Capital Group, the need to implement a uniform Management System for the whole LUG S.A. Capital Group was not identified.

In 2020 and at the beginning of 2021, ISO 9001:2015 (Quality Management System), ISO 50001:2011 (Energy Management System), ISO 14001:2015 (Environmental Management System) audits were conducted at LUG Light Factory Sp. z o.o. In addition, the Integrated Management System includes compliance with ISO 17025:2018, which was successfully recertified in early 2021. The certificate obtained in the scope of this standard, as of 2018, certifies that LUG laboratory can perform photometric, thermal, leakage, colorimetric and electrical tests. The introduction of BS OHSAS 18001 was successfully completed in early 2020 which was withdrawn in 2021 and replaced by ISO 45001:2018 in an audit conducted in early 2021.

In 2020 the following inspections of LUG Light Factory Sp. z o.o. took place:

- inspection of the State Fire Service;
- inspection of the District Sanitary and Epidemiological Station;
- inspection by the State Labour Inspectorate;
- two inspections by the Tax Office.

On the basis of the audits and inspections carried out within the ISO standards, the following areas of improvement were identified:

- documentation supervision;
- human resource management;
- environmental protection;
- internal audits;
- documented information management;
- monitoring, measurement and emergency response readiness;
- supplier assessment;

At LUG Light Factory Sp. z o.o. the Integrated Management System consists of:

- Energy Policy – assumes striving to implement production in accordance with the applicable law and the requirements of new technologies, reducing energy consumption for the manufactured product, cooperation in the field of energy with suppliers and raising employee awareness of energy management issues.
- Quality Policy – created on the basis of ISO 9001:2015, it aims to meet all its requirements, assumes the improvement of the company's infrastructure, the development of the organisational culture and image building among contractors.

- Environmental Policy – assumes continuous improvement and development in order to meet the requirements of PN EN ISO 14001:2015, operating activities in accordance with environmental law, placing requirements on subcontractors, paying attention to the overall impact of the product (*Life Cycle Assessment – LCA*) on the environment from the initial production phases.

The policies listed are available at: <https://www.lug.com.pl/firma/polityka-> .

### Diagram of the management structure responsible for the Integrated Quality Management System

Management level	Position	Number of persons per position	Responsibilities
Management level:	President of the Management Board of LUG Light Factory Sp. z o.o.	1	The ISO Quality Management System Representative is responsible for the proper implementation and operation of the ISO IMS. The work of the Representative is supervised by the head of Supply Chain and Production from the level of the Division Director and finally by the President of the Management Board of LUG Light Factory Sp. z o.o.
Director level:	Chief Operating Officer for Supply Chain and Production	1	
Employee level:	Representative for ISO Quality Management Systems	1	

During the reported period, the process of implementing the ISO Integrated Management System and the ISO 9001:2015 standard in the Argentinian factory, Posadas, was initiated. After successful completion of the initial stages of certification and subsequent delays due to the Covid-19 pandemic, the certification process was finally completed successfully in January 2021.

### LEAN Management

Since August 2016, a Kaizen project has been implemented at LUG with the aim of enabling LUG employees to influence their workplace, processes within the company and to identify areas that can be improved. A particular emphasis was placed on improving quality, increasing safety, improving ergonomics and cost optimisation. The Kaizen philosophy, in a place of fast and revolutionary changes based on individual work, is based on continuous and sustainable changes in the organisation, technology and internal processes. These changes took place with the support of the management and the involvement of the largest possible number of LUG employees. Already at the initial stage of the project, the way of submitting and implementing employee applications and the principles of their evaluation were regulated. The Kaizen database was created to gather the submitted applications. The new methodology was positively received by LUG employees: 278 proposals were submitted and 181 of them were implemented.

In order to further optimise the processes at LUG, in 2018 work began on the implementation of the 5S program, which initially covered production areas. The Kaizen project has given employees an impact on their direct workplaces and the 5S programme has developed this methodology to standardise activities in the entire Production area.

Under the Programme, the necessary training and workshops were carried out for all employees from given areas, both directly and indirectly in production. Then, the areas where it was implemented were selected. First of all, it was the widely understood area of Production, then it was extended to the Supply Chain area. The analysis and selection of the equipment for the workstations was carried out in terms of its suitability for the performance of duties, thus tidying up the workplace and leaving only necessary items, with optimal use of the work area. Any discrepancies in the equipment of individual stations led to retrofitting them with tools of the same standard.

The introduced changes translated into an increase in the quality, efficiency and safety of the workplace. The 5S standards introduced at LUG have influenced the uniform marking of zones, division into areas of responsibility and uniform material flow. Employees were involved in the process by introducing area ownership to ensure that their areas were directly affected by the changes and to enable them to initiate changes. The 5S methodology, and therefore standardisation, means that changes introduced in one area are also introduced in other areas. Compliance with the 5S principles is verified during periodic audits.

The Organisational changes at LUG Light Factory Sp. z o.o. that took place in 2019 provoked an intensification of activities in the field of 5S methodology. As part of the project, in the areas of assembly, paint shop and offices, we managed to:

- implement procedures and conduct training;
- define areas of responsibility;
- carry out the 3S action, i.e. remove all unnecessary tools and equipment in the areas, making the material flow process more transparent;
- start systematic 5S audits.

Due to the Covid-19 pandemic outbreak in 2020, Kaizen and 5S projects have been suspended due to the need to limit employee contact between cells to reduce the risk of spreading the virus. In order to adapt the activities to the current needs and circumstances, however, in July 2020 a project was launched with the aim of enabling the submission of ideas concerning the optimization of luminaire production costs and improvements of LUG brand luminaires both from the technical and process point of view. The newly introduced project is similar to the suspended Kaizen project, although in this case the contact between the employees of particular units is not necessary, so it could be limited to the necessary minimum - the project work is carried out mainly by means of the platform and the IT system. This solution adequately continued the process of engaging employees in improving LUG processes while minimizing a threat.

Since the launch of the project to date, almost 100 ideas have been submitted which upon completion will generate an estimated PLN 1.4m in savings, with a further PLN 1.2m undergoing feasibility studies.

Kaizen philosophy activities are expected to resume in 2021 depending on the development of the Covid-19 pandemic combining with the 5S solutions already developed. This is to ensure the continuation of a consistent methodology of maintaining the proper, most optimal processes at LUG, ultimately ensuring the reduction of production costs while providing the highest quality products.

The internal activities described above correspond also to the external activities of LUG, which are described in more detail in chapter 5.4. *Local communities*.

### **Inspection and Internal Audit**

**[G.2.1] [G.2.3]** LUG's internal inspection is coordinated by the ISO Quality Management Systems Representative who cooperates within their duties with internal auditors who have been certified on the basis of the completion of certified trainings. The internal auditors carry out audits at LUG preparing the final audit report with conclusions and recommendations. The ISO Quality Management System Representative is responsible for implementation and proper functioning of the ISO 9001, ISO 14001, and ISO 50001 and ISO45001 procedures in the company, while also maintaining inspection powers regarding the completeness of documents, as well as supervision over the implementation and proper functioning of new ISO procedures.

The frequency of audits is defined in the annual Audit Schedule, which also defines their scope. Audits are based on the competences of individual internal auditors obtained during training and confirmed by experience and practical knowledge of internal processes taking place in the organisation. Each internal unit is audited according to internal ISO procedures.

As part of internal inspections, LUG monitors compliance with the requirements of ISO 14001. In the environmental area, the Company commissions the implementation of regulatory obligations, controls the completeness, timeliness and correctness of documentation through cooperation with the Oś Eko consulting company. The competences of the external company focus on areas such as LUG's internal audit, representing LUG outside in strictly defined environmental areas and performing an advisory function in the field of environmental protection.

### **3.9 Risk management and significant management risks**

Risk management is an important element of Group's operations, therefore higher management structures and those responsible for individual areas of the unit are involved in the identification, monitoring and assessment of risks. The highest level that manages risk and coordinates the work of individual units is the Management Board of the Company, and its work in the field of risk management is coordinated by the President of the Management Board.

The risk management system in the LUG Group is not formalised. As part of the system, individual areas affected by risks are assessed during meetings and in the communication mode of teams responsible for these areas.

Risk management related to a given area is performed by individual organisational units according to the division presented in the table below. In all cases, the responsibility for risk management in a given area lies with the manager of a given organisational unit. In the case of risks related to the occurrence of emergency situations and in the case of detection of new risk factors, the management of a given type of risk is subject to the assessment of the Management Board which assigns responsibility to persons appointed to particular areas.

A materiality review conducted in 2019 with the Board of Directors as well as senior management of the Group revealed the following material non-financial risks:

Area	Risk	Persons/units managing the risk	Details
Management area	Risk of LUG intellectual property theft	Vice-President of the Management Board of LUG S.A., Marketing Director, R&D Director	Description in further part of this chapter
	Risk of adverse changes in lighting regulations	Vice-President of LUG S.A., Director of the Legal Department, Director of Strategic Finance and Risk	
	Risk of occurrence of other changes in regulations, negatively influencing the Capital Group's operating activities.	Director of the Legal Department, Director of Strategic Finance and Risk	
	Risk of business interruption due to epidemic or pandemic <sup>2</sup>	President of the LUG Management Board, Vice President of the LUG Management Board and Director for Integration of LUG Technologies and Systems, Member of the LUG Management Board and Global Sales and Marketing Director, Chief Financial Officer, Director of Strategic Finance and Risk, Director of R&D, Chief Operating Officer for Supply Chain and Production, Director of the Management Board Office and Communications, Director for Capital Group Development, Director of Legal Department, President of the BIOT Management Board	
Area of social issues	-	-	Description in chapter 5.7
Labour issues	Risk of a shortage of employees	HR Director / Proxy	Description in chapter 6.5
	Risk of loss of key personnel	President of the Management Board of LUG S.A., HR Director / Proxy	
	Risk of insufficient competence of sales teams	Sales Director	
	Risk of wage pressure	Director of Strategic Finance and Risk, HR Director / Proxy	
	Risk of employee shortage as a result of COVID-193 infection*	HR Director / Proxy	

<sup>2</sup> Risks identified in 2020

<sup>3</sup> Risks identified in 2020



Environmental issues	Risk of tighter regulations on the closed loop economy	Vice-President of the LUG S.A. Management Board, Oś Eko (external company)	Description in chapter 7.8
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## Significant management risks

Risk and its description	Risk management method
<p><b>Risk of LUG intellectual property theft</b> LUG is a manufacturer of innovative solutions in the lighting industry. The theft of LUG's intellectual property could mean that competitors would gain an advantage.</p>	<p>LUG monitors the risk, i.a., through the analysis of products offered by competitors. Risk management measures taken:</p> <ul style="list-style-type: none"> <li>- securing IT systems;</li> <li>- provisions in contracts with employees related to the obligation to keep company secrets confidential;</li> <li>- employee education;</li> <li>- activities aimed at building employee loyalty, preventing their possible tendency to work for competitors;</li> <li>- submitting selected design solutions for patent protection;</li> <li>- willingness to take legal action in case of detection of cases of intellectual property theft;</li> </ul>
<p><b>Risk of adverse changes in lighting regulations</b> Possible changes in the regulations governing the production, installation and operation of lighting could force the necessity to make design and construction changes in LUG products.</p>	<p>LUG monitors the risk, i.a., through constant analysis of legislative processes performed independently and in cooperation with professional advisers and law firms. Risk management measures taken:</p> <ul style="list-style-type: none"> <li>- advance preparation of R&amp;D and design departments for anticipated changes in legal regulations;</li> <li>- active participation in the work of the Pol-Lighting industry organisation which co-shapes the lighting regulations as part of its public affairs activities.</li> </ul> <p>It should be stressed that this risk is also an opportunity for development. Thanks to the monitoring of planned changes to regulations, LUG prepares to meet new requirements in advance. Introducing stricter rules at the same time may lead to reduced competition from companies focusing on lower quality products.</p>
<p><b>Risk of occurrence of other changes in regulations, negatively influencing the Capital Group's operating activities</b> Possible changes in other legal regulations could lead to difficulties in LUG's functioning or to a decrease in the profitability of its activity.</p>	<p>LUG monitors the risk, i.a., through constant analysis of legislative processes performed independently and in cooperation with professional advisers and law firms. The monitoring is particularly focused on regulations in areas such as:</p> <ul style="list-style-type: none"> <li>- tax law;</li> <li>- labour law;</li> <li>- regulations applicable to public companies;</li> <li>- provisions for the closed loop economy. Risk management measures taken:</li> <li>- advance adaptation of relevant departments of the company to the anticipated changes in the law;</li> <li>- applying to the Ministry of Finance for individual tax interpretations.</li> </ul>
<p><b>Risk of business interruption due to outbreak of epidemic or pandemic</b> The occurrence of an epidemic or pandemic poses the risk of a total economic <i>lockdown</i> and closure of production facilities. This could be followed by an economic crisis and a disruption of the continuity of supply chain and the deterioration of customers' financial health. In addition, regulations regarding the closure of production facilities may be introduced in countries where we have a presence</p>	<p>LUG sells products to 70 countries worldwide and has production plants located in 2 countries on 2 continents which allows to diversify the risk and the scale of difficulties caused by its materialization. Risk is managed through the following activities:</p> <ul style="list-style-type: none"> <li>- efficient decision-making regarding business continuity and liquidity;</li> <li>- appointment of a Crisis Team which analyses the main and indirect risks, monitors the level of illnesses, introduces preventive procedures, consults with sanitary and epidemiological stations, examines the possibility of using anti-crisis shields, monitors supply chains and the condition of customers, develops and implements cost reduction plans.</li> </ul>

### 3.10 Compliance with the Taxonomy for Sustainable Activities

The business activities of the LUG Group are 91% compliant with the EU Taxonomy of Environmentally Sustainable Activities in terms of revenues and 100% in terms of capital expenditures and 96% in terms of operating costs.

On June 18, 2020, Regulation (EU) 2020/852 of the European Parliament and of the Council was adopted on establishing a framework to facilitate sustainable investments. Its application to the extent that companies disclose certain information will start gradually from 1 January 2022. On 21 April 2021, the European Commission announced the final text of the Delegated Regulation specifying the technical eligibility criteria (Taxonomy) for making a significant contribution to climate change mitigation and adaptation and not significantly harming other environmental objectives (C(2021) 2800/3). In addition, the European Commission has presented for consultation a draft delegated regulation specifying the content and presentation of information on environmentally sustainable operations.

The Management Board of the LUG Group, anticipating the regulatory requirement, already presented in the previous annual report (for 2019) the degree of compliance of Group's activities with the EU Taxonomy of Environmentally Sustainable Activities. This analysis was based on the content of Regulation 2020/852 and the final report of the TEG (*Technical Expert Group*) set up by the European Commission that prepared the first draft of the Taxonomy. In the 2020 report, the analysis of the degree of compliance of LUG Group's activities with the Taxonomy has been deepened and the manner of its presentation is adjusted to the most current version of the regulations and announced projects. At the same time, it should be stressed that the presented results of the analysis may change in the following years, when all final versions of legal acts regulating the system of assessment of economic activity as regards its environmental sustainability are known.

#### **The analysis was carried out in the following stages:**

- Stage 1: Determining the NACE sector(s) in which the economic activities carried out by the LUG Group are located and whether these sectors are included in the Taxonomy. The analysis was conducted against the revised, second version of NACE.
- Stage 2: Allocation of revenues, CapEx and OpEx to individual identified activities in all LUG Group companies. The allocation used the methodology indicated in the draft delegated regulation specifying the content and presentation of information on environmentally sustainable activities (respectively the principles indicated in Annex 1, point 1.1.1. in respect of revenue, in point 1.1.2.1. with respect to CapEx and in point 1.1.3.1. for OpEx).
- Stage 3: The individual types of activity identified in the LUG Group and classified in the Taxonomy were reviewed in relation to

criteria as indicated in the Delegated Regulation (C(2021) 2800/3). In each case, it was assessed whether the activity met the criteria for making a significant contribution to tackling climate change (it was determined that the activity did not make a significant contribution to climate change adaptation and the criteria for making a significant contribution to other environmental objectives had not yet been established by the regulator). In addition, for each activity it was verified that it does not cause serious harm to other environmental objectives, in accordance with the criteria indicated in the above-mentioned Delegated Regulation. It was also determined for each activity whether it was a transitional or supportive activity.

- Stage 4: It was determined whether activities are carried out in such a way as to ensure compliance with minimum safeguards (requirement of Article 3(c) according to Article 18 of the Regulation).
- Stage 5: Revenue, CapEx and OpEx data were consolidated at the Group level and presentation sheets were prepared in accordance with the templates included in Annex 2 to the aforementioned draft delegated regulation.

The assessment of the status of LUG Group's revenue, CapEx and OpEx compliance with the Taxonomy of Environmentally Sustainable Operations was performed for the second time by the Group. In the coming years, the Group's Management Board plans to improve the analyses conducted and the manner of presentation of their results. This will depend primarily on the regulator completing legislative work on further elements of the Taxonomy system. Of particular importance will be the issuance of a delegated regulation specifying the content and presentation of information on environmentally sustainable operations which at the date this report is approved for publication is available in draft form consulted by the European Commission.





## LUG Group CapEx related to environmentally sustainable investment expenditures in 2020

Types of economic activity	NACE Codes	CapEx	Percentage of CapEx	Criteria for making a substantial contribution (SC: substantial contribution)						Do no significant harm (DNSH) criteria						Minimum guarantees	Percentage of CapEx on environmentally sustainable business in 2020	Percentage of CapEx on environmentally sustainable business in 2019	Category (Enabling activity)	Category (transitional activity)
				Tackling climate change	Adaptation to climate change	Sustainable use and protection of water and marine resources	Transitions to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems:	Tackling climate change	Adaptation to climate change	Sustainable use and protection of water and marine resources	Transitions to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems:					
(percentages may not add up due to rounding)		PLN k	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E/T	E/T
<b>A. ACTIVITIES CLASSIFIED IN A TAXONOMY</b>																				
<b>A.1. Taxonomy- aligned activities</b>																				
Capital expenditure for the production of luminaires and sources LED lights	C27.40	2,461.9	100%	100%	0%	0%	0%	0%	0%		Y	Y	Y	Y	Y	Y	100%		E:	
<b>CapEx for activities classified in Taxonomy-aligned (A.1)</b>		<b>2,461.9</b>	<b>100%</b>	<b>100%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>								<b>100%</b>	<b>54%</b>	<b>100%</b>	<b>0%</b>
<b>A.2 Not Taxonomy- aligned activities</b>																				
NA	0	0	0%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0%			
<b>CapEx for activities classified in the Not Taxonomy-aligned (A.2)</b>		<b>0</b>	<b>0%</b>																	
<b>Total (A.1 + A.2)</b>		<b>2,461.9</b>	<b>100%</b>	<b>100%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>								<b>100%</b>			<b>0%</b>



LUG Group OpEx related to operating costs of environmentally sustainable activities in 2020.

Types of economic activity	NACE Codes	OpEx	Percentage of OpEx	Criteria for making a substantial contribution (SC: substantial contribution)						Do no significant harm (DNSH) criteria						Minimum guarantees	Percentage of OpEx on environmentally sustainable activities in 2020	Percentage of OpEx on environmentally sustainable activities in 2019	Category (Enabling activity)	Category (transitional activity)
				Tackling climate change	Adaptation to climate change	Sustainable use and protection of water and marine resources	Transitions to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems:	Tackling climate change	Adaptation to climate change	Sustainable use and protection of water and marine resources	Transitions to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems:					
(percentages may not add up due to rounding)		PLN k	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E/T	E/T
<b>A. ACTIVITIES CLASSIFIED IN A TAXONOMY</b>																				
<b>A.1. Taxonomy-aligned activities</b>																				
Operating costs for the manufacture of lighting rights and LED light sources	C27.40	120,997.2	72%	100%	0%	0%	0%	0%	0%		Y	Y	Y	Y	Y	Y	72%		E:	
Operating costs for production and installation of outdoor luminaires	F43.21	40,472.0	24%	100%	0%	0%	0%	0%	0%		Y	Y	Y	Y	Y	Y	24%		E:	
Operating costs for data processing	J63.11	1,000.4	1%	100%	0%	0%	0%	0%	0%		Y	Y	Y	Y	Y	Y	1%			Y
<b>OpEx for activities classified in Taxonomy-aligned (A.1)</b>		<b>162,469.7</b>	<b>96%</b>	<b>96%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>								<b>96%</b>		<b>96%</b>	<b>1%</b>
<b>A.2 Not Taxonomy-aligned activities</b>																				
Operating costs related to heat generation	D35.30	1,114.4	1%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0%			Y
Operating costs linked to non-hazardous waste management	E38.32	103.4	0%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0%			Y
Operating costs of repair, renovation and maintenance work	F41.1	714.9	0%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0%			Y
Operating costs of rail transport	H49.41	3,892.8	2%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0%			Y
Operating costs of road transport	H49.39	366.4	0%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0%			Y
<b>OpEx for activities classified in the Not Taxonomy-aligned (A.2)</b>		<b>6,191.9</b>	<b>4%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>											
<b>Total (A.1 + A.2)</b>		<b>168,661.6</b>	<b>100%</b>	<b>96%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>								<b>96%</b>			<b>0%</b>

## 4 Key non-financial performance indicators

	Unit	2018	2019	2020	Y/Y Change	Purpose
<b>Work area</b>						
Average number of training hours per employee	h	28	18	9.2	-66.4%	30
Rotation rate of employees employed for an indefinite period of time	%	4.2%	11.7%	18.9%	+7.2pp	4.0%
Gender Pay Gap Ratio	%	24.4%	24.7%	28.4%	+3.7pp	0%
Glass Ceiling Ratio	%	13.0%	20.5%	11.9%	-8.6pp	0%
<b>Social area</b>						
Number of complaints reported by local communities	pcs.	0	0	0	-	0
The number of architects and designers per trainings and lectures concerning lighting	pcs.	604	1,377	456	-66.9%	1000
<b>Environmental area</b>						
Energy consumption per luminaire	kWh/pc.	12.2	15.0	11.1	-26.3%	12.3
Mass of greenhouse gases emitted to the atmosphere within Scope 1 and 2 location-based per luminaire	kg CO <sub>2</sub> e/pcs.	4.0	4.8	3.7	-23.8%	4.3
Weight of waste per luminaire	kg/pc.	0.75	0.92	0.92	+0.43%	0.63
<b>Compliance with the EU Taxonomy for Sustainable Economic Activities</b>						
Percentage of revenue according to the Taxonomy	%	-	99.0%	91.4%	-7.6pp	-
Percentage of investment outlays in line with Taxonomy	%	-	53.6%	100%	+46.4pp	-

The objectives of the LUG Group indicated in the key non-financial efficiency indicators are planned to be achieved in the perspective defined by the “Strategic development directions of the LUG S.A. Capital Group for the years 2017-2021”.

 **LUG**<sup>®</sup>

**2020**



**SOCIAL  
ISSUES**



## 5 Social issues

### Relevant issues

The LUG S.A. Capital Group exerts its influence on society in a number of areas and is also subject to the influence of society itself. As a result of the materiality survey, the following important social, human right and anti-corruption issues were identified:

- laws, norms and standards regarding lighting;
- product safety, production certification, quality standards;
- relations with local communities;
- savings in local government budgets;
- safety of people in public spaces;
- educating architects and designers in the field of lighting design;
- proper use of LUG products by consumers;
- preventing corruption;

The highlighted issues reflect, among others, the ongoing internationalisation process at LUG. By opening a factory in Posadas, Argentina in 2018, the company expanded its impact on the local community in the region.

LUG conducts activities focused on dialogue and cooperation with groups of its stakeholders, mentioned among others in the Strategic Development Directions of the Capital Group. Within their scope, cooperation programmes with architects and interior designers have been developed. LUG also addresses its offer to local governments presenting solutions aimed at following the latest trends, such as Smart City technology.

### Dialogue

Activities in the sphere of social involvement are connected with the LUG mission **We create innovative lighting for a life of passion**. The Group maintains a dialogue with identified groups of significant stakeholders through, i.a., meetings, telephone contact, e-mail, external newsletter, information boards and posters. The company informs its employees about its social involvement through an internal newsletter, mailing list, the LUGpress company newspaper, information boards, posters, Communication Zone in the internal system for "ZONE P" employees and during meetings, the "P Zone" and during meetings.

### Area management structures

There is no uniform policy on social issues in the LUG Group. Individual social issues are subject to management processes carried out by several organisational units according to their competences:

- LUG charity activity: LUG Capital Group has a procedure in relation to charity activities; the decisions are made by the Holder of the Power of Attorney of LUG Light Factory Sp. z o.o. and the employees of the Management and Communication Office participate in them;

- relations with local, national and economic media: Management Board and Communications Office;
- relations with potential employees, so-called Employer Branding: HR Department;
- cooperation with organisations aimed at improving the broadly understood quality of life, including cooperation within the World Economic Forum: Marketing Division;

LUG cooperates with many institutions representing areas important in the Group's operations:

- University of Zielona Góra: cooperation with the University of Zielona Góra was suspended in 2020 due to the Covid-19 pandemic and the consequent need to limit meetings to the minimum necessary.
- Zielona Góra City Hall: in 2020, cooperation with the Zielona Góra City Hall and the Department of Investments and Road Management of the Office was continued. In 2020, further demonstration and experimental investments were made, enabling lighting control and testing new functionalities of the LUG URBAN platform: Park Książęcy Zatonie, Winne Wzgórze next to Zielona Góra Palm House or Park Sowińskiego. Further collaborative *Smart City* investments with the City are planned for 2021.
- Zielona Góra Marshal's Office: cooperation with the Department of Regional Programmes in the field of conducting and accounting for projects co-financed by the European Union (Lubuskie Regional Operational Programme 2020). LUG has become an important partner in discussions on the shape of research and development projects in the region. By presenting its opinions and experience in the implementation of R&D projects at meetings with project supervisors, LUG is the voice of entrepreneurs in the field of innovative projects in the province. In 2020, it participated in social consultations of Lubuskie Province Development Strategy 2030. Following the outbreak of the Covid-19 pandemic, LUG Light Factory Ltd. helped the City Hall of Zielona Góra to import personal protective equipment from China thanks to its business contacts.
- Association of Polish Architects: cooperation with architects, one of the target groups defined in the Strategic Development Directions of the Capital Group. For more information on the effects of cooperation see 5.3 *Educating architects and designers in the field of lighting design*;

List of organisations of which LUG is a member:

- Lighting Equipment Employers' Association "Pol-Lighting";
- Polish Association of Listed Companies;
- Western Chamber of Industry and Commerce;
- Lubuskie Region Employers' Organisation
- Chamber of Industry and Commerce Poland – Asia;
- Chamber of Construction of the Lubuskie Voivodeship;
- Polish Chamber of Commerce for Electricity;
- Greater Poland Chamber of Construction;
- Association for Energy Development in the Lubuskie Region;
- Polish Council of Shopping Centres;



- Polish-Brazilian Chamber of Commerce;
- World Economic Forum (By becoming a member of the World Economic Forum in January 2019, LUG has become a member of the global community of companies, international organisations and other institutions that aim to improve the general condition of the world around us. As a company specialising in the design, development and production of comprehensive LED lighting solutions for professional applications such as infrastructure and urban spaces, LUG offers ready-made answers to selected challenges facing the modern world by increasing energy efficiency, reducing emissions of harmful gases into the atmosphere, and improving the safety and comfort of society);
- OVLNL Stichting Openbare Netherlands.

### 5.1 Consumer safety

When creating luminaires, LUG pays special attention to the comfort and safety of use by the customer and consumer. LUG's customers are entities purchasing lighting solutions, for example, local governments modernising street lighting infrastructure or general contractors of office, commercial, educational or medical buildings. Consumers of LUG products are all persons frequenting spaces illuminated by LUG products, e.g. people moving in public spaces or using buildings.

An area that stands out in the significance test is the issue of lighting standards and regulations, as well as safety, certification and quality standards of products. The process of delivering the highest quality goods to the customer consists of both care for the safety of product installation and its use at each stage of the life of the supplied equipment.

The luminaires produced by LUG meet all European requirements and standards which is a key condition for admitting products to the market and the basis for placing them on the EU market. The authorisation of products for sale is also regulated by two directives: Directive 2014/35/EU of the European Parliament and of the Council of 26 February 2014 on the harmonisation of the laws of Member States relating to making electrical equipment designed for use within certain voltage limits available on the market (the so-called Low Voltage Directive LVD) and Directive 2006/42/EC of the European Parliament and of the Council of 17 May 2006 on machinery (the so-called Machinery Directive).

LUG luminaires are also manufactured in accordance with the provisions of Directive 2009/125 / EC of the European Parliament and of the Council of 21 October 2009 establishing general principles for setting ecodesign requirements for energy-related products (the so-called Ecodesign Directive) which concerns energy and emission requirements and talks about levels of energy consumption so that products become increasingly environmentally friendly.

The safety of LUG products is confirmed by:

- EU Declaration of Conformity (CE);
- MA Declaration of Conformity;
- Compliance with Ukrainian standards;
- HACCP certificate;
- ENEC certificate;
- GOST certificate;
- Compliance with ISO 9001 - Quality Management System, ISO 50001 - Energy Management System and ISO 17025:2018 - laboratory recognition to perform photometric, thermal, leakage, colorimetric, electrical tests.

An additional proof of safety of LUG products are numerous other tests carried out in the LUG Group laboratory: corrosion, UV, ball impact, vibration and 3G tests, CNBOP, electromagnetic compatibility, PZH, IK, IP, GWT, ROHS certificates and others.

Selected LUG products also have certificates issued by certifying institutions on individual markets which the company operates at. The comfort and safety of users are such an important aspect of LUG product DNA that safety testing and certification have the highest priority and are extended over the minimum regulatory requirements as standard.

### **Product labelling**

As a manufacturer, LUG is obliged to correctly label the products. Luminaires are marked with rating labels which must comply with the PN-EN 60598-1 standard and additionally with the guidelines of European Union directives.

LUG labels include, i.a. the following data:

- name of the luminaire/component;
- index;
- power, voltage;
- manufacturer data;
- production date;
- order number;
- certificates;
- EAN Code;
- quality control confirmation.

### **Component quality**

Standards, which should be met by semi-finished products and components delivered to LUG, should be based on guidelines adopted and approved by the PKN national standardisation body for a given group of components, be compliant with EU directives (CE marking) and meet the declaration of material conformity with the RoHS directive. Components should be based on dimensional standards with an indicated degree of tolerance e.g. PN-EN 22768-1.

## **Compliance of products with RoHS Directive**

LUG Group's subsidiary, LUG Light Factory Sp. z o.o., takes all due care to collect declarations of conformity with RoHS Directive from its suppliers, which is also confirmed by the tests of both luminaires and components, ordered each time to an external accredited laboratory. Directive 2011/65/EU of the European Parliament and of the Council of 8 June 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment, hereinafter the "RoHS II Directive" introduces restrictions on the use of certain substances in electrical and electronic products. The provisions of RoHS II Directive have been in force since 3 January 2013 and are intended to improve the protection of human health and the environment at all stages of product life, including recovery and disposal of waste electrical and electronic equipment, hereinafter referred to as "EEE".

## **Compliance of products with the WEEE Directive**

The LUG Group shall hold a permit for production of waste coming from exploitation of the installation and shall meet the requirements concerning utilization of electronic equipment.

Rach declaration of conformity attached to a luminaire includes information that the LUG products are compliant with:

- Directive 2011/65/EU of the European Parliament and of the Council of 8 June 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment ( . OJ of the EU L 174, 01.07.2011, p.88, as amended)
- Directive 2009/125/EC of the European Parliament and of the Council of 21 October 2009 establishing a framework for the setting of ecodesign requirements for energy-related products ( OJ of the EU L 285, 31.10.2009, p. as amended)

All products of the LUG Group are marked with the crossed out basket symbol. This symbol means that waste from used equipment should not be mixed with other waste. Waste electrical and electronic equipment should be handed over to a company which has been granted an administrative decision regarding the collection of this type of waste.

The LUG company documents the processes connected with waste management and also reports the produced equipment and introduced packaging in the Waste Database (BDO).

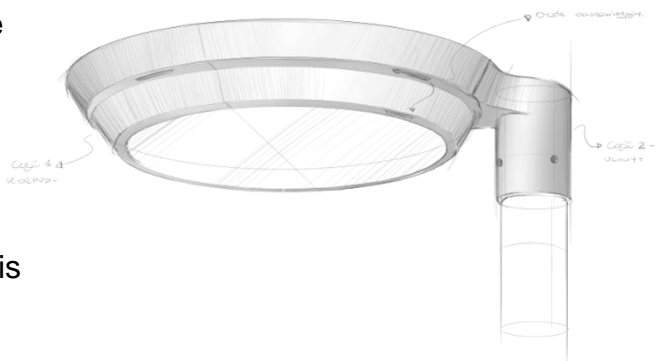
The LUG Group uses the services of Elektroeko, an electronic and electrical equipment recovery organization, which takes over the statutory obligations of introducing electrical equipment from LUG. In 2020, the weight of luminaires placed on the market was 726,200 kg.

## **Luminaire installation**

In most cases the luminaires supplied by LUG are installed by third parties whom the Group does not maintain a contractual relationship with.

In such cases, the responsibility for the installation of the luminaires rests with the contracting entity. In some cases, including as a result of public procurement processes, the responsibility for the installation of the luminaires rests with LUG, if the company has been specified in the order as the General Contractor and a party to the contract. The contractor is selected in such a procedure on the basis of the criteria indicated in the Terms of Reference – these are most often the price, the declared warranty period, the order completion date, the installed capacity achieved as a result of the investment, etc. In such cases LUG does not act directly as a sub-contractor-installer, but rather employs installation and assembly companies under a sub-contractor agreement for the duration of the implementation and entrusts this type of work to be performed. Within the LUG S.A. Capital Group, the function of an installation and assembly company may be entrusted to LUG Services, or this company may act directly as a General Contractor.

The LUG Group is directly supervised by the Ordering Party, which may carry out the supervision on its own or commission the Investor's Supervision Inspector (such obligation is specified in the building permit, but there is no obstacle to using such a feature freely). The care for OHS standards is regulated by law, and subcontractor's responsibility for subcontractor's employees rests with the subcontractor. This obligation is governed by the Contractor-Subcontractor agreement.



### **Association of Lighting Equipment Manufacturers “Pol-Lighting”**

LUG is an active member of the Association of Lighting Equipment Manufacturers, “Pol-Lighting”, which brings together leading manufacturers of light sources and professional lighting equipment and works to increase the innovation and competitiveness of the lighting sector, cooperates with government administration bodies, sectoral scientific and research institutes and other industry organisations. It also serves to exchange experience, expertise and solutions that allow all members to develop their own know-how.

One of the activities carried out by Pol-Lighting is the promotion of LED technology and cooperation with market surveillance authorities so that the impact of products from third countries on the Polish market takes place in a controlled manner, i.e. that products allowed to be sold in Poland are compliant with EU standards and Polish legislation. The Association also takes steps to eliminate acts of unfair competition and to support the development of free competition on the basis of European Union regulations and Polish laws. It creates an environment for the development of the lighting industry in the Republic of Poland and is the organiser of the Lighting Product Quality Monitoring Programme as part of the fight against unfair competition. This programme relates to light sources, LED luminaires and special purpose luminaires and is intended to provide unannounced manufacturer testing of products available

on the market in order to verify the declared technical and quality parameters. This programme continued in 2020 and was part of the effort to counteract the flooding of the Polish market by low quality products from China. The effectiveness of the programme is confirmed by 13 proceedings before Office of Electronic Communications (UKE) in the period between March and July 2020. In addition, members of the Association are involved in raising the level of knowledge about lighting quality among consumers, local authorities and other state organisations, legal entities, subcontractors, architects and installers. Particular attention is paid to ensure that, based on the experience of Pol-Lighting members, the new regulations support investment in the highest quality lighting solutions, eliminating low-quality products that do not meet basic standards and mislead users.

LUG, together with other members of the Association, supports the activities and research that are carried out to improve the quality of available lighting products, eliminate double product standards, erroneous markings and improve electromagnetic compatibility (EMC), meaning the ability of a given device or system to work properly in a specific environment.

In 2020, the Association actively monitored the market and controlled digital platforms, through which lighting products are increasingly reaching unaware consumers. It also actively participated in the development of recommendations for the anti-crisis shields in the first half of 2020, as well as in the development of the assumptions of the Plan for subsidizing local governments the revenues of which were depleted as a result of Covid-19.

LUG Light Factory Sp. z o.o. together with Pol-Lighting takes an active part in the works of Lighting Europe also in the scope of legislation concerning the safety and quality of lighting products and in the works which are carried out together with the European Commission in order to create legal mechanisms encouraging investment not only in energy-saving lighting, but above all in lighting concentrated around the needs of people and nature, i.e. *Human Centric Lighting* (HCL). In 2020, *Ecodesigned/ Energy Labelling* guidelines were created together with *Lighting Europe* experts (*Guidelines* for March 2021).

In 2020, Pol-Lighting's activities focused on testing light sources and LED luminaires. The test results showed which LED luminaires did not meet the requirements of the EMC standard and the measurement of the voltage of conducted disturbances, as well as calibration errors (non-compliance with the declarations of the product introducing the product on the market). In addition, the tests showed which light sources did not meet the requirements with regard to the value of the luminous flux, energy efficiency EEl and correct marking of the declared power by the manufacturer/importer.

Pol-Lighting conducts an effective dialogue with institutions and offices such as the Office of Competition and Consumer Protection (UOKiK) and the Office of Electronic Communications (UKE) within the framework of EU projects, which examine and control lighting products. Thanks to the new Act on Conformity Assessment and Market Surveillance, the President of the Office of Competition and Consumer Protection and the President of the Office of Electronic Communications have the right to impose fines on anyone introducing a non-compliant product by way of an administrative decision.



In addition, in 2020, Pol-Lighting has acted in the interest of raising additional funds for infrastructure improvements, including but not limited to road safety improvements (illuminating pedestrian crossings) and has pushed for new SOWA LED programs and harnessing the potential of improving the energy efficiency of Poland by replacing lighting on the road and in public buildings as part of the Long Term Renovation Strategy (Renovation Wave). Renovation Wave includes the preparation of key principles for building renovation in cooperation with Lighting Europe, also by focusing on lighting in the dialogue between the European Commission and the European Parliament. Pol-lighting activities in 2020 also concerned the submission of comments to the DSA Digital Service ACT - the Code of Digital Services to increase the identification of online entry of electrical products (E-bay, Allegro, Amazon) and the procedure for notification of products that do not meet the requirements of the standards under investigation in the DSA (faster verification process by a digital platform).

*[S.11.1]* In 2020, there were no violations of procedures regarding the safety of products and services in the LUG S.A. Group.

*[S.11.2]* In 2020, no proceedings were initiated, completed, or pending against companies from the LUG S.A. Group conducted by the Office of Competition and Consumer Protection or similar offices in other countries. There are also no penalties for non-compliance with laws and regulations.

*[S.12.1] [S.12.2]* In 2020, there were no cases of non-compliance with regulations and voluntary codes concerning marketing communication at LUG. There were no administrative cases pending against LUG for non-compliance with the law and regulations on issues related to the reliability and ethics of marketing communication.

*[S.14.1] [S.14.2]* In 2020, there were no cases of non-compliance with the labelling of LUG products, and no administrative proceedings were conducted against LUG due to incorrect labelling.

## 5.2 Savings in local government budgets

One of the important groups of stakeholders and main groups of LUG customers are local government units which the LUG product offer is also addressed to. Among LUG products there are a number of solutions related to public space and infrastructure lighting or Smart City technology which can significantly translate into budget savings for local governments.

Budget savings for local governments are particularly important due to the current situation in the Polish energy sector related to the obligation resulting from the Energy Efficiency Directive 2012/27/EU which mobilises EU countries to reduce electricity consumption by its consumers by 1.5% every year between 2014-2020. In addition, 2019 saw a drastic increase in energy prices in Poland due to rising CO<sub>2</sub>emission costs, and the upward trend continued in 2020 and is projected to continue in the following years as well. Budgetary savings are also particularly important in the context of the COVID-19 outbreak in Poland and worldwide

which occurred at the beginning of FY 2020 and resulted in reduced local government budget revenues.

Both the use of LUG lighting products and innovative smart lighting systems can improve energy efficiency and reduce electricity consumption. This is due to the LED technology applied in all LUG lighting products, which is the most energy-efficient, and innovative smart lighting systems allow for automation of lighting control, e.g. in terms of matching the power of street lighting to traffic and conditions. This makes it possible to generate savings on electricity consumption of up to approx. 70% compared to the cost of lighting before modernization.

Dynamic changes in public spaces that are currently underway and are expected in the future are one of the main areas of LUG's interest. In order to be able to actively co-create strategies of the cities of the future and participate in the process of city lighting modernisation based on the best smart lighting solutions, a subsidiary of the LUG S.A. Capital Group – BIOT Sp. z o.o. is developing proprietary solutions in the Smart City area. The developed system is the neural basis of the smart city of the future. This is a natural first step towards *Smart City* solutions and the basis for the further development of smart functions that will be made available gradually within a single platform.

A model example of lighting modernization investment bringing savings of PLN 17.5 million annually is the replacement of nearly 40,000 luminaires in the capital city of Poland which will be carried out by LUG in 2021 and 2022. The tender for replacement of lighting in all main streets of Warsaw was settled in December 2020, whereas in January 2021, the Issuer's subsidiary, LUG Light Factory, signed the contract. New lighting fixtures will make the streets of Warsaw brighter, safer and more ecological, because electricity costs as a result of modernization will be reduced threefold which will generate annual savings of about 33.1 GWh. The PLN 17.5 million a year reduction in electricity costs will allow the investment to pay for itself in just over two years. Replacement of luminaires will reduce carbon dioxide emissions by 30,000 tons per year. The amount of sulphur and nitrogen oxides and dust emitted will also be reduced. Moreover, each energy saving investment is connected with obtaining a certificate from the Energy Regulatory Office which can be traded on the Polish Power Exchange. That's where the coal-fired power companies buy them. By replacing the luminaires with LEDs Warsaw will gain a certificate which is estimated at around PLN 4.7 million. The capital city of Warsaw plans to replace 43,000 luminaires altogether - it will be the biggest project of this kind in Poland and one of the biggest in Europe.<sup>4</sup>

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<sup>4</sup> <https://zdm.waw.pl/aktualnosci/warszawskie-latarnie-beda-eko-i-smart-ile-zaoszczedzi-warszawa-co-gain-warshawawites/>  
31.12.2020

### 5.3 Educating architects and designers in the field of lighting design

Architects play a special role in the process of conception of application of the LUG Group product solutions. It is they who, at the stage of creating a conceptual design of a building or public space project, make the first decisions enabling the use of LUG luminaires in a given project. It is also down to the skills and competence of architects and their collaboration with lighting designers to ensure that the lighting system designed for a building or public space is effective and meets the future needs of users.

LUG appreciates the direct influence that architects and designers have on the development of the product offer. In order to develop and clearly define the framework of cooperation, the Architect Support Program was created at LUG.

With its own design team, LUG provides support to interested architects and designers in providing training services and substantive support. In addition, for several years, LUG has been cooperating with reputable companies providing tool palettes for architects, designers and graphic designers. The result of the joint activity is comprehensive support for the above-mentioned professional groups in the field of all kinds of architectural models.

Cooperation within the Architect Support Program allows us to adjust and optimise solutions to individual needs. The end results of the cooperation are:

- savings in the design phase;
- ROI analysis;
- cost and energy optimisation.

As part of cooperation with architects, LUG also organises training programs. In 2020, approximately 108 training hours were devoted to training architects. The following elements can be distinguished within the Architect Support Programme and activities conducted by LUG to improve the Programme in 2020:

- BIM – support for specific customers and cooperation with digital technology portals within construction visualisation and taking care of placing objects made in this technology on them;
- cooperation with architectural organizations and participation in events organized by them (e.g. SARP Zielona Góra, Architecture Days with Maison Européenne de L'Architecture);
- webinars – organised in cooperation with external partners;
- competitions (e.g. LUG Best Project Contest for architects and interior designers);
- participation in lighting trade fairs and organisation of own events to broaden the network of contacts, consolidate the brand in the awareness of partners from the industry and to gain new customers and build lasting relationships with them.

BIM training, including:

- certified training for architects;
- participation in industry organisations.

#### 5.4 Local communities

The materiality test carried out showed the high significance of relations with local communities. The LUG Group, operating in Zielona Góra, has been influencing the community of the entire region for many years and at the same time is influenced by the phenomena taking place in the community of the Lubuskie province. Based on the high standards of management and transparency of the conducted dialogue defined also in the “Tree of Values”, the Capital Group develops a clear framework for cooperation aiming at achieving mutual benefits. By operating on many levels, LUG has a wide area of influence on the local community. This consists of:

- Conducting multi-directional business activities, LUG offers various job offers and career development paths in an enterprise with an international reach and a high standard of work.
- With the location of its operations, LUG creates a unique environment for cooperation for local governments.
- The unique experience in the field of architecture and lighting, which LUG specialists have, is invaluable capital, which can be used by local scientific institutions, such as the University of Zielona Góra.

The agreement concluded with the government of the Province of Misiones in Argentina and the opening of a factory in Posadas in 2018 meant new jobs for the local community, and therefore the beginning of building relations between LUG and the local community in the region. Activities initiated in 2018 and continuing in 2019 aimed at labor activation of residents of Posadas Province were blocked during the reporting period due to the COVID-19 pandemic. Trainings for LUG Argentina SA employees conducted so far have been suspended for the duration of the factory lockdown, information campaigns have been held on a limited basis due to the significant risk of SARS- CoV-2 virus infection and the economic restrictions commonly implemented. The further mode and extent of cooperation in this area is closely correlated with the development of the pandemic in Argentina.

**[S.9.3]** There was no uniform policy in the social area in the LUG S.A. Capital Group in the reporting period. Activities in the social area of the companies of the Capital Group are regulated by the adopted LUG Code of Good Practices and the strategic development directions of the Capital Group. Companies of the Capital Group conducting operational activity – LUG Light Factory Sp. z o.o. and LUG Argentina SA are holding monitoring and dialogue with local communities. The principles adopted in the social area of LUG Argentina SA are regulated by the provisions of local Argentinian law.

**[S.9.1] [S.9.2]** In 2020, LUG showed no negative impact of company’s operating activities on the local community, and no complaints were received against the activities of the companies of the LUG S.A. Capital Group from the local community.

The activities carried out by LUG, described in chapter 3.8. *Management Systems*, also bring effects within the cooperation with entrepreneurs operating in the local community.

Cooperation with the local community in Zielona Góra also has an educational dimension. In 2018, LUG participated in the “Modernisation of vocational education in the City of Zielona Góra – projects implemented outside the ITI formula” project organised by the Western Chamber of Industry and Commerce. Within this project, internships were organised in order to acquire skills to practice the profession without establishing an employment relationship. In addition, the effect of the Starter Job 2018 project was that in 2019 students from the Electronic School Complex were accepted for internships. In 2019, the Job Starter programme was not continued, but the relations established in previous years allowed for the start of talks with selected people about starting cooperation in the future. This was not addressed in 2020 due to the unprecedented situation of the Covid-19 pandemic outbreak.

As part of fulfilling the statutory obligation related to the management of packaging and packaging waste, educational campaigns were conducted in 2020 on behalf of LUG by an external company, Biosystem, which carried out the following activities:

- The "Turn on your Eco Imagination" campaign;
- Educational campaigns targeted at users of packaged products, electrical and electronic equipment and batteries and accumulators.

### **Charity and sponsorship**

One of the elements of building relations with the local community is the charity activity conducted by LUG. It takes the form of earmarked donations of funds for purposes implemented by non-governmental organisations and support in kind.

*[S.9.4] [S.9.5]* In the financial year of 2020, LUG S.A. Capital Group made donations for social purposes in the total amount of PLN 34,100 (compared to PLN 40,600 in 2019). Among the recipient organisations and institutions were:

- Ludzie dla Ludzi (People for People) Association; Mecenat Złotego Serca (Patronage of the Golden Heart);
- Our Children's Association;
- Karol Marcinkowski University Hospital in Zielona Góra;
- Lighting fixtures donated to the City of Zielona Góra;
- Zielona Góra Fire Department Headquarters.

In addition, LUG Light Factory Sp. z o.o. has supported various individual benefits and provided in-kind support which has so far taken various forms, e.g. funding of T-shirts for volunteers of the Great Orchestra of Christmas Charity (WOŚP) in 2017-2019 and protective masks in 2020.

*[S.9.5]* In 2020, due to the ongoing Covid-19 pandemic, the LUG Group has not had the opportunity to participate in trade shows and industry events on the scale seen to date. The biggest event of 2020 was supposed to be the lighting industry trade fair, Light+Building, in Frankfurt am Main the original date of which was set for 8-13.03.2020. However, as a result of the outbreak of the Covid-19 pandemic, the event has been cancelled, with the next edition of light+building taking place in line with the two-year cycle, i.e. 13-18 March 2022.



Within the preparations for the cancelled edition of the fair, the LUG Group incurred costs in the amount of PLN 839,000, out of which PLN 573,000 were transferred and will cover the costs of participation in the next edition.

In 2020, costs of approximately PLN 65,000 were incurred. The Company had the opportunity to participate in such projects as:

- Conference of the Society of Polish Town Planners: "The Light and Shade";
- Architecture days in France;
- Sakho Valo Fair in Finlandia;
- Polish Economic Exhibition (PWG);
- PROCAD expo (online) -- Lighting in the BIM world;
- BIM Architect's Tools - a workshop for the Chamber of Architects in Peru;
- Digital UVC Conference London.

The LUG Group focuses its activities on events that provide space for a substantive debate on the role of professional lighting solutions, IoT technologies, *Smart Lighting* and *Smart City* in such areas as architecture, design, infrastructure, development of urban/public spaces. As an industry leader with 30 years of experience, LUG experts share their know-how and promote good practices among the stakeholders involved in the implementation of projects in the areas mentioned above, offering them professional support in their undertakings.

**[S.9.6]** In 2020, due to the SARS-CoV-2 pandemic, all employee volunteer activities have been suspended.

### **Support for local hospitals in the fight against the COVID-19 epidemic**

At the beginning of 2020, the LUG Group supported medical facilities and services in Lubuskie Voivodeship in the fight against the COVID-19 epidemic by providing equipment necessary to ensure the safety of medical workers.

In March this year LUG Light Factory Sp. z o.o., importing personal protective equipment for its own business, handed over the protective suits for testing free of charge to the employees of the Voivodeship Ambulance Station in Zielona Góra. The medical personnel commented very positively on the tested personal protective equipment.

At the turn of March and April 2020, the LUG Group emphasized its commitment to supporting local communities by responding to the appeal of the authorities

Using our many years of experience, contacts and know-how, our team was able, at the request of the local authorities of Lubuskie Province and Zielona Góra, to effectively coordinate the purchase and import of the necessary personal protective equipment for Lubuskie medical units.

**Ryszard Wtorkowski,**  
President of the Management Board



of the Lubuskie province for help in purchasing and importing to Poland personal protective equipment such as gloves, overalls and masks necessary for medical personnel to work in Lubuskie hospitals. Thanks to the direct involvement of the LUG S.A. Capital Group, equipment for approx. PLN 5.5 million was delivered to the Lubuskie Province - in total 12,5 tons of protection means (1089 cartons i.e. 90 m<sup>3</sup>).

The company, using its international experience and business relations in the Far East, coordinated the entire process of purchasing and preparing the transport of 50 tons of personal protective equipment to Poland from Asia. All possible contacts were made so that the transport for the Lubuskie province could reach the airport, be checked in and after overcoming additional obstacles fly to Poland.

The equipment included:

- 1,000,000 pairs of gloves;
- 150,000 masks;
- 35,000 goggles;
- 25,000 complete protective suits;
- 4,000 visors.

Organising such a large amount of personal protective equipment was not an easy task, as all the countries affected by COVID-19 searched for medical equipment in China and outbid the previously submitted offers. The imported means of protection are gradually being transferred to the health centres in Zielona Góra, and they were also distributed in several locations to the local community. On behalf of LUG Light Factory Sp. z o.o., the operation was coordinated by Mariusz Ejsmont, Vice-President of the Management Board, with his team.

At the beginning of 2021, our company, LUG Light Factory, joined the group of Supporting Members of the Polish Association of Private Hospitals (OSSP) and members of the Polish Hospital Federation (PFS). These are two independent organisations whose goal is to support Polish health care in both the public and private sectors. Through its membership in the National Association of Private Hospitals (OSSP) and Polish Hospital Federation (PFS), LUG Light Factory wants to actively support the Polish health service, also in the area of counteracting the risks associated with SARS-COV-2.

## 5.5 Other social issues

In 2020, with the high standards of its activities, LUG was nominated and received the following awards:

Award	Description
<b>The Best Innovator within the Good Company Programme</b>	Within the Good Company programme, the Association of Entrepreneurs and Employers selected the best companies of Lubuskie Province. The awardees were companies from the development, medical, electrical, food, training, and industrial sectors. The title of the Best Innovator in the category of medium and large companies went to LUG Light Factory Sp. z o.o., a member company of the LUG S.A. Capital Group.
<b>“Złota Strona Emitenta XIII” (The Golden Side of the Issuer) nomination for LUG S.A.</b>	LUG S.A. Was nominated in the contest organized by the Polish Association of Listed Companies in the "Leader of online communication" category.
<b>Polish Company – 2020 International Champion</b>	The Polish Company - International Champion competition is a unique event that promotes not only the activity of Polish companies on International markets, but also stresses that they compete effectively with foreign companies on a daily basis, while building

	positive image of Poland on the international arena. In 2020, LUG received an honourable mention in the 9th edition of the Polish Company - International Champion competition in the Ecology Promoter category on foreign markets.
<b>EcoVadis silver medal</b>	In 2020, the LUG Group underwent a sustainability audit based on the methodology of the EcoVadis international platform. LUG received 60% of the total score and a silver EcoVadis medal which places LUG among the 25% of the best evaluated companies in terms of sustainable development issues.
<b>Finalist of the "Good Design 2020" competition</b>	The INTO LED luminaire family and the AVENIDA BOLLARD LED luminaire have qualified for the finals of the Good Design competition organised by the Institute of Industrial Design (IWP) in order to select the best designed products and services. A committee of experts appointed by the Institute of Industrial Design chose 114 products and services which represent the best design on the Polish market. These products will be presented during the final "Good Design 2020" exhibition.
<b>Climate Aware Company</b>	For the second time, LUG S.A. has been included among the companies awarded with the title of the Climate Aware Company, obtaining the third result among 151 largest companies in Poland in the second edition of the Crisis Climate Awareness 2020 survey organized by the Reporting Standards Foundation, the Polish Association of Listed Companies and Bureau Veritas Polska.
<b>Award by the World Economic Forum (WEF)</b>	The World Economic Forum has published an article on its website addressing best practices for companies to survive the coronavirus crisis. LUG Light Factory – recognised by the WEF as a dynamic and forward-thinking enterprise – served as an example of a company whose quick response and ability to adapt to market needs helped it find a new direction in response to the coronavirus pandemic. The effect of the undertaken actions by LUG Light Factory are PURELIGHT LUG solutions - a new family of UV-C luminaires ensuring effective surface and air sterilisation from dangerous microorganisms. Fully designed, implemented and manufactured in Poland, UV-C lamps are used both in the public and private sector, including medical facilities, educational and public administration institutions and means of transport. As the WEF article points out, such an effective response would not have been possible if it wasn't for 30 years of experience in lighting industry and know-how of the whole team of LUG specialists.

## Financial support from public authorities

**[S.1.1]** The value of public aid obtained from the state by the LUG Group in 2020 amounted to PLN 3.09 million (in 2019 it was PLN 3.6 million).

In 2020, LUG Light Factory continued its activity in the field of intellectual and industrial property protection as a result of conducted research and development work and implementation. In 2020, 9 registered Community designs were filed with the European Union Intellectual Property Office (EUIPO) and the second stage of the European patent procedure by the European Patent Office (EPO) began, including a full substantive examination and patent grant of the 4 inventions filed for patenting in 2018.

In 2020, the implementation of the project co-financed from national funds of the National Centre for Research and Development was continued under Measure 4.1. Scientific research and development works of the Intelligent Development Operational Programme 2014-2020, "Industrial research and experimental development work on the development of a safe lighting point". During the reporting period, industrial studies were carried out on

development of new street lighting solutions. In the second half of 2020, development work began in the form of crash tests allowing for the testing of luminaire design solutions in real conditions. The project which has a total value of PLN 5,249,832.36 and the amount of funding: PLN 3,827,141.04 is implemented within a consortium and assumes close scientific cooperation with research units, popularization of research results and 4 patent applications. The aim of the project is to develop an innovative, safe lighting pole integrated with a luminaire which constitutes a so-called Safe Lighting Point (BPO). The project will last until mid-2021.

In July 2020 LUG Light Factory Sp. z o.o. started the realization of the project titled: Industrial research and experimental development on the development of lighting solutions in the field of personalization of lighting, taking into account chronobiology - possible to imply in innovative luminaires, co-financed by the European Union from the European Regional Development Fund under the Regional Operational Programme Lubuskie 2020 in the amount of PLN 2,324,289.99 with a total value of: PLN 4,315,418.76 The project involves the development of innovative HCL (Human Centric Lighting) luminaires and the introduction of new luminaire functionalities focused on HCL lighting technology. It will last two years. The project is planned to create new jobs, product innovations, patent applications and design claims, scientific cooperation and diffusion of innovations.

In late 2020, the Company was selected as a subcontractor for the research and development project "Use of UV-C technology to reduce the transmission of SARS-CoV-2 virus and limit the transmission of infections in hospitals" in connection with the receipt by the Multispecialist Hospital in Gorzów Wielkopolski of a grant for the "Support of single-name hospitals in the fight against the spread of SARS-CoV-2 virus infections and COVID-19 treatment" project funded by the National Centre for Research and Development (NCBiR). LUG's task in this project is to conduct part of substantive research on the system for surface and air disinfection using UV-C devices, in order to reduce the transmission of SARS-CoV-2 virus and limit the transmission of infections in hospitals. Research work will begin in 2021. The value of the research order is PLN 937,260 gross.

Moreover, in 2020, the LUG Group took advantage of the so-called anti-crisis shields from the prolongation of payments to the Social Insurance Institution (ZUS) for the months of February, March and April, whereby the payments for February and April were postponed and then spread into 5 instalments. Payment for March was deferred and then paid in June. LUG also received financial support from the Guaranteed Employee Benefits Fund (FGŚP) of a total amount of PLN 2,635,000 where the salaries of employees not covered by the economic downtime or with reduced working hours due to the decrease in turnover of the Covid-19 occurrence were subsidized.

*[S.15.1]* The actual liabilities rotation period in the LUG Group in 2020 was 53.34 days (in 2019 it was 47.64 days). Increased rotation in relation

to 2019 is the result of negotiating longer payment terms with suppliers and the Group's use of trade credit (late payments).

*[S.15.2]* The actual receivables rotation period in the LUG Group in 2020 was 66.01 days (in 2019 it was 62.07 days). The extension of the receivables turnover period results from the execution of contracts with longer payment terms and greater payment delays.

*[S.15.3]* The LUG Group does not use standardised payment periods in contracts with suppliers, they are negotiated each time between the parties.

*[S.15.4]* In 2020, 99% of budgetary and financial obligations were paid on the contractual date. Trade and other payables were met on time at a level of 20%.

*[S.15.5]* In 2020, no proceedings related to anti-competition and anti-market behaviour were pending against LUG.

## **5.6 Significant risks related to social issues**

No significant risks in the social area were identified as part of the materiality testing performed.



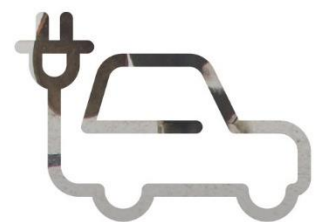




2020



**EMPLOYEE  
ISSUES**



## 6 Employee issues

HR mega-trends have changed radically in recent years. More and more young people entering the labour market are beginning to perceive the success of a company not only in financial terms. The areas behind the slogans mission, responsibility and transparency are becoming the basis for valuing companies on the market. These values are developed with the participation of employees over the years, therefore LUG recognises the importance of older people in the company as valuable employees with extensive knowledge and many years of experience who contribute to its dynamic development.



The trend of internationalisation, which has been developing in recent years, also opens the way for a freer flow of human capital, posing new challenges for employers. In order to meet the expectations of stakeholders, LUG strives to improve its approach to HR management.

Due to the heterogeneous structure of the LUG S.A. Capital Group, there is no uniform personnel policy, common for all entities in the Group. A personnel standardisation policy functions in the biggest company of the Capital Group – LUG Light Factory Sp. z o.o. This is the biggest employer in the LUG Group, which conducts recruitment for the remaining subsidiaries.

The policy at LUG Light Factory Sp. z o.o. consists of the following regulations, procedures and instructions:

- Work Regulations of LUG Light Factory Sp. z o.o.;
- Regulations of Employee Remuneration of LUG Light Factory Sp. z o.o.
- Regulations of the Company Social Benefits Fund (ZFŚS) of LUG Light Factory Sp. z o.o.
- Training procedure;
- Recruitment instructions;
- Occupational Health and Safety Policy;
- Onboarding procedure.

At the turn of 2019 and 2020, LUG Light Factory Sp. z o.o. introduced the Occupational Health and Safety Policy, based on the requirements of the OHSAS 18001:2007 standard and the main principles observed in the company. Along with the audit performed in the 1st quarter of 2021, LUG Light Factory Sp. z o.o. received the ISO 45001:2018 certificate which, replacing the OHSAS 18001:2007 standard, constitutes the basis for the current LUG Health and Safety Policy. Over the course of 2019 and 2020, the Onboarding Procedure, developed and implemented by the LUG Training Section and the cooperating units involved in the introduction of new employees from the moment of employment, was also implemented.

In 2020, all companies of the Capital Group complied with the adopted LUG Code of Good Practices which provides the employees with information on

internal cooperation standards and ethical principles applicable at LUG. Both the LUG Code of Good Practices as well as the Code of Ethics of LUG S.A. is discussed in more detail in chapter 3.7. *Ethics and human rights at LUG*.

Due to the differences in the legal systems, there are no Work Regulations in force that regulate the issues of employment conditions for employees at LUG Argentina SA.

**[S.3.1] [S.3.2]** In 2020, there were no trade unions in LUG S.A. Capital Group companies and no employee councils were established. In the case of LUG Argentina SA, local law stipulates that production workers automatically become members of the metalworkers' union when hired for an indefinite period of time. As at 31.12.2020, this situation concerned six production employees.

**[S.3.3] [S.3.5]** In 2020, the function of the representative of the LUG Light Factory Sp. z o.o. was performed by an employee who has held this position for many years. In 2020, there were no strikes in the LUG Group companies.

The LUG Group provides the opportunity for its employees to undertake flexible working hours which was clearly reflected in 2020 where, in the wake of the COVID-19 pandemic, most administrative staff had to be moved into remote working mode. Each case and request for remote working is considered individually depending on the needs of the employees and the capabilities of the employer.

## 6.1 LUG in the face of the COVID-19 pandemic

In response to the epidemic state introduced in March 2020 in connection with the SARS-CoV-2 infections in Poland and the unpredictability of the situation related to COVID-19, the Management Board of LUG S.A. Capital Group has introduced procedures of conduct, a savings plan, as well as appointed a crisis team which continuously monitors the development of the epidemiological situation in the region, Poland and worldwide.

### Impact of the pandemic on the lighting industry

According to the Polish Lighting Association, the COVID-19 pandemic will hinder the development of the economy in Poland and Europe which may have a negative impact on the Polish lighting industry due to the projected decline in consumption, troubles in the tourism industry, trade and catering. In addition, due to the large expenditures cities and municipalities incur during the pandemic period, road investments are projected to be reduced. In turn, a positive driver for the lighting industry could be the increase in demand for UV-C lighting which is used for air decontamination and surface disinfection.

### The impact of the pandemic on LUG

The Covid-19 pandemic, announced in the first quarter of 2020, to be faced throughout 2020, and the economic austerity measures being implemented around the world, have forced a shutdown of the manufacturing plant in Argentina between 30.03.2020 and 05.05.2020. After a temporary lockdown, the production facility



in Argentina, however, returned to its previous activities. Moreover, as part of the regional office cost optimisation project, the work of selected offices in Poland was reorganised and some of them were liquidated or their space was reduced.

The dynamically changing situation and restrictions introduced by countries caused the traditional sales meetings in a stationary form to move to the Internet which, on the one hand, made it more difficult to build relationships with potential customers, and on the other, reduced the number of business trips and face-to-face meetings with business partners, thus reducing sales costs and increasing the time of online availability and communication with business partners.

### **The impact of the pandemic on work organization at LUG**

LUG Group's priority is to ensure the continuity of services and to guarantee safe working conditions for its employees. Identifying the needs arising as a result of the Covid-19 pandemic and out of concern for the health of the LUG S.A. Capital Group employees, a number of instructions and preventive measures were adopted in order to minimize the risk of the SARS-CoV-2 spreading:

- Instructions for prevention of coronavirus (SARS-CoV-2) infection risk:
- Instructions for handling a suspected coronavirus (SARS-CoV-2) infection in an employee.
- Instructions for employee's temperature measurement;
- Instructions for mandatory application of protective measures in relation to the SARS-CoV-2 infection risk.
- Instructions for use of personal protective equipment.
- Instructions for returning to work after an absence due to SARS-CoV-2 prophylaxis;
- User Manual for thermovision system devices in LUG Light Factory Ltd.

Procedures and other activities carried out resulted in the following changes in the way of functioning and organization of work:

- together with the dynamically changing epidemic situation in the country, Company's Management Board made decisions to direct employees, whose nature of work allowed them to do so - to work in a remote mode, the so-called *home-office* mode. In addition, during the closure of schools and kindergartens, remote working was made possible for all employees who wanted to take advantage of the possibility to stay home with their child while still wanting to work.
- the possibility to use body temperature measurement was introduced - thermometers were made available to persons responsible for organization of work in particular areas, while at the entrances to the building thermovision cameras were located to automatically check the body temperature of persons entering the building and transmit information on detection of increased temperature to the persons who were obliged to perform surveillance in this respect.
- disinfectant dispensers have been distributed throughout the plant and regional offices and are located in circulation areas and toilets,

kitchens, conference rooms and lobbies and supplies of hand and surface disinfectants were purchased;

- personal protective equipment was made available to employees, including: masks (surgical, FFP3, FFP3 with filter), visors, protective nitrile and latex gloves, disinfectants (for hands, surfaces, for personal use in case of employees whose work requires leaving the stationary workplace). The company has protective overalls and protective goggles - they are provided as required in accordance with the applicable rules;
- PURELIGHT LUG FLOW UV-C flow lamps were installed in office and social rooms, and, if possible, in the production hall. They ensure constant and safe air decontamination, purifying it of viruses, bacteria and microorganisms in it;
- changes have been made to the distribution of jobs in office and manufacturing space. Off-duty desks were separated and marked so as to maintain an appropriate social distance, plexiglass partitions were installed between desks, additional office work areas were established, and clear marking of work areas at assembly tables in the shop floor was introduced;
- rules were introduced related to the use of canteens and kitchen space, including: the principle of 1 table - 1 chair - 1 person, the schedule of use of canteens for individual departments/teams to limit the number of people staying in one room and prevent employees from mixing between organisational units. Means have been placed in canteens to allow additional self-disinfection of surfaces;
- an automatic hand disinfection system was introduced, combined with an access control system to individual areas of the building (opening doors or allowing entry only after disinfecting hands and using a magnetic card) - it operates in the administration and production areas;
- disinfection of all doorknobs, handrails, taps, cisterns by cleaning staff - every hour with the use of biocide has been introduced. In addition, cleaning staff disinfect all desks and flat surfaces with disinfectant at the end of each work day;
- the duration of individual shifts (production area) was modified so that employees of individual brigades/shifts could maintain social distance in social rooms and in the immediate vicinity of the workplace (e.g. at a bus stop), and to limit contact between shifts. Smaller teams working more shifts were organized;
- in consultation with the Municipal Transport Company in Zielona Góra, an individual schedule of departures of the municipal bus was established so that Company's employees could travel without contacting employees from other workplaces located in the industrial zone;
- internal and external meetings were limited to an absolute minimum, it was recommended that meetings be held remotely, via



platforms for electronic communication, the organisation of a *face to face* meeting requires specific justification and the required consent;

- an instruction on returning to work after an absence in connection with coronavirus (SARS-CoV-2) prophylaxis was introduced which, especially during the holiday and holiday period, including winter holidays, made it possible to organise and obtain information from employees related to the possible risk of the virus infection;
- a procedure was introduced concerning visits of persons who do not perform their tasks in Company's buildings, including the obligation to collect statements from external guests containing information on the possibility of contact with an infected person. The content of the statement obliges to provide contact details to allow contact after obtaining information about possible contagion among people whom the guest had contact with;
- stationary employees, in accordance with Company's instructions, every day after finishing working hours, take home computer equipment together with the necessary accessories, i.e. charger, mouse, headphones. The above is intended to allow remote work without the need to pick up the equipment from the workplace (and thus without unnecessary contact with co-workers) in a situation where information about the presence of an infected person at work was received during hours beyond the normal operating hours of the Company.
- the possibility of taking business trips has been significantly restricted to travels necessary for the proper performance of a contract concluded by the Company; all such travels should be made in accordance with the guidelines applicable at the Company which also provide for obtaining appropriate consents of two Members of the Management Board at the request of a superior;
- a so-called isolation site has been set up on Company's premises which a person suspected of being infected with coronavirus is referred to. The isolation site is equipped with a so-called protective package consisting of a protective suit, FFP3 masks, goggles, gloves, a thermometer and additional disinfectant;
- limiting business trips and direct meetings with business partners and encouraging employees to use online tools;
- starting work on a series of webinars to keep stakeholders and customers of the Group up to date with current company events.
- optimising the work of production staff and reducing staff density in order to maintain production continuity and employee safety;

Company's employees and collaborators are informed on an ongoing basis about the procedures adopted by the Company and the guidelines on proper conduct through an informational e-mail campaign (all employees/cooperating entities that have a company e-mail address), informational posters placed in the plant and instructions and explanations provided by superiors. In addition, the contents of these documents are displayed in canteens and social rooms so that every employee (administrative and production) can familiarize themselves with them. The company also points to a number of infographics posted on the front doors of the building, in the hallways,

in social rooms and other common areas (these include magnetic boards, e.g. on fridges, posters). Through the distribution of the indicated materials, the Company as an Employer continuously informs and educates on the need to observe hygiene rules, risks associated with coronavirus, procedures introduced by the Company and ways to protect against infection.

Out of concern for the employees' health, the LUG S.A. Capital Group joined the Covid-19 group insurance in 2020 which provides financial benefits to Group's employees in case of a 7-day hospitalization as a result of contracting the SARS-CoV-2, as well as *assistance* services for 14 days after discharge from the hospital. The cost of the premium was paid entirely by the Employer.

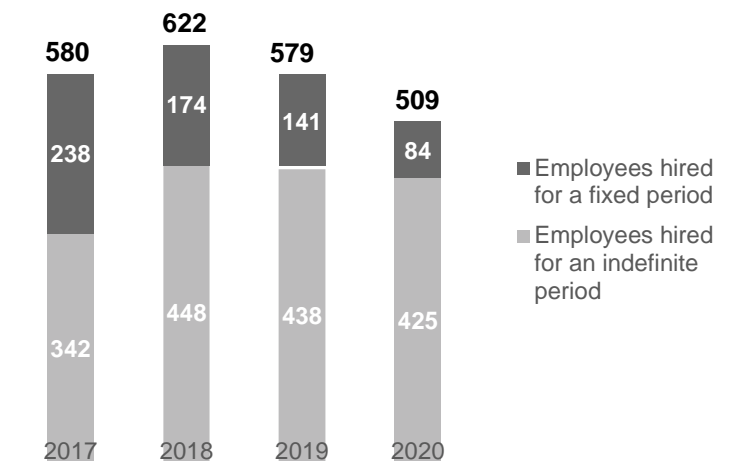
### LUG supports the local community in the fight against COVID-19

In 2020, the LUG Group actively supported medical facilities and services within the Lubuskie region in fighting the COVID-19 epidemic by offering help in purchasing and importing to Poland personal protection means and equipment necessary to ensure safety of medical employees. See Section 5.4 *Local Communities* for details.

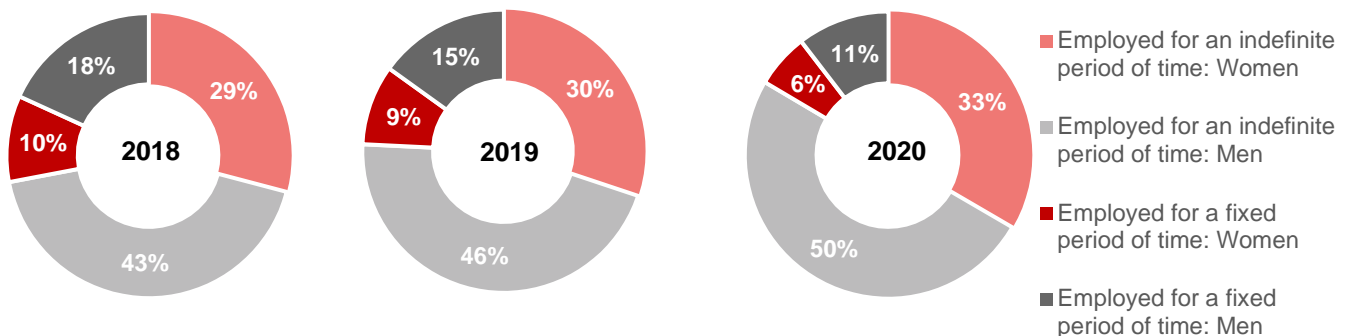
### 6.2 Employment and wages

[S.2.1] [S.2.2] [S.2.3] As at

31.12.2020 the LUG S.A. Capital Group employed 509 people (in terms of full-time jobs), that is 12.1% less than a year before. Among all employees, 425 persons were employed on permanent employment contracts (decrease by 3% y/y) and 84 persons on temporary employment contracts (decrease by 40.4% y/y). Change in number of employees in 2020 is also the result of the evolution of the employment structure and extensive use of employee outsourcing in the production area.

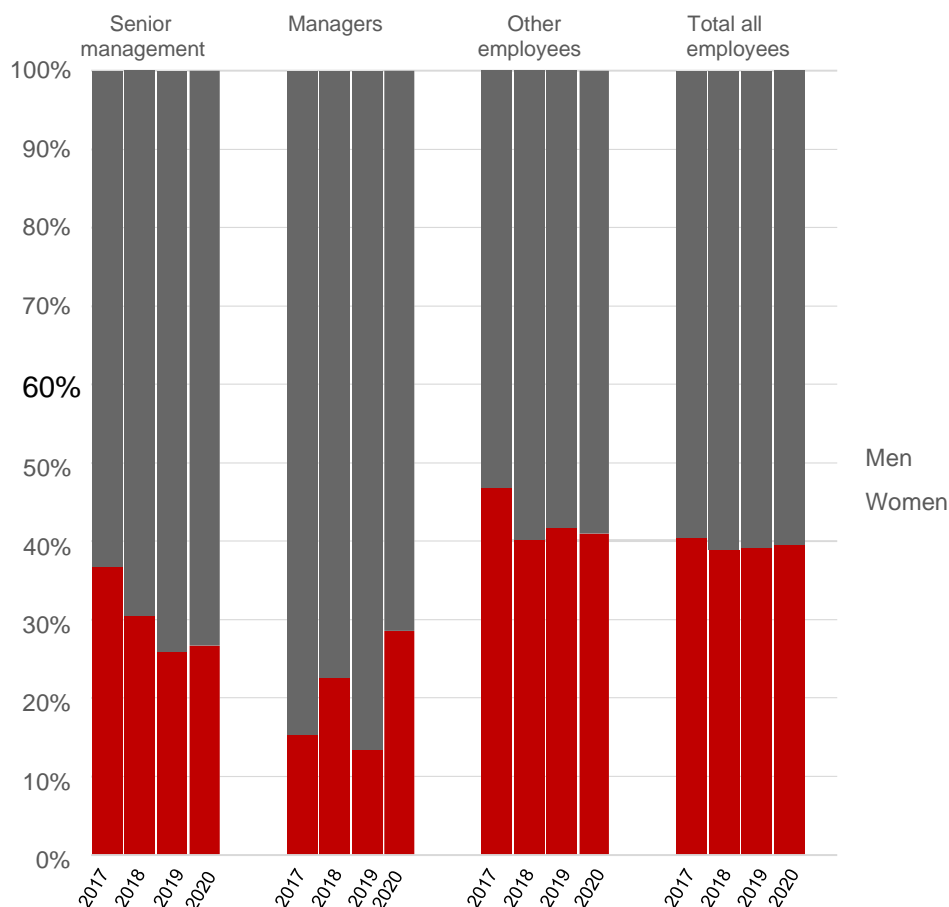


### Employment structure by gender



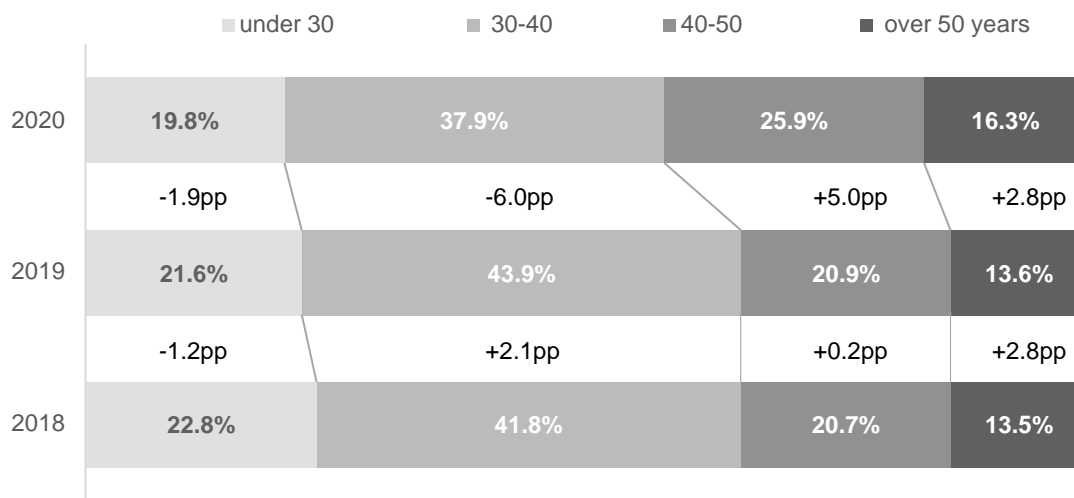
The employment structure of the LUG Group by gender was dominated by men, of whom there were 308 at the end of 2020, which constituted 60.5% of all employees. Compared to last year, the percentage of men among the total workforce fell by 0.2pp.

### Ratio of female to male employees by position (2017- 2020)



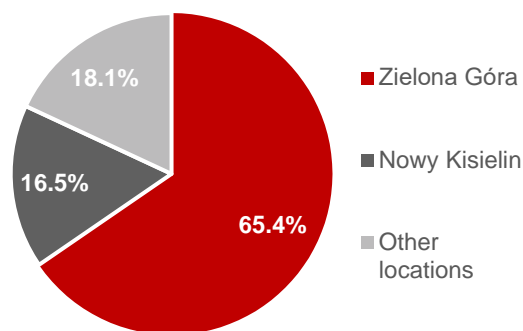
The employment structure of the LUG Group includes three grades: senior management, managers and other employees. At the end of 2020, among those classified as senior managers, the percentage of women was 26.7%, up by 0.7pp from 2019; among managers and supervisors, the percentage of women was 28.6%, up by 15.1pp from 2019; and among other employees, women accounted for 41.0%, down by 0.7pp from 2019.

**Age structure of employed staff (2018-2020)**



The employment structure by age was dominated by people aged 30-40 and constituted 37.9% of all employees. 25.9% of the total workforce was comprised of people aged 40-50 years, and 19.8% of the total were under 30 years of age. The least numerous age group (16.3% of the total) were people over 50.

At the end of 2020, 65.4% of all LUG employees were employed in Zielona Góra, where the company's headquarters and main production plant are located. 16.5% of employees worked in Nowy Kisielin. There is a second, newer production plant there. The rest, i.e. 18.1% of all employees, were employed in other locations.



**[S.2.6]** Employees with disabilities accounted for 7.5% of the total number of employees and their percentage decreased by 2.3% compared to the previous year (42 people as at 31.12.2019 and 38 as at 31.12.2020). The buildings which LUG's operations are conducted are adapted in to the needs of people with disabilities. Taking care of the needs of the disabled and maintaining a high standard are long-term activities at LUG, which is confirmed by winning the "Zielona Góra without barriers" urban planning competition in 2009, which awarded Zielona Góra facilities that best implemented the idea of removing barriers for people with various types of disabilities.

**[S.2.4] [S.2.5]** As at 31.12.2020, 8 persons provided the LUG Group with work on the basis of civil law contracts, 29 persons on the basis of cooperation contracts and 4 persons on the basis of appointment acts. For 2020, the data collection methodology has changed and therefore the data is not comparable to 2018 and 2019. Number of persons providing the LUG Group with work under

outsourcing in 2020 amounted to 187 people and increased by 1438% compared to the previous year which is a result of changes in the employment structure in the LUG Group in 2020.

The employee turnover ratio (the number of employees who left their jobs in a given year in relation to the number of employees as at the end of the year) in 2020 was 22.0% in relation to all employees and increased by 4.4 percentage points compared to the previous year. With regard to employees employed for an indefinite period, this indicator amounted to 18.9% and increased by 7.4 pp.

Detailed data on the number of employees in the LUG Group, new hires and those who left the job, on employees with disabilities and on people working under civil law contracts and in the outsourcing formula are included in Annex 1 to the report.

### **Recruitment and equal opportunities**

Recruitment for the positions offered by LUG takes place on the basis of qualifications possessed by a candidate, and organisational issues of the recruitment process are standardised in the Recruitment Manual.

LUG employs representatives of many nationalities. They receive equal support and opportunities that are enjoyed by domestic employees. Nobody is disqualified based on differences. Everyone is guaranteed respect and access to work, taking into account predispositions, qualifications and desired professional skills according to generally applicable criteria. The stable and permanent development of the company enables the creation of new jobs for the local community, as well as for people from all over Poland in LUG regional offices.

The company does not charge recruitment fees.

### **Remuneration system**

Striving to ensure fair working conditions, as well as to maintain competitiveness on the market, the LUG Group makes sure that an employee's remuneration is appropriate to their position, scope of tasks and possessed competences and experience.

There is no uniform remuneration policy in the LUG Group. At LUG Light Factory Sp. z o.o. conducting its operational activity, the remuneration policy is conducted on the basis of the Regulations of Employee Remuneration in force at the company, as well as the Work Regulations. In other companies, the remuneration policy is regulated each time in individually signed employment contracts, in the case of LUG Argentina SA it is based on arrangements in accordance with the arrangement of employees from the industry or directly between the employer and employee.



### Average gross monthly remuneration of employees under employment contracts

PLN	2018			2019			2020			change YOY		
	F	M	F+M	F	M	F+M	F	M	F+M	F	M	F+M
Senior management	21 893	25 674	24 523	21 676	24 333	23 644	20 598	23 557	22 768	-5.0%	-3.2%	-3.7%
Managers	8985	9,927	9,715	7,743	10 110	9,790	6,636	7,533	7,277	-14.3%	-25.5%	-25.7%
Other employees	4,301	5,404	4,961	4,782	5,662	5,294	4,882	6,506	5,840	+2.1%	+14.9%	+10.3%
<b>All employees</b>	<b>4,946</b>	<b>6,543</b>	<b>5,921</b>	<b>5,368</b>	<b>7,127</b>	<b>6,437</b>	<b>5,577</b>	<b>7,790</b>	<b>6,916</b>	<b>+3.9%</b>	<b>+9.3%</b>	<b>+7.4%</b>

**[S.2.7]** The average gross monthly remuneration of LUG Group employees in 2020 amounted to PLN 6,916 and was 7.4% higher than in the previous year. In 2020, the average salary in the group of other employees reached PLN 5,840 and increased by 10.3% compared to the previous year. This is also the effect of increases in the minimum wage. The average remuneration of managers and executives dropped by 7.3% to PLN 7,277, and the average remuneration of senior managers fell to PLN 22,768, i.e. by 25.7%. The decrease in salaries for management and executive positions was a result of the COVID-19 pandemic savings plan implemented in 2020 which was based also on a temporary (3-month) reduction in salaries for the Management Board, management staff, sales, administrative and office staff and production preparation.

### Ratio of the average gross salary of women to the average gross salary of men in each grade

%	2018	2019	2020	change YOY
Senior management	85.3%	89.1%	87.4%	-1.6pp
Managers	90.5%	76.6%	88.1%	+11.5pp
Other employees	79.6%	84.5%	75.0%	-9.4pp
<b>All employees</b>	<b>75.6%</b>	<b>75.3%</b>	<b>71.6%</b>	<b>-3.7pp</b>

**[S.2.9]** The ratio of the average gross remuneration of women to the average gross remuneration of men in 2020 in the LUG Group was 71.6%, i.e. decreased by 3.7pp compared to the previous year. This is a result of an improvement in the ratio of women's salaries to men's salaries in the group of managers and executives (an increase of 11.5pp y/y to 88.1%), with a simultaneous deterioration in the ratio for senior managers (down 1.6pp y/y to 87.4%) and other employees (down 9.4pp to 75.0%).

**[S.2.10]** The ratio of the average remuneration of Management Board members to the average remuneration of employees under employment contracts was 8.1x in 2020, i.e. 0.8x less than in 2019, when it was 8.9x. This change is due to restrictions on Executive staff compensation under the pandemic savings plan adopted in 2020. Under this plan, the remuneration of members of the Management Board

and top management was subject to the highest reductions which was intended to take the burden of the plan's effects off employees at lower levels.

[S.2.11] The average remuneration of persons cooperating with LUG based on civil law contracts amounted to PLN 3,542 in 2020. Due to a change in data collection methodology in 2020, data for 2020 are not comparable to data for 2018 and 2019.

### Gender Pay Gap Ratio for the LUG Group

The Gender Pay Gap Ratio (GPGR) is an indicator calculated as an absolute value from the difference between the ratio of the average pay of one gender to the other gender and a value of 100%. GPGR is a gender-neutral indicator. In the particular pay grade categories, the ratio of female to male employees in the LUG Group based on the employment contract is as follows:

%	2018	2019	2020	change YOY
GPGR Senior management	14.7%	10.9%	12.6%	+1.6pp
GPGR Managers	9.5%	23.4%	11.9%	-11.5pp
GPGR Other staff	20.4%	15.5%	25.0%	+9.4pp
GPGR All staff	24.4%	24.7%	28.4%	+3.7pp

In 2020, the LUG Group's GPGR was 12.6% for senior executives, up by 1.6pp year-on-year. For Managers, the GPGR was 11.9%, down by 11.5pp from 2019, and for Other Employees it increased by 9.4pp to 25.0%. The GPGR for all employees amounted to 28.4%, 3.7pp higher than the previous year.

### Glass Ceiling Ratio for the LUG Group

Glass Ceiling Ratio (GCR) illustrates the equality of promotion opportunities for each gender in an organization. In the LUG Group, this indicator is as follows:

%	2018	2019	2020	change YOY
GCR2	8.5%	13.3%	12.8%	-0.5pp
GCR1	16.3%	25.7%	10.9%	-14.8pp
GCR (senior management and managers)	13.0%	20.5%	11.9%	-8.6pp

In 2020, the LUG Group's GCR for senior executives was 12.8%, down by 0.5pp compared to the previous year. For Group's managers and executives, it was 10.9%, down by 14.8pp, and for all executive positions it was 11.9%, down by 8.6pp year-on-year.

### 6.3 Employee development and education

#### Training and education

An important aspect of care for the development of the LUG Group is providing employees with appropriate conditions for development. This is implemented, among others, as part of an extensive training programme.

#### Average number of training hours

Number of hours per employee in a given period	2018			2019			2020			change YOY		
	F	M	F+M	F	M	F+M	F	M	F+M	F	M	F+M
Senior management	50.3	31.3	37.1	30.7	12.1	17.1	9.8	4.3	5.7	-68.3%	-64.5%	-66.4%
Managers	116.4	64.6	76.3	98.0	43.6	50.9	55.5	27.8	35.7	-43.4%	-36.2%	-29.9%
Other employees	24.1	25.6	25.0	16.8	14.8	15.7	8.4	7.4	7.8	-50.2%	-50.2%	-50.3%
<b>All employees</b>	<b>27.5</b>	<b>28.3</b>	<b>28.0</b>	<b>19.1</b>	<b>17.3</b>	<b>18.0</b>	<b>10.3</b>	<b>8.5</b>	<b>9.2</b>	<b>-45.9%</b>	<b>-50.9%</b>	<b>-48.8%</b>

*[S.5.1]* In 2020, the average number of training hours per senior manager fell to 5.7 hours in 2019 (a decrease by 66.4% YOY), in the group of managers it fell to 35.7 hours (decrease by 29.9% YOY), and in the group of other employees to 7.8 hours (decrease by 50.3% YOY). Overall, the average number of training hours in 2020 decreased by 48.8% among all employees due to the need to stop/reduce in-service training due to the COVID-19 pandemic outbreak. During the pandemic, the LUG Group employees participated in on-line trainings, but overall there were less trainings than in previous years. This was the result of cost optimization implemented to keep expenses to a minimum and maintain continuity of operations at a critical moment of the coronavirus pandemic.

In 2020, more training hours went to women than to men.

The main topic areas for training in 2020 were:

- onboarding training;
- training on the Integrated Management System;
- periodic training in occupational health and safety;
- training in the corporate area;
- vocational courses;
- training to improve job skills;
- systemic training;
- soft skills training.

## Number of employees improving their professional qualifications

Number of persons	2018			2019			2020			change YOY		
	F	M	F+M	F	M	F+M	F	M	F+M	F	M	F+M
Senior management	0	0	0	0	0	0	1	0	1	-	-	-
Managers	0	1	1	1	1	2	8	12	20	700.0%	1100,0%	900.0%
Other employees	1	2	3	2	3	5	19	55	74	850.0%	1733,3%	1380,0%
<b>All employees</b>	<b>1</b>	<b>3</b>	<b>4</b>	<b>3</b>	<b>4</b>	<b>7</b>	<b>28</b>	<b>67</b>	<b>95</b>	<b>833.3%</b>	<b>1575,0%</b>	<b>1257,1%</b>

*[S.5.2] [G.4.6]* The training provided during working time is complemented by external education for employees gaining new qualifications and competences. Within the external trainings the LUG Group employees participated in:

- technical trainings on lighting management and control systems conducted by business partners;
- corporate trainings of the Polish Association of Listed Companies and the Warsaw Stock Exchange;
- training in Occupational Health and Safety and the requirements of the Occupational Health and Safety Management System according to BS OHSAS 18001:2007;
- trainings in the area of Human Resources;
- energy training.

In 2020, 95 employees participated in external upskilling through online courses and training during the pandemic.

*[S.2.15]* With the primary aim of the well-being of its employees and acting in accordance with its mission, LUG clearly emphasises and promotes a healthy lifestyle. Employees can take advantage of non-salary benefits, such as a Multisport card or participation in sports groups organised by LUG. Over the years LUG has also financially supported one of its employees who has achieved numerous sports successes in powerlifting for disabled people. As part of the sports patronage, LUG also supports the activity of employees from the LUG TEAM runners team and LUG MTB TEAM mountain bikers.

At the turn of 2019 and 2020, the “Healthy Full-Time Workday” campaign took place, during which representatives of Benefit Systems S.A. provided workshops and lectures for LUG employees aimed at raising the awareness of employees and deepening their knowledge of a healthy lifestyle. The meetings included consultations with a dietician, instructions on correct posture at the workplace, and organised lectures on conscious activity and correct verification of product labels. The organised campaign was very popular and met with a very favourable response from LUG employees.

## 6.4 Occupational Health and Safety

At LUG, occupational health and safety issues are given the highest priority. The importance of this area has also been confirmed by the materiality survey, which indicated a high level of relevance of OSH issues.

There was no uniform health and safety policy in the LUG Group in the reporting period. Due to the characteristic structure of the Capital Group, in which the operational (production) activity is carried out mainly at LUG Light Factory Sp. z o.o. and at LUG Argentina SA, most of the data in the area of health and safety concerns these two companies. In the Argentinian company, health and safety issues are dealt with by a dedicated employee. In the case of the other companies and representative offices, compliance with health and safety rules is supervised by the management of local structures. The offices operate in accordance with the guidelines and laws of the country in question.

Moreover, the LUG Group regularly monitors and evaluates the existing mechanisms in the area of OHS and on their basis implements the necessary changes leading to the improvement of the existing policy. LUG S.A. Capital Group companies apply in practice the instructions and procedures in the area of safety and hygiene at work that regulate the use and allocation of personal protective measures, machine safety, emergency procedures, incident and accident management, workplace ergonomics, handling of chemicals and fire protection.

At LUG Light Factory, a unit reporting directly to the Management Board is responsible for health and safety. In 2020, there were no changes in the position of the Health and Safety and Fire Protection Specialist. As at the date of publication of this report, the OHS unit consisted of a newly appointed Fire Protection Specialist and an employee who is an OHS Specialist. The company includes:

- LUG Light Factory Sp. z o.o. Health and Safety Committee;
- LUG Light Factory Sp. z o.o. Post-Accident Team;
- A team to determine occupational risk for newly created jobs at LUG Light Factory Sp. z o.o.

In connection with the personnel changes in 2019, the appointment of a person to perform the activities of the fire protection and evacuation of LUG Light Factory Sp. z o.o. employees was also updated.

Occupational health and safety processes in the company are covered by the Integrated Management System and comply with the requirements of ISO 9001:2015. The ISO 9001:2015 (Quality Management System), ISO 50001:2011 (Energy Management System) and ISO 14001:2015 (Environmental Management System) certificates were renewed during audits in 2020 and early 2021. In 2019, work was started on the preparation of the implementation of the BS OHSAS 18001 standard (Occupational Health and Safety) which was successfully implemented at the beginning of 2020. In the first quarter of 2021, the OHSAS 18001 standard was successfully replaced by ISO 45001:2018.



Provisions concerning the area of Occupational Health and Safety and Fire Protection are included in a dedicated chapter in the Work Regulations of LUG Light Factory Sp. z o.o. At the turn of 2019 and 2020, the Company introduced the Occupational Health and Safety Policy based on the requirements of the OHSAS 18001:2007 standard and the main principles observed in the Company. Following the recertification of the OHSAS standard, it was replaced by ISO 45001 which currently forms the basis of health and safety policy.

Moreover, the topic of occupational health and safety is a very important module within the onboarding training for new employees in the whole LUG Group.

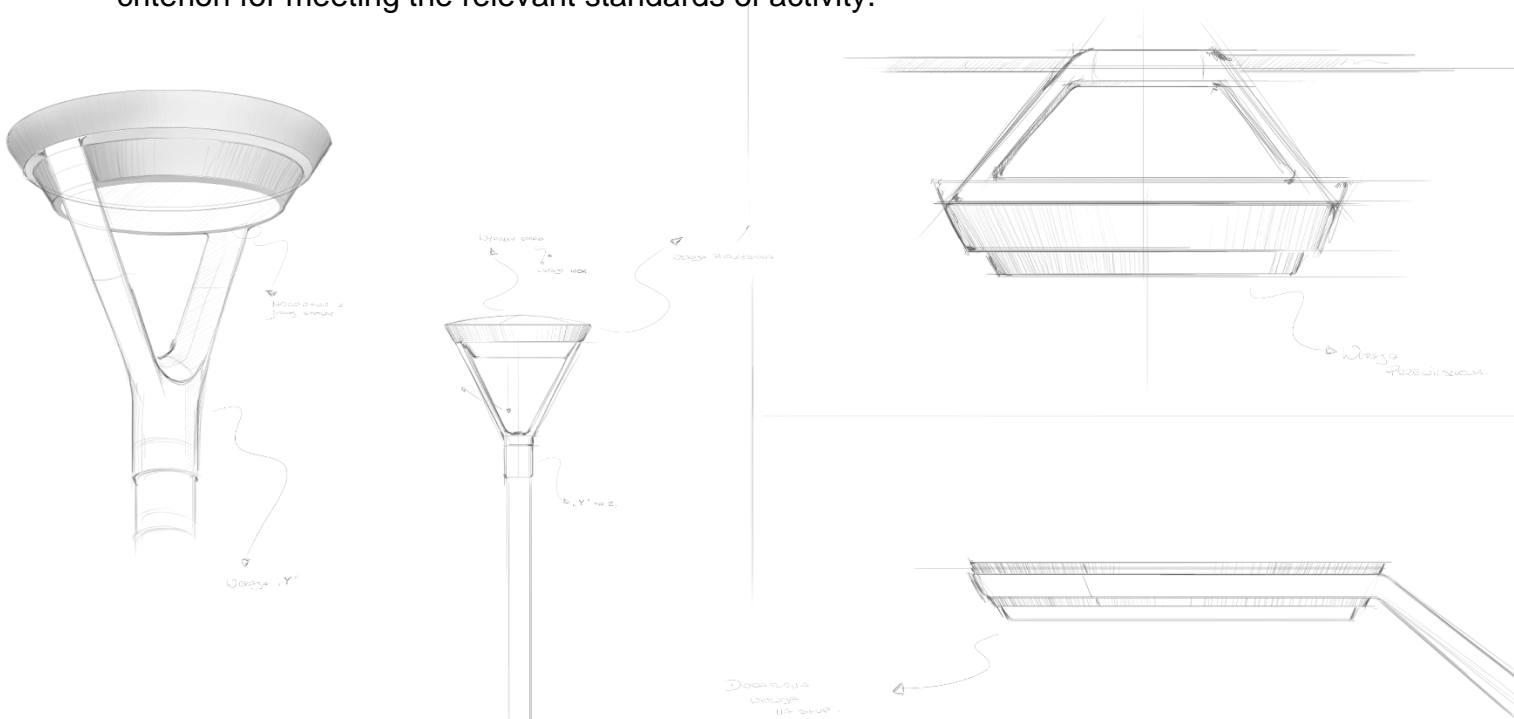
Understanding the complexity of health and safety issues, LUG makes every effort to provide its employees with appropriate conditions for performing tasks, which has a direct impact on safety standards. As part of the LUG Light Factory Work Regulations and the related annexes, the issue of equipping employees with protective work clothes tailored to the workplace was regulated.

### Health and safety activities related to the COVID-19 epidemic

The activities of the LUG S.A. Capital Group in the area of health and safety related to the SARS-CoV-2 pandemic have been comprehensively discussed in chapter 6.1 *LUG in view of the COVID-19 pandemic* in this report.

*[S.4.10] [S.4.11]* In 2020, LUG did not conduct health and safety audits at its suppliers and subcontractors. Agreements with suppliers and subcontractors did not include health and safety clauses, although this issue is considered in the category of potential for improvement. Currently, a document is being developed that will regulate the multidimensional terms of cooperation with LUG's suppliers and contractors. The first step for the company was to introduce questions to supplier's assessment sheet whether the supplier has implemented the ISO 50001/ISO 9001/ISO 14001/ISO 45001 systems and whether it employs a health and safety inspector.

In the process of selecting suppliers and subcontractors, LUG is guided by an impeccable opinion in the industry environment, paying particular attention to meeting the ISO standards and management systems mentioned which is the criterion for meeting the relevant standards of activity.



## Indicators on health and safety issues

	2018	2019	2020	change YOY
<b>Employee accidents</b>				
Number of accidents, including:	9	6	6	
- minor accidents	0	6	5	-
- serious accidents	0	0	1	-
- fatal accidents	0	0	0	-
- mass accidents	n.d.	n.d.	0	
<b>Accidents among employees of subcontractors working on site</b>				
Number of accidents, including:	2	0	0	
- minor accidents	2	0	0	-
- serious accidents	0	0	0	-
- fatal accidents	0	0	0	-
- mass accidents	n.d.	n.d.	0	-
<b>Accident rates</b>				
Accident frequency rate (accidents at work per 1000 employees)	17.7	10.4	11.8	13.8%
Number of days of incapacity for work due to accidents	432	92	150	63.0%
Accident severity rate (number of days of incapacity for work per accident)	39.3	15.33	25.0	63.0%
<b>Occupational diseases</b>				
Number of occupational diseases diagnosed in a given year	0	0	0	-
<b>Working in excess of standards</b>				
Number of employees working in a given year in conditions exceeding maximum allowable concentrations (MPC) or maximum allowable exposure limit (PEL)	8	4	10	150%

[\[S.4.1\]](#) [\[S.4.2\]](#) [\[S.4.3\]](#) [\[S.4.4\]](#) [\[S.4.5\]](#) [\[S.4.6\]](#) [\[S.4.8\]](#) In 2020, there were 6 accidents at work in the LUG Group, including 1 serious accident (fall from height) and 5 light accidents (cuts, cuts on hands, etc.). Analysing accident incidents, no gross violations of health and safety regulations were found. Most accidental incidents occurred due to insufficient focus of the injured person's attention while performing their duties.

The analysis of the occupational accident rates shows an increase in the frequency of accidents at work by 13.8% y/y to 11.8 in 2020 and an increase in the severity of accidents by 63% y/y to 25. The increase in the frequency rate is due to both the number of accidents at work and the number of people employed - last year employment went up, so despite the same number of accidents the rate increased. The increase in the severity of accidents at work was influenced by the sickness absence of those injured in accidents. Total sickness absence due to occupational accidents in 2020 was 150 days.

In 2020, there were no fatal accidents and no occupational diseases in the LUG Group.

*[S.4.7.]* The results of the measurements of the work environment carried out in 2020 in the LUG Group showed that the noise hygienic standard was exceeded seven times at the grinding-welding machine position. An increase in noise level was also observed in machine operators - when operating turret presses, during processing of thick metal sheets above 1.5 mm, where the hygienic norm is exceeded once. With standard sheet thicknesses of approx. 0.3 - 0.75, the hygiene standard is not exceeded.

Due to the positive effect of the implemented measures, the provisions of the action programme aimed at reducing the exposure of employees to noise will be continued by:

- indicating the appropriate type of personal protective equipment to be used when working in exceeded hygiene standards;
- marking the noise exposure zone with pictographs and the obligation to wear hearing protectors;
- introducing rotation at workstations through appropriate work organisation so as to reduce exposure time.
- and it is recommended to organize the production in such a way that sheets of different thicknesses are processed alternately in order to reduce noise below 85 dB and not to allow all presses in the hall to process sheets of the same thickness, i.e. 1.5 mm and above, at the same time.

The remaining examined workplaces did not exceed permissible standards which means that the tested harmfulnesses occur in trace amounts, and work at these workplaces is safe in terms of the tested factors.

In 2020, the LUG Group carried out 3 inspections of working conditions in terms of OHS and Fire Protection. At the turn of the second and third quarter, the State Fire Service carried out a scheduled inspection in connection with applying for permits for waste storage at the Nowy Kisielin plant. The inspection resulted in a positive outcome, which contributed to obtaining a landfill permit.

In Q3, two inspections were carried out by state authorities, i.e. the District Sanitary and Epidemiological Station and the National Labour Inspectorate. The subject scope of the Station's inspection was the assessment of compliance with regulations in the area of occupational safety and health and working conditions. This inspection did not reveal any irregularities. The scope and subject matter of the Inspectorate's inspection was to investigate the circumstances of a serious accident which occurred in the Capital Group, together with inspection of personal documentation, employment and preparation for work. Following the inspection, a warrant and citations were issued and implemented.

*[S.4.9]* Due to the lack of trade unions operating in LUG, unions were not involved in the area of occupational health and safety. A Social Labour Inspector has also not been appointed.

## 6.5 Significant risks related to employee issues

Risk and its description	Risk management method
<p><b>Risk of a shortage of employees</b> Difficulties related to the possibilities of recruiting appropriately qualified employees on the labour market could lead to obstacles in the dynamic development of the LUG Group.</p>	<p>LUG closely monitors the labour market. Risk management measures taken:</p> <ul style="list-style-type: none"> <li>- implementation of planned recruitment processes in advance;</li> <li>- activities in the field of employer branding, presenting the advantages of LUG as an attractive employer;</li> <li>- use of outsourcing companies;</li> <li>- internationalisation of the LUG Group and opening a production plant in Argentina;</li> <li>- internal education and training system enabling internal recruitment in selected cases.</li> </ul>
<p><b>Risk of loss of key personnel</b> Implementation of LUG Group's development strategy depends to a large extent on the competence of the key management and expert staff. Possible departure of key employees could jeopardize the implementation of the planned strategic objectives.</p>	<p>The risk is constantly monitored at the level of the LUG Management Board. Risk management measures taken:</p> <ul style="list-style-type: none"> <li>- development of organisational culture;</li> <li>- ensuring the possibility of continuous development for Group's employees;</li> <li>- employee satisfaction surveys and implementation of activities based on the conclusions of the conducted surveys.</li> </ul>
<p><b>Risk of insufficient competence of sales teams</b> The financial results and development of the LUG Group depend, among others, on sales. Possible insufficient competences of the sales teams, resulting from the insufficient number of qualified employees in this area or the misalignment of the sales employees' competences to the changing market requirements could hinder the achievement of the main strategic objectives of the LUG Group.</p>	<p>The risk is monitored by establishing and analysing the status of achieving sales targets. Risk management measures taken:</p> <ul style="list-style-type: none"> <li>- training to raise the qualifications and competences of sales team employees;</li> <li>- salaries of sales teams containing an appropriately attractive variable element, depending on the achieved sales results.</li> </ul>
<p><b>Risk of wage pressure</b> The competitive situation on the labour market, particularly in Poland, may result in the emergence and continuation of wage pressures which, if not properly addressed, could lead to employees' resignation or deterioration in financial results of the LUG Group.</p>	<p>LUG closely monitors the labour market, including wage trends. Risk management measures taken:</p> <ul style="list-style-type: none"> <li>- ensuring the competitiveness of salaries in the LUG Group compared to the market;</li> <li>- clear and open employee development opportunities as part of internal recruitment.</li> </ul>
<p><b>Risk of staff shortages due to COVID-19 infection-19</b> The global pandemic of the 2019-n-CoV virus that causes the COVID-19 disease, the high infection rate and the rapid spread of the virus have led to the emergence of risks associated with the possibility of loss of employees as a result of infection, which could potentially paralyse the company's operations.</p>	<p>In order to minimize the risk of COVID-19 spread among LUG employees, a number of prophylactic measures have been introduced, which have been described in detail in chapter 6.1. In addition, a specially appointed crisis team constantly monitors the development of the epidemiological situation in the world, throughout Poland, and in the immediate local environment of LUG.</p>







2020

**ENVIRONMENTAL  
ISSUES**





## 7 Environmental issues

A responsible approach to the environmental impact is one of the key elements of LUG Group's organisational culture. By using the extensive knowledge and project tools at its disposal, LUG, through the optimisation of its projects and innovations introduced in them, has a real influence on the reduction of the negative impact on the environment, resulting both from its own operational and production activity, as well as from the use of LUG products.

Luminaires based on LED technology, i.e. LUG's basic product, contribute to reducing the negative impact on the environment by all their users. This is primarily due to the high energy efficiency of LEDs compared to traditional light sources, which in turn reduces indirect greenhouse gas emissions to the atmosphere. LED luminaires installation is the most cost-effective way to reduce the negative environmental impact of virtually any company or institution that uses different forms of lighting in its operations.

In the conducted materiality survey, 6 important environmental issues were distinguished:

1. indirect climate impact;
2. consumption of resources and materials;
3. waste;
4. energy consumption, including:
  - energy consumption for the production of luminaires;
  - energy consumption resulting from the use of luminaires;
5. emissions to the atmosphere;
6. limiting light pollution.

**[G.2.2]** The LUG Group does not have a uniform policy in the environmental area which results from the characteristics of the Group's structure and the location of operating activities related to the production of luminaires at LUG Light Factory Sp. z o.o. and LUG Argentina SA. In order to mitigate potential threats which may appear in the area of environmental issues, an Environmental Policy was adopted at LUG Light Factory Sp. z o.o., which is an element of the Integrated Management System described in 3.8 *Management systems*. The Policy expresses a continuous pursuit of improvement of processes taking place within the environmental area in accordance with the PN EN ISO 14001:2015 standard.

### **LUG Light Factory Environmental Policy**

Objectives of the LUG Light Factory Environmental Policy:

1. Provision of services in accordance with the requirements of new technologies, applicable standards, legal regulations, including environmental law, and other requirements that the organisation undertakes to meet and which relate to its environmental aspects.

2. Satisfying and anticipating the needs and expectations of customers and other interested parties as to the quality of services and deadlines for their implementation in order to achieve the goal of “zero complaints”.
3. Ensuring that all employees understand and implement the Environmental Policy by performing their duties in accordance with the Process Charters, Action Charters and Procedures.
4. Setting high requirements in terms of quality and environmental protection for our subcontractors.
5. Undertaking activities aimed at limiting the negative impact on the environment and preventing pollution.
6. Accounting for Life Cycle Assessment (LCA) by looking at the overall environmental impact of a product, from start to finish.

The Environmental Policy lists 9 actions leading to the implementation of the above-mentioned objectives:

1. Building environmental awareness of LUG employees.

In 2020 audits and recertification were carried out in the scope of ISO 50001:2011, 14001:2015, 9001:2015. In addition, the work of the Energy Management Team is being continued, whose task it is to prepare the annual Energy Review Report. The BS OHSAS 18001:2007 standard was successfully implemented with final implementation at the beginning of 2020. In order to achieve the 2019 objectives, leading to increased employee awareness of work ergonomics and healthy lifestyles, the Healthy Workplace Programme was implemented and additional training was provided in the production and office areas in 5S and waste management.

2. Planning, documenting and supervising processes taking place at LUG.

The implementation of the action was the investment and renovation plan for 2020 and the programme of environmental measures resulting from environmental aspects for 2020. Additionally, the tasks set in the Energy Program for 2020 were implemented.

Objectives of activities:

- reducing the consumption of mains water and using water in a closed cycle in the paint shop department - through the use of filters and separators;
- minimising the amount of waste generated during the production of luminaires through orderly, market-conscious waste management and optimising the waste collection process in relation to the amount of waste generated;
- introduction of additional effluent controls after neutralisation in a sample industrial effluent neutraliser - in accordance with the water permit;

- continuation of activities aimed at reducing waste in the form of paint powder - optimisation of the colour planning and painting process;
- payment of the obligations under the contract with the recovery organization - increasing the amount of recycled waste;
- reduction of electricity and heat consumption – resulting in a more rational use of heat and electricity;
- increasing cooling efficiency and improving equipment performance - an increase in the efficiency of the equipment has been observed.

Actions included in the investment and renovation plan and in the environmental action programme are implemented as a priority; these actions are the key and one of the most important factors leading to the maintenance of product quality and work standards. The degree of completion of individual tasks is reported annually during the Management Review. The priority task to be completed in 2020 was the comprehensive modernisation of lighting in the warehouse hall; products of our own production were replaced. In order to optimize power consumption, motion detectors were installed in the storage hall. The return on this investment is estimated at one year.

We have also introduced permanent cooperation with a company that recycles luminaires with which a minimum of 90% of elements contained in finished products are recycled.

Moreover, at the beginning of 2021, the subsidiary, LUG Light Factory Sp. z o.o. concluded a contract with M&J Sp. z o.o. for extension of a production and storage hall with office-social facilities in the Research and Development Center in Nowy Kisielin. The planned investment will be a contribution to sustainable development through the application of solutions reducing energy consumption, increasing energy efficiency and the possibility to produce own energy from renewable sources.

### 3. Continuous development of the technical and machinery base and upgrading of inspection, measurement and testing equipment.

In order to improve production processes and meet the latest world standards, LUG Light Factory has implemented modern machines allowing for significant simplification and improvement of the luminaire assembly process. This, in turns, fits into the current project of production process optimisation. The new machines and processes are part of the comprehensive Lean Manufacturing project, the scope of which covers the entire Production area. Project teams analyse individual processes and implement solutions aimed at optimal and most efficient production. Based on the results of the work of these teams, the production hall was redesigned, and the new stations gained an optimal layout and were equipped with modern tools. Production lines dedicated to specific products and working in a flow stream work system have also been created.

This is a new approach to production processes, which allows for further cost optimisation and improvement of work ergonomics.

Production process optimisation activities for 2020, some of which were implemented as at the report publication date, include:

- complete implementation of ultrasonic wire welding process – elimination of the tinning process, meeting customer requirements regarding the method of wire finishing.
- launching the Kanban method at the Assembly Department – improvement of the order preparation process, elimination of unnecessary operations in the Warehouse and during the handling of shortages in orders.
- the 5S philosophy implementation project at the LUG plant in Nowy Kisielin has been suspended
  - improving the work environment, implementing one structured standard across the plant.
- successful increase in the productivity of production lines of the Electronics Production Department by optimising the changeover process and optimising product unit times.
- improvement of assembly processes according to the PDCA principle – a continuous process consisting in time optimisation, determining bottlenecks in the process after time changes and re-verification.
- continued process organisation of the semi-finished products department:
  - time optimisation;
  - process changes that increase productivity.
- continued implementation of optimal production batches at the Mechanical Department – elimination of unnecessary changeovers, increasing the productivity of the entire department, reducing inter-operational buffers.
- continued optimization of the painting process:
  - elimination of unnecessary activities during the preparation of painting components – combining individual processes into a whole performed 'on-line' – elimination of inter-operational stocks, shortening the order fulfilment process, quality improvement;
  - elimination of unnecessary transport between stations – elimination of unnecessary activities (MUDA);
  - increasing the productivity of the varnishing process through organisational changes in the varnishing process itself – making organisational and technical improvements allowing to increase the capacity of the varnishing line for a production shift.
- organisational changes in the process of implementing new products – elimination of problems occurring when launching new projects which shortens implementation time and lowers implementation costs.

4. Direct involvement of company's Management Board, supervising the Integrated Management System and supporting the activities of persons responsible for individual tasks:

Management level	Position	Number of persons per position	Responsibilities
Management level:	President of the Management Board of LUG Light Factory Sp. z o.o.	1	IMS Commissioner is responsible for the proper implementation and operation of IMS. The Commissioner's work is supervised by the Head of Supply Chain and Production Division from the director level and finally from the board level by the President of the Management Board of LUG Light Factory Ltd.
Director level:	Chief Operating Officer for Supply Chain and Production	1	
Employee level:	Commissioner for Integrated Management System	1	

5. Appropriate reviews and monitoring of improvement processes and activities are conducted in accordance with the procedures adopted in the Integrated Management System and those resulting from the implemented S5 (Lean Management) system.
6. Performing services in a manner that ensures respect for the principles of environmental protection and appropriate management of materials and waste.

LUG conducts its activities in accordance with the applicable environmental protection regulations. On an ongoing basis, in accordance with applicable regulations, administrative decisions and permits related to the production and storage of waste, the emission of industrial wastewater, dust, and the use of hazardous materials are obtained. Depending on the type of waste, the entities collecting waste from LUG further mediate in the supply of waste to the entities carrying out recovery or recycling or they themselves subject this waste to recovery, recycling or neutralisation.

7. Striving to reduce costs by preventing and eliminating non-conformities. The fulfilment of this aspiration is constantly being realised through:
- implementation and supervision of processes with implemented measures that prevent errors;
  - implementing effective remedial measures in the event of non-compliance;
  - continuous improvement of the company based on the analysis of current processes (PDCA).
8. Developing friendly, partnership-based principles of cooperation with both investors and all employees of the company. LUG uses a value-based management system. Activities developing relationships with stakeholders include:
- mailing and poster campaigns for LUG employees;
  - competitions for employees' children and Christmas campaigns;
  - meetings with employees;
  - the LUGpress internal company newspaper.



Cooperation with external stakeholders in the implementation of the Environmental Policy takes place mainly through the corporate website of LUG, which contains information on the environment and periodic information provided in LUG's financial reports.

#### 9. Continuous improvement and meeting the requirements of PN EN ISO 14001:2015 Environmental management systems.

In 2020 and 2021, audits renewing ISO certificates were carried out at LUG Light Factory Sp. z o.o. As part of the ISO Integrated Management System, the factory in Posadas is in the process of introducing the PN EN ISO 9001:2015 standard.

During the renewal audit, no non-conformities were identified, only potentials for improvement and a vast majority of positive comments assessing our activities as exemplary.

Detailed indicator data on the achievement of the objectives of the Environmental Policy can be found in further parts of this chapter.

### 7.1 Climate Change

[E.4.4.] LUG Group's activities are of public interest due to the challenges related to climate change and the need to quickly reduce greenhouse gas emissions to the atmosphere throughout the world and with the necessary adaptation to climate change. LUG luminaires, which are designed with care to minimise energy consumption during their use, as well as smart lighting management systems developed by the research and development team, support the efforts of local governments, industry, real estate and construction industries to increase energy efficiency and reduce greenhouse gas emissions associated with the operation of public buildings and spaces.

The LUG Group is aware of its impact on climate change, the impact of climate change on Group's operations and the resulting number of threats and opportunities. In the materiality study conducted at the beginning of 2019, the indirect impact of the LUG Group on climate change was identified as significant, while the direct impact of climate change on the current operations of LUG was not considered to be significant. In 2020, however, phenomena and processes occurred in the public space that contribute to the dynamic increase in the impact of climate change on Group's operations. The most important of these are:

- The *European Green Deal*, the European Union's new growth strategy, will be based on accelerated decarbonisation to mitigate climate change and achieve climate neutrality for the European Union;
- The EU Taxonomy on Sustainable Finance which will shape the European Union's financial system by significantly increasing the importance of sustainable investment;

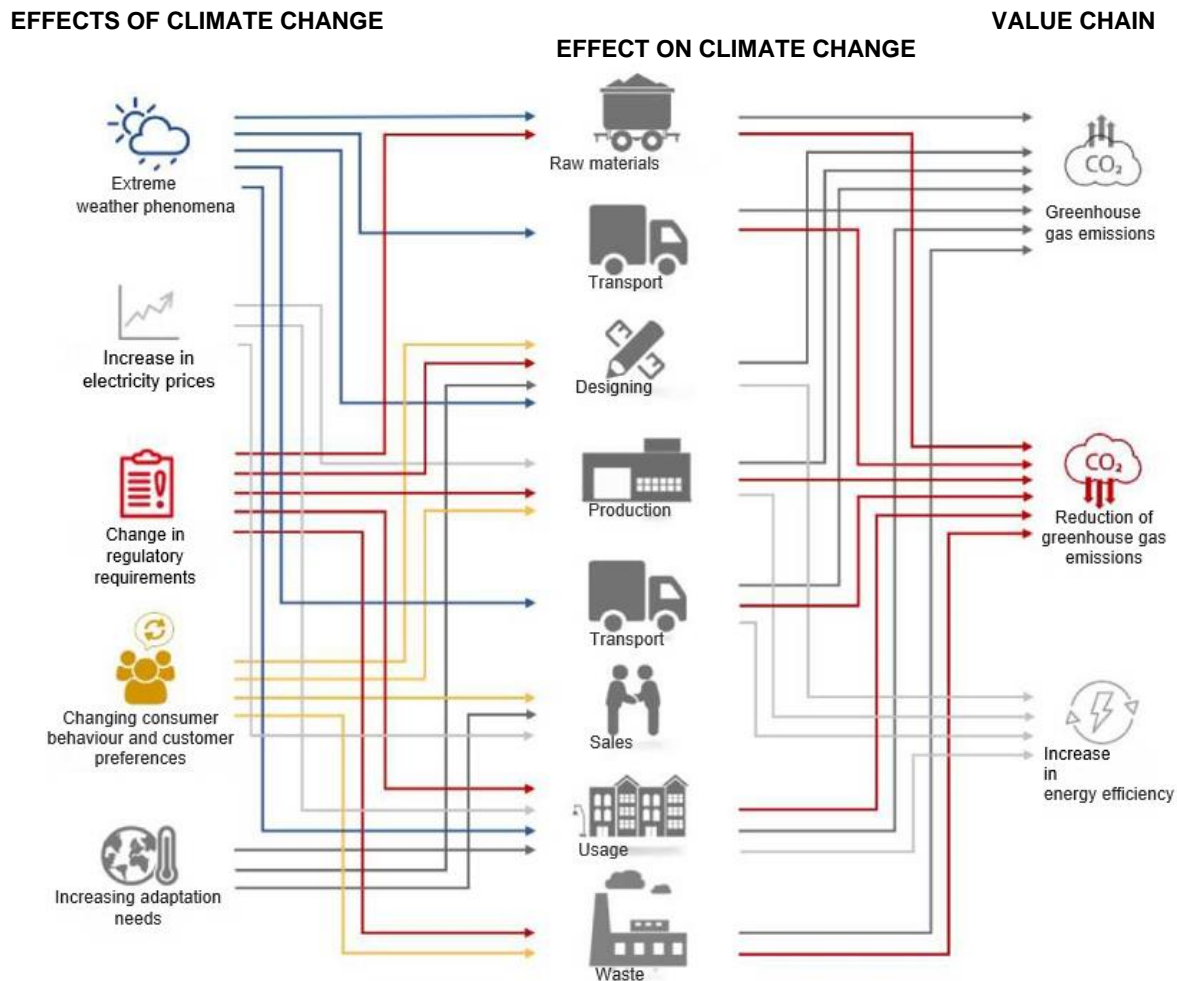
- A new action plan for recycling and reusing products in the EU (Circular Economy Action Plan) which aims to accelerate the implementation of circular economy principles in the European Union;
- intensification of public discussion around the concept of introducing a carbon tax and carbon border tax;
- resuming and intensifying the work of the European Commission on developing a coherent methodology for calculating the carbon footprint of products throughout their life cycle (*Life Cycle Assessment*) which, once introduced, may become a required standard also in the construction and engineering industries.

Although the impact of climate change on the functioning of the LUG Group is currently still relatively limited in intensity, it is expected to increase in the future. The LUG Group conducts a number of activities related to the analysis, planning and execution of activities connected with the mutual relations of the Group and climate change, such as:

Project	State of implementation
identification of short, medium and chronic risks, threats and opportunities related to climate change;	Completed in 2020.
scenario analysis of the resilience of Group's business model and strategy to climate change assuming an increase in average global temperatures by less than 2°C and more than 2°C compared to the pre-industrial period;	Work is scheduled to begin in 2021.
Reporting greenhouse gas emissions in line with the <i>GHG Protocol Corporate Accounting and Reporting Standard</i> within scope 1 and scope 2;	Ongoing since 2018.
preparation for the collection of source data and the calculation of greenhouse gas emissions in accordance with the <i>GHG Protocol Corporate Accounting and Reporting Standard</i> within scope 3;	Started in 2020; work continues in 2021.
LUG Group's climate policy	Work is scheduled to begin in 2021.
Reporting in line with the TCFD Recommendations ( <i>Task Force on Climate-related Financial Disclosures</i> ).	Started in 2020; continuing in 2021.



## Impact of climate change on the functioning of the LUG Group and impact of the LUG Group on climate change



### The functioning of the LUG Group currently mainly impacts the climate change in the following areas:

- Extreme weather phenomena (storms, strong winds, hailstorms, thunderstorms, floods) may limit the availability of resources, materials and components, and cause disturbances in the supply chain and in logistics processes.
- Rising electricity prices in Poland, where the main part of the LUG Group's production activities are carried out, caused by a very high share of non-renewable energy sources in electricity generation, contribute to an increase in production costs. As a result of the expected increase in prices of CO<sub>2</sub> emission allowances this impact may be even stronger in the future.
- The change of regulatory requirements and legal provisions related to mitigation and adaptation to climate change affects many areas of LUG Group's operations, from running operational processes, through reporting, supply chain management, waste management and access to financing. Structural

Changes in regulations also affect the suppliers and contractors of the LUG Group and customers which largely determines the shape of the portfolio of products and services offered.

- Changing consumer behaviour and preferences of customers who strive to increase energy efficiency, reduce their impact on climate change and reduce greenhouse gas emissions affect the process of designing and developing new products and services, as well as the production of luminaires and their sale. The processes of changes in consumer behaviour and customer preferences influence the increase in demand for effective light sources, i.e. the category dominating in the LUG Group offer. In many cases, the criterion of energy efficiency is increasingly important for potential customers when choosing lighting solutions.
- Adaptation to climate change manifests itself in the development processes of *Smart Cities*. In their case, lighting management is not just about selecting energy-efficient light sources, but about introducing lighting management systems related to other public space functions. This increases the demand for smart light management systems developed by the LUG Group which are comprehensive projects, often developed in cooperation with leading IT partners.

**Currently, the influence of the LUG Group on climate change takes place mainly in the following areas:**

- The extraction of raw materials and the manufacture of materials and components necessary for the production of luminaires involves the emission of greenhouse gases. The LUG Group's influence on the level of these emissions is indirect and takes place through its efforts to reduce the carbon footprint of its products by selecting such raw materials, materials and components that have the lowest possible built-in greenhouse gas emissions. For some materials such as aluminium, steel and glass, these processes are energy-intensive and require the combustion of fossil fuels or the use of electricity, most of which is produced in high-carbon processes. The production of plastics is also related to the inevitable use of fossil fuels in today's technologies. For some raw materials, extraction may be related to deforestation of the land where the extraction takes place.
- The transport of raw materials, materials and components from suppliers to the LUG Group and finished products to customers is carried out by various means of transport. Depending on the mode of transport, it may contribute to higher or lower greenhouse gas emissions. Reduction of emissions in this area will be possible as the operational activity of logistics partners of the LUG Group decarbonises.
- Consumption of fuel and energy in production processes and consumption of heat and electricity in real estate used in LUG Group's operational activities

results in greenhouse gas emissions. The influence of the LUG Group in this respect will be gradually limited as the energy efficiency increases and the share of energy from low- and zero-emission sources increases.

- The methods of waste management generated by LUG's operational activities determine the amount of greenhouse gases produced in these processes. Emissions will be reduced over time as we move towards a circular economy model. It should be noted, however, that the pace of these changes depends not only on the LUG Group, but on the degree of adjustment of the entire economy. Climate change is also influenced by the management of waste generated after the life cycle of luminaires. It is possible to reduce this impact by designing luminaires in such a way that they are as repairable and upgradable as possible and by using recyclable or reusable materials.
- Designing, manufacturing and selling luminaires based on LED light sources contributes to increasing energy efficiency and reducing indirect greenhouse gas emissions by LUG Group customers. The reduction of emissions results both from the higher efficiency of LED light sources (which is described in more detail in chapter 7.2 *Fuel and energy consumption*), and the use of smart lighting systems which allow you to adjust the light intensity to the current environmental conditions and the needs of users of the illuminated space.

### **Climate risks in the LUG Group**

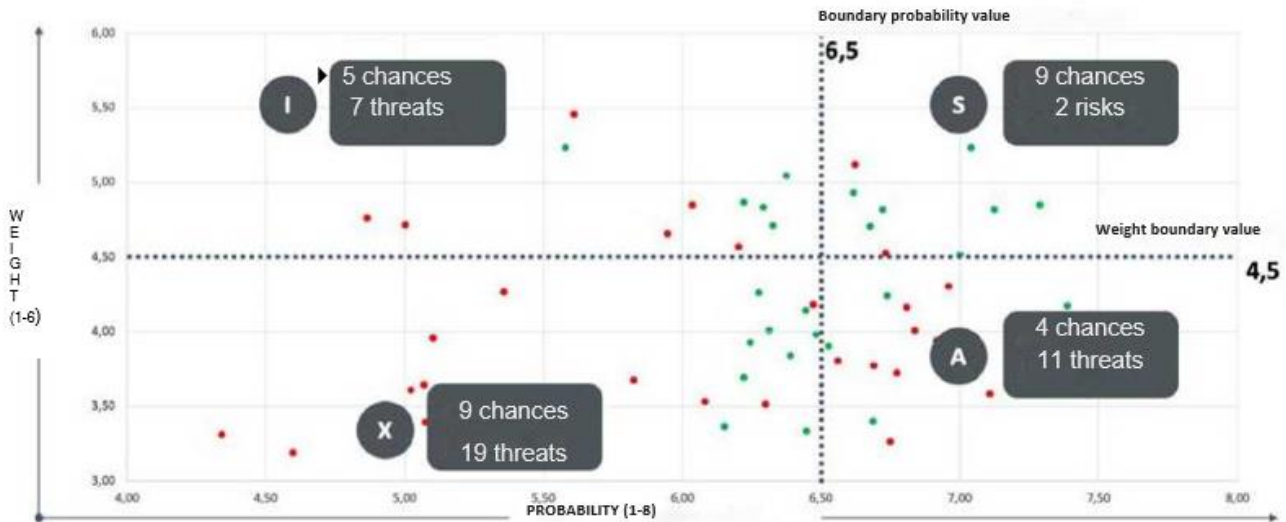
In 2020, the LUG Group identified and analysed risks, threats and opportunities related to climate change. The analysis was carried out in collaboration with the external consultancy company, MATERIALITY, following the AXIS® (Amplification, Seizure, eXclusion, Intensification) methodology, in a four-stage process that included: comparative, questionnaire, quantitative and qualitative analysis.

Thirty-two physical and transitional risks were examined, comprising a total of 27 opportunities and 39 threats. Threats and opportunities were examined in terms of three parameters such as probability of occurrence, severity and time horizon. In accordance with the applied methodology, those risks, threats and opportunities whose probability or severity exceeded the specified boundary values were considered material.

All threats and opportunities were classified into four categories depending on whether their assessment exceeds the probability and severity boundary values, respectively. As a result of the analysis, the following have been classified:

- 4 opportunities and 11 threats to Category A (*Amplification*);
- 9 opportunities and 19 threats to category X (*eXclusion*);
- 5 opportunities and 7 threats to Category I (*Intensification*);
- 9 opportunities and 2 threats to category S (*Seizure*).

Map of threats and opportunities related to climate change in the LUG Group



According to the applied methodology, 9 opportunities and 2 threats classified as S category are considered significant for the LUG Group, therefore the Group actively manages them. Threats and opportunities belonging to categories I and A are monitored and, in selected cases, managed. Most of the threats and opportunities in category X are only subject to monitoring. Conclusions from the conducted research have been taken into consideration in the risk management system functioning in the LUG Group. Monitoring and identification of possible new risks, threats and opportunities associated with climate change will be conducted periodically as part of risk reviews.

Risks, threats and opportunities associated with climate change and how to manage them:

Risk	Threat/Opportunity	Time horizon	Management
<b>Chronic physical risks</b>			
Risk of increased variability in precipitation patterns and weather patterns	Opportunity to increase demand for LED lighting used in agricultural crops under controlled conditions	Medium-long	Analysis of market expansion possibilities in the segment so far not utilized by the LUG Group. Should a decision be made to engage in this segment, adequate R&D will be required to develop luminaires for the controlled agriculture segment and appropriate lighting management systems and expenditures on marketing and sales in the new market segment
<b>Policy and regulatory risks</b>			
Risk of new taxes, duties or other carbon levies	Opportunity to capitalize on demand for products that help customers reduce their greenhouse gas emissions and carbon footprint	Short-medium	The opportunity is used within the LUG Group's activity. In communication with potential customers, the argumentation concerning the use of products and solutions offered by the LUG Group to reduce the greenhouse gas emission and carbon footprint is being expanded.
Risks of public energy efficiency improvement programmes	Opportunity to meet demand from customers using public improvement programs	Short-medium	The LUG Group monitors public programs supporting financing of energy efficiency improvement for private companies and local governments in order to meet the needs of customers and their compliance with specific energy efficiency criteria.



			Investments are also made in the development of innovations and technologies ensuring high energy efficiency of luminaires and the development of smart lighting management systems
Risks of new regulations concerning a closed economy	Threat of legislation forcing products to be repaired or replaced	Short-medium	R&D activities include research on materials and components with improved durability and reusability. This allows luminaires to be designed for easy disassembly, repair and replacement of parts. Further work on the introduction of closed-cycle economy principles in the LUG Group is also possible: mapping of material cycles, identification of value loss points, identification of business models strengthening value creation in the field of extending the product life cycle, creating a plan for the implementation of circular economy.
Risks of new regulations concerning a closed economy	Threat of legislation regulating raw material standards for products	Short-medium	The LUG Group monitors legislative works in the scope of regulations concerning the closed-circle economy, as well as adapts company's activities to new regulations in the scope of raw material standards of products in advance of the introduced regulations.
<b>Technological risks</b>			
Risks associated with a circular economy	A chance to implement business models based on delivering a product in a service model (LaaS - Light-as-a-Service)	Short-medium	In order to take advantage of the opportunity, development of a model based on providing luminaires with a control system and electricity as a comprehensive service is being considered.
Energy efficiency risk	Opportunity to provide products that serve customers to improve energy efficiency	Short-medium	The LUG Group conducts research and development activities aimed at the development of products in LED technology and smart lighting management systems.
Risk of changing customer preferences	Opportunity to attract customers interested in products that help counter the climate crisis	Short-medium	The opportunity is used within the LUG Group's activity. Products with a reduced (ultimately zero) carbon footprint and an extended life cycle are being introduced into the Group's portfolio.
<b>Market risks</b>			
Risk of changing customer preferences	Opportunity to expand into new market segments, products and services driven by pro-climate customer preferences	short-medium-long	The opportunity is used within the LUG Group's activity through gradual extension of its offer with products and services of low carbon footprint, extended product life cycle and high energy efficiency. Constant monitoring of changes in customer preferences and expectations is also carried out)
Risk of making access to	Opportunity for easier access or cheaper financing	Medium	The LUG Group conducts activities enabling it to take advantage of the opportunity first of all by maintaining a high level of

funding from tackling the climate crisis	provided in connection with meeting the climate crisis criteria		revenues generated from environmentally sustainable activities (according to the criteria of the EU Taxonomy). The Group is also working to meet the expectations of financial institutions in terms of reporting on climate change issues (TCFD Recommendations, reporting to CDP), improving the ratings obtained in ESG ratings, and implementing actions that affect other parameters expected by financial institutions.
<b>Reputational risks</b>			
Risk of changes in consumer preferences	Opportunity to strengthen company's reputation for addressing the climate crisis	Short-medium	Taking advantage of the opportunity is realized by the LUG Group by emphasizing in the corporate communication the aspects of climate responsibility and these features of products and services that contribute to combating climate change.

## 7.2 Fuel and energy consumption

Energy consumption is one of the important areas identified in the materiality survey. In its activities, LUG has a direct impact on the consumption of fuels and energy through their use in production processes, transport and the operation of office, commercial and production facilities. However, the specificity of LUG products operating thanks to the use of electricity means that LUG has a huge indirect impact on energy consumption as a result of using its luminaires.

### Indirect impact

**[E.8.2]** 100% of LUG sales revenue comes from products or services, developed taking into account environmental criteria. Through consistent implementation and final production, LUG takes into account environmental criteria as early as at the design level. All LUG products are characterised by parameters referring to reduced energy consumption. LUG specialists independently work on the optimisation of LUG products, cooperating with trusted suppliers who offer the highest quality components.

The solutions used in the luminaires produced by LUG contribute to the reduction of energy consumption. Since 2014, LUG has been conducting research and development works and implementation of new products based on LED technology which has an increased energy efficiency of 50-70% compared to conventional technology. However, new LED products always have an increased energy efficiency of 7-20% compared to the previous generation of LED solutions. When switched on, the LED luminaire does not need time to warm up, as is the case with traditional fluorescent lamps, which consume more energy during this time. The LED luminaire, which is in frequent use, consumes less energy than these older generation sources, making it ideal for both interior lighting and buildings and road infrastructure.

Daylight control technology has been introduced in LUG products, which enables the adjustment of the intensity of internal lighting to the prevailing external conditions which allows for energy consumption only in the amount necessary for proper lighting of rooms. This technology is compatible with

LUG luminaires and can be used in all LUG products, depending on customer's needs.

### **Direct impact**

The direct energy consumption consists of fuel and energy consumption in production processes, acquisition and consumption of heat and electricity in facilities belonging to LUG, and consumption of liquid fuels for business activities.

Electricity is used for heat treatment, plastic working and subtractive processes. LUG puts a lot of emphasis on reducing electricity consumption, therefore periodic monitoring of meter readings and the creation of an energy bank have been introduced. Furthermore, at the planning stage, processes are optimised to minimise energy demand.

Heat is generated for the purposes of production processes, which is used to heat rooms and assembly halls. Through continuous monitoring of the consumption of raw materials (e.g. technical gas), the amount of heat generated is monitored, with the intention of implementing systems for its reuse, thus minimising its loss. At each stage of production, attention is paid to optimal thermal management, with an emphasis on minimising its use at a level that does not adversely affect the process and, most importantly, does not adversely affect those directly involved in working in production areas. At LUG Light Factory Sp. z o.o. thermal energy is obtained from gas boilers (natural gas).

The company's liquid fuels are used by the company car fleet.

The Integrated Management System Improvement Plan 2020 assumed further implementation of tasks started a year earlier. In addition to replacing the lighting in the production halls, the lighting fixtures in the warehouse were also comprehensively replaced which made it possible to reduce the reactive power consumption in this area by another 50%. The lighting replacement project utilized a remote control system so that the lighting would draw power at the exact location where work is currently taking place. From the tasks assumed in the Improvement Programme for 2020 we also managed to rebuild the compressed air installation at the production hall in the plant located in Nowy Kisielin and started replacing the fleet of warehouse trucks with more energy-efficient and ergonomic ones. Despite the pandemic, which made it much more difficult to achieve the planned goals on time, we managed to carry out all of the planned activities.

The Improvement Program including energy targets for 2021 includes the installation and commissioning of a reactive power reactor and capacitor bank. This action will lead to a reduction in reactive power consumption and lower energy costs. In addition, in 2021, the aim will be to continue the downward trend in the amount of energy consumed, with a view to maximising the optimisation of

production processes, especially the most energy-consuming ones (e.g. even greater emphasis on reducing the number of changeovers on the paint line).

### Total energy consumption by main energy sources

	Unit	2018	2019	2020	change YOY
<b>Fuels consumed in buildings and installations</b>					
Natural gas	MWh	3,043.5	3,169.1	2,682.7	-15.3%
Total fuels consumed in buildings and installations	MWh	3,043.5	3,169.1	2,682.7	-15.3%
<b>Fuels used in transport with own vehicles</b>					
Petrol	MWh	130.1	121.1	84.8	-29.9%
Diesel	MWh	1,611.5	1,652.3	1,239.2	-25.0%
Total fuel used for transport with own vehicles	MWh	1,741.6	1,773.4	1,324.0	-25.3%
<b>Purchased energy</b>					
Electricity	MWh	1,481.7	1,544.0	1,485.6	-3.8%
<b>Total energy consumption from all sources</b>	<b>MWh</b>	<b>6,266.8</b>	<b>6,486.5</b>	<b>5,492.4</b>	<b>-15.3%</b>

### Energy from renewable and non-renewable sources

	Unit	2018	2019	2020	change YOY
Energy from all renewable sources (from fuel and purchased energy)	MWh	261.2	186.8	293.2	56.9%
<i>Percentage of energy from renewable sources</i>	%	4.2%	2.9%	5.3%	2.5%
Energy from all Non-renewable sources (from fuels and purchased energy)	MWh	6,005.6	6,299.6	5,199.2	-17.5%
<i>Percentage of energy from non-renewable sources</i>	%	95.8%	97.1%	94.7%	-2.5%
<b>Total energy from all sources</b>	<b>MWh</b>	<b>6,266.8</b>	<b>6,486.5</b>	<b>5,492.4</b>	<b>-15.3%</b>

### Energy intensity indicators

	Unit	2018	2019	2020	change YOY
Renewable energy per luminaire	kWh/pc.	0.5	0.4	0.6	36.5%
Energy from renewable sources for PLN 1 million of revenue	MWh/1mln PLN	1.5	1.1	1.6	46.5%
Energy from non-renewable sources per luminaire	kWh/pc.	11.7	14.6	10.5	-28.2%
Energy from non-renewable sources for PLN 1 million of revenue	MWh/1mln PLN	35.2	36.9	28.5	-22.9%
<b>Energy from all sources per luminaire</b>	<b>kWh/pc.</b>	<b>12.2</b>	<b>15.0</b>	<b>11.1</b>	<b>-26.3%</b>
<b>Energy from all sources per PLN 1 million in revenue</b>	<b>MWh/1mln PLN</b>	<b>36.7</b>	<b>38.0</b>	<b>30.1</b>	<b>-20.9%</b>

**[E.2.1]** Nearly half (48,8%) of the energy consumed in the activity of the LUG Group is the thermal energy used for the functioning of buildings and installations. The source of heat energy is natural gas which was consumed in the amount of 263,7000 m<sup>3</sup> in 2020. Natural gas consumption decreased by 15.3% in 2020. A further 24.1% of total energy consumption is generated by energy for fleet vehicles which consumed a total of 1,324.0 MWh in 2020, the vast majority of which came from diesel consumption.

and the rest from gasoline. In 2020, the consumption of liquid fuels in own vehicle transport in the LUG Group decreased by 25.3%. 1,489 MWh of electricity was purchased for Group's operations in 2020 (3.8% less than in the previous year) representing 27.0% of total energy consumption.

The total energy consumption in the LUG Group in 2020 decreased by 15.3% compared to the previous year. This decrease is primarily due to a reduction in fuel consumption for transport, but also a reduction in natural gas consumption and purchased electricity.

**[E.2.3.]** The basic energy efficiency ratio in 2020 was 11.1 kWh/pc. of product (luminaires produced) and was 26.3% lower than the year before due to a reduction in the number of luminaires produced while reducing total energy consumption.

**[E.2.2.]** The energy used by the LUG Group mainly came from non-renewable sources in 2020. Renewable sources accounted for 5.3% of energy consumed (up 2.5pp y-o-y).

### 7.3 Greenhouse gas emissions

**[E.5.1] [E.5.3]** Greenhouse gas emissions generated as a result of company's operating activities are monitored in LUG Group companies. To assess the emission intensity level, the greenhouse gas emission index per product unit (luminaire produced) at the Capital Group level is used.

The reported greenhouse gas emissions were calculated in accordance with the *The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, Revised* version.

Reported emission limits (*organizational boundaries*) include the parent company and all units of the LUG Capital Group according to operational and financial inspection (100% of the emissions of each unit). Consolidation covers all levels of the LUG Group.

Scope of reported emissions (*operational boundaries*):

- Reported emissions cover scope 1 (direct emissions) and scope 2 (indirect emissions resulting from the generation of energy purchased by the LUG Group units). Scope 2 emissions were calculated using the location-based method (as in previous years) and for the first time also using the market-based method.
- Regarding scope 1, the sources of greenhouse gas emissions were the combustion of natural gas in company's buildings and installations and the use of fuels (petrol and diesel) in vehicles.

Base year and emission trends over time:

- 2018 was considered the base year for emission reporting in the case of the LUG Group. Base year emissions were recalculated in the last reporting cycle. The recalculation was related to the use of different emission factors for fuels consumed in vehicles and the use of an updated electricity emission intensity factor.



As a result of the recalculation, the base year Scope 1 emissions were set at 1,030.4 Mg CO<sub>2e</sub> (prior to recalculation they were 1,260.5 Mg CO<sub>2e</sub>) and the location-based Scope 2 emissions were set at 1,037.2 Mg CO<sub>2e</sub> (prior to recalculation they were 1,134.8 Mg CO<sub>2e</sub>).

- In this report, emissions are reported for the second time in accordance with the *GHG Protocol Corporate Accounting and Reporting Standard*.
- A detailed analysis of changes in emissions over time is presented later in this chapter.

In 2020, no biogenic emissions were recorded.

The emissions were calculated using the tools provided by the GHG Protocol (<https://ghgprotocol.org/calculation-tools>). 2 location-based emissions were calculated using average emission intensity factors published by the National Balancing and Emission Management Centre (for Poland) and the International Energy Agency (for energy purchased by subsidiaries outside Poland). For Scope 2 market-based emissions, the emission intensity factors of the electricity suppliers to the LUG Group were used. The GWP (*Global Warming Potential*) factors used in the calculations are in line with the AR5, *The Fifth Assessment Report of the IPCC*.

### Greenhouse gas emissions to the atmosphere

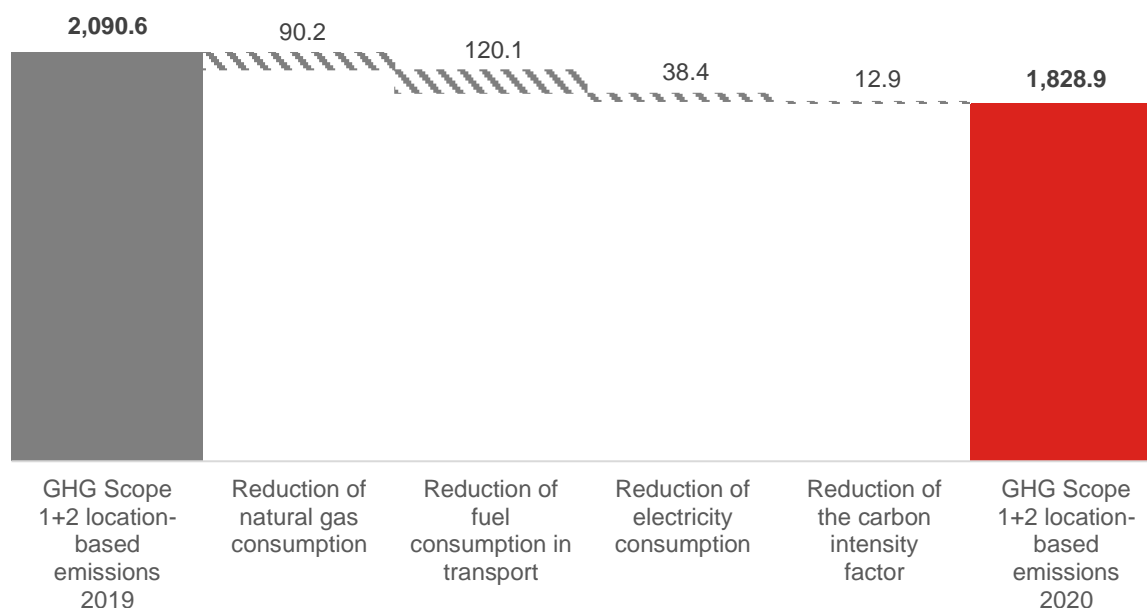
	Unit	2018	2019	2020	change YOY
<b>Scope 1</b>					
Emissions from fuel consumption in buildings and installations	Mg CO <sub>2e</sub>	564.5	587.8	497.6	-15.3%
Emissions from fuel consumption in transport	Mg CO <sub>2e</sub>	465.9	474.6	354.5	-25.3%
Total GHG Scope 1 emissions	Mg CO <sub>2e</sub>	1,030.4	1,058.5	852.1	-19.5%
<i>Scope 1 emissions per luminaire</i>	<i>kg CO<sub>2e</sub>/pcs.</i>	<i>2.0</i>	<i>2.5</i>	<i>1.7</i>	<i>-30.0%</i>
<i>Scope 1 emissions per PLN 1 million in revenue</i>	<i>Mg CO<sub>2e</sub>/PLN 1 mln</i>	<i>6.0</i>	<i>6.2</i>	<i>4.7</i>	<i>-24.8%</i>
<b>Scope 2 location-based</b>					
Emissions resulting from the purchase of electricity	Mg CO <sub>2e</sub>	1,037.2	1,028.2	976.9	-5.0%
Total GHG Scope 2 location-based emissions	Mg CO <sub>2e</sub>	1,037.2	1,028.2	976.9	-5.0%
<i>Scope 2 location-based emissions per luminaire.</i>	<i>kg CO<sub>2e</sub>/pcs.</i>	<i>2.0</i>	<i>2.4</i>	<i>2.0</i>	<i>-17.4%</i>
<i>Scope 2 location-based emissions per PLN 1 million revenue</i>	<i>Mg CO<sub>2e</sub>/PLN 1 mln</i>	<i>6.1</i>	<i>6.0</i>	<i>5.3</i>	<i>-11.3%</i>
<b>Scope 2 market-based</b>					
Emissions resulting from the purchase of electricity	Mg CO <sub>2e</sub>	-	-	1,085.1	-
Total GHG Scope 2 market-based emissions	Mg CO <sub>2e</sub>	-	-	1,085.1	-
<i>Scope 2 location-based emissions per luminaire</i>	<i>kg CO<sub>2e</sub>/pcs.</i>	<i>-</i>	<i>-</i>	<i>2.2</i>	<i>-</i>
<i>Scope 2 location-based emissions per PLN 1 million revenue</i>	<i>Mg CO<sub>2e</sub>/PLN 1 mln</i>	<i>-</i>	<i>-</i>	<i>5.9</i>	<i>-</i>
<b>Scope 1+2 location-based</b>					
Total GHG Scope 1+2 location-based emissions	Mg CO <sub>2e</sub>	2,067.6	2,086.7	1,828.9	-12.4%
<i>Scope emissions 1+2 location-based per luminaire</i>	<i>kg CO<sub>2e</sub>/pcs.</i>	<i>4.0</i>	<i>4.8</i>	<i>3.7</i>	<i>-23.8%</i>

Scope 1+2 location-based emissions per PLN 1 million revenue	Mg CO <sub>2</sub> e/PLN 1 mln	12.1	12.2	10.0	-18.2%
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As a result of the operating activity in the LUG Group in 2020, 1.8 thousand Mg CO<sub>2</sub>e (carbon dioxide equivalent) was emitted to the atmosphere within the direct (scope 1) and indirect (scope 2) emissions which corresponds to 3.7 kg CO<sub>2</sub>e per product unit (luminaire produced).

46.6% of the total greenhouse gas emissions generated in the LUG Group's operating activities fall within scope 1, i.e. direct emissions resulting from fuel consumption in buildings (58.4% of emissions within scope 1; 27.2% of total emissions) and use of fuels in transport (41.6% of emissions within scope 1; 19.4% of total emissions). Total emissions in scope 1 in 2020 were 1.7 kg of CO<sub>2</sub>e per unit of product. The remaining 53.4% of total greenhouse gas emissions fall within scope 2, i.e. indirect emissions which were entirely the result of purchased electricity (100% of emissions in scope 2). The benchmark in scope 2 was 2.0 kg CO<sub>2</sub>e per unit of product.

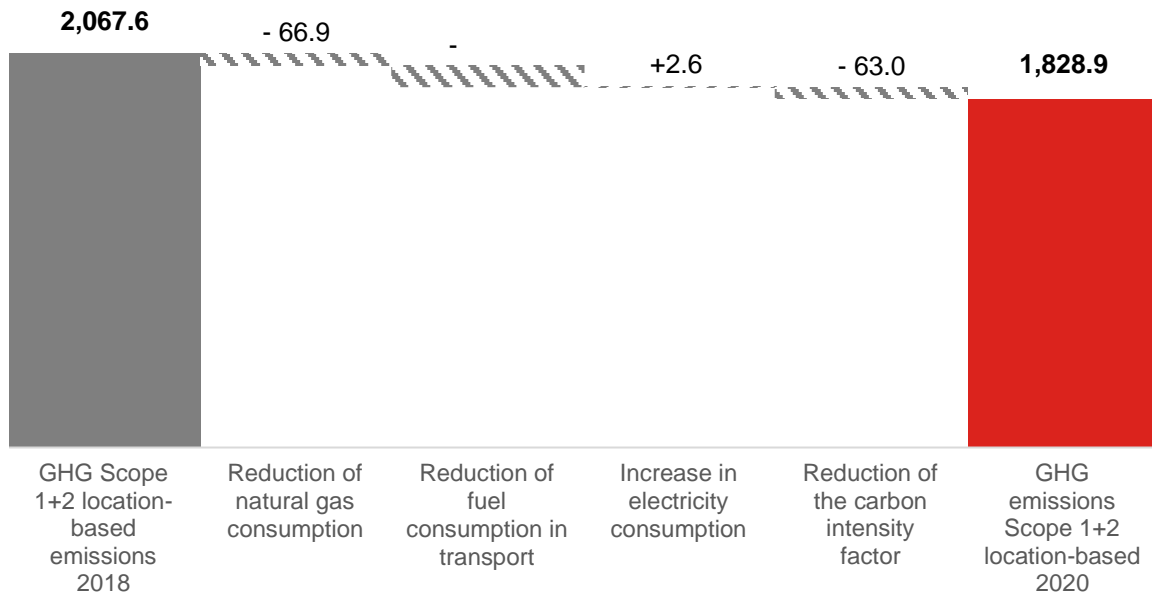
### Factors for changes in greenhouse gas emissions 2020/2019



In total, LUG Group's scope 1+2 location-based emissions in 2020 decreased by 12.4%, with scope 1 emissions decreasing by 19.5% and scope 2 emissions decreasing by 5.0%. The biggest contributor to emissions reductions in 2020 was a 25.5% reduction in transport fuel consumption which reduced GHG emissions by 120.1 Mg CO<sub>2</sub>e. To a lesser extent, the reduction in natural gas consumption contributed to the reduction of emissions (reduction of consumption by 15.3%, leading to a reduction in emissions by 90.2 Mg CO<sub>2</sub>e). Scope 2 emissions calculated using the location-based method decreased by 51.4 Mg CO<sub>2</sub>e. This was influenced by a 3.8% reduction in electricity consumption and a reduction in the emission intensity factor of electricity which fell by 1.3% to 658 g CO<sub>2</sub>e/kWh.

The basic emission index in 2020 was 3.7 kg of CO<sub>2</sub>e per product unit (luminaire produced) and was 23.8% higher than the year before, when it amounted to 4.8 kg of CO<sub>2</sub>e per unit of product. The reduction in the ratio is due to lower emissions and a lower number of luminaires produced than a year ago.

**Drivers of change in greenhouse gas emission values 2020/2018 (relative to base year)**



Analysing the changes in LUG Group's Scope 1+2 location-based emissions in 2020 relative to the base year (2018), total emissions decreased by 11.5%, with Scope 1 emissions decreasing by 17.3% and Scope 2 emissions decreasing by 5.8%. The greatest impact on reducing emissions came from a 24.0% reduction in the consumption of fuels used in transport which reduced greenhouse gas emissions by 111.4 Mg CO<sub>2</sub>e. To a lesser extent, the reduction in natural gas consumption contributed to the reduction in emissions (11.9% decrease in consumption, leading to a reduction by over 66.9 Mg CO<sub>2</sub>e). Scope 2 emissions calculated with the location-based method decreased by 60.4 Mg CO<sub>2</sub>e. This was influenced by a 6.1% reduction in the electricity emissions intensity factor with a 0.3% increase in electricity consumption.

*[E.5.2] [E.5.4]* Information on the emission of other substances to the atmosphere can be found in Annex 2.

**7.4 Consumption of resources and materials**

For the production of lighting fittings, LUG uses raw materials and semi-finished products supplied by verified suppliers. Information on suppliers of individual key raw materials and components:

- deliveries of the main components come mainly from Europe, the minority are suppliers from Asian countries;
- steel and aluminium are purchased in Europe (including Poland);
- PCBs are imported from Asia;

- semiconductor elements are purchased in Europe and the United States;
- glass is supplied by several local (Polish) manufacturers;
- plastics – plastic details are supplied by European manufacturers of this type of material;
- light sources, lenses, power supplies – supplied by European manufacturers. These are large companies operating all over the world. Some of these components are also produced by LUG itself;
- paints and varnishes are imported from Europe, a significant part of which comes from Poland.

Most raw materials and semi-finished products have at least two alternative suppliers.

Suppliers are selected on the basis of a tender where one of the selection criteria is the location of the potential supplier's facilities. Whenever possible, cooperation with local entrepreneurs is preferable. In most cases, before starting cooperation with a given company, an audit is carried out at the supplier. Pre-cooperation audits are conducted by the Quality Department and Supplier Supervisors. All purchased components are verified in terms of the required documentation and certification (CE, RoHS). In addition, each delivery of critical raw materials and semi-finished products is verified in terms of quality.

#### Main categories of resources and materials [E.1.1] [E.1.2]

	Unit	2018	2019	2020	change YOY
Steel	Mg	585	733	556	-24.2%
Aluminium and aluminium housing	Mg	700	626	570	-8.8%
Plastics	Mg	120	139	87	-37.0%
LED light sources	thousand units	50	47	53	+12.3%
PCBs	thousand units	1,287	1,147	1,126	-1.8%
Semiconductors	thousand units	42,000	40,962	50,800	+24.0%
Glass	Mg	72	68	74	+9.6%
Paints, varnishes	Mg	43	43	47	+10.3%
Power Supplies	thousand units	420	217	504	+132.4%
Connectors	thousand units	3,350	3,720	2,652	-28.7%
Lenses	thousand units	1,000	535	1,670	+212.3%
Cardboard	Mg	-	280	243	-13.4%

The changes in the use of materials and raw materials visible in the above statement are a result of changes in the assortment structure of products manufactured in 2020 with a simultaneous increase of 15.0% in the number of luminaires manufactured.

#### 7.5 Waste

In the LUG S.A. Group, municipal waste is collected selectively, according to local regulations. The generated waste is transferred to authorised recipients for recovery or disposal.

On the premises of the company, waste is generated as a result of the manufacturing process of luminaires and LED modules as well as functioning of auxiliary installations

necessary for business operations are stored in separate areas before being transferred to a waste collector. Waste storage sites are located on the premises of the enterprise, and the storage of waste is secured in a way that prevents its negative impact on the environment and human health.

The organisational unit responsible for the waste management area regularly inspects the waste disposal sites.

On behalf of LUG, the luminaires are disposed of by the Electrical Equipment Recovery Organisation which provides LUG with the following services: collection of waste electrical and electronic equipment, processing, recovery – including recycling and disposal of waste equipment, reporting to the Chief Inspector of Environmental Protection.

#### Hazardous and non-hazardous waste according to the management method and waste emission per product or revenue unit

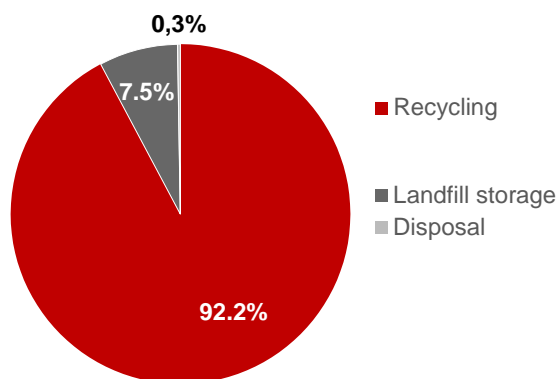
	Unit	2018	2019	2020	change YOY
<b>Hazardous waste</b>					
Recycling	Mg	0.0	0.0	0.0	-
Landfill storage	m3	0.0	0.0	0.0	-
Disposal	Mg	10.0	12.0	10.9	-8.9%
Reuse	Mg	0.0	0.0	0.0	-
Permanent storage on site	Mg	0.0	0.0	0.0	-
<b>Total hazardous waste</b>	<b>Mg</b>	<b>10.0</b>	<b>12.0</b>	<b>10.9</b>	<b>-8.9%</b>
<i>Hazardous waste per product unit</i>	<i>kg/pc.</i>	<i>19.3</i>	<i>27.8</i>	<i>22.0</i>	<i>-20.8%</i>
<i>Hazardous waste per PLN 1 million in revenue</i>	<i>kg/1 mln PLN</i>	<i>58.3</i>	<i>70.3</i>	<i>59.7</i>	<i>-15.0%</i>
<b>Non-hazardous waste</b>					
Recycling	Mg	346.1	347.8	397.4	+14.3%
Storage on landfills	m3	28.2	0.0	0.0	-
Disposal	Mg	0.9	36.6	49.3	+34.8%
Reuse	Mg	0.0	0.0	0.0	-
Permanent storage on site	Mg	0.0	0.0	0.0	-
<b>Total non-hazardous waste</b>	<b>Mg</b>	<b>354.2</b>	<b>384.3</b>	<b>446.7</b>	<b>+16.2%</b>
<i>Non-hazardous waste per product unit</i>	<i>kg/pc.</i>	<i>0.69</i>	<i>0.89</i>	<i>0.90</i>	<i>+1.1%</i>
<i>Waste other than hazardous per PLN 1 million in revenue</i>	<i>kg/1 mln PLN</i>	<i>2,073.9</i>	<i>2,252.3</i>	<i>2,444.2</i>	<i>+8.5%</i>
<b>Total all waste</b>	<b>Mg</b>	<b>364.2</b>	<b>396.3</b>	<b>457.6</b>	<b>+15.5%</b>
<i>Total all waste per product unit</i>	<i>kg/pc.</i>	<i>0.706</i>	<i>0.919</i>	<i>0.923</i>	<i>+0.43%</i>
<i>Total all waste per PLN 1 million in revenue</i>	<i>kg/1 mln PLN</i>	<i>2,132.2</i>	<i>2,322.5</i>	<i>2504.0</i>	<i>+7.81%</i>



*[E.6.1] [E.6.2] [E.6.4] [E.6.4]* In 2020, 89% of non-hazardous waste was recycled in the LUG Group, while hazardous waste was not recycled. 100% of hazardous waste and 11% of non-hazardous waste was sent for disposal. In 2020, no waste was deposited in landfills.

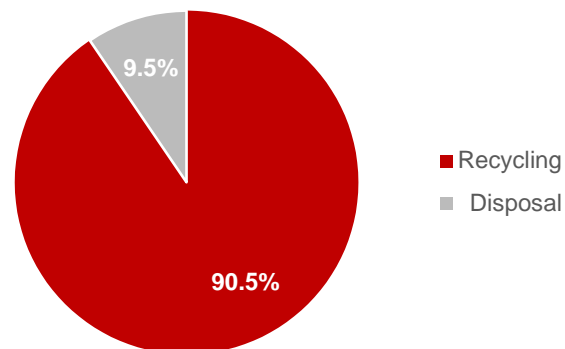
**Waste destination in 2018**

(non-hazardous)



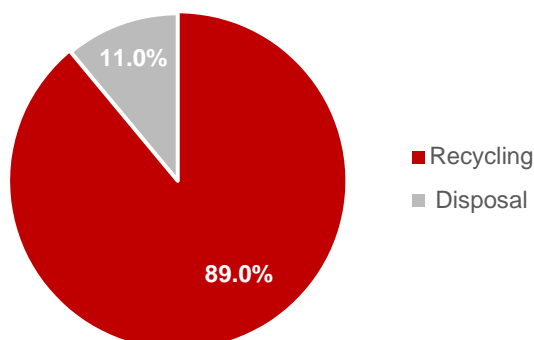
**Waste destination in 2019**

(non-hazardous)



**Waste destination in 2020**

(non-hazardous)



In total, in 2020, the LUG Group emitted 22 kg of hazardous waste and 0.9 kg of non-hazardous waste per 1 product unit, and 59.7 kg of hazardous waste and 2,444.2 kg of non-hazardous waste per PLN 1 million in revenue. The total amount of all waste in the LUG Group increased by 15.45% compared to 2019.

## 7.6 Limiting light pollution

One of the important issues highlighted in the materiality survey is the reduction of light pollution. With the development of urbanised areas, the brightness of the sky increases from year to year, the urban glow is visible from a distance of many kilometres, the light “spills out” of urbanised areas, which is not without its impact on the environment. Excessive lighting has a negative impact not only on human functioning, but also on the living conditions of plants and animals.

Light pollution can be classified into two categories:

- urban glow – a large-scale form of pollution present in an urbanised area, causing e.g. excessive illumination of the night sky, disturbances in the daily cycle of flora and fauna;
- unwanted light – this is light pollution that excessively illuminates surfaces not intended for this purpose. It is most often the result of a faulty design of a lighting device or errors and omissions in the spatial development plan.

When designing lighting for interiors as well as infrastructure and architectural objects, LUG has a wide impact on reducing light pollution. With its own design team, the company places particular emphasis on creating precise lighting systems and limiting uncontrolled light distribution.

By engaging in the development of Smart City technology, LUG offers solutions reducing excessive lighting in urban areas, including, for example, LMS (*Lighting Management System*). Thanks to these solutions, light is supplied and illuminates urban spaces only when it is needed, while at times when it is unnecessary and compliant with standards (e.g. in the middle of the night), the light intensity is reduced to a minimum. As a result, light pollution is reduced while also reducing the negative impact on the environment.

## 7.7 Other environmental issues

[E.7.2] [E.7.3] [E.7.4] During the reporting period there were no breakdowns resulting in contamination or other environmental damage. In 2020, LUG received a verdict on the appeal filed against the decision of the President of the Energy Regulatory Office to impose a fine of PLN 1,000 on Issuer’s subsidiary – LUG Light Factory sp. z o.o. with its registered office in Zielona Góra for not complying with the restrictions in the supply and consumption of electricity introduced on 10-31 August 2015. The court dismissed the complaint of LUG Light Factory sp. z o.o. against the decision of the President of the Energy Regulatory Office imposing a fine on the subsidiary and ordered the company to pay the costs of proceedings in the amount of PLN 720.

In its activities, LUG attaches great importance to respecting the natural environment and limiting its possible negative impact on it. Issues in dealing with an accident with consequences in the

environment are described in: Preparedness and response to environmental accidents procedure. The purpose of the procedure is to ensure proper management of and response to environmental accidents, unforeseen situations and unusual events.

## Water and sewage

	Unit	2018	2019	2020	change YOY
<b>Water consumption</b>					
Purchased water	m <sup>3</sup>	4,644.6	4,996.0	8,969.7	+79.5%
Water from own intakes	m <sup>3</sup>	0.0	93.2	90.7	-2.7%
Total water used	m <sup>3</sup>	4,644.6	5,089.2	9,060.4	+78.0%
<i>Water consumption per product unit</i>	<i>1/unit</i>	<i>9.0</i>	<i>11.8</i>	<i>18.3</i>	<i>+54.9%</i>
<i>Water consumption per PLN 1 million in revenue</i>	<i>m<sup>3</sup>/PLN 1mln</i>	<i>27.2</i>	<i>29.8</i>	<i>49.6</i>	<i>+66.3%</i>
<b>Sewage</b>					
Sewage discharged into the municipal network	m <sup>3</sup>	4,714.6	5,066.0	9,036.7	+78.4%
<i>Waste water discharged per product unit</i>	<i>1/unit</i>	<i>9.1</i>	<i>11.8</i>	<i>18.2</i>	<i>+55.2%</i>
<i>Sewage discharged per 1 PLN million in revenue</i>	<i>m<sup>3</sup>/PLN 1mln</i>	<i>27.6</i>	<i>29.7</i>	<i>49.5</i>	<i>+66.6%</i>

[\[E.3.1\]](#) [\[E.3.2\]](#) [\[E.3.3\]](#) [\[E.6.3\]](#) [\[E.6.5\]](#) The consumption of water and sewage is not a significant environmental issue in LUG Group's operations, therefore no solutions reducing water consumption and sewage production have been implemented. In 2020, the Group used 9,060.4 m<sup>3</sup> of water which is on average 18.3 l of water per product unit and 49.6 m<sup>3</sup> per PLN 1 million in revenue. The LUG Group used purchased water as well as its own intakes. The LUG Group does not recycle and reuse water. The total water consumption in 2020 increased by 78% compared to 2019. During the same period, 9,036.7 m<sup>3</sup> of wastewater was produced representing 18.2 litres per unit of product and 49.5 m<sup>3</sup> per PLN 1 million of revenue. The amount of discharged sewage increased by 78.4% compared to the previous year.

The increase in water consumption and wastewater discharged results from increased production volume and changes in the assortment structure of production in favour of luminaires made of aluminium casts. These luminaires require more frequent exchange of washing baths on the line of preparing the surface for painting than in the case of other luminaires, because aluminium slimes much harder during the etching process.

## Pollution reduction

One of the important aspects for LUG is acting in accordance with the sustainable development principle and using such technologies to have the least negative impact on the environment. For this purpose, appropriate procedures have been implemented in the production process, the purpose of which is to minimise the generation of waste and emissions during production, and to eliminate factors hazardous to the environment.

The LUG Group applies a number of measures to reduce pollution resulting from the production of LUG luminaires, such as:

- ecological bath – replaces the harmful process of solvent spraying on the surface of luminaires intended for varnishing. This reduces the dispersion of pollutants, as the luminaire is immersed in biodegradable solutions, and the residues from the degreasing process and pollutants from the luminaire housing and the preparations used for the bath are disposed of in a production waste water treatment plant installed on the premises of the paint shop;
- automatic wiring of luminaires – reduces the emission of chemical substances evaporated during soldering, and also reduces the exposure of employees to air pollution with these substances;
- LED component production line – reduces the production of emissions and waste, and enables the minimisation of the amount of chemicals (glue) used in the production of electronic components.

In addition, LUG is involved in the development of a smart lighting management system and Smart Cities technology and thus it contributes to the reduction of light pollution (more in chapter 7.6 *Limiting light pollution*).

#### Impact of the LUG Group on the environment

*[E.4.1] [E.4.2] [E.4.4]* LUG does not constantly monitor the impact of production facilities on the immediate environment. An analysis of collisions with protected areas has been carried out. As a result of the analysis, LUG Light Factory Sp. z o.o. in Zielona Góra and the LUG Research and Production Centre in Nowy Kisielin, reserves, protected landscape areas and special protection areas of the NATURA 2000 programme were distinguished. It is worth mentioning that the operational activity of LUG has no negative impact on the areas identified in the analysis.

*[E.4.3]* In 2020, there were no environmental losses as a result of LUG's activities.

#### 7.8 Significant environmental risks

Risk and its description	Risk management method
<p><b>Risk of tightening the regulations regarding the circular economy.</b> The introduction of more restrictive regulations concerning the closed-circuit economy may cause the necessity of design and construction changes in the luminaires manufactured by LUG with regard to the applied materials and the possibility of their reuse or recovery.</p>	<p>LUG monitors the risk e.g. by observing and analysing legislative processes related to the provisions on the circular economy. Risk management measures taken:</p> <ul style="list-style-type: none"> <li>- acting as an expert in legislative processes;</li> <li>- close cooperation with industry organisations such as Pol-Lighting;</li> <li>- rational design of products, taking into account the concept of processing residues from the production process and how best to reuse them;</li> <li>- extending the life cycle of LUG luminaires the design of which enables their possible repair and replacement of parts, instead of disposal.</li> </ul>





# LUG<sup>®</sup>

## 2020



# ABOUT THE REPORT



## 8 About the report

This report covers non-financial information concerning the LUG S.A. Capital Group for the period from 01 January 2020 to 31 December 2020. The report concern non-financial information prepared in accordance with Article 55(2b-2c) of the Accounting Act of 29 September 1994.

This report has been prepared in accordance with the Non-Financial Information Standard (SIN). Chapter 9.3 *SIN compliance table* includes a detailed list of SIN indicators with reference to the content of this report.

The report has not been subject to external verification.

All information, data and statements in this report concern the LUG S.A. Capital Group and the parent company LUG SA, unless it is clearly indicated otherwise.

In the report, the expressions "LUG", "LUG Group", "Capital Group", "LUG Capital Group", "LUG S.A. Capital Group" shall mean the LUG S.A. Capital Group.

The non-financial report of the LUG Capital Group is prepared on an annual basis.

### 8.1 Relevance of information in the report

*[G.3.1]* As a part of the process of preparing the report, a materiality survey was carried out to determine: significant stakeholder groups for LUG S.A. and the LUG S.A. Capital Group (uniform survey concerning the parent company and the capital group), significant non-financial issues and risks related to significant non-financial areas.

The materiality survey was carried out in the period from December 2018 to March 2019 by an independent MATERIALITY expert company in accordance with the MAX® methodology – MATERIALITY ASSESSMENT MATRIX in the basic + version.

The following research tools were used in the study:

- source data analysis;
- workshops with the company's management board and senior management of the company and capital group;
- a comprehensive survey conducted on a group of 27 representatives of the management board and senior management of the company and capital group, as well as 4 MATERIALITY experts;
- interviews with representatives of 6 external stakeholders from the company's social environment (Zielona Góra City Hall, University of Zielona Góra, Zielona Góra Branch of the Association of Polish Architects, Lubuskie Region Union of Employers, Western Chamber of Industry and Commerce, Association of Lighting Equipment Manufacturers "Pol-Lighting");
- matrix analysis of the obtained results.

As a result of the study, 10 important groups of stakeholders were selected, as well as 18 significant non-financial issues, divided into 3 areas. Nine significant non-financial risks were also identified. This data will be discussed in detail later in the report.

The conducted materiality survey is valid until 6 March 2022 and will constitute the basis for determining the content of the non-financial reports of LUG S.A. and the LUG S.A. Group in the coming years.

## 8.2 Relevant stakeholders

As a result of the materiality survey, 10 stakeholder groups were identified. These are the groups which are significantly affected by the Group and which have a significant impact on the Group:

1. All LUG employees (in particular the employees of the Commercial Division and the R&D Division);
2. Potential employees;
3. Decision-makers in sales processes (architects and interior designers, stewards);
4. Customers (general contractors, electrical wholesalers);
5. Suppliers;
6. Subcontractors;
7. Local communities (in Zielona Góra and Posadas);
8. Strategic shareholder;
9. Banks;
10. Regulators (legislator, creators of norms and standards).

## 8.3 Significant non-financial issues

The materiality study revealed 18 significant non-financial issues (areas in which the Group influences the environment and which areas of the environment affect the Group):

1. Environmental issues:
2. Indirect climate impact;
3. Consumption of resources and materials;
4. Waste;
5. Energy consumption;
6. Emissions to the atmosphere;
7. Limiting light pollution;

Issues in the employee area:

1. Influence of employees on LUG's ability to function;
2. Occupational Health and Safety;
3. Providing people working for LUG with the same working conditions and pay;
4. Providing employees in Posadas with the same conditions as in Poland.

Social issues:

1. Laws, norms and standards regarding lighting;
2. Product safety, production certification, quality standards;

3. Relations with local communities;
4. Savings in local government budgets;
5. Safety of people in public spaces;
6. Educating architects and designers in the field of lighting design;
7. Proper use of LUG products by consumers;
8. Preventing corruption;

The above-mentioned significant non-financial issues are described in more detail in individual chapters of the report.

#### 8.4 Significant non-financial risks

*[G.3.2]* The audit showed the existence of 9 significant risks from non-financial areas of the Group's operations:

1. Risk of LUG intellectual property theft;
2. Risk of adverse changes in lighting regulations;
3. Risk of adverse changes to other regulations;
4. Risk of tightening the regulations regarding the circular economy;
5. Risk of losing key personnel (e.g. R&D);
6. Risk of insufficient competence of sales teams;
7. Risk of an accident at the production plant;
8. Risk of a shortage of employees;
9. Risk of wage pressure;

As a result of the 2020 pandemic, Management reviewed the material non-financial risks and identified two new risks related to COVID-19:

10. Risk of business interruption due to outbreak of epidemic or pandemic;
11. Risk of employee shortage as a result of COVID-19 infection\*

The above-mentioned significant non-financial risks have been described along with their management in individual chapters of the report.

## 9 Compliance tables

### 9.1 Table of compliance with the requirements of the Accounting Act

Requirement of the Accounting Act	Chapter number
<b>Business model (Article 49b(2)(1))</b>	3.3
<b>Key non-financial performance indicators (Article 49b(2)(2))</b>	4
<b>Policies in non-financial areas and their results (Article 49b(2)(3)):</b>	
- Policy in the environmental area	7
- Policy in the social area	5
- Policy in the field of human rights	3.7
- Policy in the area of counteracting corruption	3.7
- Employee policy	6, 6.2, 6.4
<b>Due diligence procedures (Article 49b(2)(4))</b>	3.8, 3.9
<b>Significant non-financial risks and how to manage them (Article 49b(2)(5))</b>	

### 9.2 Table of compliance with the TCFD Recommendations

TCFD recommendations	Chapter number
<b>Corporate governance</b>	
Description of the management board and supervisory board supervision over the risks and opportunities related to climate change	3.6
Description of the role of the management board and supervisory board in identifying, assessing and managing risks and opportunities related to climate change	3.6
<b>Strategy</b>	
Description of the risks and opportunities related to climate change that the organisation has identified in the short, medium and long term	7.1
Description of the impact of risks and opportunities related to climate change on the business activity, strategy and finances of the organisation	7.1
Describe the resilience of the organisation's strategy to climate change under different scenarios, including a scenario involving an increase in average temperatures of 2 degrees Celsius or less	-
<b>Risk management</b>	
Description of the processes of identification and assessment of risks related to climate change	7.1
Description of the processes of managing risks related to climate change	7.1
Description of how to integrate the processes of identification, assessment and management of risks related to climate change in the overall risk management processes of the organisation	7.1, 3.9
<b>Indicators and objectives</b>	
Description of indicators used by the organisation to assess the risks and opportunities related to climate change in line with the risk management strategy and processes	7.1, 3.9
Disclosure of GHG emissions for Scopes 1, 2 and, if relevant, 3 and the associated risks	7.3
Description of the objectives used by the organization to manage climate-related risks and opportunities, and performance against objectives	-



### 9.3 SIN compliance table

Indicator	Description	Chapter number	Notes
<b>G: Management area</b>			
G.1.	Description of the business model and strategic development directions		
G.1.1.	Description of the adopted development strategy, taking into account social and environmental aspects	3.3	
G.1.2.	Characteristics of the adopted business model, including the description of the supply chain, with particular emphasis on the description of social and environmental impact	3.3	
G.2.	Governance		
G.2.1.	A description of the management structure, including whether and how the approach to management of non-financial (social Environmental) aspects has been taken into account, what risk management and internal audit system looks like,	3.6	
G.2.2.	List of certified management systems (e.g. ISO 9001, ISO 14001, OHSAS 18001, etc.)	3.8, 7	
G.2.3.	Description of the internal control system, indicating the monitoring of social and environmental aspects of the activities.	3.8	
G.3.	Social and environmental risk management		
G.3.1.	Description of the risk management approach and how it incorporates social and environmental aspects	8.1	
G.3.2.	List of identified social or environmental risks with their brief description	8.4	
G.4.	Ethics management		
G.4.1.	Indication whether the organisation has a formal Code of Ethics or an equivalent document corresponding to the needs of the organisation.	3.7	
G.4.2.	Number of ethical audits performed at suppliers, number of audits completed with the identification of irregularities.	3.7	
G.4.3.	Number of ethical audits performed in the organization at the request of its recipients, the number of audits completed with the identification of irregularities.	3.7	
G.4.4.	Number of suppliers that have signed a Charter of Ethics / a commitment to comply with organisations' ethical standards.	3.7	
G.4.5.	Number of reported complaints of potential breaches of ethical standards (if possible broken down into reports from inside / outside the organisation).	3.7	
G.4.6.	Number of training courses in the ethical area, number of people participating in them.	3.7	
G.4.7.	Percentage (%) of contracts with contractors that include an ethics clause (in terms of value).	3.7	
G.4.8.	Integrating ethics into bank lending policy [applies to the financial sector].		- not applicable
<b>E: Environmental area</b>			
E.1.	Direct and indirect impact: resources and materials		
E.1.1.	Type and quantity (e.g. by weight, volume) of raw material/material used (with possible indication of those from renewable sources /recycled / certified as sustainable).	7.4	
E.1.2.	Consumption of key raw material/material per unit of the product or revenue (for specific categories of raw materials/materials)	7.4	

E.2.	Direct and indirect impact: fuels and energy		
E.2.1.	Total energy consumption in GJ by main energy sources	7.2	
E.2.2.	% of energy from renewable energy sources (RES) (hydro, biomass, wind, photovoltaic, geothermal)	7.2	
E.2.3.	Energy consumption per unit of product or revenue.	7.2	
E.3.	Direct and indirect impact: water		
E.3.1.	Total water consumption in m <sup>3</sup> (where appropriate, by source).	7.7	
E.3.2.	Recovered and reused water volume.	7.7	
E.3.3.	Water consumption per unit of product or revenue.	7.7	
E.4.	Direct and indirect impact: biodiversity		
E.4.1.	List and short description of valuable natural areas in the vicinity / sphere of influence of the enterprise (indicating the nature of the enterprise's influence on these areas and habitats of valuable flora and fauna).	7.7	
E.4.2.	Indication of the type and frequency of environmental monitoring conducted.	7.7	
E.4.3.	Description of any confirmed environmental losses resulting from the company's operations.	7.7	
E.4.4.	Description of possible measures to monitor the state of the environment and to prevent/reduce/compensate the environment for the negative impact of the enterprise	7.2, 7.7	
E.5.	Direct and indirect impact: emissions to the atmosphere		
E.5.1.	Mass of greenhouse gases emitted to the atmosphere	7.3	
E.5.2.	Mass of other substances emitted to the atmosphere, by type (e.g. SO <sub>x</sub> , NO <sub>x</sub> , PM <sub>10</sub> , PM <sub>2.5</sub> )	Annex 2	
E.5.3.	Greenhouse gas emissions per unit of product or revenue.	7.3	
E.5.4.	Emissions of other substances per product unit or revenue	7.3, Annex 2	
E.6.	Direct and indirect impact: waste and sewage		
E.6.1.	Total mass of waste broken down by hazardous and non-hazardous, specifying the relevant categories thereof.	7.5	
E.6.2.	Total weight of waste, broken down by Development method.	7.5	
E.6.3.	Total volume of discharged sewage with an indication of the breakdown by treatment method.	7.7	
E.6.4.	Emission of waste per unit of product or revenue.	7.5	
E.6.5.	Emission of waste water per unit of product or revenue		
E.7.	Other aspects of direct and indirect environmental impact		
E.7.1.	Description of other significant types of environmental pollutants emitted by the company's operations (including measurable measures, if possible).		- do not occur
E.7.2.	List of accidents with an environmental effect and any contamination that occurred during the reporting period (with a description of their nature).	7.7	
E.7.3.	List of potential violations of environmental protection regulations in relation to which administrative proceedings have been initiated.	7.7	
E.7.4.	Total amount of final and binding penalties imposed for breach of environmental protection regulations.	7.7	
E.7.5.	Percentage (%) of contracts with counterparties which include a clause referring to		- do not occur

	respect for the environment (in terms of value).		
E.7.6.	Number of audits of subcontractors in terms of compliance with environmental protection regulations.		- do not occur
E.8.	Extended environmental responsibility: products and services		
E.8.1.	Including environmental protection in the credit/loan and investment policy [applies to the financial sector].		- not applicable
E.8.2.	Revenue from products or services developed with respect to environmental criteria as % of total revenues. [applies to sectors: industry; services].	7.2	
E.8.3.	Loans granted with earlier environmental risk assessment / insurance portfolio value with prior environmental risk assessment [sector ref.: finance].		- not applicable
<b>S: Social and employee area</b>			
S.1.	Use of public aid and public procurement		
S.1.1.	Value of public aid obtained from the state (financial support and grant equivalents).	5.5	
S.1.2.	Value of revenue from public procurement and % share in total revenue.	-	Unreported indicator due to the dynamic internationalisation of the LUG Group associated with an increase in the share of foreign revenue which causes a decrease in the share of domestic revenue and, as a result, a relative reduction in the significance of revenues from public procurement
S.2.	Employment and wages		
S.2.1.	Number of full-time employees by type of employment contract (by age and gender) at the end of the reporting period.	6.2, Annex 1	
S.2.2.	Number of newly hired employees by type of employment contract (by age and gender).	Annex 1	
S.2.3.	Number of full-time employees who left their jobs in the reporting period (by age and gender).	6.2, Annex 1	
S.2.4.	Number of persons employed under civil law contracts by type of employment contract (by age and sex) at the end of the reporting period, number of civil law contracts concluded with natural persons in the reporting period, the number of completed civil law contracts with natural persons during the reporting period.	6.2, Annex 1	
S.2.5.	Number of employees employed in outsourcing.	6.2, Annex 1	
S.2.6.	Number of disabled employees and their % share in total employment.	6.2, Annex 1	
S.2.7.	Average salary of employees working under employment contracts.	6.2	
S.2.8.	Number and average wages of foreign persons working for and under the supervision of the enterprise (whether as own workers or third party contractors) coming from countries in a worse economic situation than Poland or from countries where human rights violations are likely to occur by country of origin.		- do not occur
S.2.9.	Ratio of average gross remuneration of women to average gross remuneration of men in various positions / employee groups (e.g. directors, managers, other employees).	6.2	

S.2.10.	Ratio of average remuneration of members of the management board to company's lowest salary (on a full-time basis).	6.2	
S.2.11.	Average remuneration of persons cooperating on the basis of civil-law contracts and providing services within company's premises.	6.2	
S.2.12.	Average remuneration of employees working in outsourcing and working on the company's premises.		Indicator unreported due to differences in remuneration - conditions depending on economic conditions in various locations
S.2.13.	The total amount of annual contributions to the State Fund for Rehabilitation of People with Disabilities.		- did not occur
S.2.14.	Percentage of women who, after childbirth and return to work, resigned within 12 months after their return to work.	Annex 1	
S.2.15.	Information on additional non-wage benefits available to employees (e.g. supplementary insurance, medical packages, occupational pension scheme, employee share ownership, cards entitling to use sports facilities, housing loans).	6.3	
S.3.	Relationship with employees and freedom of association		
S.3.1.	Total number of trade unions operating in the company (representative and other)	6	
S.3.2.	Percentage (%) of employees belonging to trade unions (so-called unionisation rate).	6	
S.3.3.	The number of strike actions in the last year and the estimated impact on company's performance related to this (where strikes have been recorded, describe their cause, form, duration and findings).	6	
S.3.4.	Information on whether the facility has a hot-line procedure for reporting complaints and irregularities and on what basis (e.g. an appropriate policy). If yes, what is the number of complaints related to the area of employment practices that have been reported, investigated and resolved (how many complaints were reported and how many were resolved during the period).	3.7	
S.3.5.	Information on whether an employee council has been established in the establishment - and in the case of representatives other than the employee council and trade unions, whether such employee representatives have been appointed through an election which all employees could participate in.	6	
S.3.6.	Information on whether, and if so, how and with what results, the company conducts a documented dialogue in the form of regular, formalised meetings to discuss mutual expectations, the nature of the most frequently raised issues and how the company's authorities respond to them	3.7	
S.4.	Occupational health and safety (OHS)		
S.4.1.	Number of accidents at work among employees / among employees of subcontractors working on site.	6.4	
S.4.2.	Accident frequency rate (accidents at work per 1000 employees).	6.4	
S.4.3.	Number of fatalities among employees / employees of subcontractors working on site.	6.4	
S.4.4.	Total number of days of incapacity for work among employees due to accidents.	6.4	
S.4.5.	Accident severity rate (number of days of incapacity/1 accident).	6.4	
S.4.6.	Number of confirmed cases of occupational diseases.	6.4	

S.4.7.	Number of workers working under conditions exceeding the threshold limit value (TLV) or permissible exposure limit (PEL)	6.4	
S.4.8.	List of the most common causes of accidents at work, categories of work / activities performed by the injured person at the time of the accident, types of injuries.	6.4	
S.4.9.	Description of the degree of involvement of trade unions (if they exist) in the OHS area (e.g. whether a Social Labour Inspector has been appointed, how they control compliance with OHS regulations).	6.4	
S.4.10.	Percentage (%) of contracts with contractors that include an OHS clause (in terms of value).	6.4	
S.4.11.	Number of audits of subcontractors for compliance with health and safety rules.	6.4	
S.5.	Development and education		
S.5.1.	Average number of training hours (or training days) per employee (by gender and employee category) – refers to training organised by the employer.	6.3	
S.5.2.	The number of employees improving their professional qualifications who are entitled to specific entitlements from the employer (e.g. training leave), with the indication of the number of employees for whom the employer co-finances or finances the improvement of professional qualifications	6.3	
S.6.	Diversity management		
S.6.1.	Information whether the employer has implemented an anti-mobbing and anti-discrimination policy.	3.7	
S.6.2.	Number of reported cases of discrimination, mobbing, sexual harassment, etc.	3.7	
S.6.3.	Number of confirmed cases of discrimination, mobbing, sexual harassment, etc.	3.7	
S.6.4.	Number of anti-discrimination audits of subcontractors.		- do not occur
S.7.	Human rights		
S.7.1.	Number of reported human rights violations, Including at subcontractors.	3.7	
S.7.2.	Number of confirmed human rights violations, including at subcontractors.	3.7	
S.7.3.	Percentage (%) of contracts with contractors that include a human rights clause (in terms of value).	3.7	
S.7.4.	Number of audits into observance of human rights carried out at subcontractors.	3.7	
S.7.5.	Integrating human rights into bank lending policy [applies to the financial sector].		- not applicable
S.7.6.	Description of human rights risks and violations outside the supply chain (e.g. use of products or services provided by the enterprise by persons or entities in a manner that threatens to violate human rights of other people).		- not applicable
S.8.	Child labour and forced labour		
S.8.1.	Number of reported cases of child labour or forced labour (including subcontractors).	3.7	
S.8.2.	Number of confirmed cases of child labour or forced labour (including subcontractors).	3.7	
S.8.3.	Percentage (%) of contracts with contractors that include a clause relating to human rights, including the prohibition of child labour or forced labour (in terms of value).	3.7	



S.8.4.	Number audits into respecting the human rights at subcontractors in the prevention of child and forced labour.	3.7	
S.9.	Local communities and social engagement		
S.9.1.	Description of any nuisances that may be experienced by the local community in connection with the company's operating activities	5.4	
S.9.2.	Number of complaints submitted by the local community, their subject matter and the actions of the company in response to them.	5.4	
S.9.3.	Description of the company's policy and directions of social involvement and implemented pro-social activities, including those for the local community in which the activity is conducted.	5.4	
S.9.4.	Total amount of donations for social causes in the reporting period (with the largest recipients indicated).	5.4	
S.9.5.	Total amount spent on sponsorship (indicating the largest sponsored partners).	5.4	
S.9.6.	Total number of hours worked by volunteer workers and number of volunteers under a volunteering programme (if any)	5.4	
S.10.	Preventing corruption		
S.10.1.	Business areas potentially exposed to corrupt behaviour.	3.7	
S.10.2.	Number of reported incidents of behaviour bearing hallmarks of corruption.	3.7	
S.10.3.	Number of confirmed cases of corruption.	3.7	
S.11.	Product and consumer safety		
S.11.1.	Number of cases of violations of procedures regarding the safety of products and services.	5.1	
S.11.2.	Administrative proceedings conducted against the company (e.g. by UOKiK - the Office of Competition and Consumer Protection) and the financial value of penalties for non-compliance with the law and regulations on matters related to customer safety.	5.1	
S.12.	Marketing communication		
S.12.1.	Number of instances of non-compliance with regulations and voluntary codes regarding marketing communications (including advertising, promotion, sponsorship).	5.1	
S.12.2.	Administrative proceedings conducted against the company by UOKiK and the financial value of penalties for non-compliance with the law and regulations on issues related to the integrity and ethics of marketing communications.	5.1	
S.13.	Privacy protection		
S.13.1.	Number of events related to leakage or unauthorised use of personal data (customers, employees).	3.7	
S.13.2.	Administrative proceedings conducted against the company (e.g. by GIODO - The Inspector General for the Protection of Personal Data) and the financial value of penalties for non-compliance with the law and regulations on matters relating to the protection of personal data.	3.7	
S.14.	Product labelling		
S.14.1.	Number of incidents of non-compliance related to improper product labelling.	5.1	
S.14.2.	Administrative proceedings against the company, e.g. by the Office of Competition and Consumer Protection, and the financial value of penalties related to improper product labelling.	5.1	
S.15.	Other social and market issues		
S.15.1.	Actual liability rotation period.	5.5	
S.15.2.	Actual receivable rotation period.	5.5	

S.15.3.	Payment period of liabilities as standard recorded in contracts with suppliers.	5.5	
S.15.4.	Percentage (%) of liabilities paid on the contractual date (in terms of value).	5.5	
S.15.5.	Administrative proceedings conducted against the company by the Office for Competition and Consumer Protection and the financial value of penalties related to anti-competitive and anti-market behaviour.	5.5	



## 10 Approval for publication

This report on non-financial information of the LUG Capital Group S.A. for 2020 was approved by the Management Board of LUG S.A.

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Ryszard Wtorkowski,  
President of the  
Management Board

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Mariusz Ejsmont  
Vice President of the Management Board

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Małgorzata Konys  
Member of the Management Board

Zielona Góra, 27 May 2021.



## Annex 1: Data on employees

### Employees working under employment contracts (jointly for an indefinite and definite period of time) [S.2.1]

full-time equivalent	2018			2019			2020			change YOY		
	F	M	F+M	F	M	F+M	F	M	F+M	F	M	F+M
<b>Senior management, including:</b>	7.0	16.0	23.0	7.0	20.0	27.0	8.0	22.0	30.0	+14.3%	+10.0%	+11.1%
over 50	0.0	4.0	4.0	0.0	4.0	4.0	0.0	6.0	6.0	-	+50.0%	+50.0%
40-50 years of age	3.0	1.0	4.0	4.0	4.0	8.0	3.0	6.0	9.0	-25.0%	+50.0%	+12.5%
30-40 years of age	4.0	4.0	8.0	3.0	10.0	13.0	5.0	9.0	14.0	+66.7%	-10.0%	+7.7%
below 30	0.0	7.0	7.0	0.0	2.0	2.0	0.0	1.0	1.0	-	-50.0%	-50.0%
<b>Managers, including:</b>	7.0	24.0	31.0	5.0	32.0	37.0	8.0	20.0	28.0	+60.0%	-37.5%	-24.3%
over 50	0.0	3.0	3.0	0.0	3.0	3.0	0.0	1.0	1.0	-	-66.7%	-66.7%
40-50 years of age	1.0	7.0	8.0	1.0	7.0	8.0	4.0	9.0	13.0	+300.0%	+28.6%	+62.5%
30-40 years of age	6.0	13.0	19.0	4.0	19.0	23.0	2.0	6.0	8.0	-50.0%	-68.4%	-65.2%
below 30	0.0	1.0	1.0	0.0	3.0	3.0	2.0	4.0	6.0	-	+33.3%	+100.0%
<b>Other employees, including:</b>	228.0	340.0	568.0	215.0	300.0	515.0	185.0	266.0	451.0	-14.0%	-11.3%	-12.4%
over 50	42.0	38.0	80.0	37.0	35.0	72.0	42.0	34.0	76.0	+13.5%	-2.9%	+5.6%
40-50 years of age	63.0	54.0	117.0	60.0	45.0	105.0	57.0	53.0	110.0	-5.0%	+17.8%	+4.8%
30-40 years of age	85.0	152.0	237.0	79.0	139.0	218.0	57.0	114.0	171.0	-27.8%	-18.0%	-21.6%
below 30	38.0	96.0	134.0	39.0	81.0	120.0	29.0	65.0	94.0	-25.6%	-19.8%	-21.7%
<b>Employees at all levels of the structure</b>												
over 50	42.0	45.0	87.0	37.0	42.0	79.0	42.0	41.0	83.0	+13.5%	-2.4%	+5.1%
40-50 years of age	67.0	62.0	129.0	65.0	56.0	121.0	64.0	68.0	132.0	-1.5%	+21.4%	+9.1%
30-40 years of age	95.0	169.0	264.0	86.0	168.0	254.0	64.0	129.0	193.0	-25.6%	-23.2%	-24.0%
below 30	38.0	104.0	142.0	39.0	86.0	125.0	31.0	70.0	101.0	-20.5%	-18.6%	-19.2%
<b>Total for all levels of the structure</b>	242.0	380.0	622.0	227.0	352.0	579.0	201.0	308.0	509.0	-11.5%	-12.5%	-12.1%
- including employed full time	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	199.0	296.0	495.0	n.d.	n.d.	n.d.
- including part-time employees	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	2.0	4.0	6.0	n.d.	n.d.	n.d.





Employees working under employment contracts for an indefinite period of time [S.2.1]

full-time equivalent	2018			2019			2020			change YOY		
	F	M	F+M	F	M	F+M	F	M	F+M	F	M	F+M
<b>Senior management, including:</b>	<b>7.0</b>	<b>15.0</b>	<b>22.0</b>	<b>6.0</b>	<b>19.0</b>	<b>25.0</b>	<b>8.0</b>	<b>22.0</b>	<b>30.0</b>	<b>+33.3%</b>	<b>+15.8%</b>	<b>+20.0%</b>
over 50	0.0	4.0	4.0	0.0	3.0	3.0	0.0	6.0	6.0	-	+100.0%	+100.0%
40-50 years of age	3.0	1.0	4.0	3.0	4.0	7.0	3.0	6.0	9.0	0.0%	+50.0%	+28.6%
30-40 years of age	4.0	4.0	8.0	3.0	10.0	13.0	5.0	9.0	14.0	+66.7%	-10.0%	+7.7%
below 30	0.0	6.0	6.0	0.0	2.0	2.0	0.0	1.0	1.0	-	-50.0%	-50.0%
<b>Managers, including:</b>	<b>7.0</b>	<b>24.0</b>	<b>31.0</b>	<b>5.0</b>	<b>31.0</b>	<b>36.0</b>	<b>7.0</b>	<b>20.0</b>	<b>27.0</b>	<b>+40.0%</b>	<b>-35.5%</b>	<b>-25.0%</b>
over 50	0.0	3.0	3.0	0.0	2.0	2.0	0.0	1.0	1.0	-	-50.0%	-50.0%
40-50 years of age	1.0	7.0	8.0	1.0	7.0	8.0	3.0	9.0	12.0	+200.0%	+28.6%	+50.0%
30-40 years of age	6.0	13.0	19.0	4.0	19.0	23.0	2.0	6.0	8.0	-50.0%	-68.4%	-65.2%
below 30	0.0	1.0	1.0	0.0	3.0	3.0	2.0	4.0	6.0	-	+33.3%	+100.0%
<b>Other employees, including:</b>	<b>167.0</b>	<b>228.0</b>	<b>395.0</b>	<b>163.0</b>	<b>214.0</b>	<b>377.0</b>	<b>155.0</b>	<b>213.0</b>	<b>368.0</b>	<b>-4.9%</b>	<b>-0.5%</b>	<b>-2.4%</b>
over 50	37.0	24.0	61.0	32.0	28.0	60.0	39.0	28.0	67.0	+21.9%	0.0%	+11.7%
40-50 years of age	46.0	37.0	83.0	51.0	34.0	85.0	54.0	48.0	102.0	+5.9%	+41.2%	+20.0%
30-40 years of age	55.0	100.0	155.0	62.0	106.0	168.0	46.0	98.0	144.0	-25.8%	-7.5%	-14.3%
below 30	29.0	67.0	96.0	18.0	46.0	64.0	16.0	39.0	55.0	-11.1%	-15.2%	-14.1%
<b>Employees at all levels of the structure</b>												
over 50	37.0	31.0	68.0	32.0	33.0	65.0	39.0	35.0	74.0	+21.9%	+6.1%	+13.8%
40-50 years of age	50.0	45.0	95.0	55.0	45.0	100.0	60.0	63.0	123.0	+9.1%	+40.0%	+23.0%
30-40 years of age	65.0	117.0	182.0	69.0	135.0	204.0	53.0	113.0	166.0	-23.2%	-16.3%	-18.6%
below 30	29.0	74.0	103.0	18.0	51.0	69.0	18.0	44.0	62.0	0.0%	-13.7%	-10.1%
<b>Total for all levels of the structure</b>	<b>181.0</b>	<b>267.0</b>	<b>448.0</b>	<b>174.0</b>	<b>264.0</b>	<b>438.0</b>	<b>170.0</b>	<b>255.0</b>	<b>425.0</b>	<b>-2.3%</b>	<b>-3.4%</b>	<b>-3.0%</b>
- including employed full time	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	168.0	251.0	419.0	-	-	-
- including part-time employees	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	0.0	1.0	1.0	-	-	-

## Employees working under employment contracts for a fixed period of time [S.2.1]

full-time equivalent	2018			2019			2020			change YOY		
	F	M	F+M	F	M	F+M	F	M	F+M	F	M	F+M
<b>Senior management, including:</b>	<b>0.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>2.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-100.0%</b>	<b>-100.0%</b>	<b>-100.0%</b>
over 50	0.0	0.0	0.0	0.0	1.0	1.0	0.0	0.0	0.0	-	-100.0%	-100.0%
40-50 years of age	0.0	0.0	0.0	1.0	0.0	1.0	0.0	0.0	0.0	-100.0%	-	-100.0%
30-40 years of age	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-
below 30	0.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-
<b>Managers, including:</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>0.0</b>	<b>1.0</b>	<b>-</b>	<b>-100.0%</b>	<b>0.0%</b>
over 50	0.0	0.0	0.0	0.0	1.0	1.0	0.0	0.0	0.0	-	-100.0%	-100.0%
40-50 years of age	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	1.0	-	-	-
30-40 years of age	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-
below 30	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-
<b>Other employees, including:</b>	<b>61.0</b>	<b>112.0</b>	<b>173.0</b>	<b>52.0</b>	<b>86.0</b>	<b>138.0</b>	<b>30.0</b>	<b>53.0</b>	<b>83.0</b>	<b>-42.3%</b>	<b>-38.4%</b>	<b>-39.9%</b>
over 50	5.0	14.0	19.0	5.0	7.0	12.0	3.0	6.0	9.0	-40.0%	-14.3%	-25.0%
40-50 years of age	17.0	17.0	34.0	9.0	11.0	20.0	3.0	5.0	8.0	-66.7%	-54.5%	-60.0%
30-40 years of age	30.0	52.0	82.0	17.0	33.0	50.0	11.0	16.0	27.0	-35.3%	-51.5%	-46.0%
below 30	9.0	29.0	38.0	21.0	35.0	56.0	13.0	26.0	39.0	-38.1%	-25.7%	-30.4%
<b>Employees at all levels of the structure</b>												
over 50	5.0	14.0	19.0	5.0	9.0	14.0	3.0	6.0	9.0	-40.0%	-33.3%	-35.7%
40-50 years of age	17.0	17.0	34.0	10.0	11.0	21.0	4.0	5.0	9.0	-60.0%	-54.5%	-57.1%
30-40 years of age	30.0	52.0	82.0	17.0	33.0	50.0	11.0	16.0	27.0	-35.3%	-51.5%	-46.0%
below 30	9.0	30.0	39.0	21.0	35.0	56.0	13.0	26.0	39.0	-38.1%	-25.7%	-30.4%
<b>Total for all levels of the structure</b>	<b>61.0</b>	<b>113.0</b>	<b>174.0</b>	<b>53.0</b>	<b>88.0</b>	<b>141.0</b>	<b>31.0</b>	<b>53.0</b>	<b>84.0</b>	<b>-41.5%</b>	<b>-39.8%</b>	<b>-40.4%</b>
- including employed full time	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	31.0	45.0	76.0	-	-	-
- including part-time employees	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	2.0	3.0	5.0	-	-	-



## Employees employed in particular locations

full-time equivalent	for an indefinite period of time			for a fixed period of time			total		
	F	M	F+M	F	M	F+M	F	M	F+M
<b>Senior management, including:</b>	<b>8</b>	<b>22</b>	<b>30</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>22</b>	<b>30</b>
ul. Gorzowska 11	6	13	19	0	0	0	6	13	19
Nowy Kisielin	1	1	2	0	0	0	1	1	2
other locations	1	8	9	0	0	0	1	8	9
<b>Managers, including:</b>	<b>7</b>	<b>20</b>	<b>27</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>8</b>	<b>20</b>	<b>28</b>
ul. Gorzowska 11	4	8	12	1	0	1	5	8	13
Nowy Kisielin	1	5	6	0	0	0	1	5	6
other locations	2	7	9	0	0	0	2	7	9
<b>Other employees, including:</b>	<b>155</b>	<b>213</b>	<b>368</b>	<b>30</b>	<b>53</b>	<b>83</b>	<b>185</b>	<b>266</b>	<b>451</b>
ul. Gorzowska 11	132	118	250	26	25	51	158	143	301
Nowy Kisielin	17	45	62	3	11	14	20	56	76
other locations	6	50	56	1	17	18	7	67	74
<b>Employees at all levels of the structure</b>	<b>170</b>	<b>255</b>	<b>425</b>	<b>31</b>	<b>53</b>	<b>84</b>	<b>201</b>	<b>308</b>	<b>509</b>
ul. Gorzowska 11	142	139	281	27	25	52	169	164	333
Nowy Kisielin	19	51	70	3	11	14	22	62	84
other locations	9	65	74	1	17	18	10	82	92
<b>Total for all levels of the structure</b>	<b>170</b>	<b>255</b>	<b>425</b>	<b>31</b>	<b>53</b>	<b>84</b>	<b>201</b>	<b>308</b>	<b>509</b>

## Newly employed under employment contracts in 2020 [S.2.2]

in number of persons	for an indefinite period of time			for a fixed period of time			total		
	F	M	F+M	F	M	F+M	F	M	F+M
<b>Senior management, including:</b>	<b>1.0</b>	<b>3.0</b>	<b>4.0</b>	<b>0.0</b>	<b>2.0</b>	<b>2.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
over 50	0.0	1.0	1.0	0.0	2.0	2.0	0.0	0.0	0.0
40-50 years of age	1.0	1.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0
30-40 years of age	0.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0
below 30	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Managers, including:</b>	<b>3.0</b>	<b>2.0</b>	<b>5.0</b>	<b>1.0</b>	<b>0.0</b>	<b>1.0</b>	<b>1.0</b>	<b>2.0</b>	<b>3.0</b>
over 50	0.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0
40-50 years of age	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
30-40 years of age	3.0	1.0	4.0	1.0	0.0	1.0	0.0	1.0	1.0
below 30	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	2.0
<b>Other employees, including:</b>	<b>36.8</b>	<b>92.0</b>	<b>128.8</b>	<b>19.0</b>	<b>35.0</b>	<b>54.0</b>	<b>16.0</b>	<b>25.0</b>	<b>41.0</b>
over 50	2.0	9.0	11.0	2.0	2.0	4.0	0.0	2.0	2.0
40-50 years of age	5.0	10.0	15.0	3.0	5.0	8.0	0.0	1.0	1.0
30-40 years of age	16.8	38.0	54.8	7.0	15.0	22.0	6.0	6.0	12.0
below 30	13.0	35.0	48.0	7.0	13.0	20.0	10.0	16.0	26.0
<b>Employees at all levels of the structure</b>									
over 50	2.0	11.0	13.0	2.0	4.0	6.0	0.0	2.0	2.0
40-50 years of age	6.0	11.0	17.0	3.0	5.0	8.0	0.0	1.0	1.0
30-40 years of age	19.8	40.0	59.8	8.0	15.0	23.0	6.0	7.0	13.0
below 30	13.0	35.0	48.0	7.0	13.0	20.0	11.0	17.0	28.0
<b>Total for all levels of the structure</b>	<b>40.8</b>	<b>97.0</b>	<b>137.8</b>	<b>20.0</b>	<b>37.0</b>	<b>57.0</b>	<b>17.0</b>	<b>27.0</b>	<b>44.0</b>



Employees who left their jobs in 2020[S.2.3]

in number of persons	for an indefinite period of time			for a fixed period of time			total		
	F	M	F+M	F	M	F+M	F	M	F+M
<b>Senior management, including:</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1.0</b>	<b>2.0</b>	<b>3.0</b>	<b>1.0</b>	<b>5.0</b>	<b>6.0</b>
over 50	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0
40-50 years of age	0.0	0.0	0.0	1.0	2.0	3.0	1.0	0.0	1.0
30-40 years of age	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0	4.0
below 30	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Managers, including:</b>	<b>1.0</b>	<b>1.0</b>	<b>2.0</b>	<b>1.0</b>	<b>0.0</b>	<b>1.0</b>	<b>1.0</b>	<b>3.0</b>	<b>4.0</b>
over 50	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
40-50 years of age	0.0	1.0	1.0	0.0	0.0	0.0	0.0	3.0	3.0
30-40 years of age	1.0	0.0	1.0	1.0	0.0	1.0	1.0	0.0	1.0
below 30	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Other employees, including:</b>	<b>33.0</b>	<b>61.0</b>	<b>94.0</b>	<b>36.0</b>	<b>73.0</b>	<b>109.0</b>	<b>39.0</b>	<b>63.0</b>	<b>102.0</b>
over 50	5.0	5.0	10.0	5.0	6.0	11.0	7.0	6.0	13.0
40-50 years of age	5.0	8.0	13.0	6.0	8.0	14.0	5.0	10.0	15.0
30-40 years of age	17.0	34.0	51.0	17.0	23.0	40.0	18.0	27.0	45.0
below 30	6.0	14.0	20.0	8.0	36.0	44.0	9.0	20.0	29.0
<b>Employees at all levels of the structure</b>									
over 50	5.0	5.0	10.0	5.0	6.0	11.0	7.0	7.0	14.0
40-50 years of age	5.0	9.0	14.0	7.0	10.0	17.0	6.0	13.0	19.0
30-40 years of age	18.0	34.0	52.0	18.0	23.0	41.0	19.0	31.0	50.0
below 30	6.0	14.0	20.0	8.0	36.0	44.0	9.0	20.0	29.0
<b>Total for all levels of the structure</b>	<b>34.0</b>	<b>62.0</b>	<b>96.0</b>	<b>38.0</b>	<b>75.0</b>	<b>113.0</b>	<b>41.0</b>	<b>71.0</b>	<b>112.0</b>

**Other persons rendering services to the LUG Group in 2020 [S.2.4, S.2.5]**

in number of persons	2018			2019			2020*		
	F	M	F+M	F	M	F+M	F	M	F+M
Number of persons cooperating on the basis of civil law contracts (mandates and contracts for specific work)	2	18	20	5	24	29	3	5	8
Number of persons cooperating on the basis of a cooperation agreement (B2B)	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	2	27	29
Number of persons cooperating under contracts of appointment	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	1	3	4
Number of persons cooperating under outsourcing	23	28	51	3	10	13	n.d.	n.d.	187

\*For 2020, the data collection methodology has changed and therefore the data is not comparable to 2018 and 2019.

**Employees with disabilities [S.2.6]**

in number of persons, thousand PLN	2018			2019			2020			change YOY		
	F	M	F+M	F	M	F+M	F	M	F+M	F	M	F+M
Number of disabled workers	22	21	43	20	22	42	21	17	38	+5.0%	-22.7%	-9.5%

**Women who, after giving birth to a child and returning to work, resigned from work within 12 months of returning to work [S.2.14]**

	2018	2019	2020	change YOY
Percentage of women who, after giving birth to a child and returning to work, resigned from work within 12 months of returning to work	40.00%	20.00%	16.67%	-3.3pp

**Average monthly gross salary for other persons performing work**

PLN	2018			2019			2020*		
	F	M	F+M	F	M	F+M	F	M	F+M
Remuneration of persons cooperating on the basis of civil law contracts (mandates and contracts for specific work)	9,835	16,076	15,452	2,222	11,909	10,239	1,881	4,539	3,542





Remuneration of persons cooperating on the basis of a cooperation agreement (B2B)	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	8,767	15,721	15,241
Remuneration of persons working under contracts of appointment	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	3,750	18,879	15,096
Remuneration of outsourced collaborators	3,091	3,784	3,472	784	957	917	-	-	1,873

\*For 2020, the data collection methodology has changed and therefore the data is not comparable to 2018 and 2019.

## Appendix 2: Environmental data

### Emissions of other substances to the atmosphere by type [E.5.2] [E.5.4]

	Unit	2018	2019	2020	change YOY
SOx	kg	22.91	24.76	3.85	-84.5%
SOx per product unit	g/unit	0.04	0.06	0.01	-86.5%
SOx per PLN 1 million in revenue	kg/1 mln PLN	0.13	0.15	0.02	-85.5%
NOx	kg	501.32	541.55	482.00	-11.0%
NOx per product unit	g/unit	0.97	1.26	0.97	-22.6%
NOx per PLN 1 million in revenue	kg/1 mln PLN	2.94	3.17	2.64	-16.9%

# NON-FINANCIAL



2020



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