



**Standalone  
Annual Report  
of PFR S.A.**

for 2022

# Standalone Annual Report of PFR S.A. for 2022

## Table of contents

<b>Letter from the President of the Management Board of PFR S.A.</b> .....	<b>4</b>
<b>Management Board Report on the Activity of PFR S.A. and the PFR Corporate Group in 2022</b> .....	<b>6</b>
<b>Overview</b> .....	<b>6</b>
Description of the PFR Corporate Group.....	7
External environment.....	14
Structure of the PFR Corporate Group.....	19
Information on other subordinated entities.....	32
Corporate governance.....	33
Risk management system.....	39
Compliance system.....	42
<b>Economic and Financial Data</b> .....	<b>43</b>
Financial result of the PFR Corporate Group.....	44
Statement of financial position of the PFR Corporate Group.....	45
Financial result of PFR.....	46
PFR's statement of financial position.....	47
Current and projected financial standing of PFR and the PFR Corporate Group.....	49
Management Board's reports on representation expenditures, expenditures for legal, marketing, public relations and public communication services and management services.....	50
<b>Activity in 2022</b> .....	<b>52</b>
Involvement in fighting the effects of the COVID-19 crisis.....	53
Involvement in the National Recovery Plan.....	58
Summary of investment activity.....	61
Most important events in subsidiaries and other subordinated entities.....	69
<b>Material events affecting PFR and the PFR Corporate Group in 2022 and after the balance sheet date</b> .....	<b>79</b>
Material events in 2022.....	80
Material events after the balance sheet date.....	81
<b>Statement of Non-Financial Information</b> .....	<b>82</b>
Introduction.....	83
Business strategy.....	85
Management and oversight over ESG areas in the PFR Corporate Group.....	90
Environmental Area (E).....	92
Social Area (S).....	101
Corporate Governance Area (G).....	124
About the non-financial part of this report.....	128
Indicators.....	129
<b>Financial highlights of PFR S.A.</b> .....	<b>132</b>
<b>Standalone Financial Statements for 2022</b> .....	<b>135</b>

Introduction to the Standalone Financial Statements .....	136
Balance sheet: Assets.....	139
Balance sheet: Equity and liabilities.....	141
Statement of profit and loss.....	143
Statement of changes in equity .....	145
Cash flow statement.....	147
Notes and explanations.....	149
<b>Representation of the PFR S.A. Management Board.....</b>	<b>196</b>



## Dear Readers, Businessmen, Local Government Officials, Employees and Stakeholders of the Polish Development Fund,

The mission statement of the firm I have the honor of leading reads "Investments for Poland" and we have been fulfilling that mission intensively for the last seven years. We did not deviate from that path in 2022. We make investments in the traditional meaning of the term, in other words in corporate equities and infrastructural projects and in a more metaphorical meaning – for instance, by investing in developing the know how of Polish businesses, building a safe and secure retirement system for Poles, digitizing our economy and developing social capital. Since the spectrum of activities conducted by the PFR Corporate Group is so extensive, our annual report serves as a summary even though it is quite voluminous and contains many affirmations of the fact that we treat our motto "Investments for Poland" seriously and on many different planes.

Before I urge you to peruse the report itself I would like to portray succinctly what I consider to be the most important events in 2022 for the PFR Corporate Group. One cannot speak of them without referencing geopolitical circumstances. On 24 February Russia launched its aggression against Ukraine thereby violating international law and its own commitments. As a result, the architecture of Europe's security lay in rubble, and the network of business ties followed suit. War also engendered unprecedented cruelty and barbarianism on the part of the Russian aggressor. Nearly 12 million refugees fled Ukraine to escape them. Most of them did so by taking advantage of Poland's border crossings and resided in our country for a certain period. We continue to host roughly 2.5 million Ukrainian refugees, which is of great significance to the economic situation in Poland.

This event and the aftermath of the COVID-19 pandemic which is still noticeable exerted the strongest impact on the operations of the PFR Corporate Group in 2022. The response of the Polish state and public-at-large to the effects of the war in Ukraine was swift and full of empathy. The PFR Corporate Group has played and continues to play an important role in these efforts. We helped refugees by providing them with 361 apartments in housing estates built by PFR Nieruchomości. The PFR Foundation equipped these apartments and employees of the PFR Corporate Group worked as volunteers to do the finishing work on them. Our volunteers were also present in the reception points for refugees, while the PFR Foundation got involved in delivering programs supporting our guests as they adapted to living in Poland and it allocated grants worth PLN 280 thousand for this purpose.

To impede Russia from running the war the European Union has imposed a number of sanctions against the aggressor, and as a consequence, the Polish government took actions to discontinue deliveries of fossil fuels from that direction. Our nation's energy security has become more important than ever. This is also reflected by the

investments conducted by the PFR Corporate Group. Energy transition, which our firm supports by implementing the PFR Green Hub program is proceeding on multiple planes. On top of investments in the assets of companies building infrastructure to generate electricity from renewable energy sources (R.Power, Kleczew Solar & Wind) and our participation in projects to provide direct project finance for these undertakings (ITPO w Olsztyn), the companies of the PFR Corporate Group are involved in conducting many other activities. PFR Ventures invested PLN 250 million in *venture capital* and *growth equity* funds to finance innovative ClimateTech projects. This is capital for Polish companies whose solutions respond to the needs stemming from climate change. In turn, PFR and the PFR Foundation are disseminating knowledge regarding green innovation and ESG reporting. Programs serving this purpose include the School of Pioneers, Companies of Tomorrow, Community of Future-minded Companies and courses for business professionals available on the [kursy.pfr.pl](https://kursy.pfr.pl) platform.

Noteworthy are the projects supporting energy transition that are being run by companies in which PFR is an investor. In 2022 PESA Bydgoszcz tested a prototype of a proprietary hydrogen-powered locomotive on the experimental track in the town of Żmigród in the vicinity of Wrocław. It also presented a strategy in which hydrogen is the axis – not only in terms of manufacturing vehicles powered by this fuel but also in terms of the infrastructure needed to serve them such as mobile fueling stations. The "Green Pesa" program is one of the key components of the strategy pursued by the company and entitled "Pesa 2026+". It calls not only for producing zero emission, battery and hydrogen-powered rail cars but also curtailing CO<sub>2</sub> emissions in manufacturing and across the board in its operations.

In turn, the Baltic Hub container port (which operated under the brand of DCT Gdańsk until 2022) is continuing to build its third deep water terminal and is upgrading the transshipment infrastructure to accommodate vehicles powered by renewable resources. The war has demonstrated how important it is to have modern transport infrastructure in Poland and for Poland to retain control over it. This port also discharges an important logistical function for a fighting Ukraine.

At this time it would be worthwhile to devote a separate paragraph on the PFR Corporate Group's largest deal last year. GAZ-SYSTEM, the operator of the national gas pipeline network received a loan of one billion PLN to implement projects facilitating the diversification of the sources of natural gas imports into Poland. The European Union treats power plants powered by natural gas as a source of green energy. The role of natural gas in powering environmentally friendly public transport is also on the rise. The Polish economy's energy transition would not be plausible without securing supplies of this fuel.

The PFR Green Hub project is a prime reflection of PFR's approach. We offer more than capital by creating an entire socio-economic ecosystem to support green transition. It consists of legal solutions, financial instruments and a network of cooperating institutions other than just state institutions. The success of the Green Hub program has inclined the PFR Management Board to launch a project entitled Tech Hub. It is supposed to provide similar support to the development of Polish companies from six industries identified as being the most future-minded. What is important is that this program is also supposed to involve Polish technical universities to make cooperation between the state, business and science a reality in the field of technology in areas such as the following: artificial intelligence, advanced electronics and robotics, drones, new space technology and advanced chemistry and materials.

Another important attribute of the PFR Corporate Group's investments is that they are complementary. One example of this approach is the development of activities following the purchase of the Polish Cable Railway in 2019. At that time, the company already could boast of having a new investment strategy contemplating the construction of a scenic railway above the Solińska Dam. This eye-catching 1.5 km-long route was launched last year. A scenic tower, restaurant and theme park were formed in parallel with the railway. The acquisition of a 45% equity stake in the Polish company Supersnow, one of the leaders on the artificial snow machine maker market and the signing of an agreement to extend the execution of the "Polish Master's" program to develop Alpine skiing by another four years were similarly carried out in 2022 to bolster the PKL investment.

The political turmoil hindering Poland from receiving EU funds under the National Recovery Plan (KPO) underscored other attributes related to the activities of the PFR Corporate Group: efficiency, flexibility and high level of skill in digital technologies. The European Union approved the list of projects eligible for funding under the National Recovery and Resilience Plan. However, until a political agreement is struck, the funds cannot be originated. To ensure that these well-prepared and highly-needed projects are not squandered, PFR is prefinancing some of them using the funds repaid by businesses as they amortize the financial Shields. PFR has also implemented an IT system to administer these funds.

Most of the PFR Corporate Group's investments are backed by the funds managed by PFR TFI. One of them is the Foreign Expansion Fund (FEZ) that provides Polish companies with funds to make acquisitions or direct investments abroad. In 2022 FEZ invested in a company called Netguru, a software and IT systems house that acquired a company on the US market. On top of managing funds to finance the activities of the PFR Corporate Group, PFR TFI manages defined open-end target date funds under the Employee Capital Plan program. It has done this with such efficacy that in 2022 it received the prestigious award entitled "Bulls and Bears" in the category "Employee Capital Plan of the Year" for the effective management of assets in the PFR PPK SFIO fund.

As we are dwelling on Employee Capital Plans, it is worth mentioning that at the end of 2022, there were approximately 2.8 million active accounts with assets of roughly PLN 12 billion. In turn, the information regarding the assets set aside for retirement in various financial products and institutions will soon be available in one single spot – the Central Retirement Information Register, also thanks to the involvement of the PFR Corporate Group.

Despite the rising prices of building materials and services, PFR Nieruchomości has also managed to discharge the tasks entrusted to it under the *PFR Corporate Group's Strategy*. In 2022 the company completed the construction of housing estates in Nowy Targ,

Oława, Radom, Toruń, Września and Zamość. Construction is underway in Nakła nad Notecią, Zgorzelec, Katowice (housing estate on ul. Korczaka) and Sianów. Housing estates in the process of being designed at the end of 2022 included ones for Warsaw (ul. Ratuszowa), Wrocław (ul. Zatorska and Białowieska), Szczecin (ul. Starkiewiczza) and Lublin (ul. Krochmalna).

It is noteworthy that the housing estates designed by the company stand out in terms of their high quality of urban architecture, design and engineering solutions. The avenues for developing Poland's residential market are being demarcated in this manner and private property developers have taken notice. Awards conferred under trade competitions have affirmed this. The housing estate on ul. Okólna in Toruń has received the "Leader of Accessibility" award as a distinction emphasizing the quality of solutions offered to people with limited mobility. In turn, the Nowy Nikiszowiec housing estate which residents settled in 2022 has been nominated for the Mies van der Rohe award, an Oscar for architects. Although this distinction was conferred on someone else, the mere fact of a housing estate built by a state institution being nominated merits recognition.

Despite challenging geopolitical and economic circumstances the PFR Corporate Group is effectively executing its strategy in 2022-25. The magnitude of the challenges with which the Polish economy and state are grappling has meant that the number and level of complexity accompanying the tasks entrusted to the PFR Corporate Group have grown. That is why I am all the more elated that thanks to enormous effort expended by the entire team of employees of the institution I have the honor of leading we have been able to perform all of our tasks with the requisite amount of professionalism and care for public funds. This has also been affirmed by the opinions of independent entities. In 2022 the Standard & Poor's rating agency awarding an A/A- rating to PFR, which is the highest possible rating for a financial entity from Poland (an institution's rating cannot be higher than the sovereign rating in the country in which it operates). The efforts taken to build social capital have also generated market attention. Nine of the projects run by PFR and the PFR Foundation have been cited in the report entitled "Corporate Social Responsibility in Practice" published by Forum Odpowiedzialnego Rozwoju [Corporate Social Responsibility Forum].

Dear readers, the projects specified above represent merely a portion of the initiatives undertaken by the PFR Corporate Group in 2022. I urge you to familiarize yourselves with the entirety of our efforts depicted in this report. In conclusion, I would like to thank all of the people committed to the work of our institution. The uncertainty generated by the situation in Ukraine did not terrify us. Rather, we have witnessed mobilization for the purpose of dealing with the problems precipitated by the war being waged by our neighbor to the east. This capacity the PFR team has of mobilizing in arduous moments is particularly valuable. This means that state institutions, society-at-large and I can all count on the people who work in the PFR Corporate Group!

I urge you to peruse our report.

Respectfully,  
Paweł Borys  
President of Polski Fundusz Rozwoju



# Management Board Report on the Activity of PFR S.A. and the PFR Corporate Group in 2022

## Chapter 1: Overview

<b>Description of the PFR Corporate Group</b> .....	<b>7</b>
1. Business profile and key performance ratios.....	7
2. Calendar of most important events in 2022.....	8
3. Values and ethical standards.....	12
<b>External environment</b> .....	<b>14</b>
1. Macroeconomic environment.....	14
2. Industry context.....	15
3. Regulatory environment.....	16
4. Drivers of the PFR Corporate Group's financial results in 2023.....	17
<b>Structure of the PFR Corporate Group</b> .....	<b>19</b>
1. Information about the Parent company – PFR.....	19
2. Information on the subsidiaries.....	26
<b>Information on other subordinated entities</b> .....	<b>32</b>
<b>Corporate governance</b> .....	<b>33</b>
1. Corporate governance principles.....	33
2. Audit firm authorized to audit financial statements.....	33
3. Shareholder Meeting.....	33
4. Supervisory Board.....	34
5. Report on the activity of the Management Board as a corporate body.....	34
6. Commercial proxy.....	35
7. Description of significant pending litigation.....	35
8. Management Board report on the application of best practices.....	35
<b>Risk management system</b> .....	<b>39</b>
1. Credit risk.....	39
2. Liquidity risk.....	39
3. Market risk.....	39
4. Compliance risk.....	39
5. Operational risk.....	41
6. Investment risk.....	41
7. Political risk.....	41
8. Project risk.....	41
9. Strategic risk.....	41
10. Reputation risk.....	41
11. Legal risk.....	41
12. ESG risk.....	41
<b>Compliance system</b> .....	<b>42</b>
1. Compliance management strategy.....	42
2. Compliance risk management.....	42
3. Anticorruption Shield.....	42





# Description of the PFR Corporate Group

[GRI 2-1] [GRI 2-6]

## 1. BUSINESS PROFILE AND KEY PERFORMANCE RATIOS

The Polski Fundusz Rozwoju S.A. (Polish Development Fund) Group (the “PFR Corporate Group” or “PFR CG”) is a group of financial and advisory companies that works for businesses, local governments and private individuals, and invests in the country’s sustainable social and economic development.

The Group consists of the following entities:

- Polski Fundusz Rozwoju S.A. (“PFR” or the “Company”),

- PFR Towarzystwo Funduszy Inwestycyjnych S.A. (“PFR TFI” or the “Management Company”),
- PFR Ventures sp. z o.o. (“PFR Ventures”),
- PFR Nieruchomości S.A. (“PFR Nieruchomości” or “PFRN”),
- PFR Portal PPK sp. z o.o. (“PFR Portal PPK”),
- PFR Operacje sp. z o.o. (“PFR Operacje” or “PFRO”),

The priorities of the PFR Corporate Group’s are: infrastructural investments, innovations, entrepreneurial development, exports and foreign expansion of Polish businesses, support for local governments, implementation of the Employee Capital Plan program and management of foreign investments.



PLN 12+ billion

value of PFR investments in all projects



PLN 1 billion

PFR’s cumulative net profit since 2016



Over PLN 3 bn

invested in housing construction in 40 locations across Poland



PLN 73.2 billion

value of support paid out under PFR Financial Shields



Over 353,000

number of companies that received subsidies under the Financial Shield for MSMEs



3.3 million

the number of participants in Employee Capital Plans (ECPs)



Nearly 50,000

Number of participants in innovation programs run by PFR



Over PLN 3 bn

allocated to 70 VC/PE funds financing a total of 650 start-ups



Over 1,900

Number of participants in workshops at the Central House of Technology

# 2022

## Most important events



### January

#### 24 JANUARY 2022

A press conference was held during which PFR Vice-President Bartosz Marczuk presented the assumptions of the Central Retirement Information system. It will make available in one place information about current balances and history of operations on all accounts of the user's pension products: ZUS, KRUS, IKE, IKZE, PPE, PPK, OFE.

### February

#### 17 FEBRUARY 2022

The construction of 138 PFR Nieruchomości apartments at ul. Klonowa in Mińsk Mazowiecki was completed.

### March

#### 2 MARCH 2022

In view of the growing number of refugees seeking shelter in Poland following Russia's aggression against Ukraine, PFR decided to provide 650 apartments built by PFR Nieruchomości as part of the government's housing program free of charge to refugees from Ukraine. The apartments were provided in: Kraków, Dębica and Mińsk Mazowiecki.

#### 22 MARCH 2022

The European Investment Bank and PFR signed a strategic cooperation agreement to co-finance investments mainly in the areas of sustainable economic development, environmental protection, mitigation of climate change, improvement of energy efficiency and increased use of renewable energy sources.

#### 30 MARCH 2022

The Foreign Expansion Fund managed by PFR TFI, made a joint investment with the Polish technology company Netguru. The project entails acquisition of a stake in Pilot 44, a digital innovation studio based in San Francisco.

#### 31 MARCH 2022

PFR TFI received the prestigious award entitled "Bulls and Bears" in the category "Employee Capital Plan of the Year" for the effective management of assets in the PFR PPK SFIO fund.



# 2022

## Most important events

### 11 APRIL 2022

PFR Ventures invested PLN 100 million in two private debt funds: CVI from Poland and the UK-based Beechbrook. Both teams offer debt financing to companies. This way, PFR Ventures has expanded the scope of its PFR PE program to include this type of funds.



## April

### 27 APRIL 2022

PFR summarized the PFR Financial Shield program. Across all iterations of the program, PFR had paid out about PLN 73.2 billion of support to approximately 353 thousand businesses. Remission will leave about PLN 43.8 billion in the accounts of the businesses and PLN 29.4 billion will be reimbursed to PFR.



## May

### 13 MAY 2022



PFR Nieruchomości completed the construction of 124 apartments at ul. Tytoniowa in Radom.

### 17 MAY 2022

PFR Ventures invested PLN 28 million in the Accelero Ventures seed fund. The additional PLN 7 million was provided by private investors. This is the last investment in a seed fund in the first edition of the PFR Starter program financed under the Smart Growth Operational Programme.

### 23 MAY 2022

The PFR Foundation donated nearly PLN 280,000 to organizations providing aid to Ukraine. This amount was sufficient to organize aid for refugees who lived in foster care in Ukraine, especially transport, providing a secure place in Poland and in-kind and educational support.

## June

### 15.06.22

PFR Nieruchomości completed the construction of a housing estate in Nowy Targ.

### 21.06.22



Entrepreneurs' Day was held at the Central House of Technology. The event included an educational workshop on digital entrepreneurship for young people and an expert debate entitled "Why is it worthwhile to be an entrepreneur?"

### 30.06.22

S&P Global Rating affirmed PFR's A rating in local currency and A- in foreign currency, with a stable outlook.

### 30.06.22

PFR Nieruchomości signed an agreement with the Group-Arch studio for the design of a housing estate at ul. Białowieska in Wrocław. About 450 new apartments will be built there.



# 2022

## Most important events



### 7 SEPTEMBER 2022



PFR FI granted a loan of PLN 1 billion to GAZ-SYSTEM for investment projects to increase Poland's energy security, including projects to diversify Poland's gas supply sources.

### 7 SEPTEMBER 2022



The fund managed by PFR subscribed for green bonds of R.Power in the amount of PLN 120 million. The company will use the funds to develop photovoltaic projects.

## July

### 1 JULY 2022

Polskie Koleje Linowe, whose majority shareholder is the PFR FI fund, opened PKL's tourist resort in Solina. Visitors can use a gondola, an observation tower, a multimedia zone and a number of other attractions for the whole family.

### 8 JULY 2022



Baltic Hub, the operator of the largest container terminal complex in the Baltic Sea, in which PFR is a shareholder, signed an agreement with the contractors for the third deep water terminal T3. It will be the most advanced terminal in the Baltic Sea.

## August

### 17 AUGUST 2022



PFR Nieruchomości completed the construction of a 144-apartment housing estate in Olawa.

## September

### 16 SEPTEMBER 2022

PFR TFI, as the institution designated to ensure continuity of management of the savings in the Employee Capital Plan, took over from BPS TFI the management of the BPS Emerytura PPK Specialized Open-End Investment Fund, which is a target date fund operating within the Employee Capital Plan.

### 30 SEPTEMBER 2022



Thanks to the PFR Foundation, more than 10,000 children from Poland and Ukraine actively spent the summer with the "Summer ActivACTION" program.



# 2022

## Most important events

### October

#### 4 OCTOBER 2022

The Urban Technology Exchange was launched – a dedicated platform that connects providers of smart city solutions with the needs of townships.

#### 6 OCTOBER 2022



96 families moved into the PFR Nieruchomości housing estate in Lowicz.

#### 12 OCTOBER 2022

PFR Ventures signed agreements with Lakestar and Northzone, two international venture capital funds which will invest in total almost PLN 500 million in Polish innovative businesses. The public investor allocated to them PLN 240 million, almost half of the total amount.

#### 21 OCTOBER 2022

The PFR Foundation launched the "Residential Units for Refugees" program, aimed at providing decent conditions for people fleeing the war in Ukraine. In total, 1200 people were helped and the total value of the project exceeded 4.5 million PLN. More than 90 volunteers from PFR Corporate Group took part in furnishing the apartments.

### November

#### 8 NOVEMBER 2022

The housing estate at ul. Okólna in Toruń, a PFR Nieruchomości project, received an honorable mention in the "Accessibility Leader" competition.

#### 9 NOVEMBER 2022

PFR Nieruchomości signed a contract for the design of a housing estate consisting of 9 buildings in the Pomorzany district of Szczecin. The project also includes the revitalization of the former Szczecin Pomorzany railway station.

#### 17 NOVEMBER 2022

During the final of the PFR School of Pioneers, teams that developed new technologies for medicine received a distinction. The new technologies included: an application facilitating a breast cancer diagnosis, quick tests to determine male fertility and determine the effectiveness of antidepressants, and a new method of anti-allergy therapy.

#### 21 NOVEMBER 2022

Launch of an information process for employers who have not concluded an Employee Capital Plan management agreement.

#### 28 NOVEMBER 2022



PFR FI acquired a 45% stake in Supersnow S.A. through a capital increase. The company will use the proceeds for the development of its technology and to expand into international markets. Supersnow S.A. is one of the top three European and top five global manufacturers of snowmaking systems.

### December

#### 1 DECEMBER 2022



Two teams of PFR School of Pioneers graduates were awarded in the European competition EIT Jumpstarter – a program of the European Institute of Technology, a scientific research institution of the European Union.

#### 15 DECEMBER 2022



PFR FIS and the city of Limanowa invest in the construction of a barracks for the Territorial Defence Forces.

#### 19 DECEMBER 2022

PFR TFI merged sub-funds of two target date funds managed by PFR TFI and operating under the Employee Capital Plan. It was the first operation of this type in Poland.

#### 23 DECEMBER 2022



A fund managed by PFR executed a subordinated loan agreement for up to PLN 90 million for the construction of the Kleczew Solar & Wind project belonging to the Lewandpol Group.

#### 29 DECEMBER 2022

The PFR Foundation completed the "CyberSafe" project to promote awareness of Internet safety. More than 10,000 people had the chance to learn how to stay safe online and how to recognize fake content.

### 3. VALUES AND ETHICAL STANDARDS

PFR was established and operates pursuant to the Commercial Company Code (consolidated text in the Journal of Laws of 2022 Item 1467, as amended) (“CCC”) in the form of a joint stock company. In addition, certain aspects of PFR’s business are subject to the Act of 4 July 2019 on the Development Institutions System (Journal of Laws of 2020 Item 2011) (“Act on the Development Institutions System”). PFR’s mission, vision and values also influence how PFR fills the space that the legislature created for it. They largely determine how it conducts its business and define what type of organization the PFR Corporate Group is supposed to be; furthermore, they underlie the key decisions made by the Group.

All of these elements are reflected in the PFR Corporate Group’s Code of Conduct that lays down the principles and approach taken towards business ethics, which is applicable to the employees in all of the companies belonging to the PFR Group.

PFR’s mission and values, and the PFR Corporate Group’s Code of Conduct that invokes them directly, have played a very important role during the crisis situation epitomized by PFR’s shift to remote work and concurrently launching work on solutions to support businesses in the battle against the consequences of the COVID-19 pandemic. In the face of the enormous burden brought on by the additional tasks stemming from these projects, remote work could have potentially posed a threat to effective launch of these projects.

The first aid program was started roughly three weeks after the work commenced. In the opinion of PFR’s management, this was above all backed up by the enormous commitment demonstrated by employees in their work on this project, their professional approach, the emphasis placed on collaboration and their sense of responsibility for the situation of Polish businesses. This mindset was ubiquitous in PFR and its roots can be traced directly back to the PFR Corporate Group’s mission and values. In addition, the sense of fulfilling a patriotic duty was widespread, and was accompanied by the ensuing sense of pursuing an important mission.

To sustain this state of affairs further, measures were taken to bolster the significance and role played by PFR’s values and the PFR Corporate Group’s Code of Conduct in the everyday work of the company’s team. The specifics pertaining to the campaign promoting the Code of Conduct are described in item “PFR Compliance Pillars” of this report.

Notwithstanding the measures to promulgate an ethical and transparent mindset, the team of experts also ran continuous efforts to enhance employee awareness of the requirements stipulated by internal regulations and the prevailing standards in PFR. Examples of these measures include the regular training delivered to newly-hired employees, to mitigate the likelihood of any irregularities occurring in the course of performing professional duties remotely, and the ongoing advisory services and monitoring compliance of the measures taken by PFR.

## PFR’s values

### Partnership and cooperation

In our work, we treat others as we would like to be treated ourselves. We respect and appreciate the work of others and we listen to their needs. While working together, we share our experience and information, making trust the foundation for the development of Polish society and economy.

### Responsibility

We analyze and understand the reality that surrounds us, we are able to combine our own assignments with the objectives of the team and the company in order to achieve the intended results, and in all our activities we seek to achieve benefits for Poland. We learn from our successes and failures and take the necessary risks. We pursue what we have declared in a consistent manner.

### Professionalism

We consistently strive to achieve our objectives by providing our customers with the highest quality products and services. We are always prepared and we always complete our assignments.

### Development

We create new ideas, services and solutions, thus supporting the development of the Polish economy and society. We follow the latest trends while thinking and acting outside the box. We cross borders, achieving remarkable and new results.





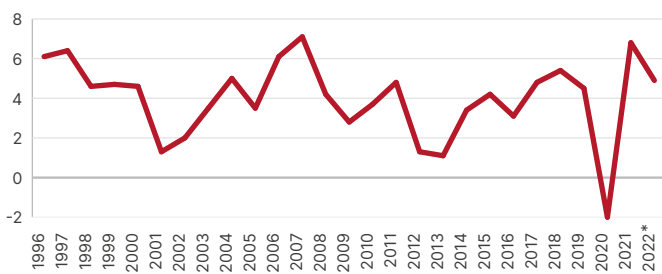


# External environment

## 1. MACROECONOMIC ENVIRONMENT

According to preliminary estimates of Statistics Poland, the Gross Domestic Product of Poland increased in 2022 in real terms by 4.9% versus 6.8% growth in 2021 (graph 1).

Graph 1. Poland's GDP growth rate

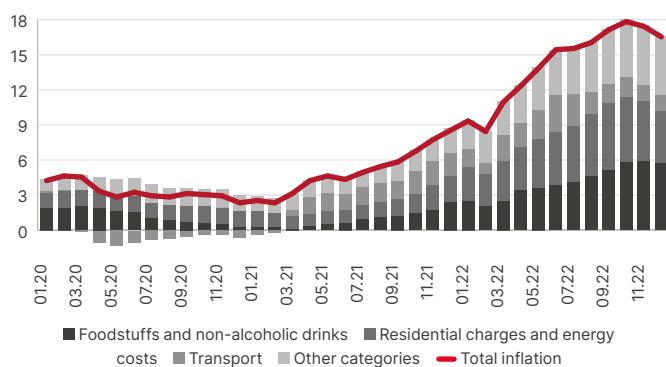


Source: Statistics Poland / \* – preliminary estimates

All European Union economies are expecting GDP growth in 2022. According to the autumn forecasts of the European Commission, the overall GDP growth in the European Union will reach 3.2% and 3.2 in the Euro area.

Prices in 2022 were on average 14.4% higher than one year before (compared to the 5.1% growth in 2021). Rising inflation was driven mainly by growing prices in the following categories: foodstuffs and non-alcoholic drinks, residential charges and energy costs (i.e. the charges for waste removal, sewage services, electricity, etc.), as well as transport (i.e. fuel for means of transport, prices of means of transport, and prices of transport services). At the end of the year, in November and December, inflation growth started to slow down (graph 2).

Graph 2. Impact of individual product categories on the inflation rate (% y/y)



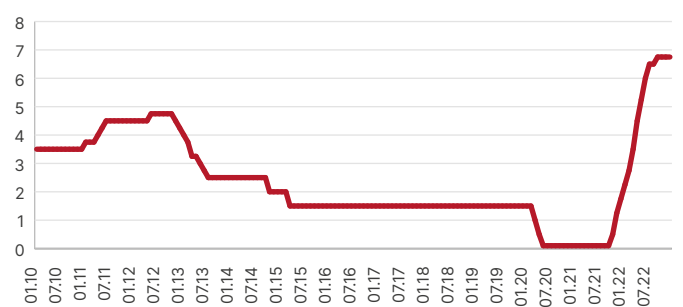
Source: Macrobond

Rising inflation has been a general global trend, especially in developed economies. In the Euro area and the European Union as a whole, the observed prices have been the highest since at least 1997 (i.e. as from the Eurostat has been publishing inflation data). In the United States, inflation in June 2022 grew to the record level since 1981. Drivers of the higher inflation included growing energy and food prices, as well as disturbances in global supply chains which translated into higher prices of goods and services.

According to the data of the Labor Force Survey (LFS), the number of people working in Poland at the end of Q3 2022 (the most recent data as of the date of writing this chapter) was 0.7% lower than one year earlier and totaled 16,690 thousand people. The unemployment rate, according to the LFS, decreased to 2.9% at the end of Q3 of last year, compared to 3.0% in the corresponding period of 2021. The average gross monthly salary in the corporate sector in 2022 rose by 12.9% per annum (in 2021, the growth was 8.6%).

In 2022, the NBP interest rates were raised eight times: in January, February, March, April, May, June, July and September. In response to growing prices and the resulting impact on the economy, the Monetary Policy Council increased interest rates from 1.75% in December 2021 to 6.75%. The interest rates have remained at that level since October 2022. Their current level is the highest since November 2002 (graph 3).

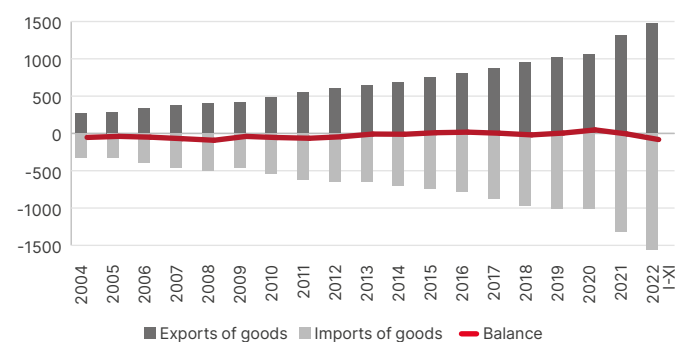
Graph 3. NBP reference rate (%)



Source: National Bank of Poland

Growing prices have also affected the results of commodity trade in Poland. The data for the period from January to November (the most recent data as at the date of writing this chapter) indicate that the exports of goods amounted to PLN 1,474 billion while imports totaled PLN 1,556 billion. Both cases represent record high values. After eleven months of 2022, exports and imports reached levels that exceeded the entire record year 2021. Compared to the entire year 2021, exports increased by 12.0%, whereas imports grew by 17.6% (graph 4).

Graph 4. Foreign trade turnover of goods in Poland (PLN billion)

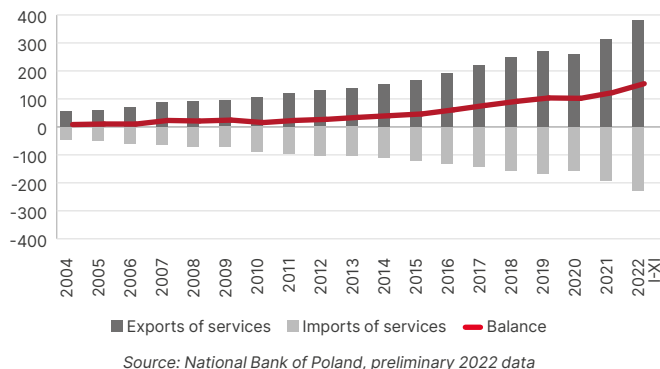


Source: Statistics Poland, preliminary 2022 data

Poland's services trade also reached record levels. After eleven months of 2022 (the most up-to-date data as of the date of writing this chapter), exports were PLN 382 billion and were 21.7% higher than in the entire 2021, while imports stood at PLN 228 billion and were 18.9% higher than in the entire 2021 (graph 5).

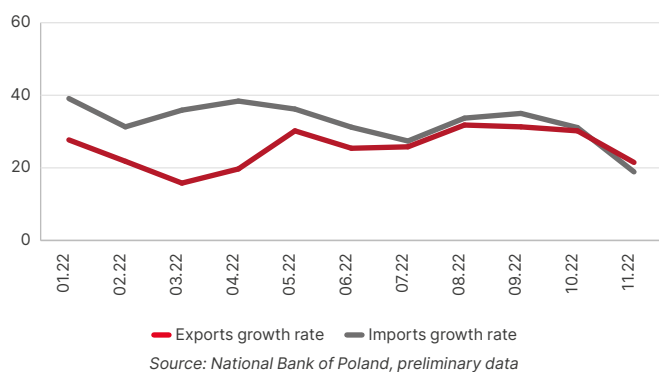


**Graph 5. Foreign trade turnover of services in Poland (PLN billion)**

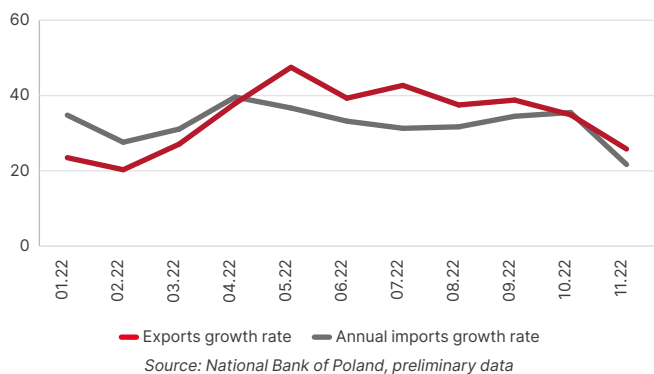


In terms of trade in goods as well as services, exports and imports reached values that were higher than one year earlier in each month of 2022 (graphs 6 and 7).

**Graph 6. Growth rate in sales of products, by month in 2022 (% y/y)**



**Graph 7. Growth rate in sales of services, by month in 2022 (% y/y)**

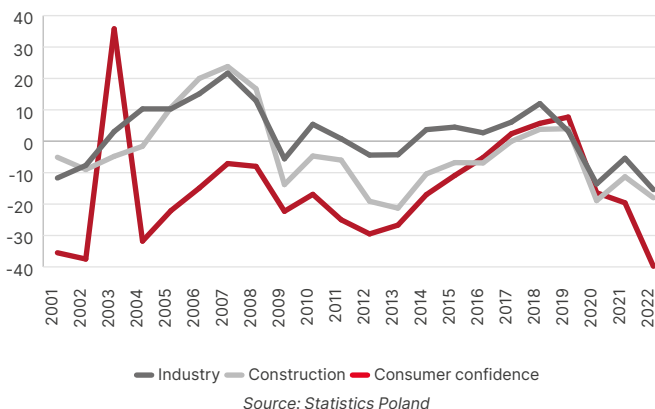


Between January and September 2022 (the most recent data as at the time of writing this chapter) the net financial result of non-financial companies was 18.9% higher than in the same period a year earlier.

According to estimates concerning the performance of the state budget in the period from January to November 2022 (the most recent data as at the time of writing this chapter), budgetary proceeds totaled PLN 464,528.2 million while expenditures totaled PLN 446,252.4 million. The budget was therefore positive, at PLN 18,275.8 million.

The uncertainty caused by the war in Ukraine, as well as growing prices, had a negative impact on the results of consumer confidence surveys, marking a further deterioration in 2022. After the improvement in economic conditions in the processing and construction sectors in 2021, they recorded a decline in 2022 (graph 8).

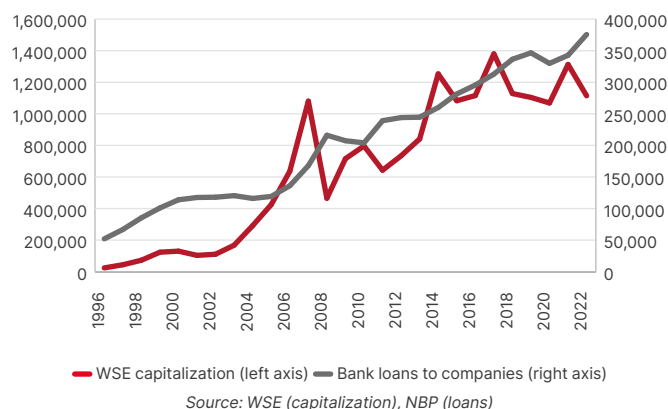
**Graph 8. Average annual value of the general economic sentiment indicator in the processing and construction sectors, in the context of the consumer confidence index**



## 2. INDUSTRY CONTEXT

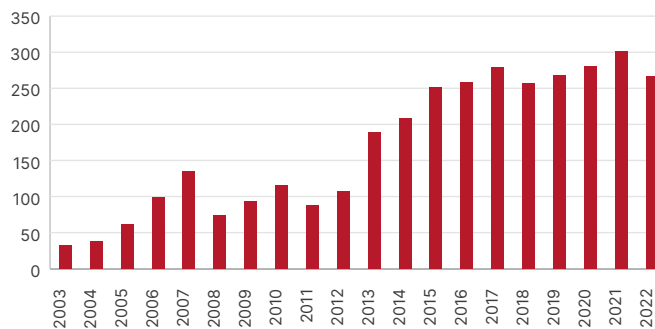
The capitalization of the Warsaw Stock Exchange slipped by 15.1% versus 2021 at the end of 2022. Bank loans for companies increased by PLN 9.6 y/y, exceeding the level recorded before the outbreak of the coronavirus pandemic (graph 9).

**Graph 9. Stock market capitalization and outstanding bank loans to non-financial enterprises (PLN million)**



At the end of 2022, the value of assets in investment funds was PLN 266.3 billion, compared to PLN 301.7 billion one year earlier (-11.7%) (graph 10).

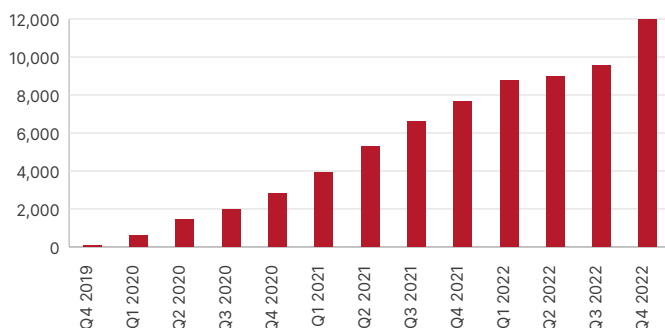
**Graph 10. Value of assets in investment funds (PLN billion)**



According to the data published by the Polish Financial Supervision Authority, the value of assets managed by investment fund management companies (TFI) in Q3 2022 (the most recent data as of writing) totaled PLN 359.6 billion, or 13.8% less than in the corresponding quarter of the previous year.

Last year, we again witnessed dynamic growth in the net assets of target date funds in Employee Capital Plans (ECPs). At the end of 2022, the net asset value of target date funds was PLN 12 billion versus PLN 7.7 billion at the end of 2021 (growth of +56.0%) and against PLN 2.8 billion at the end of 2020 (*graph 11*).

**Graph 11. Net asset value of target date funds (PLN million)**



Source: Polish Financial Supervision Authority

The net asset value of open-ended pension funds (OFEs) decreased at the end of 2022 vs. the previous year by 16.8% to PLN 156.4 billion (*graph 12*).

**Graph 12. Net asset value of open-end pension funds (PLN billion)**



Source: Polish Financial Supervision Authority

### 3. REGULATORY ENVIRONMENT

PFR is a commercial code joint stock company. The statutory acts of particular relevance for PFR and the Company's operations are the Commercial Company Code and the Act on the Development Institutions System, which determine the character, role and activities of the Company. The provisions of the Act on the Development Institutions System define, among others, the role of PFR as a participant in the integrated system of Poland's development institutions – the Polish Development Fund Group (“PFR Group”), which pursues coordinated actions to provide support and services to businesses.

#### PFR Financial Shield

The state of the epidemiological threat linked to infections with the SARS-CoV-2 virus, introduced in Poland by force of Regulation of the Health Minister of 13 March 2020, followed by the state of epidemic established in Poland by force of Regulation of the Health Minister of 20 March 2020, as well as the measures undertaken to prevent the effects of the epidemic, triggered major amendments to the Polish legal order, with a direct impact on PFR's activities.

The legislation to counter the COVID-19 pandemic, including in particular the amendments to the Act on the Development Institutions System, translated into augmenting the role of the Company in the Polish economic system by creating a legal framework enabling PFR

to take actions to prevent or mitigate the repercussions of crisis situations within the meaning of Article 3 item 1 of the Crisis Management Act of 26 April 2007 (Journal of Laws of 2021 Item 1856 and of 2021 Item 159), including the effects of the spread of COVID-19. The adopted solutions made it possible in particular for the Council of Ministers to entrust to PFR the execution of government programs to provide financial support to businesses implemented in connection with the COVID-19 pandemic.

Pursuant to Article 21a sec. 1 of the amended Act on the Development Institutions System, the Council of Ministers approved government programs to provide financial support to businesses in connection with the effects of COVID-19, i.e.:

- “The Polish Development Fund Financial Shield for Micro, Small and Medium Enterprises” (“**Financial Shield for MSMEs 1.0**”),
- “The Polish Development Fund Financial Shield for Large Companies” (“**Financial Shield for Large Companies**”),
- “The Polish Development Fund Financial Shield 2.0 for Micro, Small and Medium Enterprises” (“**Financial Shield for MSMEs 2.0**”),
- “The Support Program for Polskie Linie Lotnicze LOT S.A.” (“**PLL LOT Support Program**”),

(hereinafter jointly referred to as the “**Programs**” or “**PFR Financial Shield**”),

entrusting PFR with the implementation of the Programs.

In 2022, the Company continued to perform its assigned tasks related to the PFR Financial Shield program, which included the settlement and remission of the financial subsidies granted under the Financial Shield for MSMEs and the Financial Shield for MSMEs 2.0. The Company carried out activities related to the process of analyzing the conditions for cancelling financial subsidies that are subject to exemption from the repayment obligation, as well as activities related to the collection of debts from beneficiaries who are in arrears with the repayment of a portion of the subsidy.

#### National Recovery and Resilience Plan

Pursuant to the Act of 7 October 2022 on Amending Certain Acts to Simplify Administrative Procedures for Citizens and Businesses (Journal of Laws of 2022, item 2185), provisions were added to the Act on the Development Institutions System and the Act of 6 December 2006 on the Principles of Development Policy (Journal of Laws of 2021, item 1057, as amended; hereinafter: the “PDP Act”) to enable PFR to perform the task of making payouts under the development plan – the National Recovery and Resilience Plan (“KPO”). The Company has a strategic role in the implementation of the National Recovery and Resilience Plan, since it is the designated entity that enters into investment project financing agreements with the various ministries and executes orders for payments to the relevant recipients mentioned in Article 14 in sec. 1 item 2 of the PDP Act for the implementation of individual investment projects specified in the development plan. In order to finance the National Recovery Plan, pursuant to Article 16a sec. 1 of the Act on the Development Institutions System, PFR may issue bonds on the domestic and foreign markets and use funds from reimbursements or repayments of the financial support provided under the PFR Financial Shield program and other income generated from the management of these funds.



#### 4. DRIVERS OF THE PFR CORPORATE GROUP'S FINANCIAL RESULTS IN 2023

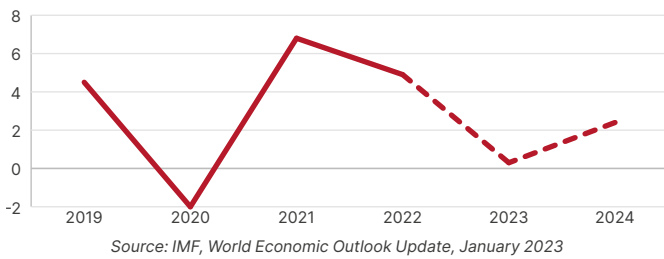
The most important factor affecting the PFR Corporate Group's operating conditions and results is the heightened uncertainty connected with the war in Ukraine, continuing disruption in the international supply chains, and high prices of energy resources.

The volatility of the main economic parameters create a greater risk of needing to change the strategy and current operating plans during the course of the year, which may cause a significant and unpredictable impact on the financial results.

Below we present current forecasts for selected key macroeconomic variables, i.e. GDP and inflation, as well as expectations for interest rate levels.

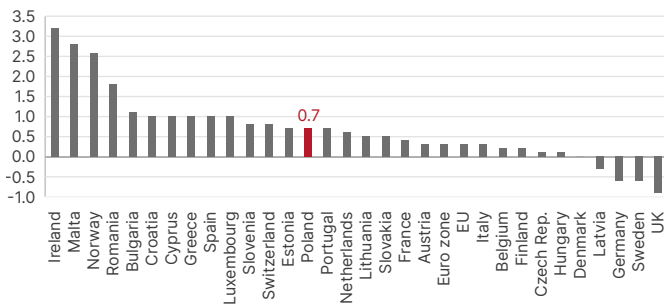
The IMF's latest GDP forecast for Poland projects GDP growth of 0.3% in 2023, accelerating to 2.4% in 2024 (graph 13).

Graph 13. Poland's GDP growth rate forecast (% , y/y)



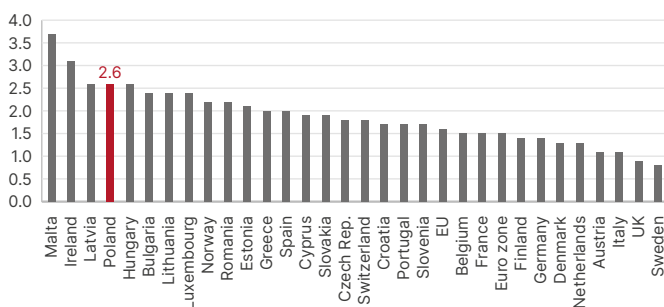
Similarly, the European Commission's latest GDP forecast for Poland projects GDP growth of less than 1% in 2023 and accelerating growth in 2024 (graphs 14 and 15).

Graph 14. GDP forecast for 2023 (%)



Source: European Commission, European Economic Forecast. Autumn 2022

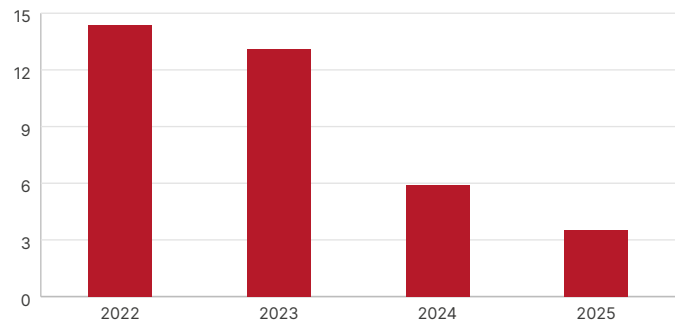
Graph 14. GDP forecast for 2024 (%)



Source: European Commission, European Economic Forecast. Autumn 2022

Inflation forecasts published by the National Bank of Poland (NBP) predict the CPI inflation going down to +13.1% in 2023 and to +5.9% in 2024 (graph 16).

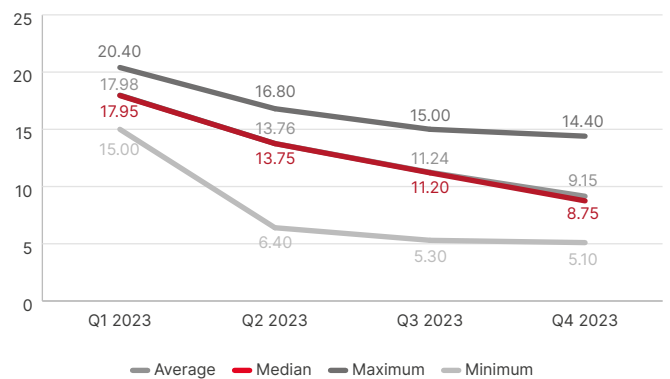
Graph 16. CPI Consumer Price Index (% , y/y)



Source: NBP, Inflation and economic growth projection of the National Bank of Poland based on the NECMOD model, November 2022

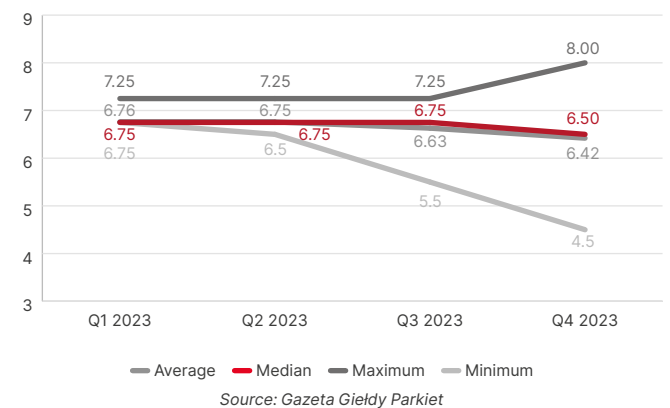
The consensus of analysts surveyed by the newspaper Parkiet points to a potentially lower inflation path this year, with the median projected CPI of 17.95%, 13.75%, 11.20%, and 8.75%, respectively, in the successive quarters of 2023 (graph 17).

Graph 17. CPI forecasts (% , y/y, quarterly average) - economic consensus (36 teams)



The forecasts of the NBP reference rate suggest that the process of increasing interest rates has ended and they will even be reduced by yearend, with the median of 6.5% at the end of Q4 2023 (graph 18).

Graph 18. NBP reference rate (% , end of period) - economic consensus (36 teams)







# Structure of the PFR Corporate Group

## 1. INFORMATION ABOUT THE PARENT COMPANY – PFR

PFR with its registered office in Warsaw is a Polish development institution established as a joint stock company, with the State Treasury as the majority shareholder. It was established on 28 December 2012 by the Ministry of State Treasury and operated under the name of Polskie Inwestycje Rozwojowe S.A. (Polish Development Investments) until 13 April 2016.

The purpose of PFR is to conduct economic activity in its own name and for its own account, in accordance with best commercial practices, while endeavoring to generate a market return on invested capital in the long-term. The Company places the greatest emphasis on: infrastructural investments, innovations, entrepreneurial development, exports and foreign expansion of Polish businesses, supporting local governments, execution of the Employee Capital Plan program and management of foreign investments. PFR's mission is "Investments for Poland". The company also responds new challenges posed by crisis situations, such as the COVID-19 pandemic and the war in Ukraine, by launching special aid programs.

PFR's registered office is located in the Cedet office building, at ul. Krucza 50 in Warsaw.

The Company pursues its goals through the specialist centers of competence operating within the PFR Corporate Group:

- PFR TFI – capital investments, foreign expansion, ECP management;
- PFR Ventures – investments in the form of a fund of funds;
- PFR Nieruchomości – residential investments;
- PFR Portal PPK – conducting information activities on the Employee Capital Plan;
- PFR Operacje – IT and cybersecurity services for the PFR Corporate Group.

In addition, PFR is involved in accelerating digitization of the Polish economy through the company Operator Chmury Krajowej Sp. z o.o. ("National Cloud Operator", "NCO" or "National Cloud") in which PFR holds a 50% equity stake. PFR pursues its goals in respect of the development of analytical activity for Poland's capital market through an associate, Polska Agencja Ratingowa S.A. (Polish Rating Agency) ("PAR").

The PFR Foundation ("Foundation") in which the Company is the founder is also part of the PFR Corporate Group's ecosystem. Activities to make positive changes in the Corporate Group's social environment are conducted through the Foundation.

## Composition of the PFR Group

	INVESTMENTS	BANKING	INDUSTRIAL DEVELOPMENT
Development Institution	PFR Polski Fundusz Rozwoju	BGK BANK GOSPODARSTWA KRAJOWEGO	arp Agencja Rozwoju Przemysłu
Areas of operation	<ul style="list-style-type: none"> <li>▪ Non-public assets</li> <li>▪ Public assets</li> <li>▪ Funds' Fund Formula</li> <li>▪ Residential investments</li> </ul>	<ul style="list-style-type: none"> <li>▪ Financing development of companies and local government units</li> <li>▪ Guarantees and sureties</li> <li>▪ Public finance / Flows of European funds</li> <li>▪ Financing transport infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>▪ Special Economic Zones</li> <li>▪ Polish Investment Zone</li> <li>▪ Debt and equity financing</li> <li>▪ Development restructuring and corporate governance</li> <li>▪ Innovations</li> </ul>
Development Institution	EXPORT INSURANCE	EXPORTS, INVESTMENTS, PROMOTION	ENTREPRENEURIAL DEVELOPMENT
	KUKE Grupa PFR	PAIH Grupa PFR	PARP Grupa PFR
Areas of operation	<ul style="list-style-type: none"> <li>▪ Insurance of receivables</li> <li>▪ Investment insurance</li> <li>▪ Contractual guarantees</li> <li>▪ Bank loan security</li> </ul>	<ul style="list-style-type: none"> <li>▪ Export</li> <li>▪ Investments</li> <li>▪ Promotion</li> <li>▪ Partnership</li> <li>▪ Polish Investment Zone</li> </ul>	<ul style="list-style-type: none"> <li>▪ Innovations</li> <li>▪ Startups</li> <li>▪ Internationalization</li> <li>▪ Competence development</li> <li>▪ Infrastructure</li> </ul>



Under the Act on the Development Institutions System adopted in July 2019, PFR also creates an integrated system of development institutions referred to as the PFR Group. It operates on the basis of a consistent strategy that is compliant with the Council of Ministers' economic policy. The PFR Group comprises the following institutions and their subsidiaries:

- Polski Fundusz Rozwoju (Polish Development Fund),
- Agencja Rozwoju Przemysłu S.A. ("ARP") (Industrial Development Agency),
- Bank Gospodarstwa Krajowego ("BGK") (National Development Bank),
- Korporacja Ubezpieczeń Kredytów Eksportowych S.A. ("KUKE") (Export Credits Insurance Corporation),

- Polska Agencja Inwestycji i Handlu ("PAIH") (Polish Investment and Trade Agency),

- Polska Agencja Rozwoju Przedsiębiorczości ("PARP") (Polish Agency for Enterprise Development).

and their subsidiaries.

According to its shared strategy the PFR Group focuses on the six most important areas of business. A leading institution has been designated in each one of them. PFR plays this role in investments; BGK does so in banking; KUKE does so in export insurance; PAIH does so in foreign trade; ARP does so in industry; and PARP does so in entrepreneurial development. The law facilitates tightening cooperation, better coordination of activities and regular sharing of information and knowledge among the Group's institutions.

## Strategic directions of the PFR Group's activity



# Involvement of the PFR Group in strategic initiatives indicated in the PFR Corporate Group Strategy

The PFR Corporate Group is involved in the implementation of 26 out of 53 strategic initiatives.

 <p><b>Digitalization of the Polish economy</b></p> <ul style="list-style-type: none"> <li>Operator Chmury Krajowej</li> <li>Polish 5G</li> <li>Smart City Hub</li> <li>Financial instruments to develop digitalization</li> </ul>	 <p><b>Dynamic development of innovativeness</b></p> <ul style="list-style-type: none"> <li>“Start in Poland”</li> <li>Financing innovations</li> <li>Sector of video games</li> <li>Transfer of technologies</li> </ul>	 <p><b>Modern infrastructure</b></p> <ul style="list-style-type: none"> <li>Transport infrastructure</li> <li>Energy infrastructure</li> <li>Housing</li> <li>Business centers</li> </ul>		
 <p><b>Foreign expansion of Polish companies</b></p> <ul style="list-style-type: none"> <li>Support in foreign markets</li> <li>International Desk</li> <li>Product of Poland</li> <li>Financing foreign expansion</li> <li>Polish Small and Medium-sized Enterprises in foreign markets</li> </ul>	 <p><b>Investments and the industry</b></p> <ul style="list-style-type: none"> <li>Polish Investment Zone</li> <li>Strategic industrial parks</li> <li>Acquiring high quality investments</li> <li>Promotion of the Polish economy</li> </ul>	 <p><b>Self-learning labor market</b></p> <ul style="list-style-type: none"> <li>Central House of Technology</li> <li>Young leaders</li> <li>HR for the industry</li> <li>Ecosystem of lifelong learning</li> <li>Loans for students and supporting education</li> </ul>		
 <p><b>Healthy and active society</b></p> <ul style="list-style-type: none"> <li>Financing health care in Poland</li> <li>Pension security of Poles</li> </ul>	 <p><b>Sustainable economy</b></p> <ul style="list-style-type: none"> <li>PFR Green Hub</li> <li>Circular economy</li> </ul>	 <p><b>Modern local governments and PPP</b></p> <ul style="list-style-type: none"> <li>Development of the PPP formula</li> <li>Programs for local government units</li> <li>Education for local governments</li> </ul>		
 <p><b>Competitive SMEs</b></p> <ul style="list-style-type: none"> <li>SME Development Center</li> <li>Innovative SMEs</li> <li>SME Financing: De minimis Guarantees</li> <li>SME Financing: European Programs</li> <li>SME Development</li> </ul>	 <p><b>Response to the global pandemic</b></p> <table border="0"> <tr> <td data-bbox="614 1612 1018 1904"> <ul style="list-style-type: none"> <li>PFR Financial Shield for MSMEs</li> <li>PFR Financial Shield for large companies</li> <li>Insurance coverage</li> <li>Extension of trade turnover insurance</li> <li>Financing leasing of transport companies</li> <li>Overdraft facility</li> <li>Loan for salary payment</li> <li>Extended system of guarantees for SMEs</li> </ul> </td> <td data-bbox="1045 1612 1490 1904"> <ul style="list-style-type: none"> <li>Liquidity Guarantee Fund</li> <li>EU Financing for SMEs</li> <li>Fund for combating COVID-19</li> <li>System of contributions to loan interest</li> <li>Subsidies for working capital</li> <li>Business support in the period of pandemic</li> <li>Information and educational campaign for entrepreneurs</li> </ul> </td> </tr> </table>		<ul style="list-style-type: none"> <li>PFR Financial Shield for MSMEs</li> <li>PFR Financial Shield for large companies</li> <li>Insurance coverage</li> <li>Extension of trade turnover insurance</li> <li>Financing leasing of transport companies</li> <li>Overdraft facility</li> <li>Loan for salary payment</li> <li>Extended system of guarantees for SMEs</li> </ul>	<ul style="list-style-type: none"> <li>Liquidity Guarantee Fund</li> <li>EU Financing for SMEs</li> <li>Fund for combating COVID-19</li> <li>System of contributions to loan interest</li> <li>Subsidies for working capital</li> <li>Business support in the period of pandemic</li> <li>Information and educational campaign for entrepreneurs</li> </ul>
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# Historical background

2012

**DECEMBER 2012**



Polskie Inwestycje Rozwojowe S.A. established

2016

**APRIL 2016**



Name changed to Polski Fundusz Rozwoju S.A.

**JUNE 2016**



PFR establishes PFR Ventures.

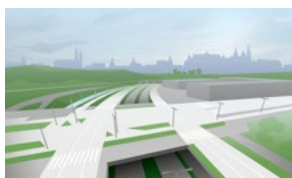
**DECEMBER 2016**



PFR and PZU S.A. acquire a 32.8% stake in Bank Pekao S.A. from UniCredit. PFR's share in the bank's share capital is 12.8%.

2017

**FEBRUARY 2017**



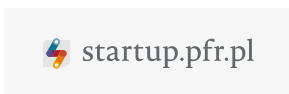
PFR-managed fund invests in the construction of Trasa Łagiewnicka in Kraków.

**AUGUST 2017**



PFR-managed fund invests in the steel pipe manufacturer Ferrum S.A.

**SEPTEMBER 2017**



Launch of the startup.pfr.pl portal.

**OCTOBER 2017**



PFR acquires a 100% stake in BGK TFI S.A. (at present: PFR TFI) from BGK.

**NOVEMBER 2017**



PFR-managed fund becomes a new investor in the WB Electronics Group, a manufacturer of military drones and communication systems.

**JANUARY 2018**



PFR-managed FIS FIZAN invests in Sądeckie Wodociągi and MGKiM in Limanowa.

**FEBRUARY 2018**



PFR establishes the Polish Development Fund Foundation.

**JUNE 2018**

Launch of the first edition of the "Szkoły Pionierów PFR" ("PFR School of Pioneers") – an international educational program for technological visionaries.

**JUNE 2018**



PFR Ventures signs the first investment contracts with VC funds.

**JULY 2018**

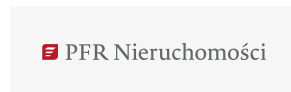
PFR FI investment fund managed by PFR acquires a nearly 100% stake in PESA S.A., Poland's largest rolling stock manufacturer.

**SEPTEMBER 2018**



PFR awarded the title of the Company of the Year at the Krynica Forum.

**OCTOBER 2018**



PFR becomes the owner of a 100% stake in BGK Nieruchomości S.A. (at present: PFR Nieruchomości).

*PFR made its investments directly and/or through the investment funds included in its management portfolio.*

# Historical background

## OCTOBER 2018



A fund managed by PFR acquires a 99.77% stake in Polskie Koleje Linowe S.A.

## OCTOBER 2018



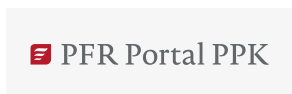
Enactment of the Act on Employee Capital Plans

## DECEMBER 2018



The city of Gdynia signs an investment agreement with PFR for the sale of a 25% stake in Przedsiębiorstwo Wodociągów i Kanalizacji.

## JANUARY 2019



PFR Portal PPK commences operations and the MojePPK.pl portal is launched.

## MARCH 2019



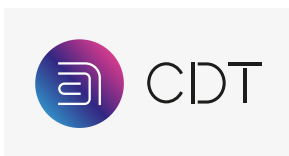
PFR becomes a shareholder in the consortium that acquired DCT Gdańsk S.A., Poland's largest container terminal.

## JULY 2019



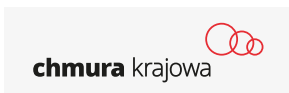
Entry into force of the Act on the Development Institutions System.

## AUGUST 2019



PFR Foundation opens the Central House of Technology.

## AUGUST 2019



Signing of an investment agreement under which PFR acquires a 50% stake in the National Cloud Operator.

## OCTOBER 2019



An investment by a fund managed by PFR: acquisition of a 49.02% stake in the Municipal Buildings Administration Board in Wałbrzych.

## DECEMBER 2019



An investment by a fund managed by PFR: acquisition of a 45% stake in the Tarnobrzekskie Wodociągi.

## DECEMBER 2019



Completion of the first stage of the rollout of Employee Capital Plans in companies employing over 250 persons.

## FEBRUARY 2020



Launch of the "PFR for Cities and Towns", a program addressed to innovative local governments.

## APRIL 2020



Under the government's Anti-Crisis Shield, PFR commences work on the Financial Shield for MSMEs and the Financial Shield for Large Companies.

## JUNE 2020



The PFR Consulting Center in Chełm is opened.

## OCTOBER 2020



Establishment of PFR Operacje, with the purpose to provide IT and security-related services to members of the PFR Corporate Group.

2020

2019

PFR made its investments directly and/or through the investment funds included in its management portfolio.

# Historical background

2021

## JANUARY 2021



Opening of the Financial Shield for MSMEs 2.0 call for subsidy applications for companies from 45 sectors most affected by the second wave of the pandemic.

## APRIL 2021



PFR starts the process of settling and remission of subsidies granted to micro businesses and SMEs under the Financial Shield for MSMEs 1.0.

## MAY 2021



PFR GreenHub FoF established – a PFR Ventures program to stimulate VC fund investments in the sector of green (pro-environmental) innovations.

## MAY 2021



The first edition of the PFR Foundation's "Summer ActivACTION" grant program, which supports community organizations that arrange summer activities for children and youth.

## JUNE 2021



Foundation stone-laying ceremony for the construction of Waste Thermal Treatment Plant in Olsztyn co-financed by PFR.

## JUNE 2021



Launch of the construction of 221 apartments at ul. Lubańska in Zgorzelec.

## JUNE 2021



PKL S.A. begins construction of a holiday facility and scenic railway over the Solina Dam.

## JULY 2021



DCT Gdańsk wins the tender for a lease of an area in Gdańsk port where the new Baltic Hub 3 terminal will be built.

## JULY 2021



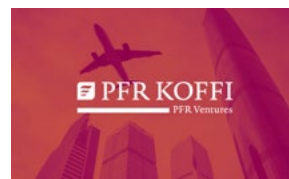
PESA Bydgoszcz, in which PFR holds an investment stake, presents its strategy until 2025, geared towards the manufacture of zero-emission and hydrogen ready vehicles.

## AUGUST 2021



Commencement of the construction of 190 apartments in Nakło n. Notecią.

## SEPTEMBER 2021



PFR Ventures signs agreements with three international venture capital funds planning to invest in Polish innovative businesses.

## DECEMBER 2021



Bank Ochrony Środowiska and PFR sign an agreement which paves the way for broad financing of pro-environmental investments in the heat energy sector.

PFR made its investments directly and/or through the investment funds included in its management portfolio.

**Table 1.** Stake held by shareholders in the share capital and in the total number of votes at shareholder meetings as at the balance sheet date

Shareholders	Number of shares	Number of votes	Par value of shares (PLN)	Stake in the share capital Percentage (%)	
State Treasury	11,460,907,779	11,461,207,779	11,460,907,779	99.87%	99.87%
BGK	15,000,000	15,000,000	15,000,000	0.13%	0.13%
<b>Total</b>	<b>11,475,907,779</b>	<b>11,476,907,779</b>	<b>11,475,907,779</b>	<b>100.00%</b>	<b>100.00%</b>

The PFR Group is overseen by the Group's Supervisory Board. It constitutes a platform for coordinating collaboration between the six development institutions. Its members are the presidents of the aforementioned institutions and its chairman is the President of the Management Board of PFR.

Development institutions in Poland perform a joint strategy adopted by the PFR Group Board in May 2020. The PFR Group's Strategy for 2020-2025 (hereinafter, the "PFR Group Strategy") identifies ten fundamental strategic directions of the activity and one special direction, which is a response to the economic crisis caused by the COVID-19 pandemic. Within each direction, the document identifies strategic initiatives performed jointly or individually by specific development institutions.

## 1.2. Shareholding structure and share capital

As at the balance sheet date, PFR's shareholders comprised:

### (i) State Treasury, which held:

- Series A shares with numbers ranging from A 1 to A 300 000 with a total nominal value of PLN 300,000.00, paid up in full,
- Series C shares with numbers ranging from C 1 to C 1 143 062 525 with a total nominal value of PLN 1,143,062,525.00, paid up in full,
- Series D shares with numbers ranging from D 1 to D 1 294 964 028 with a total nominal value of PLN 1,294,964,028.00, paid up in full,
- Series E shares with numbers ranging from E 1 to E 2 499 926 000 with a total nominal value of PLN 2,499,926,000.00, paid up in full,
- Series F shares with numbers ranging from F 1 to F 6 522 655 226 with a total nominal value of PLN 6,522,655,226.00, paid up in full,

### (ii) Bank Gospodarstwa Krajowego, which held Series B shares with numbers ranging from B 1 to B 15 000 000 with a total nominal value of PLN 15,000,000.00, paid up in full, (table 1).

As of the date of drawing up this report, the above structure has not changed.

### Special rights of the State Treasury

Each Series A share is preferred in that it enjoys two votes per one share. All the registered Series A shares have been subscribed for by the State Treasury.

### Restrictions in exercising the voting right at the shareholder meeting

The voting right of shareholders has been restricted in that at the Shareholder Meeting no such shareholder may exercise more than 10% of the total number of votes existing in PFR as on the date of the

shareholder meeting, provided that the restriction does not apply to the shareholder holding rights under all Series A shares.

As at the balance sheet date, the share capital of PFR was PLN 11,475,907,779.00, and was divided into:

- 300,000 preferred registered shares of the nominal value of PLN 1 each, namely Series A shares numbered from A 1 to A 300,000,
- 15,000,000 ordinary registered shares of the nominal value of PLN 1 each, namely Series B shares numbered from B 1 to B 15 000 000,
- 1,143,062,525 ordinary registered shares of the nominal value of PLN 1 each, namely Series C shares numbered from C 1 to C 1 143 062 525,
- 1,294,964,028 ordinary registered shares with the nominal value of PLN 1 each, namely Series D shares numbered from D 1 to D 1 294 964 028,
- 2,499,926,000 ordinary registered shares of the nominal value of PLN 1 each, namely Series E shares numbered from E 1 to E 2 499 926 000.
- 6,522,655,226 ordinary registered shares of the nominal value of PLN 1 each, namely Series F shares numbered from F 1 to F 2 499 926 000.

Series A Shares were taken up and paid for by the State Treasury before PFR was registered.

Series B Shares were taken up and paid for with a cash contribution by Bank Gospodarstwa Krajowego.

Series C Shares were taken up and covered by a non-cash contribution by the State Treasury.

Series D Shares were taken up and paid for with a cash contribution by the State Treasury.

Series E Shares were taken up and covered by a non-cash contribution by the State Treasury.

Series F Shares were taken up and covered by a non-cash contribution by the State Treasury.

As at the date of drawing up this report, the share capital of PFR is PLN 11,475,907,779.00 and has been paid in full.

## 1.3. PFR on the capital market

The Act on the Development Institutions System makes it possible to raise PFR's share capital by contribution of treasury securities. Furthermore, PFR can extend sureties or guarantees on behalf of the State Treasury for the repayment of liabilities under loans incurred or bonds issued by PFR. In addition, pursuant to the Act on the Development Institutions System, PFR may issue bonds on the domestic

**Table 2.** Basic parameters of PFR bonds listed on the Catalyst ATS market at yearend 2022

Bond series and ISIN code	Basic information		
	Issue size	Type and annual interest rate	Maturity date
PFR0324 (ISIN: PLPFR0000019)	PLN 16,325 million	fixed 1.375%	29 March 2024
PFR0325 (ISIN: PLPFR0000027)	PLN 18,500 million	fixed 1.625%	31 March 2025
PFR0925 (ISIN: PLPFR0000035)	PLN 15,175 million	fixed 1.625%	22 September 2025
PFR0627 (ISIN: PLPFR0000043)	PLN 10,000 million	fixed 1.750%	7 June 2027
PFR10927 (ISIN: PLPFR0000084)	PLN 900 million	fixed 1.375%	30 September 2027
PFR0330 (ISIN: PLPFR0000050)	PLN 3,250 million	fixed 2%	5 March 2030
PFR0827 (ISIN: PLPFR0000092)	PLN 5,250 million	fixed 1.375%	30 August 2027
PFR 0927 (ISIN: PLPFR0000076)	PLN 2,000 million	fixed 1.5%	30 September 2027

market and on foreign markets to obtain funds to finance the execution of the Programs. PFR's liabilities by virtue thereof are backed by a State Treasury guarantee. The latter solution was crucial to obtain funds to implement the Programs that have proven to be critical in buffering Polish businesses from the consequences of freezing the economy resulting from the COVID-19 pandemic.

In connection with the fact that PFR has been contractually commissioned to implement the Financial Shield programs, the Company was able to carry out a bond issue program with a total value of up to PLN 100 billion.

The proceeds from the issue in 2020-2021 were used to finance the Programs and accordingly to support companies affected by the COVID-19 pandemic

This support helped businesses maintain liquidity and financial stability, as well as keep jobs in the period of severe economic disruption caused by COVID-19 pandemic. Entrusting to PFR the leading role in combating the negative effects of COVID-19 on the Polish economy has been combined with the introduction of legislative solutions enabling full involvement of the Company in anti-crisis activities.

The PFR bond issue program is based on Article 21 aa sec. 1 of the Act on the Development Institutions System in conjunction with Article 39p-39w of the Act of 27 October 1994 on Toll Motorways and the National Road Fund. Bonds are issued in series, whereby all bonds issued by PFR are, by the force of the Act, covered by a State Treasury guarantee.

As at 31 December 2022, the Company had issued bonds for the total amount of PLN 73.9 billion.

On 28 May 2020, the first bonds issued by PFR debuted on the Catalyst ATS public bond trading market. As at the end of 2022, eight series of PFR bonds were listed on the Catalyst ATS market: PFR0324, PFR0325, PFR0925, PFR0627 PFR10927, PFR0330, PFR0827 and PFR0927 (*table 2*).

A detailed description of the bonds issued to date is given in item "Financing of aid programs" of this report.

PFR's investor relations activities focus primarily on maintaining transparent and regular communication with the capital market, investors and rating agencies, as well as fulfilling its disclosure obligations under applicable laws. The company's website provides current and periodic reports, information on PFR's bond prices, credit ratings and financial performance.

## 2. INFORMATION ON THE SUBSIDIARIES

### PFR TFI

#### 2.1. PFR TFI

PFR TFI specializes in the establishment and management of investment funds. The activities of PFR TFI focus on four areas:

- management of closed-end investment funds, which invest in the Polish economy and in development of Polish companies,
- management of investments listed in regulated markets, included in closed-end fund portfolios, and management of closed-end fund liquidity;
- capital expansion in foreign markets (direct outgoing foreign investments);
- management of a specialized open-end investment fund within the framework of Employee Capital Plans (ECPs).

PFR TFI is a team of highly qualified professionals with many years' worth of experience in the management of closed-end and open-end funds as well as saving and investment products.

As a supervised institution, PFR TFI follows the requirements of the Polish Financial Supervision Authority, the Act of 27 May 2004 on Investment Funds and Management of Alternative Investment Funds other applicable regulations.

At the end of 2022, the Management Company managed 14 investment funds with a net asset value of over PLN 12.3 billion.

#### Closed-end investment funds:

- Fundusz Ekspansji Zagranicznej FIZ AN (FEZ FIZ AN) (Foreign Expansion Fund)
- PFR NFOŚIGW FIZAN
- PFR Fundusz Inwestycji Samorządowych FIZ AN (PFR FIS FIZ AN) (Local Government Investment Fund)
- PFR Fundusz Inwestycyjny FIZ AN (PFR FI FIZ AN) (Investment Fund)
- PFR BIZNEST FIZ
- PFR Fundusz Funduszy FIZ (Fund of Funds)
- PFR KOFFI FIZ
- PFR NCBR CVC FIZ AN
- PFR Otwarte Innowacje FIZ (Open Innovations)
- PFR Starter FIZ

## Management of investment funds

Asset  
management

Operational  
management

Valuation of participa-  
tion units and invest-  
ment certificates

Risk  
management

Legal and tax  
support

Regulatory and fund  
participant reporting

Support  
processes

- Fundusz Sektora Mieszkań dla Rozwoju FIZ AN (FSMdr FIZ AN) (Housing Sector Development Fund)
- Fundusz Sektora Mieszkań na Wynajem FIZ AN (FSMnW FIZ AN) (Rental Housing Fund)

### Specialized open-end investment funds:

- PFR PPK Specjalistyczny Fundusz Inwestycyjny Otwarty (PFR PPK SSFIO) (PFR ECP Specialized Open-End Investment Fund) with separated sub-funds: PFR PPK 2025, PFR PPK 2030, PFR PPK 2035, PFR PPK 2040, PFR PPK 2045, PFR PPK 2050, PFR PPK 2055, PFR PPK 2060, PFR PPK 2065
- BPS Emerytura Specjalistyczny Fundusz Inwestycyjny Otwarty (BPS Emerytura SFIO) (Retirement Specialized Open-End Investment Fund) removed from the Investment Fund Register on 16 January 2023.

Investment fund management is a complex process, involving both asset management as well as administrative aspects of the fund operation, including: keeping of accounting books and valuation of participation units and investment certificates, reporting, operational management, risk management and support processes. In the case of PFR PPK SFIO, this also includes services for members (accepting and executing orders and instructions, workshops, communication) and work establishments (support in service processes, provision and development of service tools, training).

Every aspect of fund management is characterized by high complexity. For example, the process of valuing investment certificates and investment fund units consists of several stages. These stages are handled by different teams of PFR TFI experts and the whole process is supervised by the depositary, which, by law, carries out an independent review of all the activities performed in the field of valuation of investment fund assets.

As at 31 December 2022, the Management Company directly managed PFR PPK SFIO and BPS Emerytura PPK SFIO (which was deleted from the Investment Fund Register on 16 January 2023; PFR TFI took over the management of this fund in September 2022, acting as a designated institution under the Employee Capital Plan program, subsequently merging its sub-funds with the sub-funds of PFR PPK SFIO in December 2022), and the Foreign Expansion Fund FIZ AN and PFR NFOŚiGW FIZ AN. In the case of other closed-end investment funds, PFR TFI on its own manages their liquidity and the public assets part of their portfolio, while the management of the rest of their investment portfolio has been entrusted to other PFR Group companies:

- the Management Company entrusted the management of the PFR Local Government Investment Fund FIZ AN and the PFR Investment Fund FIZ AN to PFR;
- the Management Company entrusted the management of the PFR BIZNEST FIZ, PFR Fund of Funds FIZ, PFR KOFFI FIZ, PFR Open Innovations FIZ, PFR NCBR CVC FIZ AN, PFR Starter FIZ to PFR Ventures;
- the Management Company entrusted the management of the Housing Sector Development Fund FIZ AN and the Rental Housing Fund FIZ AN to PFR Nieruchomości.

Pursuant to the Act of 27 May 2004 on investment funds and management of alternative investment funds (Journal of Laws 2004, item 1546) PFR TFI is liable for actions of the entities providing fund management and is obligated to exercise oversight of their operations. The Management Company fulfills these duties by the way of, among others, meetings of investment committees, in which it verifies and provides opinions on investment applications made by the managers; it has the right of effective veto. In 2022, 675 investment committees meetings took place, including 472 for externally managed funds and 203 for directly managed funds and investments.

Operation of the entities outsourced for fund management is also verified and assessed by PFR TFI's internal control system units. The Supervision Office, as a part of the compliance system, conducts inspections based on the Inspection Plan adopted for a given year. The internal inspections cover operations of the Management Company and the funds managed thereby, but they are also conducted in the entities hired to manage funds, as regards, among others, performance of the fund management agreement and availability of adequate technical and organizational resources. **In 2022, the Supervision Office fully implemented its Inspection Plan, conducting 12 inspections and issuing recommendations to address the irregularities found.** The Supervision Office is also responsible for fulfilling disclosure obligations to the Polish Financial Supervision Authority. In 2022, it sent 465 reports through the Electronic Information Transfer System (ESPI).

The rules and procedures of management companies in the management of investment funds are determined by the investment strategies adopted for each fund. All funds are covered by the risk management system described in the PFR TFI S.A. Risk Management Policy.

The Audit Office, **as one of the elements of the internal control system**, examines the adequacy and effectiveness of business processes and internal regulations in all areas of the Management Company's activities, as well as periodically verifies performance of

the terms and conditions of the fund management agreements from the viewpoint of correct and effective fulfillment of all legal obligations, as well as recommends measures to improve processes and increase efficiency. The audits are conducted regularly in all entities hired to manage the funds, as per the Audit Plan approved by the PFR TFI Management Board and Supervisory Board.

### Risk management

As required by the *Corporate Governance Principles for Supervised Institutions*, PFR TFI has adopted the Risk Management Strategy for 2021-2023, which defines the risk tolerance levels. At PFR TFI, risk management is conducted on an on-going basis, with participation of all the Management Company's organizational units. The Risk Management and Quantitative Analysis Office is responsible for coordinating activities in this regard. At PFR TFI, the risk management process proceeds in the following stages: identification, measurement, estimation, monitoring, and application of mechanisms to mitigate the identified, measured or estimated risk level. Furthermore, the Management Company manages risk at the level of each fund, in particular by defining the fund's risk profile, setting risk limits, as well as conducting in-depth analysis of market and legal conditions when making investment decisions for each individual fund.

In 2022, PFR TFI S.A. completed the change of the system for monitoring risks and fund limits; currently all funds are covered by the Comarch Asset Management (CAM) system, which allowed processes to be optimized and standardized. Since August 2022, PFR TFI has been analyzing sustainability risks, and their potential negative impact on investment returns, for all new investments of the funds. In accordance with Regulation (EU) No. 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs), the Management Company has developed new Key Information Documents (KIDs) for PFR PPK SFIO participants, which replaced the existing KIDs as of 1 January 2023.

### Organizational structure and allocation of responsibilities

PFR TFI is obligated to ensure an adequate organizational structure, including allocation of responsibilities among the individual management board members, and allocation of tasks between the individual entities. Pursuant to Article 42a of the Act of 27 May 2004 on Investment Funds, investment fund management companies must ensure that the functions of the president of the management board, the member of the management board responsible for investments and the member of the management board responsible for risk management be not discharged by one and the same person. PFR TFI meets all requirements in this respect. As at 31 December 2022, the Management Board of the Management Company consisted of:

- Ewa Małyszko, President of the Management Board,
- Tomasz Bartmiński, Management Board Member, Chief Risk Officer.
- Piotr Kuba, Management Board Member, Chief Investment Officer,
- Tomasz Orlik, Management Board Member, Chief Operations Officer.

The President of the Management Board directs the work of the Management Board, sets strategic directions, coordinates the activities of the Management Company in all areas of its activity and represents PFR TFI externally. Units reporting directly to the President include: the Audit Office, Supervision Office, Finance Department, Legal Office, IT Office, Marketing and Communication Office, ECP Development and Operation Department, Modeling and Valuations Office, Management Board and Administration Office, and HR Office.

The Chief Investment Officer oversees all the processes related to investment decisions and the fulfillment of the investment objec-

tives of the funds and portfolios under management in accordance with applicable laws, investment limits, risk limits and PFR TFI's internal regulations, in particular the *Investment Strategies of the individual funds*. The division headed by the Chief Investment Officer consists of the Non-Public Asset Fund Management Department, the Foreign Expansion Fund Management Department and the Fund and Asset Management Department.

The Chief Operations Officer oversees the Operations Department, which provides administrative management to closed-end funds (including coordination of cooperation with the depositary, participation in the valuation of closed-end fund assets, coordination of accounting books audits), and the Asset Administration and Valuation Department, which is responsible for the operational-accounting, administrative and reporting management of the PFR PPK SFIO fund as well as the accounting and reporting of closed-end funds for which PFR TFI keeps accounting ledgers.

The Chief Risk Officer is responsible for developing and maintaining a risk management system for PFR TFI and the funds under its management. He also supervises the Risk Management and Quantitative Analysis Office.

The Regulation of the Minister of Finance, Regional Funds and Regional Policy of 18 November 2020 on the manner, procedure and conditions of operation of investment fund management companies stipulates the obligation to separate the functions of internal audit, risk management and compliance. Pursuant to the European Commission Delegated Regulation 231/2013, all the above mentioned units of internal control must enjoy full independence. In other words, employees of the internal control units cannot perform operational tasks that may fall within the scope of their inspection or oversight. Furthermore, according to the recommendations of the Polish Financial Supervision Authority, TFI companies must have an adequate organizational structure to ensure the protection of confidential information ("Chinese walls"), the independence of the internal control system and the independence of valuations, as well as to avoid conflicts of interest. PFR TFI fulfills this requirement by maintaining a proper division of responsibilities, structuring its organization in accordance with the nature, scope and complexity of the activities it performs, and following the principles of the investment policy and strategy of the funds it manages. The entities responsible for performing the functions of the internal control system include, in particular

- The Supervision Office is responsible for compliance of the Management Company's operations and the persons acting for it with the applicable laws, procedures and regulations; in the organizational structure.
- The Audit Office is responsible for the systematic review of PFR TFI's systems, internal procedures and by-laws to support the correct and effective fulfillment of PFR TFI's obligations under law and internal procedures, and to take action to correct irregularities;
- The Risk Management and Quantitative Analysis Office is responsible for maintaining a risk management system for PFR TFI and the funds it manages.

### Sustainable development

Since 2021, financial institutions are obligated to follow Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation, SFDR), which is designed to ensure greater transparency of the financial market participants. PFR TFI's first step in integrating ESG criteria into its operations was to comply with the requirements of Regulation. In 2022, PFR TFI maintained the previously declared *Strategy*



ESG standards - examples

for introducing risks to sustainable development in the investment decision making process at PFR TFI S.A. and the Strategy statement on due diligence for principal adverse impacts of investment decisions on sustainability factors.

In 2022, two important ESG regulations applicable to the activities of investment fund companies came into force: Commission Delegated Regulation (EU) 2021/1255 of 21 April 2021, amending Delegated Regulation (EU) No 231/2013 as regards the sustainability risks and sustainability factors to be taken into account by Alternative Investment Fund Managers, and the Regulation of the Minister of Finance of 26 July 2022, amending the Regulation on the manner, procedure and conditions of operation of investment fund management companies. They require the management company to integrate ESG risk into the investment process on an equal footing with other risks, and in particular to include mechanisms for sustainability risks in the compliance monitoring system, the risk management system, the conflict of interest management, the investment process, as well as in organizational requirements, training requirements and confirmation of knowledge and competence, and the evaluation of members of the Management Company's bodies. PFR TFI conducted an analysis of the internal regulations and processes that needed to be adapted to the new requirements and implemented the necessary changes as of August 2022. It also developed and implemented a comprehensive analytical tool to analyze ESG risks in the investment process. An interdisciplinary team worked on its creation together with the entities employed by the Management Company to manage parts of the funds' investment portfolios. The tool takes into account the needs of PFR TFI and the specific nature of the investments.

ESG regulations deal with new areas, in which market practices continue to evolve. The Management Company's experts took an active part in the meetings of the task force of the Chamber of Fund and Asset Managers, which aims to develop in consultation with the KNF good practices and a unified approach for all market participants, including: non-financial reporting disclosures at the product and company level, as well as obligations of investment fund management companies and funds related to sustainable financing.

PFR TFI has also made preparations to meet new disclosure requirements in the area of Principal Adverse Impacts (PAI), i.e. the disclosure of the principal adverse impacts of investment decisions on sustainability factors. These result from the Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regula-

tion (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards (RTS), which came into force on 1 January 2023.

**Greater transparency**

As an active participant of the financial market, PFR TFI engages into self-regulation initiatives of the Polish investment funds industry and has been among the initiators of the implementation of the Best Reporting Practices. The sub-funds of PFR PPK SFIO meet the requirements of all Best Reporting Practices. The primary objective of this initiative is to improve access of retail investors to investment product information. Each of the five Best Reporting Practices addresses a different area and is designed to increase fund transparency.

As per the guidelines, portfolio composition information is published quarterly, by the last day of the month following the quarter end. On the other hand, information on PFR TFI's sales balance and portfolio structure is published monthly: the sales balance data - by the 15th day of the following month, and the portfolio structure - by the 20th day of the following month. The data reported under the Best Reporting Practices are prepared and published in cooperation of three organizational units: the Fund and Asset Management Department, the Asset Administration and Valuation Department and the Marketing and Communication Office.



**Dobre Praktyki Informacyjne**

- 1** Publication of portfolio composition
- 2** Publication of sales balance data
- 3** Presentation of fund portfolio structure
- 4** Presentation of the rates of return for the fund's benchmark
- 5** Publication of the fees applicable to all units



PFR TFI provides more complete information on the funds it manages by regularly publishing on its website information on the balance of fund flows, the structure of assets, the composition of the portfolio and the fees charged. As a result, for example the participants of the Employee Capital Plans managed by PFR TFI may find out how the investment policy of the funds is implemented and how the portfolio composition changes in individual year quarters.

## PFR Ventures

### 2.2. PFR Ventures

PFR Ventures manages the funds of funds dedicated to venture capital (VC) and private equity (PE) markets. It is the largest entity of this type in Central and Eastern Europe. The funds are used to increase the financing of innovations in the sector of small and medium enterprises (start-ups), as well as provide capital to mature companies. Investments are carried out by teams managing VC and PE funds. The funds held by PFR Ventures come from: the Smart Development Operational Programme 2014-2020, the Innovative Economy Operational Programme 2007-2013, the Swiss-Polish Cooperation Programme, the Ministry of Economy and the Polish Development Fund. In total, PFR Ventures manages assets of over PLN 3 billion.

As at the end of 2022, PFR Ventures had 69 VC and PE funds in its portfolio. Most of them remain active and continue to seek new investment targets. So far, they have supported 680 companies. The remaining funds are at the exit stage. The average cash-on-cash ratio (total cash earned on the total cash invested) for exits from 121 out of 212 companies in the PFR KFK portfolio is 1.4x. The ratio for top 10 exits ranges from 3.8x to 27x.

PFR Ventures manages eight investment programs. Each one of them activates a different market segment: co-investments, business angels or fund creation for corporations (Corporate Venture Capital). The PFR Green Hub FoF program has been in operation since 2021, with the aim of stimulating energy transition investments in Poland and providing financing to the so-called positive impact businesses. The first four contracts under this program were signed at the end of 2022.

The portfolios of funds supported by PFR Ventures contain companies such as: Audioteka, Booksy, Brand24, Frisco.pl, Infermedica, iTaxi and Oshee. PFR Ventures funds financed the development of 6 out of 10 largest start-ups in Poland.

Members of the company's Management Board are:

- Maciej Ćwikiewicz – President of the Management Board,
- Aleksander Mokrzycki – Vice-President of the Management Board.

## PFR Nieruchomości

### 2.3. PFR Nieruchomości

PFR Nieruchomości S.A. is a Polish joint stock company and a member of the PFR Corporate Group. It is responsible for investments of the Rental Housing Fund ("RHF") and the Housing Sector Development Fund ("HDF"), which finance the market portion of the government's housing program. PFR Nieruchomości is the leader of the institutional rental market in Poland.

PFR Nieruchomości was created in October 2017, based on the company BGK Nieruchomości established by Bank Gospodarstwa Krajowego in 2013.

PFR Nieruchomości has approx. 7.5 thousand apartments - completed or under construction - in 40 locations all across Poland. The projects include both investments in the largest agglomerations: in Warsaw, Kraków, Wrocław, Gdańsk-Sopot-Gdynia (Tri-City) and Łódź, as well as in medium-sized cities, such as Toruń, Radom, Wałbrzych and Świdnik.

The Management Board of PFR Nieruchomości is comprised of:

- Wojciech Caruk – President of the Management Board,
- Anna Błaszczuk – Management Board Member, Chief Legal and Administration Officer.

## Active VC and PE funds in the PFR Ventures portfolio





PFR Nieruchomości housing estate in Łowicz

In 2022, the Supervisory Board dismissed two members of the Management Board:

- Mr. Krzysztof Pniwski (dismissed as of 11 April 2022).
- Ms. Krystyna Wąchała-Malik (dismissed as of 15 October 2022).
- In 2022, Mr. Andrzej Płatek tendered his resignation as a Management Board Member with effect from 7 November 2022.

PFR Nieruchomości carried out a reorganization process by discontinuing, as of 30 September 2022, the provision of operating services for portfolio companies of the abovementioned funds, i.e.: coordination of land property management, coordination of marketing activities, property management and coordination and supervision of lease management, warranty management and project monitoring services and project phase consultant services. These responsibilities were taken over by PFR Mieszkania S.A. ("PFR Mieszkania" or "PFRM"), a portfolio company of the Housing Sector Development Fund. As a result, some of the employees of PFR Nieruchomości who performed the work transferred to PFR Mieszkania were transferred to PFR Mieszkania, with effect from 1 October 2022.

PFR Mieszkania was established in 2020.

The Management Board of PFR Mieszkania consisted of (as at 31 December 2022):

- Andrzej Płatek – President of the Management Board.

## PFR Portal PPK

### 2.4. PFR Portal PPK

PFR Portal PPK is a company responsible for collecting and reporting information on Employee Capital Plans pursuant to Article 77 of the Act of 4 October 2018 on Employee Capital Plans (Journal of Laws of 2023 Item 46) (the "ECP Act"). The primary objectives and tasks of PFR Portal PPK include: promotion of the private retirement savings program for employees working in Poland and operating a web portal dedicated to the Employee Capital Plan program. In order to achieve a market rate of return on the invested capital, PFR Portal

PPK intends to conduct additional business activities not provided for by the above act.

As at 31 December 2022, the Company's Management Board consisted of:

- Robert Zapotoczny – President of the Management Board.

On 26 July 2022, Małgorzata Smółkowska tendered her resignation as a Management Board Member.

#### **Information and education activities: mojeppk.pl website**

The mojeppk.pl website is the only official source of information about Employee Capital Plans. The website features various publications, such as: guides, answers to frequently asked questions, podcasts, videos, forms of documents, legislative acts, calculators of savings, taxes and management costs, offerings of financial institutions and e-books on various legal issues and HR and payroll regulations. The contents ECPs is published not only in Polish, but also in: English, Ukrainian, Belarusian and Vietnamese. The portal also provides ECP's participants with information about the value of their funds balance in the ECP account. The Trusted Profile can be used to log into and view the Employee Capital Plan account. The website address is <https://rachunek.mojeppk.pl/>.

#### **Training and information activities**

PFR Portal PPK's educational and information activities involve organization of training for employers and employees, to provide knowledge about, among others, the rollout of the ECP program. PFR Portal PPK's representatives also take part as speakers in conferences and events, presenting the terms and conditions, as well as the working principles of the ECPs.

#### **Editorial and legal activities**

PFR Portal PPK's key objectives also include the interpretation and clarification of the provisions of labor law and the social security system, as well as publication of helpful guides addressed to employers and employees, as regards, for example, the ECP rollout process. Moreover, PFR Portal PPK prepares opinions on the application of the ECP Act, in consultation with the relevant institutions, including the Polish Financial Supervision Authority and the Ministry of Finance.



# Areas of operational resilience

## People

- Building awareness
- Education
- Ownership
- Communication



## Supplier management

- Risk assessment
- Element of business continuity management



## Protection of information

- Information security management system
- Audit
- Protection of cloud-processed information
- Incident management



## Processes and locations

- physical security
- risk management
- business continuity management
- crisis management
- compliance



## Change management

The change management process, both on the business side and the IT systems side, must not negatively impact the resilience of the organization



## Technology

- infrastructure's resilience to disruption
- ability to open after disruption
- backup copy policy
- configuration management



## PFR Operacje

### 2.5. PFR Operacje

PFR Operacje Sp. z o.o. was established in October 2020. PFR Operacje was formed to increase the maturity of IT and security areas within the PFR Corporate Group, to optimize procurement in these areas, and to increase the transparency of the structure of accountability for maintaining and developing IT applications and systems.

**After the conflict in Ukraine broke out, the focus switched to building operational resilience** by expanding business continuity and cybersecurity management programs. This took into account the risk appetite and tolerance for disruption in the delivery of products or services to internal and external stakeholders (companies in the PFR Corporate Group).

These initiatives ensure coordination of the management of risk assessments, risk monitoring and inspections in the following risk areas

- security (digital and physical),
- information security and privacy,
- continuity of business processes,
- development of systems and applications,
- compliance,
- Reliability.

The company's Management Board consists of:

- Radosław Hoc – Management Board Member.

# Information on other subordinated entities



### Operator Chmury Krajowej

Operator Chmury Krajowej (National Cloud Operator) is a technology company established in 2018 at the initiative of PKO Bank Polski S.A. and Polski Fundusz Rozwoju, to ensure access to advanced cloud computing services for Polish companies and public institutions. Today, The National Cloud Operator is the most specialized supplier of cloud solutions on the Polish market. It operates on a multicloud model, offering its own products and services through the National Cloud Platform, as well as solutions from its strategic partners - global public cloud providers: Google and Microsoft. This gives customers the freedom to choose the most appropriate cloud solution option. It offers the possibility of optimizing IT processes

and costs, cutting down project execution time and increasing efficiency. It provides IT architecture migration and transformation services. Advises on the selection of advanced data analytics, artificial intelligence, machine learning solutions that are optimal for a given industry and stage of development. It supports organizations in building their individual path to the cloud and the process of knowledge transfer necessary for effective use of cloud solutions.

The Management Board is composed of:

- Michał Potoczek – President of the Management Board,
- Marcin Dzienniak – Vice President of the Management Board,
- Paweł Ławecki – Vice President of the Management Board,
- Krystian Najbert - Vice President of the Management Board.

# Corporate governance

## 1. CORPORATE GOVERNANCE PRINCIPLES

PFR is a commercial law company with 99.87% of its shares held by the State Treasury. In its activities, PFR attaches great importance to transparency of its operations and decision-making processes, which are carried out in accordance with generally applicable laws and best market practices.

The rules of operation of the PFR are set out in corporate documents; adoption and observance of these documents ensures that the Company is managed properly and in accordance with applicable laws.

The Company carries out its business in accordance with its Articles of Association and its internal regulations and procedures.

In order to ensure proper operation of the Company's governing bodies, bylaws were adopted defining the organization and the manner of performance of particular activities by those bodies, i.e. Regulations of the Management Board of Polski Fundusz Rozwoju S.A., Regulations of the Supervisory Board of Polski Fundusz Rozwoju S.A., and Regulations of the Shareholder Meeting of Polski Fundusz Rozwoju S.A.

The entity keeping the register of the Company's shareholders is PKO Oddział Biuro Maklerskie w Warszawie with its registered office in Warsaw.

The Company has also implemented numerous internal regulations governing employee conduct in accordance with the rules adopted and observed by the Company. Such regulations include in particular: the *Conflict of Interest Prevention and Management Policy*, the *Gifts and Anti-Corruption Policy*, the *Best Practice for Social Media*, the *Policy to prevent undesirable behavior among employees and associates of Polski Fundusz Rozwoju S.A.* or the PFR Corporate Group's Code of Conduct.

## 2. AUDIT FIRM AUTHORIZED TO AUDIT FINANCIAL STATEMENTS

The Supervisory Board of PFR selected PKF Consult sp. z o.o. sp. k. in Warsaw to audit the Company's financial statements and the consolidated financial statements of the PFR Corporate Group for 2021 and 2022, with an option to extend the agreement for the next two financial years (2023 and 2024). PKF Consult sp. z o.o. sp. k. also audits financial statements of other companies of the PFR Corporate Group.

## 3. SHAREHOLDER MEETING

The powers and the course of PFR's Shareholder Meetings are set out in detail by the PFR Articles of Association and the Standing Regulations of the Shareholder Meeting.

Resolutions may be adopted even if the Shareholder Meeting has not been convened formally if the entire share capital is represented and no person in attendance objects to holding the Shareholder Meeting or placing any specific matters on the agenda.

The Shareholder Meeting is valid if at least 50% plus one share are represented, subject to the mandatory provisions of the law. All matters submitted to a Shareholder Meeting on the motion of the Management Board should first be presented to the Supervisory Board for opinion.

Resolutions of the Shareholder Meeting must be adopted with a qualified majority of 2/3 (two thirds) of votes cast, unless the law or the articles of association provide for a more strict requirements for adopting a resolution.

A Shareholder Meeting resolution is required in matters specifically identified by the provisions of law, in particular the Commercial Company Code or the Articles of Association. Powers of the Shareholder Meeting include, in addition to the matters specifically identified by the provisions of law, in particular the Commercial Company Code:

1. reviewing and approving the activity report and the financial statements for the previous financial year,
2. adopting a resolution on distribution of profit or coverage of loss,
3. reviewing and approving Supervisory Board activity reports,
4. granting a discharge to members of the Supervisory Board and Management Board on the performance of their duties,
5. specifying the dividend record date and the dividend payment date;
6. selling or leasing an enterprise or an organized part thereof and establishing a limited right in rem thereon,
7. amending the Articles of Association,
8. increasing or decreasing the share capital,
9. issuing bonds, convertible bonds or bonds with a pre-emptive right to shares and issuing subscription warrants,
10. retiring shares and defining the terms and conditions of the retirement,
11. selecting an entity to keep the register of shareholders,
12. merger, demerger or liquidation,
13. forming and merging with a European company,
14. establishing and liquidating special-purpose funds,
15. appointing and dismissing Supervisory Board members,
16. adopting rules of compensation for Supervisory Board members,
17. adopting rules of compensation and setting compensation amounts for Management Board members, including the President of the Management Board,
18. giving consent to a disposal of non-current assets within the meaning of the Accounting Act, in the cases and on the terms set forth in the PFR Articles of Association,
19. giving consent to a purchase of non-current assets within the meaning of the Accounting Act, with the value exceeding: (a) PLN 100,000,000 or (b) 5% of total assets within the meaning of

the Accounting Act, determined on the basis of the most recent approved financial statements,

20. giving consent to a subscription for or purchase of shares in another company with a value exceeding: (a) PLN 100,000,000 million, or (b) 10% of total assets within the meaning of the Accounting Act, determined on the basis of the most recent approved financial statements;
21. giving consent to a disposal of shares in another company with a value exceeding: (a) PLN 100,000,000 million, or (b) 10% of total assets within the meaning of the Accounting Act, determined on the basis of the most recent approved financial statements,
22. giving consent for the total cost of remuneration of advisors to the Supervisory Board exceeding PLN 500,000 net for the financial year,
23. a purchase and sale of real properties, perpetual usufruct rights or interests in real properties do not require a resolution of the Shareholder Meeting, subject to items 18-19 above.

**Information on Shareholder Meetings held and the implementation of Shareholder Meeting resolutions and recommendations of the entity authorized to exercise the rights attaching to the shares held by the State Treasury**

In 2022, six Shareholder Meetings were held at PFR. PFR implemented the resolutions adopted by the Shareholder Meeting in 2022.

#### 4. SUPERVISORY BOARD

The PFR Supervisory Board operates on the basis of the PFR Articles of Association and detailed rules of procedure of the Supervisory Board – Regulations of the PFR Supervisory Board. They also define the procedure and scope of powers of the PFR Supervisory Board.

The Supervisory Board may consist of three to seven members appointed and dismissed for a joint term of office of five years by the Shareholder Meeting.

Supervisory Board Members exercise their rights and perform their duties in person. The Supervisory Board elects a Chairman, Deputy Chairman and a Secretary of the Supervisory Board from among its members in the event that the Shareholder Meeting of Shareholders does not do so in the resolution on appointment of a given Supervisory Board member. As long as the Supervisory Board consists of at least three members, the Supervisory Board is capable of taking all actions provided for by law and the Articles of Association.

There are two Committees functioning within the Supervisory Board; they consist of Supervisory Board members and perform permanent advisory and opining functions for the PFR Supervisory Board.

The Audit Committee has been operating within the Supervisory Board since 16 September 2014 and performs tasks in the following areas of PFR's operations:

- financial reporting in the Company,
- annual financial planning and fulfillment of financial plans,
- audit of financial statements by a statutory auditor,
- internal control systems, risk management and internal audit systems,
- relations between PFR and its related parties within the meaning of the Accounting Act and the Commercial Company Code.

On 27 July 2017, the Supervisory Board appointed the Strategy Committee from among its members.

Tasks of the Strategy Committee include in particular issuing of opinions and making recommendations to the Supervisory Board in respect of strategic motions or applications made to the Board and requiring its approval or opinion. Furthermore, the Strategy Committee monitors the implementation of the Company's strategy, strategic multi-year plans and the Company's operational plans, as well as its investment activities which are relevant from the viewpoint of the Committee's tasks connected with the implementation of the Company's strategy. It also performs other tasks as directed by the Supervisory Board.

The Strategy Committee is also empowered in particular to: (i) examine any other aspect of the Company's activities which are relevant for the Strategy Committee's tasks in respect of the Company's Strategy, including plans, projects, scenarios and agreements of strategic nature, (ii) request the Company's Management Board to provide all and any information, reports and explanations required for the Committee to execute its tasks and make motions to the Supervisory Board to order expert studies or opinions for the use of the Strategy Committee, in order to ensure proper performance of its functions.

As at 1 January 2022, the Supervisory Board was composed of:

- Magdalena Piłat – Supervisory Board Chairwoman,
- Grzegorz Pazura – Supervisory Board Deputy Chairman,
- Kamila Majcher-Zalewska – Supervisory Board Secretary,
- Tomasz Dudek – Supervisory Board Member,
- Anna Miazek – Supervisory Board Member,
- Piotr Szwarz – Supervisory Board Member.

The composition of the Supervisory Board did not change during the financial year and as at 31 December 2022 it was as specified above.

#### 5. REPORT ON THE ACTIVITY OF THE MANAGEMENT BOARD AS A CORPORATE BODY

According to the PFR Articles of Association, the Management Board of PFR may consist of one to five members.

The Management Board may consist of: the President of the Management Board and other Management Board members as Vice-Presidents of the Management Board elected for a joint term of office; the Management Board should at all times have a President of the Management Board. Appointment to a Management Board member is made after the Supervisory Board has conducted a recruitment procedure to verify and assess the qualifications of the candidates and to select the best candidate. During the procedure, the Supervisory Board makes sure, that the candidates to the Management Board in particular satisfy the conditions set forth in the Act of 16 December 2016 on the Rules for Managing State Property (consolidated text: Journal of Laws of 2021, Item 1933, as amended) ("RMSP Act"), which have been incorporated in the PFR Articles of Association.

The term of office of the Management Board is five years. The number of Management Board members is set by the PFR Supervisory Board.

As at 1 January 2022, the composition of the Management Board of the second term of office was as follows:

- Paweł Borys – President of the Management Board appointed by the Supervisory Board effective as of 1 May 2016 (reappointed for the second term of office as of 30 June 2018),
- Bartłomiej Pawlak – Vice-President of the Management Board appointed by the Supervisory Board effective as of 16 October 2017 (reappointed for the second term of office as of 30 June 2018),
- Tomasz Fill – Vice-President of the Management Board appointed by the Supervisory Board effective as of 30 June 2018,
- Bartosz Marczuk – Vice-President of the Management Board appointed by the Supervisory Board effective as of 19 November 2018.

The composition of the Management Board did not change during the financial year and as at 31 December 2022 it was as specified above.

#### **Internal allocation of duties and functions discharged by Management Board members**

The PFR Management Board operates on the basis of the PFR Articles of Association and the Regulations of the Management Board of PFR.

The Management Board runs PFR's affairs and represents PFR before third parties. The Management Board is authorized to run all of PFR's affairs not restricted for the powers of the Shareholder Meeting or the Supervisory Board.

The Management Board is obliged to prepare annual activity plans, annual financial plans and PFR's long-term development strategy.

The Management Board is also required to submit quarterly reports to the Supervisory Board containing, in particular, information on:

1. resolutions adopted by the Management Board and their subject matter,
2. the situation of the Company, including its assets, as well as important circumstances affecting the Company's affairs, particularly in the areas of operations, investments and personnel,
3. progress in the implementation of the directions set for the development of the Company's activities, indicating any deviations from the previously set directions.
4. transactions and other events or circumstances that have or may have material effect on the Company's financial position, including its profitability and liquidity,
5. changes in the information previously provided to the Supervisory Board, if such changes materially affect or may affect the Company's situation.

The reports referred to above may be submitted by the Management Board to the Supervisory Board more frequently than once per quarter.

Fulfillment of the obligations referred to in items 2-5 above also includes information held by the Management Board regarding subsidiaries and related companies.

The Management Board is also obliged to prepare and submit to the Shareholder Meeting, along with the Management Board Report on the Company's activity for the previous financial year, the following documents with opinions issued by the Supervisory Board: an

annual report on representation expenses, expenses on legal services, marketing services, public relations and social communication services and management services as well as reports on the application of the best practices referred to in Article 7 Section 3 item 2 of the Act on the Rules for Managing State Property.

As of 1 January 2022, the Company had in place the allocation of powers among its Management Board members, which was approved by the PFR Supervisory Board on 30 May 2019. During the financial year 2022, this allocation changed as a result of amendments to the Regulations of the Management Board of PFR, which were approved by the PFR Supervisory Board on 4 August 2022.

#### **Management Board meetings held and resolutions adopted**

In the financial year 2022, the PFR Management Board held 63 meetings, during which it adopted 805 resolutions, including 21 by circulation, using means of direct remote communication. The Management Board meetings were recorded in the form of minutes, which are kept at the PFR head office.

#### **6. COMMERCIAL PROXY**

In the financial year 2022, PFR had four commercial proxies. On 4 June 2019, Joanna Dynysiuk – legal counsel and Managing Director of the Legal Department was granted a joint proxy. On 19 October 2021, the power of proxy was changed from joint proxy to joint proxy to act with a management board member. On 12 October 2021, joint proxy to act with a management board member was granted to Anna Wawrzyńczak-Palynyczak – legal counsel, Director of the Corporate Support Legal Office, and acting Managing Director of the Legal Department; Andrzej Kopyrski – Managing Director of the Investment Division; and to Mariusz Jaszczuk – Director of the Finance and Controlling Department. On 22 December 2022, Andrzej Kopyrski tendered his resignation as PFR's commercial proxy.

#### **7. DESCRIPTION OF SIGNIFICANT PENDING LITIGATION**

As at 31 December 2022, no court litigation was pending with the participation of PFR that might significantly affect the Company's activity by generating a significant potential risk of a material adverse effect on its financial situation, prospects, operating performance or ability to fulfill obligations.

Noteworthy, there are claims raised against PFR in relation to the handling of the government programs: the Financial Shield for MSMEs 1.0, the Financial Shield for MSMEs 2.0, the Financial Shield for Large Companies ("**Programs**"), whereby as at 31 December 2022 the total amount of pecuniary claims pursued in court is approximately PLN 9.5 million. These claims have no individual impact on the Company's operations and financial position. This is due to the existence, among other things, of the rules-based mechanism by which the Treasury covers the costs incurred by PFR in implementing the programs.

#### **8. MANAGEMENT BOARD REPORT ON THE APPLICATION OF BEST PRACTICES**

Pursuant to Article 7 Section 3 Item 2 of the RMSP Act, the Prime Minister may define certain best practices, in particular in the area of corporate governance, corporate social responsibility and sponsorship activities, addressed to companies in which the State Treasury holds an equity stake. In accordance with the PFR Articles of Association, the Management Board is required to prepare and present to the Shareholder Meeting a report on the application of such practices.

As at the date of this report, no such best practices have been defined by the Prime Minister.



## Paweł Borys

### President of the PFR Management Board

He is a graduate of the Faculty of Finance and Banking of the Warsaw School of Economics, specializing in international financial markets.

He started his work in 2000 as chief economist at Erste Bank Group in Poland. He dealt with macroeconomic forecasts for the Polish economy and analyses of financial markets.

Since 2001, he has been the head of the Analysis Department, a fund manager, and then the director of the Investments Department at Deutsche Bank Group – Deutsche Asset Management and at DWS – the second largest asset management company in the world. He managed pension programs for leading Polish financial institutions such as the National Bank of Poland and the Warsaw Stock Exchange. He has twice been awarded for the best investment fund performance on the Polish market.

From August 2005 to April 2010 he co-founded a Polish company specializing in private equity and venture capital investments, acting as Vice-President of the investment and advisory company AKJ Capital S.A. and President of the Management Board of AKJ Investment TFI. From May 2010 to April 2016 he was the Managing Director at PKO Bank Polski S.A. responsible for economic analysis, strategy and development of the capital group and investor relations. He participated in the drawing up and implementation of two development

strategies of PKO BP S.A., as a result of which he significantly strengthened its position as the leader of the banking market in Poland. He conducted, among others, a successful restructuring of Kredobank in Ukraine, implementation of the strategic alliance between the American payment company EVO Payments International and eService S.A., acquisition and integration of Nordea Bank Polska S.A., implementation of a new model of insurance sales in PKO BP S.A.

President of the PFR Management Board since May 2016. The President of the PFR Management Board implemented the reform of the system of Polish development institutions within the framework of the PFR Group and the program of Employee Capital Plans. He was responsible for the preparation and implementation of anti-crisis measures preventing the effects of the COVID-19 pandemic, including the PFR Financial Shield program.

Since 2016, he has been the Chairman of the Supervisory Board of Bank Gospodarstwa Krajowego. Since 2018, the Chairman of the Academic Board of the Polish Economic Institute.

He has extensive contacts with international investors and financial institutions and extensive corporate experience gained while working on 18 supervisory boards of companies in Poland and abroad, including three banks, an insurance company and TFI.

#### As at 31 December 2022, the scope of the President's activity included directing the activities of the Management Board and PFR's ongoing operations, including oversight over:

- operation of the strategy and organization area,
  - organization of management and work of the management board office,
  - performance of analyses,
  - execution of strategies,
  - human resources management,
  - legal support, excluding exercise of corporate governance over the companies in which PFR holds shares,
  - ensuring compliance,
  - risk management,
  - execution of innovation development programs,
  - security,
  - internal audit in the administrative area,
  - ensuring protection of personal data,
  - the implementation by PFR of the programs and tasks entrusted to the Company under the relevant agreements,
  - operation of the investment division,
  - operation of the investment area,
- and also:
- participation in PFR's investment processes in accordance with the PFR Strategy and the Procedure for making investment decisions,
  - origination of investment projects,
  - execution of infrastructural investments,
  - execution of equity and debt investments,
  - management of the investment portfolio,
  - oversight of legal support extended to investments.



**Bartłomiej Pawlak**  
Vice President of the PFR  
Management Board

He is a graduate of the University of Warsaw, Executive Studies in Finance and Advanced Management Program at IESE Business School. Scholarship holder of the Herbert Hoover Institute and the Woodrow Wilson Center for Scholars.

Before accepting the function in PFR, he was a management board member at BGK Nieruchomości. Earlier, as the President of BOŚ Eko Profit S.A. he created tools for comprehensive support of investments, based on one-stop-shop principles. Previously, he also worked for the PKO BP S.A. Group, where he was responsible for restructuring and creating a new operational management model, and for PGNiG S.A., where he implemented a strategy in the area of trade consolidation and foreign upstream. He was also a manager in international consulting companies (Arthur Andersen and Ernst & Young), where he was responsible, among others, for services for Polish entrepreneurs.

**As at 31 December 2022, the duties of the Vice-President of the Management Board in charge of the finance and development area included supervision over:**

- operation of the finance and development area,
- implementation of sector programs,
- execution of local government investments, including participation in PFR's investment processes in accordance with the Procedure for making investment decisions for local government investments,
- PFR financial statements and controlling,
- preparation and verification of performance of PFR's annual and long-term plans and financial forecasts,
- the financing of PFR's activities and financing of programs and tasks entrusted to the Company under the relevant agreements,
- management of liquidity and PFR's relations with entities securing its financial services and services related to debt securities issued by the Company,
- pay-outs made by PFR under the development plan referred to in Article 5 item 7aa of the Act of 5 December 2006 on the Principles of Development Policy (KPO), in accordance with the agreement signed with the minister in charge of regional development, as referred to in Article 14In sec. 5 of the Act on the Principles of Development Policy.
- development and approval, in consultation with the minister in charge of regional development and the minister in charge of public finance, of a financial plan for the account to handle the funds intended for the financing of the development plan referred to in Article 5 item 7aa of the Act of 5 December 2006 on the Principles of Development Policy (KPO), in accordance with the agreement signed with the minister in charge of regional development, as referred to in Article 14In sec. 5 of the Act on the Principles of Development Policy,
- administration and procurement department.



**Tomasz Fill**  
Vice President of the PFR  
Management Board

A graduate of the Faculty of Journalism and Political Science of the University of Warsaw. He also completed postgraduate studies in insurance at the Academy of Finance in Warsaw and the Executive MBA programme at the French Institute of Management.

He worked for the largest Polish companies, including those listed on the Warsaw Stock Exchange, in the financial, energy and telecommunications sectors. He managed communication, marketing and investor relations teams. He was also responsible for strategic communication of companies in foreign markets, including the Czech Republic, Lithuania and Germany. In 2016-2017 he worked for PFR, where he was responsible for the communication and marketing and coordination of cooperation between PFR Group entities. In June 2018 he was appointed to the PFR Management Board, effective as of 30 June 2018, and re-appointed to the second term of office on 30 June 2018.

**As at 31 December 2022, the duties of the Vice-President of the Management Board in charge of the marketing and technology area included supervision over:**

- operation of the communication, marketing and technology area,
- external and internal communication and promotion of PFR's activity and programs or tasks entrusted to PFR under the relevant agreements, in particular over the execution of information and media campaigns pertaining to Employee Capital Plans and PFR Financial Shield program,
- maintenance and development of ITC systems,
- performance of obligations resulting from the exercise of corporate governance over the companies in which PFR holds shares.



**Bartosz Marczuk**  
Vice President of the PFR  
Management Board

He graduated in Sociology at the University of Warsaw, completed doctoral studies in economics at the Institute of Labor and Social Studies and postgraduate studies in international relations at the University of Warsaw and the National Defence University of Warsaw.

He started his professional career in one of the Open-End Pension Funds and subsequently he worked for the Pension Fund Supervisory Office. Then he became a specialist journalist in Gazeta Prawna newspaper dealing with social policy, where he also headed the Work section. In his career, he was also the head of the department in Dziennik Gazeta Prawna, as well as deputy editor-in-chief of Rzeczpospolita daily and Wprost weekly. He hosted the show "Economics Report" on TV channel Telewizja Republika.

In 2015, he was appointed to the position of Undersecretary of State in the Ministry of Family, Labour and Social Policy, where he was in charge of the areas of family policy and digitization. He successfully deployed Program 500+, Good Start Program and other programs. He also co-authored the digitalization of the application process for family benefits. During his work at the Ministry, he served as a member of the Committee for European Affairs, the Housing Council (Apartment+ program) and the team for the creation of the "Immigration Policy of the Republic of Poland".

**As at 31 December 2022, the duties of the Vice-President of the Management Board in charge of the development programs area included supervision over:**

- work on development programs, in particular related to the rollout of Employee Capital Plans,
- deployment of the record and settlement system for Employee Capital Plans,
- operation of the record and settlement system for Employee Capital Plans,
- launch of a training system and preparation of materials on: (i) the ECP system in cooperation with PFR Portal PPK, or (ii) selected development programs deployed within the framework of development programs and tasks entrusted to PFR under the relevant agreements,
- provision of support to the information campaign on the ECP system, run by the marketing and technology division and PFR Portal PPK,
- provision of support for the operation of the call center for the purposes of: (i) the ECP system, implemented by the marketing and technology division in cooperation with PFR Portal PPK, or (ii) selected development programs deployed within the framework of development programs and tasks entrusted to PFR under the relevant agreements,
- customer support and related activities,
- operational activities and pursuit of objectives entrusted to PFR Portal PPK,
- deployment of a system for the granting and settlement of subsidies under the Financial Shield for MSMEs 1.0. and the Financial Shield for MSMEs 2.0.



# Risk management system

The primary purpose of the risk management process is to ensure that major risks associated with the Company's operations are identified, properly measured, reported and controlled. In the context of PFR's operations under the Commercial Company Code and the Act on the Development Institutions System as well as the Company's involvement in administering the Programs, PFR is exposed to the likelihood of materialization of the risk factors described below. While exercising due care in the risk management area, PFR deploys solutions, based on the principles of proportionality and adequacy, aimed at effectively reducing to a minimum the materialization of these risks in line with the market's current best practices. The Company's risk management process has been founded on three independent complementary lines of defense.

The first line of defense covers all organizational units managing distinct risks arising from the performance of entrusted tasks, in compliance with generally applicable laws and the PFR Organizational Rules Regulations. The heads of these units report directly to Management Board Members in charge of the respective areas. The second line of defense is the Compliance Department, which manages and monitors compliance risks. Other supporting units include, among others, the Chief Risk Officer, who is responsible for risk management, the Data Protection Office and the Security Department. These units submit quarterly summary reports to the Management Board. The role of the third line of defense, provided by the Company's Internal Audit Office, is to evaluate the effectiveness of the internal control system and carry out inspections in accordance with the audit plan approved by the Audit Committee. The outcomes of various audits are presented at Management Board meetings and are reviewed by the independent Audit Committee. All three lines of defense apply proper control mechanisms or independently monitor compliance with the adopted measures. All three lines of defense in PFR's risk management system properly apply controls or independently monitor compliance with established policies.

## 1. CREDIT RISK

Credit risk is the risk of an unexpected non-performance, partial performance or delay in the performance of an obligation (including a financial obligation) by a counterparty. In this context, it is crucial to examine and evaluate the Company's counterparties and to monitor on an ongoing basis the payment of their liabilities, especially in terms of timeliness. It is also very important to apply appropriate contractual safeguards. In the event of non-compliance with the counterparty's contractual obligations, the Company may incur a financial loss. Credit risk arises both directly within PFR, where it concerns investment agreements signed by the Company on its own behalf, and indirectly through investment certificates, representing the portfolio of investments made by the Company for and on behalf of the funds in which PFR acts as an investor. This risk arises chiefly from debt instruments. The purpose of risk management is to maintain a stable and balanced (in terms of quality and value) portfolio of receivables following from loans granted and other investments in debt financial instruments. This risk may be mitigated by ensuring appropriate structuring of transactions.

## 2. LIQUIDITY RISK

Liquidity risk is construed as the inability to settle financial liabilities as they mature within the framework of PFR's business operations due to improper planning of financial flows or as the inability to raise capital for growth or for the continuation of activity. The Com-

pany monitors its cash flows on an ongoing basis, prepares liquidity forecasts and keeps sufficient cash to cover anticipated operating and current expenditures and to fulfill long-term investment commitments, by maintaining adequate funds on bank deposits with a time structure matching the liability structure, with certain flexibility buffers.

## 3. MARKET RISK

Market risk means that changes of market prices, such as foreign exchange rates, interest rates, liquidity of capital markets will impact the Company's results or the value of the financial instruments it holds and the possibility of exiting an investment. Market risk management aims to maintain and control the Company's degree of exposure to market risk within acceptable bounds, while simultaneously making efforts to optimize the rate of return on investments. The Company manages this risk both with regard to the investment agreements executed directly by the Company and with regard to the investment agreements entered into by the Company for and behalf of the funds in which PFR acts as an investor.

### Currency risk

At present, the Company has no material exposure to currency risk. The investments, both those made directly by the Company and those made indirectly by the funds in which PFR acts as an investor are denominated in Polish zloty (PLN) and the planned future cash flows are also expected to be in PLN. For projects which generate certain cash flows in foreign currencies, the Company minimizes its currency risk by structuring the transactions in question appropriately and taking into consideration the currency risk in models on which its assessments of investment projects are based.

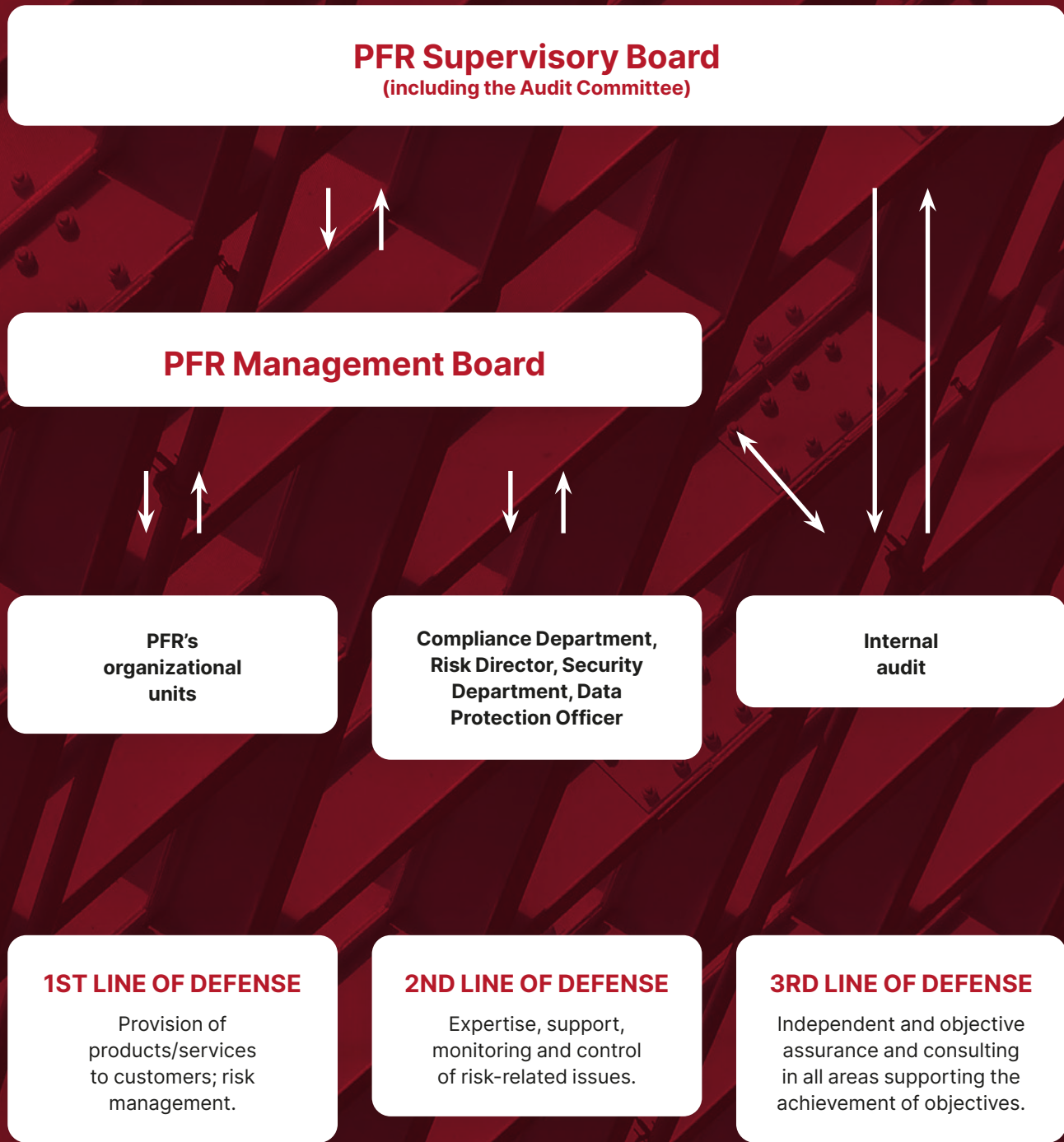
### Interest rate risk

The Company's activity, both in the case of investments made directly by the Company and those made indirectly through the funds in which PFR acts as an investor, because the latter affect the value of the investment certificates held by the Company, is inextricably associated with long-term investments, some of which are naturally exposed to interest rate risk by defining a fixed rate of return on the investment. This risk may materialize by the failure to obtain an assumed risk premium compared to the risk-free rate. The Company seeks to mitigate this risk by taking it into account in the structure of transactions or in appropriate clauses that make it possible to renegotiate investment returns if certain circumstances occur.

Interest rate risk may also materialize through an increase in interest expense resulting from the floating rate loan granted by PKO BP. This risk is partially offset by an adequate diversification of deposits and management of the timing of deposits. In addition, if there are signals that interest rates will be raised, deposits are opened for shorter periods.

## 4. COMPLIANCE RISK

Compliance risk is the risk of failure to abide by the provisions of law, internal regulations, market standards or accepted standards of conduct (including ethical principles) or codes of best market practices. In order to properly manage the compliance risks linked to the Company's activities, PFR adapted its operations with the standards existing on the market and implemented a Compliance Management System, which consists of solutions aimed at reducing the likelihood of compliance risks materializing.





- The unit responsible for managing and monitoring compliance risks at PFR is the Compliance Department, which is responsible, among other things, for: compliance risk management (regulatory compliance) – in respect to compliance with laws and regulations, as well as for reviewing and updating internal procedures,
- Compliance risk monitoring (as one of the elements of PFR's control system) – vertical and horizontal compliance risk inspections using Compliance Matrices and ad-hoc inspections,
- Other areas:
  - KYC and sanctions (verification of customers and contractors in the procurement and investment process, supervision and coordination of the verification process against sanctions lists);
  - conflict of interest management (conflict of interest in the procurement process, conflict of interest in the investment process, and management of confidential information in light of MAR regulations);
  - Code of Conduct;
  - anti-corruption and whistleblowing

## 5. OPERATIONAL RISK

This risk is construed as the risk of a loss arising from inappropriate or unreliable internal processes, people or systems, or from external events that may disrupt PFR's proper operation. This category also includes information security, business continuity and the risk of fraud.

## 6. INVESTMENT RISK

Investment risk is construed as the risk of failure in achieving the expected rate of return on the Company's investments within the assumed timeframe or incurring a loss related to such investments. The PFR Corporate Group monitors its investments and defines the investment exit path. As part of the investment selection process, an assessment of the risks associated with the investment is carried out, as well as a financial due diligence of the investee. Value caps are imposed on operations related to the management of the investment portfolio in aggregate and with respect to individual investments. In order to exercise effective supervision, PFR seeks to appoint a fund representative to the corporate authorities of its portfolio companies.

## 7. POLITICAL RISK

This risk arises predominantly from unpredictable political changes or political instability in the respective country. It may involve, without limitation, a change of the national government or changes in other high-profile government positions, government decisions affecting the legal environment for the functioning of enterprises and the economy as a whole, e.g. changes in taxes or government expenditure. In order to minimize political risk, the Company continuously monitors the government's economic development plans, changes in the government's strategy and projected or proposed amendments to the applicable legal regulations from the perspective of their impact on PFR's business. The Company actively participates in public consultations and submits comments to the government's legislative process when given the opportunity, particularly with respect to changes that could potentially affect PFR's operations.

## 8. PROJECT RISK

Risk is understood as the probability of a situation that can affect, both positively and negatively, the quality, scope, cost, schedule of a project.

A typical feature of this risk is the ability to estimate the probability of its occurrence and the strength of its impact on the project. If materialized, this risk can lead to additional costs, losses, delays, and consequently to the occurrence of an event that prevents the

implementation of part or all of the project. A risk can also have a positive effect, for example by reducing the duration of an initiative. The Company's project management system is fully operational, supporting the execution of projects in line with the adopted Project Management Methodology. The PFR Corporate Group monitors the execution of projects, in particular by reviewing spending vis-à-vis the adopted budget and the timeliness of actions taken within each project. PFR Corporate Group has in place a Project Committee, which monitors interdisciplinary projects implemented in the companies comprising the PFR Corporate Group.

## 9. STRATEGIC RISK

This risk arises from improper decisions regarding the development strategy of the PFR Corporate Group, inadequate or incomplete implementation of the adopted strategy or the inaction or an inappropriate reaction to changes in the Company's environment. The PFR Corporate Group reviews its market and economic environment and regularly verifies the implementation of its plans while monitoring the validity of the adopted objectives and actions called for in the strategy.

## 10. REPUTATION RISK

This risk is construed as the risk of an unfavorable perception of PFR's image by customers, counterparties, investors, regulators, supervisory authorities and/or the public. This risk may be a derivative of any of the other types of risk. The Company, through the activities of its various organizational units and the adopted external communication strategy, pursues a number of initiatives aimed at minimizing the materialization of this risk. The fundamental tool to prevent this type of risk, under the first line of defense in the company all managers of the organizational units are obligated to perform systematic functional control.

## 11. LEGAL RISK

In the context of the Company's business, legal risk is identified primarily as the risk of changes in generally applicable laws or case-law, or of the absence of pertinent regulations in areas affecting the Company's operations and activities. Such changes in regulations or the absence of regulations in significant business areas may exert an unfavorable impact on the Company's operations. They may also result in the Company's inability to realign its processes in an efficient and effective manner.

An additional category of legal risk that may affect PFR's business is the risk of unfavorable decisions by courts or public administration authorities settling disputes between companies in the PFR Corporate Group and other entities. In order to minimize such legal risk, the Company has implemented appropriate processes for issuing opinions on contracts, regulations, internal procedures and other documents. PFR's Legal Department provides appropriate legal assistance, and in cases where complex transactions or projects are involved, it collaborates with experienced external legal advisers. The Company also constantly monitors changes in legal regulations and evaluates their impact on PFR's business on an ongoing basis.

## 12. ESG RISK

ESG risk, or sustainability risk, is understood as a situation arising from environmental (E-Environment), social (S-Social) or corporate governance (G-Governance) factors that, if they occur, could have an actual or potential material adverse (direct or indirect) impact on the operations of the PFR Corporate Group.

# Compliance system

## 1. COMPLIANCE MANAGEMENT STRATEGY

In view of the nature of PFR's business, the applicable legal regulations and the latest market standards, in 2021 the Company implemented the Compliance Management Strategy. It includes a Compliance Management System designed to enhance the security and stability of the Company. The Compliance Management System is founded on the so-called PFR Compliance Pillars and managed by a specialized organization unit - the Compliance Department. The organizational structure of the Compliance Department supports effective management and control of compliance risks and is suitable to the size and complexity of PFR's operations. The Compliance Department includes the Compliance Risk Management Team (regulatory compliance), responsible for reviewing changes in the legal environment and managing internal legislative processes, the Compliance Risk Monitoring Team, responsible for the monitoring of compliance risks using Compliance Matrices and controlling it through ongoing reviews and testing, as well as dedicated positions responsible for the verification of customers and contractors in the procurement and investment process, supervision and coordination of the verification process against sanction lists. In order to ensure an adequate level of independence, the Department Head reports directly to the President of the PFR Management Board.

## 2. COMPLIANCE RISK MANAGEMENT

The compliance risk management process at PFR is organized as three lines of defense:

- first line of defense – management and control of compliance risks that arise in PFR's operational activities; it is performed by organizational units and employees who carry out the tasks that may give rise to compliance risks,
- second line of defense – activity of the Compliance Department,
- third line of defense – activity of the internal audit unit.

The compliance risk management process consists of identification, measurement, evaluation, mitigation, monitoring, control and reporting. PFR has controls in place for compliance risks, and compliance is independently monitored through ongoing verification and testing (in 2022, organizational units performed more than 400 inspections planned in the Compliance Matrices). In the three lines of defense model, the Compliance Department is responsible for monitoring the implementation process and assessing the compliance of PFR, including its organizational units, with laws, internal procedures, regulatory recommendations, codes of good practice and market standards. In 2022, 53 internal regulations were updated and 33 new regulations were issued. As a result of effective coordination of the legislation process and monitoring of regulatory reviews, the number of expired or outdated internal regulations fell from 22% in 2021 to 13% at the end of 2022.

## 3. ANTICORRUPTION SHIELD

In view of the execution by the Company of government business financial support programs, i.e. the so-called PFR Financial Shield, the Company, at the request of the President of the Management Board, has been included in the so-called Anti-corruption Shield program, i.e. a set of operational and support activities pursued by authorized entities with a view to protecting Poland's economic interests.

Due to the nature, scale and value of public funds involved in the rollout of all the Financial Shield Programs, in April 2020 Company applied to the Central Anticorruption Bureau ("CBA") for all its Programs to be covered by activities aimed at reducing the risk of irregularities or fraud. In response, the CBA agreed to take actions to support PFR in the execution of the Programs. The CBA's protection covers PFR employees directly involved in the execution activities, advisors supporting the Company, as well as the individual entities that have applied for and received support. In parallel, coordinators have been appointed for cooperation both on the side of the CBA and PFR (designated employees of the Compliance Department). Based on the legal grounds provided by the CBA for its collection and processing of personal data, PFR created a dedicated IT resource intended to provide the CBA with the specified information. It was launched on 24 April 2020, with access to this resource having been granted to designated CBA and PFR staff. In September 2020, an agreement was signed between the CBA and PFR regarding the provision of information. The contractual terms were extended in March 2021 and October 2021. In 2022, the exchange of information between the CBA and PFR continued. It pertained to settlements under the PFR Financial Shield, potential claims raised by businesses, as well as the handling of companies that received a subsidy but found themselves in a bankruptcy process.

As a result of a similar request, addressed to the Internal Security Agency ("ABW"), on 17 April 2020 PFR became covered by special oversight in terms of securing its ICT systems and providing counter-intelligence protection. On 27 April 2020, an agreement was entered into on the inclusion of PFR into the ARAKIS early warning system, which resulted in the implementation of the ARAKIS system in PFR on 4 May 2020 and the commencement of operational cooperation with the ABW's Computer Security Incident Response Team in the area of handling security incidents. Moreover, on 28 July 2020, a request was made to the Internal Security Agency to include PFR in the annual ICT systems security assessment plan in 2021, which resulted in the execution of an agreement on 17 February 2021 to perform a security assessment of PFR's ICT systems in 2021. From May to June 2021, the ABW conducted a security assessment of PFR's ICT systems in accordance with these agreement. In 2022, operational cooperation with the ABW in the detection and handling of cybersecurity incidents continued.

# Management Board Report on the Activity of PFR S.A. and the PFR Corporate Group in 2022

## Chapter 2: Economic and Financial Data

<b>Financial result of the PFR Corporate Group</b> .....	<b>44</b>
1. Discussion of selected revenue and cost items of the PFR Corporate Group.....	44
<b>Statement of financial position of the PFR Corporate Group</b> .....	<b>45</b>
<b>Financial result of PFR</b> .....	<b>46</b>
1. Discussion of selected revenue and cost items of the of the Company .....	46
2. Fulfillment of economic and financial results in 2022 .....	47
<b>PFR's statement of financial position</b> .....	<b>47</b>
1. List of overdue receivables and liabilities .....	47
2. Utilization of bank loans during the year .....	47
3. Sureties and guarantees granted.....	49
4. List of donations made and debt exemptions.....	49
<b>Current and projected financial standing of PFR and the PFR Corporate Group</b> .....	<b>49</b>
<b>Management Board's reports on representation expenditures, expenditures for legal, marketing, public relations and public communication services and management services</b> .....	<b>50</b>
1. Cost of representation, communication and marketing .....	50
2. Cost of legal services.....	51
3. Cost of management consulting services.....	51





# Financial result of the PFR Corporate Group

The net profit of the PFR Corporate Group for the period from 1 January to 31 December 2022 was PLN 229.1 million, which was PLN 59.9 million (or 35.4%) higher than last year (PLN 169.2 million). In 2022, PFR received a dividend from Bank Pekao S.A. in the amount of PLN 144.5 million (in 2021, it was PLN 107.8 million).

## 1. DISCUSSION OF SELECTED REVENUE AND COST ITEMS OF THE PFR CORPORATE GROUP

### Revenue

In 2022, the PFR Corporate Group achieved revenue of PLN 437.6 million, up PLN 8.2 million from PLN 429.4 million last year. The main revenue items in the Group, similarly to the previous year, included the fee for managing investment fund assets in the amount of PLN 218.9 million and the revenue for operating the PFR Financial Shield programs in the amount of PLN 200.0 million (Table 1).

Table 1. Revenue (PLN thousand)

PFR S.A. Group – Sales structure	1 January - 31 December 2022	1 January - 31 December 2021	2022-2021 (change)	% of total 22	% of total 21
Management revenue	218,900	213,349	5,551	50%	50%
Revenues on account of the execution of the Financial Shield government programs	200,000	200,000	0	46%	47%
Activities arising from the Employee Capital Plan Act	9,995	9,657	338	2%	2%
Revenues from the performance of a public-private partnership agreement	703	4,505	-3,802	0%	1%
Revenues from the execution of the National Recovery Plan government program	2,327	0	2,327	1%	0%
Other revenue	5,702	1,898	3,804	1%	0%
<b>Total</b>	<b>437,628</b>	<b>429,410</b>	<b>8,218</b>	<b>100%</b>	<b>100%</b>

Table 2. Operating expenses (PLN thousand)

PFR Corporate Group – Operating expenses	1 January - 31 December 2022	1 January - 31 December 2021	2022-2021 (change)	2022-2021 (%)
Depreciation and amortization	10,111	8,416	1,695	20.1%
Consumption of materials and energy	3,415	1,932	1,484	76.8%
Third party services	72,724	79,395	-6,671	-8.4%
Taxes and charges	4,319	3,718	601	16.2%
Salaries	151,313	143,302	8,011	5.6%
Social insurance and other benefits	31,261	28,970	2,291	7.9%
Other costs by nature	18,013	24,464	-6,452	-26.4%
Value of goods and materials sold	109	58	51	87.4%
<b>Total</b>	<b>291,265</b>	<b>290,254</b>	<b>1,011</b>	<b>0.3%</b>

### Operating expenses

The expenses of the PFR Corporate Group in 2022 were PLN 1 million higher than last year, mainly due to a rise in the cost of salaries caused by the development of the PFR Corporate Group, including an increase in the number of employees (Table 2). In connection with phasing out the PFR Financial Shield program, the costs of third party services and other costs by nature decreased considerably. Costs of legal, accounting and tax consulting also dropped and less was also expended for the campaign promoting the Program. At present, the Program has entered the phase of debt collection and handling of refunds.

What contributed to the slight growth in the consumption of materials and energy was the end of the pandemic and the return of some employees to work at the office (the so called hybrid work model). In connection with the return of some employees to the work model from before the pandemic, there was an increase in the costs of fuel consumption and business trips.

# Statement of financial position of the PFR Corporate Group

As at 31 December 2022, the total balance sheet value of the PFR Corporate Group was PLN 88.9 billion, down 0.5 billion from PLN 89.3 billion at the end of 2021. The decrease in total assets in 2022 was driven mainly by the fall in non-current investments by the val-

uation of shares of Bank Pekao S.A. The revaluation of this investment was presented in the revaluation reserve. In 2022, PLN 7 billion of subsidies from the PFR Financial Shield were reclassified from non-current to current assets (*Table 3*).

**Table 3. Balance sheet of the PFR Corporate Group (PLN thousand)**

<b>PFR Corporate Group – Balance sheet</b>	<b>2022</b>	<b>percentage (%)</b>	<b>2021</b>	<b>percentage (%)</b>
<b>ASSETS</b>				
<b>Non-current assets</b>	<b>14,913,174</b>	<b>17%</b>	<b>24,619,463</b>	<b>28%</b>
Intangible assets	17,146	0%	25,113	0%
Property, plant and equipment	7,733	0%	8,919	0%
Non-current receivables	3,807	0%	3,735	0%
Non-current investments	14,630,829	16%	24,546,871	27%
Non-current prepayments and accruals	253,659	0%	34,827	0%
<b>Current assets</b>	<b>73,961,244</b>	<b>83%</b>	<b>64,708,984</b>	<b>72%</b>
Inventory	614	0%	547	0%
Current receivables	46,413,057	52%	38,164,072	43%
Current investments	27,541,041	31%	26,537,043	30%
Current prepayments and accruals	6,532	0%	7,322	0%
<b>Total assets</b>	<b>88,874,418</b>	<b>100%</b>	<b>89,328,448</b>	<b>100%</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>	<b>12,323,230</b>	<b>14%</b>	<b>12,873,764</b>	<b>14%</b>
<b>Liabilities and provisions for liabilities</b>	<b>76,551,189</b>	<b>86%</b>	<b>76,454,684</b>	<b>86%</b>
Provisions for liabilities	151,957	0%	115,132	0%
Non-current liabilities	74,941,311	84%	73,371,738	82%
Current liabilities	1,384,534	2%	2,928,932	3%
Prepayments and accruals	73,386	0%	38,881	0%
<b>Total equity and liabilities</b>	<b>88,874,418</b>	<b>100%</b>	<b>89,328,448</b>	<b>100%</b>

# Financial result of PFR

The net profit of the Company for the period from 1 January to 31 December 2022 was PLN 236.8 million, which was PLN 47.5 million (or 25.1%) higher than last year (PLN 189.3 million).

## 1. DISCUSSION OF SELECTED REVENUE AND COST ITEMS OF THE OF THE COMPANY

### Revenue

The Company achieved revenue of PLN 297.5 million (PLN 288.7 million in 2021), i.e. up PLN 8.8 million from last year. The main revenue item in the Company in 2022 was the fee for handling the PFR Financial Shield program (as in 2020-2021), which represented 67.2% of the total revenue. Pursuant to an agreement with the State Treasury, PFR charges an annual fee for the handling of PFR Financial Shield Programs of 0.2% of the total value of the Programs (i.e. PLN 100 billion), which were PLN 200 million both in 2021 and 2022 (Table 4). Another significant revenue category was revenue from managing part of the investment portfolios of closed-end investment funds. In 2022, revenue on this account amounted to PLN 86.9 million, i.e. up by PLN 7.9 million (i.e. 10.0%) compared to revenue achieved in 2021 (PLN 79.0 million). A new item in revenue is remuneration for handling the National Recovery and

Resilience Plan (KPO), for which the Company recognized revenue of PLN 2.3 million in 2022.

### Operating expenses

In 2022, the Company's operating expenses amounted to PLN 145.7 million (PLN 143.5 million in 2021) and were PLN 2.1 million (i.e. 1.5%) higher than the costs last year mainly due to the development of the range of services provided by the Company, which translated into an increase in the number of employees, and thus an increase in the costs of salaries and social security, with a simultaneous decrease in the costs of third party services and other costs by nature (Table 5). The higher costs of salaries with insurance and other benefits in 2022 resulted, inter alia, from the increased headcount in the Company. As at 31 December 2022, the headcount in PFR was 263 employees, compared to 239 persons at the end of 2021 (the headcount higher by 24 people). A significant fall in the costs of third party services and other costs by nature was associated mainly with phasing out the performance of programs constituting the PFR Financial Shield. It is for the same reason that in 2022, the Company incurred lower expenditures for financial, legal and tax consulting and information campaigns about the PFR Financial Shield Programs (e.g. TV advertising campaigns) than in 2021.

Table 4. Revenue (PLN thousand)

PFR – Structure of revenues	1 January - 31 December 2022	1 January - 31 December 2021	2022-2021 (change)	2022-2021 (%)
Revenues on account of the execution of the anti-crisis government programs	200,000	200,000	0	0.0%
Management revenue	86,900	79,022	7,878	10.0%
Revenues from the execution of the National Recovery Plan government program	2,327	0	2,327	0.0%
Other revenue	8,266	9,690	-1,423	-14.7%
<b>Total revenue</b>	<b>297,494</b>	<b>288,712</b>	<b>8,782</b>	<b>3.0%</b>

Table 5. Operating expenses (PLN thousand)

PFR – Structure of operating expenses	1 January - -31 December 2022	percentage (%)	1 January - -31 December 2021	percentage (%)	2022-2021 (change)	2022- 2021 (%)
Depreciation and amortization	6,836	4.8%	5,665	3.9%	1,171	20.7%
Consumption of materials and energy	1,006	0.7%	613	0.4%	393	64.1%
Third party services	52,069	36.3%	53,375	37.2%	(1,306)	-2.4%
Taxes and charges	520	0.4%	443	0.3%	77	17.4%
Salaries	60,100	41.9%	54,922	38.3%	5,178	9.4%
Social insurance and other benefits	11,786	8.2%	10,329	7.2%	1,457	14.1%
Other costs by nature	13,249	9.2%	18,142	12.6%	(4,893)	-27.0%
Value of goods and materials sold	109	0.1%	58	0.0%	51	87.4%
<b>Total operating expenses</b>	<b>145,675</b>	<b>101.4%</b>	<b>143,547</b>	<b>100.0%</b>	<b>2,128</b>	<b>1.5%</b>

**Material non-recurring revenue and cost items**

In December 2022, 282,559 investment certificates (CI) of the Rental Housing Fund (FSMNW) belonging to PFR were redeemed. As at 31 December 2022, PFR held 526,551 FSMNW Investment Certificates, paid up in full, of the total fair value of PLN 750,564,545.87. On this operation, PFR recorded profit of PLN 60.3 million, presented in financial income.

In June 2022, 939,265 Investment Certificates of the PFR Investment Fund held by PFR were redeemed. On this operation, PFR recorded a loss of PLN 24.9 million, presented in financial costs.

In 2017, the Company incurred a loan in PKO Bank Polski S.A., bearing interest at a variable interest rate, and thus it is exposed to changes to interest rates. Although the loan balance went down, because of the increase of interest rates in 2022, the interest was

PLN 78.6 million higher than in 2021. Higher financial costs were partly compensated by financial income higher by PLN 47.1 million and divided higher by PLN 36.6 million compared to 2021.

**2. FULFILLMENT OF ECONOMIC AND FINANCIAL RESULTS IN 2022**

In 2020, the Company generated operating revenue (on core and other operations) in the amount of PLN 303.6 million. The financial plan for 2022 assumed operating revenue (on core operations and other operations) of PLN 299.4 million. Operating profit in 2022 was PLN 141.0 million and was PLN 49.9 million higher than planned (PLN 91.1 million). The Company's net profit for 2022 amounted to PLN 236.8 million and was PLN 87.2 million higher than the planned net profit of PLN 147.6 million. The net profit much higher than planned is connected with the achievement of a very good result on the Company's investments.

# PFR's statement of financial position

As at 31 December 2022, PFR's total balance sheet value was PLN 88,905.3 million, signifying a decline in the value of assets and equity and liabilities by PLN 0.4 billion compared to the end of 2021 (*Table 6*).

The decrease in total assets in 2022 was driven mainly by the fall in non-current investments by the valuation of shares of Bank Pekao S.A. Also (as in 2021), some subsidies from the PFR Financial Shield were reclassified from non-current to current assets (PLN 7 billion).

In 2020, the Company provided financial aid to businesses registered in Poland, in the form of loans and subsidies. The program was launched in 2020 in order to counteract the effects of the COVID-19 pandemic and was continued in 2021. During 2022, the Company still reviewed minor complaints and started debt collection activities.

In connection with the fulfillment of conditions for redemption of up to 75% of the value of subsidies received by entrepreneurs in 2021, the Company redeemed a portion of subsidies in the amount of PLN 36.4 billion, disclosing it in outstanding receivables until repayment of the remaining part of the subsidies granted. The receivables will be presented in the balance sheet until the subsidies are repaid in full. For this item, the amount of 38.1 billion was recognized in the balance sheet at the end of 2022.

PFR also classifies investments in investment certificates, subsidiaries and associates, shares in other companies (including Bank Pekao S.A.) and bonds, as non-current investments. The value of the stake held in Bank Pekao S.A. presented in the Company's balance sheet at the end-of-2022 prices was PLN 2,906.1 million, down PLN 1,192.7 million from the previous year.

The largest items of the Company's equity and liabilities were long-term liabilities and short-term liabilities arising from the issue of debt securities, which included bonds issued by PFR in order to raise funds for the execution of the PFR Financial Shield program.

As at the balance sheet date, the total value of these liabilities was PLN 74,509.3 million (it was PLN 74,470.4 million in 2021). All the bonds are fully guaranteed by the State Treasury.

In 2021, PFR's share capital was increased by PLN 6,522,655,226, i.e. from PLN 4,953,252,553 to PLN 11,475,907,779. The capital contribution was effected through an issue of 6,522,655,226 new Series F registered common shares with a par value of PLN 1 each, and the issue price of PLN 1.01. The offer to subscribe for Series F Shares was directed solely to the State Treasury, represented by the Prime Minister. The difference between the nominal and the issue price, in the amount of PLN 65,226,552.26, was earmarked to increase the value of supplementary capital. On 27 September 2021, the PFR's share capital increase was registered. In 2022, there were no further increases to share capital.

**1. LIST OF OVERDUE RECEIVABLES AND LIABILITIES**

The list of overdue receivables and liabilities as at the end of 2022, by past due dates, is presented in the table below (*Table 7*).

**2. UTILIZATION OF BANK LOANS DURING THE YEAR**

In April 2022, the Company signed Annex 5 to the agreement with PKO BP S.A. Bank, extending the availability period of the overdraft facility by another year. The maximum amount is PLN 30 million. The loan was taken out to cover unexpected payments without having to terminate deposits. During the year there was no need to use the loan on an ongoing basis.

On 30 May 2017, PFR signed a loan agreement with Bank PKO BP S.A. in the amount of PLN 3,132 million to finance the purchase of Bank Pekao S.A. shares. The loan was secured by financial and registered pledges established on the shares in Bank Pekao S.A. held by the Company. On 6 December 2016, a resolution was adopted under which the Extraordinary Shareholder Meeting acknowledged the aforementioned terms and conditions of the transaction. During 2022, all interest payments were made as scheduled. As of 31 December 2022, the Company's debt under the loan amounted to PLN 1,725.8 million.

**Table 6.** Balance sheet of PFR (PLN thousand)

Balance sheet	2022	percentage (%)	2021	percentage (%)
<b>ASSETS</b>				
<b>Non-current assets</b>	<b>15,175,539</b>	<b>17%</b>	<b>24,839,709</b>	<b>28%</b>
Intangible assets	10,495	0%	14,858	0%
Property, plant and equipment	3,690	0%	4,320	0%
Non-current receivables	1,583	0%	1,509	0%
Non-current investments	14,910,515	17%	24,786,808	28%
Non-current prepayments and accruals	249,255	0%	32,213	0%
<b>Current assets</b>	<b>73,729,727</b>	<b>83%</b>	<b>64,440,535</b>	<b>72%</b>
Inventory	548	0%		0%
Current receivables	46,404,873	52%	38,149,672	43%
Current investments	27,322,089	31%	26,288,774	29%
Current prepayments and accruals	2,218	0%	2,089	0%
<b>Total assets</b>	<b>88,905,266</b>	<b>100%</b>	<b>89,280,243</b>	<b>100%</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>	<b>12,420,554</b>	<b>14%</b>	<b>12,962,676</b>	<b>15%</b>
<b>Liabilities and provisions for liabilities</b>	<b>76,484,712</b>	<b>86%</b>	<b>76,317,568</b>	<b>85%</b>
Provisions for liabilities	113,925	0%	81,888	0%
Non-current liabilities	74,938,801	84%	73,318,399	82%
Current liabilities	1,430,527	2%	2,915,700	3%
Prepayments and accruals	1,459	0%	1,580	0%
<b>Total equity and liabilities</b>	<b>88,905,266</b>	<b>100%</b>	<b>89,280,243</b>	<b>100%</b>

**Table 7.** List of overdue receivables and liabilities

Receivables	31 December 2022	Percentage (%)
Receivables up to 3 months overdue	9,594,657.17	82%
Receivables from 3 to 6 months overdue	2,082,376.65	18%
Receivables from 6 to 12 months overdue	-	-
Receivables over 12 months overdue	-	-
<b>Total overdue receivables</b>	<b>11,677,033.82</b>	<b>100.0%</b>
including: Disputed receivables	-	-
Liabilities	31 December 2022	Percentage (%)
Total liabilities	97,676,579.56	100.0%
of which: Liabilities more than 1 month overdue	7,081,887.47	7.25%
of which: overdue liabilities to the state budget	-	-



In May 2022, the Company signed an Annex to the agreement with PKO Bank Polski S.A. to extend the loan agreement to 30 May 2024.

### 3. SURETIES AND GUARANTEES GRANTED

Under the agreement of 30 August 2019, PFR extended a surety to Operator Chmury Krajowej to secure OChK's liabilities under the Guarantee Agreement granted by PKO BP S.A. The surety secures the liabilities up to the amount of USD 100 million, i.e. 50% of the guarantee amount, while the surety amount will be reduced pro rata to the reduction of the guarantee amount.

PFR extended a surety for good performance bond and guarantees of advance payment refund issued at the request of a portfolio company (PESA) of a fund managed by PFR, in connection with contracts performed by that entity.

### 4. LIST OF DONATIONS MADE AND DEBT EXEMPTIONS

In 2022, the Company made donations in favor of the PFR Foundation in the amount of PLN 13.5 million.

The Company did not grant any debt exemptions in 2022 (this does not refer to the PFR Financial Shield program).

# Current and projected financial standing of PFR and the PFR Corporate Group

The financial standing of the Company and the PFR Corporate Group is stable. In 2022, the PFR Corporate Group generated a net profit of PLN 229.2 million as compared to the net profit of 2021 amounting to PLN 169.2 million. An increase in the net result is connected mainly with realizing gain on redemption and redemption of investment certificates (the transaction described in item "Material non-recurring revenue and cost items").

The pre-tax profit earned by the Group amounted to PLN 265.9 million (PLN 204.0 million in 2021). The PFR Corporate Group realized operating profit of PLN 137.9 million (PLN 154.2 million in 2021). Financial income was PLN 295.0 million (PLN 133.4 million in 2021) and financial costs amounted to PLN 150.3 million (PLN 60.7 million in 2021). The Company also reported a financial loss on the redemption of investment certificates in the amount of PLN 24.9 million (the transaction described in item "Material non-recurring revenue and cost items").

As at 31 December 2022, the total balance sheet value of the PFR Corporate Group was PLN 88,874.4 million, compared to PLN 89,328.4 million as at 31 December 2021. As at 31 December 2022, equity was PLN 12,323.2 million (vs. PLN 12,873.0 million as at 31 December 2021) and non-current investments were at PLN 14,630.8 million (PLN 24,546.9 million at the end of 2021). A decline in equity was caused primarily by the revaluation of shares of Bank Pekao S.A., which remain an important component of non-current investments (a block of 33,596,166 shares of Bank Pekao S.A., which represents 12.8% of the overall number of votes at the Shareholder Meeting of Bank Pekao S.A.).

The PFR Financial Shield program is a major balance sheet item. Subsidies and loans granted and shares purchased under the Programs amount to approx. PLN 74.5 billion, with a corresponding amount of bonds issued by PFR on the equity and liabilities side, which were used to finance aid for Polish companies. At present the PFR Financial Shield process is handled by the teams established in 2021 within PFR's organization structure: the Settlement Management and Debt Collection Departments. The Program has entered now the phase of debt collection (single complaints continue to be reviewed). Debt collection is performed by external entities specialized in that area.

Because of the economic situation in Poland in 2022, interest rates were raised, which for the Company meant a significant increase in both financial income from deposits and financial costs on account of a loan for purchasing shares of Bank Pekao S.A.

Other PFR Corporate Group companies operate in stable environments and their management boards did not report material adverse effects of Russia's invasion of Ukraine on their ongoing operations. Ongoing financial data reported quarterly by PFR Corporate Group companies also point to their stable financial standing.

The challenges for PFR stem from its key role in the PFR Group Strategy and the Sustainable Development Strategy. Recently, PFR has evolved from an asset manager of investment funds into an important entity within the Programs performed by the Group, a center coordinating the operations of the entire PFR Group and a competence center with regard to investments. The resulting activities have a major effect on the organizational structure and financial performance of the Company.

# Management Board's reports on representation expenditures, expenditures for legal, marketing, public relations and public communication services and management services

## 1. COST OF REPRESENTATION, COMMUNICATION AND MARKETING

In 2022, PFR designated PLN 10.4 million for expenditures relating to marketing, representation, advertising and PR (Table 8). That is down by more than 35% compared to expenses borne in 2021 for the above areas. Such a large decrease was possible predominantly due to considerably lower costs incurred for promoting Employee

**Table 8. Cost of representation, communication and marketing (PLN thousand)**

	1 January - 31 December 2022
Media monitoring	39
Graphic design and printing services	313
Promotion and advertising	2,062
Sponsorship	2,006
Intranet / Internal communication	3
Production of promotional materials	146
Events	1,457
Social Media/Digital	257
PR	51
Activities in the media	1,003
Photo, audio, video services	159
Communication costs related to Green Hub	293
Communication costs related to ECP	167
Communication costs related to Financial Shield	2,463
Representation	14
<b>Total</b>	<b>10,432</b>

Capital Plans and communication activities directed to handle all the editions of the PFR Financial Shield programs. The lower involvement in an active promotion of the activities resulted from the end of recruitment to the shield programs and there being no automatic subscription to the Employee Capital Plan.

Lower expenditures on marketing campaigns did not mean, however, a lower number of communication activities. The PFR Corporate Group continued to be highly active in social media. A novelty in the area was the launching of the program's channel "School of Pioneers" on TikTok, an application popular among young people. As a result, content published by the PFR Corporate Group started to be brought to younger audience, which will have a favorable impact on the process of building PFR's image as a professional employer.

In 2022, conferences returned as events with live participants. Apart from the Economic Forum in Karpacz, which took place live already in 2021, representatives of the PFR Corporate Group participated, among others, in: the European Economic Congress in Katowice, European Financial Congress in Sopot, Vision of Development Forum in Gdynia, the "Impact" conference in Poznań and a conference of the Chamber of Brokerage Houses. Most debates in which PFR representatives took part were about the change of the economic situation in Europe after Russia's aggression against Ukraine and the need of energy transformation forced by the war and the climate policy of the European Union. In this context, the presence of representatives of the PFR Corporate Group at the World Economic Forum in Davos seems particularly important. In 2022, representatives of Poland were more visible there than in previous years. Because of joint organization of "Polish House", a special conference and exhibition pavilion, with State Treasury companies and government institutions, the Polish view on geopolitical and economic situation in the context of aggressive actions by Russia came to the minds of politicians shaping the international public debate. Poland's presence in the form of a dedicated exhibition zone presenting the state's economic achievements and providing space for debates and establishing relations turned out to be a hit.

In 2022, Winter Olympic Games were held in Beijing. PFR together with Polish Cableways (PKL) are sponsors of the "Polish SKI Master" program, whose major goal is to develop Alpine skiing in Poland. To show support to Polish skiers participating in the Games and show



involvement of PFR and PKL in sport, a promotional campaign was carried out in the Polish nationwide and local media. Materials promoting the “Polish SKI Master” program and its initiators, PFR and the PKL Group were broadcast in, among others: TV Polsat News, Polsat Sport, Polsat Sport Extra, Eleven Sports 1, Zoom TV, the Interia portal, and also published in Polish nationwide and local press.

Apart from communication addressed to external stakeholders, PFR's Corporate Communication Department continued to organize internal communication targeting the employees in 2022. Such communication was conducted mainly through PFR's Intranet, regular newsletters, events organized for employees and their families and information campaigns. In 2022, the process got back on track as before the pandemic. For the first time since 2019, events have been held for employees who could take part in them in person. These included: a strategic meeting of employees of the PFR Corporate Group, family meeting on Santa Claus' Day and Christmas Eve meeting. In addition, new Intranet of the PFR Corporate Group was put in operation in 2022 and access to it is provided to all employees of the PFR Corporate Group. The Intranet operates on the SharePoint platform, manufactured by Microsoft. This environment gives access not only to solutions associated with Intranets, e.g.: group work tools, common cloud drive or an application for conducting surveys. It is worth stressing that the Intranet was launched mainly by internal resources of the PFR Corporate Group. Representatives of all the companies of the PFR Corporate Group participated in the project. The team which was set up that way became the portal's editorial team to meet once a week and plan joint activities for employees.

## 2. COST OF LEGAL SERVICES

The cost of legal services incurred by PFR in 2022 amounted to approx. PLN 8.8 million (*Table 9*). They included, in particular: (i) costs of external legal and transaction consulting associated with the execution of the PFR Financial Shield programs (being the largest cost item), (ii) costs of external legal and transaction consulting associated with investments and the Company's ongoing operations, including costs of preparing legal and expert opinions, (iii) representation of PFR in court, administrative or administrative court proceedings, and (iv) costs of notary deeds and administrative fees.

In order to monitor expenditures in this respect and select the optimum consultant (among others in terms of experience in a specific area of law), legal advisors are selected in a competitive procedure and most of the fees are set based on hourly rates, while specifying the maximum amount of the fee. This payment system allows for direct and ongoing oversight over the commissioned work and the ultimate amount of the costs and guarantees that payments are made for activities that were actually performed.

## 3. COST OF MANAGEMENT CONSULTING SERVICES

PFR's costs incurred in 2022 for management consulting services amounted to PLN 1.3 million (*Table 10*). This amount consists mainly of costs of legal, financial and tax consulting related to the carrying out of investment transactions.

**Table 9. Cost of legal services and management consulting services**

<b>1 January - 31 December 2022</b>	
Legal costs related to projects	257
Corporate support – costs of current legal services	424
Investment support – costs of current legal services	132
Administrative fees, including the fee for the General Counsel to the Republic of Poland	107
Legal costs related to ECP	42
Legal costs related to PFR Financial Shield	7,183
Legal costs related to projects (KPO, CIE, Shield for Borderland)	673
<b>Total costs</b>	<b>8,819</b>

**Table 10. Cost of management consulting services (PLN thousand)**

<b>1 January - 31 December 2022</b>	
Accounting and tax services	1,328
Services related to the capital contribution transaction	-
<b>Total costs</b>	<b>1,328</b>

# Management Board Report on the Activity of PFR S.A. and the PFR Corporate Group in 2022

## Chapter 3: Activity in 2022

<b>Involvement in fighting the effects of the COVID-19 crisis</b> .....	<b>53</b>
1. Summary of aid activities (as at the end of 2022).....	53
2. PFR Financial Shield Program.....	53
3. Financing of aid programs.....	57
4. Financial Shield management costs.....	57
<b>Involvement in the National Recovery Plan</b> .....	<b>58</b>
1. Summary of PFR's participation in the creation of the National Recovery and Resilience Plan system.....	58
<b>Summary of investment activity</b> .....	<b>61</b>
1. Capital and infrastructural investments.....	62
2. Foreign Expansion Fund.....	64
3. Investments in public assets.....	65
4. Local government investments.....	65
5. Investments in the form of funds of funds (FoF).....	66
6. Financing investment activity.....	66
<b>Most important events in subsidiaries and other subordinated entities</b> .....	<b>69</b>
1. PFR TFI.....	69
2. PFR Ventures.....	73
3. PFR Nieruchomości.....	75
4. PFR Portal PPK.....	77
5. PFR Operacje.....	77
6. Operator Chmury Krajowej.....	78

# Involvement in fighting the effects of the COVID-19 crisis

## 1. SUMMARY OF AID ACTIVITIES (AS AT THE END OF 2022)

Over the past two years, managing the economic impact of the pandemic was one of the biggest challenges for most countries around the world. Faced with the looming threat to businesses, the government administration and institutions such as the Polish Development Fund took immediate action to protect Polish companies and jobs. Just weeks after the outbreak of the COVID-19 pandemic in Poland, work began on the implementation of the first Financial Shield. This was an unprecedented, efficiently implemented government program to protect Polish entrepreneurs and the economy from the effects of the coronavirus pandemic. It was the first universal support program in Poland, in which applications could be submitted only online, they were automatically checked and as a result financial support could reach companies within 48 hours of submission.

The Financial Shield and the Anti-Crisis Shield were an effective investment in preserving the growth potential of the economy, while maintaining the stability of public finances. Between 1 March 2020 and 31 December 2021, about 129 thousand active sole proprietorships were established, i.e. their number increased by about 5.2%. Out of 350 thousand companies participating in the programs, only 0.05% did not survive and were restructured or liquidated. The unemployment rate in Poland increased by 0.6 percentage points during the pandemic, only to return to almost pre-pandemic levels by the end of 2021.

Financial Shields is also a multi-level system to prevent abuse and fraud. Despite the fast pace of Financial Shield implementation, PFR created a system for processing subsidy applications, which is connected to the National Tax Administration Authority (KAS), the Social Insurance Institution (ZUS), the National Clearing House or banks. The process of follow-up audits is carried out continuously in cooperation with the National Tax Administration Authority and the

Central Anticorruption Bureau within the framework of the so-called "Anti-Corruption Shield". Applications from 46,270 companies were rejected for various reasons at the stage of filing applications for PFR Financial Shields 1.0 and 2.0; in 1% of the companies irregularities were found at the follow-up audit stage, resulting in, among other things, non-remission or a demand to reimburse the entire subsidy.

## 2. PFR FINANCIAL SHIELD PROGRAM

### 2.1. Support for MSMEs

In 2022, the beneficiaries of the Financial Shield for MSMEs 1.0 continued the process started in July 2021 of repaying the PFR aid to mitigate the effects of the COVID-19 crisis. As at 31 December 2022, the total repayment amount reached PLN 15.5 billion, which was 69% of the repayable amount (repayable financing) and represented 99% of the amount expected on that date.

The repayment process under the Financial Shield for MSMEs 2.0 started in July 2022. By 30 June 2022, the beneficiaries were required to settle the subsidy and reimburse the excess over the due financial subsidy amount. As at 31 December 2022, the value of expected excess reimbursements and repayments after remission decisions amounted to PLN 618.8 million, which represented 79% of the total value of the aid provided (repayable financing).

The repayment support process involves PFR staff, cooperating banks and outsourcing companies dealing with overdue debt. Repayment support activities include:

- Informing beneficiaries about payment deadlines and arrears (by phone, SMS, e-mail),
- Preparing settlements and restructuring of receivables by cooperating outsourcing companies with the participation of PFR.

*An aid program on such a scale has never been developed before. During the pandemic, the PFR Financial Shield protected 3.2 million jobs and over 350 thousand businesses.*

*We estimate that, had it not been for the program, the employment rate would have dropped by nearly 900 thousand instead of 272 thousand in the second quarter of 2020. This means that the Shield saved around 600 thousand jobs.*

*It is worth emphasizing that the total cost of the program for ten years will be below two percent of the GDP.*

*Paweł Borys, President of the PFR Management Board*





 **PFR Financial Shield 1.0**



**01.2022**

Issuing most recent decisions in an automated process

**02.2022**

Development of a remission algorithm and provision of documentation and models for the Remission Decision to banks

**03.2022**

Receiving settlement statements from Beneficiaries

**05.2022**

Tests and accreditation of banks

**06.2022**

Reimbursement of the “surplus” from SME Beneficiaries

**07.2022**

Issuing remission decisions

**08.2022**

Starting the process of explanatory proceedings

**09.2022**

Date of making a reimbursement following from a decision

**01.2023**

Repaid amount: PLN 626.7 million of PLN 909.8 million (68.8%) as at 30 January 2023

**06.2023**

**12.2023**

Completion of repayments from automated process

Explanatory proceeding

 **PFR Financial Shield 2.0**



## 2.2. Support for large enterprises

On 9 June 2020, following the completion of the notification process and while waiting for a positive decision of the European Commission regarding the instrument financing aid in the form of equity, PFR opened the process of filing applications under the PFR Financial Shield for Large Companies. It was the first such comprehensive public aid program in the EU for large companies, i.e. companies which employed more than 249 persons or earned annual turnover exceeding EUR 50 million in 2019 or whose total balance sheet value was more than EUR 43 million in 2019. Under the program, small and medium enterprises that satisfied specific conditions, were able to apply for financial support.

The implementation of the Program was based on the following financial instruments:

- liquidity loans, preferential interest rate, in the total amount of PLN 10 billion, in order to secure liquidity of companies. The loans could be granted with maturities of up to 4 years (subsequently extended by the European Commission's decision to up to 6 years) and the maximum amount of a loan could be PLN 1 billion;
- preferential loans, which constitute compensation for the losses incurred as a result of administrative decisions and sanitary restrictions related to COVID-19, in the total amount of PLN 7.5 billion. Just as in the case of liquidity loans, they could be granted for a period of up to 4 years (subsequently extended by the European Commission's decision to up to 6 years), up to the amount of PLN 750 million, with an option of remission of up to 75% of the loan amount;
- equity instruments, including convertible bonds and capital increases in the total amount of PLN 7.5 billion, which were aimed at improving the capital structure of companies, which was eroded by the COVID-19 pandemic. Equity instruments could be granted up to the amount of PLN 1 billion in two procedures: (i) under the public aid regime, or (ii) on an arm's length basis.

Applications under the program could be filed through an online form available on PFR's website. Settlements of the signed agreements were entrusted to PKO Bank Polski S.A.

The Financial Shield for Large Companies required analysis of each company on a case-by-case basis, with emphasis placed on, among others, satisfaction of the conditions of participation in the program, performance of simplified due diligence, analysis of financial projections or collateral for repayment of the financing.

Initially, the program assumed disbursement of funds until 31 December 2020, but – as a consequence of another wave of the pandemic and the resulting necessity to provide an additional aid to businesses – Poland commenced talks with the European Commission with the aim to extend the application of the anti-Covid-19 support programs, including the Program. The effect of the talks was the Commission's decision of 15 December 2020 to extend, among others, the option to disburse funds under the instruments until 30 June 2021. Under a separate decision, one of 1 March 2021, the option to sign liquidity loan agreements was extended until 31 December 2021 and the option to disburse funds – until 31 March 2022; the notification provided also for a reduction of the interest rate. The application submission period for the four above-mentioned instruments ended on 30 April 2021.

Taking into account the successive waves of the COVID-19 pandemic and the associated administrative restrictions, in late 2020 Poland commenced additional discussions with the European Commission on the launch of a new instrument managed by PFR, i.e. the Preferential Loan 2.0 (addressing the administrative restrictions from 1 November 2020 to, ultimately, 30 April 2021). On 17 June 2021, the European Commission issued the decision approving the new aid. Applications for the new instrument could be submitted until the end of September 2021, agreements could be signed until 31 December 2021, and disbursements could be made until 31 March 2022. By a separate decision of 22 December 2021, the European Commission extended the deadlines for signing agreements and disbursing funds by three months (until 31 March 2022 and 30 June 2022, respectively).

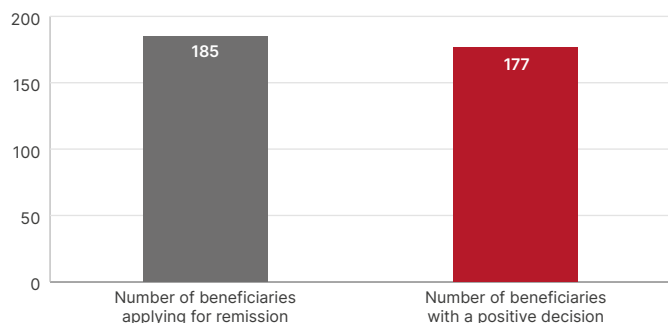
Until 31 December 2022, 612 applications in the total amount of approx. PLN 18.2 billion were submitted under all Program instruments, including:

### Comparison of key changes to the new Financial Shield for Large Companies (Preferential Loan 2.0, introduced in 2021):

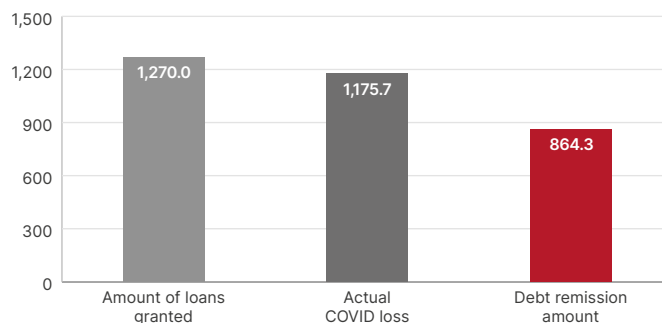
	Preferential Loan 1.0 (previous)	Preferential Loan 2.0 (new instrument introduced in 2021)
<b>Program beneficiaries</b>	Large enterprises, SMEs with specific parameters (PLN 100+ million in revenues in 2019 and 150+ employees) (so-called "Large SMEs")	<b>Only large companies;</b> apart from previous sectoral exclusions, <b>transport companies and companies related to transport infrastructure where the damage exceeds EUR 4 million per month are additionally excluded;</b> beneficiaries may be companies whose <b>business has been de jure or de facto prohibited</b> by Polish authorities.
<b>Maximum damage period</b>	March – August 2020	November 2020 – April 2021
<b>Individual damage period</b>	From 1 March 2020 until the date of expiration of the last cause of damage	Multiple individual damage periods related to specific causes
<b>Partial restrictions taken into account</b>	Admissible, application at the beneficiary's discretion	Partial restrictions may not be taken into account Program eligibility: minimum 50% of business subject to total restrictions
<b>IFRS16 adjustment</b>	No provisions	Permissible adjustments related to IFRS16 – in practice increasing the damage value
<b>Damage calculation</b>	Negative EBITDA in the period from 1 March 2020 to the date the last restriction ceases	Minimum 50% of business subject to restrictions. Negative EBITDA in the periods subject to restrictions in individual segments of business subject to the restrictions (at specific dates and geographic locations).
<b>Calculation of damage greater than EUR 4 million per month</b>	No detailed provisions	If the damage exceeds EUR 4 million per month, the calculation should refer to the economic factors causing the decrease in operating performance (analysis of the general drop in demand, greater consumer reluctance to buy, rules of social distancing).



Remission applications – in numbers



Remission process – in amounts (PLN million)



- 232 applications in the total amount of PLN 6.9 billion with positive decisions of the Program Financing Committee. The total recommended amount for the applications was PLN 4.1 billion (a 40% reduction with respect to the application amounts).
- 296 applications in the total amount of PLN 7.6 billion (48% of the total number of submitted applications) were rejected at various stages of the analysis. The most common reason for the rejection was the failure to satisfy the formal requirements of the program, i.e.: (i) non-existence of the so-called “COVID-19 Damage” (as defined in the program), including due to improved financial standing, (ii) no demand for liquidity, and (iii) availability of other sources of external financing;
- 84 applicants for the total amount of PLN 3.7 billion resigned from participation in the Program at various stages of the analysis. The most common reason for the resignation was the obtainment of financing from other sources and non-acceptance of certain restrictions involved in the Program and expressed by the provisions of the loan agreement (including in particular as regards distribution of dividends in the period of using the aid instrument).

In compliance with the European Commission’s decision, the Rules and Regulations of Support and individual provisions of preferen-

tial loan agreements, the loan debt remission process covered initial and in-depth analyses. The final *ex post* amount of the actual COVID-19 damage was determined based on the audited financial statements for 2020 and the maximum remission amount could not exceed 75% of the amount of the loan granted or 75% of the actual COVID-19 damage suffered, whichever was lower. The repayment process was completed.

Until 31 December 2022, 177 beneficiaries’ debts in the total amount of PLN 864.3 million were remitted. The remission amount constitutes 68% of the amount of the preferential loans granted.

### 2.3. Support for PLL LOT

The COVID-19 pandemic caused severe disruptions in the transport and tourism industry, including the liquidity and equity gaps in Polskie Linie Lotnicze LOT S.A. (“**PLL LOT**”). In spite of internal measures undertaken by the carrier, it was unable to fill these gaps on its own, without external financial support from the State Treasury.

Therefore, on 21 December 2020, the Council of Ministers adopted the PLL LOT Support Program, which offered comprehensive support for PLL LOT in combating the effects of COVID-19, and on 22 December 2020, the European Commission approved a support package for PLL LOT, which included e.g. a loan to be granted to it

## Selected beneficiaries of the Financial Shield for Large Companies program at the end of 2022



**JSW S.A.**  
PLN 1.173 billion



**Polska Grupa Górnicza S.A.**  
PLN 1 billion



**Enter Air Sp. z o.o.**  
PLN 371.8 million



**CCC.EU Sp. z o.o.**  
PLN 71.3 million



**Itaka Sp. z o.o.**  
PLN 58.2 million



**Międzynarodowe Targi Poznańskie Sp. z o.o.**  
PLN 52.4 million



**KROSS S.A.**  
PLN 45 million



**Wojas S.A.**  
PLN 37 million



**Krosno Glass S.A.**  
PLN 26.4 million



**KLER S.A.**  
PLN 8 million

Information on all loans granted under the Program is published on the PFR website.

by PFR. Given the very important role of PLL LOT in the Polish transport system and its impact on the national economy, it was decided that a capital contribution to PLL LOT would be made from the state budget in the amount not exceeding EUR 250 million and PFR would grant it a loan of PLN 1.8 billion.

On 31 December 2020, PFR disbursed approx. PLN 900 million to PLL LOT as the first tranche of the loan under the government support program. The second tranche, amounting to around PLN 900 million, was disbursed to PLL LOT on 22 January 2021.

The support ensured that PLL LOT maintained liquidity and an adequate level of capital required to pursue its operating activities. The final maturity date of the financing granted by PFR to PLL LOT is 30 December 2026.

### 3. FINANCING OF AID PROGRAMS

In order to finance the aid programs, in 2020–2022 PFR issued bonds for the total amount of PLN 73.9 billion as listed below. The statement of the individual issues is provided in the following table:

Bond issue no.	ISIN	Abbreviated bond name	Nominal value of emission (capital)
1	PLPFR0000019	PFR0324	16,325,000,000.00
2	PLPFR0000027	PFR0325	18,500,000,000.00
3	PLPFR0000035	PFR0925	15,175,000,000.00
4	PLPFR0000043	PFR0627	10,000,000,000.00
5	PLPFR0000050	PFR0330	2,000,000,000.00
6	PLPFR0000068	PFR1227	500,000,000.00
7	PLPFR0000076	PFR0927	2,000,000,000.00
8	PLPFR0000084	PFR092027	900,000,000.00
9	PLPFR0000092	PFR0827	5,250,000,000.00
10	PLPFR0000050	PFR0330B	1,250,000,000.00
11	PLPFR0000100	PFR0228	1,000,000,000.00
12	PLPFR0000118	PFR0228B	1,000,000,000.00
<b>Total</b>			<b>73,900,000,000.00</b>

Detailed terms and conditions of the individual issues are included in the letters of issue published by PFR:

- Issue no. PFR0324 of 27 April 2020: 16,325 bonds with the total nominal value of PLN 16,325,000,000, bearing interest at 1.375% and maturing on 29 March 2024;
- Issue no. PFR0325 of 8 May 2020: 18,500 bonds with the total nominal value of PLN 18,500,000,000, bearing interest at 1.625% and maturing on 31 March 2025;
- Issue no. PFR0925 of 22 May 2020: 15,175 bonds with the total nominal value of PLN 15,175,000,000, bearing interest at 1.625% and maturing on 22 September 2025;
- Issue no. PFR0627 of 5 June 2020: 10,000 bonds with the total nominal value of PLN 10,000,000,000, bearing interest at 1.750% and maturing on 7 June 2027;
- Issue no. PFR0330 of 5 June 2020: 2,000 bonds with the total nominal value of PLN 2,000,000,000, bearing interest at 2.000% and maturing on 5 March 2030;

- Issue no. PFR1227 of 10 December 2020 addressed to the European Investment Bank (EIB): 500 bonds with the total nominal value of PLN 500,000,000, bearing interest at 1.400% and maturing on 10 December 2027;
- Issue no. PFR0927 of 14 December 2020: 2,000 bonds with the total nominal value of PLN 2,000,000,000, bearing interest at 1.500% and maturing on 30 September 2027;
- Issue no. PFR092027 of 23 December 2020: 900 bonds with the total nominal value of PLN 900,000,000, bearing interest at 1.375% and maturing on 30 September 2027.
- Issue no. PFR0827 of 15 January 2021: 5,250 bonds with the total nominal value of PLN 5,250,000,000, bearing interest at 1.375% and maturing on 30 August 2027;
- Issue no. PFR0330B of 3 February 2021: 1,250 bonds with the total nominal value of PLN 1,250,000,000, bearing interest at 2.000% and maturing on 5 March 2030;
- Issue no. PFR0228 of 5 February 2021 addressed to the European Investment Bank (EIB): 1,000 bonds with the total nominal value of PLN 1,000,000,000, bearing interest at 1.300% and maturing on 5 February 2028;
- Issue no. PFR0228B of 12 February 2021 addressed to the European Investment Bank (EIB): 1,000 bonds with the total nominal value of PLN 1,000,000,000, bearing interest at 1.375% and maturing on 12 February 2028.

### 4. FINANCIAL SHIELD MANAGEMENT COSTS

The Company has put an emphasis on ensuring transparency of the measures taken since the very beginning of the work on implementing the PFR Financial Shield programs. Although the stage of granting financing as part of the Shields has ended, the management of both subsidy repayments by enterprises and bonds issued by PFR is going to be continued in successive years.

The program implementation costs from the viewpoint of the State Treasury can be divided into remissions of some of the subsidies granted, cost of interest on the bonds from which the program was financed, and cost of program management, i.e. cost of PFR's consideration, from which the program organization and other costs incurred directly by the Ministry of Economic Development and Technology were covered. It is also noteworthy that the banks managing subsidy disbursements and regular repayments did not charge any fees in that respect. To sum up, the cost of the program from the perspective of public finance will be less than 2% of the GDP within the timeframe of 10 years.

All editions of the PFR Financial Shields were characterized by a huge scale of operational management. More than 628 thousand applications were submitted in both programs addressed to MSMEs and 63% of them were approved. Most of the negative decisions arose from formal errors in the applications, which was automatically verified by analytical systems. It is also worth noting the enormity of the work required for conducting investigation procedures: 25 thousand applications from the application stage (in the Financial Shield for MSMEs 1.0 and 2.0 programs) and 43 thousand procedures initiated under the Financial Shield 1.0 at the subsidy remission stage.

# Involvement in the National Recovery Plan

## 1. SUMMARY OF PFR'S PARTICIPATION IN THE CREATION OF THE NATIONAL RECOVERY AND RESILIENCE PLAN SYSTEM.

Pursuant to the Act of 28 April 2022 on the principles of the performance of tasks financed from EU funds in the 2021-2027 financial perspective (Journal of Laws 2022, Item 1079), PFR has been designated to perform pay-outs under the development plan referred to in Article 5 par. 7aa of the Act of 6 December 2006 on the Principles of Development Policy, including by providing development plan financing as regards non-reimbursable payments. To this end, PFR may receive payments from EU budget funds and may obtain and use funds in compliance with the principles stipulated in Article 16a of the Act on the System of Development Institutions, up to the amount specified in the financial plan of the National Reconstruction Plan (KPO).

The detailed scope of PFR's tasks was defined in the agreement concluded with the Minister of Regional Development, acting in consultation with the Minister of Public Finance, pursuant to Article 14In sec. 5 of the Act of 6 December 2006 on the Principles of Development Policy.

Under the agreement, PFR S.A. provided the institutions responsible for implementing the investments and the supporting entities the ICT system supporting the creation and forwarding by PFR of payment orders for investment projects prepared by ministries, local governments and other institutions. Payments under the National Recovery Plan are executed by PFR in accordance with the schedule of payments approved by the Ministry of Finance and the Ministry of Development Funds and Regional Policy. PFR's responsibility was limited to obtaining the funds and transferring them to the authorized recipients; the decisions to grant the funds are made by the designated authorities.

### KPO Center System

On 5 August 2022, PFR provided access to the KPO Center System, which implements provisions of the Investment Financing Agreements executed with institutions responsible for the performance of investment projects pursuant to Article 14I of the Act of 6 December 2006 on the Principles of Development Policy. Users can log into the KPO Center System using the Trusted Profile only.

The implementation of the system was entrusted to PFR Operacje. The tasks performed by PFR Operacje include/d:

- designing the system,
- implementing the technical architecture,
- overseeing the contractor (the National Cloud Operator),
- technical testing,
- UAT testing support,
- infrastructure,
- security testing,
- maintenance and development of the system.

## Schedule of works

# 2022

### 28 APRIL

Adoption of the Act of 28 April 2022 on the Principles of the Performance of Tasks Financed from EU Funds in the 2021-2027 financial perspective.

### 1 JUNE



Acceptance of the National Recovery and Resilience Plan (KPO) by the European Commission.

### 17 JUNE



Acceptance of the National Recovery and Resilience Plan (KPO) by the EU Council.

### 5 AUGUST



Signing an agreement on performing tasks connected with the implementation of the National Recovery and Resilience Plan between the State Treasury, represented by the Minister of Development Funds and Regional Policy and the Minister of Finance, on the one hand, and Polski Fundusz Rozwoju S.A. on the other.

### AUGUST-DECEMBER



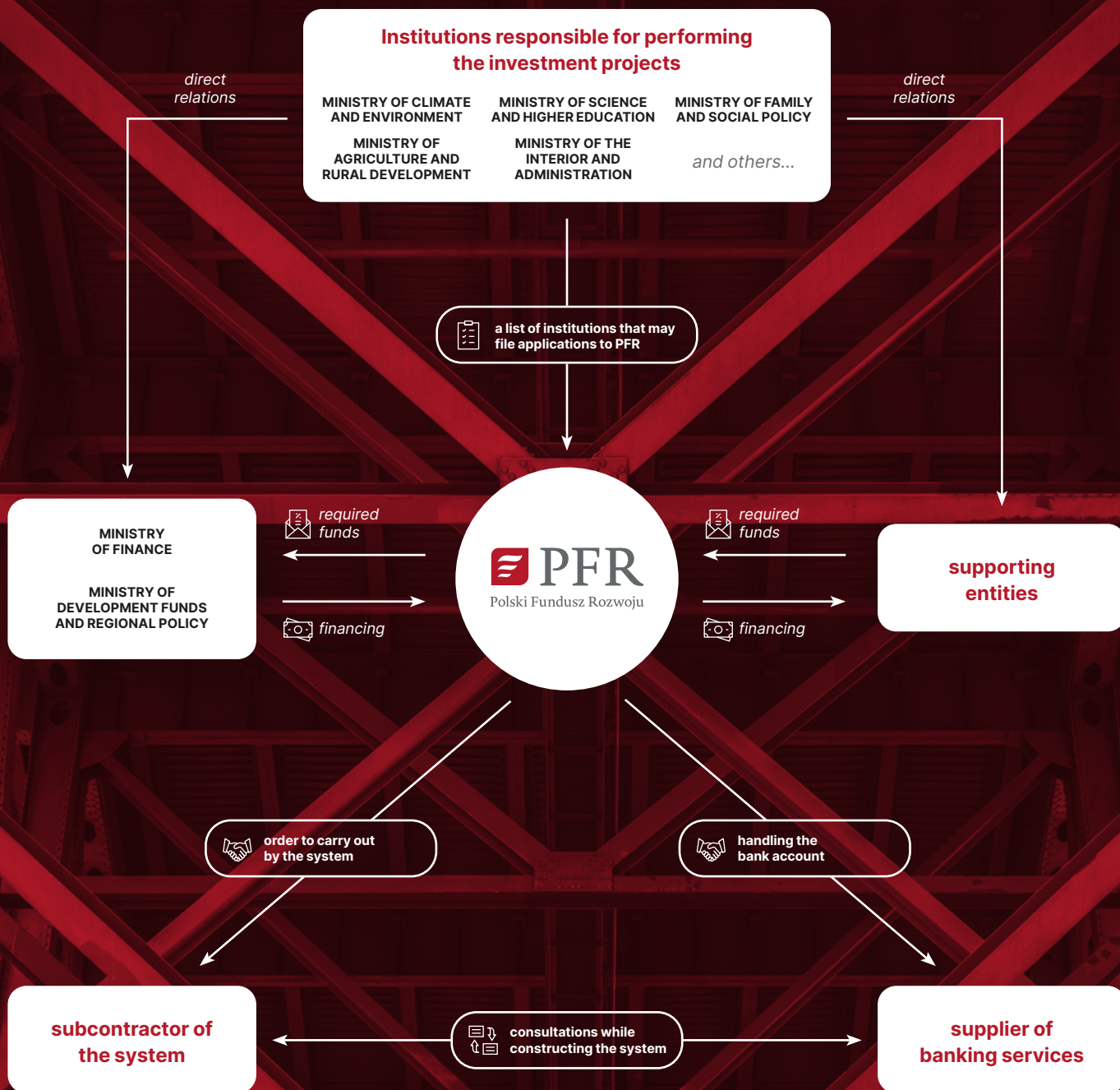
Signing agreements with institutions responsible for performing the investment projects. Construction and development of the KPO Center System.

### 23 NOVEMBER



Making the first payment through the KPO Center System.

# Relations in the project





Under the agreement concluded with PFR on 23 June 2022, the State Treasury, represented by the Minister of Digital Affairs, ensures verification of User identification details each time Users log into the system.

The KPO System provides the following functionalities:

- submitting and executing payout orders,
- managing funds designated for payouts,
- managing the payout schedule,
- managing reimbursements,
- managing the list of investments,
- reporting,
- managing users,
- integration with the banking system,
- integration with the national electronic identification center.

The investment projects implemented within the framework of the National Recovery Plan and supported by non-repayable grants are financed from the budget of European funds or from PFR funds.

Until the European funds are received, PFR will ensure the financing of the development plan with funds from the reimbursement of subsidies with no debt remission decisions or from the repayment of financial support provided under the PFR Financial Shield government program.

If funds from the reimbursement of subsidies with no debt remission decisions or from the repayment of financial support provided under the PFR Financial Shield government program are used up and funds from the European funds budget are not disbursed, PFR will raise capital by issuing bonds on domestic and international markets.

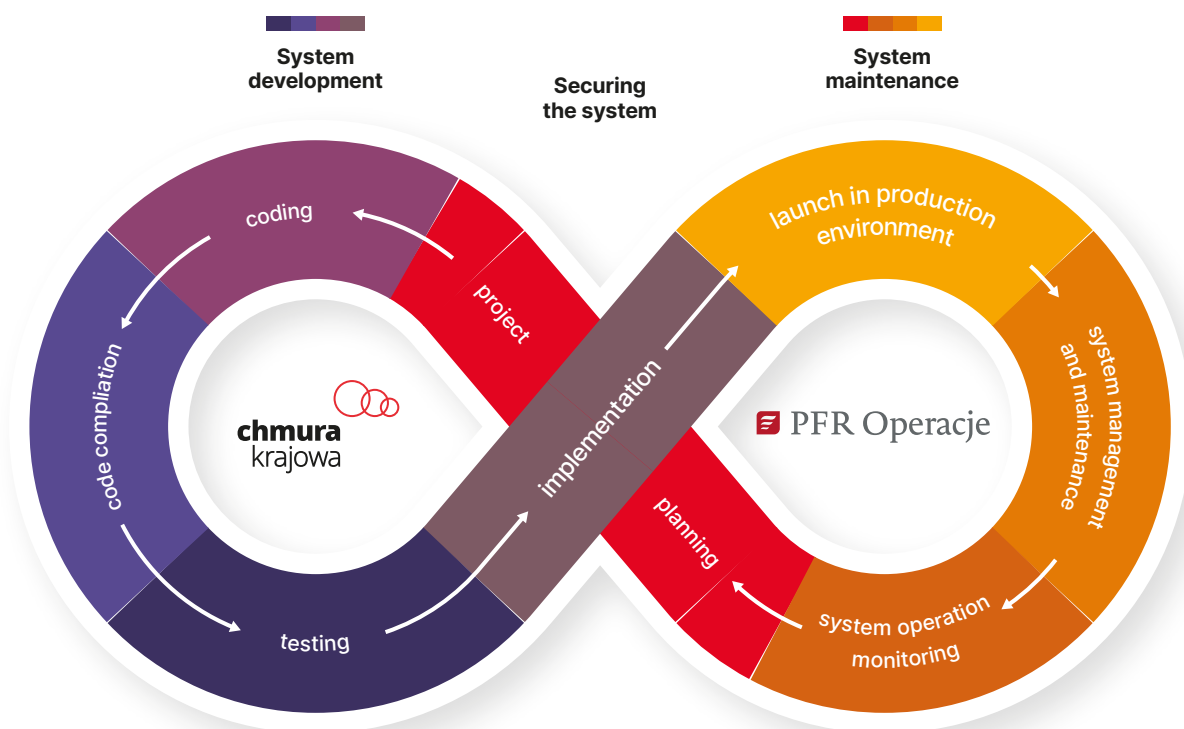
Financing sources:

- **European funds** – funds provided to PFR by the State Treasury, represented by the Minister of Finance, from the European funds budget;
- **Domestic funds** – funds provided by PFR from proceeds from reimbursement of subsidies with no debt remission decisions or from repayments of financial support under the Financial Shield 1.0 and 2.0 programs;
- **External financing** – funds raised through bond issues on the domestic and international markets.

PFR signed 9 investment financing agreements (Article 14I of the Act of 6 December 2006 on the Principles of Development Policy) with institutions responsible for performing investment projects within the framework of the National Recovery Plan:

- Ministry of Agriculture and Rural Development – 5 August 2022,
- Ministry of Education and Science – 23 August 2022,
- Ministry of Family and Social Policy – 5 October 2022,
- Ministry of Climate and Environment – 4 November 2022,
- Ministry of Development Funds and Regional Policy – 25 November 2022,
- Ministry of Economic Development and Technology – 12 December 2022,
- Prime Minister's Office (Minister of Digital Affairs) – 13 December 2022,
- Ministry of the Interior and Administration – 15 December 2022,
- Ministry of State Assets – 19 December 2022.

The first payment under the National Recovery Plan was made through the System on 23 November 2022.



# Summary of investment activity

Selected investments made by PFR directly and through funds as at the end of 2022



Exposure of PFR/Funds:  
**PLN 4.1 billion**



Exposure of PFR/Funds:  
**PLN 1.7 billion**



Exposure of PFR/Funds:  
**PLN 1.25 billion**



Exposure of PFR/Funds:  
**PLN 360 million**



Exposure of PFR/Funds:  
**PLN 295 million**



Exposure of PFR/Funds:  
**PLN 305 million**



Exposure of PFR/Funds:  
**PLN 130 million**



Exposure of PFR/Funds:  
**USD 290 million**



Exposure of PFR/Funds:  
**PLN 120 million**

Joint investment with IFC and EBRD



Trasa Łągiwnicka SA  
w Krakowie

Exposure of PFR/Funds:  
**PLN 175 million**

**PLN 12+ billion**

invested in projects for companies in the power, industry, infrastructure, biotech areas

## 1. CAPITAL AND INFRASTRUCTURAL INVESTMENTS

PFR's activity in the investment area in 2022 covered all elements of the investment process: originating new investment projects, building the value of the existing portfolio companies, and conducting exits from investments.

### Selected new investments

#### R.Power

In early September 2022, a fund managed by PFR subscribed for green bonds of R.Power in the amount of PLN 120 million. The bond issue for the fund was carried out under the green bonds program with a total nominal value limit of PLN 1 billion. The total value of all R.Power bonds issued under the program up until PFR's investment was PLN 450 million and the fund managed by PFR became the company's largest bondholder. R.Power intends to use the proceeds from the bond issue to expand its business and build photovoltaic farms located in Poland.

R.Power is a leading integrated independent solar power producer in Poland, with a growing presence in Italy, Portugal, Spain, Germany and Romania. R.Power's activities cover the entire solar energy value chain, including the development, construction and maintenance of photovoltaic power plant projects and the production of green energy. The company is currently developing a portfolio of over 7 GWp of photovoltaic assets and has a portfolio of limited risk projects (projects built, under construction or ready for construction) of approximately 0.8 GWp.

#### GAZ-SYSTEM

In September 2022, a fund managed by PFR signed a PLN 1 billion subordinated loan agreement with GAZ-SYSTEM, which is implementing investments of critical importance for the country's energy security related to the diversification of gas supply sources to Poland. PFR takes part in the formation of Poland's energy policy by providing financial support to GAZ-SYSTEM's strategic investment projects.

GAZ-SYSTEM implements the government's strategy of diversifying gas supplies to Poland. The Company is actively implementing its investment program to develop the transmission network and ensure the technical capacity to transport gas from various sources to Poland. Major projects implemented by GAZ-SYSTEM include the construction of the Baltic Pipe gas pipeline and gas interconnectors with Lithuania and Slovakia, as well as the expansion of the national transmission network and the LNG Terminal in Świnoujście. In the coming years, the company also plans to implement the FSRU Terminal project near Gdańsk.

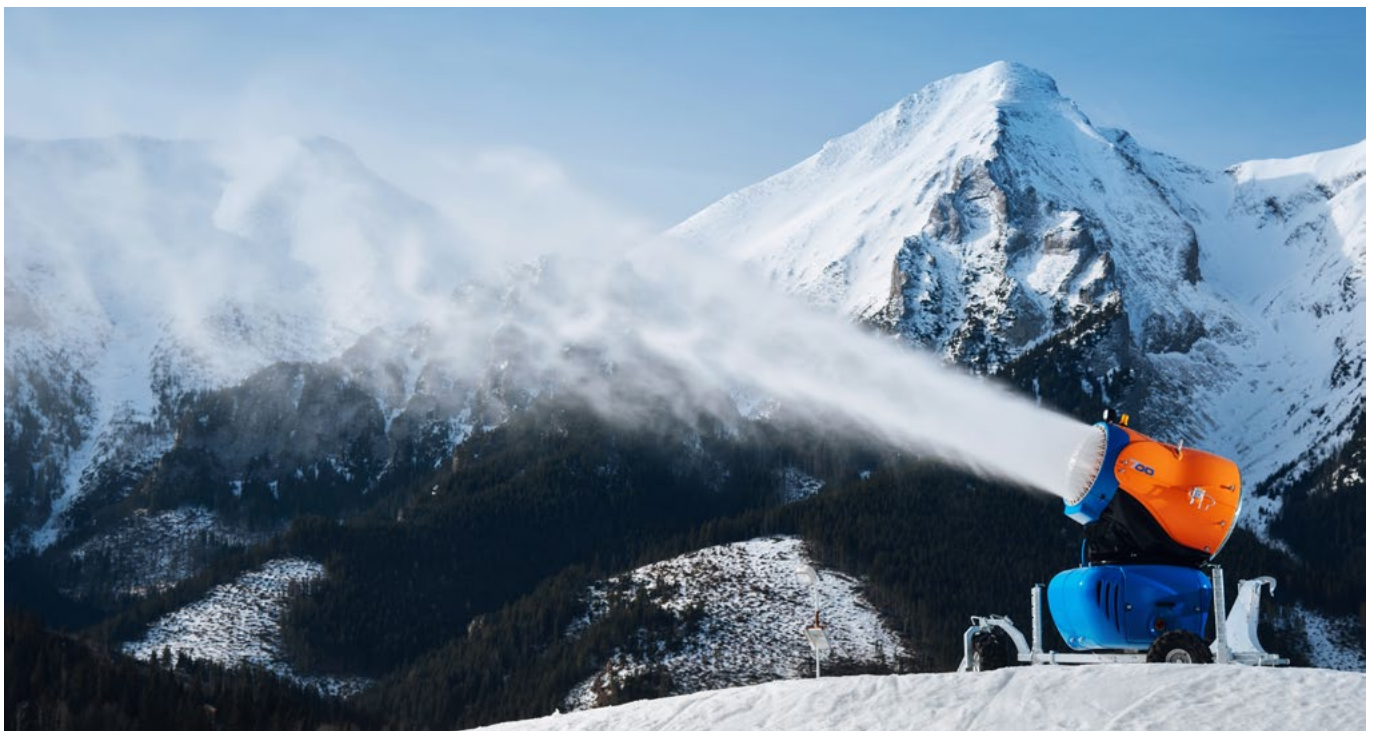
#### Supersnow

In November 2022, a fund managed by PFR signed an investment agreement with Supersnow S.A. – one of the leading manufacturers of snow guns and comprehensive snowmaking systems that sells its products in more than 20 countries. As part of the transaction, the fund managed by PFR acquired a 45% stake in the company's share capital through a capital increase and Supersnow will use the proceeds from the transaction to further develop its innovative products and continue its dynamic expansion into foreign markets.

#### Elemental Holding

In December 2022, a fund managed by PFR signed an investment agreement with Elemental Holding – one of the world's leading recycling companies focused on the recovery of palladium, platinum and rhodium from used automotive catalytic converters, gold, silver and copper concentrates from used electrical and electronic equipment (including circuit boards) and scrap non-ferrous metals.

PFR's investment was made in a consortium with the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD). Elemental plans to use the proceeds from the financing round (approx. USD 290 million in total) for further development, including the construction of a state-of-the-art production facility in southern Poland that is expected to become a European leader in the recycling of lithium-ion batteries and the



*Supersnow snowmaking system*



Construction status of the Kleczew Solar & Wind project – November 2022

recovery of platinum group metals from used automotive catalytic converters.

#### **Kleczew Solar & Wind**

In December 2022, a fund managed by PFR signed a subordinated loan agreement for PLN 90 million for the construction of the Kleczew Solar & Wind project owned by the Lewandpol Group. It will be one of the largest renewable energy parks in Central and Eastern Europe and also the first large-scale project combining solar and wind energy in Poland. In the first phase of the project, 193 MWp of photovoltaic panels and up to 19.2 MW of wind turbines will be connected to the grid. By using advanced technologies, the Kleczew power plant will be able to supply electricity to about 100,000 households. In subsequent phases, the power plant can be expanded to about 250 MWp in the solar power portion, as well as additional wind turbines and energy storage. The project will be built for the most part on reclaimed land that was historically mined for lignite. The Kleczew farm will start generating energy still in 2023.

#### **Cognor Holding**

Also in December 2022, a fund managed by PFR entered into an investment agreement with PS Holdco, the direct owner of more than 70% shares in Cognor Holding, to grant financing of PLN 100 million. The proceeds are to be used by PS Holdco to subscribe for convertible bonds in Cognor, which will improve liquidity and enable acquisitions and investments in production plant upgrades.

Cognor is a Polish industrial group listed on the Warsaw Stock Exchange, engaged in the production of metallurgical products and trading in metal scrap. The group has a market share of about 6% in domestic steel production and about 15% in steel production in electric arc furnaces (EAF).

### **Selected portfolio investments**

#### **Łagiewniki Road**

On 27 August 2022, the Łagiewniki Road, designed to divert inter-district traffic away from the Kraków city center, was put into service. A tramway route is an important and environmentally friendly element of the Road. Almost 2 km of the Road was built through tunnels, creating a new recreational area for Kraków's residents with sports fields, skate parks and gyms. A fund managed by PFR, along with Bank Gospodarstwa Krajowego and the European Investment Fund, was the financing institution for this flagship local government investment project.

#### **Baltic Hub**

In 2022, work began on the construction of Terminal T3, which will increase Baltic Hub's cargo handling capacity by 1.5 million TEU to 4.5 million TEU per year. The EUR 470 million investment includes the construction of deepwater quay that is 717 meters long and 18 meters deep, and a 36-acre yard. The T3 project will also include 8 quay cranes that will be capable of loading and unloading the world's largest ships, and 28 semi-automated RMG cranes that will be remotely controlled by operators at ergonomically designed stations. This will create a much safer, modern and comfortable working environment throughout the year. The project has secured financing from a consortium of reputable local and international financial institutions.

#### **Rail Capital Partners**

In 2022, a portfolio company of a fund managed by PFR continued to enlarge its locomotive fleet. RCP currently provides railway companies with almost 50 locomotives. The company owns electric locomotives with a diesel module, which meets the transportation needs of its customers, but also fits in with the environmentally friendly shift of car traffic to rail. In 2022, the Fund increased its exposure to



Cable car line over the Solina dam

RCP in order to finance further growth and place additional orders for new locomotives.

#### **PESA Bydgoszcz S.A.**

In 2022, PFR, through the fund it manages, continued to support PESA Bydgoszcz S.A. in the process of optimizing its operations. The financial stability provided by PFR allowed the company to focus on improving internal processes, financial performance, and product and technology development.

According to preliminary data, the year 2022 was marked by further stabilization of PESA's financial results and efficiency ratios, despite the war in Ukraine, which led to high inflation, lack of availability of certain components and a very high level of uncertainty. The company continued product development and work on hydrogen-powered vehicles. New vehicle families were also developed, taking into account new production technologies, new powertrains and lower production costs. In addition, the joint work with NEWAG S.A., based on the consortium established in 2021, continued with the aim of implementing a potentially unique project for the supply of locomotives for so-called push-pull vehicles.

#### **Polskie Koleje Linowe**

July 2022 saw the grand opening of the PKL Solina investment project, which includes a scenic railway at the dam on Lake Solina and associated infrastructure. Since its opening, the center has been very popular with tourists, which confirms the right choice of location in the heart of the Bieszczady mountains.

The implementation of the PKL Solina project will allow the PKL Group to expand its transport activities in a unique region of Poland with high tourism potential. The accompanying infrastructure ensures a complementary tourist offering, increasing the attractiveness of

the resort, strengthening the PKL brand and its development in the HoReCa segment.

## **2. FOREIGN EXPANSION FUND**

Managed by PFR TFI, the Foreign Expansion Fund co-finances foreign investments of Polish businesses. The Fund offers multi-annual stable equity and debt financing on an arm's length basis. Importantly, the Fund shares the business risk of the foreign investment with a Polish enterprise pro rata to its shares or debt interest. The Foreign Expansion Fund fills the gap in the equity market by offering financing to respond to business entities' needs – its type, amount and timing are adapted each time to the model of operation of the Polish partner and its international strategy.

The Fund's participation in transactions enhances the capabilities of Polish businesses as regards greenfield and brownfield equity investments and M&A transactions, and allows them to raise financing for new projects. Foreign direct investments play a major role in building global value chains. By supporting foreign investments, the Fund helps build the value of Polish enterprises, thus contributing to increased competitiveness of the Polish economy.

**In 2022, the Fund cooperated with two Polish partners on three projects:**

**Investment agreement with Netguru S.A. – financing the acquisition of Pilot 44 on the US market**

**Sector:** consulting/IT

**Country of investment:** United States

In 2022, the Fund partnered with the Polish IT company Netguru S.A. to acquire a stake in Pilot 44, a San Francisco-based company providing innovative IT consulting services. Netguru specializes in consulting, software development and digital product design. It is one of



the fastest growing technology companies in Europe, recognized by the Financial Times, Deloitte and Forbes, among others. It has a team of more than 900 people from different countries around the world. Netguru works primarily with companies from the United Kingdom, Germany, Switzerland, the United States and the United Arab Emirates. The goal of the project carried out with the fund is to develop the company in the US market and expand the range of services offered to include innovative IT consulting, which is complementary to the company's current activities. The acquisition of shares in the American company will allow the company to offer a comprehensive range of strategic consulting services, including the implementation of innovation and digital infrastructure, to clients around the world, which will result in higher margins. The acquisition of Pilot44 is part of Netguru's long-term growth strategy of transforming the company and providing a complete digital services offering.

**Two investment agreements with a company in the insurance industry – providing funding for business development in Central and Eastern European countries.**

**Sector:** insurance

**Region of investment:** CEE

The Fund partnered with other financial institutions to provide financing to a Polish company operating in the insurance sector for acquisitions in the CEE region. The acquisitions will help strengthen the partner's position in this part of Europe, diversify revenues and risks, and acquire know-how in developing and managing distribution channels, marketing and cross-selling to Polish companies planning to expand their business to the countries where the acquired companies operate.

In 2022 the fund also worked with its existing partner Laude Smart Intermodal S.A. to finalize a loan agreement and disburse funds for business development in the intermodal transport sector in Germany.

The year 2022 saw the end of the fund's long-term cooperation with the R22 Group, which prepaid EUR 3 million of loans granted for investments in the Romanian and Croatian markets. These investments represented the first stage of a consistently and successfully implemented strategy of developing international presence. The Foreign Expansion Fund started its cooperation with R22 in 2018. The

first joint project was the acquisition of three Romanian companies – mxHost, xServers and Gazduire Web. By acquiring and consolidating these companies, the group became an industry leader and in the following years, through technological and organizational integration, it further accelerated the growth of the Romanian company. The success of the first project led to further cooperation and investment in the acquisition of the Croatian company Avalon, the second largest player in the local market. These transactions were the first steps of R22 into foreign markets and launched a well-thought-out, multi-year internationalization strategy. As a result of the fund's participation, the group not only obtained financing, but also reduced the risk of expansion and increased the credibility of its position on foreign markets. It has also acquired experience that it has used effectively in subsequent acquisitions – no fewer than nine in the hosting and domains industry alone. There have also been acquisitions in other areas of the group's business, with the most important being the acquisition of MailerLite, an international company offering integrated e-mail solutions. Today, the R22 Group has presence in 180 countries and 40% of its revenue comes from foreign markets.

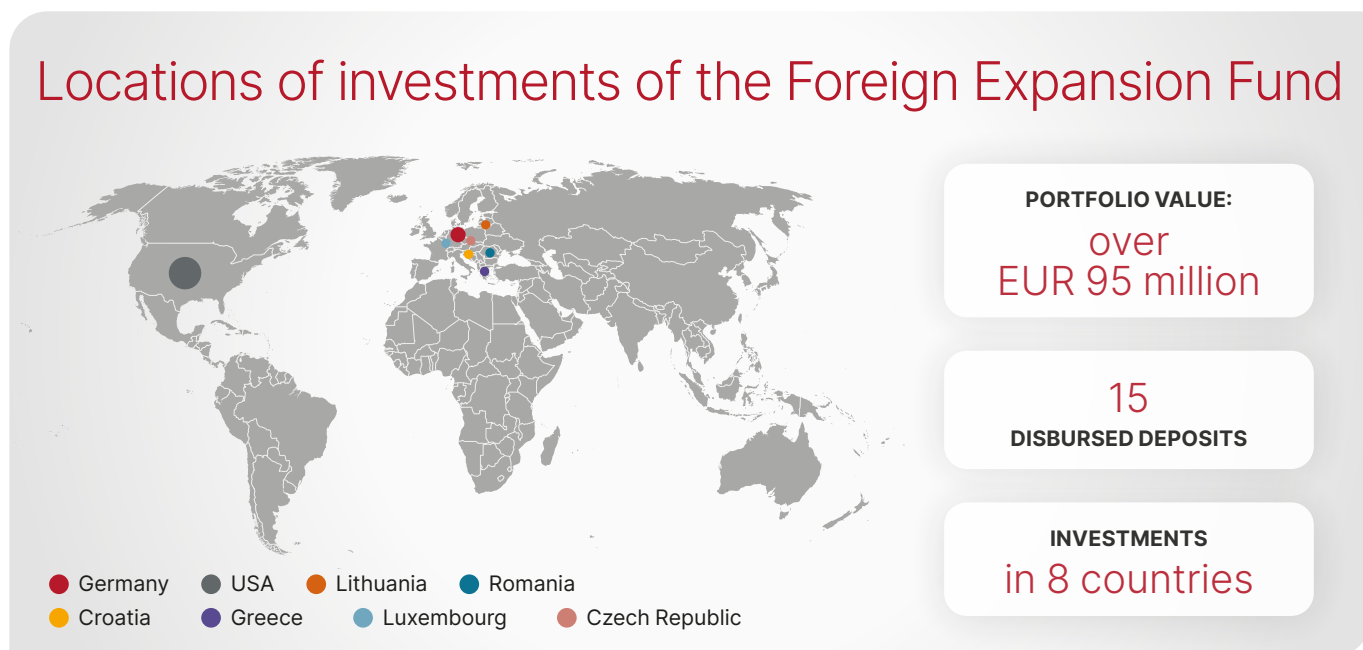
At the end of 2022, the Foreign Expansion Fund's portfolio comprised investments executed in 8 countries of the world. The fund had 15 outstanding investments in its portfolio, while the value of the portfolio was in excess of EUR 95 million.

**3. INVESTMENTS IN PUBLIC ASSETS**

PFR TFI, in addition to supervising the companies of the PFR Corporate Group to which it has delegated the management of a portion of the investment portfolio of certain closed-end funds, manages the liquidity of such funds and the public asset portion of the portfolio on its own by making market investments. This is the area of responsibility of the Non-Public Asset Fund Management Department. It monitors deposits in Bank Ochrony Środowiska S.A., Rafako S.A. and Ferrum S.A., companies listed on the Stock Exchange. One of the crucial initiatives of 2022 was the involvement in Rafako S.A.'s restructuring process.

**4. LOCAL GOVERNMENT INVESTMENTS**

In 2022, the PFR local government investment area made two investment transactions in the total amount of approx. PLN 140 million using resources from the PFR FIS FIZAN fund:





Military complex in Limanowa (visualization)

- Krakowski Szybki Tramwaj (KST) - a special-purpose vehicle of Gülermak, a private partner selected by the City of Kraków, will implement the project of construction and maintenance of a new tram line with a total length of 4.5 km and a tunnel of 0.9 km in the City of Krakow, carried out under the formula of Public and Private Partnership (PPP). The investment of FIS FIZAN was structured as subordinated debt provided to a special-purpose vehicle.
- LimWot – a special-purpose vehicle established by the City of Limanowa to design, build and finance a new military complex for the needs of subunits of the 11th Małopolska Territorial Defense Brigade, named after Brig. Gen. Leopold Okulicki alias “Niedźwiadek”. The project was implemented as a public-public partnership, which presented a noticeable advantage over previous transactions, as it allowed for a much shorter timeframe of preparation and implementation of the project.

In 2022, the agreement with the Ministry of Development Funds and Regional Policy (MFiPR) was continued. Under the agreement, PFR advises local government units and other public entities on the preparation and execution of infrastructural projects based on the PPP formula. At the end of 2022, PFR continued consulting in two PPP procedures for implementing projects worth a few hundred million Polish zloty. These project should also guarantee a future stream of projects: investment targets for the FIS FIZAN fund.

One of the priorities in the local government investments program was the continuation of the “Heat from Waste” program implemented in cooperation with the Ministry of Climate, the Ministry of Development Funds and Regional Policy and the National Fund for Environmental Protection and Water Management (NFOŚiGW). In 2022, NFOŚiGW issued a call for projects for the “Rational Waste Management” program, with the purpose of, among other things, co-funding a stream of waste thermal treatment plant (ITPO) construction

projects in Poland. One of the possible outcomes of the cooperation is for PFR to provide co-funding of projects submitted to NFOŚiGW.

In the local government investments area, PFR also continued its cooperation with NFOŚiGW as part of the pilot energy efficiency improvement program for residential buildings – Refurbishment with a guarantee of savings EPC (Energy Performance Contract) Plus. As a result of this cooperation, PFR identified further significant opportunities for energy efficiency improvements in buildings and decarbonization of district heating systems in Poland. This contributed to the identification of several investment projects in these areas, the work on which will be continued in 2023.

## 5. INVESTMENTS IN THE FORM OF FUNDS OF FUNDS (FOF)

PFR Ventures is the investment arm of the PFR Corporate Group dedicated to alternative venture capital (VC) and private equity (PE) investments. The Company manages funds of funds that have to date provided funding for 61 VC and PE funds. (see p. 67-68).

## 6. FINANCING INVESTMENT ACTIVITY

In 2022, PFR's investment activity was financed with own funds. Under the agreement of 7 June 2021 between the State Treasury and PFR, upon subscription for series F shares, the company received a non-cash contribution in the form of 6,600,000 zero-coupon bonds with ticker number OF0423 and a total nominal value of PLN 6,600,000 thousand, which according to valuation prepared by Deloitte Advisory sp. z o.o. was worth PLN 6,587,882. On 3 March 2021, the OF0423 bonds were assimilated with bonds with ticket number OK0423. Throughout 2021, the company sold 5,492,408 bonds at the average price of PLN 993.36 in 20 transactions, at the total loss of PLN 26,352 thousand relative to the valuation by Deloitte. In order to limit further losses, the sale of bonds in 2022 was suspended until they mature. The bonds mature in April 2023.



# PFR Ventures

435

companies financed

2021: 379 | 2020: 300

PLN 3.6 bn

of invested capital

244

committed funds

0%

change of financing year-on-year

CEE: +25% | Europe: -25% | US: -30%

Data on CEE and Europe: Dealroom; data on the US: Pitchbook

## Decreases on the international VC market



-30%



-20%



0%

In 2022, the Polish VC market halted and retained the transaction value close to the previous year. In view of global and regional downward trends, this is still a positive sign. It is worth paying attention to a large scale of available cash that VC funds are still planning to invest. We also recorded a new record in the number of investment projects – capital went to 435 innovative companies compared to 379 ones the year before and 300 ones two years ago. In 2023, new public funds will be transferred to the market to strengthen the ecosystem and allow for further growth of VC funds. Regardless of the measures taken by PFR Ventures or NCRD, we are observing an intensified activity of private investors who supply cash to the new funds. This is a good sign for the ecosystem.

Aleksander Mokrzycki, Vice-President of the Management Board of PFR Ventures

## Engines of the Polish VC market in 2022:

ICEYE

PLN 560 million  
Round D

Q1 22



Ramp

PLN 330 million  
Round B

Q4 22



IVODENO

PLN 274 million  
Round -

Q4 22

silent eight

PLN 170 million  
Round D

Q1 22

SUNROOF

PLN 134 million  
Round D

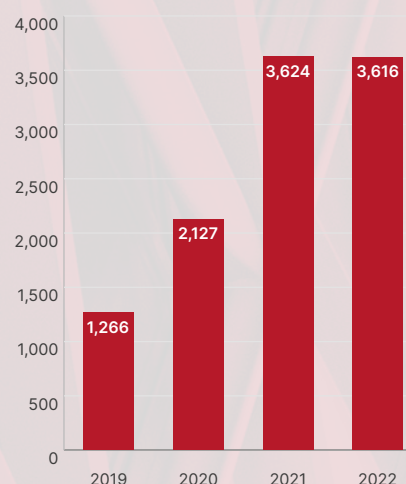
Q4 22



– supported by PFR

– supported by NCRD

## VC investments in Poland in 2019-2022

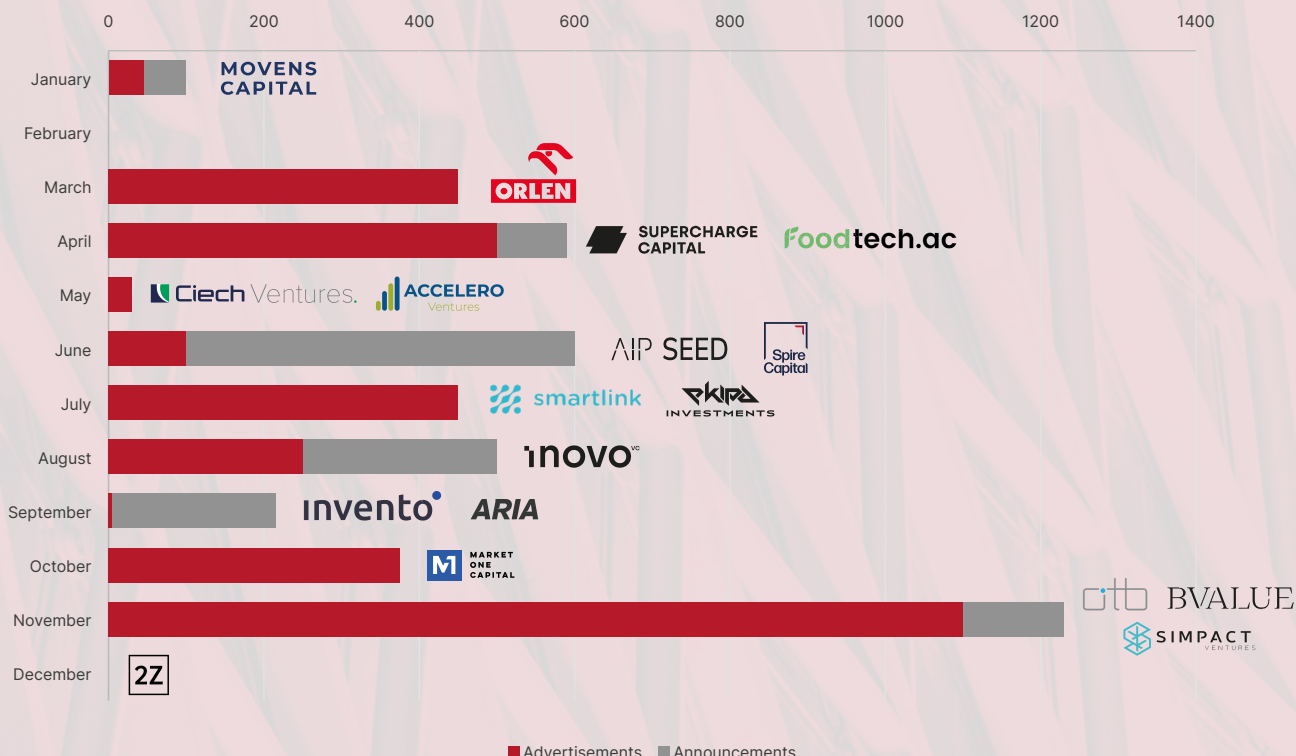


# PFR Ventures

## The Polish VC market becomes independent of public stimulation

In the Polish market, 17 teams advertized or announced new funds in the past year. Only one of them was developed with direct support from PFR Ventures. What is worth noting is the development of funds such as bValue and Inovo, which have historically been heavily backed by PFR Ventures, and are now succeeding in attracting a wider range of private investors.

Advertisements and announcements of new funds from the Polish innovation ecosystem (PLN million)



In the portfolio of PFR Ventures, there are nearly 650 companies which were supplied by PE and VC funds.

Company	Amount of the round	Fund type	Comment
Ramp	PLN 330 million	VC	The Polish fintech company closed one of the biggest rounds in 2022. Capital was provided by, among others, Cogito Capital Partners fund, where the investor is also EIF, in parallel to PFR Ventures. Cogito Capital Partners is the only team from Poland to be a shareholder in Ramp.
PLAN BE ECO	Classified	VC/ business angels	A company from the ClimateTech area, which facilitates measurement and reporting of carbon footprint. Due to this solution, companies may better achieve sustainable development objectives. The startup is supported by Next Road Ventures fund co-investing with a group of business angels. Owing to the new solutions, some of them will be able to deduct 50% of the value of their investment in the Be Eco Plan from their tax base.

Check whether development is supported by funds from the portfolio of PFR Ventures! [🔗](#)

# Most important events in subsidiaries and other subordinated entities

## 1. PFR TFI

### Employee Capital Plans

In the Employee Capital Plan system, PFR TFI serves as a designated financial institution. In accordance with the Act of 4 October 2018 on Employee Capital Plans, a target date fund managed by a designated financial institution has no right to refuse to enter into an ECP management agreement, which ensures the availability of ECPs to all employers. It also ensures the continuity of savings management within an ECP scheme if the program is no longer managed by the institution that previously managed it. The Management Company manages PFR PPK SFIO, which was established in 2019 and has nine separate sub-funds, one for each age group of participants.

PFR TFI is aware of the responsibility it bears stemming from its role as a designated institution. Accordingly, ECPs are considered a priority area of activity. The Management Company focuses on ensuring the highest possible quality of service and efficient management of the entrusted funds. It provides employers with a set of complete solutions enabling the fully remote deployment and administration of ECPs, including a system for executing online agreements and a system that enables an efficient administration of the program, the fulfillment of obligations towards employees and the automation of processes. It provides program participants with a website offering access to the ECP account and the function of submitting instructions for participation in the ECP. Its modern tools and focus on customers' needs and high service quality enabled PFR TFI to establish cooperation with many employers who found its offer attractive and meeting the expectations of their employees.

The key project in the ECP management area in 2022 was the takeover from BPS TFI, by PFR TFI as the designated institution, of the management of the BPS Emerytura PPK Specialized Open-Ended Investment Fund – a target date fund operating within the framework

of the ECP scheme. As a result, the participants' funds remained safe and continued to be invested efficiently. The change was related to the decision of the Polish Financial Supervision Authority to remove BPS TFI from the register of institutions managing ECPs. After taking over the management, PFR TFI started preparations to merge the sub-funds operating in BPS Emerytura PPK SFIO with the sub-funds of PFR PPK SFIO, which were also managed by PFR TFI. The merger process was completed in December 2022, and the acquired fund was removed from the Register of Investment Funds on 16 January 2023. This was the first merger of fixed income sub-funds in Poland. The merger improved efficiency of the fund's operations and allowed employers to use a modern ECP system (iPPK), allowing for full service of the program, process automation and integration with HR and payroll systems. On the other hand, participants obtained access to IAT FI, a convenient online service, owing to which they may at any time check the balance of their account and give instructions. After the merger, the allocation, investment policy and investment horizon of the sub-funds in which savings are accumulated remained unchanged.

A significant effort in the area of ECP administration in 2022 was the preparation for processing a large number of applications for the execution of management contracts in connection with the process of sending reminders by PFR to employers who had not established the program within the time limit set by the law. The handling of communication with multiple employers over a short period of time required the full mobilization of the team.

Last year was a difficult one for global markets, as the economy, already feeling the effects of the pandemic crisis had to deal with the consequences of the war in Ukraine. Inflationary processes accelerated and imbalances in the global economy became appar-

Rates of return for ECP sub-funds in 2022

Defined date	PFR TFI	Average for the group	Position in the group
2025	-3.5%	-5.9%	3/18
2030	-6.0%	-8.9%	1/18
2035	-7.7%	-11.2%	1/18
2040	-9.2%	-11.6%	3/18
2045	-10.2%	-13.2%	2/18
2050	-10.8%	-13.4%	3/18
2055	-10.6%	-13.2%	3/18
2060	-10.1%	-13.3%	3/18
2065	-8.0%	-10.3%	5/18

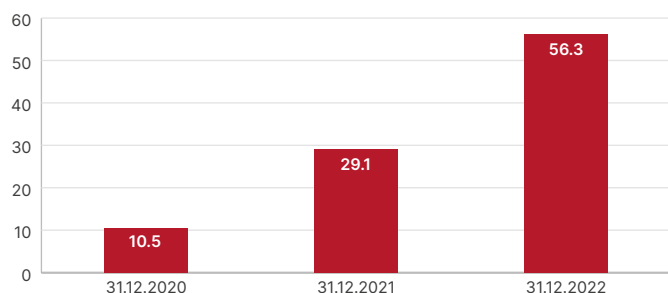
Performance from 30 December 2021 to 30 December 2022

Rates of return for ECP sub-funds in 2020-2022

Defined date	PFR TFI	Average for the group	Position in the group
2025	8.8%	0.8%	1
2030	15.8%	4.3%	1
2035	19.4%	7.7%	3
2040	23.2%	8.8%	2
2045	25.6%	10.8%	2
2050	25.0%	10.7%	2
2055	25.4%	10.8%	3
2060	27.0%	12.0%	3

Performance from 30 December 2019 to 30 December 2022

Value of ECP assets managed by PFR TFI (PLN million)



ent, prompting central banks to react. This led to a decline in almost all asset classes.

In this challenging environment, the management team of PFR TFI's Fund and Asset Management Department delivered a management performance above the market average. 8 out of 9 sub-funds were among the top three best sub-funds in their groups compared to the competition. Although declines could not be avoided, the performance was very good, given that the Polish bond index fell by more than 5% and the WIG index by about 17% during this period.

The Employee Capital Plan is a long-term program and should be viewed in that context. At the end of 2022, rates of return can be compared for the first time over three calendar years. The PFR TFI management team performed very well – the 8 sub-funds of the PFR PPK SFIO fund were ranked from first to third among the competition and they all recorded high rates of return – from nearly 9% for the 2025 target date sub-fund to 27% for the 2060 target date sub-fund. The 2065 target date sub-funds were not included in the

list as the ECP management institutions had created them at different points in 2021, making it impossible to compare them over a full 36-month period.

It is worth mentioning that in March 2022 PFR TFI was awarded the prestigious "Bulls and Bears" prize in the "ECP of the Year" category granted by the Parkiet stock exchange newspaper for 2021. The award recognizes the effectiveness of PFR TFI's management of target date funds.

As at the end of 2022, the Management Company cooperated with nearly 11 thousand employers. The net assets of the PFR PPK SFIO fund were PLN 56.3 million as at 31 December 2022.

### Foreign Expansion Fund

The Fund invests together with Polish businesses in their foreign subsidiaries or provides debt financing on an arm's length basis, sharing project risk with them. The Fund always acts as a passive minority investor and leaves operational management in the hands of the Polish partner.

In 2022, the Foreign Expansion Fund actively supported the foreign expansion of Polish enterprises. Despite the challenges related to the outbreak of the armed conflict between Ukraine and Russia, the Fund conducted business negotiations and investment processes to launch new ventures. As a result, it signed three new investment agreements: with Netguru S.A. for debt and equity financing for its expansion in the United States, and two agreements with an insurance company to fund its investments in Central and Eastern European countries. In addition, the fund continued its cooperation with its existing partner in the intermodal transportation sector, Laude Smart Intermodal S.A., by concluding a loan agreement and pay-

## Examples of investments by the Foreign Expansion Fund:



**Co-financing the acquisition of shares in Pilot 44**

Country of investment: **US**  
sector: **IT consulting**  
Date: **2022**



**Acquisition of shares in Laude Assets**

Country of investment: **Germany**  
Fund's share: **EUR 10 million**  
Sector: **logistics**  
Date: **2021**



**Debt financing for the development of foreign projects**

Country of investment: **Germany**  
Fund's share: **EUR 10 million**  
Sector: **real estate development**  
Date: **2021**



**Acquisition of shares in White Olive**

Country of investment: **Greece**  
Fund's share: **EUR 9 million**  
Sector: **tourism**  
Date: **2021**



**Acquisition of shares in FTO Fertigteilwerk Obermain**

Country of investment: **Germany**  
Fund's share: **EUR 2.9 million**  
Sector: **construction**  
Date: **2020**



**Debt financing for the development of Samasz North America**

Country of investment: **US**  
Fund's share: **USD 2 million**  
Sector: **machine building**  
Date: **2019**



**elemental**

**Acquisition of shares in Elemental USA**

Country of investment: **USA**  
Fund's share: **49%**  
Sector: **recycling**  
Date: **2019**



**Debt financing for the acquisition of three hosting companies**

Country of investment: **Romania**  
Fund's share: **EUR 2.1 million**  
Sector: **IT hosting**  
Date: **2018**

ing out funds for the development of the Polish partner's business in Germany.

In 2022, the R22 Group, a long-term partner of the Fund, prepaid loans granted for investments in the Romanian and Croatian markets. These transactions were R22's first steps in implementing a well thought-out and successful multi-year internationalization strategy.

As at yearend 2022, the value of the portfolio was in excess of EUR 95 million. In 2023, the Fund intends to sign three more investment agreements.

In April 2022 the third edition of the report devoted to foreign expansion, prepared by experts from PFR TFI and PwC Poland in cooperation with KUKE, was published. The report "Polish Foreign Investment: New Trends and Directions. How the pandemic change the FDI market" addresses the expectations of Polish companies that, while struggling with the consequences of the pandemic and the war in Ukraine, are looking for new opportunities for growth and risk diversification. The report consists of three parts:

- the results of a survey of a sample of 240 large and medium-sized companies to find out the expectations and needs of businesses in terms of instruments to support expansion. The survey results show that companies that have already invested abroad can see the benefits of expansion. That is why almost 60% of them intend to continue it,
- analysis of key trends in the FDI market and their impact on the standing of Polish companies. Supply chain diversification and security, the e-commerce revolution, and the adoption of ESG practices are among the factors that gained momentum during the pandemic and are now shaping the global investment landscape,
- ranking of investment destinations – "Where is it worth investing?" is one of the key questions asked by investors preparing to expand abroad. Although Polish investors tend to focus on nearby European markets, there are many other destinations with excellent investment potential. This part of the report is devoted to these destinations.

You can access the report [here](#).

### Operating activity

Operating activity is an important element of fund management. Many tasks are long-term processes that require compliance with stringent regulations and procedures. In 2022, PFR TFI executed a number of projects in this area.

PFR NFOŚiGW FIZ AN, a fund established by PFR TFI, received the highest number of points out of 9 participants in the competition and on 17 January 2023 was selected by the management board of the National Fund for Environmental Protection and Water Management to serve as the fund manager under the Priority Investment Program E1.1.1 "Supporting low-carbon economy" of Component E "Green, smart mobility" of Poland's National Recovery and Resilience Plan (KPO). The projected budget of the project is approx. PLN 5 billion. In November 2022, PFR TFI, PFR and PFR Ventures submitted a joint application to the call for applications announced by NFOŚiGW, declaring their readiness to establish a new closed-end investment fund of non-public assets as the target beneficiary of the priority program, with PFR TFI as the managing and representing body, and ultimately, subject to the necessary approvals from the Polish Financial Supervision Authority, with PFR and PFR Ventures as managers of portions of the fund's investment portfolio.

The new fund – PFR NFOŚiGW FIZ AN – was registered in December 2022 and required detailed obligations to be fulfilled in order to be established. It is a complex process that includes, among other things, adopting the articles of association, signing an agreement with a depositary and an issuing agent, registering the fund in the register of investment funds, opening accounting books. According to plans, in 2023 negotiations will be held and in investment agreement will be signed between NFOŚiGW and PFR TFI, PFR, PFR Ventures and PFR NFOŚiGW FIZ AN. After the necessary approvals are obtained from the Polish Financial Supervision Authority, management agreements will be signed, under which PFR and PFR Ventures will be commissioned to manage portions of the investment portfolio of the PFR NFOŚiGW FIZ AN fund.

Another challenging operational project was the merger of the Infrastructure Investment Fund – Equity FIZAN (the acquired fund) with the Polish Corporate Investment Fund FIZAN (the acquiring fund, currently: PFR Investment Fund FIZAN). The merger was aimed at increasing the scale of operation of the surviving fund. Given the complex structures of the funds, the large number of portfolio investments and high expectations of the participants, the operation was a challenging undertaking, both in conceptual and operational terms. The success of this initiative was made possible owing to the involvement of PFR TFI's teams, investors, an auditor and other entities which provided substantive support for the conduct of the process.

As part of its operational activities, PFR TFI carried out more than ten issues of its funds' investment certificates with a total value of approximately PLN 0.7 billion.

As the target planned for the FIZAN ARP Companies fund has been met, PFR TFI carried out the fund liquidation process, which was completed in 2022.

In 2022, PFR TFI migrated the books of the last two funds from an external company to PFR TFI, thus completing the migration process for all funds managed by the Management Company. This was done in part to make reporting to fund participants and the market more efficient.

PFR TFI coordinated the process of accounting for the costs of activities and services performed for the funds, including tax costs, payouts under the concluded investment agreements, as well as accounting for management fees, with all due diligence and care for timely payment of fees.

### Organization of work

In 2022, PFR TFI completed three significant projects to improve effectiveness in the HR area. The first concerned the preparation of an incentive remuneration system based on job evaluation and market benchmark. Within the project, all the jobs were analyzed according to set criteria, which made it possible to draw up a map of dependencies among them and prepare a grid for job evaluation. One result of the project was that PFR TFI prepared coherent descriptions of jobs and a compensation matrix for base salaries.

Also, for the first time, research of employees' involvement was carried out as part of a wider project performed for the entire PFR Group. Nearly 90% of PFR TFI employees shared their opinions and confirmed the organization's strengths, such as a cooperation culture and active engagement of leaders in supporting their teams. Research findings contributed to the process of improving work effectiveness and quality of cooperation among the Management Company's teams and, more broadly, within the PFR Group.



In 2022, PFR TFI introduced an incentive system of management by objectives. Clearly defined, measurable and ambitious objectives are determined in a cascading manner for each employee and the degree to which they have been achieved is monitored. The solution contributes to the improvement of work effectiveness.

In 2022, in fulfillment of the recommendations contained in the Regulation of the Minister of Finance, Funds and Regional Policy of 18 November 2020 on the manner, procedure and conditions for the conduct of business by investment fund management companies, and in continuation of best practices in the development of competences and the expansion of knowledge in the management of financial institutions, PFR TFI adopted and implemented a training plan for members of the Management Board and Supervisory Board. Owing to the precise definition of requirements and targets, all members of the company's governing bodies have a level of knowledge and competences commensurate with to the scope of their responsibilities.

PFR TFI provides its staff with opportunities to develop their competences and tools to improve their work. Pursuant to provisions of the Investment Funds and Management of Alternative Investment Funds Act of 27 May 2004 with regard to retention and improvement of knowledge and competences of fund managers, employees took part in training on bond portfolio management, the impact of changes to the legal environment on investment activity or use of alternative data in investment analysis. At the end of 2022, seven of the Management Company's employees held licenses of investment advisors and also seven employees got licenses of stockbrokers, which means an increase of one and three people respectively compared to 2021.

PFR TFI also organized a number of training courses for employees, both face-to-face and online, about, among others, new tax rules, legal issues connected with financing sustainable development, counteracting corruption as well as development of soft skills concerning cooperation in a team, business etiquette, art of presentation. Furthermore, the Supervision Office prepared and conducted preliminary compliance training for the Management Company's new employees and three substantive internal training courses on management of conflicts of interest, preventing money laundering and terrorism financing and performance of reporting duties following from provisions of law about the Polish Financial Supervision Authority.

In 2022, PFR TFI also performed a project of standardization of rules and regulations connected with the HR area, which included adoption of new remuneration and bonus policy as well as employee handbook with rules of employee volunteering. In addition, a number of recruitment procedures were implemented and new employees were accepted.

In order to ensure the efficiency and consistency of internal communication within the PFR Group, integration of employees and a more

effective use of tools allowing for cooperation in the online environment, PFR TFI, together with other companies, participated in the project of developing a new intranet for the Group. This internal telecommunications network takes some load off employees' e-mail boxes, enables systematization of content and provides employees with constant access to necessary information.

### Security and compliance

The issue of information and data protection is of key importance to PFR TFI, especially in the hybrid working model, so in 2022, cooperation with PFR Operacje continued in launching services to enhance IT security, including: monitoring of security events and 24/7 incident response, centralized vulnerability management, analysis of user activity and blocking of threats related to cyber attacks of various types, protection of terminal stations through analysis of potentially dangerous software, monitoring of authorizations and changes made in the MS Office 365 environment, monitoring of local network traffic, centralized email protection. The implementation of the above services reduced risks and raised the security level to a considerable extent with regard to the ICT environment at PFR TFI. Those activities have become a part of the IT Strategy for 2022-2025, which was updated in 2022.

PFR TFI's representatives actively participate in the work of four committees established within the PFR Corporate Group: security, architecture, projects and compliance management. As part of the joint efforts with PFR Operacje in 2022 and in accordance with the adopted recommendations of the PFR Corporate Group's Security Committee and IT Committee, PFR TFI continued the process of deployment of new technologies that will cause the achievement of a heightened security level of the Management Company's ICT and information protection infrastructure, e.g. in the area of public key infrastructure (PKI), a new information protection system (DLP) and profiled access to the Internet.

Moreover, PFR TFI implemented further solutions streamlining the performance of processes in the Management Company based on the Power Platform, using Power Automate and Power Apps services, including circulation of procurement applications, settlement of business trips, website publications.

With regard to Compliance, the Supervision Office at the Management Company supervises the process of implementing changes resulting from provisions of law at the Polish and European levels. In 2022, key areas of focus included new regulations on ESG. All documents and processes were adapted to the new requirements. In 2022, the Supervision Office, in agreement with substantive owners, reviewed and provided its opinions on 95 internal regulations which were subsequently recorded in an electronic register. Every quarter, the Supervision Office presents the Management Company's bodies with a comprehensive report on internal procedures to ensure they are updated if needed.



2. PFR VENTURES

# 2022

in the worlds of private equity  
and venture capital



April

**PFR Ventures invests PLN 100 million in two private debt funds**

Within the PFR PE program, we invested PLN 100 million in two private debt funds: the Polish CVI and Beechbrook from Great Britain. So far, PFR Ventures has invested primarily in growth, buyout or mezzanine funds (a hybrid of debt with equity financing). The investments in CVI and Beechbrook extended the investment mandate with private debt funds.

[More information](#)



**May**

**PFR Ventures invests in Accelero Ventures**

The last investment within funds from the PO IR program. Accelero Ventures is a fund from the PFR Starter umbrella program. In the seed stage, the fund will invest in green projects. It has PLN 35 million for that.

[More information](#)



**July**

**Conference with the Ministry of Development Funds and Regional Policy (MFiPR) on constructing new programs for the Polish VC market**

The MFiPR and BGK Bank work on implementing the new EU perspective. European Funds for Modern Economy provide for a budget for investments in venture capital funds. PFR Ventures, jointly with the MFiPR, presented a preliminary construction of new programs PFR Starter, Biznest, OI, KOFFI and CVC. New cash will make it possible to supply about 50 venture capital funds, where public contribution will be PLN 1.9 billion and additional PLN 1.3 billion will be contributed by private investors.

[More information](#)



**December**

**PFR Ventures invests PLN 250 million in four green funds**

PFR Ventures invested about PLN 250 million in venture capital and growth equity funds to finance innovative ClimateTech projects. The cash went to Contrarian Ventures, Eurazeo, BeyondNetZero (managed by General Atlantic) and Montis Capital.

[More information](#)

**PFR Ventures invests PLN 240 million in Lakestar and Northzone**

PFR Ventures signed agreements with Lakestar and Northzone, two international venture capital funds which will invest a total of nearly PLN 500 million in Polish innovative businesses. Both are already active in Poland. Lakestar finances Uncapped (2021) as well as Revolut, which created over 700 jobs in Kraków. Northzone led round A of Stonly, a Polish-French startup (2022), whose engineering team also works in Kraków.

[More information](#)





*The Rental Housing Fund, Łódź, ul. Składowa (visualization)*

### 3. PFR NIERUCHOMOŚCI

At the beginning of 2022, Polskie Koleje Państwowe S.A. (PKP) made an investment contribution in the form of land in Szczecin, whose investment potential is as large as even 800 residential units. In the same year, a studio was selected to be responsible for the design of the investment project – it will be performed by Fort Polska, and the whole design will be completed using BIM technology. The investment project will be performed on an almost six-hectare area of Szczecin's Śródmieście district at a distance of about 2 km away from the strict city center.

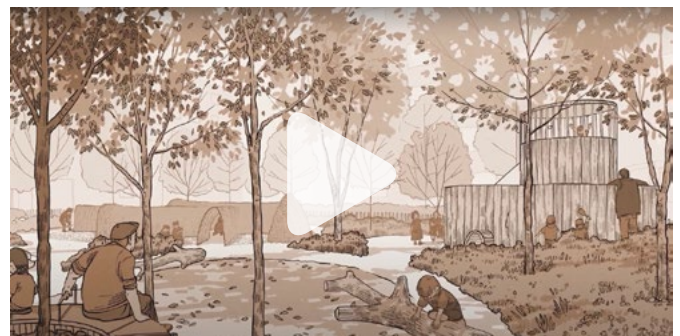
A designer was also acquired to another investment project which is being built in cooperation with PKP and the contribution to it was made still at the end of 2021. The project is a housing development in Wrocław at ul. Białowieska, where on the bank of the Odra River, some 400 apartments for rent will be built 3.5 kilometers from the city center. The development will be designed by Group-Arch studio, which performed many housing projects, including the "Dorzecze Legnickiej" housing estate, awarded in the "Beautiful Wrocław" contest.

In 2022, the Nowy Nikiszowiec housing project in Katowice was granted another award. The biggest so far housing estate of the Housing Sector Development Fund (FSMdR) was appreciated in the ART in Architecture contest, organized by Fundacja Innowacji Społeczno-Kulturalnych (Foundation for Social and Cultural Innovations). The housing estate was awarded in the category of the "Best Public Space".

"It is our relief sculpture," say people who used to be strangers not long ago and today build a community of residents, and they think so too. "It is a very important, valuable and egalitarian mission which was successfully created," stated the jurors in a justification of their verdict.

Another investment project appreciated in contests is a housing development in Toruń. The investment project was awarded in the "Polish Cement in Architecture" contest, which is organized every year by the Association of Cement Manufacturers and the Association of Polish Architects. The housing estate in Toruń was also awarded a distinction from the Integration Foundation in the competition "Leader of Accessibility" conducted under the patronage of the President of the Republic of Poland. The competition is organized by the Friends of Integration Association and the Society of Polish Town Planners. The aim of the competition is to promote universal designs, friendly to people with disabilities.

In 2022, the Integration Foundation, together with PFR Nieruchomości, announced a contest for an accessible playground. The idea was to prepare a design of a modern playground as a place for playing and spending free time actively as well as space for integrating generations and users with varied degrees of mobility. The playground will be arranged in a housing estate in Katowice, at ul. Korczaka. The housing estate is planned for 523 residential units and is now under construction. The concept that won assumes development of a playground which would



*It is them who will design an accessible playground!*

be reminiscent of an archipelago made up of islands – a treasure island, mystery island, a meadow with wild animals – each of which may stand as a separate element. The competition was won by a team consisting of three people – Milena Trzcińska, Łukasz Stępnik and Łukasz Kowalski. The design was appreciated mainly for diversity stimulating imagination, use of natural raw materials and accessibility for people of different age and degree of fitness and emotional resilience.

In 2022, first tenants moved in the investment projects of PFR Nieruchomości in the following towns and cities: Mińsk Mazowiecki, Toruń, Łowicz, Radom, Nowy Targ, Września, Oława and Kraków. There were altogether 1,533 residential units. Furthermore, in 2022, 96 units in Zamość were advertised whose commercialization started at the end of the year. The offer in Zamość enjoyed a very high interest – seven applications for each unit.

In March 2022, some residential units in Dębica, Mińsk Mazowiecki and Kraków were made available within an aid campaign for refugees from Ukraine running away from war raging outside the Polish eastern border. PFR Nieruchomości not only made the units available to the needy but also was involved in equipping the units in things to satisfy everyday needs of the residents.

PFR Nieruchomości also adopted standards concerning the Visual Identification System of all investment projects arising within FSMdR. The wish to standardize labeling of very diverse investments of PFR Nieruchomości resulted in a design of a system which is universal and easily adaptable in residential complexes of different nature.

It was possible to include further investment projects to the FSMdR portfolio in 2022. In Elbląg, a transaction was carried out between the Fund and Energa Operator S.A. What was purchased was a plot of land in the northern part of Elbląg, located 3.5 km from the center of the town. The area on ul. Legionów street is covered by the local land use plan, whose provisions allow for building residential investment projects. About 150 residential units will be built there.

At the end of the year, another transaction with PKP S.A. took place. On the PKP land, approx. 220 residential units will be built on two real



*We do not want to live on credit – new tenants of apartments in Września*

properties in Sochaczew. One of them is located on ul. Łuszczewskich, next to the Narrow Gauge Railway Museum, the other on ul. Osiedle Kolejowe, where there used to be houses of railway employees. Sochaczew and the neighboring area are developing very rapidly, which translates into good prospects for both investment projects.

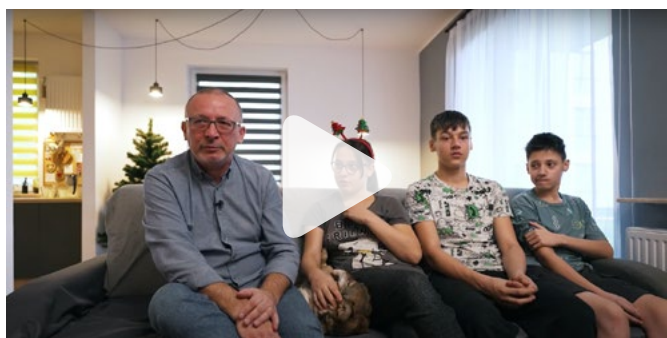
Within the Rental Housing Fund (FMnW), two investment projects started to be performed. The first is in Łódź. Ul. Składowa street, where the construction site is operating, is in the central part of the area known as the New City Center of Łódź. All the investment projects performed in this area aim to create a center combining business, commerce, culture and transport, or an attractive and comfortable living space.

According to the design, a five-story building will be built there, with an underground garage and service establishments located on the ground level. It will blend with the developments in the center of Łódź, invoking the 19-century tenement house which used to be located at the same address.

The second investment project is being built in Poznań on ul. Śniadeckich. It consists of 318 residential units designed by Incjatywa Projektowa architectural studio. Five six-story buildings will be built with service premises on the ground level and 321 parking spaces in underground garages. In the buildings, there will be bedsitters, one-,



*The Rental Housing Fund, Poznań, ul. Śniadeckich (visualization)*



*New residents of the investment project in Olawa*

two- and four-room apartments. At present, the Fund's offer for the area of Poznań includes 424 apartments in three locations – on ul. Saperska, ul. Czarnieckiego and ul. Bóżnicza streets. Almost all the premises have been rented. After the project on ul. Śniadeckich is completed, the Fund's offer will have a total of 742 residential units.

Next year, it is planned to start building at least one thousand residential units.

#### 4. PFR PORTAL PPK

##### Financial Shield for MSMEs 2.0 – support for entrepreneurs

In 2022, PFR Portal PPK continued its activities launched in 2020 with a view to preventing the adverse consequences of the spreading of the infectious disease caused by SARS-CoV-2 virus on the economy of the Republic of Poland. Within the framework of these activities, PFR Portal PPK conducted free on-line training courses on the topic of "PFR Financial Shield 2.0 – settlement and reimbursement of subsidies for SMEs" and free training on "PFR Financial Shield 2.0 – debt remission" for microenterprises and SMEs, supporting businesses interested in obtaining aid during the lockdown of the economy. In 2022, a total of over 51 thousand people from some 3.7 thousand businesses were trained on the PFR Financial Shield program.

##### Summonses to enter into an ECP management agreement

In 2022, PFR Portal PPK was involved in a project addressed to employer entities that had not complied with the duties following from the Employee Capital Plan Act. Within these activities, PFR Portal PPK conducted free online training courses "Summonses to enter into an ECP management agreement". In 2022, 43 training courses were conducted during which 175 persons were trained.

##### Amendment to the Employee Capital Plan Act

PFR Portal PPK, in cooperation with, among others, PFR, the Ministry of Economic Development and Technology, the Ministry of Finance and the Polish Financial Supervision Authority, prepared proposed amendments to the Employee Capital Plan Act. In 2022, the Act of 28 April 2022 on the Principles of the Performance of Tasks Financed from EU Funds in the 2021-2027 Financial Perspective (Journal of Laws of 2022, Item 1079) came into force, introducing, among others, amendments to the Employee Capital Plan Act. In connection with the amendments to the Employee Capital Plan Act, PFR Portal PPK conducted 81 training courses for over 4.5 thousand people.

##### Central Retirement Information

As the draft Central Retirement Information Act mentioned PFR Portal PPK as an entity that will prepare, maintain and develop an IT system as a tool for handling the Central Retirement Information, PFR Portal PPK began preliminary preparatory and analytical work aimed to perform the tasks entrusted by the draft Act after it enters into force.

#### 5. PFR OPERACJE

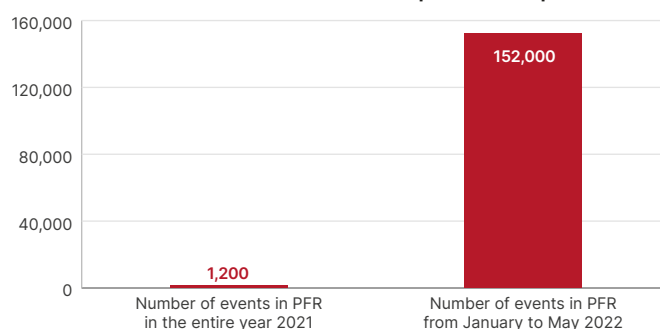
PFR Operacje provides cybersecurity and IT services for companies from the PFR Corporate Group. It achieved operational capability at the end of 2021 after the transfer of employees from the PFR Corporate Group companies, which formally finished in April 2021.

The number of recorded events in the ICT infrastructure of the PFR Corporate Group increased 127 times after the conflict in Ukraine started.

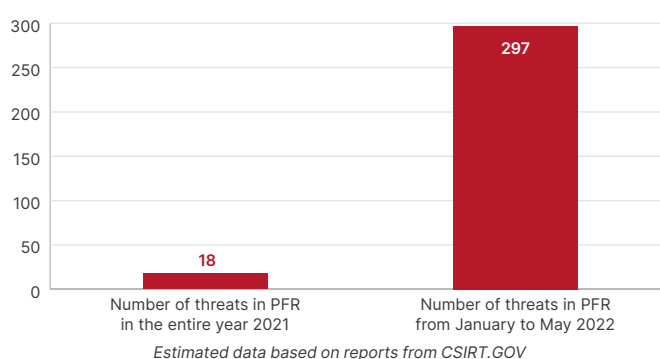
In 2022, PFR Operacje identified three most probable vectors of attack:

- phishing and spear-phishing – malware, swindling log-in data, as a result various attacks classified as ransomware – encrypting the company's resources;
- DDoS attacks on access infrastructure and websites of the PFR Corporate Group;
- using exploits that appear and are easily accessible for the systems used in the PFR Corporate Group.

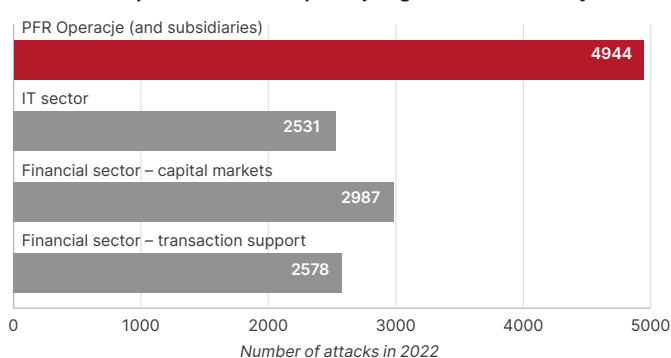
**The number of recorded events in the ICT infrastructure of the PFR Corporate Group**



**The number of identified threats to PFR**



**Comparison of PFR Operacje against the industry**





The number of identified threats, acquired through cooperation with other units conducting similar activities in Poland, has increased almost 17 times.

During the Charlie-CRP alert degree, PFR Operacje has one hour only for analysis and implementations of actions to prevent the identified threats – regardless of the time of day or week. This forced us to reconstruct the foundations of the threat monitoring area and to introduce the procedure of being on duty for 24 hours. The average report analysis time in 2022 was estimated at about 30 minutes.

Mitigating areas, depending on the extent to which an incident is critical, take from about an hour to a few days and require involvement of many teams from PFR Operacje.

The number of vulnerabilities that required repair measures increased by over 1000% in 2022. The number of various tools used for attacks was unprecedentedly high compared to previous years. Practically every day, there appeared such vulnerabilities as exploits and zero-day, which affected the systems used by the PFR Corporate Group or our suppliers.

The companies from the PFR Corporate Group were often targets of attacks. Our index of attractiveness was twice as high as the average for the financial sector.

## 6. OPERATOR CHMURY KRAJOWEJ

Commissioned by the Polish Prime Minister's Office (KPRM), Operator Chmury Krajowej (National Cloud Operator, OChK) prepared a portal [pracawpolsce.gov.pl](https://pracawpolsce.gov.pl), addressed to refugees from Ukraine in time of war who look for work in Poland. The website aims to help them find jobs corresponding to their education and skills. Experts from OChK developed an app in close cooperation with job market specialists and representatives of the Ukrainian side, due to which the website responds to the needs of employers and is adjusted to the manner of looking for work typical for the Ukrainian market. The website is available in three languages (Ukrainian, Polish and English).

OChK began to perform the project of transferring the entire IT environment of **PKO Faktoring** to a cloud computing service. PKO Faktoring is the first company from the PKO BP Group which decided to transfer all of its IT resources to a cloud computing service. The project covers migration, support and monitoring of the environment on the Microsoft Azure platform. The new model of IT operation will ensure that the company has the opportunities for innovative growth and increasing security while reducing infrastructure modernization costs.

**SGB-Bank** implemented a corporate data warehouse in a public cloud. This is the first stage of a project which covers designing and building the architecture of a data warehouse based on components of Google Cloud Platform. OChK supported SGB in **building the so called landing zone**, or appropriately configured and secured environment to launch a data warehouse implemented on Google Cloud. This makes it possible to automate the process of calling and modifying IT environments with the use of the infrastructure as code methodology, providing full control of their configuration and flexibility of introducing changes.

**ING Bank Śląski**, Ailleron and OChK signed an agreement and started a joint project to implement the LiveBank solution using the public cloud technology within the SaaS model. LiveBank is a platform developed for the financial sector which allows for performance of advanced processes of remote customer service, e.g. via a chat or an audio-video communication. The task of OChK is to provide cloud

service and support in terms of ensuring compliance of cloud services with requirements of law and industry regulations, in particular the so called cloud message from the Office of the Polish Financial Regulatory Authority (UKNF).

OChK, as the first company in Poland, achieved the **"Application Development – Services Partner Specialization"**. The specialization was achieved by Google Cloud partners who showed successes in building and managing apps using the Google Cloud Platform solution. The newly awarded specialization confirms that OChK performs projects at the highest level, complying with the market standards, based on recurring processes that allow for performance of complex and demanding projects, which can be exemplified by such projects as e-Registration system, MojePPK [MyECP] portal or eDo-radca [eConsultant] service.

OChK, jointly with Google Cloud, launched an **acceleration program for startups and scaleups** "Let's get (c)loud". It aims to develop new innovative companies faster due to support in the area of technology and business and use of Google Cloud tools. The "Let's get (c)loud" program supports development of technological companies in many areas. These include both technical consultations with OChK and Google Cloud engineers, who will help exploit the potential of cloud technology as much as possible, as well as business sessions with practitioners. Within the program, 15 meetings took place with business representatives or technology experts. The meetings had a practical dimension: there was advice on preparing business models, using cloud technologies or building a partnership network. Because of a high interest, the recruitment procedure to the program is carried out continuously. During the year, the number of startups that applied to the program was over 140. As continuation of the cycle "Cloud from A to Z", OChK organized business meetings concerning:

- maintenance services and functionalities of the OChK Platform,
- MLOps in a cloud for supervised entities,
- security of IT environments, safe migration and data processing in a cloud.

The cycle "Cloud from A to Z" aimed to familiarize present and future customers with various aspects of cloud technologies and show a broad range of services and competences collected in OChK, which companies may use to accelerate development and performance of their business objectives. A special event fulfilling similar tasks was **"Software House Cloud Event"**, organized for the group of companies developing custom-made software. The meeting aimed to develop OChK's partner sales channel. The topics discussed during the event included both business opportunities which cooperation with OChK opens before software houses as well as technological issues connected with the development of apps in a public cloud.

Representatives of OChK participated in numerous **industry events**, both in Poland and abroad. These included: "Web Summit" in Lisbon, Portugal, "SoDA – Software Development Association Poland", "Facing reality. Lessons learnt from the global crisis", "Cloudyna 2022", "IT Systems in the Power Industry" "SlwE'22", "Healthcare Manager's Academy AMOZ VII", "Breakthrough ICT Technologies", "Cloud for Retail Academy" and "Brand in Digital Reality – how to build an effective communication with customers?".

OChK also presents offering also to foreign markets. To do this, it started a new English-language website at [ochk.cloud](https://ochk.cloud), using a new brand and claim **"OChK. We know the cloud"**. The website will be successively expanded next year and is an important step to building OChK's image.

# Management Board Report on the Activity of PFR S.A. and the PFR Corporate Group in 2022

## Chapter 4: Material events affecting PFR and the PFR Corporate Group in 2022 and after the balance sheet date

<b>Material events in 2022</b> .....	<b>80</b>
<b>Material events after the balance sheet date</b> .....	<b>81</b>



# Material events in 2022

PFR performs a bond issue program of the total value up to PLN 100 billion in connection with PFR having been entrusted by an agreement to perform the government programs: "The Polish Development Fund's financial shield for small and medium enterprises", adopted with Resolution No. 50/2020 by the Council of Ministers on 27 April 2020, "The Polish Development Fund's financial shield for large companies", adopted with Resolution no. 51/2020 by the Council of Ministers on 27 April 2020, "Support program for Polskie Linie Lotnicze LOT S.A.", adopted with Resolution no. 189/2020 by the Council of Ministers on 21 December 2020 as well as the program named "The Polish Development Fund's financial shield 2.0 for micro-, small and medium-sized enterprises" pursuant to Resolution no. 2/2021 of 5 January 2021.

In order to finance the Programs, in 2020 PFR issued bonds for the total amount of PLN 65.4 billion. In addition, the Company had issued bonds for the total amount of PLN 8.5 billion in 2021. More details about the issued bond series are presented in Section "Financing of aid programs" of this report. Detailed terms and conditions of the individual issues are included in the letters of issue published by PFR and available on PFR's website.

On 14 April 2022, the FIKK FIZAN fund was taken over by FIPP FIZAN fund. The proportions of share was determined based on a valuation of 15 March 2022. After the merger, PFR S.A. hold about 61.69% certificates of the FIPP FIZAN fund. In May 2022, the fund was renamed to PFR Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych.

On 20 April 2022, the Extraordinary Shareholder Meeting of PFR Operacje resolved to increase the share capital by PLN 4 million, i.e. up to the amount of PLN 21 million by creating 4,000 shares with a par value of PLN 1 thousand each. Then, on 24 October 2022, the Extraordinary Shareholder Meeting of PFR Operacje, pursuant to a resolution, increased the share capital by PLN 6 million, up to PLN 27 million. The capital was paid up in full.

With the Act of 28 April 2022 on the principles of the performance of tasks financed from EU funds in the 2021–2027 financial perspective, amendments were introduced to the Act of 4 July 2019 on the Development Institutions System, regulating tasks performed by PFR. Based on legislative amendments PFR has been designated to perform pay-outs under the development plan referred to in Article 5 par. 7aa of the Act of 6 December 2006 on the Principles of Development Policy.

On 29 April 2022, PFR S.A. subscribed and paid for a new issue of investment certificates of FSMdR FIZAN (541,785 certificates), for the amount of PLN 119,999,959.65. On 29 April 2022, PFR subscribed and paid for a new issue of investment certificates of PFR Fundusz Funduszy FIZ (53,169 certificates), for the amount of PLN 54,999,076.98.

On 30 May 2022, PFR signed an annex to the loan granted to PFR S.A. by PKO Bank Polski for the purchase of the shares of Bank Pekao, extending the loan by 2 years, with the repayment date set on 30 May 2024.

On 31 May 2022, PFR for the first time published a statement of non-financial information in the company's standalone and consolidated financial statements.

On 2 June 2022, shares in PPP Venture Sp. z o.o. were sold for PLN 3,824,982.00 along with the sale of receivables arising out of the owner's loan payable to PFR for the amount of PLN 8,563,805.00.

On 28 June 2022, the Extraordinary Shareholder Meeting of PFR Portal PPK resolved to increase the share capital by PLN 5 million, i.e. up to the amount of PLN 32 million by creating 5,000 shares with a par value of PLN 1 thousand each. On 27 October 2022, the Extraordinary Shareholder Meeting of PFR Operacje resolved to increase the share capital by PLN 5,400 million by creating 5,400 shares with a par value of PLN 1 thousand each. As at 31 December 2022, the company's share capital was PLN 37,400 million. The capital was paid up in full.

On 29 June 2022, S&P Global Ratings maintained the rating of Polski Fundusz Rozwoju S.A. at A in local currency and A- in foreign currency, with a stable outlook. It is a rating equal to the sovereign rating of Poland. According to S&P agency, PFR is a key institution in the implementation of strategic economic projects of the Polish government, such as the implementation of a private pension pillar in the form of Employee Capital Plans or the implementation of the PFR Financial Shield aid program for Polish enterprises affected by the COVID-19 pandemic.

On 5 August 2022, PFR signed an agreement with the State Treasury to perform tasks related to the implementation of the National Recovery and Resilience Plan (KPO). Since 5 August 2022, PFR has been entering into investment financing agreements with each minister engaged in the operation of KPO investments. On the same date, PFR made KPO Center System available to implement provisions of the investment financing agreements executed with institutions responsible for performing investment projects pursuant to Article 14l of the Act of 6 December 2006 on the Principles of Development Policy. Users can log into the KPO Center System using the Trusted Profile only. The first payment under the KPO was made through the System on 23 November 2022.

On 1 October 2022, PFR Mieszkania, which is a portfolio company of PFR Nieruchomości, took over the tasks relating to the provision of operating services for portfolio companies of funds managed by PFR Nieruchomości, understood as: coordination of land property management, coordination of marketing activities, property management and coordination and supervision of lease management, warranty management and project monitor services and project phase consultant services.

The Polish Development Fund Foundation, in cooperation with PFR and PFR Nieruchomości in 2022, performed a project entitled "Residential Units for Refugees". The Project assumed that the Foundation, in cooperation with PFR (i.e. the Founder) and PFR Nieruchomości S.A. (with respect to access to residential resources), will organize for families of refugees running away from the threats of war caused by Russia's aggression in Ukraine temporary stay in residential units furnished with necessary equipment. While performing the Project, from the end of April until mid-November 2022, temporary shelters was provided for a total of approx. 1077 persons residing in 358 units in three locations (Mińsk Mazowiecki, Dębica and Kraków). The Foundation equipped the residential units with necessary household appliances, many of which were received from third parties as donations. The project's budget assumed aid in the maximum amount of PLN 5.5 million but we were able to perform the project using approx. 65% of cash designated for this objective.

# Material events after the balance sheet date

On 20 January 2023, PFR purchased 306,347 U series Investment Certificates of the Housing Sector Development Fund FIZAN. The amount of the transaction was PLN 74,999,872.54.

On 20 January 2023, PFR purchased 282,559 U series Investment Certificates of the Rental Housing Fund FIZAN. The amount of the transaction was PLN 399,998,997.17.

On 31 January 2023, PFR purchased 48,863 N3 PFR series Investment Certificates of the Funds Fund FIZAN. The amount of the transaction was PLN 44,999,891.22.

On 10 February 2023, with Resolution No. 2 adopted by the Company's Extraordinary Shareholder Meeting, Ms. Anna Miazek was dismissed from the Supervisory Board. On the same date, with Resolution No. 3 adopted by the Company's Extraordinary Shareholder Meeting, Ms. Anna Pietrzak was appointed Supervisory Board Member. And on 9 March 2023, with Resolution No. 2 adopted by the Company's Extraordinary Shareholder Meeting, Mr. Artur Harc was appointed a Member of the Company's Supervisory Board.

On 15 February 2023, under the agreement between PFR and MTG S.A., a portion of MTG S.A.'s shares were sold by PFR S.A. to MTG S.A. The amount of the transaction was PLN 8,700,000.00.

On 16 February 2023, PFR purchased 600,000 Investment Certificates of A, B, C, D, E, F, G, H, I, J, K and L series (50,000 Investment Certificates in each series) of the Foreign Expansion Fund 2 FIZAN. The amount of the transaction was PLN 6,000,000.00 (the Investment Certificates were not fully paid up).

On 28 February 2023, Joanna Dynysiuk resigned from the function of the Company's commercial proxy.

On 20 March 2023 PFR redeemed 11,080 D2 series Investment Certificates of the PFR KOFFI FIZ fund. The value of the certificate redemption transaction was PLN 11,737,487.20.

On 29 March 2023, the Council of Ministers adopted Resolution No. 43 on the establishment of a long-term program called "National Ammunition Reserve". The Program aims to expand and diversify the national production base of large-caliber artillery ammunition and replenish its stockpiles, adequately to increased needs connected with the expansion of the potential of the Polish Armed Forces. The Program should be performed between 2023 and 2029 by, among others, the Prime Minister through PFR and will be financed and implemented based on PFR's resources, the Industrial Development Agency, the Government Agency for Strategic Reserves, the Ministry of National Defense, and other sources.

On 5 April 2023, the Polish Parliament (Sejm) received a draft Central Retirement Information Act. A company from the PFR Corporate Group – PFR Portal PPK – will participate in the performance of this task.

On 13 April 2023, the Council of Ministers adopted a resolution on the government program "Shield for the Borderland – financial support for businesses and other entities from the areas of parts of Podlaskia and Lublin voivodeships operating next to the border with Belarus in connection with the ban referred to in Article 12a sec. 1 of the National Border Protection Act of 12 October 1990." Pursuant to Article 11 sec. 2 item 6a) of the Act on the System of Development Institutions, the scope of PFR's tasks includes taking measures connected with performance of the program by making disbursements of financial support to the Program's beneficiaries, based on a voivode's decision.

On 14 April 2023, PFR repaid the loan granted by PFR Ventures in the amount of PLN 53,151,920.11 million (the principal and accrued interests).

On 14 April 2023, agreements were entered into pursuant to which PFR acquired a package of assets belonging to PFR's subsidiary, i.e. PFR Ventures. The package of assets includes: (i) 130 shares of the company under the name Hertz Systems Ltd. Sp. z o.o., (ii) 2,733,485 series B bearer shares of the company under the name SKB Drive Tech S.A., (iii) 4,227,642 series I bearer shares of Module Technologies S.A. in bankruptcy, (iv) debt under a loan agreement debt under a trade loan agreement of Module Technologies S.A. in bankruptcy, (v) debt under a loan agreement entered into with the company under the name GRC Technologie Sp. z o.o., (vi) debt under a loan agreement entered into with the company under the name Invento Sp. z o.o. The total price of the assets purchased by PFR was PLN 23,698,740.71.

On 25 April 2023, the Treasury bonds contributed to PFR as contribution-in-kind in 2021 were redeemed. The value of the redemption transaction was PLN 1,107,592,000.00.

On 27 April 2023, PFR subscribed for 415,351 V series Investment Certificates of the Housing Sector Development Fund FIZAN. The amount of the transaction was PLN 99,999,906.76. The investment certificates were registered in the Central Securities Depository of Poland on 5 May 2023.

On 28 April 2023, the Polish Financial Supervision Authority permitted PFR Ventures to perform the activity of an external manager of alternative investment companies, which includes the management of alternative investment companies, including their placement on the market, and the management of EU AIFs, including their placement on the market.

As of 1 January 2023 (until the publication date of these financial statements), PFR extended ten sureties for good performance bonds and guarantees of advance payment refund issued at the request of a portfolio company in a fund (Pojazdy Szybowe PESA Bydgoszcz S.A.), whose portion of the investment portfolio is managed by PFR in connection with contracts performed by that entity. The value of the sureties extended in 2023 was PLN 204,549,497.07.

# Management Board Report on the Activity of PFR S.A. and the PFR Corporate Group in 2022

## Chapter 5: Statement of Non-Financial Information

<b>Introduction</b> .....	<b>83</b>
1. Summary of 2022.....	83
2. PFR Corporate Group – about us.....	85
<b>Business strategy</b> .....	<b>85</b>
1. Strategy of the PFR Corporate Group.....	85
2. Development directions and business priorities.....	85
3. Investments executed by the PFR Corporate Group.....	89
4. Participation in industry and international associations.....	89
<b>Management and oversight over ESG areas in the PFR Corporate Group</b> .....	<b>90</b>
1. Organization of management of the ESG area.....	90
2. Strategy and approach to integrating ESG issues with ongoing activity.....	90
3. Key stakeholders of the PFR Corporate Group.....	90
4. ESG issues relevant for the PFR Corporate Group.....	91
<b>Environmental Area (E)</b> .....	<b>92</b>
1. Pro-environment investment activity.....	92
2. Management of the company's own environmental footprint.....	96
3. Activity of the PFR Corporate Group from the perspective of EU Environmental Taxonomy.....	96
<b>Social Area (S)</b> .....	<b>101</b>
1. Pro-social investment activity.....	101
2. Central Retirement Information.....	107
3. Pro-development activity.....	107
4. Support for the process of digitalization of the Polish economy.....	112
5. Proprietary economic analyses.....	113
6. Management of the company's own social impact.....	114
7. Human resources management.....	121
<b>Corporate Governance Area (G)</b> .....	<b>124</b>
1. Management of corporate risk and business continuity.....	124
2. Compliance risk management.....	126
<b>About the non-financial part of this report</b> .....	<b>128</b>
<b>Indicators</b> .....	<b>129</b>



# Introduction

## 1. SUMMARY OF 2022

[GRI 2-22]

2022 was a breakthrough year for the PFR Corporate Group because of the first publication of the statement of non-financial information in the company's standalone and consolidated reports. The work completed at the beginning of 2022 spurred the Corporate Group to take even more active measures in the ESG area. The Company prepares for the implementation of the guidelines for the CSRD Directive and the implementation of requirements of the EU Taxonomy in investment activity. In the PFR Corporate Group, new initiatives are constantly taken with regard to training employees on ESG issues. The result of the work is this document, which develops the issues touched on in the report for 2021.

In 2022, the PFR Corporate Group pursued its mission, continuing investment activity taking into consideration ESG factors, which cover issues of environmental protection (Environmental), social responsibility (Social) as well as corporate governance and counteracting corruption (Governance). In addition, key initiatives were carried out in the area of development of innovativeness and human capital as well as the activity of the PFR Foundation.

New regulations and standards, including the EU Sustainable Finance Framework, such as the EU Taxonomy, the SFDR Regulation and the CSRD Directive, are creating new challenges for the EU economy in terms of climate and environmental transformation and imposing a number of reporting obligations on EU companies. There is a growing awareness in the market of the need to follow the regulations and respond to market, social and corporate pressures in order to consider ESG factors in business operations. This requires the introduction of modern and innovative solutions and technologies, which will enable the economy to attain climate goals and other environmental goals as well as social goals. As a financial market participant with a key role to play in the climate and energy transition, the PFR Corporate Group is aware of the challenge it faces and is prepared to act to implement ESG best practices and solutions to achieve its mission and strategy.

In 2022, the PFR Corporate Group continued the PFR Green Hub FoF, which aims to energize investments supporting energy transition in Poland and provide financing to businesses that exert positive influence on the planet. The program is eligible for VC funds that want to invest in green projects with a positive impact on the planet.

Sustainable social and economic development requires investments in infrastructure, technologies, IT and the areas that enable social inclusion, protection and well-being of regions. In 2022, the PFR Corporate Group continued investments within closed-end investment funds and through direct investments. Some of these investments may contribute to the achievement of the UN sustainable development goals. Reducing adverse environmental impacts and supporting the process of change in companies may directly contribute to the mitigation of climate change or support the fulfillment of climate goals.

The PFR Corporate Group is also committed to sustainability through internal measures, which may include harnessing electricity from renewable energy sources and continuing to replace vehicle fleet with hybrid vehicles in 2022.

### Investment activity



**PLN 12 billion**

value of PFR investments in over 50 investment projects



**PLN 420 million**

in foreign investments



**680+**

companies that received financing from the funds of PFR Ventures



**7,500**

apartments in or after the process of designing



**PLN 600 million**

in a new Foreign Expansion Fund

### Pro-development activity



**950,000**

users of the startup.pfr.pl portal



**PLN 180 million**

for participants of the PFR School of Pioneers



**160+**

companies took part in the Innovation Maturity Survey



**150+**

digital products in the Exchange of Urban Technologies



**3.3 million**

active participants of Employee Capital Plans



**7,400**

training on ECP

### Corporate social responsibility



**19,000+**

beneficiaries of projects aimed to support excluded groups and those in hardship



**1900+**

workshops organized in the Central House of Technology



**250,000**

views of educational materials on the Central House of Technology YT channel



**246**

volunteers of the PFR Corporate Group involved



Polski Fundusz Rozwoju

# PFR. Investments for Poland

## PFR. Investments for... sustainable development

To ensure necessary security level for the performance of basic services and to increase productivity of the economy

## PFR. Investments for... digital transformation and cutting-edge technologies

To develop potential for creating and absorbing innovations and increase research potential

## PFR. Investments for... energy transition and competitiveness

Capital, consulting and organizational support to build a modern, competitive and climate-neutral economy

## PFR. Investments for... profitable growth

To maintain a high credit rating and to use capital effectively



Investment activity



Pro-development activity



Corporate social responsibility

## Corporate activity

Human resources	IT	Risk	Security	Communication	Customer support	Finance and controlling
Law	Compliance	Audit	Support of the Management Board	Administration	Strategy and knowledge management	Accounting

## Supporting the performance of sustainable development objectives and pro-development policies of the state





## 2. PFR CORPORATE GROUP – ABOUT US

[GRI 2-1] [GRI 2-2]

The PFR Corporate Group is a group of financial and advisory companies that works for businesses, local governments and private individuals and invests in the country's social and economic development. The Group consists of the following entities:

- Polski Fundusz Rozwoju S.A.,
- PFR Towarzystwo Funduszy Inwestycyjnych S.A.,
- PFR Ventures Sp. z o.o.,
- PFR Nieruchomości S.A.,
- PFR Portal PPK Sp. z o.o.,
- PFR Operacje Sp. z o.o.,

The priorities of the PFR Corporate Group's are: infrastructural investments, innovations, entrepreneurial development, exports and foreign expansion of Polish businesses, support for local governments, implementation of the Employee Capital Plan program and management of foreign investments.

The PFR Corporate Group performs its activities primarily based on the provisions of the Commercial Company Code and the Act on the Development Institutions System. Pursuant to Article 11 of the Act, Polski Fundusz Rozwoju conducts business activity (based on the principles of commercial best practices while endeavoring to generate a market return on invested capital in the long-term). It also performs other tasks, including tasks assigned by government administration authorities.

# Business strategy

## 1. STRATEGY OF THE PFR CORPORATE GROUP

[GRI 2-6]

In 2022, the PFR Corporate Group started to implement the strategy for 2022-2025, adopted at the end of 2021. The mission of the PFR Corporate Group, described in earlier strategic documents, according which the Group is an institution supporting sustainable social and economic development of Poland, has acquired special significance since 2020. PFR effectively filled a market gap, taking also non-cyclic activities activating sectors affected by stagnation. In the period of the pandemic, the Polish Development Fund supported the economy and Polish businesses by implementing measures within the PFR Financial Shield. These measures supplemented PFR's activity within strategic competence centers such as: investment activity, pro-development activity and corporate social responsibility. The directions of activity before 2022 are continued and strengthened in the Strategy of the PFR Corporate Group for 2022-2025 (hereinafter: "Strategy of the PFR Corporate Group 2022", the "Strategy"). The Strategy of the PFR Corporate Group 2022 emphasizes the significance of sustainable development and cutting-edge technologies as well as energy transition and competitive economy. The activity of the PFR Corporate Group is guided by four principles:

- **to supplement the commercial and non-governmental sectors** and cooperate in preparing and distributing programs in the areas in which there are gaps in the market manifested by the lack of access to financial services,
- **to perform development programs adjusted to the needs of recipients:** companies, local government units, the public sector, the non-governmental sector and individuals,
- **to create value for shareholders** by investing capital to ensure returns,
- **to pursue self-financing** achieving a positive financial result on the performed activity and the possibility of external financing.

**The mission of the PFR Corporate Group is to develop practical solutions for common success and a safe future, based on four values: partnership and cooperation, responsibility, professionalism, development.**

In its activities, the PFR Corporate Group pursues 10 out of 17 Sustainable Development Goals (SDGs) of the United Nations, including

in particular: **goal 7: Ensure access to sources of stable, sustainable and modern energy at affordable prices, goal 8: Promote inclusive and sustainable industrialization and foster innovation, and goal 11: making cities and human settlements safe, stable, sustainable and inclusive.**

The list of all SDGs pursued by the PFR Corporate Group is as follows:



The PFR Corporate Group contributes to the fulfillment of sustainable development goals mainly through its investments, its educational and consulting activities, cooperation with business partners and local governments, which is focused on stimulating innovation and equalization of opportunities in access to financing. The key areas of activity include ones related to infrastructure investments, digital transformation and energy transition.

## 2. DEVELOPMENT DIRECTIONS AND BUSINESS PRIORITIES

PFR's activity is invariably based on the functioning of the System of Development Institutions established in 2019, in which the PFR is responsible for the area of investments. The PFR Corporate Group and the PFR Group have mutually consistent missions, visions, operating rules and values of the organizations.

The strategy indicates areas of organizational activity which are strictly connected with strategic directions for the entire PFR Group referred to in sub-section "Structure of the PFR Corporate Group".

Each strategic activity defined in the document meets objectives agreed in the following areas: sustainable development, digital transformation and cutting-edge technologies as well as energy transition and competitiveness, namely:

- to ensure necessary security level for the performance of basic services and to increase productivity of the economy;

## PFR's values

### Partnership and cooperation

In our work, we treat others as we would like to be treated ourselves. We respect and appreciate the work of others and we listen to their needs. While working together, we share our experience and information, making trust the foundation for the development of Polish society and economy.

### Responsibility

We analyze and understand the reality that surrounds us, we are able to combine our own assignments with the objectives of the team and the company in order to achieve the intended results, and in all our activities we seek to achieve benefits for Poland. We learn from our successes and failures and take the necessary risks. We pursue what we have declared in a consistent manner.

### Professionalism

We consistently strive to achieve our objectives by providing our customers with the highest quality products and services. We are always prepared and we always complete our assignments.

### Development

We create new ideas, services and solutions, thus supporting the development of the Polish economy and society. We follow the latest trends while thinking and acting outside the box. We cross borders, achieving remarkable and new results.



- to develop potential for creating and absorbing innovations and increase research potential;
- capital, consulting and organizational support to build a modern, competitive and climate-neutral economy.

The competence centers developed while performing the previous strategy did not change. These are: investment activity, pro-development activity, corporate social responsibility and corporate activity. What should be stressed is that the strategy also meets objectives for sustainable development both in the environmental and social dimensions, and for corporate governance.

An important element of the Strategy is also an internal development of the organization, which aims to maintain a high credit rating and to use capital effectively. Within the framework of the Strategy of the PFR Corporate Group for 2022-2025, which predicts a gradual development of competences of PFR Operacje, activities were carried out aiming to make corporate issues coherent. To achieve this aim, work was also started on a document of the IT and Security Strategy of the Corporate Group for 2023-2025. It would define the framework for development of the IT and security area, both with requirements of laws which are being amended and internal regulations. In 2022, a number of measures were taken in order to unify and systematize standards for managing projects, processes and document circulation.

Within investment activity, over PLN 530 million were designated for transfers to VC/PE funds. Investments were made in road and rail infrastructure. Local government investments concerned, among others, residential services. The amount of ECP assets serviced was above the market median. An operational company, PFR Mieszkania, was set up to support the performance of projects connected with building residential units.

Pro-development measures covered, among others, companies from the SME sector for which workshops and training courses were arranged. The scale of using digital solutions was increased in local government authorities, among others, within the "Klimaton dla Miast" ["Climathon for Cities"] project. Apart from the above, in the "Stock Exchange of Urban Technologies" program, 160 technological solutions were verified, of which 20 will be implemented in local governments in 2023.

Work was started to prepare the implementation of ESG in the PFR Corporate Group. The operation of PFR was analyzed in detail with regard to requirements following from the ESG Regulations. All the activities connected with ESG are to bring the Corporate Group closer to responding to growing demands of the market in the area. Apart from the above, the PFR Foundation offered the opportunity to participate in numerous volunteering projects and conducted activities regarding STEAM methodology in educational institutions.



## Areas of operation of the PFR Corporate Group



### Sustainable development

**Strategic directions:**

- Response to the global pandemic
- Modern local governments and PPP
- Sustainable economy
- Competitive SMEs
- Self-learning labor market
- Healthy and active society
- Investments and the industry
- Foreign expansion of Polish companies



### Digital transformation and cutting-edge technologies

**Strategic directions:**

- Modern infrastructure
- Digitalization of the Polish economy
- Dynamic development of innovativeness



### Energy transition and competitiveness

**Strategic directions:**

- Sustainable economy



## Sustainable development

To ensure necessary level for the performance of basic services and to increase productivity of the economy

### Directional objective:

### Target group:

Increasing productivity of the Polish economy	
Supporting development of Polish companies abroad	
Increase in the number of apartments for lease	
Increasing the scale of application of digital solutions in the sphere of public administration	
Building a center for economic knowledge with an emphasis on knowledge about pension and savings systems in Poland	
Increasing the value of private savings of tax residents in Poland	
Facilitating control and management of pension products for citizens	
Securing financial liquidity of enterprises in the period of crisis and supporting the economy	
Increase in the society's economic awareness	
Filling gaps in social areas	
Development of culture, arts and social activity and protection of national heritage	



## Digital transformation and cutting-edge technologies

To develop potential for creating and absorbing innovations and increase research potential

### Directional objective:

### Target group:

Development of the ecosystem of financing <i>venture capital</i> and <i>private equity</i>	
Increasing the use of cloud computing services among domestic companies	
Increasing access to specialized tools, suppliers of technologies and owners of business solutions	
Digital transformation of local government units	
Activation of large enterprises to engage in digital transformation and energy transition and increasing expenditures for innovations	
Supporting innovativeness of the PFR Group	
Development of competences of innovators and knowledge on the ecosystem of innovations in Poland	
Cooperation with state institutions, scientific institutions and business with regard to financing and supporting the sector of high technologies	
Supporting the development of enterprises from the sector of high technologies	
Development of digital competences in the society	



## Energy transition and competitiveness

Capital, consulting and organizational support to build a modern, competitive and climate-neutral economy

### Directional objective:

### Target group:

Supporting the energy transition of Polish enterprises to strengthen the Polish value chain – building competitiveness on the Polish and international markets	
Providing the opportunity for commercialization of high-technology solutions in CleanTech area	
Increase in the rate of energy transition and implementation of green strategies in the Polish local governments	
Increasing the society's awareness of sustainable development	

investment activity

pro-development activity

corporate social responsibility

individuals

startups

SMEs

large businesses

local governments



### 3. INVESTMENTS EXECUTED BY THE PFR CORPORATE GROUP

[GRI 203-1]

The PFR Corporate Group incorporates sustainability factors into its investment activities insofar as such factors are relevant to the investments. Care for the planet and the society is embedded in many investments pursued by the PFR Corporate Group that, through integrated ESG factors, have a positive impact on the climate, environment and communities. In line with the Strategy, the PFR Corporate Group's investments, both direct and indirect, are aimed at increasing competitiveness, innovativeness, and social equality by providing access to financing, educating and supporting the development of the public and private sectors. Indirect investments are carried out, among others, with participation of PFR TFI, which creates and manages investment funds, which have a very broad spectrum of investments and diverse profiles of activity. Accordingly, the manner in which risks to sustainable development are handled differs depending on the particular investment fund managed by the investment fund management company (TFI). In accordance with the *Strategy for taking risks to sustainable development in PFR TFI S.A.'s investment decision-making process*, the Management Company strives

to take sustainability principles into account in the investment decision-making process, guided by the interest of fund participants. In the process of monitoring of its investments, it evaluates financial and non-financial risks, including risks to sustainable development and their impact on the standing of the specific investment of the investment fund. In performance of its policy of exposure to shares of companies admitted to trading on the regulated market and outside the regulated market, the Management Company constantly monitors companies in terms of their social and environmental impact and the applied principles of corporate governance.

### 4. PARTICIPATION IN INDUSTRY AND INTERNATIONAL ASSOCIATIONS

[GRI 2-28]

PFR is also engaged in the activities of industry and international organizations and associations. In this manner, the Company exchanges experiences and best practices with other entities operating in similar areas. This type of cooperation is also applied to gain knowledge and launch joint initiatives that enable the whole community to speak with one voice on matters of significance for its operations.



#### D20-LTIC / D20 Long-Term Investors Club

The D20-LTIC is an association of leading global development institutions, predominantly from the G20 countries. Its purpose is to encourage cooperation and establish conditions conducive to long-term investments that support sustainable economic growth. The Club was established in 2009 at the initiative of the French CDC, Italian CDP, German KfW and the European Investment Bank. Currently, the D20-LTIC consists of 21 members with a total balance sheet value of more than USD 5.4 trillion. PFR joined the organization in June 2018.



#### UNGC / United Nations Global Compact

The UNGC is the world's largest business initiative for sustainable development, involving 13,000 companies and stakeholders from 170 countries. The pact requires companies to align their strategies and activities with ten principles in the areas of human rights, labor standards, natural environment and counteracting corruption, and to take initiatives in support of the UN Sustainable Development Goals. PFR joined the UNGC in December 2020.



#### Invest Europe

Invest Europe (formerly known as EVCA) is the world's largest association representing European *private equity* (PE), *venture capital* and infrastructure funds and their investors, including some of Europe's largest pension funds and insurers. Invest Europe is involved in the drafting and issuing of opinions on regulations and laws pertaining to investment, provides analyses of the role of its members in the economy and conducts research on trends and changes in the sector. The association also publishes the *Professional Standards Handbook* containing standards and guidelines for the PE industry. PFR became a member of the organization in January 2018.



#### ILPA / Institutional Limited Partners Association

ILPA is an industry association based in Washington, DC and Toronto, bringing together institutional limited partners (LPs) in the PE asset class. The organization owns over 500 institutions with a total of USD 2 trillion of assets under management, accounting for approx. 50% of all PE assets across the world. The association is the only global organization dedicated solely to protecting the interests of LPs and their beneficiaries through education, representation and organization of events. PFR has been an ILPA member since May 2018.



#### Polish Private Equity and Venture Capital Association

The Polish Private Equity and Venture Capital Association (PSIK) brings together *private equity/venture capital* investors active in Poland. The Association is also open for other persons, companies and institutions interested in the development of the Polish sector of private equity/venture capital. The aim of PSIK is to facilitate investments, support the development of the sector of private equity/venture capital in Poland and represent the interests of the sector. PFR has been a PSIK member since November 2022.



# Management and oversight over ESG areas in the PFR Corporate Group

## 1. ORGANIZATION OF MANAGEMENT OF THE ESG AREA

[GRI 2-9] [GRI 2-10] [GRI 2-11] [GRI 2-12] [GRI 2-13] [GRI 2-14] [GRI 2-17] [GRI 2-18]

The PFR Management Board is responsible for the ongoing management of the company and setting directions for the PFR Corporate Group, which includes the attainment of long-term goals in accordance with the accepted strategy. The Management Board also makes sure that the Corporate Group conducts its activity in a responsible and sustainable manner, by monitoring the changing legal requirements and standards relating to sustainable development and by incorporating ESG factors in its decisions in line with the best industry practices, expectations of stakeholders and current and pursued knowledge. The responsibility for coordinating activities in the area of sustainable development in the PFR Corporate Group rests with the PFR Strategy Department, which cooperates closely with ESG coordinators appointed in the companies of the PFR Corporate Group. Particular obligations relating to sustainability aspects are delegated by Management Board Members of the PFR Corporate Group Companies to individual division directors and department managers in accordance with the scope of their duties. In running the operations of the Corporate Group, the PFR Management Board is supported by the Security Committee, the IT Architecture Committee and the Project Committee. PFR Management Board Members are diverse in terms of their experience and qualifications. Due to the long years of professional activity and continuous development of their competences, they guarantee effective management of the Corporate Group in all aspects of its activities. Details regarding the composition, organization and procedures of the Management Board are provided on page 34 of this report and in the Regulations of the Management Board of Polski Fundusz Rozwoju S.A.

The Supervisory Board of PFR exercises continuous oversight over the Corporate Group's activity. Among other things, it evaluates the consolidated financial statements, approves the Corporate Group's strategy and reviews the Management Board, on an annual basis, for the fulfillment of all strategic assumptions and objectives, also in the area of sustainability. The Supervisory Board's oversight is exercised with the support of two Committees: the Audit Committee and the Strategy Committee, which are governed by regulations introduced by resolutions of the Supervisory Board. Details regarding the composition, organization and procedures of the Supervisory Board are provided on page 34 of this report and in the Regulations of the Supervisory Board of Polski Fundusz Rozwoju S.A. The manner in which members of the Management Board and Supervisory Board are elected is set forth by the PFR Articles of Association.

## 2. STRATEGY AND APPROACH TO INTEGRATING ESG ISSUES WITH ONGOING ACTIVITY

Changes in the regulatory environment and stakeholder expectations are causing market evolutions that will affect the development and competitive position of companies, which is why ESG issues are increasingly often analyzed by investors and appearing on the agendas of the Management Boards and Supervisory Boards of Polish companies. Stakeholders have an increasingly greater awareness of ESG

and the environmental impact of business operations, as a result of which companies are required and expected to a higher extent to disclose measures taken by them in the sustainability area. The emerging regulatory environment is expected to guide the flow of funds for sustainable investments. The new scope of disclosures is to facilitate such investments (limiting the risk of "greenwashing"). The PFR Corporate Group, as an active participant in the financial market, wishes to meet the requirements of ESG regulations and ensure the highest standard of its current and future investments in this area, as well as the operational activities of the companies from the PFR Corporate Group. Therefore, in 2022, a comprehensive project was carried out at the PFR Corporate Group to analyze the Group's position in terms of its maturity in the ESG area and to align the PFR Corporate Group with the requirements under EU-level regulations on financing sustainable development, including the EU Taxonomy and other EU regulations related to conducting sustainable business activity. The project resulted in the development of recommendations for the Company's activities in the area of ESG and the drawing of a roadmap for the implementation of best market practices into operating and investment activities of the PFR Corporate Group, which will become the basis for works on the Group's ESG strategy in the future. The recommendations are divided into the integration of ESG into corporate governance, the risk management system, and the strategy and ongoing operations. A number of measures were also identified as optional but desirable due to best market practices. In 2023, the PFR Corporate Group will work on making the solutions defined in the roadmap operational. The work will be led by the ESG coordinator for the PFR Corporate Group, appointed on the basis of recommendations from the project.

## 3. KEY STAKEHOLDERS OF THE PFR CORPORATE GROUP

[GRI 2-29]

Being aware of the role fulfilled by the PFR Corporate Group in the Polish economy, the Group attaches great importance to responsible and transparent communication with its stakeholders. Without these relations, it would be impossible not only to pursue the Corporate Group's Strategy, but also to carry out any sustainable activities. In order to work in harmony with its environment and build long-term, sustainable relationships, PFR identifies its key stakeholders and takes steps to involve them in the process of dialogue and cooperation.

Key stakeholders of the PFR Corporate Group in 2022:

Stakeholders	Channels of dialogue
PFR Shareholders	The Shareholder Meeting and other meetings and other results presentations (conference calls, personal meetings).
Subsidiaries and associates	Regulations and policies, surveys/questionnaires of needs, reports, meetings and exchange of experiences and documents, e-mail and phone communication.



<b>Investment funds</b> (managed by PFR, managed by PFR TFI and the funds, whose management is sub-contracted by PFR TFI to other entities)	Reports, meetings and exchange of experiences and documents, e-mail and phone communication.
<b>Employees</b>	Formal meetings with the management (annual employee evaluation), employee satisfaction surveys, regular team meetings, town halls, employee training, announcements for employees, workshops for new employees, e-mail and phone contacts, meetings and personal discussions, newsletter.
<b>PFR Foundation</b>	Meetings, initiatives and events, reports, e-mail and phone communication.
<b>Businesses</b> (large, small and medium-sized)	Surveys, needs and satisfaction surveys, meetings and personal discussions, contact by telephone, e-mail, leaflets and brochures, websites, social media, hotline, newsletter.
<b>Local government units</b>	Surveys, needs and satisfaction surveys, meetings and personal discussions, contact by telephone, e-mail, leaflets and brochures, websites, social media, hotline, newsletter.
<b>Regulators and supervisory authorities</b> (including the EU)	Reports and audits, formal correspondence (including e-mail), ongoing cooperation during inspections.
<b>Parties in Employee Capital Plans</b> (employers and employees)	Surveys, meetings and personal discussions, e-mail and telephone communication, leaflets and brochures, websites and dedicated portals (PPK portal), social media, helpline, newsletter.
<b>Natural persons</b>	Websites and dedicated portals, hotline, newsletter.
<b>Government administration bodies</b>	Formal meetings, e-mail and phone communication, presentations.
<b>Portfolio companies of the funds and PFR (investment beneficiaries)</b>	Meetings and personal discussions, e-mail and telephone communication, leaflets and brochures, websites and dedicated portals, social media, helpline, newsletter.

Stakeholders of the PFR Corporate Group participating in a dialogue also include: entities co-investing in PFR direct investments, other investors in the funds, bondholders, business partners (service providers, etc.), international organizations and associations (UNGC, D20, Invest Europe, ILPA, PSIK (Polish Private Equity and Venture Capital Association)), the media and news agencies, financial institutions, rating agencies.

#### 4. ESG ISSUES RELEVANT FOR THE PFR CORPORATE GROUP

[GRI 2-29] [GRI 3-1] [GRI 3-2]

Communication with stakeholders is conducted through dedicated internal and external communication channels and in the form of actions required by law, including publication of information in current and periodic reports. Continuous contact with internal and external entities from the organization's environment, as well as transparency in the presentation of key information allow for the proper recognition of stakeholder needs and expectations.

The PFR Corporate Group constantly monitors areas of its activity and identifies important topics. For this report, in 2022, internal workshop was conducted again during which, among other things, particular areas were assessed in terms of their importance for external and internal stakeholders. The point of departure for this year's analysis was the results of the workshop conducted last year. Responses corresponded to a large extent to the previous analysis.

The following were classified as areas of high importance:

- **Investments** – in respect to the significant direct and indirect effect that the activities of PFR Corporate Group companies and the investments made have on environmental and social issues;
- **Innovation** – in respect to activities conducted in the area of modern digital solutions for businesses and local governments;
- **Corporate governance** – in respect to topics relating to risk, corruption, conflict of interest and breaches of external regulations applicable to the activity of the PFR Corporate Group, including regulations governing personal data management;
- **Employees** – in respect to the elementary diversity indicators, development programs implemented, salaries, benefits, employee turnover and discrimination issues;
- **Local partnerships** – in respect to activities pursued in favor of local communities;
- **Environment** – in respect to the basic indicators concerning electricity consumption.

#### Matrix of material topics

##### Importance for PFR stakeholders

<b>very high</b>	• Activities for the benefit of local communities	<ul style="list-style-type: none"> <li>• Direct and indirect impact of the investments on the fulfillment of environmental objectives</li> <li>• Direct and indirect impact of the investments on the fulfillment of social and economic objectives</li> <li>• Anticorruption, conflict of interests</li> <li>• Management of compliance risk pertaining to external regulations applicable to the activity of the PFR Corporate Group, including regulations governing personal data management</li> </ul>
	• Activities conducted in the area of modern digital solutions for the economy, businesses and local governments,	<ul style="list-style-type: none"> <li>• Risk management, internal control and internal audit</li> <li>• Salaries</li> <li>• Employee turnover</li> </ul>
<b>very low</b>	<ul style="list-style-type: none"> <li>• Strategy and approach of PFR to diversity issues</li> <li>• Development programs for employees</li> <li>• Additional employee benefits</li> <li>• Discrimination issues</li> </ul>	
	• Electricity consumption	
	<b>very low</b>	<b>very high</b>

Importance for PFR



# Environmental Area (E)

## 1. PRO-ENVIRONMENT INVESTMENT ACTIVITY

### 1.1. The understanding of pro-environmental investments adopted by the PFR Corporate Group

PFR defines pro-environmental investments as projects which have a positive impact on the natural environment and/or support the development of zero emission economy. Using a list of investments described, among others, in the Green Bond Principles, the PFR Corporate Group qualifies pro-environmental investments as those connected, among others, with renewable energy, pollution prevention and control, energy efficiency, ecological and clean transport, green construction, circular economy or adaptation to climate change.



### 1.2. Green Hub

PFR Green Hub is a strategic program of the Polish Development Fund supporting both financing projects in the area of energy transition and circular economy as well as education in the form of workshops and training courses supporting development of solutions for the transition. Particularly important are those projects which take into consideration the development of RES generation sources and also new technologies and products offered by Polish businesses within RES value chain.

The program covers four umbrella areas: direct investments, indirect investments, local government investments and activities supporting growth of innovations. Financial products developed within PFR Green Hub are based on market conditions without driving out private capital.

The financial instruments offered support the appearance of new renewable energy generation sources by, among others, the “Green Energy for business” program, the development of Polish local content as well as improvement of energy efficiency and change of sources of heat. Furthermore, Green Hub offers capital for private equity and venture capital funds which are experienced in investments associated with energy transition and other projects having positive impact on the environment. Educational instruments are also offered such as workshops, training sessions, networking, which support the development of green technological solutions and connecting technologies with the needs of local governments (“PFR School of Pioneers” and “Climathon for Cities”).

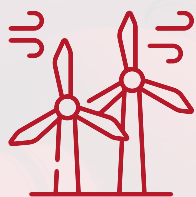
In the environmental area, the investment activity of PFR Green Hub is performed mainly around goals 7 and 13 from the list of the UN Sustainable Development Goals (SDGs), which concern affordable and clean energy and climate action. PFR’s investment activity supports increased share of energy from renewable sources in the energy mix and contributes to the mitigation of climate change by reducing greenhouse gas emissions to the atmosphere.

#### Four new funds of the PFR Green Hub FoF

PFR Ventures invested about PLN 250 million in venture capital and growth equity funds to finance innovative ClimateTech projects. The cash went to Contrarian Ventures, Eurazeo, BeyondNetZero (managed by General Atlantic) and Montis Capital.

By this, PFR Ventures allocated cash in local, regional teams as well as teams of a European and global reach. Each of them presents a different investment strategy and supports companies at a different stage of development.

## PFR Green Hub: Four pillars of support



**Green energy  
infrastructure**



**Energy  
from waste**



**Fund of Funds  
investments**



**Academy of the  
Cities of the  
Future**



## New funds of the PFR Green Hub FoF

### Description of teams based on EU goals



**General Atlantic / Beyond Net Zero**  
International team  
High tickets, broad investments in ClimateTech



**Contrarian Ventures**  
Team from a region  
Focused on EnergyTech



**Eurazeo Smart Mobility**  
Pan-European team  
Focused on SmartCity



**Montis Capital**  
Polish team  
Green, generalist

### 1.3. Case studies of selected environmental investments

[GRI 203-2]

In its activities, the PFR Corporate Group pursues a number of investments (including investments carried out via investment funds managed by its companies) with a significant impact on the society and the environment. The investments, whose importance for the ESG area has been deemed particularly important, are presented below. Key investments are detailed on page 61 of this report. The presented investments were selected based on their scale (value) and the goals to which they contribute.

The selected investments below contribute to the fulfillment of the UN Sustainable Development Goals by introducing zero or low-emission solutions or ones mitigating greenhouse gas emissions to the atmosphere. The list also includes environmental goals related to resource efficiency, efforts to create a circular economy, as well as other environmental goals to which individual investments may contribute. The climate or environmental goal, to which the investment may contribute, is specified for each individual investment project.



**1. PESA** – support for PESA Bydgoszcz S.A. in the operating activity optimization process. Support for the production of hydrogen-fueled vehicles (including the first hydrogen locomotive in Poland) and the development of the production of railway vehicles, including ones powered by electricity.

- Hydrogen locomotive, which is a breakthrough solution for transport, contributing to the development of low-emission cargo and

passenger transport. Support for new families of railway vehicles will contribute to the reduced intensity of the use of road transport and exhaust emissions, e.g. through the concept of introducing cargo space on HSPREMIUM250 vehicles, implementation of the Regio platform and locomotives with alternative propulsion systems, implementation of projects of combustion vehicles meeting the Euro Stage V standard (and related reduction of NO<sub>x</sub> and CO<sub>2</sub> emissions).

- Continuing implementation of assumptions and activities under the slogan of "Green PESA 2030+" – the company is performing a long-term strategy aimed at minimizing as much as possible the carbon footprint in all areas of the organization's activity.



**2. Baltic Hub container terminal in Gdańsk** – expansion of handling capacity within the new T3 terminal being built in the Baltic Sea, which will increase the capacity of DCT by 1.5 million standard containers per year.

- Development of sustainable infrastructure by gradual transition to electric port facilities.
- Increasing the importance of more environmentally friendly transport by sea and rail, in particular extension of the railroad siding to seven tracks to reduce emissions from road freight transport.



**3. Rail Capital Partners** – support for a company making locomotives available to rail carriers. Development of green rail transport: the rolling stock of Rail Capital Partners comprises mainly electric, modern zero- or low-emission locomotives.

- Low-emission locomotives contribute directly to the mitigation of climate change. Moreover, the model of offering locomotives, which offers the opportunity to use them depending on the needs of customers without the need to own them, supports a circular economy by reducing the number of vehicles and therefore reducing the consumption of raw materials. Most of the RCP locomotives are equipped with commuter engines, which reduces the need to use old shunting locomotives on sidings. At present, RCP has 48 locomotives, of which 47 are electric locomotives with diesel engines for last-mile operation. In 2022, they performed operation work of nearly 3.8 million km, which contributes to reducing emissions from road freight transport because of the use of more environmentally-friendly rail transport.



**4. Elemental** – investment in Elemental Holding and its subsidiaries operating in the industry of recycling of strategic metals (primarily in the areas of e-waste, automobile catalytic converters).

- Activity in the strategic metals recycling area increases the efficiency of use of limited natural resources and in this way enables the achievement of environmental goals associated with a circular economy. Secondary metal recovery is associated with CO<sub>2</sub> emissions that are about 99% lower than in the case of mining (0.8 tons of CO<sub>2</sub> emissions per ton of PGM metals vs. 77,000 tons per ton of PGM metals in the case of mining).
- Materials produced from recycled materials have a lower rate of energy consumption per product unit, which leads to reduced greenhouse gas emissions into the atmosphere.
- This activity contributes to the reduction of the production of metals from natural resources, which reduces the adverse environmental impact of metal production, first of all with regard to reduction of carbon emissions, water use and environmental degradation associated with mining.



**5. Energy efficiency improvement program for residential buildings** – Refurbishment with a guarantee of savings EPC (Energy Performance Contract) Plus implemented in cooperation with NFOŚiGW – an instrument launched in 2021 to support projects improving energy efficiency of buildings executed under the EPC formula. PFR will enable ESCO to raise financing in the form of a debt purchase or in another, alternative form.

- Curtailling greenhouse gas emissions by providing solutions that reduce electricity consumption.

- Reducing the final energy consumption of the building required for heating, ventilation and hot water.



**6. Polish Biogas Group** – investment in the Polish Biogas Group involved in the construction of a biogas plant. The main area of activity is the production of electricity and heat from agricultural biogas and provision of services related to the renewable energy source sector. Biogas is created through anaerobic methane fermentation of organic matter. The raw material used for its production is biomass (biodegradable waste), coming mainly from food processing and livestock farming. Biogas is a gaseous fuel used for production of electricity and heat. Biogas plants offer safe and professional utilization of agricultural and food waste, thus contributing to the implementation of the circular economy model. Due to those investments, new low-emission capacities will appear, which will contribute to a significant reduction of greenhouse gas emissions to the atmosphere. In 2022, owing to the generation of more than 110 GWh of green electricity, it was possible to satisfy the needs of approx. 55 thousand households in Poland.

- Development of low-emission energy production and significant reduction of greenhouse gas emissions to the atmosphere.
- In 2022, it managed to generate more than 110 GWh of green electricity, which can satisfy the needs of approx. 55 thousand households in Poland. Electricity production in the investment projects funded by PFR prevented the emission of more than 99 thousand tons of carbon dioxide.



**7. “Good Energy for Olsztyn”, “Heat from Waste”** – a project to build and operate a waste thermal treatment plant.

- Disposal of municipal waste from the voivodeship of Varmia and Masuria with energy recovery.
- Reduction of the negative environmental impact of waste.
- Securing the source of municipal heating and creating an efficient heating system.



**8. R.Power** – In September 2022, the fund managed by PFR subscribed for green bonds of R.Power in the amount of PLN 120 million. The company makes efforts to increase the share of energy from RES by building and producing energy from photovoltaic farms in Poland and other European countries. Cash generated by the company from PFR under the bonds will be used, among others, to build photovoltaic farms in Poland.

- Development of low-emission energy production and significant reduction of greenhouse gas emissions to the atmosphere.



**9. Kleczew Solar & Wind** – In December 2022, a fund managed by the Polish Development Fund executed a subordinated loan agreement for PLN 90 million for the construction of the project of Kleczew Solar & Wind, belonging to the Lewandpol Group. The project concerns the construction of one of the biggest renewable energy parks in Central and Eastern Europe. It will be also the first large-scale project combining solar and wind energy in Poland with the total capacity of 205 MW. The investment will contribute to satisfying demand for electricity of about 100,000 households. Furthermore, the installation will be built for the most part on rehabilitated territories where historically lignite was mined.

- Development of low-emission energy production and significant reduction of greenhouse gas emissions to the atmosphere.

## 2. MANAGEMENT OF THE COMPANY'S OWN ENVIRONMENTAL FOOTPRINT

The PFR Corporate Group supports environmental protection mainly through its investments. Their performance will contribute to supporting the Polish economy in its transition towards climate neutrality and to reducing its negative impact on the environment, among others by developing projects connected with renewable energy, transportation or local government infrastructure. Direct operational activities of the PFR Corporate Group, which involve mainly use of office space or exploitation of car fleet, do not constitute a significant source of emissions. In spite of this, the PFR Corporate Group makes efforts to minimize its negative impact on climate and the environment. Its priority is to reduce emissions related to energy production, for example by increasing the percentage of electricity from renewable sources in total consumption.

The measures taken by the PFR Corporate Group which may be classified as connected with reducing emissions include replacement of fleet cars with hybrid vehicles or increasing the percentage of electricity from renewable sources in total consumption. Within measures reducing negative impact on the environment, the Corporate Group also takes actions connected with reducing consumption of office supplies (e.g. the internal campaign "Paperless") and introducing a system of electronic document circulation.

### 2.1. Use of fuels, energy and water

[GRI 302-1] [GRI 303-5]

Total energy consumption by PFR consists of fuels from non-renewable sources and purchased electricity. In 2022, total energy consumption was 1846 GJ. Consumption of heat has been excluded because complete data are not available.

#### Fuel consumption

In its activities, PFR consumes fuels (gasoline and diesel) for transportation by vehicles. In 2022, total consumption of fuel amounted to 1422 GJ.

Fuel type	2022		2021		Change in 2022 vs. 2021
	L	GJ	L	GJ	
Gasoline	23,693	756	24,357	777	-3%
Diesel fuel	18,885	666	15,370	542	+23%
<b>Total fuel consumption</b>	<b>23,693</b>	<b>1,422</b>	<b>39,727</b>	<b>1,319</b>	<b>+8%</b>

The conversion factor and the calorific value applied based on the KOBIZE database.

#### Energy consumption

In 2022, PFR consumed in total 424 GJ of electricity purchased from third parties. Pursuant to an agreement signed in 2021, 100% of the electricity consumed in 2022 came from renewable sources.

Type of energy	2022		2021		Change in 2022 vs. 2021
	kWh	GJ	kWh	GJ	
Electricity purchased	117,765	424	111,918	403	+0.3%

#### Use of water

In 2021, PFR consumed in total 340 thousand m<sup>3</sup> of water in office buildings. The increased water consumption is caused by the return of some employees to office work after the period of the COVID-19 pandemic.

	2022		2021		Change in 2022 vs. 2021
	m <sup>3</sup>		m <sup>3</sup>		
Use of water	340,000		172,000		+98%

### 2.2. Scope 1 and 2 GHG emissions

The PFR Corporate Group plans to perform a calculation of Scope 1 and 2 greenhouse gas emissions in 2023 as part of implementing the recommendations arising in the project as referred to on page 90.

## 3. ACTIVITY OF THE PFR CORPORATE GROUP FROM THE PERSPECTIVE OF EU ENVIRONMENTAL TAXONOMY

### 3.1. Legal requirements regarding the disclosure of key performance indicators

Pursuant to Article 8 sec. 1 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereinafter "Regulation 2020/852"), the PFR Corporate Group has been obligated to disclose information on activities qualifying for the Taxonomy. In light of Article 1 of Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation (hereinafter "Regulation 2021/2178"), PFR does not carry out financial activities based on the approval of a competent authority and is therefore a non-financial undertaking. Therefore, pursuant to Article 2 and Article 10(4) of Regulation 2021/2178, in connection with Article 8, PFR as a parent company, is obligated to disclose in a consolidated statement of non-financial information key performance indicators, including all accompanying information, which are to be disclosed based on Annexes I and II to Regulation 2021/2178. The description of business activities qualifying for the Taxonomy system is provided in Com-

1 Regulation 2020/852, Technical Screening Criteria and Regulation 2021/2178, hereinafter referred to as the "Taxonomy".



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

The PFR Corporate Group includes PFR Towarzystwo Funduszy Inwestycyjnych, which operates under an authorization of the Polish Financial Supervision Authority, however in light of Regulation 2021/2178 the fact that the subsidiary carries out financial activities, namely asset management (as defined in Regulation 2021/2178) does not lead to PFR being qualified as a financial entity. According to Annex I to Regulation 2021/2178, non-financial companies present indicators regarding turnover, CapEx and OpEx for activities that qualify for the Taxonomy. In contrast, financial entities managing assets present the percentage of investments eligible for the Taxonomy, based on the percentage of the Taxonomy-eligible business activities of the companies, in which the investments were made. PFR, as a non-financial company, is required to apply Annex I of Regulation 2021/2178, which determines the nature of the disclosures in the form of the key indicators regarding turnover, CapEx and OpEx. For the turnover indicator, the revenue generated by the activity qualifying for the Taxonomy must be reported, taking into account the revenue recognized in accordance with the accounting standards applied. CapEx are determined on the basis of capital expenditures, which include additions to property, plant and equipment, intangible assets and right-of-use asset, which are accounted for in accordance with the applicable accounting standards. OpEx are determined on the basis of direct, non-capitalized expenses related to research and development, building renovation activities, short-term leases, maintenance and repairs and any other direct expenses related to the day-to-day operation of property, plant and equipment.

### **3.2. Review of PFR Corporate Group's activities in terms of eligibility for the Taxonomy**

Taxonomy-eligible activities are defined by the Technical Screening Criteria. In order to determine whether the activities of the PFR Corporate Group are Taxonomy-eligible, the activities were reviewed again in 2023 using the description provided in the Technical Screening Criteria and, in addition, NACE codes. Since the Taxonomy regulations do not provide any solutions applicable to a corporate group where the parent company does not carry out financial activities based on an approval of a competent body, but its subsidiary does

not carry out activities of a financial nature (based on an appropriate permit), PFR as a reporting entity according to the principles concerning non-financial entities could not include investment activities performed through TFI in the review. It should be added that, in order to qualify activities of financial entities, the approach profiled for such activities in Annex III of Regulation 2021/2178 should be used, while the PFR Corporate Group is required to apply the approach in Annex I. After reviewing its business activities in accordance with the rules applicable to non-financial companies, the PFR Corporate Group identified activities that qualify for the Taxonomy according to Annex I of the Technical Screening Criteria. The identified activities include data processing, hosting, computer programming and consultancy activities or education and innovation development. The percentage of turnover from products or services related to Taxonomy-eligible business activities was 0.24% in 2022. The percentage of capital expenditures from products or services related to Taxonomy-eligible business activities was nearly 31% in 2022. These activities were mainly computer programming and consultancy, performed to a large extent by PFR Operacje. The percentage of operating expenditures from products or services related to Taxonomy-eligible business activities was nearly 5% in 2022 and was also associated for the most part with the activity of PFR Operacje.

The PFR Corporate Group did not identify Taxonomy-aligned environmentally sustainable activities. This does not mean that the Group does not conduct any activities that have a positive impact on the environment and contribute to the mitigation of climate change. However since investment activities cannot be considered using indicators dedicated to non-financial companies, the required disclosures for activities qualifying for the Taxonomy cannot reflect the environmental performance of the entities, in which investments have been made via investment funds.

Due to ongoing legislative work on expanding the list of qualifying activities, particularly in the area of other environmental objectives, other activities undertaken by the PFR Corporate Group may qualify for the Taxonomy in the future. Moreover, the scope of the disclosures may also be affected by changes in applicable legal acts or by interpretations issued by the European Commission.

In future reporting periods, PFR will consider making voluntary disclosures, in particular regarding its investments made through investment funds and joint ventures, to the extent that it is permitted by professional secrecy regulations under the Act of 27 May 2004 on Investment Funds and Management of Alternative Investment Fund.



## The percentage of turnover from products or services related to Taxonomy-aligned business activities

Business Activity (1)	Code(s) (2)	Turnover (absolute value) (3)	Part of turnover (4)	Criteria for substantial contribution						Criteria related to the "causing no significant harm" principle						Percentage of Taxonomy-aligned turnover, 2022 (18)	Percentage of Taxonomy-aligned turnover, 2021 (19)	Category (enabling activities) (20)	Category (transitional activities) (21)	
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)					Minimum Safeguards (17)
		PLN	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T

**A. TAXONOMY-ELIGIBLE ACTIVITIES**

## A.1. Types of environmentally sustainable activities (Taxonomy-aligned)

Turnover from environmentally sustainable activities (Taxonomy-aligned) (A.1)	n/a	0	0	0	0	0	0	0	0	0	n/a	n/a	n/a	n/a	n/a	n/a	0	0	n/a	n/a
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## A.2. Activities that are Taxonomy-eligible but not environmentally sustainable (Taxonomy non-aligned activities)

Data processing, hosting and related activities	J63.11	0	0																		
Computer programming, consultancy and related activities	J62	0	0																		
Aid for market research, development and innovation	M71.12	613,926	0.14%																		
Education	P85	440,779	0.10%																		
Turnover from activities that are Taxonomy-eligible but not environmentally sustainable (Taxonomy non-aligned) (A.2)		1,054,704	0.24%																		
<b>Total (A.1 + A.2)</b>		<b>1,054,704</b>	<b>0.24%</b>																		

**B. TAXONOMY-NON-ELIGIBLE ACTIVITIES**

Turnover from Taxonomy-non-eligible activities (B)	436,573,027	99.76%
Total (A + B)	<b>437,627,731</b>	<b>100%</b>


**The percentage of capital expenditures from products or services related to Taxonomy-aligned business activities**

Business Activity (1)	Code(s) (2)	Capital expenditures (absolute value) (3)	Part of capital expenditures (4)	Criteria for substantial contribution						Criteria related to the "causing no significant harm" principle										
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Safeguards (17)	Percentage of Taxonomy-aligned capital expenditures, 2022 (18)	Percentage of Taxonomy-aligned capital expenditures, 2021 (19)	Category (enabling activities) (20)	Category (transitional activities) (21)
		PLN	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T

**A. TAXONOMY-ELIGIBLE ACTIVITIES**
**A.1. Types of environmentally sustainable activities (Taxonomy-aligned)**

<b>Capital expenditures</b> concerning environmentally sustainable activities ( <b>Taxonomy-aligned</b> ) (A.1)	n/a	0	0	0	0	0	0	0	0	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0	0	n/a	n/a
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**A.2. Activities that are Taxonomy-eligible but not environmentally sustainable (Taxonomy non-aligned activities)**

Data processing, hosting and related activities	J63.11	95,660	1.47%																		
Computer programming, consultancy and related activities	J62	1,625,382	24.91%																		
Aid for market research, development and innovation	M71.12	288,000	4.41%																		
Education	P85	0	0.00%																		
<b>Capital expenditures</b> related to activities that are Taxonomy-eligible but not environmentally sustainable (Taxonomy non-aligned activities) (A.2)		2,009,042	30.79%																		
<b>Total (A.1 + A.2)</b>		<b>2,009,042</b>	<b>30.79%</b>																		

**B. TAXONOMY-NON-ELIGIBLE ACTIVITIES**

<b>Capital expenditures</b> related to <b>Taxonomy-non-eligible</b> activities (B)		4,515,102	69.21%
<b>Total (A + B)</b>		<b>6,524,145</b>	<b>100%</b>


**The percentage of capital expenditures from products or services related to Taxonomy-aligned business activities**

Business Activity (1)	Code(s) (2)	Operating expenditures (absolute value) (3)	Part of operating expenditures (4)	Criteria for substantial contribution						Criteria related to the "causing no significant harm" principle										
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum Safeguards (17)	Percentage of Taxonomy-aligned operating expenditures, 2022 (18)	Percentage of Taxonomy-aligned operating expenditures, 2021 (19)	Category (enabling activities) (20)	Category (transitional activities) (21)
		PLN	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T

**A. TAXONOMY-ELIGIBLE ACTIVITIES**
**A.1. Types of environmentally sustainable activities (Taxonomy-aligned)**

<b>Operating expenditures</b> concerning environmentally sustainable activities ( <b>Taxonomy-aligned</b> ) (A.1)	n/a	0	0	0	0	0	0	0	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0	0	n/a	n/a
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**A.2. Activities that are Taxonomy-eligible but not environmentally sustainable (Taxonomy non-aligned activities)**

Data processing, hosting and related activities	J63.11	287,708	0.10%																	
Computer programming, consultancy and related activities	J62	12,614,635	4.33%																	
Aid for market research, development and innovation	M71.12	145,472	0.05%																	
Education	P85	1,329,375	0.46%																	
<b>Operating expenditures</b> related to activities that are Taxonomy-eligible but not environmentally sustainable (Taxonomy non-aligned) (A.2)		14,377,190	4.94%																	
<b>Total (A.1 + A.2)</b>		<b>14,377,190</b>	<b>4.94%</b>																	

**B. TAXONOMY-NON-ELIGIBLE ACTIVITIES**

<b>Operating expenditures</b> related to <b>Taxonomy-non-eligible</b> activities (B)		276,887,565	95.06%
<b>Total (A + B)</b>		<b>291,264,755</b>	<b>100%</b>



# Social Area (S)

## 1. PRO-SOCIAL INVESTMENT ACTIVITY

### 1.1. The understanding of pro-social investments adopted by the PFR Corporate Group

PFR defines pro-social investments as projects that have a positive impact on specific social groups<sup>2</sup> and may contribute to alleviating social problems. Using the guidelines described in *Social Bond Principles – Voluntary Process Guidelines for Issuing Social Bonds*, PFR qualifies pro-social investments as those connected, among others, with access to affordable basic infrastructure and services, affordable housing, employment generation including through the potential effect of SME financing, as well as socioeconomic advancement and empowerment.

### 1.2. Residential investments

PFR Nieruchomości, acting under commission from PFR TFI, offers over 5.5 thousand apartments for rent under two funds, i.e. the Rental Housing Fund [Fundusz Mieszkań na Wynajem FIZ AN] and the Housing Development Fund [Fundusz Mieszkań dla Rozwoju FIZ AN]. The Company is a pioneer and remains the leader of the institutional rent market in Poland.

#### Rental Housing Fund

Established in 2013, the Rental Housing Fund (FSMnW) is the first entity in Poland to offer a stable, long-term, institutional rent of high-standard apartments in attractive locations. The rental is offered on commercial terms.

The first investment project marketed by the Fund in 2015 was 124 apartments at ul. Saperska in Poznań. Today, tenants have 2048 apartments in 17 locations at their disposal. The Rental Housing Fund's projects are executed mainly in the largest Polish cities – Warsaw, Kraków, Wrocław, Gdańsk, Poznań, Katowice and Łódź.

In 2022, two further investment projects started to be built – in Łódź and Poznań. In total, almost 400 residential units will be built there.

The offer of FSMnW includes finished, "turn-key" apartments with fully equipped kitchens and bathrooms, in buildings with garages and storerooms. Round-the-clock support is available in case of failures or faults in the Fund's real properties.

The rental offering is addressed to both individuals and businesses. It is used by those who wish to remain mobile for professional purposes and by posted workers. Based on our tenants' analysis, we have noticed that our offer is used mainly by one-person households (51%) and couples (34%). In terms of age, the most numerous group is tenants aged 26-35 (50%). Apartments are also rented by young people under 26 years of age (20%) and also people aged 36-45 (likewise 20%). The tenants most often enter into agreements for 24 months and frequently (56%) choose apartments with furniture. What is interesting, most of them come from a different city or town from the place where the apartment rented from the Fund is located (56%).

At the end of 2022, the occupancy rate exceeded 97% of all units offered.

#### Housing Sector Development Fund

Established in 2017, the Housing Sector Development Fund invests in real properties and is part of the market side of the governmental housing program. The Fund's primary objective is to build apartments for rent at accessible cost, also with the purchase option at the end of the rental. The investment projects – carried out on an arm's length basis – are developed mainly in cooperation with local governments, but also with State Treasury companies and private entities. The rent offered in the investment projects of the Housing Development Fund is lower by approx. 20% than the market rent.

The investments made by the Housing Development Fund fit into the measures aiding the implementation of the Sustainable Development Strategy, the aim of which is to create conditions for residents of Poland to increase their income with the simultaneous enhancement of cohesion in the social, economic and territorial dimensions. The Fund's development might contribute to accelerating the process of pursuing the European standard of availability of apartments for rent. Moreover, it will make the market offer adapt better to social expectations, as it will be addressed not only to the wealthiest but also to less wealthy, yet professionally active, Poles.

The rental offer within the Housing Development Fund is addressed primarily to those who are too wealthy to be eligible for assisted, that is social and council, housing and at the same time do not have the creditworthiness required for purchasing an apartment on their own. Our tenants' analysis shows that the most numerous group is families with children (44%). It is interesting that in Radom, the percentage is 96%, which is much higher than in other locations. Definitely the most numerous group is tenants aged 26-35 (47%) and those aged 36-45 (30%). In contrast to FSMnW, most tenants rent an apartment in a city or town they come from (65%).

The Housing Sector Development Fund's investment projects are constructed all over Poland, but the preferred locations are towns and cities with the existing market of apartments for rent. The first project on the market side of the government housing program was 186 apartments in Biała Podlaska, which were delivered to tenants in May 2018. Today, the Fund has nearly three and a half thousand apartments with occupancy permits – occupied or undergoing the commercialization procedure – in Biała Podlaska, Jarocin, Kępno, Kępice, Katowice, Kraków, Wałbrzych, Gdynia, Dębica, Świdnik, Mińsk Mazowiecki, Łowicz, Oława, Toruń, Radom, Września and Zamość. More than 1.9 thousand apartments are being constructed in locations such as: Katowice (ul. Korczaka), Wrocław (ul. Kolejowa), Sianów, Zgorzelec or Nakło nad Notecią. At year-end, the commercialization level of the projects was 96%.

### 1.3. Employee Capital Plans

#### Implementation of the Employee Capital Plan (ECP) program

Employee Capital Plan (ECP) is a voluntary private system of long-term savings for employees. It is created together by the employee, the employer and the state. The program was established by the Act of 4 October 2018 on Employee Capital Plans (Journal of Laws of 2020, Item 1342, as amended), which came into effect on 1 January 2019. PFR and its subsidiary, i.e. PFR Portal PPK, established pursuant to Article 77 of the ECP Act, are responsible for implement-

2 A definition of target group may be different depending on the local context. In some cases, it may be applied to the total population.



ing and keeping accounts of the entire program. The operation of the ECP is overseen by the Polish Financial Supervision Authority.

### Rules and origin of the program

An employer cooperates with a trade union operating in its company (or with employee representatives if there is no trade union) to select a financial institution to open private ECP accounts for employees. The employer establishes Employee Capital Plans by signing an ECP management agreement with the financial institution and then signs an ECP operation agreement on behalf and for the employees. Conclusion of an ECP operation agreement for an employee makes him/her a member of the program. The operation of Employee Capital Plans is offered by 17 market management entities which, in order to be able to manage participants' savings, must satisfy the requirements following from the ECP Act on a continuous basis.

An official list of institutions offering the management of ECPs and their offer is available on the [mojeppk.pl](http://mojeppk.pl) portal. The funds gathered in ECPs are invested in special funds, which adapt the investment policy to the member's age (so called target date funds). The costs of managing the savings accumulated in Employee Capital Plan schemes are lower than in the case of other investment products. Employee Capital Plan accounts are fed by contributions financed by the employee and the employer and subsidies from the state (welcome payment and annual subsidies). The payments from employees and employers are calculated as a percentage of the salary amount of an ECP member, while the state transfers amounts specified in the ECP Act to an ECP account irrespective of the employee's income. The employer and the employee finance basic payments and, if they so decide, additional payments.

The key advantages of the program are as follows:

- membership in Employee Capital Plans is voluntary – an employee may withdraw from the ECP at any time or return to it;
- an Employee Capital Plan is very advantageous for an employee, because both the employer and the state contribute to his or her private savings;
- an ECP ensures regular and convenient way of saving – the payments to the program are calculated, collected and paid by the employer;
- an employee may use the funds accumulated in an ECP at any time – even though the funds are ultimately designated for disbursement after the age of 60, a member may withdraw the funds without stating the reason;
- an employee may also withdraw the funds in so-called “special life situations” (a serious illness or payment own contribution to a mortgage loan);
- an employee who receives remuneration that is no more than 1.2 times the minimum wage, may reduce the basic payment even to 0.5% of their salary.

Employee Capital Plans have been developed to increase financial security of Poles by multiplying their private savings, and also to affect the development of the economy, businesses and jobs.

### Summary of progress and work on the program in 2022

In 2022, the Act of 28 April 2022 on the Principles of the Performance of Tasks Financed from EU Funds in the 2021-2027 Financial Perspective came into force (Journal of Laws of 2022, Item

1079), introducing, among other things, amendments to the ECP Act. The amendments took into consideration, among others, the most important postulates of the participants of the ECP market.

In 2022, the Ministry of Economic Development and Technology, in cooperation with PFR Portal PPK, reviewed the functioning of the ECP Act. As a result, a document was created under the title “Review of Employee Capital Plans. Information of the Council of Ministers for the Sejm of the Republic of Poland on the effects of the operation of the Act of 4 October 2018 on Employee Capital Plans (Journal of Laws of 2020, Item 1342, as amended) with suggested amendments to the Act.” On 2 January 2023, the document was handed over to the Sejm for review (Sejm paper no. 2921).

In 2022, the company continued cyclic workshop meetings with representatives of, among others, the Polish Financial Supervision Authority, the Ministry of Finance, the Ministry of Economic Development and Technology and PFR, aimed to work out joint positions on the scope of application of the ECP Act, which are important for the market.

In the second half of 2022, PFR Portal PPK was involved in preparation of employers and financial institutions for the so called automatic resubscription to an ECP, which will take place in March 2023. Within these activities, PFR Portal PPK prepared information and training materials and started training courses on the topic – both online and on site.

By the end of 2022, PFR Portal PPK delivered nearly 7,400 training courses in ECPs for 220 thousand people. In 2022 alone, 1,700 training courses in ECPs (online and on site) were delivered to over 50 thousand people.

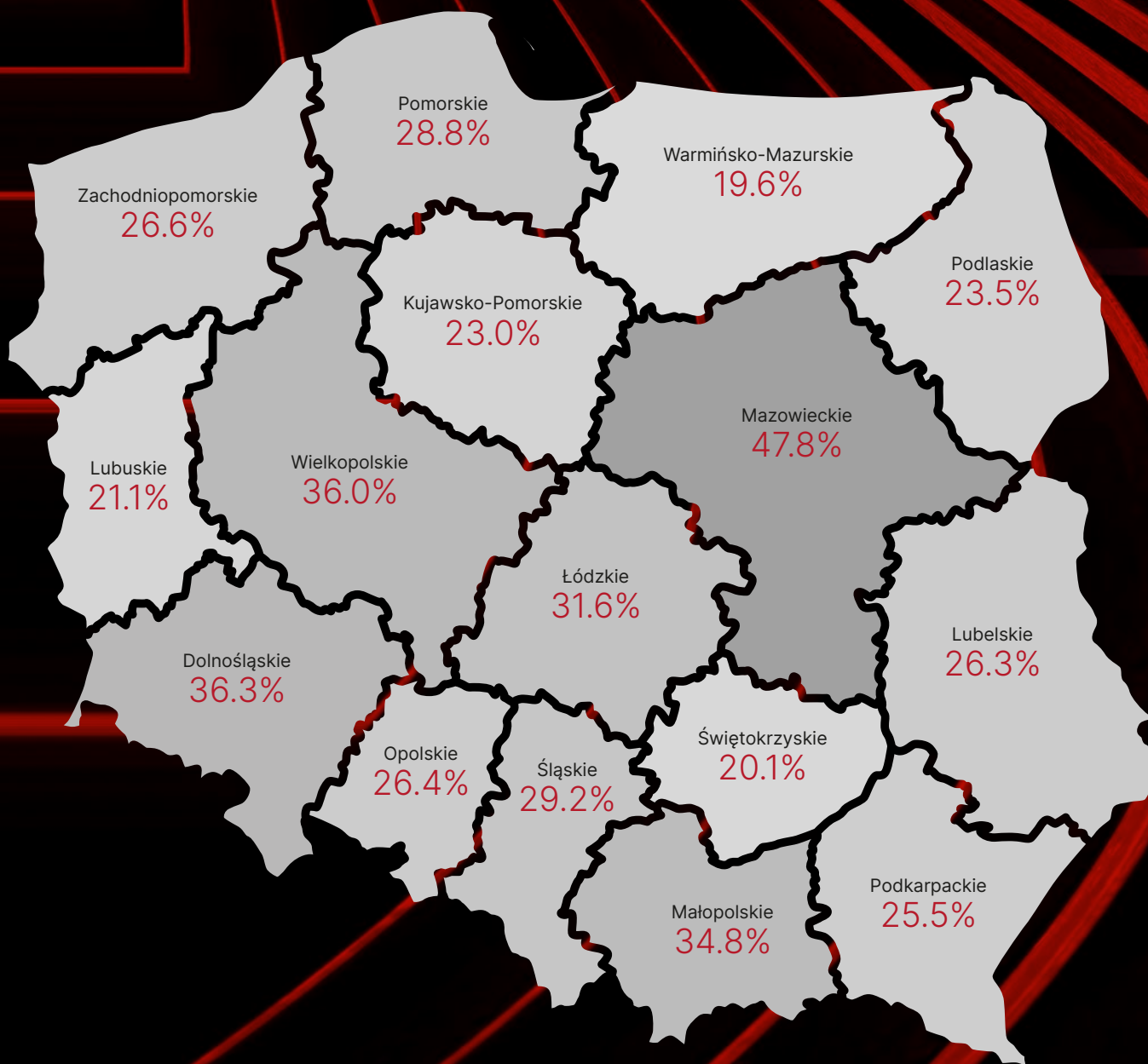
The specialist team of PFR Portal PPK provided almost 7.3 thousand answers to inquiries and letters from market participants (including more than 1.3 thousand in 2022), prepared 732 publications (including 157 in 2022) comprising: articles, newsletters, ECP guides and 770 other subject-matter materials concerning ECPs (including 170 in 2022). PFR Portal PPK representatives took part in 153 meetings (including 34 in 2022) with the Ministry of Finance and the Polish Financial Supervision Authority to clarify doubts about ECPs (13 new legal issues were published in 2022).

The [mojeppk.pl](http://mojeppk.pl) portal recorded 22.83 million views and 7.71 million users in 2022. PFR Portal PPK launched a feature enabling provision of information about the value of funds accumulated in ECP accounts to ECP members on the [mojeppk.pl](http://mojeppk.pl) portal as part of the obligation stipulated in Article 77 sec. 3 item 4 of the ECP Act. It is possible to log in the My ECP service using the [login.gov.pl](http://login.gov.pl) website – the feature can be found at [www.rachunek.mojeppk.pl](http://www.rachunek.mojeppk.pl). During the one-year operation of the My ECP service, the number of registered users was 158.5 thousand, while the number of users' logs to the [rachunek.mojeppk.pl](http://rachunek.mojeppk.pl) was 434.51 thousand.

PFR Portal PPK performed an information campaign on the radio to promote Employee Capital Plans and also engaged in information and educational activities by organizing training, webinars, conferences as well as online communication activities in Polish nationwide, regional and industry media.

In 2022, the company started cooperation with radio stations: Radio Warszawa and Polish Radio, Regional Station in Warsaw “Radio dla Ciebie”, in order to perform an information and advertising campaign about Employee Capital Plans.

## ECP: Participation by voivodship



Radio Warszawa is the oldest Catholic radio station in Poland and its weekly audience fluctuates around 201 thousand listeners. The special profile of the radio station's listener made it possible to reach with the information to persons in the productive age, educated, active socially and professionally, aged 30–55 years. On the other hand, the "Radio dla Ciebie" station technologically covers the area of the entire Voivodeship of Mazovia and parts of the Voivodeships of Podlaskia, Łódź and Cuiavia and Pomerania, which makes up 5 million of potential listeners. The daily reach is 94 thousand listeners. The decision to start promotional activities on the RDC radio was made to strengthen and extend the scope and reach a new group of audience.

In radio spots and auditions, the company's representatives touched on topics connected with rules and benefits of membership in ECP, promotion of the [mojeppk.pl](http://mojeppk.pl) portal, which aims to inform the members about the value of funds collected by them in the program, and disseminated the information about the automatic resubscription planned for 2023.

In 2022, PFR Portal PPK organized another two galas of the "Responsible and Friendly Employer" program. The goal of the program is to grant distinctions to entrepreneurs who showed particularly active involvement in the implementation of Employee Capital Plans in their companies, using ECPs as an element of employee benefit system and achieving a high number of members. Once again, candidates for the distinction were named by financial institutions managing ECP accounts.

In the 4th and 5th editions, 20 employers were granted the special award of "Responsible and Friendly Employer" for contribution to creating a friendly work environment and building financial security for employees. The awarded employers come from various groups of companies: from large corporations, through public institutions, to small family enterprises. In total, already 54 winners have received distinctions since 2019.

In 2022, PFR Portal PPK also prepared and broadcast publications which increased knowledge of Employee Capital Plans and informed of the educational activity of PFR Portal PPK – altogether 234 publications in the press and online. Publications were published in Polish nationwide, regional and industry media.

Employee Capital Plans in numbers (as at 31 December 2022):

- result of ECP funds since the beginning of their existence: PLN 430.73 million,
- NAV collected in ECP target date funds: PLN 11.96 billion,
- companies managing ECPs: 299 thousand,
- people saving in ECPs: 2.52 million.

#### Contributions financed by the employer

An employer is obliged to finance basic contributions to the ECP in the amount of 1.5% of the employee's salary. It may also decide to finance an additional contribution in the amount not exceeding 2.5% of the salary.

Contributions financed by the employer are not added to the base for calculating social insurance contributions.

#### Contributions financed by the employee

An employee transfers 2% of his or her salary to ECP every month. If his or her monthly remuneration does not exceed 120% of the minimum wage, they may use the reduction of the basic payment even

to 0.5%. An employee may also decide to finance an additional contribution in the amount not exceeding 2% of the salary.

#### Welcome payment

Welcome payments in the amount of PLN 250 are received by the employees who have participated in an Employee Capital Plan for at least three full calendar months and ECP contributions have been paid for those months. An ECP participant may receive the welcome payment once.

#### Annual subsidy

The annual subsidy of PLN 240 is received by the ECP participants who accumulated contributions to their account during the year of at least 3.5% of the six times the minimum salary. The participants who reduce their basic contribution must collect at least 25% of the above amount. It should be noted that the amount of contributions to the Employee Capital Plan, which is a pre-condition for receiving the annual subsidy, is not reduced if an ECP participant starts saving during the year. A participant may receive only one annual subsidy for each year.

#### Activity of the designated institution

In the ECP system, PFR TFI serves as a designated financial institution. The Management Company's duty resulting from the ECP Act is to ensure continuity of savings management within an ECP if the operation of the program is no longer continued by the institution managing it so far and to ensure the possibility of entering into a management agreement by any entity which is an employer. The activity of PFR TFI as a designated institution with strictly defined tasks is one of the systemic solutions ensuring safety and protection of funds collected in the program.

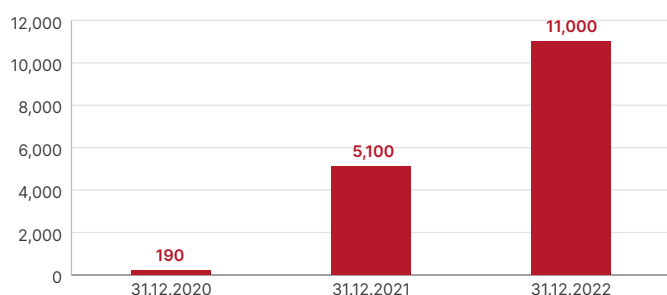
Performing its statutory duties, in September 2022, PFR TFI took over management of a target date fund (BPS Emerytura PPK SFIO) from BPS TFI, which was deleted from the ECP Records by a decision of the Polish Financial Supervision Authority (KNF). It has been the first operations of such type in the Polish market. Due to cooperation among PFR TFI, BPS TFI and KNF as well as transfer agents, the process of handing over the management ran in accordance with the schedule and did not require taking any actions from employers and ECP participants. PFR TFI, having taken over the management, invested collected funds, published valuations, settled disbursements and followed instructions. All the agreements – both management agreements and ones for operating an ECP remained in force. Employers and ECP participants were informed on an ongoing basis on the process, and the team of PFR TFI experts was at their disposal, providing comprehensive support.

After taking over the management, PFR TFI started preparations to merge subfunds of the taken over fund with subfunds spun off within PFR PPK SFIO managed by the Management Company. Until





Number of ECP clients served by PFR TFI



the date of the merger, in the three-month temporary period, the Management Company managed two target date funds, cooperating simultaneously with contractors of two funds. The merger involved performing the process of combining assets of subfunds of BPS Emerytura PPK SFIO with assets of subfunds of PFR PPK SFIO, migrating ECP accounts to a new transfer agent, setting up new records and changing service systems for employers and ECP participants. The subfunds were successfully merged in December 2022, and on 16 January 2023, the fund taken over was removed from the Register of Investment Funds. By this, a complex process of taking over the management and merging subfunds, which presented enormous organizational, operational and legal challenges, ended with a success. Due to the merger of subfunds, employers obtained access to a modern ECP system, allowing for full service of the program, process automation and integration with HR and payroll systems. On the other hand, participants may use IAT FI, a comfortable online service, owing to which they may at any time check the balance of their account and give instructions. With taking over the management of the fund, PFR TFI started to handle 1600 employers.

In 2022, PFR TFI executed over 4000 ECP management agreements. For the most part, those were agreements with employers that did not enter into management agreements by the dates provided for in the laws and received summons about it from PFR as well as entities for which, because of the type of activity or technical conditions, other financial institutions refused to execute agreements or terminated the agreements for business reasons.

The crucial aspect in the context of Employee Capital Plans is fund management performance. The year 2022 was challenging on global markets. After the pandemic crisis, the overheated economy faced consequences of the war which is special – it is waged in Europe and the response from the European Union and the US and other NATO countries was immediate. The imposed sanctions are felt acutely by Russia but also, unfortunately, by citizens of the countries which had imposed the sanctions. A significant reduction in trade with Russia resulted in higher prices for many services and products, especially energy resources. This, in effect, exacerbated and accelerated the inflationary processes that followed the fiscal and monetary tools used to combat the economic effects of the COVID-19 pandemic. The imbalances that emerged in the world economy with negative, zero or near-zero nominal interest rates and a monetary base increased on an unprecedented scale were fully revealed by the outbreak of war. In such uncertain economic times, the correlation between asset classes is becoming more and more stronger. Prices of almost all asset classes fell.

The management performance achieved by PFR TFI exceeded the market average, although in such a difficult environment, it was impossible to avoid falls. 8 out of 9 subfunds were among the top three best subfunds in their groups compared to the competition.

Only a target date subfund 2065 found itself outside the top podium, placed on a very good, 5th position among all the 18 subfunds in its group. The effectiveness of the ECP fund management by PFR TFI was appreciated by the market, which is confirmed by the prestigious award “Bulls and Bears” granted in March 2022 by Parkiet, a newspaper of the Stock Exchange and Investors, in the category “ECP of the Year” for results achieved in 2021. The key for the achievement of good results was skills, knowledge and experience of all the employees of the Fund and Asset Management Department. The performed scenario was built on the basis of the macro-economic environment.

### ECP IT system

In the ECP project, the most important works done in this year focused on adjusting the IT system to amendments to laws. At the beginning of the year, jointly with PFR Portal PPK, a new service was launched on the mojeppk.pl website making it possible for ECP participants to view their accounts. After the outbreak of war in Ukraine, the system was adjusted to the Act of 13 April 2022 on Special Solutions for Counteracting Support for Aggression against Ukraine and for Enhancing National Security (Journal of Laws of 2022, Item 835), imposing sanctions on citizens of the Russian Federation and Belarus. In the second half of the year, a modification was implemented allowing for handling complaints of customers who reported lack of annual subsidy from the state budget. Another large challenge was to adjust the method of settlement of Entities Managing Financial Institutions for using Records of ECPs by changing the settlement basis from the number of accounts to net asset value (NAV).

Another amendment to law imposed on PFR the duty to monitor participation of employers exempt from ECP in an Employee Pension Plan program A new electronic reporting form was developed, based on modern methods, and made available to obligated employers. In the fourth quarter of 2022, a large campaign was carried out with summons to employers to enter into a Management Agreement – in agreement with the Social Insurance Company (ZUS), over 130 thousand dispatches were sent in electronic form via the PUE ZUS system. Employers were able to fill out the form electronically and send their declarations to PFR. Furthermore, the ECP Records actively supported changes and transformations in the market of financial institutions operating ECPs.

### Rates of return for ECP sub-funds in 2022

Defined date	PFR TFI	Average for the group	Position in the group
2025	-3.5%	-5.9%	3/18
2030	-6.0%	-8.9%	1/18
2035	-7.7%	-11.2%	1/18
2040	-9.2%	-11.6%	3/18
2045	-10.2%	-13.2%	2/18
2050	-10.8%	-13.4%	3/18
2055	-10.6%	-13.2%	3/18
2060	-10.1%	-13.3%	3/18
2065	-8.0%	-10.3%	5/18

Performance from 30 December 2021 to 30 December 2022

## 1.4. Case studies of selected pro-social investments

[GRI 203-2]

Social inclusion, equalization of inequalities, ensuring good quality of life and well-being of regions that are less industrialized and have higher unemployment rates are the social goals, to which the following investments may contribute. We are presenting the most important ones.



**1. Investments carried out through the Rental Housing Fund and Housing Sector Development Fund** – planning, construction and management of apartments in large agglomerations and smaller towns where tenants may ultimately purchase the apartments.

- Satisfying the residential needs and improving the living conditions of the residents of Poland.
- Supporting Polish families and younger people.
- Equalization of opportunities – cooperating also with smaller centers and local townships.



**2. Polskie Koleje Linowe and the cable car line project in Bieszczady** – construction of a scenic gondola line.

- Development of tourist and recreation infrastructure meeting the needs of Polish families.
- Job creation in regions with low industrialization levels and higher unemployment rates (PKL Solina offers permanent employment for about 60 persons, while in the high season of 2022, employment corresponding to about 150 FTEs was recorded).



**3. Investment in PFR Life Science** – which made investments, among others in Selvita S.A., Mabion S.A. and Proteon Pharmaceuticals S.A.

- Increasing access to modern drugs and therapies and consequently improving the health of people and animals.
- Reducing consumption of antibiotics in the food production chain, thus ensuring access to healthier food.



**4. Fast Tram in Kraków (KST)** – building, maintenance and financing of a new section of the tram line of the total length of 4.5 km, with a tunnel 0.9 km long in the area of the city of Kraków, performed under the Public and Private Partnership formula.

- A project of strategic importance for the growth of the city, making it possible to increase residents' mobility through the development of public transport.
- The project will affect significantly reduction of greenhouse gas emissions because of replacement of private transport and public transport by buses with trams powered by electricity coming from renewable sources.
- The project will contribute to protecting air quality and will prevent its pollution.



**5. Car park in Warsaw** – an underground multi-storey car park at Plac Powstańców Warszawy with 420 parking spaces.

- Improving the availability of parking space in an important location in Warsaw offering better traffic conditions for residents and contributing to lower emissions of CO<sub>2</sub> and other pollutants, while improving the quality of life for residents of the Śródmieście district.
- The area freed up on the surface can be used for amenities for residents.



**6. Car parks in Łódź** – investments comprising four underground, multi-storey car parks in the city center. The parking project is aligned with the existing city center revitalization strategy pursued by the city.

- Improving accessibility of parking in important parts of the Łódź city center, contributing to better traffic conditions and quality of life for residents.
- Optimizing vehicle traffic in the city, reducing the time to find parking spaces and therefore also combustion and emission of CO<sub>2</sub> and other pollutants into the atmosphere.



**7. Miejski Zakład Gospodarki Komunalnej i Mieszkaniowej Sp. z o.o. in Limanowa** – Acquisition of a 40% stake in Miejski Zakład Gospodarki Komunalnej i Mieszkaniowej Sp. z o.o. from the Town of Limanowa and granting a loan to co-finance the Town's own contribution to, among others, investments in water supply and sewage systems and facilities and construction of a multi-family building.

- The investment made by PFR FIS FIZ AN contributed to the development of the water supply and sewage system in the town of Limanowa, reducing water losses in the network and increasing housing security for the town's residents.



**8. Trasa Łagiewnicka – the Kraków ring road** – the construction project of a road with a rail section in Kraków, approx. 3.5 km in length, which is an important part of Kraków's internal ring road. The investment is carried out in the special-purpose vehicle formula.

- At the end of August 2022, the investment project was put into operation.
- The aim of the investment project is to reduce the intensity of traffic in the very center of Kraków and connection between southern districts of the city.
- Out of the 3.5 km road, as many as 2.1 km is in tunnels, which significantly reduces the nuisance it causes to Kraków residents.
- In addition to the road itself, the project covered the construction of 5.3 km of pedestrian sidewalks, 3.2 km of bicycle paths and 3.1 km of pedestrian/bicycle lanes, which supports personal mobility and bicycle commuting, mitigating climate change.
- Above the tunnels between the Sanctuary of Divine Mercy and the John Paul II Center, a recreational area was created with numerous new trees planted, walking alleys and pedestrian and bicycle paths. Above the tunnel section, which will be built in the vicinity of ul. Falowa, ul. Zbrojarzy and ul. Ludwisarzy streets, recreational and sports areas were built, with sports pitches, playgrounds for children and a skate park, etc.

## 2. CENTRAL RETIREMENT INFORMATION

### Introduction

In 1998, a funded pension scheme was implemented in Poland. Its first elements were the establishment of Open-end Pension Funds and a reform of ZUS (individual accounts with recorded funding). During 25 years of the operation of the new system, many new products appeared and institutions offering them. Those saving in an additional funding system do not have opportunities now to view at one place all their records and accounts used for savings for the fall of life. What remains current is the topic of assessment of benefits resulting from conscious design of one's own individual saving strategy and a decision about the moment of retiring and, as a result, choices made about these issues. A response to the above social demand is the establishment of Central Retirement Information, which will integrate at one place information about a given user's products from three pillars: public (ZUS, KRUS – Agricultural Social Insurance Fund, and OPF – Open-End Pension Funds), employee (ECP, EPP – Employee Pension Plan) and individual (IRA and IRSA).

### Basic assumptions of the new system

A user of the system will have a secure access to the Central Retirement Information through the mObywatel app or gov.pl website after authentication using a Trusted Profile. The most important business objective pursued with the Central Retirement Information system is to provide its users free of charge with complete information on the balance of all retirement accounts and forecasts of future pension benefits in one place without having to go to individual financial institutions. In addition, users will be able to view their savings history and their personal data collected in pension institutions. An important functionality of the designed system is to allow the user to simulate the amount of future pension benefits taking into account the planned age of retirement. Furthermore, the user will be able to

design an individual retirement goal and then the system will suggest how to achieve this goal in an optimum manner. The user will be able to file electronic orders using the CRI system – such as appointing beneficiaries, automatically changing personal data (based on data from PESEL registers, the Register of Personal Identity Cards, the Register of Passport Documents) and contact data. The indirect aim of the system and the functionalities included in it is to promote knowledge about the pension system and arouse interest in additional forms of building retirement savings.

The construction of the CRI will be divided into stages and performed in close cooperation with KPRM Cyfryzacja (Chancellery of the Prime Minister – Digitalization), ZUS, KRUS, PFR, PFR Portal PPK and about 155 financial institutions managing pension products.

Similar systems were developed, among others, in the Netherlands (mijnpensioenoverzicht) and Sweden (minPension), and work on a similar system continue in the United Kingdom (Pensions Dashboards Programme). By setting up the Central Retirement Information system, Poland will be in the vanguard of countries building such solutions.

### Consequences for the society and the state

The most important consequences for the society may be said to include the real facilitation of single-source access to pension information, raising awareness, building interest in additional forms of making savings, and encouraging Poles to embrace the idea of saving and remaining professionally active longer. In turn, facilitation of access to information as a natural direction of development corresponding to the strategy of the state's computerization, increasing the quality and scope of communication between citizens and the state, and raising the level of digital competence of citizens can be counted among the most important effects of the introduction of the CRI system for the state.

### Summary

In the present reality, facilitating access to information is a natural development direction also for a broadly construed pension system. At the same time, this is a matter of exceptional importance, since raising awareness about the prospects of securing a livelihood after the end of working life is in the interest of the society as a whole, not just those involved. A response to the above need is the establishment of the Central Retirement Information.

Activities in 2022:

- the procedure of inter-ministry arrangements, opinion issuing and consultation on the draft law was completed;
- a consensus conference on the draft law was held;
- the draft law was approved by the Standing Committee of the Council of Ministers (SKRM);
- business documentation of the CRI system was prepared;
- the concept of model screens for the future CRI app was developed;

Planned activities for 2023:

- completion of the legislative process and adoption of the draft CRI Act;
- selection of the IT contractor within the PPL procedure;
- starting the process of implementing the CRI system.

## 3. PRO-DEVELOPMENT ACTIVITY

The PFR Corporate Group carries out activities supporting innovativeness of the Polish economy, focusing on modern digital and



technological solutions and on entrepreneurship development. The implemented solutions strengthen the infrastructure, the human capital, and protection of the environment. In 2022, the Group implemented projects designed for local governments, state administration and businesses. The solutions dedicated to administration authorities expand their technological potential, boosting efficiency of their operations. The programs for local governments build solutions that

meet the needs of local communities, while benefiting the environment. The development of modern business and technology competences is particularly important for individuals starting their own businesses or introducing changes to the existing operations. For the latter group, there are dedicated programs and manuals offering support in the creation of start-ups, technological transformation or energy transition and development driven by innovation.



## Innovation

**Activities for the development of innovation in local governments** – supporting digital transformation through the “City Coders Hackathon” project.

**2nd edition of the Academy of the Cities of the Future** – this is a strategic support project addressed to representatives of mid-sized towns and cities (with population ranging from 20,000 to 100,000) preparing local government officials to create a city that is attentive, crisis-proof and ready to face new challenges. The topic of the second edition was the green transformation of cities.

**“Climathon for Cities”** – the first hackathon responding to the climate challenge facing Polish cities, organized by PFR and the Ministry of Development Funds and Regional Policy. Four solutions addressing the challenges of four cities: Gniezno, Rybnik, Rzeszów and Wrocław, were selected.

**4th edition of the “PFR School of Pioneers”** – the flagship educational program carried out in cooperation with Allegro. As part of the so-called green edition, which was oriented towards creating solutions for the broadly defined EcoTech sector, three challenge paths were distinguished: sustainable logistics, effective energy generation and conscious consumption.

**Publication of an e-book entitled *How we build start-ups?*** – a manual prepared by the organizers of the “PFR School of Pioneers” in cooperation with its graduates and Allegro as the program partner. The publication contains quotes from significant figures of the world of science and business.

**Companies of Tomorrow Program** – organized jointly by PFR, Google and Operator Chmury Krajowej. The program delivered effective training to a large group of micro, small and medium enterprises interested in online marketing, business and cloud solutions. There were 1898 individual cloud consultations provided to businesses. 78% of the respondents confirmed that their awareness of the capabilities provided by cloud computing was raised and 67% of them declared that they were going to use cloud in their businesses.

**3rd edition of the “PFR Innovation Designers” project** – a cycle of Design Thinking workshops carried out in cooperation with Google, based on the CSI Lab method used for the creation of innovative products. 71 elementary and 48 advanced workshops were carried out. They attracted a total of 2073 participants instructed by 22 trainers. The overall number of applications to the three editions of the program was 5,499.

**Activity of startup.pfr.pl portal** – a website presenting the most interesting areas and enterprises of the Polish ecosystem, which explain the crucial business and technological terms.

## Innovative achievements

- Chełm – the “Waste Management System (SZO)” solution was designed, i.e. an integrated system integrating, at a single location, details originating from the Sanitary Inspection, from the Town Hall and from waste collection companies.
- Stargard – znani-lokalnie.pl, an online platform, which is a site for promoting local business, allowing businesses to present their offering and the town to manage the database of products and services for local business development purposes.
- Świdnik – implementation of the “Resident Mobility Aggregator” software for the Town Hall staff, which records the number of pedestrians, cyclists and cars in a given spot by analyzing town surveillance footage. The software contributes to the efficient development of public infrastructure based on traffic analysis.
- Zduńska Wola – the “Stop Smog” app, which helps residents pick the most economical source of heat. Over the initial six months from its launch, the app was used more than 1,600 times.
- Support for mid-sized towns and cities in the implementation of innovations related to their development.
- Development of skills of local government unit employees, among others through on-line courses.
- The developed applications will support cities and towns in the monitoring of water and disposed waste, analyzing mobility in public transportation, identification of threat related to, among others, smog and flooding and increasing the safety of the active mobility of schoolchildren.
- During the workshops covering almost 90 hours, organized in a three-week cycle, the participants developed modern business and technology skills, while using support provided by mentors and industry experts.
- A publicly available textbook, which explains how to take your first steps on the startup stage and what areas deserve particular attention.
- Training nearly 16,000 companies on e-commerce and cloud solutions.
- Enabling the participating enterprises to increase their revenues, orders, number of customers or to commence new digital projects.
- Recipients were familiarized with the Design Thinking methodology, which supports the creation of innovations through a systematic process featuring successive stages of development of an idea: from the initial idea to preparation and testing of a prototype.
- An offer of four free online courses on the topics of running a business, starting a business and moving the activity to the digital sphere.
- Publication of a free e-book *Start-ups and environment. What are the green solutions created by Polish technology companies?* analyzing the Polish innovation ecosystem in the EcoTech zone.



**Activity of the kursy.pfr.pl portal** – a free knowledge base for businesses and local governments containing courses responding to current needs and challenges of organizations, such as: digitization, energy transition and innovation development. All courses available on the portal may be completed with a certificate issued by PFR. The theoretical knowledge from the courses may be enhanced during practical workshops offered by PFR.

**"Innovation Maturity Survey" Project** – development of an analytical tool in the form of a survey analyzing the innovation maturity level of a company. Within the project, each of the companies taking part in the survey receives an individual advisory report.

### 3.1. Activities for the development of innovation in startups and SMEs

In 2022, PFR continued performance of support programs for SME and conducted a number of its own projects which aimed to educate entrepreneurs, develop a valuable network of contacts and obtain financial support for implementing innovative solutions. The projects were developed with partners from many different industries – from the biggest Polish startups to international corporations.

**"PFR School of Pioneers"**, or PFR's flagship educational program carried out in cooperation with Allegro as a strategic partner. The fifth edition of the program concentrated on seeking innovative solutions from the health-tech and climate-tech industries. In this year's edition, for the first time, scientific teams were also recruited which looked for co-founders in the program. As a result of two-stage recruitment, 50 people qualified for participation in the program. The participants created a total of 16 teams, working intensively on the development of their business concepts.

During the workshops covering almost 90 hours, organized in a three-week cycle, the participants developed modern business and technology skills, while using support provided by mentors and industry experts. The teams presented the devised solutions at the final gala. The best of them received prizes in the total amount of PLN 100 thousand and were granted the opportunity to participate in an international mission to a leading European startup ecosystem. The long-term objective of the project is to build the so-called investment pipeline for PFR Ventures funds. After the five editions held to date, the program effectiveness was confirmed by the support and financing of over PLN 180 million for pioneer businesses.

- Expanding knowledge of businesses and local governments regarding the most current topics, provision of materials and tools to introduce change in a business/local government.

- Support for businesses in the form of a report summarizing an enterprise's innovation maturity level and recommending a development path for the enterprise with future trends for the given industry.
- Regular webinars for interested companies presenting the PFR Group's offer – "Infoweek of the PFR Group".

When a lot of finalists were announced, a historical gender parity among the participants was achieved. Because of simultaneous duties (project, private), some women resigned from the participation. Among the finalists at the final stage, there were 23 women and 27 men.

Edition	I	II	III	IV	V
Percentage of women at the final stage	28	32	42	46	46

In 2022, a pilot edition of the program **"Digital starter kit for enterprises"**, or digital education for micro and small enterprises. In cooperation with partners, i.e. Allegro, Landingi Sp. z o. o. and Facebook, the PFR team prepared online courses which explain basic issues of operation of companies in the Internet. At the first step, PFR selected three local governments: Nysa, Świdnica and Włocławek. Local government representatives acted as guides to encourage local entrepreneurs to take part in the program. At the second step, PFR conducted recruitment during which it selected 150 entrepreneurs from the above cities and towns, who participated in on-site workshops and dedicated online courses. During on-site workshops, entrepreneurs prepared a target persona of their customers and adjusted to it appropriate communication channels. On this basis, entrepreneurs started online training courses, which consisted of four modules. Each module was devoted to a different communication channel on the Internet, i.e. a website, which is a company's business card, social media channels, a business profile in the Google search engine and setting up a sales account on the Allegro portal. The acquired knowledge helped entrepreneurs build new channels to reach customers, due to which they are able to increase the scale of their sales.



Participants of the "PFR School of Pioneers"



Another program performed by the team was the program “**Companies of Tomorrow**” carried out jointly by Google and PFR. The aim of the activities is to develop digital competences of entrepreneurs who focus their operations on online sales, or the so called e-commerce. During the workshop program, entrepreneurs learned, among other things, advanced website analytics techniques, which are of key importance to building effective online sales services. Apart from technical aspects, the training was also about the issue of constructing narration and branding. This year's edition of the program was narrowed down to 500 selected enterprises operating in the Polish e-commerce industry. Selected companies took part in a cycle of three weeks of training. In parallel to training activities, for the selected group of 500 enterprises, Google experts conducted on-site activities at a local level, organizing workshops and consultations in the areas connected with e-commerce. During the on-site meetings, about 4000 entrepreneurs were trained.

A constant element in this area is also the industry portal, **startup.pfr.pl**, where the most important information for innovative entrepreneurs can be found. In addition, the website includes a knowledge base and educational materials on topics connected with an enterprise development. In 2022, the website was visited by 290 thousand unique users, who viewed the website 572 thousand times. The portal furthermore offers a series of e-books and online courses discussing crucial issues from the perspective of entrepreneurs who begin their activity. In 2022, PFR started “Podcast of Pioneers”, a program which features invited guests representing the world of startups and venture capital funds. Also, technological maps are regularly published presenting key Polish solutions from selected areas. All the episodes of the podcast were listened to over 3500 times. The podcast is available on popular streaming platforms.

### 3.2. Activities for the development of innovation in large enterprises

Within the program “**Network of Companies of the Future**”, PFR supported organizations involved in digitalization, innovation development and energy transition by providing knowledge, tools and competences. The point of departure to navigate the offer of the Network of Companies of the Future is the Innovation Maturity Survey for companies. In 2022, the service was used by over 160 companies, and further 50 ones took part in individual consulting meetings. Then the entrepreneurs received educational materials, such as online courses, workshops, technology maps or webinars. Last year, the offer of online courses was broadened to include four new items: “Design Thinking Designers”, “ESG Reporting in Practice”, “Company Automation and Robotization” and “Planning R&D Projects”. This way, the number of users on the **kursy.pfr.pl** platform increased to almost 6000 people and over 1000 of them received certificates of completing PFR courses. It is possible to deepen practical knowledge by participating in commercial workshops. In 2022, the option of workshops was taken advantage of by more than 35 companies (130 people). Around the “Network of Companies of the Future” program, a community of companies appeared, of which over 2500 thousand persons participated in an information event called “PFR Infoweek”, and 3500 people receives a newsletter regularly. The following organizations supporting businesses became partners of the “Network of Companies of the Future” appropriate for the subject matter: the Polish Chamber of Commerce, the Association of Entrepreneurs and Employers, the Business Centre Club and the Initiative of Family Businesses. In 2023, it is assumed that the community will grow further and the offer of workshops will be expanded.

### 3.3. Activities for the development of innovation in local governments

The main task of “PFR for Cities” database is to promote knowledge on the development of smart cities, to increase the number of implementations of innovative solutions in Polish local governments and also to facilitate access to financing such investment projects.

The first months of 2022 were spent by implementing solutions worked out within the “**Climathon for Cities**” – the first hackathon responding to the climate challenge facing Polish cities, organized by PFR and the Ministry of Development Funds and Regional Policy. The event was attended by 30 teams that had about 48 hours to create prototypes of solutions which would respond to climate and environmental problems of four towns or cities selected during the recruitment procedure:

- Gniezno – monitoring of water and discharged sewage,
- Rybnik – analysis of mobility in public transport,
- Rzeszów – mapping climate-related threats,
- Wrocław – increasing safety of the active mobility of schoolchildren.

In April 2022, a new initiative of “PFR for Cities” was launched, addressed to representatives of local governments – “**Club of Cities of the Future**”. Webinars are held every month to discuss examples of implementations of innovations by Polish local governments. The meetings became a space for sharing experience among local government representatives. The meetings were about broadly conceived innovations and use of technologies, and the topic discussed there included analyses of urban data, energy transition, involvement of inhabitants in the city life or robotization of processes in offices. In less than a year, a community of about 800 participants of the meetings was built.

In October 2022, an online platform called “**Exchange of Urban Technologies**” opened. Its aim is to connect local governments with technology suppliers. Due to micro-grants of PLN 50 thousand, Polish townships may test digital products available on the platform even for 12 months. Users may participate in an online course “How to talk to a technological firm? – A model cooperation of local government with business” or fill out a quiz helping to match the right solution. During three months of the operation of the “Exchange of Urban Technologies”, accounts were set up by almost 500 representatives of local government units and over 300 entrepreneurs, and a published catalog presented over 150 digital products. Under two completed recruitment procedures, nearly 200 grant applications were submitted of the total value of almost PLN 8 million.

Project activity was supplemented by the operation of the portal **pfrdlamiast.pl**, where 84 articles and analyses were published. The e-book **Building cities of the future – or how Polish cities implement innovations** collects descriptions of innovative technological solutions implemented in Polish cities. The publication consists of 21 examples of urban innovations in three categories – digitization, energy and mobility, a map of implementations in 19 Polish cities, and comments from experts who regularly support the development of smart cities.

The e-book “**Cities of Challenges 2033**”, is a summary of a foresight workshop with an analysis of the impact of megatrends on the challenges facing Polish cities over a ten-year horizon in the areas of well-being of residents, ecology and savings, and urban planning.

2022  
at [startup.pfr.pl](https://startup.pfr.pl)



A tool allowing for finding the perfect investor



The only map of the ecosystem of innovations generally available on the Polish Internet

3000  
startups

175  
investors

2000  
financing rounds



950,000  
users



9,500  
subscribers to the newsletter



25  
episodes podcasts



over  
180 million  
PLN for participants of the most important of our programs – the PFR School of Pioneers



over  
3,500  
certificates of completion of our free courses



10,000  
viewers of the fanpage of PFR Innowacje



8  
free e-books



## We support the development of companies

Get to know our activities in 2022 in the following areas:  
digitalization | energy transition | development of innovations



### Consulting

over **150**  
prepared reports

over **10**  
subject-matter consultations



### Education

Free-of-charge online courses and the offer of commercial workshops

over **50**  
involved experts

**1047**  
issued certificates

over **6000**  
registered candidates  
for online courses



### Community

**4** events in the cycle  
of PFR InfoWeek

**200**  
tools supporting  
digitalization of companies

over **2500**  
participants of the meetings  
during PFR InfoWeek

over **4000**  
recipients of the newsletter

[bdi@pfr.pl](mailto:bdi@pfr.pl)



#### 4. SUPPORT FOR THE PROCESS OF DIGITALIZATION OF THE POLISH ECONOMY

OChK (the National Cloud Operator) as a company established to ensure access to advanced cloud computing services to Polish companies and public institutions actively supports the digitalization process of the Polish economy. All types of services provided by OChK are currently used by nearly 300 entities, both from the public and private sectors, which are successfully developing their businesses due to cloud computing. These include large corporations, financial market players supervised by the KNF, fast-growing manufacturing, trading and service companies, as well as fast-growing Polish startups. OChK also operates in the government sector at various levels. It provides standardized cloud-based packages for communication and collaboration in hybrid dispersed teams and builds large-scale solutions from scratch.

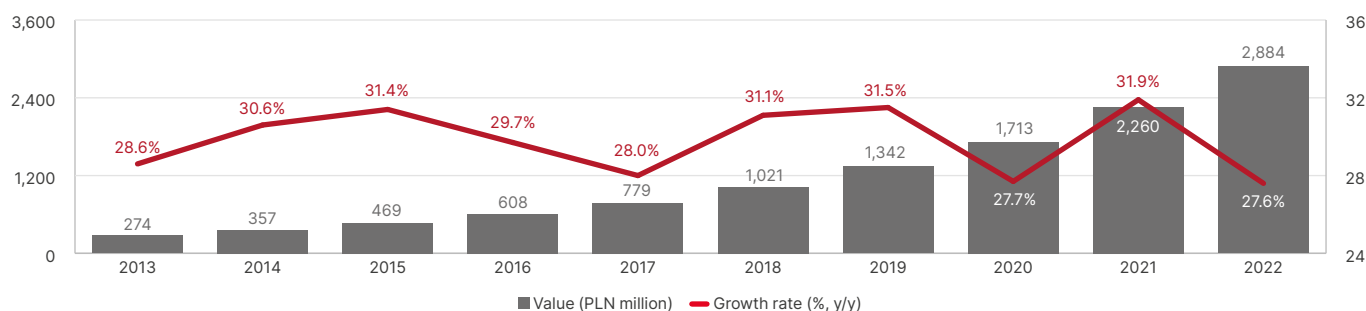
An example is the e-Registration system for COVID-19 vaccination built as commissioned by and in cooperation with the govern-

ment's e-Health Center. OChK engineers, in just a few weeks, built an e-Registration system for COVID-19 vaccination that has been in operation for two years and is still being developed, due to which it was possible to make appointments for and perform more than 50 million vaccinations. As for the scale of operation, the number of users and the amount of data processed, the e-Registration system is one of the most complex general-purpose information systems in operation in Poland.

Commissioned by the Polish Prime Minister's Office (KPRM), OChK also prepared a portal [pracawpolsce.gov.pl](http://pracawpolsce.gov.pl), addressed to refugees from Ukraine who look for employment in Poland. The website helps them find jobs corresponding to their education and skills. Experts from OChK developed an app in close cooperation with job market specialists and representatives of the Ukrainian side, due to which the website responds to the needs of employers but is also adjusted to the manner of looking for work typ-



### Value and growth rate of the cloud computing market in Poland, 2013-2022



Source: PMR, 2022

Explanation: include the models: SaaS, IaaS and PaaS. The market value of its vendors' revenues from providing cloud computing services in the public cloud model (SaaS – only business and office software, excluding hosting services, such as email or websites) and private cloud model, but implemented only on the basis of commercial data centers. Estimation.

ical for the Ukrainian market. The website is available in three languages (Ukrainian, Polish and English).

During less than four years of its operating activity, OChK earned the opinion of an expert on value-added cloud services, gathering a group of a hundred engineers, specializing, among others, in transition consulting, technology selection, architecture design, app(lication) migration and modernization, IT management and security services and could compliance, which in many industries must be ensured to allow for the transfer of data to a cloud. OChK provides also services of construction, development and maintenance of native solutions in public clouds and helps build appropriate competences whose shortage in organizations is sometimes a major obstacle in migration to a cloud.

Within the evolution of its business model, OChK opened itself wider to cooperation with new companies for whose the key growth factor is modern technologies. OChK cooperates with independent software suppliers, creating its own ISV Hub as well as software houses and develops a program for startups and scaleups "Let's get (c)loud", which already in the first year of operation gathered a community of over one hundred companies oriented to development of their products in a cloud environment.

With complex and multi-level projects, OChK also collaborates with a large group of partners specializing in technologies, integration and implementation.

An important event in the context of promotion of cloud solutions in Poland is the performance of strategic contracts entered into by OChK with Google and Microsoft. Due to it, both global suppliers made decisions to invest in the Polish market and open in the territory of Poland the so called public cloud regions of global networks belonging to them. The Google Cloud region was launched in 2021 and the Microsoft Azure region is planned to be opened in 2023. From the point of view of companies and institutions using services provided by OChK, the strategic partnerships with global technological firms also mean access to various types of go to market funds offered by them as well as to preferential terms and conditions for subscriptions.

During 2022, OChK recorded a stable growth of revenues month-over-month, which contributed to an increase in revenues by over 60% compared to 2021. In connection with new agreements signed

in 2022 and an increase in revenues generated by the clients to date, the value of the portfolio of recurring services was PLN 220 million as at the end of December 2022 and was higher by PLN 70 million than in the corresponding period of 2021.

For more than a decade, the cloud computing market has seen a high growth rate, which will be continued in a few next years. According to the report of Statistics Poland entitled *Information Society in Poland in 2021*, 28.7% of companies in Poland used paid cloud computing services. It is 4.3 percentage points more than in 2020 and over 17 percentage points more than in 2018, when the ratio was merely 11%. Eurostat uses this indicator to assess the level of cloud adoption in Poland and other EU countries. According to its latest data, on average in the EU, 41% of companies used cloud services in 2021, compared to 24% in 2018<sup>3</sup>. According to PMR data, the value of the cloud market in Poland in 2022 increased at a rate of over 28 percentage points year-over-year. PMR indicates that in 2022, the value of the cloud computing market reached PLN 2.9 billion, which is more by 28 percentage points than in the corresponding period of the previous year.<sup>4</sup> In turn, it follows from data published by McKinsey that the deployment of cloud technologies on a large scale in Polish companies and public institutions may generate an additional EUR 27 billion (PLN 121 billion) annually by 2030, accounting for 4% of GDP in 2030.<sup>5</sup>

## 5. PROPRIETARY ECONOMIC ANALYSES

In 2022, the PFR's Analysis Department had a chief economist and two analysts in its team. It provided analytical support to the Management Board, directors and various units of the PFR Corporate Group as well as to KUKI and ZBH PAIH.

In 2022, the PFR's Analysis Department prepared 255 standard reports and provided 121 responses to inquiries sent to it on an ongoing basis.

The standard reports are prepared in three standardized formats, enabling the reader to quickly work out the subject matter and then gradually expand the scope of the data being processed and the analysis of the issue at hand.

### 1. Chartbook:

- Compilation of key data from public statistics
- No significant analytical input

<sup>3</sup> [https://ec.europa.eu/eurostat/databrowser/view/isoc\\_cicce\\_use/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/isoc_cicce_use/default/table?lang=en)

<sup>4</sup> PMR report entitled *Cloud computing market in Poland 2021. Market analysis and growth forecasts for 2021-2026*

<sup>5</sup> [https://www.mckinsey.com/pl/~media/mckinsey/locations/europe and middle east/polska/raporty/chmura 2030/chmura 2030 raport mckinsey.pdf](https://www.mckinsey.com/pl/~media/mckinsey/locations/europe%20and%20middle%20east/polska/raporty/chmura%202030/chmura%202030%20raport%20mckinsey.pdf)



2. Summary of information
  - Compilation of most data from public statistics
  - Limited analytical commentary
3. Compendium
  - Full compilation of data from public statistics
  - Data from other sources
  - Additional analytics
4. Topic-specific reports, developed when no other assignments are in progress

The Analysis Department provides ten standard regular products in three main categories: macroeconomics, foreign trade and foreign markets, industry reports.

### Macroeconomics

- Summary of key economic data – daily
- Compilation of data and GDP forecasts, Inflation, Deficit – monthly
- “Parkiet” Forecast Chartbook – monthly
- Savings Summary – monthly
- Innovations Chartbook – quarterly

### Foreign trade and foreign markets

- EU Economies Summary – monthly
- Exports Compendium – monthly
- German Economy Summary – quarterly

### Industry reports

- Energy Summary – monthly
- Transport Summary – monthly
- Polish Furniture Compendium – quarterly
- Electromobility Compendium – quarterly

## 6. MANAGEMENT OF THE COMPANY'S OWN SOCIAL IMPACT

### 6.1. Support for local communities

[GRI 413-1]

PFR and its subsidiaries coordinate activities that support sustainable social and economic development of Poland. The priorities of the PFR Corporate Group's are infrastructural investments, innovations, entrepreneurial development, exports and foreign expansion of Polish businesses, support for local governments, implementation of the Employee Capital Plan program and management of foreign investments. The PFR Foundation established by PFR in 2018 is used

to carry out activities to both support and initiate positive changes in the social environment of the PFR Corporate Group.

Corporate social responsibility is well aligned with the system of values defined at the PFR Corporate Group level, where one of the basic pillars is the understanding of the reality and taking responsibility for actions with a primary focus on the best interest of Poland, and therefore also Polish society.

The Company's corporate social responsibility tasks are performed via the PFR Foundation. The Foundation's activity is based on two pillars: own educational undertakings and support for social initiatives of other entities. A detailed description of the Foundation and its activities is presented in further sections of this report.

### 6.2. Activity of the PFR Foundation

The Polish Development Fund Foundation is a non-profit organization established by PFR in 2018. It was established to perform tasks related to the Company's corporate social responsibility. The Foundation's activity is based on two pillars: own educational undertakings and support for social initiatives of other entities. Another important role of the Foundation is to implement initiatives engaging employees of the PFR Corporate Group in employee volunteerism projects.

The key goals of the projects carried out by the Foundation include:

- counteracting digital exclusion;
- ensuring equality of educational opportunities;
- ensuring equality of opportunities on the labor market for different social groups, including children raised in youth education centers and foster care as well as seniors.

The Foundation's activities also support culture, promote innovation and the entrepreneurial mindset, motivate people from various age groups to increase their competence, build pro-social attitudes and raise employment rates. The most important recipients of these activities include: children, youth and the elderly. The ambition of the Foundation is also to co-create the ecosystem of best practices and engaged institutions so that the projects have an even stronger impact on the life of their beneficiaries and the surroundings. The above tasks are performed mainly through educational programs based on new technologies.

The PFR Foundation operates on the basis of the Act of 6 April 1984 on Foundations (consolidated text in the Journal of Laws of 2020, Item 2167) and its articles of association. It is entered in the register of associations, other social and professional organizations, foundations and independent public health care establishments kept by the District Court for the Capital City of Warsaw. The oversight over the foundation is exercised by the minister in charge of the economy.

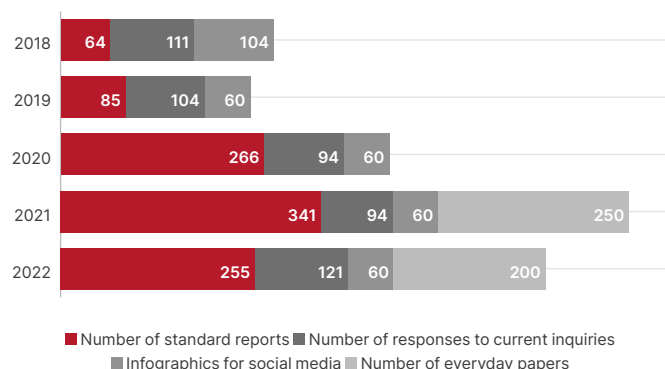
The Management Board of the Foundation consists of:

- Magdalena Grzankowska – President of the Management Board,
- Sebastian Zoła – Management Board Member.

### 6.3. Campaigns and initiatives of the Foundation

Ensure quality education and promote lifelong learning, reduce inequalities and ensure equal access to education – those are the key sustainable development goals pursued by the PFR Foundation. The chapters below present selected activities of the PFR Foundation and social goals whose achievement they support.

Number of analyses developed in 2018-2022



### 6.3.a. Projects connected with aid for Ukraine



#### Residential Units for Refugees

In response to the Russian Federation's invasion of Ukraine and influx of a wave of war refugees, the PFR Foundation started to perform a social project "Residential Units for Refugees" in April 2022. The project involved preparing, furnishing and providing Ukrainian families with 361 new residential units in Mińsk Mazowiecki, Dębica and Kraków, free of charge, for several months. The aim of the project was to provide shelter to families (1200 people) running away from war. Nearly 90 volunteers in the PFR Corporate Group were involved in the project. Great support in furnishing the units was provided by Amica, IKEA, Krosno, which handed over donations. The total value of the project exceeded PLN 3.6 million. The Foundation supported the families all the time, providing them with information about opportunities for starting work and finding new accommodation. After the term of lease elapsed, due to cooperation with the voivode of the Voivodship of Lesser Poland and the Polish Hotel Holding, all the residents who were unable to start an independent life were given the opportunity to live in a new location free of charge. After the support ended, the purchased household appliances and furniture were transported and donated to organizations providing support to Ukrainians, including the State Administration of the Lviv Region for furnishing a shelter for internal refugees, and the remaining equipment went to local social assistance centers, shelters for the homeless, children's homes. It was thirty organizations altogether.

#### Collections of cash and in-kind donations for Ukraine

The PFR Foundation carried out collections of cash and in-kind donations for Ukraine, delivering aid at the first stage to the Lublin branch

of the Polish Red Cross, which was able to provide actual and appropriately coordinated aid directly in Ukraine. For a month, the Foundation received and collected in-kind donations, including sanitary products, clothes, power banks, and managed an online collection of cash. The Foundation's account was credited with over PLN 60 thousand from specific-purpose donations. The cash was doubled and then the total amount of PLN 120 thousand was earmarked for financing equipment needed for those fighting in Ukraine. After consulting the humanitarian organization of the Polish Red Cross, the Foundation purchased and sent to Ukraine: tents to serve as medical establishments, reflective jackets, military backpacks, fully equipped first aid kits, power banks, protective helmets and Red Cross stickers. In addition, the Foundation engaged Dantherm Group, which handed over tent heaters free of charge.

#### Support for non-governmental organizations

The Foundation gave almost PLN 280,000 for projects performed for Ukraine by 14 different organizations. Within these activities, aid was organized for refugees who lived in foster care in Ukraine, especially transport, providing a secure place in Poland and in-kind and educational support. Families were also provided with in-kind, psychological and educational support. Ambulances and cars for transporting the wounded were also purchased as part of humanitarian aid on the Polish-Ukrainian border. The organizations that received co-financing include: The Polish Women Can Foundation, SOS Children's Villages Association, Coalition for Family Foster Care, Association of the Federation of Fighting Youth, the Lublin Regional Branch of the Polish Red Cross, Foundation at the Central Clinical Hospital of the Ministry of Internal Affairs and Administration in Warsaw, "Four-Leaf Clover" Association for the Disabled, Caritas Poland, Voluntary Fire Brigade in Koszyce Małe, Sub-Carpathian Association for Active Families, "Friends of Alex" Father Aleksander Fedorowicz Federation, Inna Ivantsova, "I Have a Heart" Foundation, Association for Borderland Culture Animation.



Education Day for families from Ukraine



### Education Day for families from Ukraine

On 17 March 2022, the PFR Foundation invited families from Ukraine to the Central House of Technology in Warsaw, to spend time together. For a whole day, CDT educators and animators organized educational workshops for children and youth – robot programming, graphic designing, 3D printing. At the same time, the adults participated in free consultations with experts with: the Ministry of Family and Social Policy, Voivodeship Labor Office in Warsaw, Labor Office of the capital city of Warsaw, the National Healthcare Fund, PFR Nieruchomości, the Freedom Institute Foundation and also the Education Department of Warsaw Municipal Council. Representatives of offices and institutions told the participants about problems of employment, legalization of the stay, accessibility of professional training courses, opportunities offered by the educational institutions, ways to receive health care or forms and procedures of leasing residential units. Individual conversations with experts attracted a great interest as they answered very specific questions. During the conversations, supported by interpreters, the participants also filled out applications for being assigned a PESEL (national identification number). A total of over one hundred people participated in the event.

### Stay Safe App

Bearing the safety of refugees in mind, a free-of-charge alarm app Safe Stay was developed to help them get around Poland and report potentially dangerous situations. The initiators of the app were a group of volunteers working in cooperation with renowned organizations such as Billenium, a Polish software house, VIA VOX- call center, WBK legal firm or EMailAbs and the Student Scientific Business Club at Warsaw School of Economics. The project was supported by the PFR Foundation. The app is available on Android and iOS systems. Safe Stay, due to GPS location and the option of report-

ing a threat quickly, makes it easier to find the user. In addition, it offers access to free-of-charge multilingual information hotline and the consultants on duty receive reports and help get adequate help. The app is available in the following languages: Polish, Ukrainian, Russian and English.

### 6.3.b. Social and educational projects



#### “Academy of Development”

“Academy of Development” is a social and development program authored by the PFR Foundation to support women living in small towns and villages who in spite of greater hardship want to pursue their plans of social and professional activity. The program was developed due to support from Google.Org organization. The first edition ended in 2022. The aim of the “Academy of Development” program is to support women through education, sharing knowledge and practical skills valued on the job market. The PFR Foundation provides all the participants with free-of-charge online training courses and workshops. The classes are workshop-like – the educational program includes teaching how to use comfortable Internet tools which are useful in professional development. Participants learn, among other things, how to use online tools, create and manage websites or create one’s own chatbot and implement it on a website. In addition, participants get to know the basics of conducting business activity from the financial and legal perspective and also learn how to use the method of design thinking in their own social and professional projects.

Summary of the first edition:

- 1500 registered users
- over 100 workshops
- over 150 issued certificates
- 14 community events

Akademia Rozwoju



The program also provides additional consultations with educators, community meetings and mentoring sessions as well as professional coaching for women of different ages. In 2022, over 1500 women from all over Poland took part in the “Academy of Development”.

Partners of the “Academy of Development” Program are: the Central House of Technology, Women’s Entrepreneurship Foundation, Her Impact, the Polish Agency for Enterprise Development, Future Col-lars, NASK National Research Institute, National Institute of Senior Economy, “Mummy Work” Foundation, Evaluation for Government Organizations, “Women In AI” organization, “Diversum” Foundation, the Network of Companies of the Future. Media patronage over the Program was provided by: ONA [SHE] Women’s Website, Polska Press Group and “Age Free” portal. Honorary patronage was given by the Ministry of Family and Social Policy.

work. The youth were also invited to participate in workshops on personal finance management, conduct of business, savings and loans.

Most of the activities were conducted by PFR Corporate Group vol-unteers. Motivational workshops devoted to discovering talents and strengths of the participants and self-presentation workshops con-ducted by business trainers were an important element of the proj-ect. Additionally, in order to provide real support to young people in achieving their plans and help them obtain first qualifications, each of them received a “development voucher” equivalent to the full financing of a selected professional course and a tablet computer within partnership with Samsung. It was already the third edition of the campaign and this time 29 individuals participated. The proj-ect received the patronage of the Minister of Family and Social Pol-icy, whereas its media patrons became the editorial board of Super Express daily and “Eska” radio station.



### “SelfRELIANT”

“SamoDZIELNI” (SelfRELIANT) is the PFR Foundation’s own project, developed in order to help youth from foster care take the first step on the labor market. The project started in 2019 and since then, in spite of the pandemic, the Foundation has performed its three editions. The main goal of the project was to equip the youth entering the labor market (aged 17-19) with the key skills needed to function on that market, such as: writing a CV, presentation of one’s knowl-edge during the recruitment process, selection and planning of a career path, negotiation of the terms of employment as well as ori-entation in a new environment during the first days of professional



### “Summer ActivACTION”

A grant-funded program whose first edition was created in 2021 and responded to the challenges associated with the consequences of the pandemic and the constraints imposed on the physical and social activity of children and adolescents. In 2022, the Foundation per-formed the second edition of the project, whose aim was likewise to support local communities in taking up sport and recreational activ-ities on holiday, which also refers to school-age children and youth coming from Ukraine.



More than 10,000 thousand participants took part in the project in 2022. The winning projects received grants of PLN 5000. Due to co-financing, which reached PLN 500 thousand in total, as many as 103 institutions performed their non-profit projects. Grants of the PFR Foundation were received by many different organizations: rural housewives' associations, foundations, organizations, educational institutions, local cultural centers, sport clubs, township libraries or scouts' associations. Honorary patronage over the Program was given by the Ministry of Family and Social Policy, the Ministry of Education and Science and the Polish Olympic Committee.



#### **"Education of Tomorrow"**

"Education of Tomorrow" is a project which is to promote ideas for interesting and engaging on-site and online classes among teachers and educators of primary and high schools. It is performed in the form of a competition for scenarios of classes in all school subjects. The first edition of the Competition, which was held in 2020, enjoyed great popularity – over 120 entries were received. In 2021, the main theme was the works of Stanisław Lem, and in 2022, a broadly conceived cybersecurity. In this edition, 33 amazing lesson plans were received in which students combine knowledge gained at school with information about safe use of the Internet. One effect of the project was a publication with 12 best scenarios, available for downloading free of charge on the Foundation's website. The project was financed by the Prime Minister's Office under the nationwide program for development of competences of schoolchildren and teachers "the CyberSafe".

#### **6.3.c. Partnership projects**

In 2022, the Foundation started 31 partnership projects and gave donations to 64 organizations whose total amount was PLN 1,203,405. For the most part, cooperation with external organizations was in the following areas: education, innovation, entrepreneurship, culture and arts. The Foundation also supported individuals going through a hardship period and institutions involved in socially beneficial activities. The most important partnership projects include:

**"Relay Run of Generations"** – the Red is Bad Foundation – a nationwide historical competition "Poland, my Homeland", a patriotic event addressed to pupils leaving children's homes, educational and care homes, professional foster families, kindergartens and public and private schools, emergency shelters, family children's homes, family support facilities in Poland. In the competition, at schools which were granted distinctions, history classes were given with the participation of Warsaw Uprising insurgents and soldiers.

**"Patria Nostra" Historical Competition** – a film historical competition addressed to youth from 16 voivodeships in Poland and youth from Polish communities abroad. The aim of the competition is to promote the history of Poland among young people at schools, shape patriotic attitudes and active citizenship. The format of the competition is conducive to the development of computer animation and film edition skills and also allows pupils to acquire knowledge about issues ignored in mandatory school curricula. Projects carried out within the competition make it possible to use modern technologies in historical education and to preserve tradition and national heritage.

**"Mother and Child Startup Challenge"** – the Institute of Mother and Child – a competition aimed at startups or teams developing pioneer product or process solutions of significant importance to patients

and the health care system (including medical devices and solutions in the area of diagnostics, pharmacotherapy and ICT).

**"Old Powązki Necropolis" Foundation** – installation of touch-sensitive educational and information panels as an element of history classes in the Old Powązki Necropolis in Warsaw. The panels were installed at the main entrance to the cemetery and are available for anyone visiting the Old Powązki Necropolis. Furthermore, from August to the end of October 2022, classes were given in which schoolchildren from all over Poland took part.

**"Talent Academy" of the Large Families Association** – a scholarship program addressed to adult students from large families devoting particular effort to the pursuit of socially beneficial activities.

**"Free Sounds" Foundation** – the project involved recording eight audiobooks based on works of famous Polish authors. 30 centers that care for or cooperate with senior citizens were invited to the project. They were nursing homes and cultural centers. Audiobooks went to seniors in nursing homes and those who are still independent but limited physical capacity makes it difficult for them to read books or go to a library.

**"On the Wolf's Trail – the Cursed Soldiers Memorial Running Race"** the Freedom and Democracy Foundation – a cyclic international event, the biggest memorial running race in Poland. It is held in over 350 Polish cities and towns and also outside of Poland.

**"Country Women" Festival** – Czesław Chruszczewski Municipal Public Library – an innovative cultural and artistic project to activate the local community, addressed in particular to women from the Mieścisko Municipality and the Wągrowiec County. During a two-day festival, women from rural women's associations, social groups, sport teams – women's football team, female firefighters, folk artists – presented their activities. The festival also featured shows of films connected with the themes of the event. The project was supplemented by all-year psychological, legal, creative and motivational workshops.

#### **6.4. Employee volunteerism**

In 2022, as many as 160 employees of the PFR Corporate Group participated in social activities, which means that the percentage of employee volunteerism increased by 300% compared to 2021. Volunteers started a real machine of good deeds, performing 14 volunteerism campaigns, 10 of which concerned support for refugees from Ukraine. Volunteerism at the PFR Corporate Group is at the stage of intensive growth, contributes to building social capital in the organization and has become one of the pillars for the development of the organizational culture of the PFR Corporate Group. It also increased the degree of employee integration and enabled them to acquire new skills to engage in socially significant projects.

In 2022, volunteers from the PFR Corporate Group were also involved in campaigns for other social organizations, such as: children's homes, hospice facilities and educational institutions. The volunteers organized educational, recreational classes and workshops in, among other places, the Children's Home in Wołów, or built an educational playground in the green area of the "Little Heart for Children" Association. For the third time, volunteers have been involved in the original "SelfRELIANT" project, whose aim is to educate youth from foster care and support them in the process of reaching adulthood. Volunteers shared with the youth their knowledge in the areas of finance, labor law, and also provided individual mentoring. Before Christmas, PFR employees went to visit children from the Children's Home in Międzyzylesie. The children had earlier sent letters to the PFR Foundation, describing their dreams. PFR volunteers acted



as Santa Clauses, preparing and giving the gifts the children had dreamed about.

**Volunteerism under the “Residential Units for Refugees” project**

Owing to the “Residential Units for Refugees” project, about 1200 refugees (mainly families) from Ukraine were provided with a shelter. It was possible to perform the project due to the involvement of nearly 90 volunteers from the PFR Corporate Group, who participated in eight volunteerism campaigns conducted in three cities in Poland: Kraków, Mińsk Mazowiecki and Dębica, where they furnished residential units for families of refugees. The volunteers did various tasks, including unloading and bringing household equipment and furniture into 367 apartments, receiving deliveries, furnishing the apartments, taking in the families to the apartments or supporting them in the process of becoming independent, adjustment and assimilation. For the duration of the project, the PFR Management Board decided to allow employees to take two days off for employee volunteerism for Ukraine.

**Support for refugees from Ukraine**

PFR volunteers engaged in aid for refugees already from the first days of war in Ukraine. They helped in the reception center organized in the halls of Global Expo in Warsaw, where about 2000 refugees, mostly mothers with children, found shelter. In addition, PFR volunteers took part in preparing and distributing sandwiches for refugees at the Central Railway Station in Warsaw. They also supported other activities carried out by the Foundation, including the organization of the “Educational Day for Families from Ukraine”.

**“Active Volunteerism”**

Since 2019, the PFR Foundation has performed a social campaign addressed to employees called “Active Volunteerism”. In the “Activity”

app, the Foundation “collects” kilometers run or ridden on a bicycle by volunteers, converts them into zlotys and transfers the amounts to social institutions chosen by the employees. In 2022, 364 employees participated in the campaign, running 73,923 km, riding 125,605 km on bicycles and burning 15 million calories, by this saving 50 tons of CO<sub>2</sub>. It is three times as many actively involved employees than in 2021. 7,919 rides were from and to work. The Foundation collected PLN 70 thousand and transferred the amount to: Łódź Children’s Hospice in Łupkowa, “Spring” Complex of Educational and Care Facilities in Wołów and a Children’s Home in Włodawa.

**“Noble Gift”**

A nationwide charitable campaign supporting families in a difficult financial situation due to reasons beyond their control, as well as seniors in a difficult situation and people with disabilities. Since 2018, PFR employees have been engaged in the “Noble Gift” campaign. In 2022, the campaign was joined by as many as 235 employees of PFR, PFR TFI, PFR Ventures, PFR Nieruchomości, PFR Operacje, PFR Portal PPK and the PFR Foundation. Aid was provided to eight families which the volunteers reached during the “Weekend of Miracles”. A total of 75 packages were delivered, worth PLN 26,000.

PFR promotes volunteering activities using tools such as the @ Employee app, which is used, among others, as part of the procedure of granting a Day for Employee Volunteerism, and the Intranet of the PFR Corporate Group to notify employees of volunteering activities organized by the Foundation.

**6.5. Central House of Technology**

The Central House of Technology (CDT) is an educational project which started to operate in 2019 to provide access to modern education to a large group of participants – children, youth and adults. To achieve this aim, original educational programs are conducted





Debate in the "CDTalks" cycle

which assume increasing competences of the future in representatives of all generations, including senior citizens. The best known formats of classes are "Best Grades for Teachers" at CDT, "Digital Rookies", "Classes with CDT" and a cycle of panel debates "CDTalks, or debates about education". CDT has been also assumed to be a place where representatives of education, business and innovators could meet to prepare together grounds for modern teaching about new technologies. CDT is at the same time a space for workshops and a community made up of experts, educators and those practically involved in education. It is also a team of people preparing their own scenarios of classes, conducting workshops, face-to-face, online or in a hybrid manner. The CDT team consists of educational experts who share their experience during numerous events taking place at CDT but also during external events organized all over Poland. Since CDT was set up, over 1900 workshops have been carried out for over 27,000 participants.

### Educational activity

The Central House of Technology team develops and shares educational activities using the STEAM educational approach (Science, Technology, Engineering, Arts, Mathematics) and popularizes new technologies. STEAM is an innovative teaching model that develops competencies of the future such as critical and design thinking skills, inquiry and analysis, collaboration and creativity. Building these competencies under the STEAM model is accomplished through the acquisition of practical skills in science, technology, engineering, art and mathematics. Original programs of classes are prepared on the basis of a series of consultations and experience and subject matter expertise of the program team. Throughout 2022, the activities prepared by the CDT team were attended by nearly 14 thousand people – children, youth, teachers and seniors. The transition from on-site activity to remote education forced by the pandemic made it easier for the CDT educational offering to reach the broad public across Poland. All courses and workshops were free of charge and recordings of the classes made up a huge database of teaching materials that are published on CDT's YouTube channel and the

knowledge database on the CDT website. In 2022, more than 600 educational events were held at CDT.

### 2022 in CDT:

Program	Total number of workshops	Total number of participants
Workshop for classrooms	95	2209
Workshops within "Summer in the city 2022"	82	1534
Digital Turn Signal	143	3110
Digital Rookies webinars	57	1188
CyberSafe webinars	3	89
Academy of Development	125	1581
Best Grades for Teachers	29	2301
Winter Holiday with CDT	4	69
"CDTalks" Debate	2	134
Children's Day 2022	2	75
Entrepreneur's Day with Allegro	3	60
CyberSafe on-site training	3	68
Education for the Future on-site training	3	76
Training for CDT Educators	2	15
Commercial classes	7	132
Pilot classes with Korbo blocks	1	20
Pilot classes IPN	3	45
CyberSafe online class for schoolchildren	41	978
<b>Total</b>	<b>605</b>	<b>13,684</b>

In 2022, CDT prepared two educational paths for children from primary and secondary schools:



**Cycle of classes “Digital Turn Signal”** – the workshops consisted of six courses for children and youth of different ages (from 7 to 18 years old). All the courses helped shape skills of the future such as: cooperation with others, emotional intelligence, complex problem solving, digital competences critical thinking and creativity.

**One-off workshop for classrooms** – free-of-charge workshop addressed to organized groups from public schools. The offer of workshops was aimed at children aged 7-18 and covered such topics as programming, robotics, 3D design, entrepreneurship and sustainable development.

CDT also addresses its offer to seniors. In 2022, as many as 57 workshops were performed under the project **“Digital Rookies – We Tame Technology”** attended by nearly 1200 senior citizens. The aim of the workshops was to provide mature people with the opportunity to learn new skills by using new technologies and help allay their fears of the technologies. Participants of the classes were introduced to the world of applications, electronic mail and online security.

#### **CDT Community**

CDT is additionally a space for dialog and development for teachers and educators. During face-to-face and online workshops, participants – teachers at all educational levels, including special schools – acquire knowledge and skills that will help them teach classes effectively every day. In 2022, teachers could take advantage of such events as:

**“Best Grades for Teachers at CDT”** – a cycle of online workshops which was prepared in close cooperation with educators and teachers. The topics of the classes met their current needs perfectly, providing the participants with a lot of inspiration. During online workshops conducted every week, the participants gained valuable knowledge and skills. The workshops also helped teachers motivate their students to learn, we practiced together skills of creative writing, we showed how to be smart while including new technologies in the teaching process.

**Face-to-face workshops “the CyberSafe”** – free-of-charge training devoted to the topic of cybersecurity, under the nationwide program for development of competences of schoolchildren and teachers “the CyberSafe”. The training was addressed to primary school teachers. It included one-day on-site training (6-8 days of workshop work) and a series of open expert webinars. The participants who have completed training received a certificate confirming knowledge about security in cyberspace.

**“CDT Education Lab” Training** – free-of-charge two-day face-to-face training for teachers. During the training, teachers got to know practical possibilities of using the STEAM method in class. They also learned how to work with pupils, integrating Science, Technology, Engineering, Art and Mathematics. The training involved the participants going through the STEAM process on their own – from defining a problem to constructing a prototype solution. Apart from the STEAM method, other methods of preparing lesson plans and educational activities were also explained. The participants furthermore learned the basic tools and technologies that could be used in STEAM classes and projects, such as, for example, 3D printers, microcontrollers and educational robots.

**“CDTalks” Debates** – in 2022, CDT organized two debates about education within the “CDTalks” project. The first debate was about “Education for economic growth and social inclusion”. During the meeting, experts talked about how to plan the educational process so that it supports the development of knowledge-based economy.

The topics discussed also included: how to aim to acquire effectively skills, knowledge and competences important for the job market and active participation in social life. The second debate touched on the problem of how to teach cybersecurity. The discussion involved representatives of various groups – social organizations, business, technology and education.

#### **Exhibitions at CDT**

CDT also provided partners with exhibition space for them to arrange it in different ways. The most interesting events include the Center of Social Archiving and photographs presented on flipcharts, the Media of the Future 2022 conference with an exhibition of photographs from war in Ukraine, Festival Immersion, presenting films in VR technology and an educational offer and TikTok, which presented its fall offer in the exhibition section on active flipcharts.

#### **Business and conference center**

The Central House of Technology is also a modern event space fitted with advanced multimedia systems and featuring an elegant design combined with greenery. At the same time, the Central House of Technology is the foundation for developing the ecosystem of innovation and Polish start-ups. In 2022, some 170 commercial and social events were held at CDT. Throughout the year, the CDT hosted conferences, some with simultaneous interpretation, press conferences and debates with representatives of the government, local governments and non-governmental organizations, and workshops and training classes for businesses and social organizations. In addition, CDT’s proposal includes a streaming service and comprehensive organization of multimedia hybrid events. What should be also noted is Karolina Cicha’s concert and Women’s Health Congress with the participation of: Krystyna Janda, Katarzyna Cichopek and Marta Wiśniewska, accompanied by an exhibition of paintings of one of Warsaw artists. What is more, in 2022, CDT hosted events with representatives of the Ministry of Family and Social Policy or Prime Minister Mateusz Morawiecki, who met families before Christmas. A special event at CDT was an international Media of the Future 2022 conference organized by the Polish Press Agency (PAP), with an exhibition of photographs from war in Ukraine.

## **7. HUMAN RESOURCES MANAGEMENT**

[GRI 2-7][GRI 2-8]

#### **Sustainable work environment**

Employees are one key stakeholder groups at PFR. The company, pursuing strategic objectives of the PFR Corporate Group, applies employment policy following the principles of equal treatment and equal opportunities. According to the Labor Regulations in place in PFR, employees are treated equally with regard to establishment or termination of the employment relationship, terms and conditions of employment, promotion and access to training to improve their professional qualifications.

Work environment development at the PFR Corporate Group focuses on:

- building a **diverse and inclusive organizational culture**,
- caring for **positive experience of employees**,
- multi-dimensional and holistic **support for their well-being**,
- **digitalization of HR processes**.

#### **Foundations of organizational culture**

The organizational culture of the PFR Corporate Group is based on:

- five **corporate values**, developed and adopted in the entire Corporate Group and



- principles included in the **Code of Conduct**.

Both documents not only determine the direction of attitudes and behaviors we are guided by in the work environment but also constitute an important plane of employer branding and recruitment activities at the PFR Corporate Group.

### Shaping positive experience of employees

The PFR Corporate Group aims to shape consciously positive experience of employees. To achieve this, in January 2022, all the employees were invited to participate in a detailed survey of active involvement. The participation at the level of the whole Corporate Group was as high as 90%. The findings of the survey made it possible to define directions of future action and indicate areas which require further changes.

Another survey of active involvement is planned to be conducted in 2024 to make it possible to assess activities taken in 2022-2023.

### 7.1. PFR Corporate Group employees – headcount and structure

[GRI 401-1]

In 2022, headcount in the PFR Corporate Group decreased by 9.9% compared to 2021. The ratio takes into account the transfer of a group of employees to PFR Mieszkania, a company spun off PFR Nieruchomości.

The percentage of men and women fluctuated during last three years to reach a level close to equal (50/50) in 2022. The turnover ratio in the PFR Corporate Group was 33.4% (it includes data from PFR Nieruchomości, taking into account the transfer of a group of employees to PFR Mieszkania).

The average age of men and women at the PFR Corporate Group is similar and is 38.5 years and 40.7 years for women and men respectively.

### Diversity in work environment

[GRI 405-1][GRI 406-1]

Within the value we believe in: Partnership and Cooperation, actions are taken to support each dimension of diversity and the process of building an inclusive organizational culture.

An important aspect in this area for the PFR Corporate Group is gender diversity. The company encourages to the same extent women

and men to take up challenges and assume expert and managerial posts. A high importance is attached to ensuring equal numbers of women and men taking part in development activities and in the processes of promotion and recruitment.

PFR perceives a great value following from age diversity of employees and building teams diversified in such a way. The PFR brand is promoted as a good employer in various age groups and using diverse channels to reach candidates.

PFR makes every effort to prevent any undesirable activity, including unequal treatment, psychological harassment and any other kinds of harassment. The above actions are reflected in internal regulations:

- Work Rules and Regulations and
- Policy to Counteract Undesirable Behavior, updated in 2022.

The ratio of participation in training on preventing undesirable behavior was 88% at PFR in 2022.

[GRI 2-30]

The Company cares for compliance with the law and well-being of its employees.

Company employees elect an Employee Representative for a 2-year term of office.

### 7.2 Remuneration and benefits

[GRI 2-19][GRI 2-20][GRI 401-2]

The principles and amounts of compensation of Supervisory Board and Management Board members are set by the Shareholder Meeting and, in the case of the Management Board, also by the Supervisory Board. Detailed information on the total compensation of Management Board and Supervisory Board Members has been published in the PFR Financial Report on Compensation of Management Board and Supervisory Board members in 2022.

PFR pursues an employee remuneration policy harmonized with the strategy and values of the PFR Corporate Group. The key internal regulations in this respect include:

- the Remuneration Policy for PFR Employees,
- the Rules and Regulations for Awarding Bonuses to PFR Employees,

## Employment structure based on employment contracts in the PFR Corporate Group

600 EMPLOYEES EMPLOYED ON THE BASIS OF EMPLOYMENT CONTRACTS AS AT 31 DECEMBER 2022



Average age of employees

39.7 years



percentage of men and women

51.5%-48.5%



Average length of service

3.1 years



Employment contracts for indefinite term

89.2%

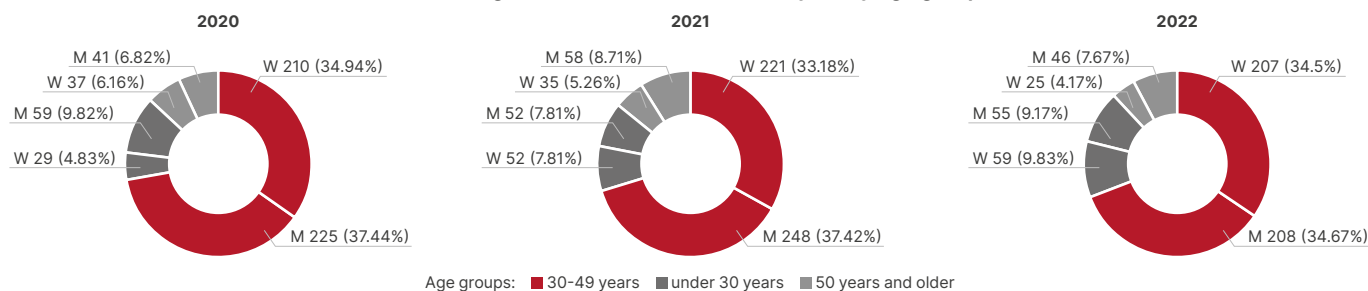


Turnover ratio

33.4%



Percentage of men and women in each year by age group



which define the terms and conditions of remunerating employees and awarding other work-related benefits.

The remuneration regulations describe in detail the rules governing all remuneration components, which consist of the following parts:

- basic remuneration – monthly monetary remuneration set at a monthly rate, reflects the skills required for a given job, the complexity of work, the scope of responsibility and professional experience, as well as practices applied in the relevant reference markets,
- annual or monthly bonus – depending on the extent to which goals set for a given employee have been fulfilled and/or the extent to which common goals are fulfilled in a given financial year, paid out on the basis of audited financial statements,
- non-monetary benefits – such as allowances for the cost of commuting, medical care,
- Company Social Benefit Fund.

**Ratio of basic salary and remuneration of women to men**

[GRI 405-2]

Equal treatment of men and women is a priority for PFR also in terms of remuneration. Gender pay gaps are monitored on an ongoing basis using standardized indicators. PFR systematically strives to eliminate them completely. The Company’s goal is to close pay gaps by 2025.

Equal pay is important to the Company also with regard to employees with different working hours. The benefits that are awarded to full-time employees are awarded to the same extent to part-time employees.

**Benefits**

The offer of benefits available to employees of the PFR Corporate Group covers the following areas: **health, security, family and culture and leisure.**

The company regularly monitors the market of employee benefits and analyzes the possibility of using them in the PFR Corporate Group to create a work environment that supports the well-being of employees in a comprehensive way.

**7.3 Employee development**

[GRI 404-1][GRI 404-2][GRI 404-3]

Attracting, retaining and developing talent is one of the most important goals in the PFR Corporate Group, and consequently also in PFR itself. These measures are directed to, among others, providing employees with training coherent with the values of the PFR Corporate Group and reinforcing the “competences and the future”.

In 2022, in addition to individual training courses improving the employee competences connected with their specific jobs, PFR organized group training courses dedicated to the individual job groups, including a cycle of training courses:

- **“Employee management in the change process”**: training for all the leaders in PFR; 71.4% managers participated in the training.
- **“How to take care of yourself in the change process”**: training for all the employees of PFR; 91.2% employees participated in the training.
- **“Counteracting Undesirable Behavior”**: training for PFR managers and employees; 88% persons from the dedicated group participated in the training.

**Regular employee reviews**

Regular and systematic performance and work quality reviews offers critical support for employees in the development of their competences and improving efficiency of their work. The feedback helps bridge competence gaps and also show employees directions on their further development path. PFR carries out regular reviews of its employees when annual objectives are examined. The degree of performance of the objectives is closely linked to the rules for awarding bonuses, which are set forth in the Regulations for Awarding Bonuses.





# Corporate Governance

## Area (G)

### 1. MANAGEMENT OF CORPORATE RISK AND BUSINESS CONTINUITY

#### 1.1. Risk management

Awareness of the risks associated with the business and their impact on the continuity of the organization's activities is extremely important, not only in the context of achieving strategic objectives, but also in the context of information provided to internal and external stakeholders and in building mutual trust.

The PFR Corporate Group identifies, assesses and monitors risks to the attainment of its goals at the process and strategic levels and

takes action to eliminate or mitigate them. The Internal Audit Office plays a supporting role in risk management. PFR's Internal Audit provides adequate support to the Supervisory Board Audit Committee through rational assurance that the PFR's internal control system is effective and the identified risks are mitigated.

Details of the risk management process and a description of strategic risks identified in 2022 are provided on page 39 of this document.

Below you will find the identified material non-financial risks and a description of mitigating measures.

#### Material non-financial risks

Risk	Description of the risk and its mitigation
<b>Investment risk</b>	Risk related to own investments, mainly related to a failure to achieve the expected rate of return but also related to a negative impact of the investment on the natural environment. <i>PFR makes efforts to appoint the fund's representatives to corporate bodies of portfolio companies and monitors its own investments and their performance, also in terms of their impact on the environment.</i>
<b>Compliance risk</b>	Risk of suffering legal sanctions or losing reputation or credibility as a result of failure to comply with the applicable laws, internal regulations, accepted standards of conduct (including ethical principles) and/or codes of best market practices. <i>PFR has implemented the Compliance Management System and appointed individuals responsible for the fulfillment of individual tasks related to the compliance management process, including the monitoring of changes in regulations and development and application of appropriate internal policies and procedures. More in Chapter "Risk management system"</i>
<b>Legal risk</b>	Risk of unfavorable decisions by courts or public administration authorities settling the PFR Corporate Group's disputes with other entities. <i>PFR has implemented processes for issuing opinions on contracts, regulations, internal procedures and other documents. The internal Legal Department provides appropriate legal assistance, and in cases where complex transactions or projects are involved, it is supported by external legal advisers.</i>
<b>Political risk</b>	This risk from unpredictable political changes or political instability in the respective country. <i>PFR is continuously monitoring the government's economic development plans, changes in the government strategy, participates in public consultations and provides its opinions within the framework of the government's legislative process, in particular with respect to amendments that might potentially affect PFR's operations.</i>
<b>Project risk</b>	Unexpected delays in the execution of projects or unforeseen events preventing the execution of projects in whole or in part, which may result in additional expenditures or losses. <i>PFR monitors the execution of projects, in particular by reviewing spending vis-à-vis the adopted budget and the timeliness of actions taken. It also takes account of environmental, social and management factors associated with a given project.</i>
<b>Strategic risk</b>	Risk associated with improper decisions regarding the development strategy of the PFR Corporate Group, inadequate or incomplete implementation of the adopted strategy or the inaction or an inappropriate reaction to changes in the environment. <i>PFR reviews its market and economic environment and regularly verifies the implementation of its plans while monitoring the validity of the adopted objectives and actions called for in the strategy, also with regard to the ESG area.</i>
<b>Reputation risk</b>	Unfavorable perception of PFR's image by customers, counterparties, investors, regulators, supervisory authorities and/or the public. <i>PFR develops a specific external communication strategy and appoints individuals responsible for its implementation.</i>
<b>ESG risk</b>	A situation arising from environmental, social or corporate governance factors which, if they occur, could have an actual or potential material adverse impact on the operations of the PFR Corporate Group. <i>In 2023, PFR will commence work on a comprehensive approach to ESG risk management in the Corporate Group.</i>

## 1.2. Strategy and approach to the management of ESG risk, including climate risk

[GRI 2-14] [GRI 3-3]

Guided by the interests of participants of the investment funds under its management, PFR TFI has adopted the principles of sustainable development and ESG standards, which cover environmental (E), social responsibility (S) and management, corporate governance and counteracting corruption (G).

All these issues are considered by PFR TFI both at the level of PFR TFI's activity, as well as in the operation of the individual funds under its management. With regard to them, the scope and type of factors taken into account depends on the investment policy of a given fund. Detailed information on the applied policy in the above area can be found on [PFR TFI's website](#).

Acting in accordance with regulations and guidelines in the above area, the PFR Group has introduced declarations on taking sustainability risks into consideration in documents, regulations and procedures regarding the financial institution's operations. To meet future market expectations for consideration and analysis of the ESG area, this year the Group will include consideration of risks to sustainable development in all the strategic areas of its operations.

### 1.3. Counteracting greenwashing

PFR attaches great importance to compliance of its activities with applicable laws and transparent communication with stakeholders. At the time when ESG aspects are increasingly taken into consideration in the activities of companies, it is easy to expose oneself to accusations of greenwashing, understood as misleading customers or, more broadly, market participants with regard to one's activities or products offered, which are presented as complying with broadly understood principles of environmental protection.

Due to the nature of its business, the PFR Corporate Group identifies the risk of greenwashing as associated to the greatest extent with its investment activity. Therefore, as part of mitigating the risk of greenwashing, PFR TFI has developed and implemented *Strategy for introducing risks to sustainable development in the investment decision making process at PFR TFI S.A.* In addition, as part of implementing the recommendations arising in the project as referred to on page 90, the PFR Corporate Group plans to develop a common Group-wide policy to counteract greenwashing that takes into account the nature of the tasks performed by each company from the PFR Corporate Group.

### 1.4. Strategy and approach to tax risk

[GRI 207-1] [GRI 207-2] [GRI 207-3]

Among procedural risks, PFR also identifies tax risks. According to the tax strategy adopted by a PFR Management Board resolution, the objective of PFR is to eliminate tax risks in its operations among others by:

- monitoring changes in tax regulations, in-house and using support of external advisors;
- analyzing individual interpretations and administrative court rulings relevant for the activity performed by PFR;
- subscribing to legal websites, tax portals and magazines;
- organizing tax-related training for employees.

In order to ensure the accuracy of its settlements, PFR has implemented a number of internal procedures governing, among others,

fulfillment of the obligation to provide information on tax schemes, circulation of accounting documents, verification of business partners and procurement. Additionally, in order to strengthen internal control in the tax area, PFR implemented detailed regulations on the settlement of VAT, corporate income tax, civil transactions tax, withholding tax and on due diligence.

The PFR Corporate Group performs ongoing analyses of all business transactions and other events in order to correctly identify tax obligations and minimize risks. In the case of complicated tax issues, especially those, in which tax authorities or administrative courts apply different practical approaches, PFR uses support from external tax advisors or requests an appropriate individual tax interpretation. PFR cooperates with the tax authorities openly and acting in good faith, providing all necessary information and explanations as required.

Due to its social responsibility and high ethical values, PFR does not employ tax optimization techniques to increase its profits.

The tax area is within the purview of the Accounting Department and the Vice-President of the Management Board in charge of Finance and Development. The tax strategy is revised once a year and information on its implementation is published as required by applicable law.

### 1.5. Business continuity and crisis management

[GRI 2-16]

At the PFR Corporate Group, principles of business continuity management have been implemented which define the approach to anticipation and response to events that may cause disruption in the operations of companies from the Group. In accordance with this approach, a Business Impact Analysis (BIA) is performed to identify processes and resources critical to the operations of the PFR Corporate Group, whose unavailability may significantly interfere with the achievement of its objectives. For each of the critical processes, detailed business continuity plans were developed in case the defined threat scenarios become actual. Business continuity plans undergo regular testing for effectiveness.

The PFR Corporate Group has also implemented a crisis management process, which ensures that each critical event will be duly communicated to the governing bodies and appropriate measures will be undertaken by the formally established crisis management team. In 2022, a meeting of the crisis management team was convened after Russia started war with Ukraine. The meetings were held regularly to identify, assess and monitor threats associated with war in Ukraine and to work our measures to protect the PFR Corporate Group's activity against the effects of the threats.

### 1.6. Business process management

Since 2021, PFR has developed process management, which orients organizations to constant improvement of conducted activity. In a longer perspective, process management is to ensure increased work efficiency and effective business objectives with the simultaneous placement of the client in the center of attention. The power to build process management has been located in the area responsible for the Company's strategy, which indicates a close connection between both areas (achievement of strategic objectives also by achieving process objectives). At PFR, the framework for action has been defined for the process management area, including a definition of the process architecture and assignment of ownership to processes. The process architecture is a point of departure for other areas of an organization's operations. It is used in the following areas: Compliance (identification and control of compliance risk), Security (business continuity area), Audit (for preparing audit



## Architecture of processes

**A comprehensive, structured arrangement of all identified processes of the organization, the interrelationships and dependencies between them, and how they are organized functionally and structurally.**

plan for a given year and during the performance of audits), Risks (identification of risks associated with processes) and IT (identification of systems used in processes). Regular actions are also taken aimed to increase the awareness of processes in the organization.

### 1.7. Committees operating in the PFR Corporate Group

In 2021, the PFR Management Board set up three committees whose activities cover the PFR Corporate Group: Security, IT Architecture and Project Committees. The Committees are teams of experts where each of the PFR Corporate Group companies is represented by its representative with equal rights.

The aim of the activity of the Security Committee of the PFR Corporate Group is to ensure, at the Corporate Group level, coordination and integration of strategies, initiatives, projects and actions in the area of information security and business continuity, initiated and performed by particular companies, and also to ensure standardization, synergy and optimization of security solutions in terms of functionality and cost-effectiveness. The Committee conducts its activity in accordance with the principles defined in the "Rules and Regulations of the Security Committee of the PFR Corporate Group". Meetings of the Committee are held once a month. In 2022, 12 meetings of the Committee were held.

The aim of the activity of the IT Architecture Committee of the PFR Corporate Group is to jointly work out unified standards and define priorities and directions of IT development in PFR Corporate Group and to issue recommendations for implementing these standards in its companies. The Committee conducts its activity in accordance with the principles defined in the Rules and Regulations of the IT Architecture Committee of the PFR Corporate Group.

The aim of the Committee is to create a platform for mutual discussion among the PFR Corporate Group companies on performed projects, to communicate best practices for performing projects, to share project deliverables and identify potential interdisciplinary projects within the PFR Corporate Group. The Committee conducts its activity in accordance with the principles defined in the "Rules and Regulations of the Project Committee of the PFR Corporate Group". In 2022, 12 meetings of the Committee were held.

## 2. COMPLIANCE RISK MANAGEMENT

### 2.1. Compliance management strategy

[GRI 2-27] [GRI 206-1]

PFR as an institution operating within the framework and on the basis of the Commercial Company Code and the Act on the System of Development Institutions endeavors to comply with all best practices, standards and solutions applicable to market participants in line with pertinent adequacy and proportionality principles. In this pursuit, it observes the overriding principle: compliance with the law is the foundation of any development. As at 31 December 2022, no court litigation was pending with the participation of PFR

that might significantly affect PFR's activity by generating a significant potential risk of a material adverse effect on its financial situation, prospects, operating performance or ability to fulfill obligations. Noteworthy, there are claims raised against PFR in respect of the execution of the government programs: "The Polish Development Fund's financial shield for small and medium enterprises", "The Polish Development Fund's Financial Shield 2.0 for micro, small and medium enterprises" and "The Polish Development Fund's financial shield for large companies", whereby as at 31 December 2022 the value of pecuniary claims pursued in court is approximately PLN 2 million and none of them individually has any impact on PFR's operation and its financial standing.

In April 2021, PFR developed and implemented the Compliance Management Strategy which established the Compliance Management System, aiming to ensure an even more effective management of compliance risk and a higher level of PFR's security and stability due to the nature of its operations, applicable legal regulations and the most recent market standards. The Compliance Management System ensures compliance with the law, market standards, ethical business principles and continuous improvement in this area. Full information on the compliance management strategy is published on PFR's official website.

### 2.2. Compliance system

[GRI 2-23] [GRI 2-24]

The Compliance Department (DZZ), headed by the Compliance Director, is responsible for the compliance management function at PFR. PFR's Compliance Management System is based on the so-called PFR Compliance Pillars, which consist of:

- generally applicable laws,
- best practices and market standards,
- standards and values set forth in the PFR Corporate Group's Code of Conduct,
- hierarchical system of internal regulations (159 internal regulations).

The process of identifying changes in legal regulations is carried out by the Legal Department, which prepares and distributes within the Company a newsletter presenting the regulatory amendments that affect the functioning and operations of PFR and the PFR Corporate Group. Also, every manager of an organizational unit must monitor changes in the legislative environment associated with the area he/she oversees. The PFR Compliance Management System is also based on the principles set forth in, among others: Best Practice of GPW Listed Companies, Corporate Governance Principles for Supervised Institutions, Recommendations of the Polish Financial Supervision Authority and CBA guidelines. Within the framework of its Compliance Management System, PFR also takes action to build an organization based on a specific system of values defined in the Code of Conduct. Among them, special importance is given to values building the organizational culture, such as respect for human rights, mutual assistance, equal treatment of others, as well as responsibility in relations with external stakeholders. Building the perception of compliance, i.e. the responsibility for acting in accordance with generally applicable laws, market standards and above all ethical norms, was based on a program of training and meetings with employees (see section "2.3. Counteracting corruption"). The Code of Conduct has been implemented at the level of the PFR Corporate Group. With regard to internal regulations, the rules operating at PFR set out the process of developing, consulting and adopting

policies and detailed procedures. Each organizational unit, within the scope of its activity, is responsible for identifying the areas that need to be regulated. The Compliance Department and the Legal Department support them by providing information on changes in the regulations that impact the activity of PFR. The Compliance Department is responsible for managing the legislative process, coordinating the process of issuing opinions on internal regulations and for monitoring the reviews of regulation updates (at the end of 2022, only 13% of regulations require updating compared to 22% at the end of 2021). Details of internal regulations issued and cancelled, as well as their revision status are reported to the PFR Management Board on a quarterly basis. At the end of 2022, there were 159 internal regulations in force.

### 2.3. Counteracting corruption

[GRI 205-2] [GRI 205-3]

The PFR Corporate Group does not tolerate corruption in any form and actively counteracts it. For this purpose, internal regulations have been adopted and must be observed by all employees of the PFR Corporate Group, defining the rules of cooperation with the pertinent state authorities. Prevention of all acts bearing the hallmark of corruption is one of the elements of the PFR Compliance Management Strategy and of the PFR Corporate Group's Code of Conduct. With this in mind, PFR has implemented the "Gifts and Anti-Corruption Policy", which sets out the principles and procedures to be followed in this area. In 2022, there were 4 submissions to the register of gifts, which were processed in accordance with the applicable internal regulations. In 2022, the Compliance Department conducted 19 mandatory training sessions for 67 new employees (both on site and on the MS Teams platform). Each trainee received an onboarding bundle containing the presentation entitled "Compliance – managing compliance risk". In August 2022, a dedicated training course was conducted for employees of the Client Relations Department in Chelm, in which 21 employees participated. At the same time, around Christmas, a marketing and training campaign had been planned and was implemented for all employees of PFR, devoted to principles of preventing corruption and acceptance of gifts.

In 2022, PFR recorded no corruption incidents, understood as promises, proposals or gifting, as well as demanding or accepting, of any undue benefits.

### 2.4. Conflict of interest

[GRI 2-15]

PFR manages part of the investment portfolio of closed-end investment funds, which is why so much importance is given to appropriate controls and management mechanisms regarding possible conflicts of interest, including conflicts between PFR's interests and the decision-maker's interests.

PFR has implemented appropriate control mechanisms for managing potential conflicts of interest both in its own activity and as the manager of a portion of the investment portfolio of closed-end investment funds. In 2022, the *Conflict of Interest Prevention and Management Policy* was updated and so was the Code of Conduct. At the same time, in 2022, the *Rules of Conduct and Management of Conflicts of Interest in Financial Markets* were introduced, regulating the management of conflicts of interest and access to inside/price-sensitive information in terms of MAR, and the *Procedure for Restrictions on the Acquisition and Disposal of the Bonds of Polski Fundusz Rozwoju S.A. by Persons Discharging Managerial Responsibilities and Persons Closely Related to Them* was updated, which imposes restrictions on personal transactions performed by these persons. PFR employees are obliged to report any possibility of occurrence of a potential or actual conflict of interest, in particu-

lar where personal interests prevent or might preclude the due and proper performance of official duties. Issues connected with the management of a conflict of interest are also dealt with in the *Know Your Client (KYC) Policy*, the Rules of Procurement and the *Procedure for Identification, Verification and Assessment of KYC Risk for Entities Participating in the Investment Process of PFR S.A.* as mechanisms for preventing and managing conflicts of interest in the procurement procedure and selection of service providers. Provisions on conflict of interest were also included in the Regulations of the Supervisory Board and in the Regulations of the Management Board of PFR S.A. Their members are obligated to avoid any situations, in which a conflict of interest might occur; where interest is defined as a source of any type of benefits: professional, financial, material, personal or other non-material benefits. Where a conflict of interest arises between PFR's interest and the personal interest of a member of a corporate body, his/her spouse, relatives and second degree next of kin and any individuals, with whom he/she has personal connections, or there is a risk that such a conflict may arise, the member of the corporate body must promptly notify appropriate persons of this fact and refrain from participating in voting or discussion regarding such sensitive issue. In 2022:

- 26 reports were about potential conflict of interest (reports duly managed and closed),
- 41 reports referred to transactions made by own employees (the reports have been cross-referenced against restriction lists and managed),
- 228 statements concerned absence of conflict of interest within investment projects conducted by transaction teams.

Regarding the tasks supporting the implementation of the Polish Development Fund's Financial Shield Program for Large Companies (Shield for Large Companies), the Compliance Department participated in Investment Committee meetings of the Shield Program for Large Companies, during which it was responsible for:

- supervising of the course of the committee meetings in where it focused on the management of potential conflicts of interest concerning committee members and transaction team members,
- issuing opinions on transaction team members,
- preparing the "checklists" containing information on the companies examined during the meeting, assessment of KYC risk, composition of the transaction team and confirmation that the declaration of absence of conflict of interest has been submitted, appearance on the Observation List/Restriction List, etc. (21 lists).

### 2.5. Whistleblowing

[GRI 2-25] [GRI 2-26]

In 2022, based on a draft law on whistleblower protection, provisions of the Procedure for Internal Reports on Breaches of Law in Polski Fundusz Rozwoju S.A. were updated, sanctioning the system of reporting irregularities operating to date in PFR. In accordance with the whistleblower protection rules, the implemented solutions made it possible to report irregularities anonymously in three channels:

- a dedicated IT tool to report violations for which a contact form is available on [PFR's website](#);
- electronic mail addresses: [sygnalista@pfr.pl](mailto:sygnalista@pfr.pl); [CEO.poufne@pfr.pl](mailto:CEO.poufne@pfr.pl); [poufne.RN@pfr.pl](mailto:poufne.RN@pfr.pl);



- in hard copy by using the physical boxes available in PFR's head office.

All the reports were confidential, carefully analyzed and explanatory procedures were conducted with due care, independence and objectivity. In 2022, a total of five reports were recorded, including a single anonymous one. In 2022, the PFR Corporate Group made necessary amendments to the whistleblowing model in companies, which aimed to adjust it, to the broadest extent possible, to the draft Act on the protection of persons who report breaches of law published on 18 October 2021, implementing Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law.

## 2.6. Management of personal data

[GRI 418-1]

In PFR, a Personal Data Protection Office operates, whose aim is to assess compliance of the Company's activity with personal data regulations and the level of personal data security, and to report to the Management Board on the level of risk associated with the data processing operations. In particular, the Personal Data Protection Office ensures PFR's compliance with personal data protection regulations and performance of legal duties of the Data Protection Inspector appointed by the Management Board.

In the Polish Development Fund, in accordance with the Personal Data Protection Policy adopted by the Management Board, any natural person whose data are processed by PFR may contact the Company about their personal data by sending a message to the e-mail address: [iod@pfr.pl](mailto:iod@pfr.pl) or by traditional mail.

# About the non-financial part of this report

[GRI 2-1] [GRI 2-2] [GRI 2-3] [GRI 2-4] [GRI 2-5] [GRI 2-14]

This report contains non-financial information covering environmental, labor, social and corporate governance issues for PFR S.A. and subsidiaries of the PFR Corporate Group:

- PFR Ventures Sp. z o.o.
- PFR Nieruchomości S.A.
- PFR Portal PPK Sp. z o.o.
- PFR Operacje Sp. z o.o.
- PFR Towarzystwo Funduszy Inwestycyjnych S.A.

The non-financial information of PFR and the PFR Corporate Group is published on an annual basis and covers the period of activity from 1 January to 31 December 2022.

For the second time in a row, the PFR Corporate Group has decided to disclose non-financial information in the consolidated report in accordance with the international non-financial reporting standard of the Global Reporting Initiative (GRI) Standards Foundation 2021. The non-financial information has also been aligned with the United Nations (UN) Sustainable Development Goals (SDGs). The PFR Corporate Group published the previous report for 2021 on 31 May 2022.

The non-financial data disclosed in the report address the material topics that the PFR Corporate Group has selected based on materiality analysis taking into account the requirements of the Accounting Act. The report also includes disclosures required by the European Taxonomy regarding revenues, capital expenditures and operating expenditures for the activities covered by the Taxonomy. Details of the companies included in the individual non-financial indicators are presented in the GRI index table on page 129. Compared to the report for 2021, it was decided to expand the non-financial section and structure it by assigning particular activities of the PFR Corporate Group to the environmental (E), social (S) and corporate governance (G) areas. Apart from the aforementioned form of presentation of information, there have been no significant changes in the methods of measurement used in this report compared to the previous report. The only change connected with a method of measurement which is worth noting is the reference to KOBIZE database instead of DEFRA in Chapter "2.1. Use of fuels, energy and water".

The content of this report has been reviewed and approved by the Management Board and the Supervisory Board. The report has not been subject verified by any external entities.

The publication date of the non-financial report is 31 May 2023. If you have any questions regarding the non-financial part of the PFR Corporate Group's report and information it contains, please contact: Łukasz Błaszczuk, ESG Expert at the PFR's Strategy Department: [lukasz.blaszczuk@pfr.pl](mailto:lukasz.blaszczuk@pfr.pl).



# Indicators

The non-financial part has been drawn up using the GRI 1: Foundation 2021 guidelines.

	<b>Indicator</b>	<b>Page number</b>	<b>Comment</b>
<b>GRI 2: General Disclosures 2021</b>			
GRI 2-1	Organizational details	85 128	
GRI 2-2	Entities included in the organization's sustainability reporting	85 128	
GRI 2-3	Reporting period, frequency and contact point	128	
GRI 2-4	Restatements of information	128	The year 2021 is the first year of non-financial reporting in the PFR Corporate Group
GRI 2-5	External assurance	128	The report has not been subject verified by any external entities.
GRI 2-6	Activities, value chain and other business relationships	85	
GRI 2-7	Employees	121	
GRI 2-8	Workers who are not employees	121	
GRI 2-9	Governance structure and composition	90	
GRI 2-10	Nomination and selection of the highest governance body	90	
GRI 2-11	Chair of the highest governance body	90	
GRI 2-12	Role of the highest governance body in overseeing the management of impacts	90	
GRI 2-13	Delegation of responsibility for managing impacts	90	
GRI 2-14	Role of the highest governance body in sustainability reporting	90 125 128	
GRI 2-15	Conflict of interest	127	
GRI 2-16	Communication of critical concerns	125	
GRI 2-17	Collective knowledge of the highest governance body	90	
GRI 2-18	Evaluation of the performance of the highest governance body	90	
GRI 2-19	Remuneration policies	122	
GRI 2-20	Process to determine remuneration	122	
GRI 2-21	Annual total compensation ratio		The ratio has not been disclosed due to data confidentiality
GRI 2-22	Statement on sustainable development strategy	83	
GRI 2-23	Policy commitments	126	
GRI 2-24	Embedding policy commitments	126	
GRI 2-25	Processes to remediate negative impacts	127	
GRI 2-26	Mechanisms for seeking advice and raising concerns	127	
GRI 2-27	Compliance with laws and regulations	126	
GRI 2-28	Membership associations	89	
GRI 2-29	Approach to stakeholder engagement	90 91	
GRI 2-30	Collective bargaining agreements	122	There are no collective bargaining agreements in PFR.
<b>GRI 3: Material topics 2022</b>			
GRI 3-1	Process to determine material topics	91	
GRI 3-2	List of material topics	91	
GRI 3-3	Management of material topics	125	



<b>Topic: Investments</b>		
GRI 203-1	Infrastructure investments and services supported	89
GRI 203-2	Significant indirect economic impacts	94 106
<b>Topic: Corporate governance</b>		
GRI 205-2	Communication and training about anti-corruption policies and procedures	127
GRI 205-3	Confirmed incidents of corruption and actions taken	127
GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	126
GRI 207-1	Approach to tax	125
GRI 207-2	Tax governance, control and risk management	125
GRI 207-3	Stakeholder engagement and management concerns related to tax	125
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and protection of customer data	128
<b>Topic: Employees</b>		
GRI 401-1	New employee hires and employee turnover	122
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	122
GRI 404-1	Average hours of training per year per employee	123
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	123
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	123
GRI 405-1	Diversity of governance bodies and employees	122
GRI 405-2	Ratio of basic salary and remuneration of women to men	123
GRI 406-1	Incidents of discrimination and corrective actions taken	122
<b>Topic: Local partnership</b>		
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	114
<b>Topic: Environment</b>		
GRI 302-1	Energy consumption within the organization	96
GRI 303-5	Water consumption within the organization	96

Warsaw, 26 May 2023



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Paweł Borys  
President of the Management Board



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Bartłomiej Pawlak  
Vice President of the Management Board



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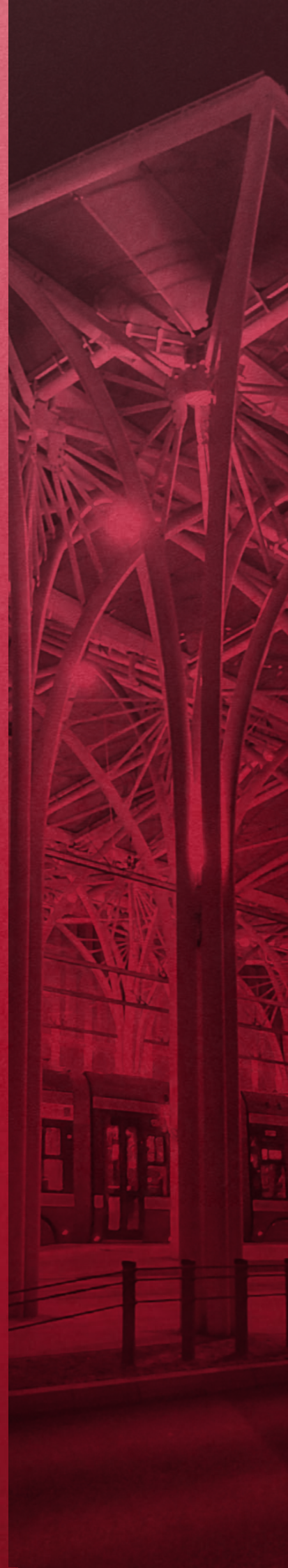
Tomasz Fill  
Vice President of the Management Board



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Bartosz Marczuk  
Vice President of the Management Board

# Financial highlights of PFR S.A.



# Financial highlights as at 31 December 2022 and 31 December 2021

<b>Statement of profit and loss</b>	<b>1 January - 31 December 2022</b>	<b>1 January - 31 December 2022</b>	<b>1 January - 31 December 2021</b>	<b>1 January - 31 December 2021</b>
<b>Financial highlights</b>	<b>PLN thousand</b>	<b>EUR thousand</b>	<b>PLN thousand</b>	<b>EUR thousand</b>
Net revenues from sales	297,494	63,433	288,712	62,772
Net sales profit (loss)	151,819	32,371	145,165	31,562
Profit (loss) before tax	274,222	58,471	220,937	48,036
Net profit (loss)	236,755	50,482	189,286	41,155

<b>Balance sheet</b>	<b>1 January - 31 December 2022</b>	<b>1 January - 31 December 2022</b>	<b>1 January - 31 December 2021</b>	<b>1 January - 31 December 2021</b>
<b>Financial highlights</b>	<b>PLN thousand</b>	<b>EUR thousand</b>	<b>PLN thousand</b>	<b>EUR thousand</b>
Non-current assets	15,175,539	3,235,792	24,839,709	5,400,641
Current assets	73,729,727	15,720,959	64,440,535	14,010,639
Equity	12,420,554	2,648,362	12,962,676	2,818,341
Provisions for liabilities	113,925	24,291	81,888	17,804
Non-current liabilities	74,938,801	15,978,763	73,318,399	15,940,862
Current liabilities	1,430,527	305,023	2,915,700	633,930
Prepayments and accruals	1,459	311	1,580	344

<b>Cash flow statement</b>	<b>1 January - 31 December 2022</b>	<b>1 January - 31 December 2022</b>	<b>1 January - 31 December 2021</b>	<b>1 January - 31 December 2021</b>
<b>Financial highlights</b>	<b>PLN thousand</b>	<b>EUR thousand</b>	<b>PLN thousand</b>	<b>EUR thousand</b>
Cash flow on operating activity	(651,582)	(138,933)	(172,330)	(37,468)
Cash flow on investing activity	8,924,769	1,902,976	(4,757,185)	(1,034,306)
Cash flow on financing activity	(1,232,575)	(262,815)	8,329,707	1,811,042
Total net cash flows	7,040,612	1,501,229	3,400,191	739,268

**EUR exchange rate** **4.6899** **4.5994**

Warsaw, 26 May 2023



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Paweł Borys  
President of the Management Board



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Bartłomiej Pawlak  
Vice President of the Management Board



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Tomasz Fill  
Vice President of the Management Board



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Bartosz Marczuk  
Vice President of the Management Board



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Ewa Maciąg  
Person preparing the statement

# Standalone Financial Statements for 2022

<b>Introduction to the Standalone Financial Statements</b> .....	<b>136</b>
<b>Balance sheet: Assets</b> .....	<b>139</b>
<b>Balance sheet: Equity and liabilities</b> .....	<b>141</b>
<b>Statement of profit and loss</b> .....	<b>143</b>
<b>Statement of changes in equity</b> .....	<b>145</b>
<b>Cash flow statement</b> .....	<b>147</b>
<b>Notes and explanations</b> .....	<b>149</b>



# Introduction to the Standalone Financial Statements

## 1. INFORMATION ABOUT THE COMPANY

### 1.1. Company name

Polski Fundusz Rozwoju S.A.

### 1.2. Company's registered office

ul. Krucza 50  
00-025 Warsaw

### 1.3. Registration in the National Court Register (KRS)

Seat of the court: District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register  
Date: 19 June 2013  
Registration no.: 0000466256  
NIP: 7010374912

### 1.4. Information on changes in the composition of the Company's Management Board

There were no changes in the composition of the Company's Management Board in 2022.

### 1.5. Core business and duration of the Company

As at the date of preparing the financial statements for 2022, the Company's core business was "Activities of head offices and holding companies, with the exception of financial holdings" (code in the Polish Classification of Businesses: PKD 70.10.Z).

The Company has been established for an indefinite term.

### 1.6. Period covered by the financial statements

The financial statements have been prepared for the period from 1 January 2022 to 31 December 2022.

### 1.7. Going concern assumption

These financial statements have been prepared based on the assumption that the entity will continue as a going concern. No circumstances have been identified that would indicate a threat to the Company's ability to continue as a going concern.

## 2. ACCOUNTING POLICY

### 2.1. Valuation methodology of assets and liabilities (including depreciation)

1. Non-current investments are non-current assets whose realization time is longer than 12 months. They have been acquired by the Company with a view to economic benefits resulting from incremental value growth. At present, the Group's investments include investments in financial assets – in particular shares of Bank Pekao S.A., investment certificates and bonds. The Company invests through Closed-end Non-Public Investment Funds, subscribing and paying for investment certificates. The value of an investment certificate is determined based on a valuation of assets of the given fund performed by a specialized external entity, by determining the net asset value and net asset value per investment certificate. Then fair value of each investment certificate held by the Company is determined, taking into consideration the principle that investment certificates paid for at the initial price of 0.10 PLN do not give the right to increase net assets, as a result of which their fair value is 0.10 PLN, while the remaining investment certificates participate in the growth of net assets in proportion to the level of payment for them. The acquired investment certificates, regardless of whether they are fully-paid or not, are classified as available-for-sale financial assets. The effects of revaluation to fair value, or revaluation gains or losses, are charged to the revaluation reserve until the certificate is redeemed (profit or loss is realized) or until impairment is recognized. Investment certificates paid for at the initial price are recognized at the amount of the portion paid up. Investment certificates that are not fully paid up, with the exception of paid-up certificates with an initial price of PLN 0.10, are recognized at the amount of the paid-up portion, adjusted in subsequent periods by the impact of the net asset value measurement per investment certificate.
2. Non-current investments created and acquired in connection with the execution of the Financial Shield government programs. PFR, in connection with the execution of the Financial Shield government program referred to in Article 21a sec. 1 of the Act on the System of Development Institutions and on the terms and conditions defined in the Program Documents, may: Grant interest-free financial subsidies which are classified in the category of loans granted and own receivables and measured

at the amount of funds granted reduced by the repayments of the nominal amount. The Company has applied measurement at the nominal amount because it does not have data making it possible to estimate in a reliable way the amount and dates of receipt of funds from the State Treasury in connection with remissions of subsidies and loans. Nevertheless, considering the absence of interest (for financial subsidies) and commission, the measurement at the nominal amount is deemed close to the measurement at adjusted purchase price. b. Grant loans classified in the category of loans granted and own receivables and measured at adjusted purchase price calculated using the effective interest rate method, c. Subscribe for or purchase bonds issued by other entities which are classified in the category of loans granted and own receivables and measured at adjusted purchase price calculated using the effective interest rate method, d. Purchase shares or ownership interests of other entities which are classified in the category of financial assets available for sale if they do not satisfy the definition of subordinated entities. Financial assets available for sale are measured at fair value, i.e. the total amount which PFR will receive from both a possible buyer and the State Treasury.

3. Impairment of debt securities created and acquired in connection with the execution of the Financial Shield government programs For financial subsidies, loans granted, bonds subscribed for/purchased, purchased receivables, created or acquired in connection with financing granted under the Financial Shield government programs, no revaluation allowances are recognized, since the Company is not exposed to credit risk in the economic sense in connection with these debt instruments. In the assessment, PFR takes into consideration the probability that the asset will not generate, fully or substantially, expected economic benefits in the future, effects of the mechanism of tranches from the State Treasury, which involves supplementation of cash by the State Treasury to service external financing and other costs, which are first covered from repayments of granted financing, in accordance with the principles specific for the guarantee which constitutes an integral part of the agreements.
4. Non-current liabilities on account of debt securities issued. A non-current liability is a duty – arising from past events – to make a payment of a reliably estimated value, which will result in using the existing or future assets of the PFR, with maturity longer than 12 months as from the balance sheet date. Items classified as non-current liabilities include non-current liabilities on account of debt securities issues, including bonds issued by the PFR in connection with the execution of the Financial Shield government programs. As at the balance sheet date, non-current liabilities on account of debt securities issues are measured at adjusted purchase price, while the effects of the measurement as well as revenues and expenses associated with the issue of bonds financing the execution of the Financial Shield government programs are recognized as increases and decreases of settlements with the State Treasury.

## 2.2. Determination of the financial result

1. Revenue and expenses: Revenue and expenses are recognized on an accrual basis, i.e. in the financial year to which they relate, regardless of when the payment is received or made.
2. Interest income: Interest income is recognized using the effective interest rate.
3. Dividend income: Dividend income is recognized as financial income as at the date of adoption of the resolution by the Company's Shareholder Meeting in which the entity has invested, to distribute the profit, unless the resolution specifies a different record date.

## 2.3. Determining the methodology for preparing the financial statements

1. The financial statements have been drawn up pursuant to the accounting principles in force in the territory of the Republic of Poland, as laid down in the Accounting Act of 29 September 1994 (Journal of Laws of 2023, item 120, as amended) and in the executive regulations thereto, as well as the Finance Minister's Regulation of 12 December 2001 on the detailed principles of recognition, valuation methods, scope of disclosure and manner of presentation of financial instruments. The accounting principles adopted by the Company have been applied continuously and comply with the accounting principles applied in the previous financial year.
2. The Company prepares a comparative version of the statement of profit and loss.
3. The cash flow statement has been prepared using the indirect method.
4. Specification of the item of financial statements where assets / liabilities and revenues/costs connected with the execution of the Financial Shield government programs are recognized:

Item A.IV.3. Non-current financial assets

c) in other entities

- shares - Equity investments acquired in the execution of the Financial Shields government program
- loans granted – Financial subsidies and loans granted in the execution of the government programs: the Shield for MSMEs, the Shield for MSMEs 2.0, the Shield for Large Companies and the Shield for LOT Polish Airlines – the non-current part

Item B.II.3. Receivables from other entities

c) other – Settlements with the State Treasury for servicing Financial Shield government programs

Item B.III.1. Current financial assets



b) in other entities

- other securities – certificates of deposit purchased with the Financial Shield funds
- loans granted – Financial subsidies and loans granted in the execution of the government programs: the Shields for MSMEs, the Shield for Large Companies and the Shield for LOT Polish Airlines – the current part

c) cash and cash equivalents

- cash in hand and at bank – Cash in the accounts of the Financial Shield programs
- other cash - Term deposits from Financial Shield funds

Item B.II.3.b) Non-current liabilities towards other entities for the issue of debt securities - PFR bonds issued for the purposes of executing the Financial Shield government programs – the non-current part

Item B.III.3.b) Non-current liabilities towards other entities for the issue of debt securities - PFR bonds issued for the purposes of executing the Financial Shield government programs – the current part

Item B.IV. Special-purpose funds – Settlements with the State Treasury in the execution of the Financial Shield government programs

Item A.I. Net revenues from sales of products – Remuneration for PFR from the State Treasury for the execution of the Financial Shield government programs

# Balance sheet: Assets

<b>ASSETS</b>	<b>Note</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>A Non-current assets</b>		<b>15,175,538,557.58</b>	<b>24,839,708,693.76</b>
<b>I. Intangible assets</b>		10,495,282.03	14,858,124.36
3. Other intangible assets		10,495,282.03	14,858,124.36
<b>II. Property, plant and equipment</b>		<b>3,690,356.44</b>	<b>4,320,047.14</b>
1. Fixed assets		3,690,356.44	4,320,047.14
c) plant and machinery		423,482.14	658,227.95
d) means of transport		872,783.23	884,784.51
e) other fixed assets		2,394,091.07	2,777,034.68
<b>III. Non-current receivables</b>		<b>1,582,952.20</b>	<b>1,509,465.03</b>
3. From other entities		1,582,952.20	1,509,465.03
<b>IV. Non-current investments</b>		<b>14,910,515,340.28</b>	<b>24,786,808,252.73</b>
3. Non-current financial assets		14,910,515,340.28	24,786,808,252.73
a) in related parties		269,302,554.57	258,870,986.89
- shares		269,302,554.57	252,006,641.07
- loans granted		-	6,864,345.82
b) in other entities in which the company holds an equity stake		2,988,123,550.00	4,184,564,521.90
- shares		2,988,123,550.00	4,184,564,521.90
c) in other entities		11,653,089,235.71	20,343,372,743.94
- shares		57,845,183.24	287,743,583.24
- other securities		359,112,429.96	1,437,118,312.84
- loans granted		3,034,026,037.41	10,051,138,841.34
- other non-current financial assets		8,202,105,585.10	8,567,372,006.52
<b>V. Non-current prepayments and accruals</b>		<b>249,254,626.63</b>	<b>32,212,804.50</b>
1. Deferred tax assets		247,991,363.15	30,625,656.74
2. Other prepayments and accruals		1,263,263.48	1,587,147.76



<b>ASSETS</b>	<b>Note</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>B. Current assets</b>		<b>73,729,727,316.12</b>	<b>64,440,534,746.90</b>
<b>I. Inventory</b>		<b>547,942.32</b>	<b>-</b>
4. Goods		547,942.32	-
<b>II. Current receivables</b>		<b>46,404,872,855.22</b>	<b>38,149,671,911.30</b>
1. Receivables from related parties		22,757,330.42	21,699,895.26
a) trade receivables, with the repayment period set:		22,757,330.42	21,699,895.26
- up to 12 months		22,757,330.42	21,699,895.26
2. Receivables [from other entities] in which the company holds an equity stake		369,000.00	-
a) trade receivables, with the repayment period set:		369,000.00	-
- up to 12 months		369,000.00	-
3. Receivables from other entities		46,381,746,524.80	38,127,972,016.04
a) trade receivables, with the repayment period set:		7,966,671.19	3,250,472.78
- up to 12 months		7,966,671.19	3,250,472.78
b) on taxes, subsidies, customs duties, social insurance and health insurance or other public dues		2,031,024.52	2,181,901.13
c) other		46,371,748,829.09	38,122,539,642.13
<b>III. Current investments</b>		<b>27,322,088,786.58</b>	<b>26,288,773,715.35</b>
1. Current financial assets		27,322,088,786.58	26,288,773,715.35
a) in related parties		-	13,559,863.99
- other securities		-	10,340,126.66
- loans granted		-	3,219,737.33
b) in other entities		14,596,153,338.76	20,624,638,753.98
- other securities		4,687,072,902.41	-
- loans granted		9,909,080,436.35	20,624,638,753.98
c) cash and cash equivalents		12,725,935,447.82	5,650,575,097.38
- cash on hand and at bank		87,209,425.76	177,915,765.24
- other cash		12,638,726,022.06	5,472,659,332.14
<b>IV. Current prepayments and accruals</b>		<b>2,217,732.00</b>	<b>2,089,120.25</b>
<b>C. Unpaid contribution to share capital (fund)</b>		<b>-</b>	<b>-</b>
<b>D. Treasury shares</b>		<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>88,905,265,873.70</b>	<b>89,280,243,440.66</b>

# Balance sheet: Equity and liabilities

	EQUITY AND LIABILITIES	Note	31 December 2022	31 December 2021
<b>A. Equity</b>			<b>12,420,553,560.14</b>	<b>12,962,675,902.12</b>
<b>I. Share capital</b>			11,475,907,779.00	11,475,907,779.00
<b>II. Supplementary capital, including:</b>			1,356,601,238.72	1,160,840,025.05
- share premium account			531,174,535.18	531,174,535.18
<b>III. Revaluation reserve, including:</b>			(648,710,939.01)	136,641,659.40
- from fair value remeasurement			(648,710,939.01)	136,641,659.40
<b>VI. Net profit</b>			236,755,481.43	189,286,438.67
<b>B. Liabilities and provisions for liabilities</b>			<b>76,484,712,313.56</b>	<b>76,317,567,538.54</b>
<b>I. Provisions for liabilities</b>			<b>113,924,648.29</b>	<b>81,888,451.15</b>
1. Deferred tax liability			88,006,615.71	57,301,465.71
2. Provision for pension and similar benefits			24,083,876.98	22,137,790.60
- non-current			164,386.00	174,259.91
- current			23,919,490.98	21,963,530.69
3. Other provisions			1,834,155.60	2,449,194.84
- current			1,834,155.60	2,449,194.84
<b>II. Non-current liabilities</b>			<b>74,938,801,465.44</b>	<b>73,318,399,484.83</b>
3. To other entities			74,938,801,465.44	73,318,399,484.83
a) loans and borrowings			1,581,456,019.11	-
b) issues of debt securities			73,356,331,263.07	73,317,384,433.93
c) other financial liabilities			1,014,183.26	1,015,050.90



	EQUITY AND LIABILITIES	Note	31 December 2022	31 December 2021
<b>III. Current liabilities</b>			<b>1,430,527,284.23</b>	<b>2,915,699,617.01</b>
1. To related parties			58,808,571.20	1,945,517.34
a) trade liabilities, payable within			6,823,350.83	1,945,517.34
- up to 12 months			6,823,350.83	1,945,517.34
b) other			51,985,220.37	-
2. To other entities in which the company holds an equity stake			1,529,438.63	30,692.96
a) trade liabilities, payable within			1,529,438.63	30,692.96
- up to 12 months			1,529,438.63	30,692.96
3. To other entities			1,334,450,011.73	2,910,175,474.38
a) loans and borrowings			144,356,021.46	1,724,961,065.52
b) issues of debt securities			1,152,929,389.82	1,152,979,358.69
d) trade liabilities, payable within			9,854,857.42	15,627,408.04
- up to 12 months			9,854,857.42	15,627,408.04
g) on taxes, customs duties, social insurance and health insurance or other public dues			24,622,696.44	16,550,313.04
h) for payroll			219,673.30	20,343.54
i) other			2,467,373.29	36,985.55
4. Special-purpose funds			35,739,262.67	3,547,932.33
<b>IV. Prepayments and accruals</b>			<b>1,458,915.60</b>	<b>1,579,985.55</b>
2. Other prepayments and accruals			1,458,915.60	1,579,985.55
- current			1,458,915.60	1,579,985.55
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>88,905,265,873.70</b>	<b>89,280,243,440.66</b>

# Statement of profit and loss

	Note	1 January - 31 December 2022	1 January - 31 December 2021
<b>A. Net revenues from sales and equivalents</b>			
- including from related parties		88,949,692.23	81,187,802.30
<b>I. Net revenues from sales of products</b>		297,319,690.61	288,605,836.13
<b>IV. Net revenues from sales of goods and materials</b>		173,983.74	105,691.06
		<b>297,493,674.35</b>	<b>288,711,527.19</b>
<b>B. Operating expenses</b>			
<b>I. Depreciation and amortization</b>		(6,836,155.22)	(5,664,889.86)
<b>II. Consumption of materials and energy</b>		(1,005,605.50)	(612,680.57)
<b>III. Third party services</b>		(52,068,728.85)	(53,374,887.15)
<b>IV. Taxes and charges</b>		(520,199.47)	(443,235.23)
- including excise tax		-	-
<b>V. Payroll</b>		(60,100,344.31)	(54,922,259.00)
<b>VI. Social insurance and other benefits</b>		(11,785,959.18)	(10,329,023.85)
- pension		(3,410,751.39)	(2,835,445.62)
<b>VII. Other costs by nature</b>		(13,249,180.09)	(18,141,905.27)
<b>VIII. Value of goods and materials sold</b>		(108,922.72)	(58,137.21)
		<b>(145,675,095.34)</b>	<b>(143,547,018.14)</b>
<b>C. Profit (loss) on sales</b>		<b>151,818,579.01</b>	<b>145,164,509.05</b>
<b>D. Other operating income</b>			
<b>I. Profit on disposal of non-financial non-current assets</b>		-	790.04
<b>II. Subsidies</b>		614,616.87	1,380,703.72
<b>IV. Other operating income</b>		5,461,819.95	3,955,942.72
		<b>6,076,436.82</b>	<b>5,337,436.48</b>
<b>E. Other operating expenses</b>			
<b>I. Loss on the sale of non-financial non-current assets</b>		-	(68,231.90)
<b>III. Other operating expenses</b>		(16,919,117.04)	(6,480,366.22)
		<b>(16,919,117.04)</b>	<b>(6,548,598.12)</b>
<b>F. Operating profit (loss)</b>		<b>140,975,898.79</b>	<b>143,953,347.41</b>



	Note	1 January - 31 December 2022	1 January - 31 December 2021
<b>G. Financial income</b>			
<b>I. Dividends and profit sharing</b>		144,463,513.80	107,843,692.86
b) from other entities, including:		144,463,513.80	107,843,692.86
- in which the company holds an equity stake		144,463,513.80	107,843,692.86
<b>II. Interest, including:</b>		70,481,466.07	23,412,528.33
- including from related parties		198,066.39	1,163,479.01
<b>III. Profit on disposal of financial assets</b>		61,917,650.08	-
- in related parties		720,895.50	-
<b>V. Other</b>		6,483,770.04	3,103,215.28
		<b>283,346,399.99</b>	<b>134,359,436.47</b>
<b>H. Financial costs</b>			
<b>I. Interest</b>		(122,966,667.95)	(44,375,757.66)
- including from related parties		(1,985,220.37)	-
<b>II. Loss on the disposal of financial assets</b>		(25,024,960.52)	(10,878,222.73)
<b>IV. Other</b>		(2,108,894.19)	(2,122,140.37)
		<b>(150,100,522.66)</b>	<b>(57,376,120.76)</b>
<b>I. Gross profit (loss)</b>		<b>274,221,776.12</b>	<b>220,936,663.12</b>
<b>J. Income tax</b>		<b>(37,466,294.69)</b>	<b>(31,650,224.45)</b>
<b>K. Other obligatory decreases of profit</b>		-	-
<b>L. Net profit (loss)</b>		<b>236,755,481.43</b>	<b>189,286,438.67</b>

# Statement of changes in equity

	31 December 2022	31 December 2021
<b>I. Equity at the beginning of the period</b>	<b>12,962,675,902.12</b>	<b>4,535,242,456.39</b>
<b>la. Equity at the beginning of the period, after adjustments for errors</b>	<b>12,962,675,902.12</b>	<b>4,535,242,456.39</b>
<b>1. Share capital at the beginning of the period</b>	<b>11,475,907,779.00</b>	<b>4,953,252,553.00</b>
1.1. Change in share capital		
<b>a) additions</b>	-	<b>6,522,655,226.00</b>
- capital increase	-	6,522,655,226.00
<b>b) decreases</b>	-	-
<b>1.2. Share capital at the end of the period</b>	<b>11,475,907,779.00</b>	<b>11,475,907,779.00</b>
<b>2. Supplementary capital at the beginning of the period</b>	<b>1,160,840,025.05</b>	<b>1,078,560,168.06</b>
2.1. Change in supplementary capital		
<b>a) additions</b>	<b>195,761,213.67</b>	<b>82,279,856.99</b>
- issue of shares above the nominal value	-	32,613,339.26
- profit distribution (statutory)	189,286,438.67	49,666,517.73
- other additions	6,474,775.00	-
<b>b) decreases</b>	-	-
<b>2.2. Supplementary capital at the end of the period</b>	<b>1,356,601,238.72</b>	<b>1,160,840,025.05</b>
<b>3. Revaluation reserve at the beginning of the period</b>	<b>136,641,659.40</b>	<b>(1,546,236,782.40)</b>
3.1. Change in revaluation reserve		
<b>a) additions</b>	<b>441,086,921.70</b>	<b>2,126,248,549.29</b>
- fair value remeasurement of investments	223,931,787.39	2,126,248,549.29
- other additions (deferred tax)	217,155,134.31	-
<b>b) decreases</b>	<b>(1,226,439,520.11)</b>	<b>(443,370,107.49)</b>
- fair value remeasurement of investments	(1,196,096,231.90)	(46,027,508.01)
- deferred tax	(30,343,288.21)	(397,342,599.48)
<b>3.2. Revaluation reserve at the end of the period</b>	<b>(648,710,939.01)</b>	<b>136,641,659.40</b>
<b>4. Other reserve capital at the beginning of the period</b>	-	-
4.1. Change in other reserve capital		
<b>a) additions</b>	-	-
<b>b) decreases</b>	-	-
<b>4.2. Other reserve capital at the end of the period</b>	-	-



	31 December 2022	31 December 2021
<b>5. Retained earnings (loss) at the beginning of the period</b>	189,286,438.67	49,666,517.73
<b>5.1. Retained earnings at the beginning of the period</b>	189,286,438.67	49,666,517.73
<b>5.2. Retained earnings at the beginning of the period, adjusted</b>	189,286,438.67	49,666,517.73
<b>a) additions</b>	-	-
<b>b) decreases</b>	(189,286,438.67)	(49,666,517.73)
- from profit distribution (above the minimum value required by law)	(189,286,438.67)	(49,666,517.73)
<b>5.3 Retained earnings at the end of the period</b>	-	-
<b>5.4. Retained loss at the beginning of the period</b>	-	-
<b>5.5. Retained loss at the beginning of the period, adjusted</b>	-	-
<b>a) additions</b>	-	-
<b>b) decreases</b>	-	-
<b>5.6. Retained loss at the end of the period</b>	-	-
<b>5.7. Retained earnings (loss) at the end of the period</b>	-	-
<b>6. Net result</b>	236,755,481.43	189,286,438.67
a) net profit	236,755,481.43	189,286,438.67
b) net loss	-	-
c) profit write-offs	-	-
<b>II. Equity at the end of the period</b>	<b>12,420,553,560.14</b>	<b>12,962,675,902.12</b>
<b>III. Equity after taking into consideration the proposed distribution of profit</b>	<b>12,420,553,560.14</b>	<b>12,962,675,902.12</b>

# Cash flow statement

	Note	1 January - 31 December 2022	1 January - 31 December 2021
<b>A. Cash flows from operating activities</b>			
<b>I. Net profit</b>		<b>236,755,481.43</b>	<b>189,286,438.67</b>
<b>II. Total adjustments:</b>		<b>(888,337,274.22)</b>	<b>(361,616,578.81)</b>
1. Depreciation and amortization		6,836,155.22	5,664,889.86
3. Interest and profit sharing (dividends)		(91,978,311.92)	(86,880,463.53)
4. Investment (gain) / loss		(36,892,689.56)	10,878,222.73
5. Change in provisions		32,036,197.14	28,135,411.55
6. Change in inventories		(547,942.32)	-
7. Change in receivables		(405,356,462.57)	(6,903,021.42)
8. Change in current liabilities, except for loans and borrowings		11,427,795.88	(220,561.00)
9. Change in prepayments and accruals		(217,291,503.83)	371,007,640.97
10. Other adjustments		(186,570,512.26)	(683,298,697.97)
<b>III. Net cash flows from operating activities</b>		<b>(651,581,792.79)</b>	<b>(172,330,140.14)</b>
<b>B. Cash flows from investing activities</b>			
<b>I. Proceeds</b>		<b>14,272,436,721.86</b>	<b>10,379,525,122.51</b>
1. Sale of intangible assets and property, plant and equipment		525,489.45	1,303,005.43
3. From financial assets, of which:		14,271,911,232.41	10,378,222,117.08
a) in related parties		12,812,591.46	-
b) in other entities		14,259,098,640.95	10,378,222,117.08
- disposal of financial assets		12,736,928.70	4,816,667,350.75
- dividends and profit-sharing		144,463,513.80	107,843,692.86
- repayment of long-term loans granted		12,451,268,194.63	5,390,888,699.75
- interest		595,221,567.09	53,622,373.72
- other proceeds from financial assets		1,055,408,436.73	9,200,000.00
<b>II. Expenditures</b>		<b>(5,347,668,080.49)</b>	<b>(15,136,710,383.27)</b>
1. Purchase of intangible assets and property, plant and equipment		(1,780,162.95)	(5,483,197.97)
3. For financial assets, including:		(4,892,881,236.80)	(10,103,629,988.37)
a) in related parties		(20,400,000.00)	(21,500,000.00)
- purchase of financial assets		(20,400,000.00)	(21,500,000.00)
b) in other entities		(4,872,481,236.80)	(10,082,129,988.37)
- purchase of financial assets		(3,539,323,573.44)	(84,357,573.24)
- long-term loans granted		(1,333,157,663.36)	(9,997,772,415.13)
4. Other investment disposals		(453,006,680.74)	(5,027,597,196.93)
<b>III. Net cash flows from investing activities</b>		<b>8,924,768,641.37</b>	<b>(4,757,185,260.76)</b>



	Note	1 January - 31 December 2022	1 January - 31 December 2021
<b>C. Cash flows from financing activities</b>			
<b>I. Proceeds</b>		<b>50,000,000.00</b>	<b>9,534,321,337.50</b>
2. Loans and borrowings		50,000,000.00	-
3. Issue of debt securities		-	8,522,633,837.50
4. Other financial proceeds		-	1,011,687,500.00
<b>II. Expenditures</b>		<b>(1,282,574,837.25)</b>	<b>(1,204,614,455.47)</b>
4. Repayment of loans and borrowings		-	(107,843,692.86)
7. Liabilities paid under financial lease agreements		(459,113.46)	(505,920.31)
8. Interest		(1,282,115,723.79)	(1,096,264,842.30)
<b>IV. Net cash flows from financing activities</b>		<b>(1,232,574,837.25)</b>	<b>8,329,706,882.03</b>
<b>D. Total net cash flows</b>		<b>7,040,612,011.33</b>	<b>3,400,191,481.13</b>
<b>E. Balance sheet change in cash</b>		<b>7,040,612,011.33</b>	<b>3,400,191,481.13</b>
- including change in cash on account of foreign exchange differences		-	-
<b>F. Cash at the beginning of the period</b>		<b>5,650,575,097.38</b>	<b>2,250,383,616.25</b>
<b>G. Cash at the end of the period</b>		<b>12,691,187,108.71</b>	<b>5,650,575,097.38</b>
- including restricted cash		12,170,073,519.75	5,503,596,860.16

# Notes and explanations

## 1. FINANCIAL SHIELD GOVERNMENT PROGRAMS

Pursuant to the Act on the System of Development Institutions of 4 July 2019 (Journal of Laws, Item 1572, as amended), PFR S.A. performs tasks entrusted by the state administration authorities, i.e. handling of the government programs: the Financial Shield for Large Companies, the Financial Shield for MSMEs and the government support program for PLL LOT S.A.

When performing the duties arising from the Financial Shield government programs, PFR S.A. takes action for the account of the State Treasury represented by the Development Minister acting in agreement with the Finance Minister and at its exclusive cost and risk. These actions include raising third party financing through the issue of bonds and granting financing pursuant to the contractual terms of the Financial Shield government programs.

On initial recognition, the measurement of the subsidies and loans granted under the Financial Shield government programs is equal to their nominal value. On subsequent balance sheet dates, interest-free financial subsidies which are classified in the category of loans granted and own receivables, are measured at the amount of funds granted, less remissions and repayments of the nominal amount. PFR S.A. has applied measurement at the nominal amount because it does not have data making it possible to estimate in a reliable way the amount and dates of receipt of funds from the State Treasury in connection with remissions of subsidies and loans. Nevertheless, considering the absence of interest (for financial subsidies) and commission, the measurement at the nominal amount is deemed close to the measurement at adjusted purchase price.

Pursuant to the adopted accounting policy, PFR S.A. does not recognize impairment losses for the financial subsidies and loans granted because the State Treasury incurs all the costs and risks associated with the performance of the government programs, which includes being ready to cover the costs resulting from failures to repay the subsidies and loans.

The financial subsidies granted under the government program – Financial Shield for MSMEs, and some of the loans granted under the government program – Financial Shield for Large Companies, were subject to remission, after satisfying the conditions defined in the agreements. PFR S.A. presents remissions of financial subsidies and loans granted as well as interest income and revaluations as settlements with the State Treasury as referred to below.

Pursuant to the rules and regulations of the government program – Financial Shield for MSMEs 1.0, the maximum remission level could amount to 75% of the subsidy amount after beneficiaries satisfy the conditions defined in the program, except for entrepreneurs operating in the industries most affected by the effects of Covid-19-related administrative restrictions who, having satisfied the conditions defined in the program, were exempt from the duty to repay financial subsidies entirely.

Pursuant to the rules and regulations of the government program – Financial Shield for MSMEs 2.0, entrepreneurs operating in the industries most affected by the effects of Covid-19-related administrative restrictions were exempt from the duty to repay financial subsidies entirely having satisfied the conditions defined in the program. Repayments under the program are a result of the MSME 2.0 beneficiaries settlement of the surplus of the financial subsidy determined based on actual data as regards the amount of fixed costs or the reduction in revenue, as per the rules and regulations of the Program.

Pursuant to the rules and regulations of the government program – Financial Shield for Large Companies, the maximum remission level for preferential loans could be 75% of the loan amount after the beneficiary satisfies the conditions defined in the program. Liquidity loans are not subject to remission.

Non-current liabilities on account of debt securities issues include bonds issued by PFR S.A. in connection with obtaining funds for granting financing within the execution of the Financial Shield government programs. The bonds are secured by the State Treasury's guarantee and the costs of issuing the bonds, payment of interest on the bonds and the bond redemption are subject to the mechanism of tranches from the State Treasury, which involve disbursement of cash to cover the above costs and redemption if there are no funds in the accounts of the Financial Shield government programs. Both the costs of issues, costs of interest and tranches from the State Treasury are recognized as settlements with the State Treasury.

In the item of receivables / liabilities on account of settlements with the State Treasury, PFR S.A. presents effects of operations connected with the execution of the Financial Shield government programs, based on the mechanism of tranches from the State Treasury, which guarantee that costs are refunded and redemption of the issued bonds is covered and which involve the condition that cash surpluses remaining in the accounts of the Financial Shield government programs have to be returned after repayment of the external financing (bonds).

As a result of the amendments made in 2021 to the Act on the System of Development Institutions, pursuant to which PFR S.A., executing the government program, maintains stand-alone accounting in accordance with Article 11 sec. 4 and 5, including creation for the government program of a fund not counted into equity (funds) disclosed in the equity and liabilities of the Group's balance sheet



as a special-purpose fund (pursuant to Article 46 sec. 4 of the Accounting Act of 29 September 1994), in 2021 the Company changed its accounting policy in this respect and the credit balance sheet of settlements with the State Treasury is presented in current liabilities, in the item: special-purpose funds.

As at 31 December 2022, settlements with the State Treasury under the MSMEs 1.0, MSMEs 2.0 and the Financial Shield for Large Companies programs showed a debit balance, therefore they are presented in PFR S.A.'s balance sheet in the item: "Current receivables from other entities – other" in the total amount of PLN 45,971,628,002.14. The Shield for LOT Polish Airlines Program showed credit balance, therefore it is presented in PFR S.A.'s balance sheet in the item: "Current liabilities - Special-purpose funds" in the amount of PLN 35,347,147.09.

Pursuant to the act of 28 April 2022 on the principles of the performance of tasks financed from EU funds in the 2021-2027 financial perspective, PFR S.A. has been designated to perform pay-outs under the development plan referred to in Article 5 par. 7aa of the Act of 6 December 2006 on the principles of development policy, including by providing development plan financing as regards non-reimbursable payments. To this end, PFR may receive payments from EU budget funds and may obtain and use funds in compliance with the principles stipulated in the Act on the System of Development Institutions, up to the amount specified in the financial plan of the National Reconstruction Plan (KPO).

Under the agreement of 5 August 2022 executed by the State Treasury represented by the Minister of Development Funds and Regional Policy (MFIPR) and the Minister of Finance (MF) and PFR S.A., PFR S.A. provided access to an IT system supporting the creation and forwarding by PFR S.A. of payment orders to fund investment projects prepared by ministries, local governments and other institutions. Payments under the National Reconstruction Plan are executed by PFR S.A. in accordance with the schedule of payments approved by the MFIPR and the MF. The responsibility of PFR S.A. was limited to obtaining the funds and transferring them to the authorized recipients; the decisions to grant the funds are made by the designated authorities.

The total amount of payments realized from the date of the agreement until 31 December 2022 was PLN 118,739,772.27. The source of funding for these payments were repayments and refunds of financial subsidies granted under the Financial Shield for MSMEs 1.0 government program.

**Components of assets and liabilities of the Financial Shield for MSMEs 1.0**

	Note	31 December 2022	31 December 2021
<b>Program Assets, including:</b>		<b>61,425,666,537.10</b>	<b>61,387,858,413.82</b>
Non-current investments, including:	9.2.3.	987,600.00	-
Garmond Press S.A. shares		987,600.00	-
Current investments, including:	13.3.	3,511,200,000.00	-
Certificates of deposit of the Financial Shield for MSMEs 1.0 program		3,511,200,000.00	-
Loans granted:		7,978,480,915.73	18,987,168,267.29
Financial subsidies granted within the Financial Shield for MSMEs 1.0 government programs – non-current	9.2.3.	75,780,862.34	6,114,166,530.40
Financial subsidies granted within the Financial Shield for MSMEs 1.0 government programs – current	13.3.	7,902,700,053.39	12,873,001,736.89
Cash on hand and at bank, including:	13.4.	11,201,242,600.90	5,048,574,473.80
Bank account of the Financial Shield for MSMEs 1.0 program		7,993,789.67	3,474,473.80
Term deposits of the Financial Shield for MSMEs 1.0 program		11,193,248,811.23	5,045,100,000.00
Receivables on account of settlements with the State Treasury, including:		38,733,755,420.47	37,352,115,672.73
Cost of interest on bonds issued		2,632,929,756.87	1,631,351,402.21
Adjustment of the valuation of bonds issued (SCN)		(5,503,424.28)	(4,248,857.78)
Remissions of financial subsidies		37,084,099,823.73	36,398,870,838.14
External costs of the Financial Shield for MSMEs 1.0 government program		30,495,902.14	17,552,929.76
Remuneration to PFR for the execution of the Financial Shield for MSMEs 1.0 government program		430,591,761.91	278,071,761.91
Cash received from the State Treasury in Tranches		(959,667,750.00)	(959,667,750.00)
Interest income		(597,930,422.17)	(9,814,651.51)
Mutual settlements between the program and the National Reconstruction Program		118,739,772.27	-
	Note	31 December 2022	31 December 2021
<b>Program Liabilities, including:</b>		<b>61,425,666,537.10</b>	<b>61,387,858,413.82</b>
Liabilities on the issue of debt securities – non-current	17.4.	60,427,116,882.26	60,390,241,032.53
Liabilities arising from issue of debt securities – current	18.3.	958,448,200.33	958,490,261.90
Cash payable to PFR as remuneration		38,130,000.00	38,130,000.00
Current trade liabilities		1,971,454.51	997,119.39

The remuneration for executing the government program for Micro, Small and Medium-sized Enterprises (MSMEs) 1.0 is defined as a percentage of the maximum value of the program and is settled on a quarterly basis. In 2022, the gross remuneration for handling the Financial Shield for MSMEs 1.0 government program was PLN 152.52 million.

**Components of assets and liabilities of the Financial Shield for Large Companies**

	Note	31 December 2022	31 December 2021
<b>Program Assets, including:</b>		<b>4,055,895,830.78</b>	<b>4,054,292,863.85</b>
Non-current investments, including:	9.2.3.	56,857,583.24	287,743,583.24
Shares of PGG S.A.		-	230,886,000.00
Shares of MTG S.A.		56,857,583.24	56,857,583.24
Loans granted:		2,302,959,775.60	2,741,459,104.04
Loans - non-current receivables	9.2.3.	1,576,738,958.80	2,159,266,973.03
Loans – current receivables	13.3.	726,220,816.80	582,192,131.01
Cash on hand and at bank, including:	13.4.	364,283,487.18	362,224,522.51
Bank account of the Financial Shield for Large Companies program		21,839.70	143,224,522.51
Term deposits of the Financial Shield for Large Companies program		364,261,647.48	219,000,000.00
Receivables on account of settlements with the State Treasury, including:		1,331,794,984.76	662,865,654.06
Cost of interest on bonds issued		152,250,042.99	85,477,045.60
Adjustment of the valuation of bonds issued (SCN)		(295,468.48)	(203,281.36)
Remissions of loans		864,269,622.95	518,976,459.11
External costs of the Financial Shield for Large Companies government program		8,059,150.04	6,182,356.05
Remuneration for PFR for executing the Financial Shield for Large Companies government program		164,732,142.86	103,232,142.86
Cash received from the State Treasury in Tranches		(29,287,500.00)	(29,287,500.00)
Interest income		(70,819,004.60)	(24,311,568.20)
Mutual settlements between the Financial Shield programs		12,000,000.00	2,800,000.00
Sale of Financial Shield financial assets		230,885,999.00	-
<b>Program Liabilities, including:</b>		<b>4,055,895,830.78</b>	<b>4,054,292,863.85</b>
Liabilities on the issue of debt securities – non-current	17.4.	3,976,028,576.26	3,974,407,537.08
Liabilities arising from issue of debt securities – current	18.3.	64,395,198.25	64,397,927.16
Cash payable to PFR as remuneration		15,375,000.00	15,375,000.00
Current trade liabilities		97,056.27	112,399.61

The remuneration for executing the government program for Large Companies is defined as a percentage of the maximum value of the program and is settled on a quarterly basis. In 2022, the gross remuneration for handling the Financial Shield Program for Large Companies government program was PLN 61.50 million.

**Components of assets and liabilities of the Financial Shield for LOT Polish Airlines**

	Note	31 December 2022	31 December 2021
<b>Program Assets, including:</b>		<b>1,850,350,201.27</b>	<b>1,817,178,324.28</b>
Loans granted:		1,845,172,602.74	1,813,610,958.90
Loans - non-current receivables	9.2.3.	1,381,506,216.27	1,777,705,337.91
Loans – current receivables	13.3.	463,666,386.47	35,905,620.99
Cash on hand and at bank, including:	13.4.	5,177,598.53	3,567,365.38
Bank account of the Financial Shield for LOT Polish Airlines program		9,411.41	3,567,365.38
Term deposits of the Financial Shield for LOT Polish Airlines		5,168,187.12	-
<b>Program Liabilities, including:</b>		<b>1,850,350,201.27</b>	<b>1,817,178,324.28</b>
Liabilities on the issue of debt securities – non-current	17.4.	1,790,323,255.34	1,789,222,844.40
Liabilities arising from issue of debt securities – current	18.3.	24,675,798.84	24,676,696.69
Current trade liabilities		4,000.00	1,300.00
Special-purpose funds, including:		35,347,147.09	3,277,483.19
Cost of interest on bonds issued		(51,690,672.01)	(25,728,284.31)
Adjustment of the valuation of bonds issued (SCN)		12,697.83	9,823.22
External costs of the Financial Shield for LOT Polish Airlines government program		(565,356.40)	(550,846.94)
Interest income		75,590,477.67	26,746,791.22
Mutual settlements between the Financial Shield programs		12,000,000.00	2,800,000.00

The remuneration for executing the government program for LOT Polish Airlines is paid as a total amount with the remuneration for executing the government program for Large Companies.

### Components of assets and liabilities of the Financial Shield for MSMEs 2.0

	Note	31 December 2022	31 December 2021
<b>Program Assets, including:</b>		<b>7,276,639,443.56</b>	<b>7,276,949,501.86</b>
Loans granted:		816,493,179.69	7,103,091,817.42
Financial subsidies granted under the Financial Shield for MSMEs 2.0 government programs - current	13.3.	816,493,179.69	7,103,091,817.42
Cash on hand and at bank, including:	13.4.	554,068,666.96	67,128,977.61
Bank account of the Financial Shield for MSMEs 2.0 program		653,509.43	4,628,977.61
Term deposits of the Financial Shield for MSMEs 2.0 program		553,415,157.53	62,500,000.00
Receivables on account of settlements with the State Treasury, including:		5,906,077,596.91	106,728,706.83
Cost of interest on bonds issued		202,703,533.20	97,667,294.07
Adjustment of the valuation of bonds issued (SCN)		(33,849.09)	(20,358.71)
Remissions of financial subsidies		5,687,725,532.63	-
External costs of the Financial Shield for MSMEs 2.0 government program		4,210,471.31	2,508,493.92
Remuneration to PFR for the execution of the Financial Shield for MSMEs 2.0 government program		63,604,666.67	31,624,666.67
Cash received from the State Treasury in Tranches		(25,000,000.00)	(25,000,000.00)
Interest income		(27,132,757.81)	(51,389.12)
<b>Program Liabilities, including:</b>		<b>7,276,639,443.56</b>	<b>7,276,949,501.86</b>
Liabilities on the issue of debt securities – non-current	17.4.	7,162,862,549.21	7,163,513,019.92
Liabilities arising from issue of debt securities – current	18.3.	105,410,192.40	105,414,472.94
Cash payable to PFR as remuneration		7,995,000.00	7,995,000.00
Current trade liabilities		371,701.95	27,009.00

The remuneration for executing the government program for Micro, Small and Medium-sized Enterprises (MSMEs) 2.0 is defined as a percentage of the maximum value of the program and is settled on a quarterly basis. In 2022, the gross remuneration for handling the Financial Shield for MSMEs 2.0 government program was PLN 31.98 million.

## 2. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

Major related party transactions include: the management fee due to the Company for managing some of the Funds' assets based on the agreement with PFR Towarzystwo Funduszy Inwestycyjnych S.A.

Apart from the above, the Company:

1. On 29 June 2022, the Company made a capital injection to PFR Portal PPK Sp. z o.o., for the amount of PLN 5,000,000.00;
2. On 27 October 2022, the Company made a capital injection to PFR Portal PPK Sp. z o.o., for the amount of PLN 5,400,000.00;
3. On 28 June 2022, the Company made a capital injection to PFR Operacje Sp. z o.o., for the amount of PLN 4,000,000.00;
4. On 25 October 2022, the Company made a capital injection to PFR Operacje Sp. z o.o., for the amount of PLN 6,000,000.00;
5. Pursuant to agreements entered into in February and December 2022, the Company sold fixed and intangible assets to a company related to PFR Operacje Sp. z o.o., established to supply support and IT equipment and process management services. The net value of the transaction was PLN 362,541.67;

6. Performed transactions with related parties in the area of general support, HR services, Contact Center/CRM services, delivery of economic reports and cost recharge invoices.

Transactions with related parties are not executed on a non-arm's length basis.

*in the period from 1 January 2022 to 31 December 2022*

	Receivables, including debt instruments	Liabilities	Revenue	Revenues on recharge invoices	Purchases of services	Other
PPP Venture Sp. z o.o.	-	-	37,500.00	-	-	-
PFR Ventures Sp. z o.o.	37,865.03	51,989,645.02	169,686.38	59,271.83	128,532.87	-
PFR Towarzystwo Funduszy Inwestycyjnych S.A.	22,462,127.94	-	87,101,918.74	27,696.90	-	-
PFR Nieruchomości S.A.	33,617.14	-	373,484.42	31,738.34	5,205.72	-
PFR Portal PPK Sp. z o.o.	136,453.36	253,524.55	792,090.49	870,787.51	1,655,207.32	-
PFR Operacje Sp. z o.o.	87,266.95	6,542,965.10	533,278.03	191,970.30	12,532,459.89	4,275.84
	<b>22,757,330.42</b>	<b>58,786,134.67</b>	<b>89,007,958.06</b>	<b>1,181,464.88</b>	<b>14,321,405.80</b>	<b>4,275.84</b>

*in the period from 1 January 2021 to 31 December 2021*

	Receivables, including debt instruments	Liabilities	Revenue	Revenues on recharge invoices	Purchases of services	Other
PPP Venture Sp. z o.o.	10,102,533.15	-	90,000.00	1,094.00	-	-
PFR Ventures Sp. z o.o.	64,962.23	12,508.15	178,331.67	56,938.19	123,418.67	-
PFR Towarzystwo Funduszy Inwestycyjnych S.A.	21,068,479.22	-	79,388,990.96	58,442.37	-	-
PFR Nieruchomości S.A.	10,431,163.30	530.00	447,217.11	54,130.76	6,739.04	-
PFR Portal PPK Sp. z o.o.	399,189.93	696,251.17	999,581.41	825,443.95	2,161,672.11	-
PFR Operacje Sp. z o.o.	52,761.48	1,236,228.02	68,665.39	106,427.00	4,043,321.43	1,302,215.39
	<b>42,119,089.31</b>	<b>1,945,517.34</b>	<b>81,172,786.54</b>	<b>1,102,476.27</b>	<b>6,335,151.25</b>	<b>1,302,215.39</b>

### 3. INTANGIBLE ASSETS

#### 3.1. Change in intangible assets

*in the period from 1 January 2022 to 31 December 2022*

	Other intangible assets	Total
<b>Gross amount</b>		
<b>Opening balance 1 January 2022</b>	<b>20,841,734.77</b>	<b>20,841,734.77</b>
Additions	1,659,806.00	1,659,806.00
Reductions	(525,489.45)	(525,489.45)
<b>Closing balance 31 December 2022</b>	<b>21,976,051.32</b>	<b>21,976,051.32</b>
<b>Accumulated amortization</b>		
<b>Opening balance 1 January 2022</b>	<b>(5,983,610.41)</b>	<b>(5,983,610.41)</b>
Additions on account of depreciation and amortization	(5,626,994.11)	(5,626,994.11)
Reductions	129,835.23	129,835.23
<b>Closing balance 31 December 2022</b>	<b>(11,480,769.29)</b>	<b>(11,480,769.29)</b>
<b>Impairment allowances</b>		
<b>Opening balance 1 January 2022</b>	-	-
<b>Closing balance 31 December 2022</b>	-	-
<b>Net value</b>		
<b>Opening balance 1 January 2022</b>	<b>14,858,124.36</b>	<b>14,858,124.36</b>
<b>Closing balance 31 December 2022</b>	<b>10,495,282.03</b>	<b>10,495,282.03</b>

*in the period from 1 January 2021 to 31 December 2021*

	<b>Other intangible assets</b>	<b>Total</b>
<b>Gross amount</b>		
<b>Opening balance 1 January 2021</b>	<b>16,523,322.94</b>	<b>16,523,322.94</b>
Additions	4,750,013.71	4,750,013.71
Reductions	(431,601.88)	(431,601.88)
<b>Closing balance 31 December 2021</b>	<b>20,841,734.77</b>	<b>20,841,734.77</b>
<b>Accumulated amortization</b>		
<b>Opening balance 1 January 2021</b>	<b>(2,517,513.25)</b>	<b>(2,517,513.25)</b>
Additions on account of depreciation and amortization	(3,805,438.67)	(3,805,438.67)
Reductions	339,341.51	339,341.51
<b>Closing balance 31 December 2021</b>	<b>(5,983,610.41)</b>	<b>(5,983,610.41)</b>
<b>Impairment allowances</b>		
<b>Opening balance 1 January 2021</b>	-	-
<b>Closing balance 31 December 2021</b>	-	-
<b>Net value</b>		
Opening balance 1 January 2021	<b>14,005,809.69</b>	<b>14,005,809.69</b>
Closing balance 31 December 2021	<b>14,858,124.36</b>	<b>14,858,124.36</b>

## 4. PROPERTY, PLANT AND EQUIPMENT

### 4.1. Change in fixed assets

*in the period from 1 January 2022 to 31 December 2022*

	Plant and machinery	Means of transport	Other fixed assets	Total
<b>Gross amount</b>				
<b>Opening balance 1 January 2022</b>	<b>3,906,266.86</b>	<b>2,243,764.26</b>	<b>5,157,406.47</b>	<b>11,307,437.59</b>
Additions	37,750.00	459,113.46	82,606.95	579,470.41
- acquisitions	37,750.00	-	82,606.95	120,356.95
- leasing	-	459,113.46	-	459,113.46
Reductions	-	(1,030,432.07)	-	(1,030,432.07)
<b>Closing balance 31 December 2022</b>	<b>3,944,016.86</b>	<b>1,672,445.65</b>	<b>5,240,013.42</b>	<b>10,856,475.93</b>
<b>Accumulated amortization</b>				
<b>Opening balance 1 January 2022</b>	<b>(3,248,038.91)</b>	<b>(1,358,979.75)</b>	<b>(2,380,371.79)</b>	<b>(6,987,390.45)</b>
Additions	(272,495.81)	(471,114.74)	(465,550.56)	(1,209,161.11)
Reductions	-	1,030,432.07	-	1,030,432.07
<b>Closing balance 31 December 2022</b>	<b>(3,520,534.72)</b>	<b>(799,662.42)</b>	<b>(2,845,922.35)</b>	<b>(7,166,119.49)</b>
<b>Impairment allowances</b>				
<b>Opening balance 1 January 2022</b>	-	-	-	-
<b>Closing balance 31 December 2022</b>	-	-	-	-
<b>Net value</b>				
<b>Opening balance 1 January 2022</b>	<b>658,227.95</b>	<b>884,784.51</b>	<b>2,777,034.68</b>	<b>4,320,047.14</b>
<b>Closing balance 31 December 2022</b>	<b>423,482.14</b>	<b>872,783.23</b>	<b>2,394,091.07</b>	<b>3,690,356.44</b>

*in the period from 1 January 2021 to 31 December 2021*

	<b>Plant and machinery</b>	<b>Means of transport</b>	<b>Other fixed assets</b>	<b>Total</b>
<b>Gross amount</b>				
<b>Opening balance 1 January 2021</b>	<b>5,644,530.09</b>	<b>1,692,663.90</b>	<b>5,567,975.99</b>	<b>12,905,169.98</b>
Additions	619,060.99	708,528.29	114,123.27	1,441,712.55
- acquisitions	619,060.99	-	114,123.27	733,184.26
- leasing	-	708,528.29	-	708,528.29
Reductions	(2,357,324.22)	(157,427.93)	(524,692.79)	(3,039,444.94)
<b>Closing balance 31 December 2021</b>	<b>3,906,266.86</b>	<b>2,243,764.26</b>	<b>5,157,406.47</b>	<b>11,307,437.59</b>
<b>Accumulated amortization</b>				
<b>Opening balance 1 January 2021</b>	<b>(3,856,673.02)</b>	<b>(937,501.56)</b>	<b>(2,057,242.65)</b>	<b>(6,851,417.23)</b>
Additions	(858,322.96)	(541,126.07)	(460,002.16)	(1,859,451.19)
Reductions	1,466,957.07	119,647.88	136,873.02	1,723,477.97
<b>Closing balance 31 December 2021</b>	<b>(3,248,038.91)</b>	<b>(1,358,979.75)</b>	<b>(2,380,371.79)</b>	<b>(6,987,390.45)</b>
<b>Impairment allowances</b>				
<b>Opening balance 1 January 2021</b>	-	-	-	-
<b>Closing balance 31 December 2021</b>	-	-	-	-
<b>Net value</b>				
<b>Opening balance 1 January 2021</b>	<b>1,787,857.07</b>	<b>755,162.34</b>	<b>3,510,733.34</b>	<b>6,053,752.75</b>
<b>Closing balance 31 December 2021</b>	<b>658,227.95</b>	<b>884,784.51</b>	<b>2,777,034.68</b>	<b>4,320,047.14</b>

#### 4.2. Fixed assets that are not depreciated

The Company also has other non-depreciated fixed assets – 6 items of office equipment (printers) worth PLN 12,125.00 and 5 coffee makers worth PLN 73,812.50, which are used by the Company based on a lease agreements. The valuation is based on estimates.

## 5. IMPAIRMENT ALLOWANCES FOR PROPERTY, PLANT AND EQUIPMENT

The Company did not make any revaluation allowances for property, plant and equipment in the reporting period.

## 6. OUTLAYS FOR NON-FINANCIAL NON-CURRENT ASSETS INCURRED LAST YEAR AND PLANNED FOR THE NEXT YEAR

In connection with the further development of the Company, the capital expenditures incurred in 2022 amounted to PLN 2 million. The expenditures were allocated for, among others:

- construction and implementation of IT solutions designated for the execution of the Financial Shield program by the Company: PLN 1.0 million;
- purchase of hardware and software: PLN 0.1 million;
- expansion of the Ewidencja PPK (ECP Records) system: PLN 0.5 million;
- Contact Center expansion: PLN 0.3 million.

The planned capital expenditures for 2023 amount to PLN 1.09 million and will be earmarked for, among others, software, including: programming work in connection with servicing the PPK (ECP) program. The above expenditures are justified by the Company's further development and programs executed by the Company.

In the 2022 financial year, capital expenditures on environmental protection were PLN 0.00 (in 2021, PLN 0.00).

## 7. COMPLETED DEVELOPMENT WORK

Not applicable.

## 8. LAND IN PERPETUAL LEASEHOLD

Not applicable.

## 9. INVESTMENTS

### 9.1. Change in investments

*in the period from 1 January 2022 to 31 December 2022*

	Non-current and current assets	Total
<b>Gross amount</b>		
<b>Opening balance 1 January 2022</b>	<b>45,524,203,803.59</b>	<b>45,524,203,803.59</b>
Additions by virtue of purchases, including:	5,178,489,405.26	5,178,489,405.26
- subsidies and loans granted under the Financial Shield government programs *	1,333,157,663.36	1,333,157,663.36
- shares acquired under the Financial Shield government programs	987,600.00	987,600.00
Additions by virtue of accrued interest, including:	151,034,389.94	151,034,389.94
- on subsidies and loans granted under the Financial Shield government programs	103,634,405.36	103,634,405.36
Reductions by virtue of repayment, including:	(13,761,799,009.51)	(13,761,799,009.51)
- subsidies and loans granted under the Financial Shield government programs	(12,420,768,060.55)	(12,420,768,060.55)
Reductions on account of remission	(6,718,247,682.06)	(6,718,247,682.06)
<b>Closing balance 31 December 2022</b>	<b>30,373,680,907.22</b>	<b>30,373,680,907.22</b>
<b>Fair value measurement</b>		
<b>Opening balance 1 January 2022</b>	<b>(99,196,932.89)</b>	<b>(99,196,932.89)</b>
Revaluation	(767,815,295.29)	(767,815,295.29)
<b>Closing balance 31 December 2022</b>	<b>(867,012,228.18)</b>	<b>(867,012,228.18)</b>
<b>Net value</b>		
<b>Opening balance 1 January 2022</b>	<b>45,425,006,870.70</b>	<b>45,425,006,870.70</b>
<b>Closing balance 31 December 2022</b>	<b>29,506,668,679.04</b>	<b>29,506,668,679.04</b>
<b>Including the part that is:</b>		
<b>Current, including:</b>	<b>14,596,153,338.76</b>	<b>14,596,153,338.76</b>
- financial instruments on account of Financial Shield government programs	13,420,280,436.35	13,420,280,436.35
<b>Non-current, including:</b>	<b>14,910,515,340.28</b>	<b>14,910,515,340.28</b>
- financial instruments on account of Financial Shield government programs	3,091,871,220.65	3,091,871,220.65

in the period from 1 January 2021 to 31 December 2021

	Non-current and current assets	Total
<b>Gross amount</b>		
<b>Opening balance 1 January 2021</b>	<b>70,666,185,438.39</b>	<b>70,666,185,438.39</b>
Additions by virtue of purchases, including:	22,849,392,029.27	22,849,392,029.27
- subsidies and loans granted under the Financial Shield government programs	9,967,026,721.27	9,967,026,721.27
- shares acquired under the Financial Shield government programs	56,238,954.29	56,238,954.29
Additions by virtue of accrued interest, including:	29,107,374.04	29,107,374.04
- on subsidies and loans granted under the Financial Shield government programs	17,169,071.33	17,169,071.33
Reductions by virtue of repayment, including:	(11,102,633,740.86)	(11,102,633,740.86)
- subsidies and loans granted under the Financial Shield government programs	(5,390,888,699.75)	(5,390,888,699.75)
Reductions on account of remission	(36,917,847,297.25)	(36,917,847,297.25)
<b>Closing balance 31 December 2021</b>	<b>45,524,203,803.59</b>	<b>45,524,203,803.59</b>
<b>Fair value measurement</b>		
<b>Opening balance 1 January 2021</b>	<b>(1,924,134,299.26)</b>	<b>(1,924,134,299.26)</b>
Revaluation	1,824,937,366.37	1,824,937,366.37
<b>Closing balance 31 December 2021</b>	<b>(99,196,932.89)</b>	<b>(99,196,932.89)</b>
<b>Net value</b>		
<b>Opening balance 1 January 2021</b>	<b>68,742,051,139.13</b>	<b>68,742,051,139.13</b>
<b>Closing balance 31 December 2021</b>	<b>45,425,006,870.70</b>	<b>45,425,006,870.70</b>
<b>Including the part that is:</b>		
<b>Current, including:</b>	<b>20,638,198,617.97</b>	<b>20,638,198,617.97</b>
- financial instruments on account of Financial Shield government programs	20,594,191,306.31	20,594,191,306.31
<b>Non-current, including:</b>	<b>24,786,808,252.73</b>	<b>24,786,808,252.73</b>
- financial instruments on account of Financial Shield government programs	10,335,977,795.63	10,335,977,795.63

\* Increases related to the provision of subsidies and loans under government FS programs are presented after deducing the refunds made the beneficiaries of the programs.

## 9.2. Non-current investments

### 9.2.1. Non-current financial assets in related parties

	31 December 2022	31 December 2021
Shares	269,302,554.57	252,006,641.07
Loans granted	-	6,864,345.82
	<b>269,302,554.57</b>	<b>258,870,986.89</b>

## Shares

As at 31 December 2022, an impairment test was carried out for selected companies (PFR Operacje Sp. z o.o., PFR Portal PPK Sp. z o.o.) in which PFR S.A. holds equity stakes and which are related parties to PFR S.A. The impairment test was performed, among others, for companies in which there occurred a condition for impairment, i.e. there was a surplus of the PFR S.A. investment value over the company's net asset value attributable to PFR S.A., and the surplus amount makes a material difference. The test was conducted based on 5-year financial forecasts of companies. As a result of performing the impairment test for companies using the income method based on discounted cash flows, no impairment was identified for any related parties.

On 2 June 2022, shares in PPP Venture Sp. z o.o. were sold for PLN 3,824,982.00 along with the sale of receivables arising out of the owner's loan payable to PFR S.A. for the amount of PLN 8,563,805.00.

### 9.2.2. Non-current financial assets in other entities in which the company holds an equity stake

	31 December 2022	31 December 2021
Shares	2,988,123,550.00	4,184,564,521.90
Pekao S.A.	2,906,068,359.00	4,098,732,252.00
Co-subsidiaries and associates	80,277,730.00	80,277,730.00
Other	1,777,461.00	5,554,539.90
	<b>2,988,123,550.00</b>	<b>4,184,564,521.90</b>

On 7 June 2017, as a result of the performance of block transactions on the exchange market, PFR S.A. and PZU acquired from UniCredit S.p.A. shares of Bank Pekao S.A., which were subject to a preliminary share purchase agreement entered into on 8 December 2016. The block of 33,596,165 shares purchased by PFR S.A. represents 12.80% of the overall number of votes at the Shareholder Meeting of Bank Pekao S.A.

On 4 August 2022, Bank Pekao S.A. paid out a dividend to the shareholders in the amount of PLN 4.30 per one share, which for PFR S.A. translated into the amount of PLN 144.46 million. The funds have been used fully to secure the payment of future interest installments.

As at 31 December 2022, PFR S.A. held a block of 33,596,166 shares (approx. 12.80% of the overall number of shares) of Bank Pekao S.A. According to the measurement, the value of shares held by the Company as at 31 December 2022 was PLN 2,906,068,359.00 (the price per share being PLN 86.50).

As part of the process of reviewing the value of PFR S.A.'s investments, including its shareholding in Bank Pekao S.A., the potential impairment of the investment in Bank Pekao S.A. shares was analyzed. The reason for the test was the decline in the price of Bank Pekao S.A. shares listed on the Warsaw Stock Exchange ("WSE") (the share price on the last trading day in 2021 was PLN 122. On the last trading day of 2022 it was PLN 86.50). The decline in the share prices of banks listed on the WSE was caused by fluctuations in the business cycle, including effects related to Russia's attack on Ukraine and the impact of the decision to launch the so-called "credit holiday" program, which resulted from a significant increase in the base interest rate and a rising number of lawsuits related to loans granted in Swiss francs.

A detailed analysis was carried out for the period of 2023-2027. The projected cash flows related to this investment are derived entirely from the annual dividend that the Bank will pay in subsequent years according to the reasonable expectations of the investor (PFR). In accordance with its current dividend policy, Bank Pekao S.A. plans to distribute between 50 percent and 75 percent of its net profit as dividends. The company's planned net profit for 2023 and 2024 is stated in publicly available sources on the bank's website (and is based on the consensus of independent analysts). For 2025 and 2026 a 3.0% annual increase in the Bank's net profit was assumed, which is based on the forecast GDP growth in Poland. The level of this parameter has been confirmed by a forecast of the International Monetary Fund, which estimates Poland's long-term growth potential at approximately 3.0-3.5% per year. This parameter is consistent with the dividend growth rate assumed in the model for subsequent periods. The discount rate has been estimated based on the CAPM model using publicly available data on risk-free rate, risk premium and beta coefficient for Bank Pekao S.A. The value of the discounted cash flows and the discounted residual value exceed the value of the original investment, and therefore, the Company believes that there is no reason to believe that the shares held by the Company are permanently impaired; therefore no impairment allowance needs to be recognized for this asset.

As at 31 December 2022, an impairment test was carried out for Operator Chmury Krajowej Sp. z o.o., in which PFR S.A. holds equity stakes and which is a co-subsidiary of PFR S.A. The impairment test was performed in connection with an indication of impairment, i.e. a surplus of PFR S.A.'s investment over the company's net asset value attributable to PFR S.A., where the amount of the surplus is material. The test was conducted based on the company's 5-year financial projections.

As a result of the impairment test for the company using the income method based on discounted cash flows, no impairment was identified for the company.

### 9.2.3. Non-current financial assets in other entities

	31 December 2022	31 December 2021
Other non-current financial assets, including:	8,202,105,585.10	8,567,372,006.52
Investment certificates of FIiK	-	5,036,075,886.33
Investment certificates of PFR FIS	498,080,873.04	506,458,207.87
Investment certificates of FIPP	-	156,503,330.90
Investment certificates of PFR FF	728,807,253.19	417,640,810.53
Investment certificates of FSMDR	1,693,722,705.27	1,395,621,571.00
Investment certificates of FSMNW	750,564,545.87	978,293,267.12
Investment certificates of PFR KOFFI	82,200,795.02	76,778,932.77
Investment certificates of PFR FI	4,448,729,412.71	-
Loans granted, including:	3,034,026,037.41	10,051,138,841.34
Financial subsidies granted under the Financial Shield for MSMEs 1.0	75,780,862.34	6,114,166,530.40
Loans granted under the Financial Shield for Large Companies	1,576,738,958.80	2,159,266,973.03
Loans granted under the Financial Shield for LOT Polish Airlines	1,381,506,216.27	1,777,705,337.91
Other securities, including:	359,112,429.96	1,437,118,312.84
Bonds of PFR Porty Sp. z o.o.	276,629,442.27	301,258,790.80
Bonds of Trenino Holding Sp. z o.o.	82,482,987.69	75,672,459.64
Treasury bonds	-	1,060,187,062.40
Shares acquired under Financial Shield government programs	57,845,183.24	287,743,583.24
Shares of PGG S.A.	-	230,886,000.00
Shares of MTG S.A.	56,857,583.24	56,857,583.24
Garmond Press S.A. shares	987,600.00	-
	<b>11,653,089,235.71</b>	<b>20,343,372,743.94</b>

#### Financial subsidies granted under the Financial Shield for MSMEs 1.0 and MSMEs 2.0 government programs and loans granted under the Financial Shield for Large Companies and for LOT Polish Airlines government programs

Detailed information on the subsidies and loans granted under the Financial Shield government programs are presented in Note 1.

#### Shares acquired under the Financial Shield government programs

The duty to purchase the shares of PGG S.A. i MTG S.A. followed from the terms and conditions of "the Polish Development Fund's Financial Shield for Large Companies" government program. In accordance with the provisions of the Program, when granting financing under the Program and where a given commercial undertaking is a portfolio company of the fund, whose portion of the asset portfolio is managed by PFR S.A., then PFR S.A. is obligated, before granting such financing, to transfer such exposure to date to the Program's account. The transfer should be effected at the value following from the measurement of the fund's assets as at 31 March 2020. By the power of the agreement of 3 August 2022 concluded by and between the State Treasury and shareholders of PGG S.A., the purchase of PGG S.A. was carried out. As at 31 December 2022, PFR S.A. held a block of 200,000 shares of MTG S.A. (25.53% of the overall number of shares).

#### Bonds

As at 31 December 2022, PFR S.A. held 54,412 (say: fifty four thousand four hundred and twelve) series A registered discount bonds and 62,047 (say: sixty two thousand and forty seven) series B registered discount bonds purchased from Trenino Holding Spółka z ograniczoną odpowiedzialnością, of the total nominal value of PLN 116,459,000, with the redemp-

tion date of 31 December 2026. PFR S.A. purchased the bonds from Trenino Holding Spółka z ograniczoną odpowiedzialnością for the total amount of PLN 57,999,700.66. The effective interest rate of the bonds is 9% per annum.

As at 31 December 2022, PFR S.A. held 300,000 (say: three hundred thousand) series B registered bonds purchased from PFR Porty Spółka z ograniczoną odpowiedzialnością, of the total nominal value of PLN 300,000,000.00 and the redemption date of 19 April 2029. The bonds' interest rate as at the date of this report was 11.03% (Wibor 3M = 7.03% + 4% margin).

#### Investment certificates

##### Investment certificates: PFR Local Government Investment Fund FIZAN (PFR FIS):

As at 31 December 2022, PFR S.A. held 507,500 fully paid-up PFR FIS Investment Certificates with a nominal value of PLN 507,500,000.00 and 83,756 unpaid Investment Certificates with a nominal value of PLN 79,999,543.40, for which PFR S.A. paid a total of PLN 8,375.60. The total fair value of PFR FIS Investment Certificates was PLN 498,080,873.04.

Scope of operation: PFR Local Government Investment Fund FIZAN (PFR FIS):

PFR FIS pursues an investment objective of supporting local governments in Poland in financing their projects. The principal purpose of the fund's strategy is to make equity investment or grant subordinated loans to companies executing important tasks of local governments. The entities that the fund invests in include: water and sewage companies, municipal property management companies, exhibition companies, companies building and managing parking spaces, companies engaged in construction and management of waste thermal processing installations.

The fund is planning both direct investment in local government companies as well as investment in companies of private partners engaged in the execution of local government tasks, which is reflected in the fund's investment goals.

##### Investment certificates: PFR Investment Fund FIZAN (PFR FI):

On 14 April 2022, the FIPP Fund (as the Acquiring Fund) and FIİK (as the Acquired Fund) were merged. 6,726,302 FIPP Investment Certificates were awarded in exchange for 4,252,185 FIİK Investment Certificates. In 2022, the merged fund changed its name to PFR Investment Fund FIZAN.

In June 2022, 939,265 PFR FI Investment Certificates held by PFR S.A. were redeemed.

As at 31 December 2022, PFR S.A. held 5,991,037 fully paid-up PFR FI Investment Certificates which represented approx. 69.98% of investment certificates in the PFR FI fund. The fair value of PFR FI Investment Certificates held by PFR S.A. as at 31 December 2022 was PLN 4,448,729,412.71.

Scope of operation: PFR Investment Fund FIZAN (PFR FI):

Pursuant to the PFR FI's strategy, the fund invests in diverse sectors of the economy, including infrastructure. Its main forms of investment is equity: acquisition of shares, or debt financing. The fund has been focusing on projects (i) whose primary production facilities are located in Poland or the Polish exclusive economic zone on the Baltic sea, (ii) which derive the major part of their revenue from the Polish market, or (iii) whose operation is otherwise strongly linked to the Polish economy.

The fund seeks to maintain the following investment value sectoral structure: 40% of the fund's assets are to be investments in industrial undertakings or companies supplying services to industry.

##### Investment certificates: PFR Fund of Funds FIZ (PFR FF):

As at 31 December 2022, PFR S.A. held 584,490 fully paid-up PFR FF Investment Certificates with a nominal value of PLN 580,995,144.87 and 249,000 unpaid Investment Certificates with a nominal value of PLN 249,000,000, for which PFR S.A. paid a total of PLN 45,709,900.00. As at 31 December 2022, the total fair value of PFR FF Investment Certificates was PLN 728,807,253.19.

Scope of operation: PFR Fund of Funds FIZ (PFR FF):

According to its strategy, PFR FF invests in private equity funds and private debt funds. The extended investment strategy of the funds envisages that part of its assets is allocated into private equity funds whose investment strategy addresses predominantly projects in climate-tech sectors or related industries, supporting the so-called green energy transition (the GreenHub Program).

##### Investment certificates: Housing Sector Development Fund (Fundusz Sektora Mieszkań dla Rozwoju) FIZAN (FSMDR):

As at 31 December 2022, PFR S.A. held 6,943,655 fully paid-up FSMDR Investment Certificates with a total fair value of PLN 1,693,722,705.27.

Scope of operation: Housing Sector Development Fund FIZAN (FSMDR):

In accordance with its strategy, FSMDR invests in special purpose entities that acquire or construct in Poland large real estate projects (land and residential buildings) intended for rental in a price segment aimed at a large group of tenants, as well as in bonds and loans of such entities. An additional type of investments is investment in an operating company

supplying operational services (i.e., for example, coordination of financial, corporate and rental management support) for the Fund's target companies and other real estate funds.

The Fund's concept is also a response to the observed shortage of housing in Poland. To this end, the Fund invests in both large cities and small towns in the country, including in cooperation with municipal partners.

The planned time horizon of the Investment Projects already committed to is about 35 years.

**Investment Certificates - Rental Housing Fund (Fundusz Sektora Mieszkań na Wynajem) FIZAN (FSMNW):**

In 2022, 282,559 FSMNW Investment Certificates were redeemed. As at 31 December 2022, PFR S.A. held 526,551 fully paid-up FSMNW Investment Certificates with a total fair value of PLN 750,564,545.87.

Scope of operation: Rental Housing Fund FIZAN (FSMNW):

According to the fund's strategy, FSMNW invests in special-purpose companies acquiring or constructing in Poland large real estate projects (land and residential buildings) intended for commercial rental at market prices, as well as in bonds and loans of such companies.

The Fund's concept is a response to the growing demand in large Polish cities for medium and long-term rental of fully fitted-out and completely furnished apartments.

**Investment certificates: PFR KOFFI FIZ (KOFFI):**

In 2022, 763 KOFFI Investment Certificates held by PFR S.A. were redeemed. As at 31 December 2022, PFR held 77,453 fully paid-up KOFFI Investment Certificates with a total fair value of PLN 82,200,795.02.

Scope of operation: PFR KOFFI FIZ (KOFFI):

According to its strategy, KOFFI is an alternative investment fund, designated to implement the financial instrument - Measure 3.1: Financing of innovations in SMEs with venture capital, sub-measure 3.1.4. KOFFI (Konkurencyjny Ogólnopolski Fundusz Funduszy Innowacyjnych, Competitive All-Poland Fund of Innovation Funds) under the Smart Growth Operational Programme.

The primary objective of the KOFFI Fund is indirect financing of the development of Polish innovative micro, small and medium-sized enterprises. This objective is pursued by the way of building a portfolio of investments into Venture Capital funds. An additional investment goal of KOFFI is also to growth the value of the Fund's assets as a result of the value growth of its investments and deriving income therefrom.

As at 31 December 2022, PFR S.A. carried out an impairment analysis of the investment certificates (Note 15.2).

### 9.3. Revaluation of non-current investments

*in the period from 1 January 2022 to 31 December 2022*

	Shares	Investment certificates	Shares of Pekao S.A.	Treasury bonds
<b>Opening balance 1 January 2022</b>	<b>(14,645,455.10)</b>	<b>(4,441,261.01)</b>	<b>(34,082,708.77)</b>	<b>(46,027,508.01)</b>
Increase by virtue of revaluation allowance/ remeasurement	-	401,433,222.89	-	26,847,713.72
Decrease by virtue of revaluation allowance/ remeasurement	(3,432,338.90)	-	(1,192,663,893.00)	-
Transfer of the write-off to current investments	-	-	-	19,179,794.29
<b>Closing balance 31 December 2022</b>	<b>(18,077,794.00)</b>	<b>396,991,961.88</b>	<b>(1,226,746,601.77)</b>	<b>-</b>

*in the period from 1 January 2021 to 31 December 2021*

	Shares	Investment certificates	Shares of Pekao S.A.	Treasury bonds
<b>Opening balance 1 January 2021</b>	<b>(15,200,000.00)</b>	<b>171,154,918.91</b>	<b>(2,080,089,218.17)</b>	<b>-</b>
Increase by virtue of revaluation allowance/ remeasurement	554,544.90	-	2,046,006,509.40	-
Decrease by virtue of revaluation allowance/ remeasurement	-	(175,596,179.92)	-	(46,027,508.01)
<b>Closing balance 31 December 2021</b>	<b>(14,645,455.10)</b>	<b>(4,441,261.01)</b>	<b>(34,082,708.77)</b>	<b>(46,027,508.01)</b>

### 9.4. List of other companies in which the Company holds an equity stake (excluding associates and co-subidiaries)

*in the period from 1 January 2022 to 31 December 2022*

Company name	Registered office	% of shares held	% of total number of votes in the governing body	Net profit for the financial year (in PLN thousand)	Equity as at the balance sheet date (in PLN thousand)	Carrying amount (in PLN thousand)
Bank Pekao S.A.	Poland	12.80%	12.80%	1,898,320	22,189,537	2,906,068
Mabion S.A.	Poland	0.50%	0.50%	23,192	76,507	1,777

*in the period from 1 January 2021 to 31 December 2021*

Company name	Registered office	% of shares held	% of total number of votes in the governing body	Net profit for the financial year (in PLN thousand)	Equity as at the balance sheet date (in PLN thousand)	Carrying amount (in PLN thousand)
Bank Pekao S.A.	Poland	12.80%	12.80%	2,236,829	23,099,821	4,098,732
Mabion S.A.	Poland	0.50%	0.50%	1,903	53,313	5,545

## 9.5. List of associates, co-subsidiaries and subsidiaries

*in the period from 1 January 2022 to 31 December 2022*

Company name	Registered office	% of shares held	% of total number of votes in the governing body	Net profit for the financial year (in PLN thousand)	Equity as at the balance sheet date (in PLN thousand)
PFR Ventures Sp. z o.o.	Poland	100.00%	100.00%	9,333	99,990
PFR Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	100.00%	100.00%	1,860	61,720
PFR Nieruchomości S.A.	Poland	100.00%	100.00%	8,379	44,512
PFR Portal PPK Sp. z o.o.	Poland	100.00%	100.00%	(6,699)	9,679
PFR Operacje Sp. z o.o.	Poland	100.00%	100.00%	(3,299)	16,710
Operator Chmury Krajowej Sp. z o.o.	Poland	50.00%	50.00%	(20,164)	37,228
Polska Agencja Ratingowa S.A.	Poland	35.86%	35.86%	1,085	1,795

*in the period from 1 January 2021 to 31 December 2021*

Company name	Registered office	% of shares held	% of total number of votes in the governing body	Net profit for the financial year (in PLN thousand)	Equity as at the balance sheet date (in PLN thousand)
PPP Venture Sp. z o.o.	Poland	90.00%	90.00%	(607)	7,697
PFR Ventures Sp. z o.o.	Poland	100.00%	100.00%	15,896	90,657
PFR Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	100.00%	100.00%	4,186	59,860
PFR Nieruchomości S.A.	Poland	100.00%	100.00%	1,172	36,132
PFR Portal PPK Sp. z o.o.	Poland	100.00%	100.00%	(10,858)	5,978
PFR Operacje Sp. z o.o.	Poland	100.00%	100.00%	(6,739)	10,168
Operator Chmury Krajowej Sp. z o.o.	Poland	50.00%	50.00%	(34,811)	56,791
Polska Agencja Ratingowa S.A.	Poland	35.86%	35.86%	(540)	815

## 10. NON-CURRENT RECEIVABLES

### 10.1. Structure of non-current receivables

*in the period from 1 January 2022 to 31 December 2022*

	Gross amount	Impairment allowances for receivables	Net value
From related parties	-	-	-
From other entities in which the company holds an equity stake	-	-	-
From other entities	1,582,952.20	-	1,582,952.20
	<b>1,582,952.20</b>	<b>-</b>	<b>1,582,952.20</b>

*in the period from 1 January 2021 to 31 December 2021*

	Gross amount	Impairment allowances for receivables	Net value
From related parties	-	-	-
From other entities in which the company holds an equity stake	-	-	-
From other entities	1,509,465.03	-	1,509,465.03
	<b>1,509,465.03</b>	<b>-</b>	<b>1,509,465.03</b>

## 10.2. Impairment allowances for non-current receivables

The Company did not make any revaluation allowances for non-current receivables in the reporting period.

## 11. NON-CURRENT PREPAYMENTS AND ACCRUALS

	31 December 2022	31 December 2021
Insurance	1,254,473.35	1,509,620.47
IT services	4,517.39	60,095.49
Access to information service platforms, media subscriptions	4,272.74	17,431.80
	<b>1,263,263.48</b>	<b>1,587,147.76</b>

## 12. CURRENT RECEIVABLES

### 12.1. Age structure of current trade receivables from related parties

	31 December 2022	31 December 2021
<i>Remaining maturity:</i>		
Up to 12 months	22,757,330.42	21,699,895.26
Over 12 months	-	-
	<b>22,757,330.42</b>	<b>21,699,895.26</b>
Accounts receivable, gross	22,757,330.42	21,699,895.26
Revaluation allowance for receivables	-	-
<b>Net receivables</b>	<b>22,757,330.42</b>	<b>21,699,895.26</b>

**12.2. Age structure of current trade receivables from other entities, in which the company holds an equity stake**

	31 December 2022	31 December 2021
<i>Remaining maturity:</i>		
Up to 12 months	369,000.00	-
Over 12 months	-	-
	<b>369,000.00</b>	<b>-</b>
Accounts receivable, gross	369,000.00	-
Revaluation allowance for receivables	-	-
<b>Net receivables</b>	<b>369,000.00</b>	<b>-</b>

**12.3. Age structure of current trade receivables from other entities**

	31 December 2022	31 December 2021
<i>Remaining maturity:</i>		
Up to 12 months	7,966,671.19	3,250,472.78
Over 12 months	-	-
	<b>7,966,671.19</b>	<b>3,250,472.78</b>
Accounts receivable, gross	7,966,671.19	3,250,472.78
Revaluation allowance for receivables	-	-
<b>Net receivables</b>	<b>7,966,671.19</b>	<b>3,250,472.78</b>

**12.4. Structure of other receivables from related entities**

Not applicable.

**12.5. Structure of other receivables from other entities in which the company holds an equity stake**

Not applicable.

**12.6. Structure of other receivables from other entities**

	31 December 2022	31 December 2021
Receivables associated with the Financial Shield	45,971,628,002.14	38,121,710,033.62
Other receivables	400,120,826.95	829,608.51
	<b>46,371,748,829.09</b>	<b>38,122,539,642.13</b>
Accounts receivable, gross	46,371,748,829.09	38,122,539,642.13
Revaluation allowance for receivables	-	-
<b>Net receivables</b>	<b>46,371,748,829.09</b>	<b>38,122,539,642.13</b>

As at 31 December 2022, PFR S.A. held receivables of PLN 399,998,997.17 (in the Other receivables line item) on account of the redemption of investment certificates by the Rental Housing Fund - Closed-End Non-Public Assets Investment Fund.

### 13. CURRENT INVESTMENTS

#### 13.1. Current financial assets in related parties

	31 December 2022	31 December 2021
Other securities	-	10,340,126.66
Loans granted	-	3,219,737.33
	-	<b>13,559,863.99</b>

#### 13.2. Current financial assets in other entities in which the company holds an equity stake

	31 December 2022	31 December 2021
Loans granted	-	209,091.51
	-	<b>209,091.51</b>

#### 13.3. Current financial assets in other entities

	31 December 2022	31 December 2021
Other securities, including:	4,687,072,902.41	-
Deposit certificates	3,511,200,000.00	-
Bonds of PFR Porty Sp. z o.o.	53,548,248.99	-
Bonds of Nowel Sp. z o.o.	34,226,272.62	-
Treasury bonds	1,088,098,380.80	-
Loans granted, including:	9,909,080,436.35	20,624,429,662.47
Financial subsidies granted under the Financial Shield for MSMEs 1.0 government programs	7,902,700,053.39	12,873,001,736.89
Loans granted under the Financial Shield for Large Companies government program	726,220,816.80	582,192,131.01
Financial subsidies granted under the Financial Shield for MSMEs 2.0 government programs	816,493,179.69	7,103,091,817.42
Loans granted under the Financial Shield for LOT Polish Airlines government program	463,666,386.47	35,905,620.99
	<b>14,596,153,338.76</b>	<b>20,624,429,662.47</b>

### 13.4. Cash and cash equivalents

	31 December 2022	31 December 2021
Cash on hand and at bank, including:	87,209,425.76	177,915,765.24
Bank account of the Financial Shield for MSMEs 1.0 program	7,993,789.67	3,474,473.80
Bank account of the Financial Shield for Large Companies program	21,839.70	143,224,522.51
Bank account of the program of the Financial Shield for LOT Polish Airlines	9,411.41	3,567,365.38
Bank account of the Financial Shield for MSMEs 2.0 program	653,509.43	4,628,977.61
Other cash, including:	12,638,726,022.06	5,472,659,332.14
Bank account of the Financial Shield for MSMEs 1.0 program	11,193,248,811.23	5,045,100,000.00
Bank account of the Financial Shield for Large Companies program	364,261,647.48	219,000,000.00
Bank account of the program of the Financial Shield for LOT Polish Airlines	5,168,187.12	-
Bank account of the Financial Shield for MSMEs 2.0 program	553,415,157.53	62,500,000.00
VAT bank account	227,682.95	58,331.10
	<b>12,725,935,447.82</b>	<b>5,650,575,097.38</b>

**including:**

the restricted portion	12,170,073,519.75	5,503,596,860.16
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In accordance with item 20 (Accounts) of the Loan Agreement of 30 May 2017 granted to PFR S.A. by Powszechna Kasa Oszczędności Bank Polski S.A. earmarked for the purchase of a block of shares of Bank Pekao S.A., PFR S.A. was obligated to set up a Debt Service Reserve Account. In accordance with the Loan Agreement, PFR S.A. is obligated to deposit cash needed to service the debt in the Debt Service Reserve Account. The cash was presented as at 31 December 2022 as restricted cash.

Pursuant to the agreement of 27 April 2020 on the conditions and procedure for providing funds for the execution of government programs (as amended), PFR S.A. set up separate bank accounts, dedicated to each government program, used exclusively to: (i) deposit cash received by virtue of external financing; (ii) disbursement of program financing; (iii) deposit program revenues; and (iv) other settlements connected with the execution of government programs. In connection with the above, the cash deposited in the accounts was presented as at 31 December 2022 as restricted cash.

As at 31 December 2022, the cash included in the cash flow statement is PLN 12,691,187,108.71.

### 14. CURRENT PREPAYMENTS AND ACCRUALS

	31 December 2022	31 December 2021
Insurance	956,797.47	666,317.39
IT services	517,432.50	680,500.93
Access to information service platforms	125,664.25	118,483.51
Promotional and advertising activities	-	192,134.64
Training courses and conferences	208,041.65	61,375.83
Subsidies	265,631.02	111,731.40
Rent and service and maintenance fees	11,313.30	-
Membership fees	20,118.57	-
Commissions	31,153.31	-
Other	81,579.93	258,576.55
	<b>2,217,732.00</b>	<b>2,089,120.25</b>

## 15. EQUITY

### 15.1. Share capital of the Parent company

*in the period from 1 January 2022 to 31 December 2022*

	Number of shares	Par value of shares	Share in %
<b>Shareholder</b>			
State Treasury	11,460,907,779.00	11,460,907,779.00	99.869%
Bank Gospodarstwa Krajowego	15,000,000.00	15,000,000.00	0.131%
	<b>11,475,907,779.00</b>	<b>11,475,907,779.00</b>	<b>100.000%</b>

	State Treasury	BGK
Series A	300,000.00	-
Series B	-	15,000,000.00
Series C	1,143,062,525.00	-
Series D	1,294,964,028.00	-
Series E	2,499,926,000.00	-
Series F	6,522,655,226.00	-
	<b>11,460,907,779.00</b>	<b>15,000,000.00</b>

*in the period from 1 January 2021 to 31 December 2021*

	Number of shares	Par value of shares	Share in %
<b>Shareholder</b>			
State Treasury	11,460,907,779.00	11,460,907,779.00	99.869%
Bank Gospodarstwa Krajowego	15,000,000.00	15,000,000.00	0.131%
	<b>11,475,907,779.00</b>	<b>11,475,907,779.00</b>	<b>100.000%</b>

	State Treasury	BGK
Series A	300,000.00	-
Series B	-	15,000,000.00
Series C	1,143,062,525.00	-
Series D	1,294,964,028.00	-
Series E	2,499,926,000.00	-
Series F	6,522,655,226.00	-
	<b>11,460,907,779.00</b>	<b>15,000,000.00</b>

On 22 February 2021, the Finance Ministry credited the fiduciary account of PFR S.A. with bonds marked as OF0423 (later assimilated with OK0423) with the nominal value of PLN 6.6 billion. PFR S.A. commissioned valuation of the received securities from an independent expert, Deloitte Advisory Sp. z o.o. sp. k., which valued the bonds as at 1 March 2021 to their market value, which is PLN 6.58 billion. The valuation was then verified by an independent statutory auditor appointed by the registry court. The statutory auditor issued an opinion confirming that the valuation was correct and the Management Board Report on the valuation was formally correct.

On 27 May 2021, the PFR S.A. Extraordinary Shareholder Meeting adopted Resolution on increasing the share capital by issuing by the way of a private subscription new Series F ordinary registered shares, excluding entirely the pre-emptive right of the existing PFR S.A. shareholders to date, and on amending the PFR S.A. Articles of Association in connection with increasing the share capital. On 27 September 2021, the PFR S.A.'s share capital was increased from the amount of PLN 4,953,252,553.00 to the amount of PLN 11,475,907,779.00, i.e. by the amount of PLN 6,522,655,226, by the way of an issue of 6,522,655,226 new Series F ordinary registered shares with a par value of PLN 1.00 each, and the issue price of PLN 1.01. The offer to subscribe for Series F Shares was directed solely to the State Treasury, represented by the Prime Minister. The difference between the nominal and the issue price, in the amount of PLN 65,226,552.26, was partly earmarked to cover the costs of the issue, in the form of the civil law transaction tax, whereas the other part was earmarked to supplementary capital.

300,000 Series A shares owned by the State Treasury are preferred shares in terms of voting rights with two votes per share.

## 15.2. Change in the revaluation reserve

### Revaluation reserve

	31 December 2022	31 December 2021
<b>As at the beginning of the period</b>	<b>136,641,659.40</b>	<b>(1,546,236,782.40)</b>
Fair value remeasurement of investment certificates	197,084,073.67	79,687,494.99
Fair value remeasurement of Pekao S.A. shares	(1,192,663,893.00)	2,046,006,509.40
Revaluation of fair value of Treasury bonds	26,847,713.72	(46,027,508.01)
Revaluation of fair value of Mabion S.A. shares	(3,432,338.90)	554,544.90
Deferred tax liability	(30,343,288.21)	(15,245,987.58)
Deferred tax asset	217,155,134.31	(382,096,611.90)
<b>Balance as at the end of the period</b>	<b>(648,710,939.01)</b>	<b>136,641,659.40</b>

The change in the revaluation reserve is due to the fair value remeasurement of investment certificates, shares in Bank Pekao S.A. and Treasury bonds, as well as recognition of the amounts of the deferred tax assets and liabilities in the revaluation reserve. The tables below present each revaluation of investment certificates, Pekao S.A. shares and Treasury bonds:

### Investment certificates

as at 31 December 2022

	Value paid up by the Polski Fundusz Rozwoju S.A.	Fair value of IC	Increase/Decrease	Valuation difference
PFR FIS	506,590,000.60	498,080,873.04	(8,509,127.56)	(8,385,710.43)
PFR FF	626,705,044.87	728,807,253.19	102,102,208.32	11,170,107.17
FSMDR	1,551,077,696.74	1,693,722,705.27	142,645,008.53	145,099,164.62
FSMNW	633,073,759.52	750,564,545.87	117,490,786.35	111,992,628.21
PFR KOFFI	74,815,135.00	82,200,795.02	7,385,660.02	6,206,226.25
PFR FI (after the merger)	4,412,851,986.49	4,448,729,412.71	35,877,426.22	135,350,807.07
<b>Total</b>	<b>7,805,113,623.22</b>	<b>8,202,105,585.10</b>	<b>396,991,961.88</b>	<b>401,433,222.89</b>

As at 31 December 2022, an analysis was carried out to determine whether there were any indications of impairment of the investment certificates held by PFR S.A. The analysis did not identify any indications that an impairment test was required, as most of the investment certificates have appreciated in value relative to the amounts originally invested, or (in the case of one fund) a small, temporary decline in value was noted, which largely recovered by March 2023.

As a result of the merger of the FIIK, FIPP and PFR I funds into the new PFR FI fund, the valuation of the investment certificates as at the merger dates, i.e. PLN 255.3 million in 2021 and PLN -196.1 million in 2022, respectively, increased the purchase price of the acquired funds. In addition, investment certificates of the merged fund in the amount of PLN 8.3 million were redeemed

in 2022. In connection with the above, the valuation difference of the Investment Certificates presented in the table below is not in line with the revaluation of the CI's fair value included in the revaluation reserve. The difference between these amounts as at the end of 2022 was PLN -204.4 million.

as at 31 December  
2021

	Value paid up by the Polski Fundusz Rozwoju S.A.	Fair value of IC	Increase/Decrease	Valuation difference
FIIK (after merger)	5,088,052,598.08	5,036,075,886.33	(51,976,711.75)	(241,217,968.93)
PFR FIS	506,581,625.00	506,458,207.87	(123,417.13)	205,582.87
PFR FF	326,708,709.38	417,640,810.53	90,932,101.15	70,641,001.15
FSMDR	1,398,075,727.09	1,395,621,571.00	(2,454,156.09)	(2,454,153.66)
FSMNW	972,795,108.98	978,293,267.12	5,498,158.14	5,498,145.97
PFR KOFFI	75,599,499.00	76,778,932.77	1,179,433.77	1,179,433.77
FIPP	204,000,000.00	156,503,330.90	(47,496,669.10)	(9,448,221.09)
<b>Total</b>	<b>8,571,813,267.53</b>	<b>8,567,372,006.52</b>	<b>(4,441,261.01)</b>	<b>(175,596,179.92)</b>

As at the balance sheet date, indications of impairment were analyzed for all Investment Certificates held by PFR S.A.

As part of the process of reviewing the value of PFR S.A.'s investments, including the Investment Certificates ("ICs") held by the company, the potential impairment of the investment in FIPP FIZAN investment certificates was analyzed. Based on a test performed, PFR S.A. does not believe that there are sufficient grounds to identify impairment.

The valuation difference of the Investment Certificates presented in the table below is not in line with the fair value remeasurement of Investment Certificates included in the revaluation reserve, because at the time of the FIIK and PFR Inwestycje merger, the valuation of the PFR Inwestycje fund as at the merger date, in the amount of PLN 255.3 million, increased the purchase price of the acquired fund.

#### Shares of Pekao S.A.

	31 December 2022	31 December 2021
Share purchase value	4,132,814,960.77	4,132,814,960.77
Fair value	2,906,068,359.00	4,098,732,252.00
	<b>(1,226,746,601.77)</b>	<b>(34,082,708.77)</b>

#### Treasury bonds

	31 December 2022	31 December 2021
Bonds purchase price	1,105,579,808.98	1,105,579,808.98
Interest accrued	1,698,366.11	634,761.43
Fair value	1,088,098,380.80	1,060,187,062.40
	<b>(19,179,794.29)</b>	<b>(46,027,508.01)</b>

### 15.3. Change in supplementary capital

#### Supplementary capital

	31 December 2022	31 December 2021
<b>As at the beginning of the period</b>	<b>1,160,840,025.05</b>	<b>1,078,560,168.06</b>
Additions, including mainly:	195,761,213.67	82,279,856.99
- issue of shares above the nominal value	-	32,613,339.26
- distribution of profit (statutory)	189,286,438.67	49,666,517.73
<b>Balance as at the end of the period</b>	<b>1,356,601,238.72</b>	<b>1,160,840,025.05</b>

Pursuant to Resolution No. 5 of 7 June 2022, the Company's Ordinary Shareholder Meeting resolved to earmark the Company's net profit of PLN 189,286,438.67 for the reporting period from 1 January 2021 to 31 December 2021 to supplementary capital.

### 15.4. Proposals on the method of the distribution of profit or covering loss for the financial year

For the net profit of PLN 236,755,481.43 for the reporting period from 1 January 2022 to 31 December 2022, the Company's Management Board proposes to earmark the entire amount to supplementary capital.

## 16. PROVISIONS

### 16.1. Provisions for pension and similar benefits

*in the period from 1 January 2022 to 31 December 2022*

	Provisions for retirement and disability retirement pay	Provisions for non- utilized annual leaves	Provisions for bonuses	Total
<b>1 January 2022</b>	<b>237,180.07</b>	<b>3,527,899.07</b>	<b>18,372,711.46</b>	<b>22,137,790.60</b>
Additions	189,029.00	3,605,564.39	20,289,283.59	24,083,876.98
Utilization	-	-	(15,153,963.89)	(15,153,963.89)
Reversal	(237,180.07)	(3,527,899.07)	(3,218,747.57)	(6,983,826.71)
<b>31 December 2022</b>	<b>189,029.00</b>	<b>3,605,564.39</b>	<b>20,289,283.59</b>	<b>24,083,876.98</b>
<i>non-current</i>	164,386.00	-	-	<b>164,386.00</b>
<i>current</i>	24,643.00	3,605,564.39	20,289,283.59	<b>23,919,490.98</b>

*in the period from 1 January 2021 to 31 December 2021*

	Provisions for retirement and disability retirement pay	Provisions for non- utilized annual leaves	Provisions for bonuses	Total
<b>1 January 2021</b>	-	<b>3,167,524.80</b>	<b>14,995,280.28</b>	<b>18,162,805.08</b>
Additions	237,180.07	3,527,899.07	18,372,711.46	22,137,790.60
Utilization	-	-	(12,216,539.68)	(12,216,539.68)
Reversal	-	(3,167,524.80)	(2,778,740.60)	(5,946,265.40)
<b>31 December 2021</b>	<b>237,180.07</b>	<b>3,527,899.07</b>	<b>18,372,711.46</b>	<b>22,137,790.60</b>
<i>non-current</i>	174,259.91	-	-	<b>174,259.91</b>
<i>current</i>	62,920.16	3,527,899.07	18,372,711.46	<b>21,963,530.69</b>

## 16.2. Other provisions

*in the period from 1 January 2022 to 31 December 2022*

	<b>Provisions for accounting, consulting and audit services</b>	<b>Provisions for rental of office space</b>	<b>Other provisions</b>	<b>Total</b>
<b>1 January 2022</b>	<b>171,060.23</b>	<b>2,197,787.11</b>	<b>80,347.50</b>	<b>2,449,194.84</b>
Additions	197,505.53	-	-	197,505.53
Utilization	(171,060.23)	(561,137.04)	(80,347.50)	(812,544.77)
<b>31 December 2022</b>	<b>197,505.53</b>	<b>1,636,650.07</b>	<b>-</b>	<b>1,834,155.60</b>
<i>non-current</i>	-	-	-	-
<i>current</i>	197,505.53	1,636,650.07	-	<b>1,834,155.60</b>

*in the period from 1 January 2021 to 31 December 2021*

	<b>Provisions for accounting, consulting and audit services</b>	<b>Provisions for rental of office space</b>	<b>Other provisions</b>	<b>Total</b>
<b>1 January 2021</b>	<b>162,193.00</b>	<b>2,758,924.15</b>	<b>149,682.78</b>	<b>3,070,799.93</b>
Additions	171,060.23	-	80,347.50	251,407.73
Utilization	(143,995.74)	(561,137.04)	-	(705,132.78)
Reversal	(18,197.26)	-	(149,682.78)	(167,880.04)
<b>31 December 2021</b>	<b>171,060.23</b>	<b>2,197,787.11</b>	<b>80,347.50</b>	<b>2,449,194.84</b>
<i>non-current</i>	-	-	-	-
<i>current</i>	171,060.23	2,197,787.11	80,347.50	<b>2,449,194.84</b>

## 17. NON-CURRENT LIABILITIES

### 17.1. Age structure of non-current liabilities to related parties

Not applicable.

### 17.2. Age structure of non-current liabilities to other entities in which the company holds an equity stake

Not applicable.

**17.3. Age structure of non-current liabilities towards other entities***as at 31 December 2022*

	<b>Loans and borrowings</b>	<b>Issues of debt securities</b>	<b>Other financial liabilities</b>	<b>Bill-of-exchange liabilities</b>	<b>Other</b>	<b>Total</b>
<b>Maturing in:</b>						
1 to 3 years	1,581,456,019.11	50,417,595,039.49	1,014,183.26	-	-	<b>52,000,065,241.86</b>
3 to 5 years	-	18,063,153,266.71	-	-	-	<b>18,063,153,266.71</b>
over 5 years	-	4,875,582,956.87	-	-	-	<b>4,875,582,956.87</b>
	<b>1,581,456,019.11</b>	<b>73,356,331,263.07</b>	<b>1,014,183.26</b>	-	-	<b>74,938,801,465.44</b>

As at 31 December 2022 non-current liabilities included mainly liabilities of PFR S.A. on account of debt securities issues and a loan granted by Bank PKO BP S.A. to PFR S.A. for the purchase of Pekao S.A. shares.

*as at 31 December 2021*

	<b>Loans and borrowings</b>	<b>Issues of debt securities</b>	<b>Other financial liabilities</b>	<b>Bill-of-exchange liabilities</b>	<b>Other</b>	<b>Total</b>
<b>Maturing in:</b>						
1 to 3 years	-	18,056,841,394.53	1,015,050.90	-	-	<b>18,057,856,445.43</b>
3 to 5 years	-	33,061,158,741.26	-	-	-	<b>33,061,158,741.26</b>
over 5 years	-	22,199,384,298.14	-	-	-	<b>22,199,384,298.14</b>
	-	<b>73,317,384,433.93</b>	<b>1,015,050.90</b>	-	-	<b>73,318,399,484.83</b>

As at 31 December 2021 non-current liabilities included mainly liabilities of PFR S.A. on account of debt securities issues.

The loan granted by Bank PKO BP S.A. to PFR S.A. for the purchase of Pekao S.A. shares was classified as a current liability at the end of 2021, as the original maturity of the loan repayment was in 2022. (according to the annexes in effect as at the balance sheet date).

#### 17.4. Non-current liabilities on the issue of debt securities – Financial Shield

*in the period from 1 January 2022 to 31 December 2022*

Abbreviated bond name	Issue date	Par value	Issue price	Currency	Maturity	Interest rate	Carrying amount as at 31 December 2022
PFR0324	27 April 2020	16,325,000,000.00	16,306,879,250.00	PLN	2024	1.375%	16,471,008,192.90
PFR0325	8 May 2020	18,500,000,000.00	18,423,595,000.00	PLN	2025	1.625%	18,658,050,081.82
PFR0925	22 May 2020	15,175,000,000.00	15,134,634,500.00	PLN	2025	1.625%	15,304,009,826.36
PFR0627	5 June 2020	10,000,000,000.00	9,923,200,000.00	PLN	2027	1.750%	10,049,882,503.77
PFR0330	5 June 2020	2,000,000,000.00	1,993,080,000.00	PLN	2030	2.000%	2,017,540,946.54
PFR1227	10 December 2020	500,000,000.00	500,000,000.00	PLN	2027	1.400%	500,394,390.27
PFR0927	14 December 2020	2,000,000,000.00	1,997,980,000.00	PLN	2027	1.500%	1,999,940,772.15
PFR092027	23 December 2020	900,000,000.00	893,682,000.00	PLN	2027	1.375%	895,767,450.45
PFR0827	15 January 2021	5,250,000,000.00	5,243,490,000.00	PLN	2027	1.375%	5,314,526,840.73
PFR0330 B	3 February 2021	1,250,000,000.00	1,279,143,837.50	PLN	2030	2.000%	1,274,328,975.41
PFR0228	5 February 2021	1,000,000,000.00	1,000,000,000.00	PLN	2028	1.300%	1,011,700,548.96
PFR0228 B	12 February 2021	1,000,000,000.00	1,000,000,000.00	PLN	2028	1.375%	1,012,110,123.53
		<b>73,900,000,000.00</b>	<b>73,695,684,587.50</b>	-	-	-	<b>74,509,260,652.89</b>

*in the period from 1 January 2021 to 31 December 2021*

Abbreviated bond name	Issue date	Par value	Issue price	Currency	Maturity	Interest rate	Carrying amount as at 31 December 2021
PFR0324	27 April 2020	16,325,000,000.00	16,306,879,250.00	PLN	2024	1.375%	16,466,494,455.01
PFR0325	8 May 2020	18,500,000,000.00	18,423,595,000.00	PLN	2025	1.625%	18,643,048,232.24
PFR0925	22 May 2020	15,175,000,000.00	15,134,634,500.00	PLN	2025	1.625%	15,296,555,784.71
PFR0627	5 June 2020	10,000,000,000.00	9,923,200,000.00	PLN	2027	1.750%	10,039,396,667.72
PFR0330	5 June 2020	2,000,000,000.00	1,993,080,000.00	PLN	2030	2.000%	2,016,887,133.51
PFR1227	10 December 2020	500,000,000.00	500,000,000.00	PLN	2027	1.400%	500,397,187.09
PFR0927	14 December 2020	2,000,000,000.00	1,997,980,000.00	PLN	2027	1.500%	1,999,670,622.28
PFR092027	23 December 2020	900,000,000.00	893,682,000.00	PLN	2027	1.375%	894,867,847.70
PFR0827	15 January 2021	5,250,000,000.00	5,243,490,000.00	PLN	2027	1.375%	5,313,583,516.46
PFR0330 B	3 February 2021	1,250,000,000.00	1,279,143,837.50	PLN	2030	2.000%	1,275,641,014.27
PFR0228	5 February 2021	1,000,000,000.00	1,000,000,000.00	PLN	2028	1.300%	1,011,705,726.38
PFR0228 B	12 February 2021	1,000,000,000.00	1,000,000,000.00	PLN	2028	1.375%	1,012,115,605.25
		<b>73,900,000,000.00</b>	<b>73,695,684,587.50</b>	-	-	-	<b>74,470,363,792.62</b>

The amount of liabilities arising from the issue of debt securities includes the following values:

	Liabilities arising from issue of debt securities as at 31 December 2022	Liabilities arising from issue of debt securities as at 31 December 2021
Non-current liabilities arising from the issue of debt securities	73,356,331,263.07	73,317,384,433.93
Value of current liabilities arising from the issue of debt securities	1,152,929,389.82	1,152,979,358.69
	<b>74,509,260,652.89</b>	<b>74,470,363,792.62</b>

## 18. CURRENT LIABILITIES

### 18.1. Age structure of current liabilities to related parties

	31 December 2022	31 December 2021
<b>Maturing in:</b>		
up to 1 year	58,808,571.20	1,945,517.34
	<b>58,808,571.20</b>	<b>1,945,517.34</b>

### 18.2. Age structure of current liabilities to other entities in which the company holds an equity stake

	31 December 2022	31 December 2021
<b>Maturing in:</b>		
up to 1 year	1,529,438.63	30,692.96
	<b>1,529,438.63</b>	<b>30,692.96</b>

### 18.3. Age structure of current liabilities to other entities

as at 31 December 2022

	Loans and borrowings	Issues of debt securities	Other financial liabilities	Trade liabilities	Advance payments received for deliveries and services	Bill-of-exchange liabilities	On taxes, customs duties, social insurance and health insurance or other public dues	On payroll	Other	Total
<b>Maturing in:</b>										
up to 1 year	144,356,021.46	1,152,929,389.82	-	9,854,857.42	-	-	24,622,696.44	219,673.30	2,467,373.29	1,334,450,011.73
	<b>144,356,021.46</b>	<b>1,152,929,389.82</b>	<b>-</b>	<b>9,854,857.42</b>	<b>-</b>	<b>-</b>	<b>24,622,696.44</b>	<b>219,673.30</b>	<b>2,467,373.29</b>	<b>1,334,450,011.73</b>

Current liabilities include, among others, the current part of the loan granted by Powszechna Kasa Oszczędności Bank Polski S.A. under the loan agreement of 30 May 2017 (according to Annex 5, the loan is to be repaid by 30 May 2024).

as at 31 December 2021

	Loans and borrowings	Issues of debt securities	Other financial liabilities	Trade liabilities	Advance payments received for deliveries and services	Bill-of-exchange liabilities	On taxes, customs duties, social insurance and health insurance or other public dues	On payroll	Other	Total
<b>Maturing in:</b>										
up to 1 year	1,724,961,065.52	1,152,979,358.69	-	15,627,408.04	-	-	16,550,313.04	20,343.54	36,985.55	2,910,175,474.38
	<b>1,724,961,065.52</b>	<b>1,152,979,358.69</b>	<b>-</b>	<b>15,627,408.04</b>	<b>-</b>	<b>-</b>	<b>16,550,313.04</b>	<b>20,343.54</b>	<b>36,985.55</b>	<b>2,910,175,474.38</b>

Current trade liabilities to other entities, in the amount of PLN 15,627,408.04, are due and payable within 12 months as from the balance sheet date. Current liabilities include a loan granted by Powszechna Kasa Oszczędności Bank Polski S.A. based on a loan agreement of 30 May 2017. Pursuant to this agreement, the loan is to be repaid in three years as from the agreement's execution date, with an option to extend the maturity twice by one year. The loan was incurred to finance the purchase of shares of Bank Pekao S.A.

Interest on the loan is accrued on the last day of a calendar quarter.

In accordance with item 20 (Accounts) of the Loan Agreement of 30 May 2017 granted to the Company by Powszechna Kasa Oszczędności Bank Polski S.A. and earmarked for the purchase of a block of shares of Bank Pekao S.A., the Company is obligated to set up a Debt Service Reserve Account. In accordance with the Loan Agreement, the Company is obligated to deposit cash needed to service the debt in the Debt Service Reserve Account.

Other current liabilities to other entities, in the amount of PLN 36,985.55, are due and payable within 12 months as from the balance sheet date.

## 19. PREPAYMENTS AND ACCRUALS

### 19.1. Other non-current prepayments and accruals

Not applicable.

### 19.2. Other current prepayments and accruals

	31 December 2022	31 December 2021
Subsidies	1,458,915.60	1,579,985.55
	<b>1,458,915.60</b>	<b>1,579,985.55</b>

## 20. ASSETS OR LIABILITIES PRESENTED IN MORE THAN ONE BALANCE SHEET ITEM

The following assets are presented in more than one balance sheet item:

	Item in the balance sheet	31 December 2022	31 December 2021
<b>Receivables from loans (principal)</b>			
<b>in the non-current part</b>		<b>3,034,026,037.41</b>	<b>10,058,003,187.16</b>
from related parties	A IV 3 a) tirect 3	-	6,864,345.82
from other entities	A IV 3 c) tirect 3	3,034,026,037.41	10,051,138,841.34
<b>in the current part</b>		<b>9,909,080,436.35</b>	<b>20,627,858,491.31</b>
from related parties	B III 1 a) tirect 3	-	3,219,737.33
from other entities	B III 1 b) tirect 3	9,909,080,436.35	20,624,638,753.98
		<b>12,943,106,473.76</b>	<b>30,685,861,678.47</b>

	Item in the balance sheet	31 December 2022	31 December 2021
<b>Liabilities on loans and borrowings</b>			
<b>in the non-current part</b>		<b>1,581,456,019.11</b>	-
from other entities	B II 3 a)	1,581,456,019.11	-
<b>in the current part</b>		<b>144,356,021.46</b>	<b>1,724,961,065.52</b>
from other entities	B III 3 a)	144,356,021.46	1,724,961,065.52
		<b>1,725,812,040.57</b>	<b>1,724,961,065.52</b>

	Item in the balance sheet	31 December 2022	31 December 2021
<b>Liabilities arising from issue of debt securities</b>			
<b>in the non-current part</b>		<b>73,356,331,263.07</b>	<b>73,317,384,433.93</b>
from other entities	B II 3 b)	73,356,331,263.07	73,317,384,433.93
<b>in the current part</b>		<b>1,152,929,389.82</b>	<b>1,152,979,358.69</b>
from other entities	B III 3 b)	1,152,929,389.82	1,152,979,358.69
		<b>74,509,260,652.89</b>	<b>74,470,363,792.62</b>

## 21. STRUCTURE OF SALES REVENUES

### 21.1. Geographic structure

	31 December 2022	31 December 2021
<b>Revenues from sales of products</b>		
Domestic	297,319,690.61	288,605,836.13
	<b>297,319,690.61</b>	<b>288,605,836.13</b>
<b>Revenues from sales of goods and materials</b>		
Domestic	173,983.74	105,691.06
	<b>173,983.74</b>	<b>105,691.06</b>

### 21.2. Structure by category

	31 December 2022	31 December 2021
Management revenue	86,900,055.21	79,021,724.26
Activities arising from the Employee Capital Plan Act	4,037,854.53	5,853,220.73
Revenues on account of the execution of the Financial Shield government programs	200,000,000.00	200,000,000.00
Revenues from the execution of the National Reconstruction Plan government program	2,327,141.84	-
Other revenue	4,228,622.77	3,836,582.20
	<b>297,493,674.35</b>	<b>288,711,527.19</b>

The major sales revenues in the Company include: remuneration on account of the execution of the Financial Shield government programs and the management fee. The remuneration for the execution of the government programs is defined as a percentage of the maximum value of the program and is settled on a quarterly basis. A management fee is due for managing some of the Funds' assets. In accordance with the formula of calculating the management fee, the fee is in principle dependent on the net asset value [NAV] of the Funds, reduced by the cash in the Funds' bank accounts and increased by the amounts of planned involvement of the Funds in the executed Investment Projects.

Other Company's revenues from sales are primarily revenues on account of services provided to affiliated and non-affiliated entities (in the area of general support, implementation of the National Reconstruction Plan program, HR services, IT and security services, Contact Center services, delivery of economic reports, etc.).

## 22. INTEREST INCOME AND EXPENSE (INCLUDING RESULTING FROM DEBT FINANCIAL INSTRUMENTS, LOANS GRANTED AND OWN RECEIVABLES)

in the period from 1 January 2022 to 31 December 2022

	Interest realized	Interest outstanding, payable within			Total
		up to 3 months	3 to 12 months	over 12 months	
Loans granted and own receivables	361,306.92	-	-	-	361,306.92
Other assets	31,874,916.92	1,452,209.04	29,982,505.14	6,810,528.05	70,120,159.15
	<b>32,236,223.84</b>	<b>1,452,209.04</b>	<b>29,982,505.14</b>	<b>6,810,528.05</b>	<b>70,481,466.07</b>

in the period from 1 January 2021 to 31 December 2021

	Interest realized	Interest outstanding, payable within			Total
		up to 3 months	3 to 12 months	over 12 months	
Loans granted and own receivables	745,693.86	238,356.16	-	-	984,050.02
Other assets	10,490,175.60	152,126.66	6,366,904.11	5,419,271.94	22,428,478.31
	<b>11,235,869.46</b>	<b>390,482.82</b>	<b>6,366,904.11</b>	<b>5,419,271.94</b>	<b>23,412,528.33</b>

## 23. INTEREST EXPENSE (INCLUDING RESULTING FROM INCURRED FINANCIAL LIABILITIES)

in the period from 1 January 2022 to 31 December 2022

	Interest realized	Interest outstanding, payable within			Total
		up to 3 months	3 to 12 months	over 12 months	
Current financial liabilities	(121,900,566.39)	(22,436.53)	-	-	(121,923,002.92)
Other equity and liabilities	(215,157.40)	-	-	-	(215,157.40)
	<b>(122,115,723.79)</b>	<b>(22,436.53)</b>	<b>-</b>	<b>-</b>	<b>(122,138,160.32)</b>
SCN adjustment	-	-	-	-	(828,507.63)
	<b>(122,115,723.79)</b>	<b>(22,436.53)</b>	<b>-</b>	<b>-</b>	<b>(122,966,667.95)</b>

in the period from 1 January 2021 to 31 December 2021

	Interest realized	Interest outstanding, payable within			Total
		up to 3 months	3 to 12 months	over 12 months	
Current financial liabilities	(35,186,193.75)	-	-	-	(35,186,193.75)
Other equity and liabilities	(147,314.10)	(1,356.18)	-	-	(148,670.28)
	<b>(35,333,507.85)</b>	<b>(1,356.18)</b>	-	-	<b>(35,334,864.03)</b>
SCN adjustment	-	-	-	-	(9,040,893.63)
	<b>(35,333,507.85)</b>	<b>(1,356.18)</b>	-	-	<b>(44,375,757.66)</b>

## 24. CORPORATE INCOME TAX

### 24.1. Structure of corporate income tax

	31 December 2022	31 December 2021
Current income tax	(36,778,306.00)	(32,136,483.00)
Additional tax liabilities for previous years	(536,699.00)	(125,688.00)
Change in deferred income tax	(151,289.69)	611,946.55
	<b>(37,466,294.69)</b>	<b>(31,650,224.45)</b>

### 24.2. Calculation of corporate income tax

	31 December 2022	31 December 2021
<b>Pre-tax profit</b>	<b>274,221,776.12</b>	<b>220,936,663.12</b>
<b>Amounts increasing the taxable income base</b>		
Fixed costs not classified as tax-deductible expenses	51,634,547.05	74,448,513.34
Costs transitionally not classified as tax deductible expenses	21,364,349.18	19,232,908.60
Tax revenues not included in the books	5,709.33	453,125.00
	<b>73,004,605.56</b>	<b>94,134,546.94</b>
<b>Amounts reducing the taxable income base</b>		
Non-taxable income	189,397,010.44	133,086,851.63
Transitional tax costs from previous periods	19,862,405.55	16,604,711.86
	<b>209,259,415.99</b>	<b>149,691,563.49</b>
Tax income / (loss)	137,966,965.69	165,379,646.57
Tax income / (loss) – capital gains	(69,103,067.84)	(8,759,739.54)
Tax income / (loss) – other sources of revenues	207,070,033.53	174,139,386.11
Donations	(13,500,000.00)	(5,000,000.00)
Taxable income – other sources of revenues	193,570,033.53	169,139,386.11
Adjustment of tax brought forward	(536,699.00)	(125,688.00)
<b>Income tax</b>	<b>(37,315,005.00)</b>	<b>(32,262,171.00)</b>

### 24.3. Deferred tax

	31 December 2022	31 December 2021
<b>Deductible temporary differences</b>		
Effects of remeasurement of ICs to market prices	13,361,690.93	50,189,702.86
Effects of remeasurement of shares	17,077,695.00	17,077,695.00
Effects of remeasurement of Pekao S.A. shares to market prices	1,226,746,601.77	34,082,708.77
Effects of remeasurement of Treasury bonds to market prices	19,179,794.29	34,971,709.92
Provision for accounting, consulting and audit services	197,505.53	251,407.73
Provision for bonuses	20,289,283.59	18,372,711.46
Provision for unused holiday leaves	3,605,564.39	3,527,899.07
Provision for retirement severance pays	24,643.00	62,920.16
Provisions for other costs	1,636,650.07	2,650,912.11
Other	220,478.16	-
Effects of remeasurement of shares to market prices	2,877,794.00	-
	<b>1,305,217,700.73</b>	<b>161,187,667.08</b>
<b>Tax losses to be settled in subsequent years</b>		
2017 tax loss (total)	22,576,127.79	22,576,127.79
Settled part of the tax loss	(22,576,127.79)	(22,576,127.79)
2017 tax loss to be settled	-	-
2018 tax loss (total)		
Settled part of the tax loss	-	-
2018 tax loss to be settled	-	-
2019 tax loss (total)		
Settled part of the tax loss	-	-
2019 tax loss to be settled	-	-
2020 tax loss (total)		
Settled part of the tax loss	-	-
2020 tax loss to be settled	-	-
2021 tax loss	-	-
<b>Sum total of tax losses to be settled in subsequent periods</b>	<b>-</b>	<b>-</b>
Gross value of deferred tax assets	247,991,363.14	30,625,656.75
Deferred tax assets not recognized in the balance sheet	-	-
<b>Net value of deferred tax assets</b>	<b>247,991,363.14</b>	<b>30,625,656.75</b>

	31 December 2022	31 December 2021
<b>Taxable temporary differences:</b>		
Interest accrued on bank deposits	1,904,535.75	-
Effects of remeasurement of ICs to market prices	461,288,178.50	301,032,116.76
Effects of remeasurement of shares to market prices	-	554,544.90
	<b>463,192,714.25</b>	<b>301,586,661.66</b>
<b>Corporate income tax rate in the current year</b>	<b>19%</b>	<b>19%</b>
<b>Value of deferred tax liability</b>	88,006,615.71	57,301,465.72
Set-off	-	-
<b>Deferred tax assets recognized in the balance sheet</b>	247,991,363.14	30,625,656.75
<b>Deferred tax liability recognized in the balance sheet</b>	88,006,615.71	57,301,465.72
<b>Net balance sheet change in deferred tax assets/liability</b>	186,660,556.40	(396,730,652.94)
<b>Value of deferred tax recognized in equity in the period</b>	(186,811,846.09)	397,342,599.49
<b>Change in deferred tax recognized in profit or loss</b>	(151,289.69)	611,946.55

## 25. NOTES TO THE CASH FLOW STATEMENT

### 25.1. Investment (gain) / loss

	1 January 2022 - 31 December 2022	1 January 2021 - 31 December 2021
(Gain) / Loss from the sale of financial assets	(36,892,689.56)	10,878,222.73
	<b>(36,892,689.56)</b>	<b>10,878,222.73</b>

### 25.2. Change in current liabilities (except for loans and borrowings)

	1 January 2022 - 31 December 2022	1 January 2021 - 31 December 2021
Change in current liabilities	11,427,795.88	(220,561.00)
	<b>11,427,795.88</b>	<b>(220,561.00)</b>

### 25.3. Change in receivables

	1 January 2022 - 31 December 2022	1 January 2021 - 31 December 2021
Change in receivables in the balance sheet	8,255,274,431.09	37,301,016,043.15
Change in receivables in the cash flow statement	(405,356,462.57)	(6,903,021.42)
	<b>7,849,917,968.52</b>	<b>37,294,113,021.73</b>

The difference between the change of receivables in the balance sheet and in the cash flow statement is mainly a result of exclusion of the movement in the balance of settlements with the State Treasury under the Financial Shield programs. Changes in cash resulting from these settlements have been charged to the item: "Other adjustments".

#### 25.4. Purchase of intangible assets and property, plant and equipment

	1 January 2022 - 31 December 2022	1 January 2021 - 31 December 2021
Increases in intangible assets by virtue of purchases	1,659,806.00	4,750,013.71
Increases in fixed assets by virtue of purchases	120,356.95	733,184.26
	<b>1,780,162.95</b>	<b>5,483,197.97</b>

#### 25.5. Explanations to the item "Other adjustments"

	1 January 2022 - 31 December 2022	1 January 2021 - 31 December 2021
Value of deferred tax recognized in equity in the period	186,811,846.10	(397,342,599.48)
Remuneration of PFR for the execution of the Financial Shield Programs	(246,000,000.00)	(246,000,000.00)
External costs incurred in connection with the execution of the Financial Shield Programs	(14,107,680.57)	(5,850,021.03)
National Reconstruction Plan payouts	(118,358,513.22)	-
Civil law transaction tax on capital increase	6,474,775.00	(32,613,213.00)
Other	(1,390,939.57)	(1,492,864.46)
	<b>(186,570,512.26)</b>	<b>(683,298,697.97)</b>

#### 25.6. Explanations to the item "Other capital expenditures"

	1 January 2022 - 31 December 2022	1 January 2021 - 31 December 2021
Contributions to partially paid-up investment certificates	(453,006,680.74)	(5,027,597,196.93)
	<b>(453,006,680.74)</b>	<b>(5,027,597,196.93)</b>

#### 25.7. Additional explanations

As at 31 December 2022, the difference between the value of cash presented in the balance sheet, i.e. PLN 12,725,935,447.82 and the value presented in the cash flow statement of PLN 12,691,187,108.71 concerns interest accruing on bank deposits amounting to PLN 34,748,339.11.

## 26. INFORMATION ON THE NATURE AND BUSINESS OBJECTIVE OF THE COMPANY'S AGREEMENTS NOT REFLECTED IN THE BALANCE SHEET

Not applicable.

## 27. HEADCOUNT

	31 December 2022	31 December 2021
White collar	263	239
	<b>263</b>	<b>239</b>

## 28. COMPENSATION AND LOANS AND SIMILAR BENEFITS FOR PERSONS IN THE MANAGEMENT, SUPERVISORY OR ADMINISTRATION BODIES

	31 December 2022	31 December 2021
Compensation of Management Board Members	5,530,645.14	5,173,076.18
Compensation of Supervisory Board Members	497,102.22	495,688.17
	<b>6,027,747.36</b>	<b>5,668,764.35</b>

The base compensation of the Management Board Members in the 2022 financial year resulted from management services contracts, in accordance with the principles defined in the Act of 9 June 2016 on the Rules of Defining Compensation of Managers of Certain Companies. The cost of Management Board compensation includes the cost of variable compensation.

Compensation paid in 2022 for the current year was PLN 2,910,000.00.

Variable compensation paid in 2022 for previous years: PLN 2,620,645.14

In the financial year, the gross compensation of the Supervisory Board Members amounted to PLN 497,102.22.

In 2021, the gross compensation of the Supervisory Board Members was PLN 495,688.17.

In 2021-2022, no loans or similar benefits were granted to persons in management, supervisory or administrative bodies.

In 2021-2022, no liabilities were incurred on behalf of persons on management, supervisory or administration bodies on account of any kind of guarantees or sureties.

## 29. AUDIT FIRM FEE, PAID OR DUE

	31 December 2022	31 December 2021
Fee for the audit of the annual standalone and consolidated financial statements	197,505.53	152,862.96
	<b>197,505.53</b>	<b>152,862.96</b>

## 30. MATERIAL EVENTS DURING THE REPORTING YEAR

The following material events affecting the Company's operation took place during the current reporting year:

1. The Management Board analyzed the impact of the continuing war in Ukraine and the related sanctions against the Russian Federation and the Republic of Belarus. As regards the potential risks, the Management Board has identified adverse impact of the changes in financial markets on the value of the Company's financial instruments portfolio. The Management Board has been monitoring the impact of the political and economic situation in Ukraine on the Company's operations on an ongoing basis. To the best of Management Board's knowledge, the situation related to the war in Ukraine has not materially affected the Company's operations.
2. The observed inflationary processes may affect the Company's activities by reducing demand, contributing to the increase in interest rates and increasing the cost of doing business. The Management Board has not identified any matters that would jeopardize the company's ability to continue as a going concern, nor has it identified any breach of special contractual terms, either as at the balance sheet date or as at the date of signing the financial statements.

## 31. EVENTS CONCERNING PREVIOUS YEARS INCLUDED IN THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR

No events concerning previous years were captured in the financial statements.



### 32. EVENTS AFTER THE BALANCE SHEET DATE NOT CAPTURED IN THE FINANCIAL STATEMENTS

On 20 January 2023, PFR S.A. purchased 306,347 U series Investment Certificates of the Housing Sector Development Fund FIZAN. The amount of the transaction was PLN 74,999,872.54.

On 20 January 2023, PFR S.A. purchased 282,559 U series Investment Certificates of the Rental Housing Fund FIZAN. The amount of the transaction was PLN 399,998,997.17.

On 31 January 2023, PFR S.A. purchased 48,863 N3 series Investment Certificates of the PFR Fund of Funds FIZAN. The amount of the transaction was PLN 44,999,891.22.

On 15 February 2023, under the agreement between PFR S.A. and MTG S.A., a portion of MTG S.A.'s shares were sold by PFR S.A. to MTG S.A. The amount of the transaction was PLN 8,700,000.00.

On 16 February 2023, PFR S.A. purchased 600,000 Investment Certificates of A, B, C, D, E, F, G, H, I, J, K and L series (50,000 Investment Certificates in each series) of the Foreign Expansion Fund 2 FIZAN. The amount of the transaction was PLN 6,000,000.00 (the Investment Certificates were not fully paid up).

On 20 March 2023 PFR S.A. redeemed 11,080 D2 series Investment Certificates of the PFR KOFFI FIZ fund. The value of the certificate redemption transaction was PLN 11,737,487.20.

On 14 April 2023, PFR S.A. repaid the loan granted by PFR Ventures Sp. z o.o. in the amount of PLN 53,151,920.11 (the principal and accrued interests).

Pursuant to a sale agreement of 14 April 2023, PFR S.A. purchased shares and receivables from PFR Ventures for PLN 23,698,740.71.

On 25 April 2023, the Treasury bonds contributed to PFR S.A. as contribution-in-kind in 2021 were redeemed. The value of the redemption transaction was PLN 1,107,592,000.00.

On 27 April 2023, PFR S.A. purchased 415,351 V series Investment Certificates of the Housing Sector Development Fund FIZAN. The amount of the transaction was PLN 99,999,906.76.

In 2023, PFR extended ten sureties for good performance bonds and guarantees of advance payment refund issued at the request of a portfolio company in a fund (Pojazdy Szynowe PESA Bydgoszcz S.A.), whose portion of the investment portfolio is managed by PFR S.A. in connection with contracts performed by that entity. The value of the sureties extended in 2023 was PLN 204,549,497.07.

### 33. CONTINGENT LIABILITIES AND PLEDGES

As at 31 December 2022, PFR S.A. held:

1. A surety extended to Operator Chmury Krajowej (OChK) in the amount of PLN 395,860,000.00:  
The surety applies to OChK's liabilities resulting from a Guarantee Agreement granted by PKO BP S.A. The surety is up to the amount of USD 100,000,000 (say: one hundred million USD dollars 00/100), i.e. 50% (say: fifty per cent) of the guarantee amount, whereby the surety amount will be reduced pro rata to the reduction of the guarantee amount.
2. A surety extended to PESA in the amount of PLN 532,826,703.22:  
As at 31 December 2022, PFR S.A. has extended nine sureties for good performance bonds and guarantees of advance payment refund issued at the request of PESA S.A. for the total amount of PLN 532,826,703.22.
3. A surety extended to Ferrum S.A.:  
The surety extended to Ferrum S.A. expired on 9 November 2022.
4. Contingent liabilities in the form of a blank promissory note:  
The Company's liability under the agreement signed with the Ministry of Development for the pilot implementation of the "Dobry Pomysł" ("Good Idea") Program, expired on 22 November 2022.

### 34. ESTABLISHED ASSET-BACKED SECURITY

Pursuant to an agreement entered into on 30 May 2017 between the Company and Bank Powszechna Kasa Oszczędności Bank Polski S.A., the Company established financial pledge and registered pledge on 33,596,165 shares of Pekao SA (12.8%), worth PLN 2,906,068,272.50 as at 31 December 2022.

## 35. INFORMATION ON FINANCIAL INSTRUMENTS

### 35.1. Financial risk management objectives and policies

The Company's operations are exposed, among others, to the following risks arising from financial instruments held by the Company:

- Credit risk;
- Liquidity risk;
- Market risk.

#### Key risk management principles

The Management Board is responsible for the establishment and oversight of the Company's risk management, including the identification and analysis of risks to which the Company is exposed, definition of principles for their measurement and control. Rules and risk management procedures are regularly reviewed to reflect changes in the market conditions and changes in the Company's activities. The scope of risk management also includes managing the risk of some of the Funds' assets managed by the Company.

#### Credit risk

Credit risk is the risk of the Company incurring a financial loss in a situation in which a party to a financial instrument fails to perform its contractual obligations. The risk arises both directly in the Company and concerns investment agreements signed by the Company on its own behalf and indirectly through Investment Certificates, representing the portfolio of investments performed by the Company on behalf of and for the benefit of the Funds. Credit risk arises principally from debt instruments. The purpose of risk management is to maintain a stable and balanced (in terms of quality and value) portfolio of receivables following from loans granted and other investments in debt financial instruments. Credit risk is subject to detailed analysis for each investment proposal. The Company aims to limit credit risk by structuring transactions appropriately.

For the debt instruments granted under the Financial Shield government programs, no credit risk is identified because it is the State Treasury that incurs exclusively the cost and risk of the Financial Shield government programs pursuant to Article 21a section 4 of the SIR Act and the Financial Shield Program Documents.

#### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. Liquidity management in the Company involves ensuring, as far as possible, that the Company has sufficient liquidity to settle its due and payable liabilities, both in a normal and a crisis situation, without exposing the Company to unacceptable losses or undermining its reputation. For this purpose, the Company monitors its cash flows on an ongoing basis and prepares liquidity forecasts and keeps sufficient cash to cover anticipated operating and current expenditures and to fulfill long-term investment commitments, by maintaining adequate funds on bank deposits with a time structure matching the liability structure, with flexibility buffers.

#### Market risk

Market risk means that changes of market prices, such as foreign exchange rates, interest rates, liquidity of capital markets will impact the Company's results or the value of the financial instruments it holds and the possibility of exiting an investment. Market risk management aims to maintain and control the Company's degree of exposure to market risk within acceptable bounds, while simultaneously making efforts to optimize the rate of return on investments. The Company manages the risk both with regard to the investment agreements executed directly by the Company and also with regard to the investment agreements entered into by the Company on behalf of and to the benefit of the Funds, some of whose assets are managed by the Company.

#### a) Currency risk

At present, the Company has no material exposure to currency risk. Investments, both the projects undertaken directly by the Company as well as the investments made indirectly by the Funds, are denominated in PLN, and the future cash flows are also planned in PLN. For projects which generate some cash flows in foreign currencies, the Group minimizes its currency risk by structuring transactions appropriately and taking into consideration the currency risk in the models used to assess investment projects:

- proper structuring of its assets and liabilities denominated in foreign currencies;
- executing forward contracts for purchase/sale of currencies;
- using hedge derivatives such as forwards, swaps.

#### b) Interest rate risk

The Company's activity, both in the case of investments made directly by the Company and those made indirectly through the Funds, because the latter affect the value of the Investment Certificates held by the Company, is inextricably linked to non-current investments, some of which are naturally exposed to interest rate risk by defining a fixed rate of return on the investment. This risk may materialize by the failure to obtain an assumed risk premium compared to the risk-free rate. The Company seeks to mitigate this risk by taking it into account in the structure of transactions or in appropriate clauses that make it possible to renegotiate investment returns if certain circumstances occur.

Interest rate risk may also materialize through an increase in interest expense resulting from the floating rate loan granted by PKO BP S.A. This risk is partially offset by an adequate diversification of deposits and management of the timing of deposits. In addition, if there are signals that interest rates will be raised, deposits are opened for shorter periods.

### 35.2. Description of financial instruments

*in the period from 1 January 2022 to 31 December 2022*

Portfolio	Description (quantity)	Carrying amount	Terms and conditions affecting future cash flows
<b>Financial assets available for sale:</b>	Investment Certificates	8,202,105,585.10	-
	Shares of Bank Pekao S.A.	2,906,068,359.00	-
	Shares of Mabion S.A.	1,777,461.00	-
	Garmond Press S.A. shares	987,600.00	-
	Shares of MTG S.A.	56,857,583.24	-
	Treasury bonds	1,088,098,380.80	bonds OK0423 of the nominal value of PLN 1,107,592 thousand and the redemption date of 25 April 2023.
<b>Loans granted and own receivables:</b>	Term deposits	12,638,498,339.11	interest rate: 6.49% - 8.05%
	Deposit certificates	3,511,200,000.00	interest rate 7.18%
	Cash in the current account	86,817,179.73	-
	Financial subsidies granted under the Financial Shield for MSMEs 1.0 government program	7,978,480,915.73	non-interest bearing
	Financial subsidies granted under the Financial Shield for MSMEs 2.0 government program	816,493,179.69	non-interest bearing
	Loans granted under the Financial Shield for Large Companies and the LOT Polish Airlines government programs	4,148,132,378.34	floating 0.75%-2.25%
	Bonds of Trenino Holding Sp. z o.o.	82,482,987.69	registered discount bonds with maturity on 31 December 2026, with the effective interest rate of 9%
	Bonds of PFR Porty Sp. z o.o.	330,177,691.26	ordinary registered bonds with maturity on 19 April 2029, WIBOR 3M+4%
	Bonds of Nowel Sp. z o.o.	34,226,272.62	the bonds bear interest at EUROWIBOR 6M + 9% margin, maturing on 13 October 2023
	<b>Financial liabilities:</b>	Loan received for purchase of shares	1,725,780,887.26
	Loan received from PFR Ventures Sp. z o.o.	51,985,220.37	WIBOR 1M + 0.95% margin, with the loan maturing on 31 May 2023
	Own bonds issued	74,509,260,652.89	fixed 1.30%-2.0%

*in the period from 1 January 2021 to 31 December 2021*

<b>Portfolio</b>	<b>Description (quantity)</b>	<b>Carrying amount</b>	<b>Terms and conditions affecting future cash flows</b>
<b>Financial assets available for sale:</b>	Investment Certificates	8,567,372,006.52	-
	Shares of Bank Pekao S.A.	4,098,732,252.00	-
	Shares of Mabion S.A.	5,554,539.90	-
	Shares of PGG S.A.	230,886,000.00	-
	Shares of MTG S.A.	56,857,583.24	-
	Treasury bonds	1,060,187,062.40	bonds OK0423 of the nominal value of PLN 1,107,592 thousand and the redemption date of 25 April 2023.
<b>Loans granted and own receivables:</b>	PPP Venture Sp. z o.o.	10,084,083.15	fixed 10%
	Loan granted to PAR S.A.	209,091.51	fixed 3.4%
	Loan granted to MDR Inwestycje	30,238,356.16	fixed 5%
	Financial subsidies granted under the Financial Shield for MSMEs 1.0 government program	18,987,168,267.29	non-interest bearing
	Financial subsidies granted under the Financial Shield for MSMEs 2.0 government program	7,103,091,817.42	non-interest bearing
	Loans granted under the Financial Shield for Large Companies and the LOT Polish Airlines government programs	4,555,070,062.94	floating 0.75%-2.25%
	Term deposits	5,472,659,332.14	-
	Cash in the current account	177,915,765.24	-
	Bonds of PFR Nieruchomości S.A.	10,340,126.66	ordinary bearer bonds maturing on 19 October 2022 (2A series), 29 December 2022 (2B series), WIBOR 6M+2.5%
	Bonds of Trenino Holding Sp. z o.o.	75,672,459.64	registered discount bonds with maturity on 31 December 2026, with the effective interest rate of 9%
	Bonds of PFR Porty Sp. z o.o.	301,258,790.80	ordinary registered bonds with maturity on 19 April 2029, WIBOR 3M+4%
<b>Financial liabilities:</b>	Loan received for purchase of shares	1,724,961,065.52	WIBOR 3M + margin (from 1.67 to 1.75%), with the margin dependent on the level of the coverage ratio and own contribution
	Own bonds issued	74,470,363,792.62	fixed 1.30%-2.0%

### 35.3. Information on interest rate risk

As at the balance sheet date, the portfolio of debt financial instruments has the following structure:

<b>Financial instruments:</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>- with a fixed interest rate</b>		
Financial assets:		
Term deposits	522,404,535.75	146,000,000.00
Bonds of Trenino Holding Sp. z o.o.	82,482,987.69	75,672,459.64
Treasury bonds	1,088,098,380.80	1,060,187,062.40
Loans granted	-	40,531,530.82
Financial liabilities	51,985,220.37	-
<b>- with a floating interest rate</b>		
Financial assets:		
Bonds of PFR Porty Sp. z o.o.	330,177,691.26	301,258,790.80
Bonds of PFR Nieruchomości S.A.	-	10,340,126.66
Bonds of Nowel Sp. z o.o.	34,226,272.62	-
Financial liabilities	1,725,780,887.26	1,724,961,065.52

The note does not present financial instruments established for the execution of the Financial Shield programs by PFR S.A. because it is the State Treasury that incurs all the costs and risks associated with the performance of government programs.

### 35.4. Information on credit risk

The Company's maximum exposure to credit risk corresponds to the carrying amount of the following financial assets:

<b>Financial assets:</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
Loans granted and own receivables	446,886,951.57	427,802,907.92
Cash	600,772,009.07	169,079,758.08
Term deposits	522,404,535.75	146,000,000.00
Trade receivables	31,093,001.61	24,950,368.04
	<b>1,078,751,962.25</b>	<b>621,833,034.04</b>

The note does not present financial subsidies and loans granted under the Financial Shield programs because it is the State Treasury that incurs all the costs and risks associated with the performance of the programs, including those resulting from defaults on repayment of the loans and financial subsidies granted under the programs.

## 36. EXCHANGE RATES APPLIED TO THE VALUATION OF ITEMS IN THE FINANCIAL STATEMENTS

	<b>31 December 2022</b>	<b>31 December 2021</b>
EUR	4.6899	4.5994
USD	4.4018	4.0600
GBP	5.2957	5.4846



### **37. INFORMATION ON MATERIAL TRANSACTIONS WITH RELATED PARTIES EXECUTED BY THE COMPANY ON A NON-ARM'S LENGTH BASIS**

Transactions with related parties are not executed on a non-arm's length basis.

### **38. DISCONTINUED OPERATIONS**

In the current reporting period, the Company did not discontinue any kind of activity.

### **39. INFORMATION ON UNCERTAINTIES AS TO THE CAPACITY TO CONTINUE OPERATIONS AS A GOING CONCERN**

These financial statements have been prepared based on the assumption that the Company will continue its activity as a going concern in the foreseeable future.

### **40. OFF-BALANCE SHEET ITEMS**

Not applicable.

## 41. PERSONS RESPONSIBLE FOR SIGNING THE FINANCIAL STATEMENTS

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Paweł Borys  
President of the Management Board

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Bartłomiej Pawlak  
Vice President of the Management Board

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Tomasz Fill  
Vice President of the Management Board

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Bartosz Marczuk  
Vice President of the Management Board

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Ewa Maciąg  
Person responsible for keeping the accounting ledgers

Warsaw, 26 May 2023

Management Board  
Polski Fundusz Rozwoju S.A.  
ul. Krucza 50  
00-025 Warsaw  
("Company")

Acting pursuant to § 14 sec. 1 item 5) and item 6) of Attachment No. 4 to the Rules and Regulations of the Alternative Trading System – "Current and Periodic Information Provided by Issuers of Debt Financial Instruments in the Alternative Trading System at Catalyst," the Management Board of the Company hereby represents as follows:

1. to the best of its knowledge, the annual financial statements for the financial year ended 31 December 2022 and comparative data have been prepared in accordance with the applicable accounting principles and give a true, fair and clear view of the Company's assets and financial standing and its financial performance, and the Company's activity report contains a fair review of the development, achievements and standing of the Company, including a description of the major threats and risks,
2. to the best of its knowledge, the audit firm to carry out the audit of the annual financial statements of the Company for the financial year ended 31 December 2022 was selected in accordance with applicable laws, including the laws relating to the selection and procedure for the selection of an audit firm, and additionally the audit firm and the members of the audit team met the conditions for preparing an impartial and independent audit report on the annual financial statements in accordance with the applicable law, professional standards and professional ethics principles.



Paweł Borys  
President of the Management Board



Bartłomiej Pawlak  
Vice President of the Management Board



Tomasz Fill  
Vice President of the Management Board



Bartosz Marczuk  
Vice President of the Management Board

