



COMMUNICATION ON PROGRESS 2021

United Nations Global Compact

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Foreword by the CEO



Dear Stakeholders,

I am pleased to confirm that Polish Development Fund (PFR) reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations.

Respectfully,
Paweł Borys
President of the Polish Development Fund

A handwritten signature in black ink, which appears to read "Borys". The signature is stylized and fluid.

PFR in the brief

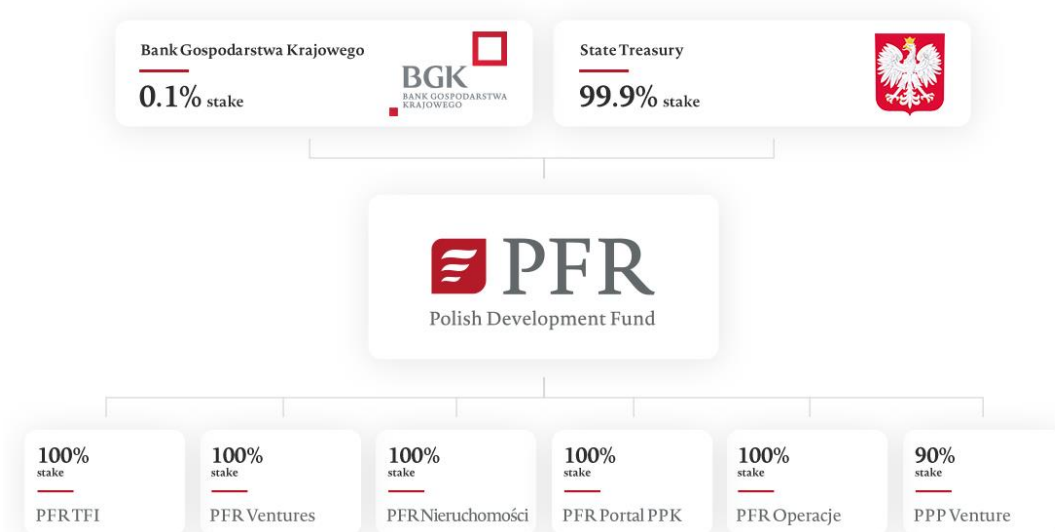
The Polish Development Fund (“PFR” or the “Company”) and its subsidiaries form a group of financial and advisory companies (hereinafter collectively referred to as the “PFR Corporate Group” or the “Group”) that works for businesses, local governments and private individuals and invests in the nation’s sustainable social and business development.

Apart from PFR acting as the parent company and strategic centre, the PFR Corporate Group also includes:

- PFR TFI – a company focused on incepting and managing closed-end investment funds oriented towards alternative assets (e.g. real estate, infrastructure, PE or VC) as well as managing a part of the assets of the Employee Capital Plans (“PPK”) program;
- PFR Ventures – the largest fund of funds in the CEE region offering repayable financing to innovative SMEs through selected financial intermediaries such as venture capital or private equity funds;
- PFR Nieruchomości – the real estate arm of the Group which aims to improve the potential of the national housing market by implementing investments of significant importance to local communities;
- PFR Portal PPK – a company dedicated to supervising the PPK program, which is a common and voluntary long-term saving system for employees in Poland, developed and co-financed by employers and the state;
- PFR Operacje – the shared services centre for the PFR Corporate Group,
- PPP Venture – an entity formed to design, rebuild, finance and maintain student houses at ul. Badurskiego in Cracow under a public–private partnership.

PFR’s shareholders are: State Treasury which holds 99.87% stake and BGK which holds 0.13% stake.

Structure of the PFR Corporate Group



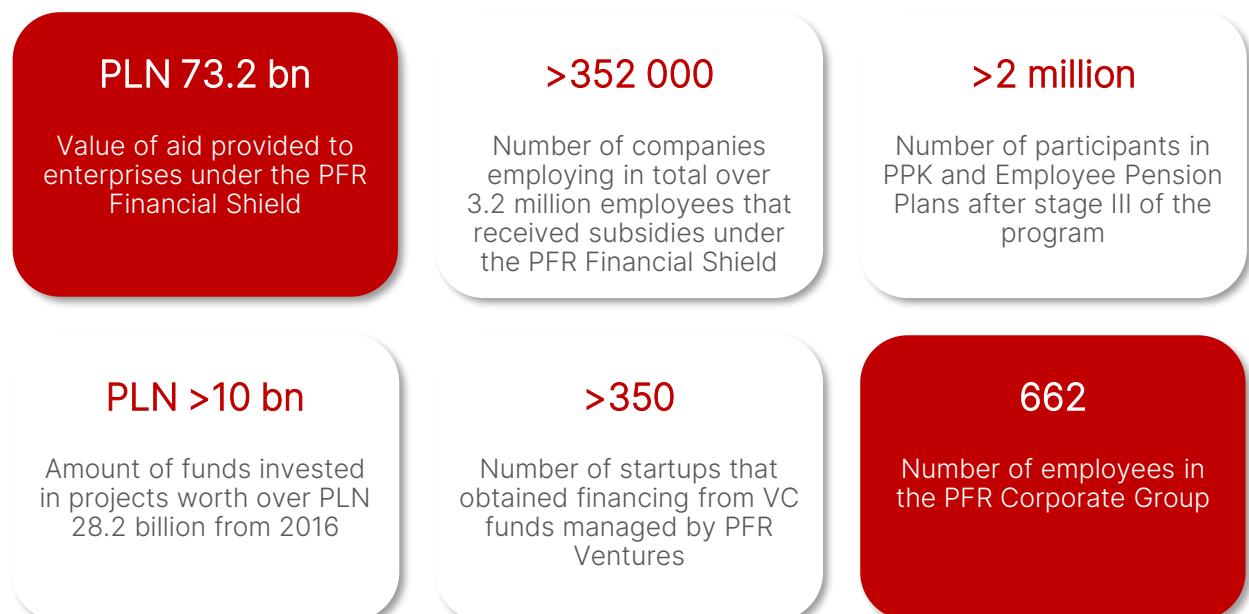
Source: pfrsa.pl

In addition, PFR is committed to accelerating the digitization of the Polish economy through the National Cloud Operator, a technology company established in 2018 by PKO Bank Polski and PFR in order to ensure access to advanced cloud computing services to Polish companies and public institutions. During the first several months of its operation, the entity concluded two strategic agreements: with Google (August 2019) and Microsoft (May 2020), under which data centres of both global cloud service providers will be built in Poland. Through Polish Rating Agency, PFR fulfills its goals in the area of capital market development in Poland. The other investors in this project are the Warsaw Stock Exchange (GPW) and the Credit Information Bureau (BIK). An equally important part of the Polish Development Fund's ecosystem is the PFR Foundation. Its activities are aimed at stimulating positive changes in the social environment of the PFR Corporate Group.

PFR also creates an integrated system of development institutions referred to as the PFR Group by the power of the Act of 4 July 2019 on the Development Institutions System. It operates on the basis of a consistent strategy that is compliant with the Council of Ministers' economic policy. The following institutions along with their subsidiaries belong to the PFR Group: PFR, Industrial Development Agency (ARP), BGK, Export Credits Insurance Corporation (KUKE), Polish Investment and Trade Agency (PAIH) and Polish Agency for Enterprise Development (PARP).

Since the outbreak of the COVID-19 pandemic in early 2020, the Polish Development Fund has been also actively involved in mitigating the negative effects of the crisis in Poland by launching and servicing the PFR Financial Shield. The program was an unprecedented support to the economy, preventing numerous bankruptcies of companies and securing millions of jobs. The implementation of the program was entrusted to the Company by the Council of Ministers.

PFR Corporate Group in numbers



Source: pfrsa.pl

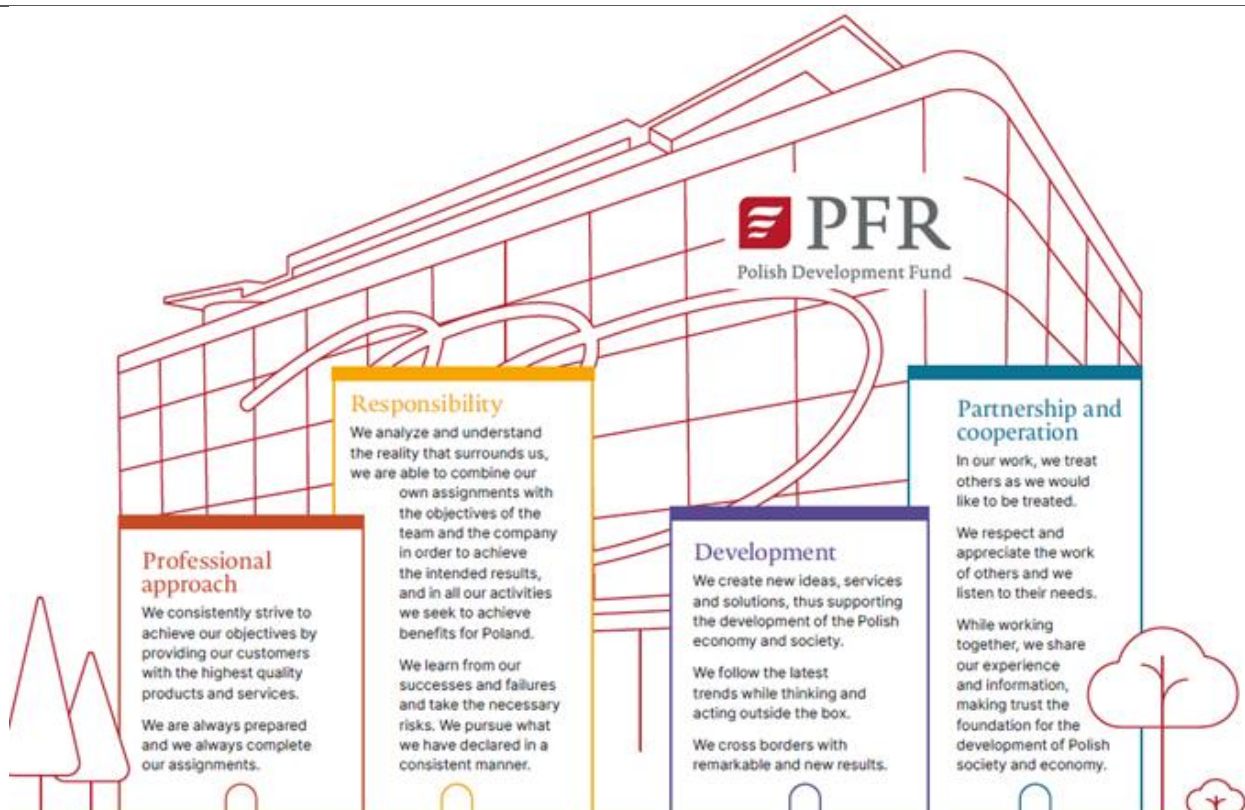
Our values and commitments

PFR was established and operates on the basis of the Commercial Companies Code 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. PFR's mission, vision and values influence how PFR fills the space the legislature created for it, they determine how it conducts its business, define what type of organization the PFR Corporate Group is and stand behind the key decisions made by the PFR Corporate Group.

PFR's mission, vision and values are reflected by the PFR Corporate Group's Code of Conduct that depicts the principles and approach taken towards business ethics applicable to the employees in all of the companies belonging to the PFR Group. The document is available in a special, interactive section on the PFR website.

At PFR there is also a dedicated team of experts who run continuous efforts to enhance employee awareness of the requirements relating to internal regulations and the prevailing standards in PFR. One example of these measures is embodied by the regular training delivered to new hires to mitigate the likelihood of any irregularities occurring in the course of performing professional duties remotely and the ongoing advisory services and monitoring the compliance of the measures taken by PFR.

Group's values



Source: Consolidated Annual Report of the PFR Corporate Group for 2020

UN Sustainable Development Goals

The United Nations Sustainable Developments Goals (“SDGs”) are a collection of 17 interlinked global goals that form the basis of the 2030 Agenda adopted by all 193 UN member states and define the most important challenges of our time.

As a leading development institution in Poland, PFR feels obliged to support the implementation of the SDGs, which will be an integral part of the upcoming business strategy of the Group for 2022-2025.

PFR's commitment to the SDGs

We address 10 out of 17 SDGs as part of our business conduct:



Source: Internal analysis

Our Communication on Progress in 2021

PFR joined the United Nations Global Compact pact on 17 December 2020 to fully embrace and promote the idea of sustainable development within the organization and in Poland. The Ten Principles of the UNGC are an important set of recommendations that should ultimately be followed by all companies and institutions in Poland and across the world. The Polish Development Fund makes every effort to comply with them and serves as a good example for other firms in this regard. Our actions in each of the four categories: human rights, labour, environment and anti-corruption, are presented further below.

The Ten Principles of the UN Global Compact

Human rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Source: UNGC website

Human rights

We strongly condemn all violations of human rights. Treating all people with respect and dignity, obeying both national and international laws as well as complying with the highest standards and practices to protect human rights remain our top priorities in all our business relationships. Equal opportunities for all our employees and business partners regardless of gender, ethnicity, religion or beliefs are at the core of our values and principles. Primarily through its Foundation, PFR is heavily involved in providing equal educational and labour market opportunities as well as counteracting digital exclusion.

Labour

As of the end of 3Q21 the headcount in PFR and the PFR Corporate Group was 244 and 662 employees, respectively. Compared to the end of 2020, the employment thus increased by +11% and +9%, respectively.

The Group pursues a compensation policy harmonized with its strategy and values. The key internal regulations in this respect include the **Remuneration Policy for PFR Employees** and the **Rules and Regulations for Awarding Bonuses to PFR Employees**, which define the terms and conditions of remunerating employees and awarding other work-related benefits. PFR applies the rules supporting diversity in recruitment of its employees. According to the **Labour 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.

In the summer of 2021, PFR organized the third election in its history to appoint a new **Employee Representative** in the organization. All employees took part in a fair and confidential vote and chose the individual appointed to represent their interests in negotiations or consultations with the employer. The role will be served for 2 years after which new election will be organized.

Environment

In order to ensure PFR's active involvement in Poland's energy transition, in 2020 the PFR Green Hub team (which is an interdisciplinary project group within the PFR Corporate Group) developed a dedicated execution strategy for the Group in this area and a corresponding implementation plan. The PFR Management Board approved it on 12 January 2021.

The strategy sets out the main areas of investment of the PFR Corporate Group, as well as products and activities to support and develop business. The Energy Transition Department ("ETD") has also been established as an entity responsible for coordinating the policy of financing the green transition, for monitoring and participating in legislative processes, for active involvement in the Renewable Energy Sources investors community and for seeking investment projects suitable for the Group's investment policy.

Consequently, a dedicated Office was also separated in the Investment Division, which will handle the implementation of energy projects, including those originated by the ETD.

The third pillar of the accepted changes and solution was establishment of the PFR Ventures Green Hub Fund of Funds, which is the first green fund of funds in Poland. It exists to support projects at the growth phase and this way strengthen the Polish entities operating in the areas defined by the European Green Deal and Poland's Energy Policy until 2040.

The purpose of the fourth pillar is to emphasize projects related to green transformation in the area of local government investments. The goal for 2021 was to actively support local government units in their transition to the Green Deal, mitigating any adverse effects of the

transformation and creating new investment opportunities.

The fifth pillar of the PFR Green Hub project is educational activity and development of an innovation ecosystem to drive green technology solutions. The workshops delivered by specialists from PFR in this area will be addressed to unexperienced entrepreneurs and local governments. The projects developed by them may potentially become investment targets for PFR Ventures funds or the Local Government Investment Fund (FIS) FIZAN.

The energy transition strategy has determined the main target groups for investment activities. The offer is targeted at:

- Polish developers of RES projects, who have the capacity and willingness to develop as investors;
- State Treasury companies, in order to optimize investment projects in terms of speed, costs and quality of delivery;
- market integrators in the RES area, who want to increase their scale of business, the number and size of replicable projects;
- Polish manufacturers of hardware, software and service providers, in order to increase the scale of their business and maximize the Polish component of the energy transition process;
- start-ups, which will ensure innovation and new technological solutions;
- local government units wishing to increase energy efficiency of their facilities, efficiency of heat production and waste policy.

As part of the green strategy, by the end of 3Q21, PFR carried out 13 investments in biogas units with a total capacity of 12 MWe for approx. PLN 180 million and started the implementation of additional projects in this sector. For the moment, PFR plans to allocate PLN 600 million to build a portfolio of several dozen biogas plants in Poland.

Simultaneously, PFR Green Hub FoF, the first Polish green fund-of-funds investing in VC funds and indirectly supporting companies from the climate-tech sector, has been launched in July 2021. It aims to support domestic VC funds as well as to bring international investors to Poland and indirectly support the Polish climate-tech VC ecosystem. The current target size of the fund is PLN 200 million with the maximum single contribution of up to PLN 80 million. The fund is currently accepting tenders and actively searching for new climate-tech VC funds both in Poland and abroad.

Anti-corruption

Due to the nature of PFR's business, the applicable legal regulations and the latest market standards, PFR has adopted a dedicated compliance system. It is based on the so-called PFR Compliance Pillars and managed by a specialized organizational unit within the Company, namely the Compliance Department. In order to ensure an appropriate level of independence, the head of this unit reports directly to the President of the PFR Management Board.

Compliance with generally applicable laws

In the context of PFR's operations under the Commercial Companies Code and the Act on the Development Institutions System as well as the Company's involvement in administering the PFR Financial Shield, PFR makes every effort to comply with generally applicable legal requirements in the conduct of its business.

Compliance with internal regulations

One of the elements solidifying the proper organization within PFR is a hierarchical system of its internal regulations. The Company **does not tolerate corruption in any shape or form and actively counteracts it** – for this purpose, numerous internal regulations have been adopted and must be observed by all PFR employees.

In order to prevent conflicts of interest and dishonesty, PFR has introduced appropriate mechanisms, which are reflected in relevant internal procedures (e.g. Conflict of Interest Policy). Their goal is to manage actual or potential situations that may lead to a conflict of interests of the Company with the personal interests of its employees, in particular when the latter conflict or could conflict with the proper performance of corporate duties. All PFR employees are obliged to report any actual or potential conflict of interest when performing activities related to both investment or purchasing processes.

In addition, the Company implements the Know Your Customer ("**KYC**") Policy developed on the basis of the best market practices and certain legal requirements resulting from the AML Act. Due to the specific nature of the Company's business, it is applied both to investments and procurement. With the use of data obtained from business intelligence agencies, customers and counterparties are identified in terms of their tax residence, ownership structure including the ultimate beneficial owner identification and potential inclusion in restriction or sanction lists. On the basis of such aggregated information, a KYC form is filled out for each cooperating commercial undertaking, thereby enabling PFR to vet the entity in question and assess the related cooperation and reputational risk.

An equally important anti-corruption measure is a dedicated Gift Policy. The regulation specifies the maximum value of a gift that may be accepted and/or given by an employee, which is PLN 200 or its equivalent expressed in a foreign currency. Before accepting any gift, an employee is required to make a preliminary assessment that the gift complies with the policy and that its actual value does not exceed the acceptable limit. The document contains a catalog of allowed gifts and indicates channels for reporting the receipt of a gift to the Compliance Department. The provisions of the policy apply to all PFR employees as well as all business relationships concluded on behalf of PFR with external entities.

The Company also protects whistleblowers and has a whistleblowing process in place. It is a communication system enabling anonymous and confidential reporting of irregularities in the form of a message sent to a dedicated e-mail address or via an anonymous communication channel available on the PFR's corporate website.

To protect Poland's economic interests related to the implementation of the PFR Financial Shield and minimize the risk that an employee may commit corruption while operating the program, the Company has introduced appropriate internal processes and established cooperation with external authorized entities under the so-called Anti-corruption Shield. On 17 April 2021 PFR applied to the Central Anti-corruption Bureau ("**CBA**") to cover the PFR Financial Shield with activities aimed at reducing the risk of irregularities or fraud. The CBA also advised on the development of operating procedures aimed at eliminating the potential participation of individual employees in the decision-making process and thus eliminating the risk of corruption.

Compliance with market recommendations and standards

In its operations, PFR endeavors to comply with all best practices, standards and solutions applicable to market participants in line with pertinent adequacy and proportionality principles.

Compliance with ethical principles of business

In connection with the adoption, in December 2019, of the PFR Corporate Group's Code of Conduct and Ethics, in 2020 a decision was made to start a campaign aimed at promoting the document and ethical principles among all the Group employees. It was conducted through internal communication channels (including posters, stickers promoting ethical attitudes, distribution of leaflets and codes among employees, a series of webinars, a screensaver appearing on employees' computer monitors, video materials). Its purpose was to reach all the Group's staff and emphasize the importance, significance and role of these values for the effective and secure operation of the whole organization during the challenging period of the COVID-19 epidemic.

532 employees of the PFR Corporate Group participated in all webinars promoting the Code of Conduct in 2020 and over 88% of them expressed a favorable opinion about the scope and method of presentation of these materials.

Measurements

The following section presents quantitative measures showing the progress achieved through the activities described above.

Human rights

| Measures | 3Q21 | 2020 |
|---|---------|---------|
| PFR Foundation programs (all types) | 19 | 16 |
| CDT (Central House of Technology): | | |
| ▪ Educational workshops on modern technologies | 1840 | 300 |
| ▪ Participants in the workshops and other community events | 165 000 | 11 000 |
| ▪ Videos on the CFT YouTube channel | 400 | 170 |
| ▪ CDT YouTube channel viewers | 200 000 | 171 000 |
| Participants in PFR's educational programs for entrepreneurs | 23 137 | 9 655 |
| Local government units trained in innovation and new technologies | 246 | 200 |

Labour

| Measures | 3Q21 | 2020 |
|---|-------|-------|
| % of women among all PFR employees | 45.9% | 42.9% |
| % of women among the PFR management staff | 38.9% | 52.0% |
| % of employees aged 18-25 and 60+ among all PFR employees | 6.1% | 5.0% |
| % of employees who benefited from the private health care grant | 56.1% | 64.0% |
| Accidents at work | 0 | 0 |

Environment

| Measures | 3Q21 | 2020 |
|--|-------|-------|
| % of hybrid or electric vehicles in the PFR fleet | 43.3% | 17.2% |
| % of employees who benefited from the public transport grant | 16.6% | 32.8% |
| Amount invested in environmental projects (in PLNm) | 180 | 130 |

Anti-corruption

| Measures | 3Q21 | 2020 |
|---|------|------|
| Reported conflict of interest cases | 26 | 25 |
| Consultations on gift policy and gift registrations | 3 | 3 |
| Whistleblowing submissions | 3 | 1 |

