



KRUK Group Sustainability Report

2021



Table of contents

Letter from the CEO	2
<hr/>	
1. KRUK Group	5
About KRUK	6
Responsible governance	11
Sustainability priorities and our contribution to achieving SDGs	18
<hr/>	
2. Our role in the financial system	23
Responsible debt collection	26
Psychological assistance for indebted persons	29
Customer personal data security	30
<hr/>	
3. Our responsibility for employees	31
People are our most valuable capital	32
KRUK Group workforce structure	33
Diversity management	37
Employee education and development	39
Employee health and safety	41
<hr/>	
4. Responsibility towards society	43
Financial education	44
Sponsorship and charitable activities	46
<hr/>	
5. Our environmental responsibility	49
We monitor and reduce our environmental footprint	50
Our contribution to raising environmental awareness	54
<hr/>	
About this report	55

Letter from the CEO

GRI 102-14



Dear All,

For 23 years now the KRUK Group has stood guard over compliance with the social norm of debt repayment. Almost a quarter-century ago, we were a small Wrocław-based company. Today we are a corporate group that employs more than 3,000 people in several countries across Europe. Over the years, we have proven that we are able to help millions of customers, individuals as well as small and medium-sized enterprises, to repay their debts and continue to operate or live debt-free, and to restore liquidity to business partners.

Our effective debt recovery operations are coupled with the highest ethical standards, which I firmly believe to be one of key drivers behind our success. We have clearly defined our core values that are much more than just words on paper – they serve as a guide in our day-to-day work and decisions we make on a daily basis. I am very pleased this approach is appreciated by our customers, as evidenced by the solid feedback collected in KRUK brand image surveys.

With the current scale of our operations, we have an economic impact in our home markets (particularly in Poland and Romania). Our principal business of debt management helps reduce payment backlogs between trading partners and improves their liquidity. This in turn means new jobs, free funds for research and development, and more revenue in local and central budgets. And all this would not have been possible without the commitment of KRUK Group employees. We have built a team of people who understand that their work really matters – both to the customers we assist in debt repayment and to our business partners.

We are ready, willing and able to share our expertise in finance. For many years now, the KRUK Group companies have engaged in educational projects focusing on money management in their respective home markets. We share tips on how to avoid excessive debt, we show good practices for successful household budget management, and we recommend the best ways to get out of debt. Our public education projects are coupled with sponsorship and charitable activities, which have gained particular importance for us in the context of the war in Ukraine that began in 2022. Due to the urgency of the situation, this matter has been partially covered in this report.

At the KRUK Group, respect for people goes hand in hand with respect for the natural environment. We take particular care to monitor our environmental footprint and look for areas for potential improvements, as described below in this report.

Finally, I would like to extend my thanks to all the people involved in the preparation of this report, and I would like to ask our readers for their comments and feedback, as it would help us gather and share in our future reports the information that our readers find the most interesting.

Yours sincerely

A handwritten signature in blue ink, consisting of several stylized, overlapping loops and a final flourish.

2021 highlights

Established international player in the debt management market

Parent KRUK S.A. and **25** companies linked by equity

Operations in **7** markets

25% women in governing bodies

66% women in top management positions

Portfolio investments
PLN 1,738m (+281%)*

Recoveries
PLN 2,216m (+21%)*

Net profit
PLN 695m (+758%)*
* compared to 2020

Initiator of Day Without Debt

Signatory to Diversity Charter and member of UN Global Compact

over **3,000**
strong workforce

127
million
cases in the
ERIF BIG database

7.7 million
cases managed
in 2021 with
a nominal value of
PLN 104.6bn

246,000
loans advanced

**Business
Superbrands
2021** for KRUK S.A.

**Poland's Best
Employer**
title awarded to KRUK S.A.
- 15th place in the Forbes ranking



1

KRUK Group

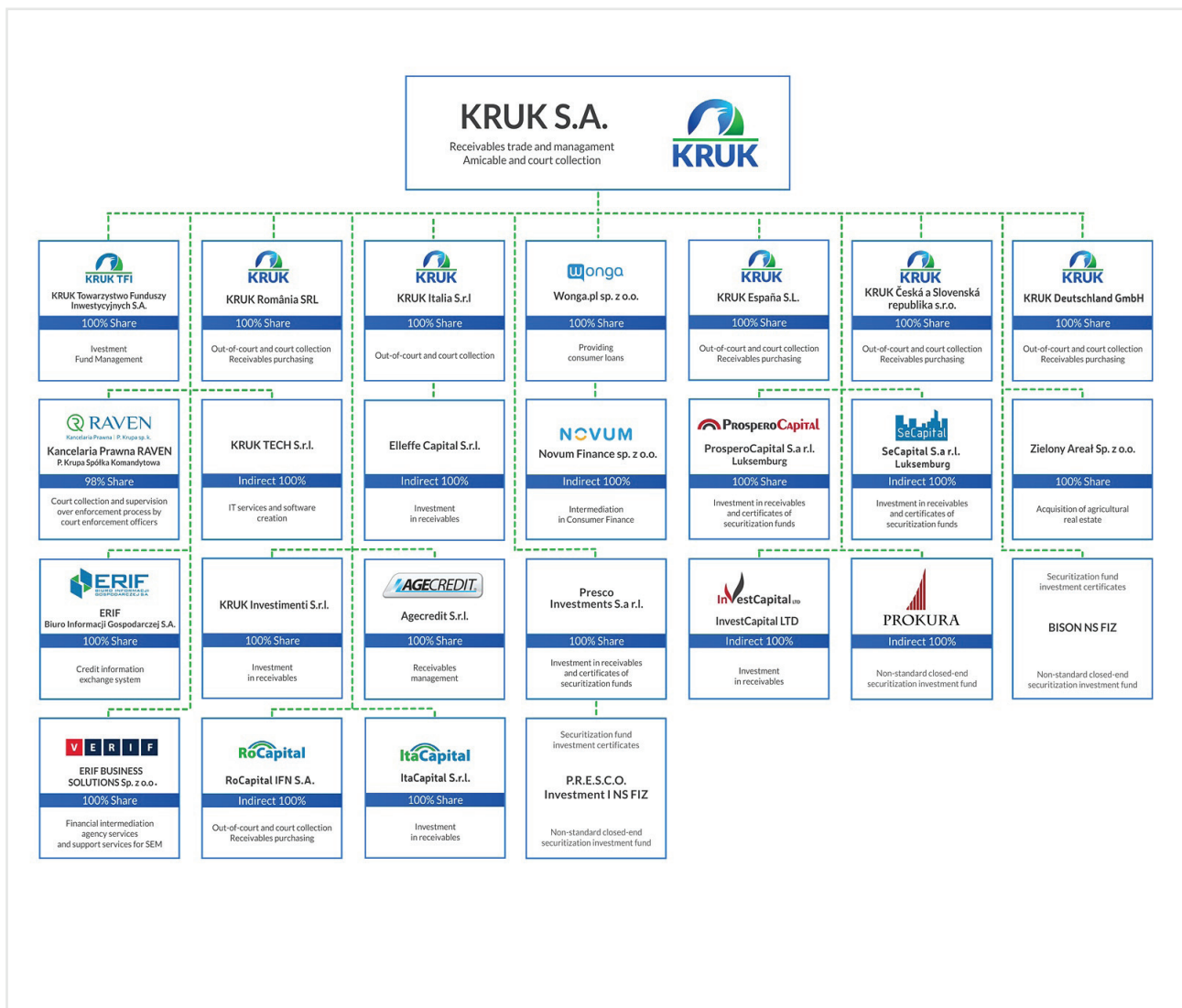
About KRUK

[GRI 102-1, 102-3]

The KRUK Group specialises in debt management. We are a multinational organisation that has emerged as a major international player thanks to our high standards and our tried and tested solutions. Our company started out as a team of around dozen people based in Wrocław, which is home to our head office to this day.

Our headcount today is over 3,000 strong, and we operate in six other countries in addition to Poland. Our Group consists of the parent company KRUK S.A. and 25 entities with equity links. Together, we offer a comprehensive, up-to-date, integrated suite of financial services.

KRUK Group structure



[GRI 102-5]

KRUK S.A. is the parent of the Group. The shareholders holding directly or indirectly major holdings of KRUK

S.A. shares as at December 31st 2021.

Shareholder	Ownership interest (%)
NN PTE	14.74
PZU OFE*	8.68
Piotr Krupa	9.32
Aviva OFE*	9.08
Aegon OFE	5.05
Allianz OFE*	5.30

* Data based on the list of shareholders holding 5% or more of total voting rights at the Annual General Meeting of KRUK S.A. held on June

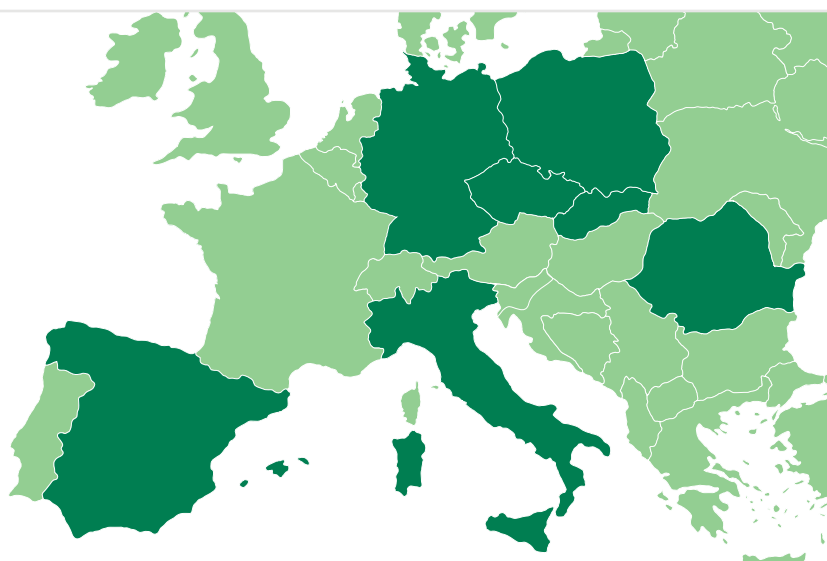
[GRI 102-10]

There were no significant changes to the KRUK Group's structure in 2021. All the changes that did occur in 2021

are described in the [Directors' Report on the operations of the KRUK Group and KRUK S.A.](#) 

[GRI 102-4, 102-6]

Geographical markets



For more than two decades, we have been active in the debt management business, standing guard over compliance with the social norm of debt repayment. Millions of customers have become debt free with KRUK. Our business is driven by the principles of ethics and integrity, and we take care of the stability of the financial system in its very sensitive area involving customers with financial problems. We always point to the solutions available to those in debt, which are tailored to their individual financial situation. At each stage of the process, we take decisions informed by the process economics, advising

our customers of the options available, including amicable settlement and legal collection. Where a customer chooses to work with us, we make every effort to help them repay their debt. But a lot depends on the customers themselves, as they need to make the right decision and commit to the repayment of their debts. We know that once we have established a strong relationship with a customer, unlocking them from debt is possible in a vast majority of cases. And we strive to maximise the track record of customer success stories!

Our business

Our principal business is in debt management. We purchase debt accounts primarily from large financial service providers, such as banks, insurance companies, lending, leasing and factoring companies and telecommunications operators. We provide services tailored to local market conditions, but regardless of the location we are always driven by high ethical standards, human rights, and personal data protection regulations. As an auxiliary business, the KRUK Group also provides credit management services to other institutional clients.

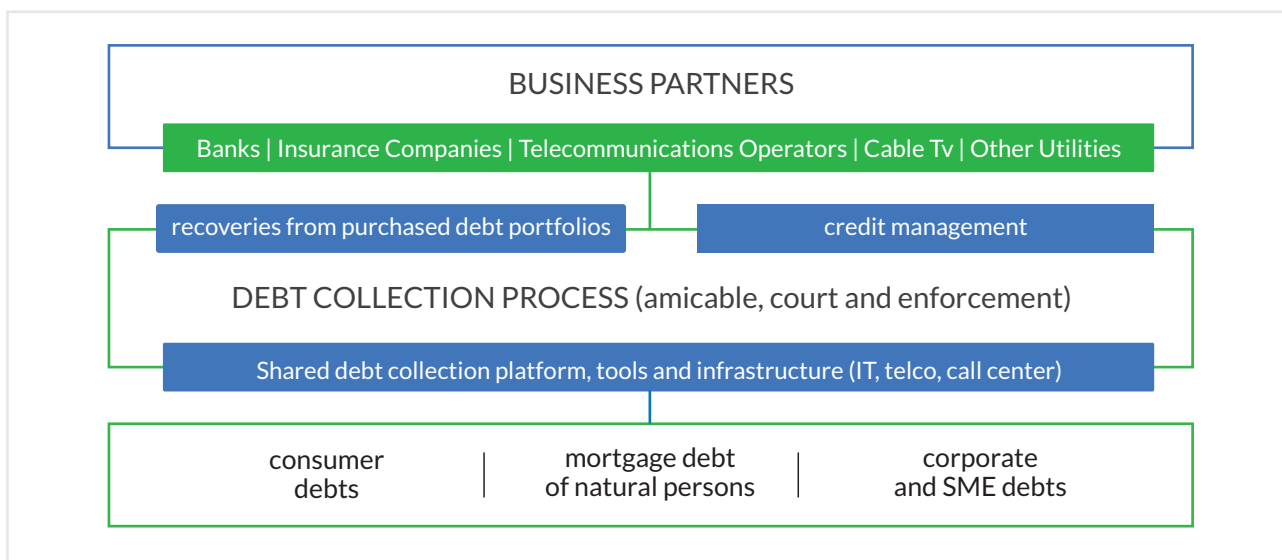
The KRUK Group includes Wonga.pl, a company operating on the open consumer loan market in Poland. The Group also offers loan products under the Novum brand, primarily targeting premium customers who make regular repayments or have paid off their debts to the Group in Poland and Romania. KRUK also owns ERIF BIG, a company that collects and provides credit information in Poland.

[GRI 102-2]

We operate primarily in the following segments:

- consumer debt,
- mortgage debt,
- corporate debt.

Our business model:



According to experts, our industry plays a key contributor to sustainable economic development¹. We reduce business-to-business payment backlogs and help businesses improve their financial liquidity. This

creates growth opportunities for domestic market players to increase employment and investment. Recovering delinquent debt also benefits public finances through higher VAT revenue.

¹ https://zpf.pl/pliki/raporty/znaczenie_ryнку_zarządzania_wierzytelnościami_raport_skocony.pdf.

Our history timeline

2000	Debt collection business is launched
2001	Success-only fee model is introduced in the credit management business Debt purchase market is born in Poland
2003	KRUK emerges as a leader of the debt collection market Enterprise Investors invests USD 21m (PEF IV) in KRUK shares KRUK purchases its first debt portfolio
2005	First securitisation of a bank debt portfolio in Poland, opening of a second operating centre 80km from Wrocław
2007	Entry into the Romanian market
2008	Implementation of a mass amicable settlement strategy (amicable settlement or court collection)
2010	Media advertising – mass communication tool
2011	KRUK shares are floated on the Warsaw Stock Exchange Entry into the Czech Republic and Slovakia
2014	KRUK purchases its first large mortgage-backed debt portfolio in Poland Entry into the German market
2015	KRUK enters the Italian market and buys its first portfolio in Italy Entry into the Spanish market
2016	KRUK purchases its first debt portfolio in Spain Acquisition of a competitor's assets in Poland – the transaction to acquire a portfolio from P.R.E.S.C.O. is closed. Purchase, jointly with the World Bank, of the largest debt portfolio in Romania
2017	Execution of a EUR 250m revolving facility agreement with a syndicate of four banks to finance further debt purchases in Europe Acquisition of credit management companies in Italy and Spain
2018	Acquisition of Agecredit, a company operating on the Italian credit management market KRUK celebrates its 20th anniversary
2019	Acquisition of Wonga, an online consumer loan market operator
2020	Development of online tools, remote work process efficiency maintained during the pandemic
2021	KRUK records strong growth in profits and scale Implementation of a dividend policy

[GRI 102-7]

Our 2021 financial highlights

	Year ended December 31st		
	2021	2020	Change
	(PLN '000, unless stated otherwise)		
Revenue	1,742,683	1,157,812	51%
Operating profit (EBIT)	859,616	332,265	159%
Net profit for period	694,758	81,356	758%
Cash flows from operating activities, including	-288,797	743,516	-139%
Debt purchases	-1,738,002	-456,224	281%
Cash recoveries	2,215,806	1,833,874	21%
Cash flows from investing activities	-13,612	-10,905	25%
Cash flows from financing activities	356,021	-737,333	-148%
Total net cash flows	53,612	-4,722	-1235%
Total assets	5,909,400	4,643,031	27%
Equity	2,600,817	2,043,771	27%
Return on equity (ROE)	27%	4%	-
Earnings per share (PLN)			
Basic	36.63	4.29	754%
Diluted	35.80	4.22	748%

Source: Consolidated financial statements

Scale of our business*:

Total headcount	3,274
Total operations (companies)	26
Number of products or services offered*	5

* The table provides the key products and services offered by the companies covered by this report.

Responsible governance

Corporate governance/ governance structure

[GRI 102-18]

The supervisory body of KRUK S.A. is its Supervisory Board. The rules of its operation are described in the Company's Articles of Association and in the Rules of Procedure for the Supervisory Board. The Company has appointed the following committees:

- **Audit Committee** – the primary objective of the Audit Committee is to assist the Supervisory Board in exercising financial supervision over the Company and provide it with reliable information and opinions enabling the Board to make appropriate decisions on financial reporting, internal control and risk management.
- **Remuneration and Nomination Committee** – the tasks of the Remuneration and Nomination Committee include, among other things, planning of the remuneration policy for the Management Board members, recommending to the Supervisory Board candidates to the Management Board, and periodic assessment of the structure, number of members, composition and performance of the Management Board;
- **Finance and Budget Committee** – the tasks of the Finance and Budget Committee include, among other things, ongoing analysis of the Company's financial performance and all matters related to the operation of the Company's cash, credit and tax systems, as well as its financial plans, budgets and property insurance contracts.

The management body of the Company is its Management Board, which directs the Company's affairs, manages its assets, and represents the Company before courts, government authorities and third parties. The

KRUK S.A. Management Board makes decisions on all matters not reserved for the Supervisory Board or the General Meeting. The

President of the Management Board has the sole discretion to establish and liquidate organisational units of the Company.

The number of the Management Board members is determined by the Supervisory Board, which also appoints and removes the President of the Management Board of the Company.

Resolutions of the Management Board are passed with a simple majority of votes. In the case of a voting tie, the President of the Management Board has the casting vote.

As at December 31st 2021, the Management Board of KRUK S.A. was composed of five members. Piotr Krupa, co-founder of KRUK, has served on the Management Board as its President since 2003. Other members of the Management Board:

- Piotr Kowalewski, Chief Operating Officer;
- Adam Łodygowski, Chief Data & Technology Officer;
- Urszula Okarma, Chief Investment Officer;
- Michał Zasępa, Chief Financial Officer.

Biographies of the Management Board members are posted on the corporate website www.kruksa.pl.



Our mission, vision and values

We safeguard compliance with social and legal norms requiring that everyone must fulfil their obligations, always being respectful to people. We deliver this mission guided by our vision, which is built around three pillars:

At the KRUK Group, we act solely in accordance with our values, which are shared by all our companies across all markets. Those values, including any related policies, codes and procedures, are known to all employees and are made available in our internal IT systems. Our organisational culture is defined by the values of partnership, cooperation and freedom of expression. We act consistently and logically, making it easier for employees to feel a sense of belonging in the organisation and to internalise its core values.

Values

We live by our values in everything we do.

People

We want to attract people who share our values and believe that the need for progress never ceases, even if we succeed.

Lean

We believe in striving to continually improve the efficiency of our processes. We are not afraid to pin down a problem and look for the best solutions.

[GRI 102-16]

Our values

Respect

Mutual respect is the cornerstone of our business. We treat everyone the way we want to be treated.

Cooperation

Together we can do more. We build relationships based on partnership and clear rules. We call a spade a spade.

Accountability

Everyone is responsible for their decisions, actions or inaction and their consequences.

Development

We are committed to continuous improvement. We have an incessant inner drive to progress, even when we succeed.

Simplicity

Simple is beautiful. We simplify our processes and eliminate waste. Getting things done is more important than striving for perfection.

Ethics

At the KRUK Group, we understand that debt may evoke strong emotions and controversies. We realise that for many customer it is an uncomfortable and unpleasant issue. We also know that our employees have a heavy burden to bear to get their job done and that delinquent debt is a major challenge for our business partners.

In each and every case, we are guided by our ethical principles, which are enshrined in social norms as well as the Universal Declaration of Human Rights and other documents. Given the specific nature of our business, we are also guided by the code of best practice applying to members of the Association of Financial Companies in Poland (ZPF). In addition, Wonga.pl has an internal Code of Ethics in place, outlining the principles of ethical conduct.

Our CEO's personal values




Piotr Krupa
KRUK CEO

- Respect is the key to success.
- Uncompromising integrity is the most effective way to earn the respect of others.
- If something is worth doing, it is worth doing well: thoroughly, responsibly and on time.
- Simple is beautiful. To quote Sheryl Sandberg: 'Getting things done is more important than striving for perfection'.
- Continuous upskilling, participation in training and self-development are our shared responsibility – and this applies to both individual employees and the organisation as a whole.
- Don't take yourself too seriously ;-)
- Celebrating and recognising individual and collective success is an integral part of our everyday work.
- We don't accept unconstructive complaining.
- We stick to the 'three magic words' rule: PLEASE, I'M SORRY, THANK YOU.

GOOD PRACTICE

We have adopted the Canons of Best Financial Market Practice, a set of 16 general and universal principles, based on fundamental ethical values and ideals guiding financial companies. The Canons were defined as a result of collaboration between 30 associations of financial companies, organisations and institutions representing consumer interests, and other market participants, as well as academics. The application of the Canons is recommended by the Polish Financial Supervision Authority, i.e. the main financial market regulation in Poland.

The Canons of Best Practice are public and available online [HERE](#). 

[GRI 102-17, 406-1]

All employees are required to comply with the principles of ethical conduct in place at the organisation. Ethics training is conducted on a regular basis across the organisation and is also part of the induction process for new hires. The application of ethical standards in practice is also verified by independent experts. In 2021, as in previous years, we passed an ethical audit held by the Association of Financial Companies in Poland (ZPF) at our parent company KRUK S.A. and at ERIF BIG S.A.

GOOD PRACTICE

We share our best debt collection practices with the market. Our experts co-authored an amendment to the Code of Ethics of the Association of Financial Companies in Poland (ZPF) that has helped raise consumer protection standards.

[GRI 103-1, 103-2, 103-3 Aspect: non-discrimination] **Zero tolerance for workplace bullying or discrimination**

We have implemented a zero tolerance policy for discrimination and workplace bullying across the KRUK Group. No cases of discrimination were reported in 2021. All employees are required to participate in special anti-bullying training. Everyone at the KRUK Group is also familiar with the workplace bullying or discrimination whistleblowing procedure, as detailed in the Internal Mediation Policy. We use a special Report Misconduct form available at www.kruksa.pl to make sure that all whistleblowing reports remain anonymous and confidential.

The form provides a direct channel of communication with a Supervisory Board member, a Management Board member or the Security and Operational Risk Management Department for reporting actual or suspected cases of misconduct. Any person who reports in good faith is afforded the whistleblower status and is protected against any retaliation, discrimination or violation of




the principle of equal treatment. Every report triggers an inquiry that must be undertaken within the next five business days. The KRUK Group has also implemented a system for anonymously reporting any violations of law directly to the Management Boards of individual Group companies or, in the case of violations allegedly committed by Management Board members, to their respective Supervisory Boards.

At KRUK S.A., six conflict-of-interest enquiries from staff were received by Compliance and three reports were received by the Mediation Team via the reporting channels available to employees in 2021. After careful consideration, all the reports were found to be groundless.

KRUK S.A. and KRUK Italia have also established employee forums to consider any employee initiatives and grievances regarding employment or working conditions.

We are also open to respond to any concerns raised by our customers, comprising mainly indebted persons. We require all employees to treat our customers with due respect and in keeping with all applicable internal and external regulations. We handle customer complaints using a comprehensive complaint handling process in place that complies with all applicable laws and regulations. Complex complaints involving major legal or regulatory issues (as well as grievances submitted via the Financial Ombudsman or local Consumer Ombudsmen in Poland) are considered in consultation with the Compliance team.

Corporate values and ethical standards are safeguarded by the policies and instructions in place across the organisation, including: the Risk Management Policy, Risk Management System Policy, Internal Mediation Policy and Compliance Recommendations Manual. A full list of regulations in place at the KRUK Group has been published in the [Directors' Report on the operations of the KRUK Group and KRUK S.A.](#) 





GOOD PRACTICE

[GRI 102-25]

KRUK S.A. has implemented the Conflict of Interest Management Policy, which defines the rules of disclosure of conflicts of interest identified at the Company, as well as appropriate measures to protect the Company against their potential impact. All employees and members of the governing bodies are required to report any conflicts of interest. The Compliance team is charged with related administrative tasks (registering the reported conflicts of interest) and plays an advisory role (providing guidance on how to manage the identified conflicts of interest). All conflicts of interest are resolved internally.



GOOD PRACTICE

KRUK S.A. ranks among Superethical Companies that have been awarded the Ethical Company title in a competition held by Puls Biznesu and PwC Legal Żelaźnicki for three consecutive years. A Group company, Wonga, was also among the winners of the 2021 edition of the Ethical Company competition. Companies taking part in the Ethical Company competition must satisfy very strict criteria for ethical conduct both vis-à-vis their clients as well as their employees and business partners.

Anti-corruption

[GRI 103-1, 103-2, 103-3 Aspect: Anti-corruption and public policy] [GRI 205-3]

The KRUK Group has implemented the Misconduct Prevention Policy and the Anti-Corruption Manual. The purpose of the Policy is to prevent misconduct, including corruption and misuse of entrusted power for private gain. The Manual sets out the rules to be followed in the event of actual or suspected corruption incident, as well the procedure for reporting and investigating corruption. In 2021, the KRUK Group reported no confirmed corruption incidents.

The Misconduct Prevention Policy encourages employees to report any irregularities in good faith, in a non-retaliatory atmosphere, so that members of the Management Board, the Supervisory Board and senior management can react immediately to any reported cases of misconduct.

All employees are required to detect potential misconduct and take action to prevent it. All employees and associates (independent contractors) are required to report any actual or suspected incidents of corruption they have participated in or heard of. The President of the Management Board is responsible for conducting an inquiry in response to such report. The management is responsible for supporting and supervising measures taken by employees and associates to prevent corruption.

The Company has a compliance system in place and there is a dedicated unit, Compliance Area, responsible for compliance risk management. The adopted procedures and solutions ensure compliance of our operations with applicable internal and external regulations and support compliance risk management. The compliance process is an integral part of the business environment that provides employees and management with guidelines that help instil a culture of compliance into day-to-day operations by:

- raising awareness of compliance-related risks;
- conducting and monitoring compliance training;
- defining and enforcing adherence to standards of conduct;
- developing and improving compliance-related communication framework.

Izabela Wojtera
Head of Compliance Area



Risk management system

[GRI 102-11]

In 2021, we implemented the Risk Management System Policy across the KRUK Group. The risk management system is a set of principles and mechanisms relating to decision-making processes and performance assessment. The system operates under a management strategy and relevant policies and instructions, and it is monitored and evaluated by the Supervisory Board, in line with Best Practice for WSE Listed Companies. The Group also takes steps to prevent the risk of incorrectly defining its strategic objectives. In annual cycles, before budget for the following years is prepared, the Group carries out a strategic analysis, which involves review of opportunities and threats in the macroeconomic environment (e.g. political, legal, and economic factors) and the market environment as well as analysis of the organization's strengths and weaknesses. Results of the analysis are then used to either confirm or update the strategy.

The Risk Management System Policy defines the rules and responsibilities with regard to non-financial risk management.

The KRUK Group manages risks through:

- risk identification, analysis, assessment and monitoring;
- controls monitoring and control;
- defining and implementing risk management strategies.

Risk analysis consists of defining and evaluating the implementation of controls necessary to ensure process security and reduce the likelihood and impact of a risk. Risk analysis determines the level of protection against risks as a component of risk assessment. Risk assessment determines the likelihood of a risk occurring and its financial and non-financial impact.

KRUK Group risk map

- HR risk
- Physical security risk
- Legal risk
- Outsourcing risk
- IT risk
- Compliance risk
- Risk related to the processing of data in a cloud computing environment
- Risk related to deliberate and unintentional human actions
- Personal data protection risk
- Business continuity risk
- Governance risk

Sustainability priorities and contribution to achieving Sustainable Development Goals

In line with the implemented corporate governance principles, we grow the KRUK Group sustainably. Our activities are based around three pillars: economic responsibility, social responsibility and environmental

responsibility. ESG issues are coordinated by the ESG Strategy Manager, a position established in October 2021, reporting directly to the Head of Strategy and the President of the Management Board.

Economic responsibility

It is about supporting the economy by helping to restore liquidity in the market. Acting fairly and openly, the Group provides consumers with knowledge related to debt, which is recovered in compliance with the law and the Group's best practices, with due respect for customers. The KRUK Group companies also collaborate with organisations and associations that are committed to sustainable and ethical economic growth.

In this area we support Sustainable Development Goals:



Social responsibility

It focuses on:

- fostering partner relations with employees, promoting workplace diversity and providing opportunities for professional development. We fully respect the rights of our employees, and we abide by the provisions of the Declaration of Human Rights. We support partnership, cooperation and freedom of expression.
- running awareness-raising campaigns that highlight the social norm of debt repayment. We strengthen the public awareness of being responsible for one's debt and of the consequences of non-payment. We explain in plain language the elements of the debt collection process.

In this area we support Sustainable Development Goals:



Environmental responsibility

It is about going green and following the zero waste principles. Through financial education activities, we seek to raise public awareness of excessive consumption, pointing out that by curbing consumerism we help the natural environment.

In this area we support Sustainable Development Goals:



Materiality and stakeholders

We care to foster strong stakeholder relations, focusing on open dialogue. We consider stakeholder feedback as an important and valuable voice that we listen to and take into account in planning our activities. We believe the feedback enables us to successfully deliver on strategic goals. The form and frequency of stakeholder engagement is tailored to the specific stakeholder groups.

[102-42]

To best manage stakeholder relations, we have developed a list of our key stakeholder groups. The materiality of each stakeholder group was verified based on:

- internal analysis of the groups and communities with whom we engage;
- public surveys conducted at least once a year.

[GRI 102-40, 102-43]

Forms and frequency of dialogue with KRUK Group stakeholders

Stakeholder	Key methods of engagement	Frequency
Employees	<ul style="list-style-type: none"> • employee forum • employee surveys, meetings, events, whistleblowing channels 	<p><i>four meetings in each calendar year</i></p> <p><i>as needed</i></p>
Customers/consumers (including indebted persons, borrowers, persons checking their credit standing in the BIG database)	<ul style="list-style-type: none"> • e-KRUK.pl platform, websites operated by KRUK Group companies • face-to-face and telephone conversations with our agents, and chatbot conversations. 	<p><i>continuous process</i></p> <p><i>continuous process</i></p>
Business partners	<ul style="list-style-type: none"> • business partner satisfaction surveys, Face-to-face meetings, phone calls, e-mails 	<i>once a year</i>
Suppliers	<ul style="list-style-type: none"> • face-to-face meetings, phone, calls, email correspondence 	<i>as needed</i>
Competitors	<ul style="list-style-type: none"> • participation in discussions on how to improve the image of the entire debt management industry in Poland (in a working group set up by the Association of Financial Companies in Poland). Cooperation between credit reference agencies and non-banking consumer lending companies Participation in industry conferences in countries where the KRUK Group operates 	<i>continuous process</i>
Non-profit organisations	<ul style="list-style-type: none"> • participation in financial education events and various charitable and philanthropic initiatives 	<i>as needed</i>
General public	<ul style="list-style-type: none"> • social surveys related to finances and debt • financial education workshops and training • press materials, press, Internet, radio and television campaigns 	<p><i>at least once a year</i></p> <p><i>as needed</i></p> <p><i>as per the communication and marketing strategy of each company</i></p>
Regulators and industry associations	<ul style="list-style-type: none"> • participation in issuing opinions on new laws and regulations (in working groups appointed when and as needed) 	<i>continuous process</i>

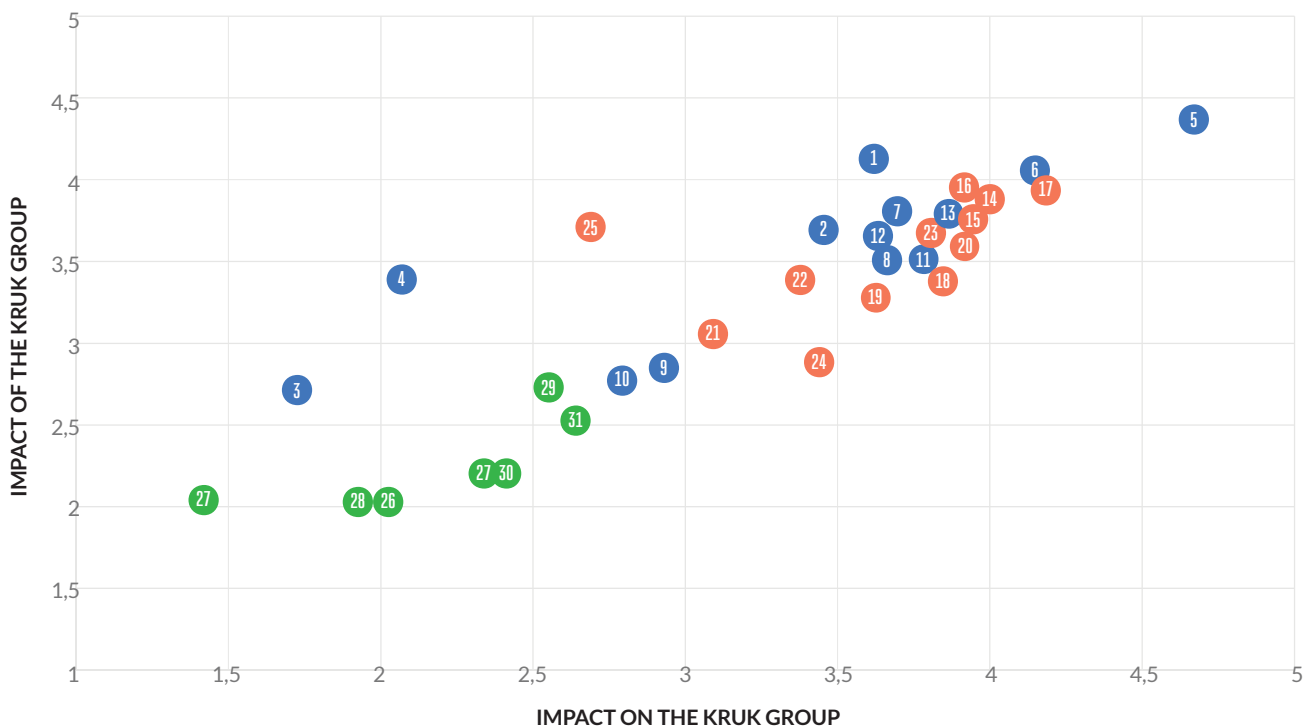
[GRI 102-46, 102-47, 102-44]

When preparing this report, we investigated the materiality of ESG topics among internal and external stakeholders in Poland and in other countries where the Group operates. The survey covered Poland, Romania, the Czech Republic, Slovakia, Italy and Spain. In total, we collected over 450 opinions.

Stakeholders in the survey assigned a score of 1 to 5 to rate the relevance of each topic. Furthermore, each topic was analysed in terms of 'THE IMPACT OF THE TOPIC ON THE KRUK GROUP' and 'THE IMPACT OF THE KRUK GROUP ON THE TOPIC'. The survey results are provided in the materiality matrix below.

Stakeholder groups engaged in defining the materiality of ESG topics for the purposes of this report:

- customers,
- the media,
- suppliers,
- equity analyst/research,
- shareholders,
- non-governmental organisations,
- General Director,
- management board member,
- business partners,
- Head of Department,
- employees.



- | | | |
|--|--|---|
| 1. Financial system | 14. Employee education and development | 26. Environmental degradation |
| 2. Employment and job creation | 15. Employee health and safety | 27. Extreme weather events |
| 3. Population ageing in Poland and Europe | 16. Employee well-being | 28. Use of natural resources |
| 4. Economic crisis caused by SARS-CoV2 epidemic | 17. New forms of work (remote work, etc.) | 29. Energy consumption |
| 5. Responsible debt management/debt collection | 18. Diversity and equal treatment | 30. Carbon footprint |
| 6. Customer data security (GDPR) | 19. Human rights | 31. Sustainable consumption |
| 7. Cybersecurity | 20. Employee rights | 32. Environmental awareness of the public |
| 8. Responsible marketing communications | 21. Digital inequalities (digital exclusion) | |
| 9. Incorporating environmental and social aspects into supplier requirements | 22. Financial inequality (financial exclusion) | |
| 10. Industry collaboration for sustainability | 23. Level of financial literacy of the public | |
| 11. Ethics and anti-corruption | 24. Social and charitable activities | |
| 12. Innovation | 25. Public policy | |
| 13. Compliance | | |

Membership of organisations and associations

[GRI 102-12, 102-13]

We are part of the debt management industry, sharing our knowledge and experience with business partners through membership of industry organisations. We treat participation in these organisations as an opportunity to promote solutions implemented by the KRUK Group but also to be inspired by best practices applied across the industry.

KRUK S.A. is a member of the Association of Financial Companies in Poland (ZPF) and the Lewiatan Confederation, among other organisations. These organisations provide a platform for our experts to give opinions on draft legislation relating to debt management, exchange of credit information, the lending sector, and protection of consumer rights. As a member of the ZPF and Lewiatan Confederation, we support initiatives promoting ethical conduct among the general public.

The KRUK Group is also a member of:

- PKPP Lewiatan (KRUK S.A. and ERIF BIG S.A.);
- Association of Financial Companies in Poland (ZPF) (KRUK S.A., ERIF BIG S.A. and Wonga.pl sp. z o.o.);
- ACA International (KRUK Česká a Slovenská Republika S.R.O.);
- Asociácia Slovenských Inkasných Spoločností (KRUK Česká a Slovenská Republika S.R.O.);
- Asociace Inkasních Agentur (KRUK Česká a Slovenská Republika S.R.O.);
- Asociatia De Management Al Creantelor Comerciale (KRUK Romania S.R.L.);
- Polish Association of Listed Companies (KRUK S.A.);
- ACCIS (ERIF BIG S.A.);
- Financial Development Market Foundation (ERIF BIG S.A.);
- UNIREC, the National Italian Association (KRUK Italia);
- ANGEKO - Asociacion Nacional de Entidades de Gestion de Corbo (KRUK Espana).



Responsibility in the supply chain

[GRI 102-9]

We aim to build a modern, responsible supply chain. We recognise the size of our organization and of our impact on business partners. At the KRUK Group, we want to promote the values we uphold among our trading partners. Therefore, before selecting a contractor or supplier, particularly for large projects, we analyse the terms of business as well as the economic, social and environmental impacts of our potential suppliers.

In procurement procedures held in Poland, where the transaction value exceeds PLN 100 thousand, each supplier is obliged to complete a CSR survey and disclose the best practice it applies to local communities, its employees and the workplace, its markets and clients, and the natural environment. Based on the survey, suppliers are evaluated in terms of their environmental, social and economic ethics. In 2021, 130 suppliers taking part in the procurement processes completed the CSR questionnaire, which included questions regarding:

- dialogue with local communities,
- organisation of internship programmes,
- charity projects,
- implementation of a transparent, regulation-compliant and development-oriented HR management policy,
- continuous improvement of customer service quality standards,

- ensuring compliance with ethical standards,
- measures to reduce the consumption of raw materials.

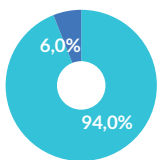
In our procurement processes, we ensure data confidentiality, equal treatment, and conflict-of-interest prevention. When selecting business partners, we apply a range of processes and procedures, with some suppliers selected in a competitive bidding procedure or a single-source procurement procedure, and others – through contract renegotiation or orders placed under a framework agreement. In each case, however, the relationship is based on trust and confidence, with any form of misconduct, including corruption, precluding any potential collaboration. The estimated value of payments to suppliers is not disclosed by the Group.

In most of the markets where the KRUK Group operates, local suppliers make up the majority of all suppliers to the Group companies. In Poland, local suppliers account for as much as 94% of all our suppliers.

Major procurement categories (with their names adjusted to individual markets) include IT and computer services and equipment, marketing and advertising, real estate, fleet and business travel, insurance, training, and professional services.

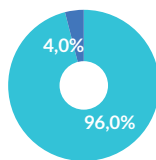
KRUK Group's supply chain structure

Poland



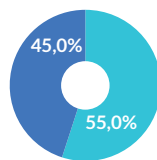
1152 total suppliers

Romania



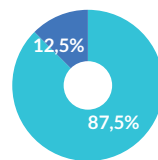
789 total suppliers

Czech Republic



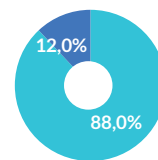
619 total suppliers

Slovakia



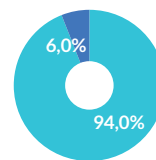
8 total suppliers

Spain



210 total suppliers

Italy



877 total suppliers

- % of local suppliers in each local market
- % of foreign suppliers in each local market



2

Our role in the financial system

Debt management

In every country where we operate, we work with other participants of the credit management market to maintain trust and confidence in business transactions as a cornerstone of sustainable economic development.

Detailed information on the market shares of the KRUK Group by geography is provided in the Directors' Report on the operations of KRUK S.A. and the KRUK Group.

Debt management companies are vital for the proper functioning of the banking sector, which attaches particular importance to the quality of a loan portfolio, measured as non-performing loans to total loans. For banks, partnerships with debt management companies help mainly to reduce the number and value of non-performing loans and improve liquidity. From the perspective of banks, the waiting time to recover delinquent debt is significantly reduced, allowing them to increase lending to make credit available to all market participants, including businesses and households.

Debt collection companies support proper functioning of the corporate sector. According to research, 44% of companies in Poland face liquidity constraints due to late payments. For comparison, the average for Europe is 30%. For one-third of companies in Poland, delinquent accounts prevent them from paying their own obligations on time. Assistance from debt management companies allows businesses, often small and medium-sized enterprises, to recover money tied up in debt and use it for investment, creation of new jobs or international expansion².



² Condensed report 'The importance of the debt management market for sustainable economic growth' ZPF, Gdańsk 2020



Our role in setting standards in debt collection

At the KRUK Group, we do not want to follow trends. We want to set them. We have been part of the debt management market for over two decades. This means over 23 years' experience with big, medium and small debts we have helped millions of people free from while helping tens of thousands of businesses improve their liquidity.

KRUK S.A. is constantly evolving in step with the Polish economy, society and the financial services industry at large. As new opportunities emerge, our ways of working are also evolving, and the experience we have gained over the years has allowed us to develop industry-leading standards of doing business. The way we operate when purchasing debt portfolios and serving indebted persons is our competitive strength and a yardstick for numerous peers in the debt collection market.

Thanks to the experience gained in Poland, we have been able to successfully gain a foothold in other markets.

The technological advancement of the organisation has allowed us to robotise amicable and legal collection processes and interactions with business partners. We have implemented numerous innovative process automations, including:

- e-KRUK system implemented and rolled out in Poland and Romania, which is an online debt management platform designed for customers;
- digital signing of settlement agreements with customers in Poland, Italy, Romania, Spain and the Czech Republic;
- real estate sale website www.imopont.ro launched in Romania, with a similar website available in Poland as well (<https://nieruchomosci.kruk.eu>);
- e-payments implemented in the Czech Republic, Poland and Spain.

Responsible debt collection

We realise that anyone can find themselves in a difficult situation and fall into debt. Sometimes this can happen overnight. We treat indebted persons as we would like to be treated in their situation. We act with honesty and respect, understanding that the world can be complicated and that a vast majority of people are honest and acknowledge the social norms dictating that debt incurred must be repaid.

This belief underpins our customer service standards that are consistent with our mission and values. Our overriding value is respect. We treat every customer as an individual, listening respectfully to their story and making an effort to understand their particular circumstances and the cause of debt. We always strive to make our meaning clear, recognising that legal and financial issues can be hard for many people, which can unintentionally lead to a poor understanding of their situation and, ultimately, to financial exclusion. This is why we use plain language in our correspondence to customers. This allows any person, regardless of their educational background or age to understand our communications.

We also take care to make our services convenient for customers. We have implemented up-to-date online solutions enabling customers to manage their accounts via e-KRUK platform (in Poland, Romania and Italy) and access ERIF credit reference reports or take a loan with Wonga or Novum (in Poland).

We contact our customers via the most widely used communication channels: phone calls, letters, emails, and face-to-face meetings. Regardless of the communication channel, we always comply with the law and our internal ethical conduct policies. The customer service standards are monitored and refined on the basis of customer satisfaction surveys, social research and market needs.

We check if our efforts are working, and we listen carefully to our customers' feedback. It is a standard practice for KRUK S.A. to check what indebted persons think about our services. The various touch points between KRUK S.A. and its customers are thoroughly analysed. In surveys, respondents rate us on a scale of 1 (very bad) to 6 (very good). In 2021, we continued to measure the process of signing settlement agreements via e-kruk.pl.

Customer satisfaction scores for KRUK S.A. across various communication channels

Communication channel	Rating 2020	Rating 2021
Satisfaction rating for the interaction with a field consultant	5.8/6	5.9/6
Satisfaction rating for the interaction with a call centre consultant	5,6/6	5,7/6
Satisfaction rating for the settlement process	4,8/5	4,8/5
Satisfaction rating for the online settlement process via e-kruk.pl	4.4/5	4.4/5



GOOD PRACTICE

We are increasingly asking customers for their opinions on a product or offering that is still in the pre-implementation phase. By combining customer feedback with staff expertise, we provide the opportunity to translate the customer voice into actionable solutions. This approach enables us to better tailor our offering to changing customer needs and reduce the costs of testing new solutions in a regular process. Only solutions that meet customer expectations and facilitate delivery of business objectives are launched on the market.

We comply with the law in everything we do – with the challenge being that the law differs from country to country. Discussing these differences provides an excellent opportunity for the internal legal team, and for me personally, to improve our ability to listen and to understand the subtleties before drawing any conclusions.

Our goals are the same regardless of the location, of course, but we need to take different legal paths to achieve them – this is one of my favourite tasks during company meetings.

An in-depth understanding of the different processes in local markets is crucial for strategic growth and setting ambitious long-term goals.

Alexandru Bia
Head of Legal Processes Area

Responsible marketing communication

[GRI 103-1, 103-2, 103-3 Aspect: Marketing and labelling]

Marketing and communication activities targeting customers are an opportunity for us at the KRUK Group to explain the legal aspects of debt collection and help people free themselves from debt. We raise the issue of overconsumption and its impact on the environment. Wherever we are, we provide marketing support for our awareness-raising campaigns. A case in point is the Day Without Debt project run in Poland, the Czech Republic and Slovakia, which raises consumer awareness of debt issues and educates people on managing their finances. Marketing activities are aligned with the communication and marketing strategies of the individual Group companies.

The KRUK Group companies stayed in touch with the media throughout 2021, sending out press materials that were used by the media to provide their audiences with educational and information publications. Comments and advice from our experts appeared in the regional and national media in Poland and abroad.

[GRI 417-3]

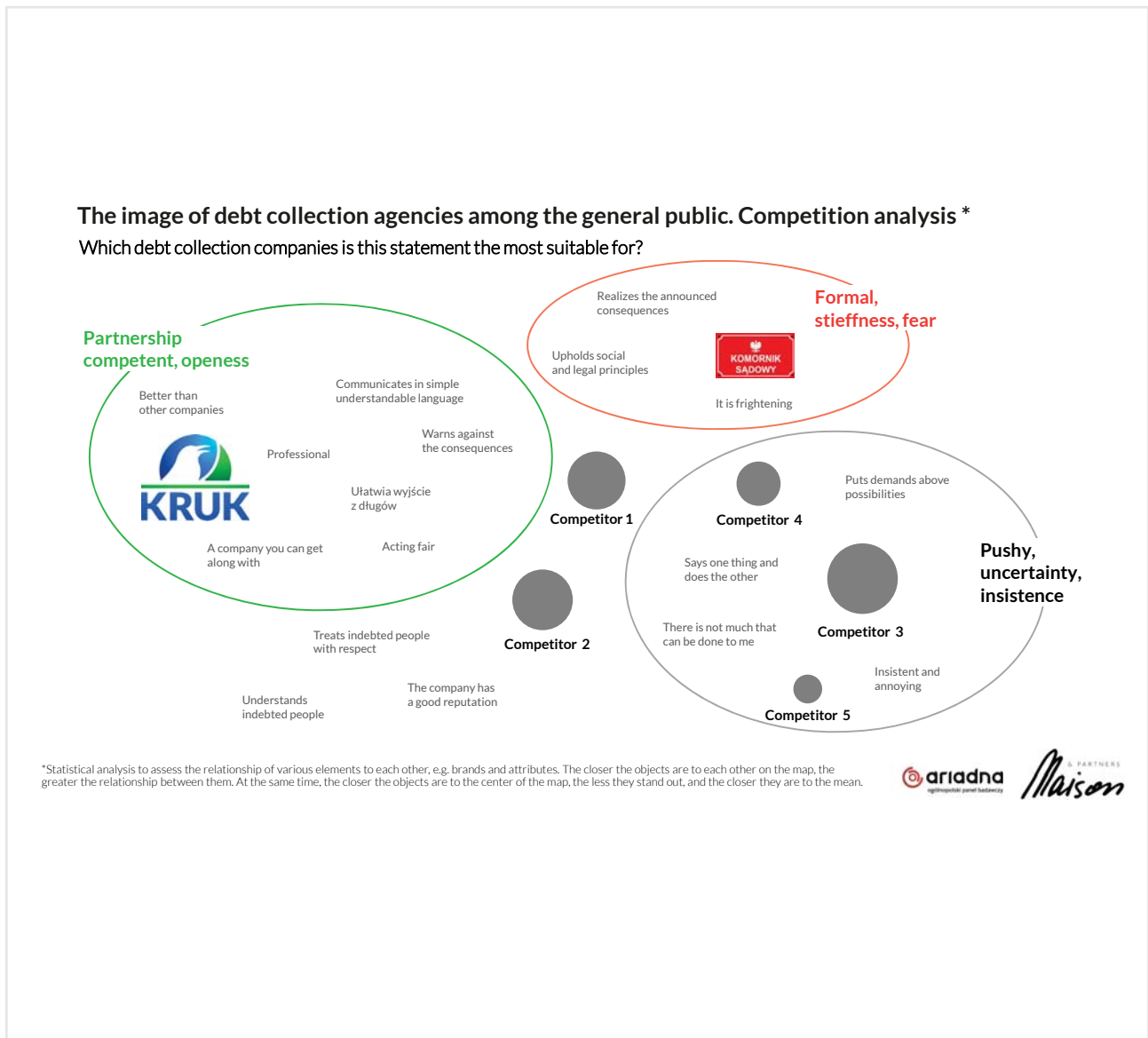
All our marketing communications and PR activities are conducted in a fair and ethical way in compliance with the law and the widely accepted social norms. No instances of non-compliance in this regard and no penalties related to advertising were imposed on the Group in 2021.

Corporate image

We are pleased with the strong reputation KRUK S.A. enjoys among its customers. A regular survey² conducted on a representative sample of indebted people in Poland shows customers appreciate our support in becoming debt free.

The option to sign a settlement agreement, fair and transparent operations and clear language we use to communicate financial issues are highly rated by respondents. Customers see us as a professional, open company that builds partnership relations.

Reputation of debt collection companies among all indebted persons Competition analysis³



³ A regular survey programme conducted by the Ariadna Nationwide Research Panel in partnership with research consultancy Maison among a representative sample of indebted people in Poland (N=1,511). It uses correspondence analysis, a statistical technique analysing the relationship between variables, in this case awareness of the brand and attributes assigned to it.

⁴ Statistical analysis serving to evaluate the relative relationships between various components, such as brands and attributes. The closer objects sit on the map, the closer they are related to each other. The closer they sit to the middle of the map, the less distinctive and closer to the average they are.

Psychological assistance for indebted persons

Numerous research studies show debt can cause mental health disorders. According to experts, mental health issues can manifest themselves as maladaptive behaviour associated with passivity, apathy, mood swings and emotional dysregulation, escape tendency, resignation, active or passive aggression, and a sense of entitlement. People in debt often behave in an impulsive and irresponsible manner, making the same mistakes over and over again, learning nothing from the mistakes, they have problems internalising new knowledge and skills, and they are caught in habitual patterns of behaviour that is often destructive⁵.

Working with indebted persons on a daily basis, we consider their mental wellbeing as key. Therefore, the Psychological Assistance Centre was established at our initiative in 2014. It is an independent unit that employs a specialist staff of trained and qualified psychologists who have experience working with various groups re-

quiring support in what is known as a psychological crisis. The psychologists working with indebted persons have received regular induction training that covered relevant legal knowledge, enforcement rules (based on the Company's materials) and procedures for collaboration with KRUK S.A. They have also participated in the general training course 'Working with an indebted person – Indebted Person Support in Practice Programme'. Regular training and supervision meetings are held every quarter. In 2021, the meetings focused on crisis issues: 'Crisis, crisis intervention in telework' and were based on materials provided by the Polish Association of Suicidology. The cooperation with the Psychological Assistance Centre is also an important element of the Company's social engagement and sponsorship policy.

Initiatives designed to support disadvantaged people are also run in other markets. A special support protocol for people experiencing a mental health crisis has been launched in Italy. In the Czech Republic, a free hotline is available to people in need of psychological assistance.



⁵ <http://programwsparcia.com/zadluzenie-uzaleznienie-zdrowie-psychiczne/>.

Customer personal data security

[GRI 103-1, 103-2, 103-3 Aspect: Customer privacy]

In our operations involving debt purchasing, provision of credit management services for business partners, operation of the ERIF credit reference bureau and lending, we inevitably receive and process large volumes of personal data. Data protection regulations and personal data breach risk management are therefore particularly important to us. The Group has implemented a personal data breach risk management system to identify, analyse, review and monitor the risk. The system is improved on an ongoing basis. Risk mitigation controls are also reviewed and monitored, and the incident management process in place enables the organisation to quickly identify potential violations and implement response measures to remedy the incident and prevent similar occurrences in the future.

We place strong emphasis on high standards of everyday conduct and on personal data security awareness among our employees. Data protection training is mandatory for all employees, and all staff members are provided with data protection educational materials on a regular basis. We also hold periodic internal audits of selected processes. In 2021, the relevant risk management function was also subject to an internal audit. Depending on their size and scale of operations, the KRUK Group companies have either teams of data protection inspectors and specialists or independent Data Protection Officers.

The Group has also implemented tools to monitor the number of personal data processing complaints and procedures to enable data subjects to exercise their rights under the GDPR. All personal data requests and complaints are thoroughly analysed to determine whether the submitting party's claim is valid and can be satisfied.

[GRI 418-1]

Number of identified complaints lodged with local personal data protection authorities against unlawful processing of data by KRUK Group companies

KRUK Group	2021
Complaints received from outside parties and substantiated by the organisation	0
Total number of complaints lodged with local regulators regarding potential breaches	20

For all identified complaints lodged with local personal data protection authorities against unlawful processing of data by the Group companies, relevant explanations and information requested by the authorities were provided in each case. Most of the cases were still pending as at the end of 2021. As at December 31st 2021, none of the complaints was upheld.

Despite the constantly expanding scale of operations and, thus, the growing risk of error necessitating admission of complaints against improper personal data processing, the number of such complaints is not rising thanks to sustainable, standardised processes and highly experienced specialists.



3

Our responsibility for employees

People are our most important capital

[GRI 103-1, 103-2, 103-3 Aspect: Employment, employee training and education]

People are our greatest and most valuable asset. We employ over 3,000 people in Poland and our other geographies. We have built a close-knit team of creative, open-minded, passionate and hard-working people ready to take on new challenges. We want everyone, regardless of their position, to feel like they are essential part of the organisation. KRUK offers a comfortable and friendly working environment. We care about relationships and a friendly workplace atmosphere, so we are on first-name terms, helping and learning from each other every day. Mutual respect and our core values are a vital element of our organisational culture. We value a healthy work-life balance, and we believe that free time is just as important as work.

The 2021 HR strategy was based around four main pillars: motivation / commitment / a sense of belonging, organisational culture, talent acquisition and retention, training and development.

Given the country-specific demographics, economic landscape, COVID-19-related restrictions, etc., HR activities under these pillars were undertaken locally in response to the specific needs of each market.

The key activities common to all markets included talent recruitment, particularly in the field of IT (over 400 new employees were hired across the KRUK Group in 2021); effective communication and onboarding of new hires (given the induction process was done remotely); developing skill matrices and relevant training programmes offered to employees; regular analysis of pay and benefits.

Olga Morawska
HR Strategy Manager

KRUK Group workforce structure

[GRI 102-8]

Headcount at the KRUK Group as at December 31st 2021, by type of contract and working time arrangement

	Women	Men	Total
Contract of employment:	1,942	1,175	3,117
full-time contract	1,877	1,156	3,033
half-time contract	7	4	11
other	101	27	128
Service contract/short-time contract/self-employment	45	66	111
Management service contract	7	14	21
Internships	16	9	25
TOTAL	2,010	1,264	3,274

[GRI 102-41]

Percentage of total employees covered by collective bargaining agreements at the KRUK Group

Percentage of total employees covered by collective bargaining agreements	11
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We understand that employee satisfaction is a key growth driver for our business. We value the experience of our people, and we offer them opportunities to advance their careers within the Group. We seek to minimise employee turnover recognising that a meaningful part of our business knowledge and know-how is

lost with every employee departure. In 2021, the KRUK Group hired 433 people, and 491 people left the Group. The employee turnover rate (15%) is relatively low, hovering near the lower end of the average range reported for the financial markets in the countries where the KRUK Group operates (15–25%)⁶.

⁶ Including Agecredit S.r.l. and a turnover rate adjustment (this differs from the data disclosed in the non-financial statement forming part of the Directors' Report on the operations of the KRUK Group and KRUK S.A. for 2021).

[GRI 401-1]

Total number of new employee hires during the reporting period, by gender

	Men	Women
Number of new hires	146	287

Total number of new employee hires during the reporting period, by age group

	Under 30 years old	30–50 years old	Over 50 years old
Number of new hires	208	204	21

Ratio of new employee hires during the reporting period, including by gender

	Men	Women
Ratio of new hires	0.04	0.09

Ratio of new employee hires during the reporting period, including by age group

	Under 30 years old	30–50 years old	Over 50 years old
Number of new hires	0.06	0.06	0.01

Total number of employees who left the organisation during the reporting period, by gender

	Men	Women
Number of employees who left the organisation	196	295

Total number of employees who left the organisation during the reporting period, by age group

	Under 30 years old	30–50 years old	Over 50 years old
Number of employees who left the organisation	0.06	0.06	0.01

Employee turnover rate during the reporting period, including by gender

	Men	Women
Employee turnover rate	0.09	0.06

Employee turnover rate during the reporting period, including by age group

	Under 30 years old	30–50 years old	Over 50 years old
Employee turnover rate	0.05	0.09	0.01



Pay and benefits

We offer attractive remuneration to our employees, which is set in compliance with the labour law and our internal policies and regulations. We analyse pay-related market data, and we review our payroll policies based on that information twice a year. The unit responsible for determining the amounts of salaries and wages is the Central Human Resources Management Team and its local counterparts.

The Group has in place the Remuneration and Nomination Committee appointed by the Supervisory Board from among its members. The Committee's responsibilities include defining the remuneration policy of Management Board members in line with the Company's long-term interests and performance. The Committee also recommends to the Supervisory Board candidates for members of the Management Board and presents a

periodic appraisal of their skills, expertise and performance. The Remuneration Policy for Members of the Management Board and Supervisory Board of KRUK S.A. governs all matters related to remunerating senior executives. Under the Policy, remuneration is determined on the basis of the function performed, the business scale, complexity of corporate design, and operational complexity of the Company, and comprises fixed and variable remuneration components. The Policy provides that non-cash benefits may be granted to Management Board members. The remuneration policy for Management Board members and the amount of remuneration paid to the President of the Management Board are determined by the Supervisory Board. The amounts of remuneration for the individual Management Board members other than the President are determined by the Supervisory Board based on proposals submitted by the President of the Management Board.

[GRI 401-2]

We offer an extensive benefits package to all employees. KRUK Group employees may:

- use the Company Social Benefits Fund (in Poland), including in the form of non-cash assistance non-repayable allowances for persons in particularly difficult life situations, or holiday allowances;
- participate in programmes aimed at developing staff's people management potential (a succession programme in Romania);
- receive funding for post-graduate programmes and professional qualifications in all companies;
- use sports membership cards, providing access to sports and leisure activities, on attractive terms;
- use benefits available under cafeteria plans in Poland, Romania and the Czech Republic;
- receive partial funding for the purchase of eyeglasses upon presentation of a doctor's certificate (in Poland);
- participate in internal and external training courses provided to enhance the professional skills and qualifications (in all countries);
- use medical care services for themselves and their families (available in Poland, Romania, Italy and Spain);



GOOD PRACTICE

Our organisational culture puts a strong emphasis on employee development by building a supportive work environment. Therefore, we are pleased to announce that KRUK made it to Forbes list of 300 companies named Poland's Best Employers in 2021. We came 15th in the 'Banks and Financial Services' category. This award goes to our employees – thank you all!

- receive group life insurance coverage (in Poland);
- use employee libraries (in Poland);
- purchase computer hardware being disposed of by the Group;
- receive funding for team-building events;
- use flexible work options;
- work out of office occasionally, in accordance with internally agreed rules and conditions.

KRUK Group employees may also participate in a range of team-building and cultural events organised by the employer, including:

- online quizzes and mystery games, in which teams of employees compete against each other,
- running events,
- blood donation events,
- meetings with inspiring coaches, psychologists and trendsetters,
- football tournaments,
- cooking events,
- activities organised for employees' children.

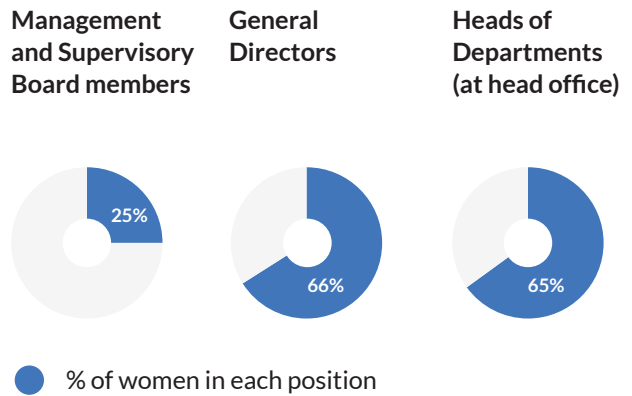
Diversity management

Workforce diversity is a cornerstone of our success and an important element of our business strategy, facilitating international expansion and strengthening our innovation capability and competitiveness. We regard workforce diversity as an opportunity to quickly respond to change and to better cater to customer needs. We know that it enhances our reputation among business partners, customers and job applicants.

The KRUK Group has put in place a Diversity Policy to foster a diverse, multi-cultural workplace. We are committed to ensuring equal opportunities for promotion and professional development for every employee regardless of their gender, age, disability, health condition, race, nationality, religion, beliefs, sexual orientation, family status, lifestyle or any other criterion that could cause an individual to be treated less favourably than others. Every employee is obliged to respect other employees' right to privacy, must not interfere with their personal affairs, and must accept any existing differences.

At the KRUK Group, we believe that competencies and work commitment are independent of gender. The Group companies provide equal development opportunities to all employees and clearly outline career paths and compensation frameworks within the organisation. We have procedures in place to uphold the equal treatment of candidates during the hiring process. The KRUK Group provides equal opportunity to all male and female candidates to apply for managerial positions, and employees are promoted solely based on merit.

Four out of six General Directors in charge of our markets are women (66%), and 17 out of 26 Heads of Departments at the head office level are women (65%). Three women (25%) sat on the Management Board and Supervisory Board in 2021.



We attach particular attention to enabling employees to achieve work-life balance. We introduced clear rules for accounting for working time and facilitating return to work after maternity leave. As a testament to the quality of our offer to employees with young children, 100% of the 108 people who returned to work from maternity/paternity leave in 2020 were still part of our team in 2021. In 2021 alone, 271 women were on maternity leave and 11 men were on paternity leave, with 119 women and 6 men having returned to work after childbirth leave.



GOOD PRACTICE

In the countries where we operate, we run programmes supporting women's career advancement. Particularly worthy of note are the initiatives we have taken in Spain and Italy.

- KRUK España has put in a place a four-year plan to support gender equality, inclusivity and diversity.
- In Italy, we have implemented a programme of interviews with female managers of KRUK Italia, highlighting the important role women play within the organisation and inspiring other women to pursue a career. The interviews provide a compelling insights into experiences of women working at the KRUK Group. Klaudyna Kowierska, Business Improvement & Security Department Manager, shared her career story with us:

I joined KRUK in 2017 as Project and Process Manager tasked with supporting the growth of an Italian start-up in the areas of project management, lean transformation, and strategic project management.

Over the course of five years, my role within the organisation expanded from creating continuous improvement processes, through building personal data management and internal control processes to establishment of the Strategic Development and Security department. A vital part of the strategic development of the Italian companies was our work on continuous improvement and strategy development

through the implementation of Hoshin Kanri. For four years we gradually implemented management by objectives throughout the organisation and built lean leadership competencies at all management levels. Thanks to the management-by-objectives approach and the drive to develop problem solving and project management skills, we managed to build with the Italian team an agile organisation that relies on predictable and efficient processes. The work of our entire team was recognised by the Lean Global Network, and I was invited to present KRUK Italia as a good practice in the start-up category at Lean Global Connection 2021.

I am currently supporting the development of a strategic management process at the Group level. My five-year service at the KRUK Group has provided me with opportunities for continuous and comprehensive development in the fields of management, lean, and finance.



GOOD PRACTICE

KRUK S.A. has been a signatory to the Diversity Charter since 2013. The Charter is an international initiative of the European Commission, intended to promote social cohesion and equality. The fundamental principle of the Charter is non-discrimination in the workplace and recognising and promoting diversity in all areas of activity. The provisions of the Charter apply across the KRUK Group and are taken into account in various processes, including recruitment.



Employee education and development

Qualified staff who employ their expertises in daily work are the engine of growth for the KRUK Group. The specialist training we provide allows team members to upskill while facilitating the achievement of business objectives and stable growth of the Group.

Over the years, we have proved to our employees no glass ceilings exist at KRUK when it comes to development and promotion opportunities. Many people in the organisation started out as agents or field service employees and today work in other departments, fulfilling their passions, or advanced to managers, executives or directors. We focus on internal recruitment, giving our people the opportunity to climb the career ladder within the organisation. As a multinational group, we also offer international career opportunities, and all employees with the required competencies and language skills can grow and advance in our foreign companies.



GOOD PRACTICE

Since 2016, KRUK has been working closely with the Wrocław University of Technology, participating in job fairs and workshops. We host meetings with employers and recruit students, taking care to promote KRUK as a reliable employer. Since 2017, we have conducted lectures and lab classes for students at the Department of Mathematics of the University of Wrocław, entitled *Statistical Modeling in Large-Volume Debt Management*, where we present statistical methods for building predictive models and machine learning.

Development programmes are tailored to the needs of employees in each market. We offer employees internal and external training opportunities reflecting their position and length of service. Our employees across the Group participate in specialist training, and every new hire completes a full cycle of induction training.



[GRI 404-2]

Selected development and training programmes implemented by the KRUK Group in 2021

- **Coaching** is a method of individual development available to all employees, which helps to achieve career goals and support employees in career transitions.
- **Coaching Academy**, is a knowledge sharing and skills exchange initiative targeted at the Group's employees. As part of the project, various specialists from within the organisation deliver training to other employees in areas they work and have expertise in (KRUK S.A.).
- **First-time leaders.** The new leader's first hundred days – is a programme seeking to strengthen the competencies of management personnel by supporting and developing the managerial skills of new leaders (KRUK S.A.).
- **Management Academy** – is a development programme for senior management staff, lower-level managers, project and product managers (KRUK S.A. and Wonga.pl; the programme also runs at KRUK Espana but under a different name).
- **Action Learning Training** for eight team leaders, focused on finding the right questions, sharing tips and finding solutions (Wonga.pl).
- **The Seven Habits of Effective People** – a training programme teaching people how to deal with adversities, uncertainty and stress (KRUK Espana).
- **KRUK Digital Academy** – is a path for improving employee skills in the fields of programming and databases (KRUK Romania).
- **Successors 2021–2022** – is a programme designed to enhance management skills in people with the potential to become future leaders (KRUK Romania).

Employees may also apply for financing or co-financing of external training, including undergraduate and graduate university programmes, legal profession qualification programmes, and specialist courses. Such applications are granted on condition that training is related to the employee's work responsibilities and his or her line manager endorses the application.

Since 2016, we have been developing a range of training options available on the e-learning platform, which allows employees to quickly improve their competencies. The platform hosts mainly courses in the field of law, data security and protection, ethical principles and good practices in the industry, as well as product training, and courses related to projects implemented in the organisation. The e-learning offering also includes courses for management staff, combined with traditional training.

Employee health and safety

[GRI 103-1, 103-2, 103-3 Aspect: Employee health and safety]

We take a systematic approach to employee safety. We provide a safe working environment for all KRUK Group employees. Competent teams continuously monitor compliance with OHS rules and standards. OHS codes, policies and procedures are reviewed and updated on a regular basis in line with the organisation's profile. Regular inspections are held to check adherence to OHS regulations and working conditions standards. Dedicated OHS units conduct proper inquiries into any work-related accidents, handle any reports of suspected occupational, and carry out occupational risk assessments in accordance with applicable regulations on an ongoing basis.

[GRI 403-7]

We look to build a health and safety culture across the KRUK Group, hence our commitment to sharing knowledge and raising awareness of occupational health and safety. We focus on prevention, which is why all new hires receive OHS training. Every new person in the organisation is also familiarised with the general health and safety instructions and the job-specific instructions.

[GRI 403-8]

Employees covered by the health and safety system

	Number of employees covered by the health and safety
Poland	1,894*
Romania	651
Czech Republic and Slovakia	95
Italy	352
Spain	253

OHS education and communication activities are tailored to the needs of companies in each market. For example, KRUK S.A. has assembled an Occupational Health and Safety Team which is responsible for monitoring and providing advice and opinion on matters relating to occupational health safety. There is also a Health and Safety Committee in place, which works with the Health and Safety Team. They comprise employee representatives, employer representatives and an occupational physician. During meetings held every three months, the Committee raises important issues related to occupational safety, provides support in formulating proposals to improve working conditions and assists in meeting OHS requirements. The team runs a dedicated online OHS News channel, which delivers valuable OHS information and guidance, including on accident and disease prevention, to employees.

OHS policies and regulations in place at the Group are based on the ISO 45001 guidelines. In the unlikely event of a workplace accident, measures are taken to prevent its recurrence, including informing staff of the causes and circumstances of the accident. In 2021, no occupational diseases were identified among employees.

* people employed under an employment contract, managerial contract, contract of mandate, graduate internship agreement or cooperation agreement

[GRI 403-9]

Work-related injuries

Number of work-related injuries	19
Main types of work-related injuries	suffered in a workplace accident: slip, trip, fall (8); dog bite (3); fainting, impact (1); road traffic (1); attack by customer (1); car accident (4); other (1)

No other accidents or types of work-related injuries were reported in 2021.



GOOD PRACTICE

For the KRUK Group, workplace safety is much more than just ensuring the physical comfort of our employees. We recognise a safe job is one that also provides psychological comfort. The work we do often requires our staff members to talk to customers about their, often vulnerable, life situation. No employee is left to deal with this burden alone – they are welcome to use the services of the Psychological Assistance Centre’s Shoulder to Shoulder Employee Support Programme, an initiative designed to support employees going through various personal challenges, also those resulting from involvement in individual talks about financial problems of our customers.

The Psychological Assistance Centre draws on the know-how and experience of the Indebted Persons Support Programme Association, which set up a group of educators to support persons who faced debt problems, including through educational activities and training addressed to both indebted persons and social service workers who came across such persons in their work. In carrying out its projects, the Association partnered with a number of financial and local government institutions, including the Social Policy Department of the Provincial Office in Poznań and the Centre for Economic Security and Support of Indebted Persons.



GOOD PRACTICE

Many employees like to spend time actively and are passionate about sports. We support amateur athletes, funding event entry fees and sports apparel. We also support our employees by assisting them in the cost of rental of basketball and football fields. Our football team already has a few wins under its belt.

Thanks to their community involvement, our employees turn their passion for sports into charity work. Since 2013, we have sponsored the Business Run event held for corporate staff in Poland. Proceeds from the event go to help sick children, but the main goal of the initiative is to promote healthy competition and physical activity. Several dozen of KRUK teams of four take part in the run every year. The event combines great fun with an opportunity to give back to the community and bond with colleagues.



4

Our responsibility towards society

Financial education

We know our expertise and scale of impact on local communities. Given the nature of our business, we are familiar with the biggest societal challenges related to money management. We believe our contribution to social development is not just about our day-to-day operations and helping customers become debt free. We are ready, willing and able to share our knowledge and resources and do business in a way that combines economic goals with benefits to society and the environment. We run awareness-raising educational campaigns related to finances, we sponsor sports and cultural events, and we participate in charitable projects.

In our daily work, we can see how important financial education is. We are glad that a growing number of people in Poland share our view. A survey we conducted in 2021 found that 85% of Poles believe they need financial education, with only 5% think they do not need it. According to 71% of respondents, the most severe consequences of a lack of financial literacy is the propensity to fall into debt.

More than half of people in Poland (54%) over the age of 18 believe that during their education they did not receive the necessary knowledge to manage their household budgets properly, 33% say they have gained such knowledge, and 13% are not sure whether they have received sufficient financial education. According to 44% of respondents, financial education should begin in elementary school, 28% think it should start in secondary school, and 17% believe it should commence as early as preschool. We have identified money management as a vital societal need and a key area of our strategic social responsibility.⁷ Therefore, we have long shared our knowledge and best practices through high-profile campaigns about managing finances and household budgets.

⁷ Financial Education of Poles 2021 was a survey conducted on a sample of Poles over 18 years of age consisting of 1,057 people. Survey was conducted in August 2021 using the CAWI method

Our flagship project is **Day Without Debt** celebrated in Poland on November 17th since 2009, with the programme rolled out also in Romania, the Czech Republic, and Slovakia. Day Without Debt aims to raise public awareness of personal finances management and responsible borrowing, to develop the financial maturity of our existing and potential customers, and to raise awareness of the benefits of voluntary debt repayment. Day Without Debt and the related financial education activities were particularly relevant in 2021. According to our research, as many as 69% of people who have trouble with timely repayment of debt say this is due to the pandemic. At the same time, the coronavirus caused 30% of households to reduce savings. This lends added weight to the fact that our financial education messages delivered as part of the Day Without Debt celebrations reached over five million Poles via the media⁸.

In 2021, we ran various educational campaigns across the Group, mostly online, to raise customer and general public awareness in the area of personal finance management in the geographies where the Group operates. Our key initiatives were the following:

- **Kapitalni.org portal**

The portal regularly provides financial education that has a real impact on consumer behaviour and attitudes. The content of the platform, which includes more than 600 specialist articles, has been authored by various respectable experts, journalists and bloggers and is arranged into special learning paths. To date, 2,700 users have completed at least one full path, while the total number of unique users of Kapitalni.org is over 60,000. In addition to expert advice, the portal offers easy-to-use, practical financial tools. Personal budgeting and expense tracking forms, dedicated calculators and learning courses are particularly popular with users.

GOOD PRACTICE

The Kapitalni.org platform is an example of how a big societal challenge of financial education can unite different market players. In addition to Wonga.pl, the portal brings together 14 other companies and organisations from the world of finance. Experts of the Foundation for Financial Market Development, the Polish Consumers' Association, the Conference of Financial Companies in Poland and other organisations share their knowledge and experience with users. Joint projects increase the attractiveness and reach of the portal, with the synergies helping thousands of people in Poland to manage their daily finances.

- ***Debt Collection? Everything's clear* educational campaign** (KRUK S.A.)

The campaign addresses issues related to debt, in order to give people an insight into the legal basis and operating methods of professional debt collection companies. The key target audience of the campaign also includes business partners, media and entrepreneurs

- **MERITO project** (KRUK Romania)

The project dates back to the Romanian Business Leaders Summit of 2015. The idea behind is to offer the business community's support to teachers by promoting best teaching practices and premium education across the schooling system. In recognition of their contribution to restoring the social prestige of the teaching profession, the most dedicated and passionate educators are given awards at the annual Merito Gala.

- ***Credite Inteligente* project** (KRUK Romania)

The project teaches young people how to manage their budgets responsibly. Apart from workshops delivered by the Group's employees on a volunteer basis, the project also involves distribution of video content, articles and workbooks. In 2021, more than 1,500 students from 110 secondary schools in 49 towns and cities participated in the project, improving their financial knowledge.

⁸ Data from media monitoring conducted by the Media Monitoring Institute.

Sponsorship and charitable activities

We are ready to help, but we want to help wisely and according to a plan. A formal framework for our community engagement is set out in our Charitable Sponsorship Policy, which defines the scope of charitable activities that offer financial and in-kind support to non-profit organisations and our customers and employees, and their families.

The implementation of the Charitable Sponsorship Policy in a given geography is the responsibility of the President of the Management Board and general directors responsible for particular geographies and persons designated by them. In accordance with this policy, the Group supports:

- events involving amateur physical activity which aim to provide financial or in-kind assistance for the most needy,
- projects implemented by public benefit institutions or associations aimed at supporting those most in need,
- organisations that support financial education and psychological or legal assistance to people struggling with financial or personal difficulties,
- CSR initiatives that seek to strengthen the processes of civic development, equality and tolerance.

Through our charitable giving and sponsorship projects, we want to help those in need and to provide financial and environmental education regarding excessive consumerism. Such activities are always carried out in accordance with applicable environmental protection laws, regulations and standards. In line with our commitment to environmental protection, we initiate and support initiatives that help raise environmental awareness. Examples include projects undertaken in Poland, Italy and Spain in 2021:

- in Poland – the Earth Overshoot Day, which addresses the issues created by excessive consumerism and its environmental impact;
- in Italy – the Plastic-Free Walk event, which KRUK held in 2021 in partnership with Italy’s best know NGO Plastic Free and which resulted in collection of 80 kg of plastic waste;
- in Spain – KRUK conducted a climate change survey on its social media.





We warmly welcome all charitable initiatives proposed by employees. Since their mission to support people in financial hardship makes KRUK Group employees particularly attentive to social problems, they often initiate various sponsorship projects to address the identified challenges. As the KRUK Group, we remain open to and support such smaller-scale grass-roots initiatives. Given their nature, their catalogue varies greatly depending on the country and the needs of the environment where they are undertaken. Their examples include charitable running events and concerts, financial support for selected non-profit and/or non-governmental organisations, and projects run in partnership with various welfare institutions.

In 2021, the KRUK Group allocated a total of PLN 274 thousand to charitable activities.

[GRI 415-1]

The KRUK Group did not provide any financial or in-kind support to political causes or organizations in 2021.

Charitable activities	PLN 165 thousand
Financial education	PLN 99 thousand
Environment protection	PLN 10 thousand
Total	PLN 274 thousand

As part of its community engagement activities, in the three months to March 31st 2022 we decided to run the following projects and programmes under the Charitable Giving and Sponsorship Policy that help to deal with the difficult situation in Ukraine and the largest refugee crisis since the Second World War.

As a multinational organisation operating also in countries bordering Ukraine (Poland, Romania, and Slovakia), the KRUK Group resolved to take concrete action and donate EUR 320 thousand (approximately PLN 1.5m) to organisations supporting Ukrainians in need in Poland (EUR 230 thousand), Romania (EUR 60 thousand) and the Czech Republic and Slovakia (EUR 30 thousand). The funds will be split in proportion to the number of refugees staying in each territory according to UN data over one year in accordance with the charitable giving and sponsorship policy in place at KRUK S.A.

In Poland, financial support was provided to the following NGOs:

- UNGC for the United Business for Ukraine Programme – PLN 100 thousand
- Employers of Poland and Foundation received PLN 50 thousand and PLN 20 thousand, respectively, for information campaigns encouraging support for people from Ukraine.
- We established a partnership with the Zobacz mnie Foundation of Wrocław, which received PLN 60 thousand and partnered a project to equip an IT centre with laptops, phones and tablets featuring a Ukrainian language option. A donation drive was held among employees to collect staples and other necessary goods for Ukrainians in the care of the Foundation.

Spain, Italy, Romania

- Donation drives for Ukrainian refugees were held by KRUK Spain and KRUK Italy as part of employee volunteering initiatives, with the collected goods transferred to non-governmental organisations.



- KRUK Romania will donate funds to support non-governmental organisations assisting refugees in the coming quarters of 2022.

Czech Republic and Slovakia
Support for NGOs

- During the first quarter, financial assistance was provided for the purchase of toiletries and car seats and for organisation support.
- From April 2022, the full annual allocations of up to EUR 30 thousand will be provided to the NGOs supporting refugees from Ukraine, Catholic Charity Czech Republic of Hradec Kralove and Catholic Charity Slovakia of Vyšné Nemecké.

All our activities dedicated addressing the difficult situation in Ukraine will be summarised in our next sustainability report for 2022.



5

Our environmental responsibility

We monitor and reduce our environmental footprint



We identify, analyse and monitor our environmental footprint. We drive improvements and apply state-of-the-art technologies but first and foremost we harness our potential to raise awareness and educate people on environmental responsibility.

[GRI 103-1, 103-2, 103-3 Aspect: Energy, emissions]

At the KRUK Group, we recognise how important it is to act on your promises. Therefore, we have started with ourselves to drive environmental change. We have reduced our environmental footprint by rolling out both small and major improvements across the organisation, which, put together, make a big difference.

Although our operations do not have a wide-ranging environmental impact, we are aware that even the smallest changes contribute to a global effect. Looking for improvements across our companies, we have identified areas for improvement and deployed tailored solutions:



We completed the purchase of new cars for KRUK SA. field service staff. A key criterion for selecting the new cars was low fuel consumption and lower carbon dioxide emissions (121g/km).



Encouraging staff to properly dispose of waste electrical and electronic equipment, Wonga.pl carried out an e-waste drive in their offices.



Following optimisation of its office space, our Czech subsidiary donated some of its fully functional furniture and electronic equipment to local schools in line with circular economy principles.



The Group celebrated the sixth anniversary of KRUK Italia by planting 60 trees. KRUK Italia also participated in the Plastic Free Walk in La Spezia, an event promoting reduction in plastic consumption.

We keep track of our energy consumption

[GRI 302-1]

Total energy consumption from non-renewable sources, by fuel types used*

	2021
Gasoline (m ³)	328.85
Diesel oil (m ³)	452.14
Natural gas (m ³)	64,976.44
Hard coal (GJ)	226.08
Lignite (GJ)	120.80
Natural gas [m ³]	9,991.42
Other (GJ)	12.14

* Including market data from the Czech Republic and Slovakia, Wonga.pl, and an adjustment to coal consumption units used (this differs from the data disclosed in the non-financial report forming part of the Directors' Report on the operations of the KRUK Group and KRUK S.A. for 2021).

Total energy consumption from renewable sources, by source

	2021
Wind power (GJ)*	717.11
Hydropower (GJ)*	6.65
Biomass (GJ)*	15.06
Solar energy (PV. GJ)*	8.29
Biogas (GJ)*	3.85
Other types (GJ)*	6.77
Other (GJ)	12.14

* dane za Wonga.pl sp. z o. o.

Total energy consumption*

	2021
Electricity (kWh)	748,694.71
Heat (GJ)	6,067.32
Cooling (GJ)	4,913.00
Other (GJ)	12.14

* Including market data from the Czech Republic and Slovakia, Wonga.pl, and an adjustment to coal consumption units used (this differs from the data disclosed in the non-financial report forming part of the Directors' Report on the operations of the KRUK Group and KRUK S.A. for 2021).

Carbon footprint

In monitoring our environmental impacts, we measure our carbon footprint in terms of direct (Scope 1) emissions and indirect (Scope 2) emissions.

[GRI 305-1]

Direct (Scope 1) greenhouse gas emissions

Source type	Carbon footprint [tCO ₂ e/year]
Stationary (total), of which:	735.77
gas	694.66
coal	32.76
refrigerants	8.35
Mobile (total), of which:	1,950.40
fuel	757.24
diesel oil	1,193.16
TOTAL	2,686.17

Direct (Scope 1) greenhouse gas emissions, by location

Market	Carbon footprint [tCO ₂ e]
Poland	1,687.10
Romania	483.58
Italy	270.09
Czech Republic and Slovakia	129.06
Spain	116.34
TOTAL Scope 1	2,686.17

[GRI 305-2]

Indirect (Scope 2) greenhouse gas emissions, by energy type

Energy type	Carbon footprint [tCO ₂ e/year]
Electricity	832.15
Heat	1,082.65
TOTAL	1,914.80

Indirect (Scope 2) greenhouse gas emissions, by location

Market	Carbon footprint [tCO ₂ e]
Poland	1,750.78
Romania	90.74
Italy	23.52
Czech Republic and Slovakia	27.07
Spain	22.69
TOTAL Scope 2	1,914.80

Scope 1 and 2 emissions were calculated according to the following standards: The Greenhouse Gas Protocol A Corporate Accounting and Reporting Standard Revised Edition, GHG Protocol Scope 2 Guidance. Scope 1 includes combustion of gasoline and diesel oil in company cars, combustion of natural gas, and consumption of refrigerants. Scope 2 includes consumption of electricity and heat.



GOOD PRACTICE

On Earth Day celebrated in April, KRUK S.A., in partnership with the Fundacja EkoRozwoju charitable trust, delivered a dedicated webinar to its employees *Climate to change, or how to save the climate and improve the quality of our lives*. The purpose of the meeting was to raise employee awareness of the need to take care of the environment and to improve the quality of life both for us and for future generations.

We reduce paper use in our principal business

Our work as a financial services provider inherently involves record keeping. For years, we have been streamlining and optimising our business processes to reduce paper consumption. We have deployed an electronic document workflow system at KRUK S.A. (to the extent permitted by law). We seek to reduce hard-copy correspondence with customers, and we have encouraged customers to use our e-KRUK online platform ever since 2017. We are consistently rolling out the solutions tried and tested at the parent company into other geographies. We use electronic signature in Poland and Spain, and in 2021 KRUK Romania also started using biometric signature among Romanian field service staff. All these efforts contribute to reducing the volume of paper documents we generate.

New technologies helped KRUK to save 550,000 sheets of paper across its geographies in 2019–2021. Placed side by side, they would take up the space of nearly five full-sized soccer fields.

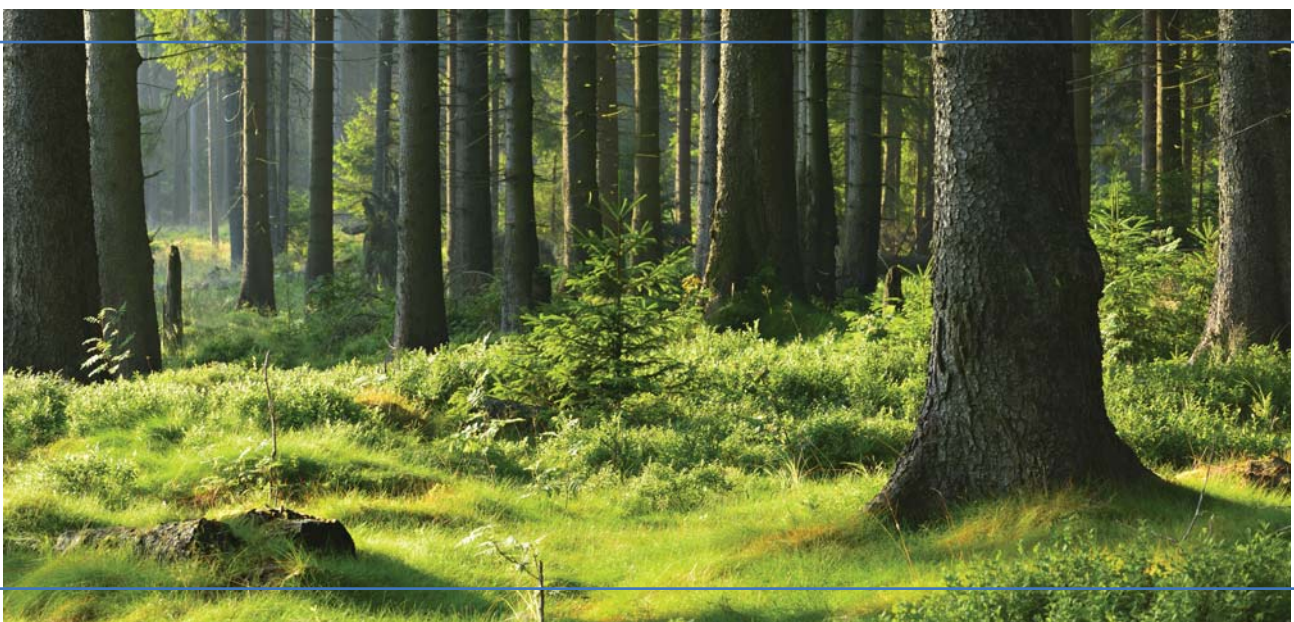
We contribute to raising environmental awareness

Debt is not the only thing we tackle at the KRUK Group. In 2021, Earth Overshoot Day landed on July 29, almost a month earlier than in 2020. Within seven months, humanity used all the biological resources that Earth regenerates naturally in a year.

We believe that ecological debt is much like financial debt. We all need to feel the sense of responsibility for its repayment to save our children from inheriting it. To that end, since 2019 we have worked to raise awareness of ecological debt and put the spotlight on curbing over-consumption as a key countermeasure.

In 2021, we conducted the survey *Economic and environmental attitudes vs. consumerism among Poles*⁹, which demonstrated the percentage of people who realise how soon we will run out of Earth's resources if we keep up our current lifestyles rose slightly in 2021 relative to 2019 (from 4% to 9%). As many as 75% of respondents still believe that the resources Earth generates in a year will suffice for at least five years.

We share the insights gained from our surveys, including those held to mark Earth Overshoot Day, with the general public. We warn against the environmental implications of excessive consumption, and we emphasise the need to overcome consumerism. In 2021, close to 300 employees participated in environmental initiatives, with the awareness raising campaign reaching an audience of 100,000 across the Group's markets.



⁹ The Ariadna panel survey commissioned by KRUK S.A., *Economic and environmental attitudes vs. consumerism among Poles*, was conducted on June 11th to June 14th 2021 on a sample of Poles over 18 years old (N=1088). Survey methodology: CAWI.

About this report

[GRI 102-50, 102-54]

This report covers the period from January 1st to December 31st 2021 (unless stated otherwise). This report was prepared in accordance with GRI Standards at the Core application level.

The KRUK Group prepares its sustainability reports on an annual basis (previously they were published as non-financial statements forming part of the Directors' Reports on the operations of the KRUK Group and KRUK S.A. (in accordance with the Accounting Act). The most recent report covered the period from January 1st to December 31st 2020 and was issued in 2021.

[GRI 102-51, 102-52, 102-45]

This report covers all KRUK Group companies.

[GRI 102-49]

Due to a change in the approach to ESG management and the methodology for calculating human resources management (GRI 102-7, 102-8, 401, 403, 404) and environmental management (302, 305) metrics, no comparative data from prior years is provided in this report.

[GRI 102-56]

The structure of this report and its contents was based on the materiality matrix (see Section 1.4). This report was not subject to external assurance by a third party.

[GRI 102-53]

Contact person

Any questions, concerns or suggestions regarding this report and feedback on ESG matters should be directed to:

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Unless otherwise stated, the contact person is competent for all ESG matters.

GRI CONTENT INDEX

Disclosure number	Disclosure name	Page in this report
Organizational profile		
102-1	Name of the organization	6
102-2	Activities, brands, products, and services	8
102-3	Location of headquarters	6
102-4	Location of operations	7
102-5	Ownership and legal form	7
102-6	Markets served	7
102-7	Scale of the organization	10
102-8	Information on employees and other workers	33
102-9	Supply chain	22
102-10	Significant changes to the organization and its supply chain	7
102-11	Precautionary principle or approach	17
102-12	Externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses	21
102-13	Membership of associations	21
Strategy		
102-14	Statement from senior decision-maker	2
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behavior	12
102-17	Mechanisms for seeking advice about ethical and lawful behavior, and organizational integrity	14
Corporate governance		
102-18	Governance structure of the organisation, including committees of the highest governance body	11
102-25	Conflicts of interest	16
Stakeholder engagement		
102-40	A list of stakeholder groups engaged by the organization	19
102-41	Percentage of total employees covered by collective bargaining agreements	33
102-42	The basis for identifying and selecting stakeholders with whom to engage	29

102-43	The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	19
102-44	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	20

Reporting practice

102-45	Entities included in the consolidated financial statements	55
102-46	The process for defining the report content	20
102-47	Material topics identified	20
102-48	The effect of any restatements of information given in previous reports, and the reasons for such restatements (mergers or acquisitions, change of base years or periods, nature of business, measurement methods)	Nie wystąpiły
102-49	Significant changes from previous reporting periods in the list of material topics and topic boundaries	55
102-50	Reporting period	55
102-51	The date of the most recent previous report	55
102-52	Reporting cycle	55
102-53	The contact point for questions regarding the report	55
102-54	The claim made by the organization, if it has prepared a report in accordance with the GRI Standards, either the Core or Comprehensive option	55
102-55	GRI Content Index	56
102-56	The policy and current practice with regard to seeking external assurance for the report	55

Anti-corruption and public policy

103-1	Explanation of the material topic and its boundary	16
103-2	The management approach and its components	16
103-3	Evaluation of the management approach	16
205-3	Confirmed incidents of corruption and actions taken	16
415-1	Total monetary value of financial and in-kind political contributions	47

Energy, emissions

103-1	Explanation of the material topic and its boundary	50
103-2	The management approach and its components	50
103-3	Evaluation of the management approach	50
302-1	Energy consumption within the organization	51
305-1	Direct (Scope 1) GHG emissions	52
305-2	Indirect (Scope 2) GHG emissions	52

Employment, training and education of employees

103-1	Explanation of the material topic and its boundary	32
103-2	The management approach and its components	32
103-3	Evaluation of the management approach	32
401-1	Total number and rate of new employee hires and employee turnover during the reporting period	34
401-2	Benefits provided to full-time employees	36
404-2	Programs for upgrading employee skills	40

Employee health and safety

103-1	Explanation of the material topic and its boundary	41
103-2	The management approach and its components	41
103-3	Evaluation of the management approach	41
403-7	Prevention and mitigation of occupational health and safety impacts	41
403-8	Workers covered by an occupational health and safety management system	41
403-9	Work-related injuries	42

Non-discrimination

103-1	Explanation of the material topic and its boundary	14
103-2	The management approach and its components	14
103-3	Evaluation of the management approach	14
406-1	Total number of incidents of discrimination	14

Marketing and labelling

103-1	Explanation of the material topic and its boundary	27
103-2	The management approach and its components	27
103-3	Evaluation of the management approach	27
417-3	Total number of incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications	27

Customer privacy

103-1	Explanation of the material topic and its boundary	30
103-2	The management approach and its components	30
103-3	Evaluation of the management approach	30
418-1	Total number of substantiated complaints concerning breaches of customer privacy and losses of customer data	30

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