



Non-financial Report of the CIECH GROUP for 2019



We are providing a courtesy English translation of our non-financial report which was originally written in Polish. We take no responsibility for the accuracy of our translation. For an accurate reading of our non-financial report, please refer to the Polish language version of our non-financial report.





Dear Sirs and Madams,

I sincerely invite you to read the non-financial report of the CIECH Group for 2019, presenting the impact of our company on its environment and initiatives we have taken in the areas of sustainable development, environmental protection or employee matters.

The CIECH Group is one of the most important chemical companies for the Polish economy, a leading Polish foreign investor and exporter. Our products, used to manufacture goods for millions of people around the world, are exported to about 100 countries around the world, on all continents. In Poland alone, the direct, indirect and induced effects of our business translate into many thousands of jobs, hundreds of millions of zlotys of income for the public sector and over a billion zlotys of value added to GDP. In addition, each of our Group's eight production facilities is an important player in the social and economic life of its region.

We are aware that we are an important link in the European economy, hence sustainable and socially responsible growth is an important aspect of the strategy adopted by the Supervisory Board of CIECH S.A. for 2019-2021. In addition to precisely formulated business plans, it also includes a number of measures aimed at reducing CO₂ emissions from our plants, responsible management of natural resources and harmonised cooperation with local authorities and local communities.

However, the foundation of the CIECH Group's future are its employees – 2019 was marked by profound changes in the area of improving working conditions and creating an environment of development for our employees. We have increased the extent to which senior managers participate in making decisions about the company, as well as changed the organisational structure, focusing on visibility, transparent information flow and the ability to focus on business objectives.

We have intensified processes aimed at responsible use of natural resources and reducing our carbon footprint. We have set up a team that prepares measures ranging from strategic and large-scale projects of abandoning coal as an energy fuel, through a number of upgrades of existing plants, to innovative solutions developed together with research centres. We have been implementing projects that contribute to the minimisation of pollution emitted to the atmosphere and, at the same time, we have been introducing solutions and procedures that affect not only the efficiency of production processes by optimising the use of raw materials, but also the safety of our plants.

Our campaign #dobryśasiad (#goodneighbour) encompasses measures taken in the environments in which we are present. They include support for cultural, sports and educational initiatives. We intend to intensify such efforts in the coming years, focusing on education and improving the quality of life in the vicinity of our plants.

Hundreds of chemical products, manufactured every day in our plants, are vital for many sectors of today's economy which are crucial in these challenging times for the economic condition of the whole country. That is why we feel responsible not only for supporting economic growth and prosperity, but also for sustainable development with respect for natural resources, supporting important social initiatives and building partnership relations with our environment: investors, employees, counterparties and local communities.

We consistently build a modern chemical conglomerate that grows for the benefit of the world, its environment and the people who create it. This is the view we present in the Non-financial Report for 2019 which I strongly encourage you to read.

Kind regards

Dawid Jakubowicz

President of CIECH S.A. Management Board



PLN 3,5 billion

- value of sales revenues of CIECH Group for 2019



PLN 578 million

- EBITDA for 2019



PLN 663 million

- EBITDA (adjusted) for 2019



3,705

- number of employees in CIECH Group in 2019



8

production plants
(6 in Poland, 1 in Germany,
1 in Romania)



120

research and development projects



100

- number of markets that our products go to



PLN 41 million

- expenses of the CIECH Group in 2019 for environmentally friendly investments



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D1 Our Group





1. OUR GROUP

1.1 Characteristics of the CIECH Group

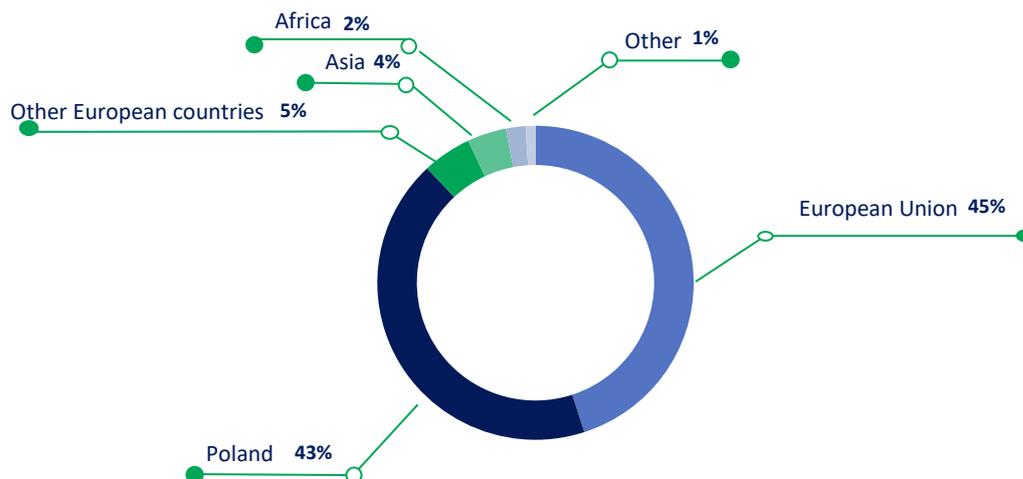
CIECH Group is one of the largest Polish chemical companies with global presence.

We make products which are used to manufacture items essential in everyday life of people all over the world. We deliver top-quality chemicals: sodium carbonate (2nd place in Europe), sodium bicarbonate, salt, polyester and epoxy resins, agro products, glass products and other chemicals. They are used in many industries: glass, detergent, furniture, automotive, construction, food and beverage, agricultural, pharmaceutical, chemical and consumer goods.

Figure 1. Key operating segments and major categories of CIECH Group products

	 SODA SEGMENT	 ORGANIC SEGMENT	 SILICATES AND GLASS SEGMENT	 TRANSPORT SEGMENT
COMPANIES	CIECH CIECH Soda Polska CIECH Soda Deutschland CIECH Soda Romania	CIECH CIECH Sarzyna CIECH Pianki Proplan	CIECH CIECH Vitrosilicon CIECH Soda Romania	CIECH CIECH Cargo
PRODUCTS SERVICES	soda ash evaporated salt baking soda energy	epoxy resins polyester resins saturated and unsaturated agro products polyurethane foams	lanterns and jars sodium and potassium silicates	transport services forwarding services transshipments siding operations railcar rental
CUSTOMERS	glass industry food detergent industry pharmaceutical households	agriculture furniture industry households	chemical food detergent industry paint industry households	major companies of the CIECH Group
MARKETS	global	global	global	domestic

The core sales market for CIECH Group is the European Union, including mainly Poland, Germany and Central and Eastern European countries. Our products are also shipped overseas, mainly to India, North Africa and the Middle East.

Figure 2. Geographical structure of CIECH Group revenue in 2019


The Group includes eight production plants, and trade and service companies. Four largest production plants (2 in Poland, 1 in Germany and 1 in Romania) operate in the soda segment and manufacture sodium carbonate, salt and soda derivatives; the plant in Romania produces glassy sodium silicate and sodium water glass. The other four plants are located in Poland and are dedicated to the organic segment, and to silicates and glass segments. Currently, soda production at the plant in Romania has been suspended (for more information, see Section 1.1 of the Management Board Report on Activities of the CIECH Group and CIECH S.A. in 2019).

Figure 3. Key companies of the CIECH Group in 2019*


* On 2 January 2020, the demerger of CIECH Sarzyna S.A., by separating the Resins area into CIECH Żywiec Sp. z o.o., was registered.



We employ over 3,700 people, including almost 1000 in Germany and Romania.

The parent company of the CIECH Group is CIECH S.A. with its registered office in Warsaw, ul. Wspólna 62.

The CIECH Group is supported by a reliable strategic investor



— KI CHEMISTRY
(company from the group **KULCZYK INVESTMENTS**)

CIECH S.A. is listed on the Warsaw Stock Exchange and Frankfurt Stock Exchange. Our main shareholder (51% of shares) is an international investment group called KI Chemistry, a Kulczyk Investments group company.

For more information about CIECH S.A.'s shareholding structure, see the Management Board Report on Activities of the CIECH Group and CIECH S.A. in 2019, available at www.ciechgroup.com.

1.2 CIECH Group business model.

The CIECH Group consists of domestic and foreign manufacturing, distribution and trade companies operating in the chemical industry. In 2019, strategic and operational goals are implemented by an organisational structure based on business units and functional areas, including corporate, technical, supply chain management and support functions.

CIECH Group consists of **38 business entities**. We operate in the following segments: soda, organic, silicates and glass, and transport.

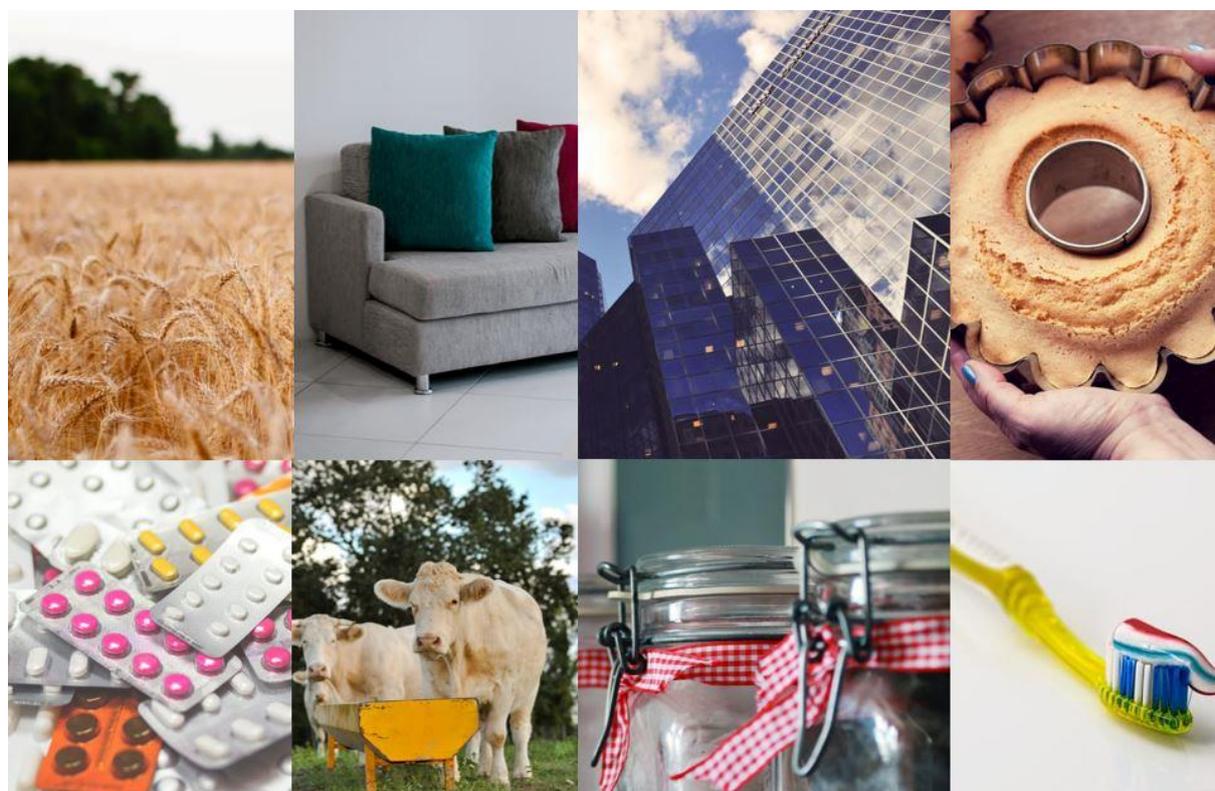
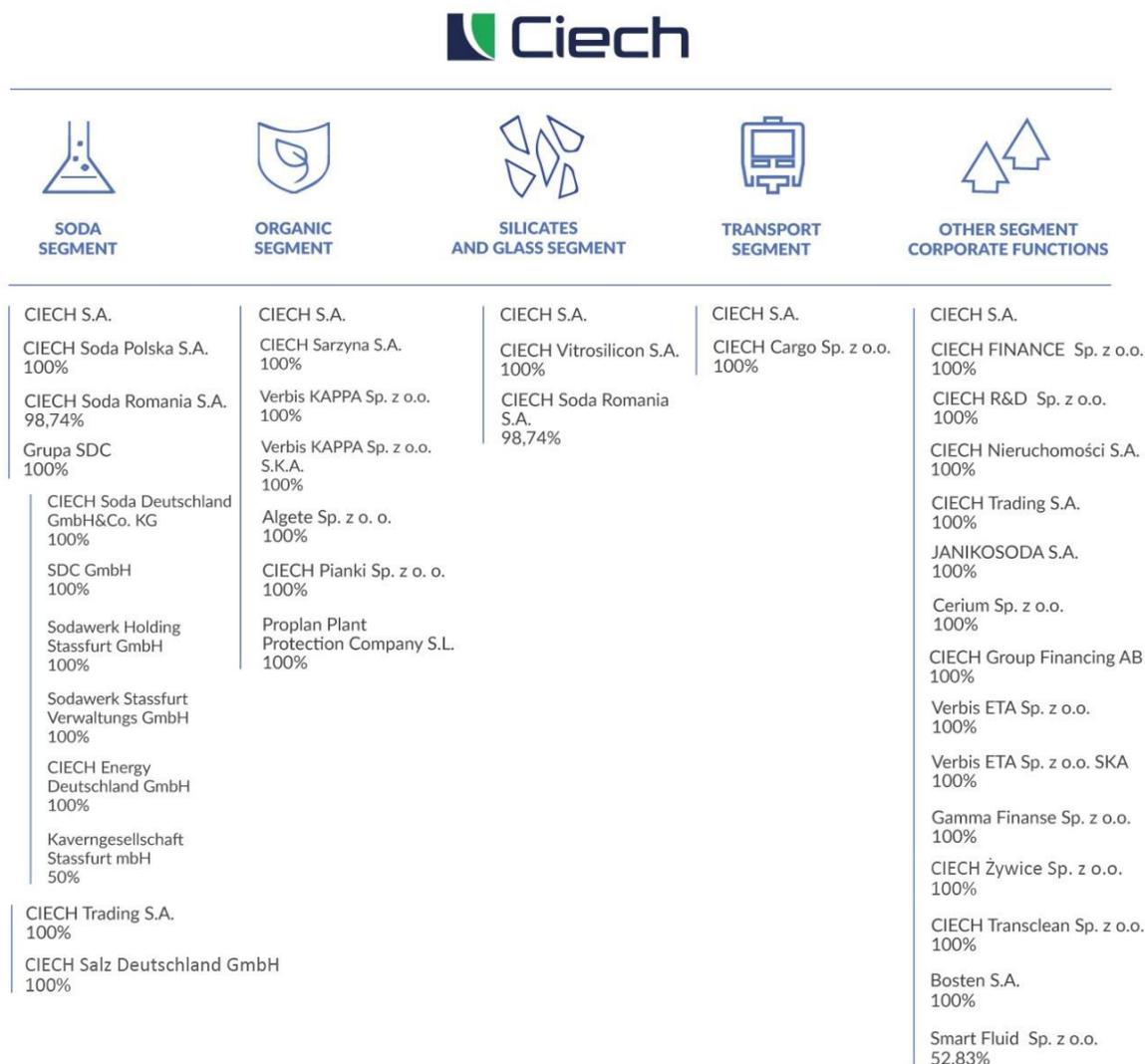




Figure 4. Structure of the CIECH Group – companies consolidated and valued using the equity method



In 2019, the CIECH Group's business model was based on the Matrix Management model in which the heads of specific areas within CIECH S.A are responsible for their proper functioning in the entire CIECH Group.

Main assumptions of CIECH Group's business model applicable in 2019:

- Concentration of a wide range of business and support functions at CIECH S.A. level.
- For management purposes, establishment of so-called Business Units within segments, which are focused on product groups and responsible for product manufacturing and sales.
- Focusing production companies on their production activity.
- Clear division of competences and responsibilities (operational management of production companies by the holding company).
- Reduction of positions related to overlapping business and support functions.
- Centralisation of management of finance, IT, HR and legal area.

Management Board of CIECH S.A. – scope of responsibilities

Dawid Jakubowicz, President of the Management Board

- Strategy Department
 - Legal Department
 - Compliance Department
 - Internal Audit Department
 - Controlling Department
 - Accounting Department
 - Finance Management Department
 - Logistics, S&OP Department
 - HR and Administration Department
 - IT Department
 - Corporate Supervision Department
 - Strategic Organisational Project Department
 - CIECH S.A.'s Branches in Poland, Germany and Romania
 - Independent position: Representative of the Management Board for Investor Relations, Public Relations Manager / Press Officer
-

Mirosław Skowron, Member of the Management Board

- Investment/PMO Department
 - Power Engineering Department
 - Purchasing Department
 - Asset and Safety Management Department (including OHS)
 - Environmental Department
 - Quality Management Department
 - Strategic Investment Project Department
 - Operational Excellence
 - Risk Department
-

Members of CIECH Group Supervisory Board as at 31 December 2019

- **Sebastian Kulczyk**, Chairman of the Supervisory Board,
- **Tomasz Mikołajczak**, Vice Chairman of the Supervisory Board,
- **Piotr Augustyniak**, Member of the Supervisory Board,
- **Marek Kośnik**, Member of the Supervisory Board,
- **Mariusz Nowak**, Member of the Supervisory Board,
- **Artur Olech**, Member of the Supervisory Board.

Following the resignation of Mr Mariusz Nowak from the Supervisory Board of CIECH S.A. as of 22 January 2020, on 23 January 2020 the Extraordinary General Meeting of Shareholders of CIECH S.A. appointed Mr Łukasz Rędziniak to the Supervisory Board of CIECH S.A.

For more information on the composition of the Management Board and the Supervisory Board as well as changes in 2019, see the Management Board Report on activities of the CIECH Group and CIECH S.A. in 2019, available at www.ciechgroup.com.

Improving business operations – REORGANISATION CONCEPT OF THE CIECH GROUP

In March 2019 the Management Board of CIECH S.A. launched a new Business Operation Improvement Programme which included, among other things, the development of the Reorganisation Concept of the CIECH Group. The Concept provides for the division of competences within the CIECH Group among individual business areas and the Company. The adoption of the Reorganisation Concept is to serve the achievement of the key goal under the Strategy, i.e. the creation of an effective and diversified chemical holding generating long-term positive value for shareholders, as well as improvement of business and decision-making processes and improving the transparency of the operation of the CIECH Group. As part of the implementation of the Reorganisation Concept, activities have been envisaged which are aimed at separating independent entities within the CIECH Group that will constitute Business Units (BUs) or will be part of the individual CIECH Group BUs:

- BU Soda;
- BU Salt;
- BU Agro;
- BU Resins;
- BU Silicates;
- BU Packaging;
- BU Foams.

CIECH S.A. will operate as the entity managing the CIECH Group, responsible, among others, for building the long-term and sustainable value of the CIECH Group for all shareholders, defining the strategy of the CIECH Group, including individual BUs, setting goals for the BUs as well as monitoring and accounting for their achievement, providing specified services to BUs, and building and maintaining the desired organisational culture within the CIECH Group.

The purpose of the planned activities is to create such a structure of the CIECH Group in which each BU will operate as a separate company or a sub-holding company. BUs will be responsible for the implementation of their strategy and their financial performance. All companies and sub-holding companies forming BUs will ultimately depend on the Issuer. In accordance with the assumptions of the Reorganisation Concept, there will be integration, consolidation and placing of the operational activity of the BU within such a BU. This will result, among others, in revenues and expenses from the BU's activities generated in such a BU.

In order to achieve the above, the adopted Reorganisation Concept involves a number of corporate activities, as a result of which the target structure of the CIECH Group is to be achieved through the division of companies or transfer of assets within the CIECH Group (i.e. contributions in kind, sale and liquidation of some companies, if applicable). Understandably, we do not rule out changing the reorganisation method with regard to activities arising from the Reorganisation Concept, depending on the progress in obtaining necessary approvals or any other legal or business issues. In addition, further simplification of the CIECH Group structure is planned through mergers or liquidations of other subsidiaries of CIECH S.A. with less significance for the Group.

Given the complexity of this process, the need to obtain numerous administrative approvals and decisions, and the need to implement intra-group processes, such as divisions, capital increases requiring registration by competent courts, etc., at this stage, the planned date of the completion of the process of implementing the Reorganisation Concept is the end of 2022.

The Reorganisation Concept has been prepared in consultation with renowned tax and legal advisors in order to ensure that its implementation is carried out, to the largest extent, in a transparent and safe manner, from both a legal and a tax point of view, and in particular, taking into account the legal environment, including applicable laws and their current interpretation as presented by tax authorities or administrative courts.

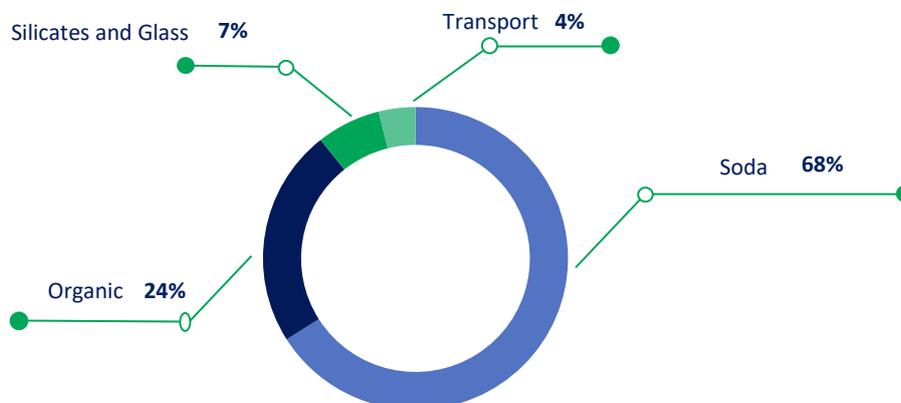
In 2019, as part of the reorganisation process, the first steps were taken with regard to CIECH Sarzyna S.A. which operates in two areas: BU Agro and BU Resins. In October, management boards of CIECH Sarzyna S.A. and CIECH Żywiec Sp. z o.o. agreed on the demerger of CIECH Sarzyna S.A. by spinning off BU Żywiec to CIECH Żywiec Sp. z o.o.

The adoption of the CIECH Sarzyna S.A. Demerger Plan is aimed at achieving the key objective under the Strategy, i.e. creating an effective and fully diversified chemical holding company that generates positive value for shareholders in the long term. In the opinion of the Management Board of CIECH S.A., the demerger will ensure that each company will focus on a single business and increase its efficiency by focusing on the development of a given product category and specialisation in the respective area.

1.3 Operating segments.

In 2019, our operations are focused on four key segments: Soda, Organic, Silicates and Glass, and Transport.

Figure 5. CIECH Group revenues in 2019 by segment (including inter-segment transactions)



Soda segment

Soda is one of the basic semi-finished products (raw materials) of modern chemistry that has a wide range of industrial applications. CIECH Group develops a portfolio of high-quality soda-based products, including:

1. **Soda ash** – one of the basic raw materials for glass production; it is also used for the production of washing and cleaning products, in metallurgy and chemical industry to produce certain types of mineral fertilizers, dyes and pigments, etc.
2. **Baking soda (sodium bicarbonate)** – used in the production of animal feed (as an acidity regulator), food (as an ingredient of baking powder and sparkling drinks, etc.), pharmaceuticals (as API or excipient), detergents and cosmetics, and for purifying exhaust fumes.
3. **Evaporated salt** – widely used in the chemical industry (electrolysis, detergent and dye production), food industry, as well as in water treatment and softening.
4. **Sorbeco** – used by medium CHP plants and by CHP plants fuelled with biomass; its high quality ensures very good efficiency of dry flue gas desulphurisation — it lowers SO₂ emissions by 90%.
5. **Calcium chloride** – it is used commonly in road maintenance, construction industry, chemical industry, as well as coal, oil and gas mining.

**CIECH Group is:**

- the largest producer of soda ash in the CEE region and the second largest in Europe,
- the largest evaporated salt producer in Poland.

Organic segment

This segment includes:

1. **Crop protection products** – the most famous trademarks of the company include AGRO brands, i.e. Chwastox, Agrosar, Sarox, Ekonom, and ZIEMOVIT, a Home and Garden brand. The product range in this group was significantly extended following the acquisition in 2018 of a Spanish company called Proplan, which has more than 100 product registrations in its product range.
2. **Resins** – used for the production of polyester and glass laminates, glass fibre reinforced products used to manufacture sports and tourist floating equipment, bathtubs, tanks, garden decorations, etc. They are also used in the production of powder paints, varnishes and glues.
3. **Polyurethane foams** – used mainly in production of furniture and sleeping mattresses. They are used in the automotive industry (production of car seats and finishing elements), construction industry and textile industry.

**CIECH Group is:**

- the largest domestic producer of crop protection chemicals and leader of the herbicides market,
- the main domestic producer of resins available on European markets,
- one of the largest suppliers on the polyurethane foams domestic market.

Silicates and Glass segment

1. **Glass products** – a range of around 300 designs of lanterns, including lanterns for jar candles and custom designs, dedicated to individual customers, DZK-Komfort clasp jars and typical twist-off jars for the food processing industry.
2. **Silicates** – used to produce precipitated silica, detergents and paper.



Transport segment

Transport segment operations are focused on domestic rail transport services, including rental of rail carriages, rail cargo transport services and maintenance of rail sidings. The main customers are CIECH Group companies but we are continuously increasing the range of transport services provided to companies from outside the Group.

Other operations

The other operations of the CIECH Group include goods and services out of the scope of our key segments. In addition to trading activities, this segment also includes companies that support Group operations in terms of real property sales and management, granting licences to CIECH Group companies for the use of trademarks and financing activities.

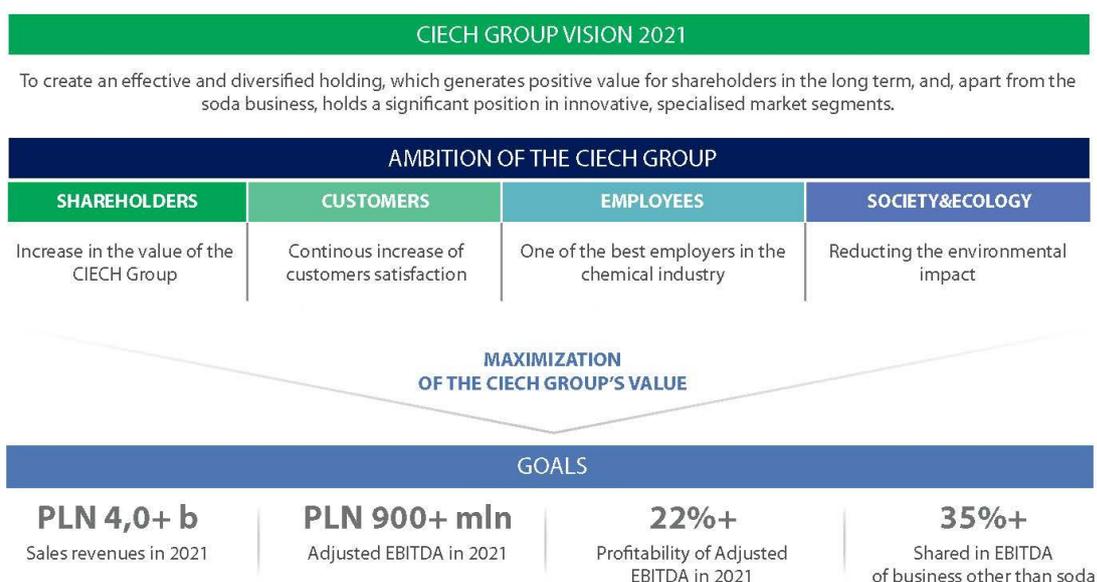
For more information about production processes, production capacities and key sales markets of each segment, see the Management Board Report on activities of the CIECH Group and CIECH S.A. in 2019 available at www.ciechgroup.com.

1.4 CIECH Group strategy.

The Management Board of CIECH S.A. analyses the market environment on an ongoing basis and identifies innovative solutions aimed at building the value of the CIECH Group. Therefore, the Management Board presented an update of the CIECH Group strategy for 2019-2021, approved by a resolution of the Supervisory Board on 6 December 2018.

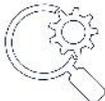
According to the adopted document, the strategic objective is to maximise the CIECH Group's value, primarily by increasing competitive advantages in the key soda business, continuous improvement of customer service, further investing in the development of specialist businesses in other segments, intensive use of innovations and the effects of R&D efforts to increase production efficiency and expand the product portfolio and value creation through changes in the asset portfolio.

The CIECH Group's vision and ambition is to create real value for all stakeholders.

Figure 6. CIECH Group's vision and ambitions for 2019–2021

Table 1. Objectives set in the CIECH Group's strategy for 2019–2021 will be implemented through:

 Soda segment	<p>Increasing the efficiency of the soda business, which will translate into an increase in customer satisfaction and enable the Group to increase its share in the sodium bicarbonate market, and growth of the salt business by, among other things:</p> <ul style="list-style-type: none"> ▪ increasing production capacity of sodium bicarbonate and expanding the portfolio to include, among others, sodium bicarbonate for dialysis (soda), ▪ a programme of continuous production efficiency improvement, also through modernisation in the area of energy (soda and salt), ▪ a programme of increasing maintenance efficiency (soda and salt), ▪ commencing production and sales of products from the new plant in Germany with capacity of 450 thousand tonnes by 2021, which means +75% compared to the current capacity (salt), ▪ increasing the share of the Group's products in the specialist products market, including, among others, salt tablets, pharmaceutical salt and granulated salt (salt).
 Organic segment	<p>Consistent strengthening of the market position in the organic segment through, among other things:</p> <ul style="list-style-type: none"> ▪ expanding the portfolio of active substances (increase by 40+) and new product registrations (increase by 200+) (crop protection chemicals), ▪ strengthening the position on key markets, i.e. Poland and Spain, and developing sales on other markets (crop protection chemicals), ▪ increasing the share of sales outside Poland to 40% (crop protection chemicals), ▪ development of specialist products (resins), ▪ maintaining current market position (foams).
 Silicates and Glass segment	<p>Selective strengthening of the market position through, among other things:</p> <ul style="list-style-type: none"> ▪ taking advantage of the growing silicates market, ▪ maintaining current market position in glass packaging.
 Organisational culture	<p>The HR vision involves building an environment in which the best people can grow and create a culture of effectiveness, thus implementing the Group's strategy:</p> <ul style="list-style-type: none"> ▪ building the best teams, ▪ creating a culture of continuous efficiency improvement, ▪ introducing state-of-the-art performance review and career planning tools.

Table 2. Key strategic activities completed in 2019

 <p>Soda segment</p>	<ul style="list-style-type: none"> ▪ Increase of the share of sales to end customers, ▪ Development of logistics and post sales services. ▪ Taking advantage of the economic upturn and effective relocation of volumes, which resulted in increased prices. ▪ Relocation of sales towards higher-margin markets. ▪ Expansion of sales on the Polish feed and food market (sodium bicarbonate). ▪ Inter-segment diversification through introduction of new, highly processed products into the product portfolio – implementation of an investment in pharmaceutical-grade soda. ▪ Flexible reactions to production constraints in CSR (sodium carbonate) and CSP (sodium carbonate and bicarbonate), active management of volumes between locations allowed to maintain continuity of supply to sensitive customers. ▪ All these efforts are somewhat overshadowed by the situation of the Romanian plant affected by the mining disaster at CET's Alunu lignite mine which triggered a series of events with the final decision to hibernate CSR. ▪ Improvement in salt-related logistics through the construction of a high-storage warehouse. ▪ Expansion of the salt product range – licks and salt granules.
 <p>Organic segment</p>	<ul style="list-style-type: none"> ▪ Work on the strategy of product portfolio expansion in the R&D – AGRO area. ▪ Expansion of the existing product portfolio, a significant investment supporting the development of the CHWASTOX brand – obtaining full registration for all cereal crops in Poland, a significant extension of the registration in the field of weed control, essential for complete protection. ▪ New strategy to reach key markets: CIECH Proplan SOLUCIONES in Spain, NEW AGRICULTURE SCOPE in Poland; new structure and division of markets in the Export Department. ▪ Intense advertising campaigns in the Distribution Channel, targeted at the end customers, i.e. farmers – supported by innovative loyalty programs. ▪ Intensification of new product registrations in Poland (another 5 products based on CIECH's new active substances), several registrations on the very promising market in Romania, several new registrations in Spain and Mediterranean countries. ▪ Close cooperation with suppliers of key substances and components in the most important markets in China and India. ▪ Dynamic development of the R&D Department, obtaining GLP certificate for the CIECH laboratory in Warsaw. ▪ In the first quarter of 2019, SaniGel®, a sanitary gelcoat, was released on the Polish market, enabling the production of high quality sanitary products, such as washbasins, shower trays and bathtubs. In less than a year since the start of sales, the new product has been so popular with customers that an increase in production capacity is being considered. ▪ Increasing the production capacity of PUR foams, as well as elimination of production bottlenecks as a result of completion of a long block warehouse. ▪ Implementation of OEKO-TEX® standard 100 class 1 certification and process of STeP by OEKO-TEX® certification (final stage) to consolidate the strong market position in the PUR foam industry.
 <p>Silicates and Glass segment</p>	<ul style="list-style-type: none"> ▪ Expanding the range of liquid silicates with new products dedicated to specialist applications: VITROCER, VITROTECH and VITROAGRO.
 <p>Optimisation and development</p>	<ul style="list-style-type: none"> ▪ Continued development of the R&D area to support the development of products responding to growing needs of the market. The CIECH Group also implements a number of R&D projects aimed at improving the efficiency of plants.

1.5 Management standards.

CIECH Group aims at setting standards for modern management, innovation, high quality of products and co-operation with customers and business partners.

Our operations are compliant with the concept of sustainability according to which economic, social and environmental issues are critical elements of our business strategy, with special attention to the following areas:

- employee relations,
- corruption prevention,
- environmental protection.

These rules are set forth in the CIECH Group Code of Conduct which describes in detail the standards of conduct for the Group and its employees in specific areas.

Activities undertaken by the CIECH Group are supported by implemented management system procedures based on international standards, ISO standards and numerous internal regulations.

Compliance System

In 2018, the Compliance System was implemented at the CIECH Group. It is a set of procedures and systems mitigating legal risks. The new system is supposed to extend the existing CIECH Group's regulations. It includes updated policies and procedures concerning employees, social issues, environment, human rights, and corruption prevention.

Table 3. Policies and procedures regulating non-financial areas in the CIECH Group

Employees	<ul style="list-style-type: none"> ▪ CIECH Group Code of Conduct, ▪ CIECH Group Information Security Policy, ▪ Procedure: CIECH Group Ethics Committee Regulations, ▪ Procedure: Giving and receiving gifts and invitations in the CIECH Group, ▪ Procedure: Bullying and discrimination prevention in the CIECH Group working environment, ▪ CIECH Group Occupational Health and Safety Policy, ▪ Procedure: Managing inspections carried out by authorised authorities, services and offices, ▪ Procedure: Asking questions and reporting violations of laws, internal regulations and ethical standards applicable at the CIECH Group, ▪ Procedure: Detailed rules and procedure for employee sobriety obligation in the CIECH Group.
Social issues	<ul style="list-style-type: none"> ▪ CIECH Group Code of Conduct, ▪ CIECH Group Competition Law Compliance Policy, ▪ CIECH Group Intellectual Property Protection Policy, ▪ CIECH Group Information Security Policy, ▪ CIECH Group Conflict of Interest Prevention Policy, ▪ Procedure: Managing inspections carried out by authorised authorities, services and offices.
Environment	<ul style="list-style-type: none"> ▪ CIECH Group Environmental Protection Policy.
Human rights	<ul style="list-style-type: none"> ▪ CIECH Group Code of Conduct, ▪ CIECH Group Intellectual Property Protection Policy, ▪ CIECH Group Information Security Policy, ▪ Procedure: Bullying and discrimination prevention in the CIECH Group working environment.
Corruption prevention	<ul style="list-style-type: none"> ▪ CIECH Group Code of Conduct, ▪ CIECH Group Competition Law Compliance Policy, ▪ CIECH Group Conflict of Interest Prevention Policy, ▪ CIECH Group Fraud and Corruption Prevention Policy, ▪ CIECH Group Compliance Policy, ▪ Procedure: Giving and receiving gifts and invitations at the CIECH Group,

	<ul style="list-style-type: none">▪ Procedure: Asking questions and reporting violations of laws, internal regulations and ethical standards applicable at the CIECH Group,▪ Procedure: Rules for Monitoring and Reporting Compliance Obligations at the CIECH Group,▪ Procedure: CIECH Group Ethics Committee Regulations.
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CIECH Group Code of Conduct

Each of the present and future employees is obliged to read and comply with the rules described in the CIECH Group Code of Conduct, Policies and Procedures of the CIECH Group Compliance System. In accordance with the regulations on ethical standards. Managers communicate the rules set out therein to employees. We also expect our business partners to comply with the ethical standards adopted in the CIECH Group. Managers and other employees can read the provisions of the Code of Conduct at any time via intranet.

The ethical principles are communicated in the CIECH Group to increase the employee awareness with respect to the need, nature and effects of the applied ethical system. We encourage our employees to:

- continuously share their knowledge of ethical values,
- promote ethical principles and conduct,
- participate in cyclic trainings.

Based on a prepared set of key assumptions related to ethical principles, we have developed a **CIECH Group employee ethical conduct model**, which is a starting point of assessing behaviours outside standard ethical values effective in our Group.



The CIECH Group established an **Ethics Committee** which consists of members who have full trust of the employees and guarantee objectivity with respect to others and fair treatment. Members of the Ethics Committee are appointed by the Management Board. Employees of the CIECH Group, through dedicated tools, may ask questions and report violations of laws, internal regulations and ethical standards in force in the CIECH Group to the Ethics Committee.

Corruption prevention at the CIECH Group

In the CIECH Group, the issues related to corruption prevention are regulated by the following documents:

- Trading Policy;
- Procurement Procedures of the CIECH Group;
- Rules for Awarding Contracts;
- Rules for Ownership Supervision and Exercise of Ownership Rights;
- Rules for CIECH Group Sponsorship and Donations;
- Rules for CIECH Group Internal Control and Internal Audit;
- CIECH Group Code of Conduct;
- CIECH Group Compliance Policy,
- Procedure: Asking questions and reporting violations of laws, internal regulations and ethical standards applicable at the CIECH Group.

Thanks to the measures taken, the above documents and procedures implemented, no cases of no corruption or fraud were reported at the CIECH Group in 2019.

Respect for human rights at the CIECH Group

In the CIECH Group, we focus on promoting ethical standards and actions oriented towards respecting human rights among our stakeholders, especially our employees and business partners.

- We follow all applicable laws related to work time, overtime, salaries and other benefits provided by the employer. Salaries are paid on time according to the "Remuneration Regulations" in force.
- Our employees are free to join or leave trade unions and/or employee representation bodies at their own discretion.
- We value diverse, inclusive work environment; we don't discriminate or tolerate discrimination against people on grounds of sex, age, race, religion, disability, sexual orientation, ethnicity or any other feature protected by law.
- We do not benefit from any kind of forced labour. Our employees have control over identity documents, and do not pay any fees related to obtaining and maintaining their jobs.

- Any kind of physical and/or psychological compulsion, including bullying, is prohibited.

Documents regulating respect for human rights at the CIECH Group are as follows:

- CIECH Group Code of Conduct;
- Internal Anti-Bullying Policy;
- CIECH Group Compliance Policy;
- CIECH Group Conflict of Interest Prevention Policy;
- Procedure: Bullying and discrimination prevention in the CIECH Group working environment;
- Procedure: CIECH Group Ethics Committee Regulations;
- Procedure: Asking questions and reporting violations of laws, internal regulations and ethical standards applicable at the CIECH Group.

In 2019, no case of bullying was reported to the CIECH Group Ethics Committee.

“GDPR”

In connection with the entry into force of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) (“GDPR”), the CIECH Group has taken steps to ensure compliance with the GDPR requirements.

A Data Protection Officer has been appointed at CIECH Group companies where such an obligation occurred. In the remaining companies, an entity providing continuous advisory services in the field of personal data protection has been engaged. All matters related to the processing of personal data are consulted on an ongoing basis with the Data Protection Officer (or the entity providing advisory services, as appropriate).

The organisation has adopted the necessary internal regulations specifying the rules of conduct in the area of personal data, in particular:

- Personal Data Protection Policy;
- Instructions for evaluation of processors;
- Principles of cooperation with the Personal Data Protection Officer;
- Procedure for assessing the impact on the protection of personal data;
- Procedure for the management of personal data breaches;
- Procedure for keeping a record of processing activities and a record of categories of personal data processing activities;
- Procedure for granting authorisations to process personal data;
- Procedure for the exercise of data subjects’ rights;
- Office Instructions;
- Principles for including data protection at the design stage (privacy by design) and default data protection (privacy by default);
- Procedure for reviewing privileges and access to data.

For the purposes of the CIECH Group companies, templates of information clauses, declarations of consent and entrustment agreements have also been prepared. These documents are updated as necessary. The companies keep the registers required by law. The mechanisms to ensure compliance with the TYPE also include training and audits in individual companies.

Delegation of Authority (DoA) Matrix

In 2019, the CIECH Group companies implemented a decision-making system using the Delegation of Authority (DoA) matrix.¹ The introduction of DoA is one of the key elements of building a BU-centric management system in the CIECH Group. In the BU-centric management system, decisions will be made in Business Units or companies which are not Business Units and are not part of Business Units, with the advisory and recommending participation of CIECH S.A. structures. The DoA procedure requires that, prior to making individual decisions:

1. recommendations be provided by the selected department directors in CIECH S.A.,
2. approval be given by the relevant committee functioning in the CIECH Group,
3. approval be given by the companies' statutory bodies,
4. approval be given by the Management Board of CIECH S.A. acting as a general meeting/shareholders' meeting or as the Parent Company.

¹ DoA – Delegation of Authority

The need to obtain a recommendation and approval depends on the nature and value of the legal and economic event. The DoA process is the process of obtaining formal recommendations and approvals immediately following the completion of the purchase/sale process.

The DoA process is regulated by the DoA matrix procedure. The procedure sets out, among other things, the deadline for giving recommendations and approvals, the order in which recommendations are received, the form of recommendations and approvals given, the effect of a lack of recommendations, the effect of a negative recommendation, the rules for delegating authority and obligations resulting from the DoA and deviations from the DoA. An IT tool designed specifically for the DoA process is planned to be launched in 2020.

Financial and non-financial risk management at the CIECH Group

The Risk Management System used by the CIECH Group is a supporting instrument for the Management Board and the Supervisory Board, and is supposed to provide a continuous growth of the CIECH Group's value to its shareholders.

Risk management is a continuous process which engages the Management Board, people responsible for specific risks and all our employees. The System is to identify potential threats and to properly safeguard the CIECH Group's strategic goals. Risk management is intended to decrease negative or increase positive effects of an existing risk at optimum cost.

Risk management model enables to:

- determine an acceptable risk level used in strategy planning,
- determine an acceptable level of managed risks and to monitor them,
- specify the strategy for aggregated risk areas,
- specify the risk metrics for the approved risk strategies.

The basis of the Risk Management System is the Quality Control System compliant with ISO 9001, and identified risks are associated with business processes executed by the CIECH Group.

Table 4. List of most important non-financial risks identified in the organisation in the reporting period.

Non-financial issue	Risks identified in the Risk Management System at the CIECH Group
1. Social	
<i>1.1. Product related</i>	<ul style="list-style-type: none"> ▪ Risk of failures and unplanned downtimes. ▪ Risk related to changes in regulations concerning registration of crop protection products on target markets.
<i>1.2. Related to external environment</i>	<ul style="list-style-type: none"> ▪ Risk related to the availability of raw materials. ▪ Economic risk. ▪ Risk of oversupply and decrease in prices of soda resulting from strong price competition and downturn in the glass production segment. ▪ Risk of strong price competition from large corporations and Far East producers in the area of crop protection chemicals. ▪ Risk related to more restrictive regulations concerning the use of the natural environment. ▪ Risk associated with court proceedings or other out-of-court procedures. ▪ Risk of changes in market prices of raw materials.
2. Employee-related	<ul style="list-style-type: none"> ▪ Risk of failures and unplanned downtimes. ▪ Risk of failure to retain or recruit staff by the CIECH Group. ▪ Risk of personnel disputes.
3. Environmental	<ul style="list-style-type: none"> ▪ Risk related to the availability of raw materials. ▪ Risk of failures and unplanned downtimes. ▪ Risk related to more restrictive regulations concerning the use of the natural environment. ▪ Risk of climate change resulting in decreasing demand for plant protection products.
4. Human rights	<ul style="list-style-type: none"> ▪ Risk of personnel disputes.
5. Corruption prevention	<ul style="list-style-type: none"> ▪ <i>This risk is not present at the CIECH Group.</i>



02 Our business



2. OUR BUSINESS

2.1 The supply chain.

TRANSPORTATION & LOGISTICS

The road transport market presents the organisation with further challenges. The exacerbating shortage of drivers, legislative changes or financial problems of carriers make cooperation in the field of transport more demanding. In addition, significant fuel price inflation and wage increases in all sectors translate into pressure on transport costs.

Despite the market challenges, the CIECH Group successfully implements the adopted objectives in the area of transport, focusing on high operating standards and cost optimisation as part of long-term cooperation with business partners.

In order to ensure a high level of service, the organisation attaches great importance to improving the standards of services offered. In 2019, the list of qualified suppliers was verified based on the results of the 2019 evaluation and cooperation with Carriers who failed to meet the CIECH Group's requirements was terminated. As a result, the number of carriers has been reduced by about 20% in order to be able to strengthen cooperation with proven partners. Standards were introduced in terms of payment deadlines and process and the procurement process was centralised so that additional synergies could be generated. **The volume of transport under own carriage management has also increased. The greatest changes took place in soda transport, where this share increased by an additional 80 thousand tons.**

In the area of rail transport, great emphasis has been placed on the modernisation and extension of railway infrastructure. As part of this initiative, the siding in CIECH Vitrosilicon S.A. was extended and tracks at the soda plants were modernised. Additionally, some investments were made in rolling stock. In 2019, CIECH Cargo Sp. z o.o. acquired a modern six-axle electric locomotive Dragon 2, designed to run heavy freight trains, and two heavy diesel locomotives of the BR 232 series, capable of transporting goods from/to non-electrified stations. The railway transport potential is systematically acquired and restored,



in the form of coal wagons and specialised wagons for transporting loose products, thus securing transport needs of the group and opening additional possibilities for providing transport services on the external market.

In response to market trends and the significant growth rate of intermodal transport, CIECH Cargo obtained permission for co-financing the purchase of 2 medium-sized locomotives and platform wagon assemblies.

Such equipment will make it possible to expand intermodal transport activities and contribute to greater diversification of rail transport.

In addition, measures are taken to increase operational efficiency within the company and optimise the rolling stock (e.g. decommissioning some of the 2-axle silo wagons).

In 2019, maritime transport sector saw a decrease in transport volumes, mainly in the soda segment. This is attributable to changes in the sales structure and reorientation on the domestic market. Shipments of other products (mainly silicates) remained relatively similar to those of the previous year. Moreover, as part of the tenders carried out, direct relations with shipowners were established, which resulted in more favourable sea tariffs. Greater involvement in the tendering process and the introduction of corporate standards in the Romanian market has contributed to a reduction in transport costs by several percent year-on-year.

In addition, many initiatives have been launched in the area of transport to improve quality, shorten transit times and optimise costs. Initiatives such as liner-bag loading, reloading on the road (rail to truck) or intermodal transport are worth

mentioning here. Talks are also being held with customers with regard to increasing volumes in rail transport. Here, CIECH S.A. supports its customers with resources and expertise.

Most logistics processes, from planning to execution, are supported by state-of-the-art IT solutions. In 2019, along with the SAP S4HANA system implemented in January, interfaces with systems supporting logistic processes (weighing system, TMS – Transport Management System and WMS – Warehouse Management System) were launched in further plants of the CIECH Group (Inowrocław and Janikowo). With the automatic transfer of data between these systems in real time, the processes of ordering transport and handling loads inside the plant have been streamlined.

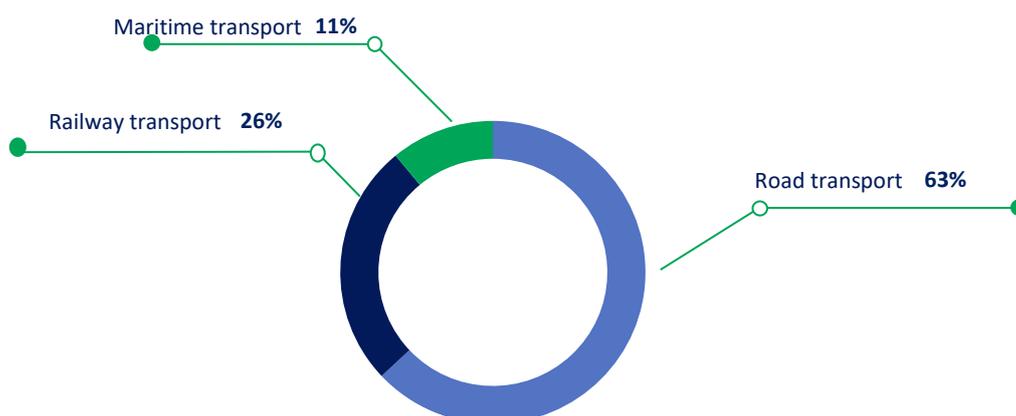
Another major project carried out in 2019 is the construction of a salt production plant in Stassfurt. This project involves the construction of a state-of-the-art warehouse with fully automated shipping processes. The solution will use stacker cranes for pallet transport, conveyor systems with sensors and advanced decision-making algorithms. The whole process will be supervised and managed by a WMS-class system of the latest generation. In addition, conceptual work is underway in the area of measuring the timeliness of deliveries and the effective handling of vehicles on site.

In addition to investments in railway infrastructure and IT solutions, the CIECH Group invests heavily in its plant infrastructure. In 2019, the modernisation of the loading terminals under the silos at soda plants was completed. Work in the area of packaging and storage of finished products is continued in order to increase the storage capacity of the warehouse and shorten the loading time of vehicles. These tasks include, among others: modernisation of equipment for packaging soda into big bags, or modernisation of sodium bicarbonate warehouses with a view to commissioning a high-storage warehouse.

The backbone of the decision-making process and the integration platform is the **Sales & Operations Planning (S&OP)** process whose implementation started in the CIECH Group in 2018. In 2019, work related to implementation was continued in subsequent companies. At the companies where the solution has been implemented, S&OP functions as a formal business process ensuring consistency between business plans, identification of threats and opportunities, and enabling the Management Board to make decisions based on the analysis of scenarios and financial performance. Owing to this process, many decision-making processes have been optimised and operational costs have been reduced. The process implementation in individual companies of the Group is scheduled to be completed at the turn of 2020/2021.

Implementing and stabilising the process will enable the development of a commonly agreed demand, production and supply plan for the next 18-36 months with agreed opportunity and risk scenarios and recommendations for the Management Board's business decisions, with particular focus on opportunities and proactive risk management.

Figure 7. Share of particular transport categories in sales in 2019.



Purchasing practices at the CIECH Group

The Purchasing Department of the CIECH Group is responsible for all procurement functions in the organisation and in 2019 it consisted of units responsible for:

- Purchasing raw materials for the Organic segment,
- Purchasing raw materials for the Soda and Salt segments,
- Technical purchasing,
- Administration and IT purchasing.

Table 5. Key purchasing categories at the CIECH Group

Area	Purchasing categories
Raw materials	<ul style="list-style-type: none"> ▪ energy raw materials, ▪ raw materials for soda production, ▪ raw materials for salt production, ▪ raw materials for the production of crop protection chemicals, ▪ raw materials for resin production, ▪ raw materials for polyurethane foam production, ▪ furnace fuel, ▪ packaging, ▪ electricity.
Technical purchases	<ul style="list-style-type: none"> ▪ purchasing of maintenance and ongoing repair services, ▪ investment purchases, ▪ purchasing of fixed assets and machinery.
Administration and IT purchases	<ul style="list-style-type: none"> ▪ administrative and general purchases (including OHS and firefighting purchases, office supplies and services, security services, business travel); ▪ IT and telecommunications purchases (including licenses, hardware, telecommunication and IT services); ▪ professional service purchase (including tests, expert opinions, permits, marketing purchase, consulting services).

Documents regulating CIECH Group purchasing:

- Procurement Procedure for the CIECH Group,
- Integrated Management System procedure: Packaging Management at the CIECH Group,
- Integrated Management System procedure: Selection and evaluation of goods and services vendors in trading activities,
- Integrated Management System procedure: Review of RFQs, orders, quotes and business agreements.

Vendor selection criteria at the CIECH Group

At the CIECH Group, vendors are selected based on formal criteria and on trade and substantial evaluation criteria, e.g. price, quality, delivery time and warranty. For development and replacement investments of significant value, TCO (Total Cost of Ownership) analysis is also important. It is a sum of all costs related to a solution, from its purchase, through use, to disposal.

Depending on the purchased goods, vendors are verified each time for meeting formal criteria including, but not limited to, certificates, positive recommendations and compliance with applicable environmental standards.

Initiatives for developing good relationships with vendors:

- Individual meetings,
- Vendor visits to a plant,
- Participation in industry conferences and fairs,
- Vendor audits,
- Continuous development and improvement of the purchasing platform,
- Work on the implementation of a uniform ERP system throughout the CIECH Group, to standardise and simplify the rules of operational cooperation between Vendors and Group companies, and continued digitalisation of the P2P (Procure to Pay) process, improving its effectiveness.

At the end of 2019, changes in the Group's purchasing model were initiated, gradually departing from the transactional approach and moving towards the management of purchasing categories. The changes are intended to further increase the Purchasing area's contribution to the implementation of ambitious goals set for individual business units, as well as for the entire CIECH Group.

The key aspects of the changes to be implemented include:

- increasing the degree of automation and computerisation of purchasing processes,
- increasing the share of orders covered by framework contracts in total expenditure,
- dividing roles within the combined Local Purchasing Teams between the execution of orders and carrying out purchasing processes,
- introducing the role of a Category Manager, responsible for developing and implementing a long-term, optimal approach to the managed purchasing categories at the CIECH Group level.

2.2 Product quality.

In accordance with the CIECH Group's strategy for 2019-2021, activities of the Group's companies are focused on the implementation of four core values: increasing customer satisfaction, increasing innovation, continuous improvement of business and management efficiency.

These values are pursued in the quality area through:

- continuous supervision over meeting the requirements of legal regulations and standards relating to the quality and safety of products and services provided,
- providing an extensive product portfolio and adapting it to customers' needs and quality requirements,
- building lasting relationships with customers, taking their needs into account and responding quickly to the feedback from business partners,
- minimising costs of poor quality (complaints),
- gradually reducing operating costs and risks,
- implementing new quality management tools and policies supporting product quality and safety assurance,
- ensuring adequate competence of employees in particular positions,
- continuous improvement of the implemented management systems, in accordance with the CIECH Group's needs and customer expectations.

Management Systems at the CIECH Group

CIECH Group implemented management systems compliant with international standards. System implementation was possible by integrating (within one management system) basic requirements which are identical for all standards (based on ISO 9001 requirements) and including specific requirements (industry-related, product-related) with consistency and compliance with the assumptions and rules set forth in the organisation.

The basis for setting objectives and directions of action for processes covered by system requirements is the **Quality Policy** applicable at all companies of the CIECH Group.

The certified management systems implemented in particular companies are listed in the following table.

Table 6. Certified management systems at CIECH Group companies in 2019.

Company	Norms/standards
CIECH S.A.	ISO 9001; GMP+ B3; GMP+ B4; GDP API
CIECH Soda Polska S.A.	ISO 9001; ISO 14001; GMP+ B2; GMP API; FSSC 22000; KOSHER, ISO 17025
CIECH Sarzyna S.A.	ISO 9001; ISO 14001; PN-N-18001; ISO 50001; WSK, ISO 17025
CIECH Vitrosilicon S.A.	ISO 9001; ISO 14001
CIECH Soda Romania S.A.	ISO 9001
CIECH Soda Deutschland GmbH	ISO 9001; GMP+ B2; ISO 14001; ISO 50001; KOSHER
CIECH Cargo Sp. z o.o.	ISO 9001; ISO 14001; Rail operator safety certificate in parts A and B; ECM certificate
CIECH Trading S.A.	ISO 9001; GMP+ B3; GDP API
CIECH Pianki Sp. z o.o.	ISO 9001, preparation for STeP by OEKO-TEX [®] certification

System supervision and improvement has been entrusted to employees of Quality Departments of individual companies who have required knowledge and competences.

All employees participate in mandatory trainings related to implemented policies and procedures corresponding to the scope of duties related to their position and responsibilities. Newly hired employees and partners participate in an initial training on the requirements of the Integrated Management System.

In 2019, the proper functioning of management systems at Group companies in relation to the implemented norms and standards was confirmed by audits carried out by independent, specialized certification companies.

Also, no cases of non-compliance with regulations and applicable codes related to *Product quality* that would result in a penalty, fine or warning was reported.

CIECH Quality Standard (CQS)

To support the implementation of quality-related measures at Group companies, the Group has launched the CIECH Quality Standard (CQS) programme comprising projects aimed at continued quality cost optimisation in the Group, continuous improvement of quality of finished products, reduction of the number of complaints submitted by key customers, organisational improvement and development of staff qualifications and skills.

The high standards were confirmed by the GLP ("Good Laboratory Practice") certification awarded to CIECH R&D laboratory for AGRO products, which proves not only the high quality of its research activities, but also their reliability and independence. This will ensure that the outcome of research carried out at this research centre will be recognised globally, by most international and national bodies responsible for the authorisation of chemicals.

Table 7. CIECH Quality Standard (CQS) benefits

For our customers	<ul style="list-style-type: none">Meeting the requirements of law, external and internal specifications, and safety standards,Better customer relations, faster complaint handling time,Product quality improvement.
For company growth	<ul style="list-style-type: none">Retaining talented people with valuable experience and skills and maintaining an optimal number of employees,Engaging all employees in company strategy execution – non-financial employee motivation,Labs as showcases.
For company finance	<ul style="list-style-type: none">Quality control cost optimisation plans,Minimising costs related to bad quality.
For improved company organisation	<ul style="list-style-type: none">Improved company image – a Group-wide Quality Management System based on ISO 9000,Information, knowledge and skill exchange between employees (on a local and global level),Implementation of new quality tools and solutions in a systemic manner at the Group level.

Tasks for 2020

In 2020, in the Quality Management area, in addition to the continuation of previously initiated measures to support the pursuit of the CIECH Group's strategy, there are some new challenges related to system requirements and certification of new Group entities:

- CIECH Żywiec Sp. z o.o. – business area spun off from CIECH Sarzyna S.A. (ISO 9001, ISO 14001),
- newly built evaporated salt production plant in Stassfurt (Germany),

as well as to the implementation of new or revised standards in other companies:

- CIECH Pianki Sp. z o.o. – preparation for STeP by OEKO-TEX[®] certification for suppliers and sub-suppliers in the textile production chain;
- CIECH Soda Polska S.A. – change of the certification standard in the fodder area to GMP+B1, transition to the new edition of ISO 17025 (accreditation of testing and calibration laboratories), EKO certification for salt licks;
- CIECH Sarzyna S.A. – transition to the new edition of ISO 50001 (Energy Management), transition to the new edition of ISO 17025 (accreditation of testing and calibration laboratories);
- CIECH S.A. – extension of the scope of activity of the Quality Management Department to include the Regulators area, coordination of supervision over compliance with legal requirements affecting the quality and safety of products.

RAW MATERIALS USED FOR PRODUCTION

Soda segment

Main raw materials used in the production process in soda segment include **limestone, salt brine, ammonia, coke or anthracite**. The sodium carbonate production plants are located in close proximity to limestone and brine suppliers (necessary due to high transportation costs of these raw materials compared to their price). In Poland and Romania, these raw materials are obtained from local suppliers. In the production plant located in Germany, we also use our own deposits of brine and limestone. Coke and anthracite are the so-called furnace fuel which we use to calcinate limestone and produce CO₂.

The Group's soda plants can use a mixture of both fuel types, i.e. coke and anthracite. Prices and availability on the market are the main factors determining which raw material is used.

The largest component of manufacturing costs in the production process is **heat energy** – the production plants in Poland and Germany have their own CHP plants, and CIECH Soda Romania S.A. bought it in the form of process steam from a third party supplier (in 2019, the contract for the supply of process steam was terminated and, consequently, in September 2019 soda production at the factory was suspended). The main raw energy materials used by the CHP plants include: hard coal (plants in Inowrocław and Janikowo) and natural gas (plant in Stassfurt).

Organic segment

Petroleum derivatives are the main raw materials used in production processes of the organic segment – they constitute the largest component of production costs.

Silicates and Glass segment

Soda and sand are the main raw materials used in the Silicates and Glass segment. Like in the soda segment, production is very energy intensive. The energy is generated from gas – purchased by the CIECH Group under a long-term contract (price according to the tariff approved by the Energy Regulatory Office).

Production safety at the CIECH Group

Products manufactured and the raw materials used for production by the CIECH Group are subject to many legal regulations regarding, among others, registration and safety analysis of the substances they contain. The EU Regulation (EC) No 1907/2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH") imposes substantial obligations on the entire chemical industry concerning research, evaluation and registration of chemical substances produced or imported from non-EU member countries.

2.3 Customer relations.

Our customers are both global chemical corporations and smaller companies in Europe, Asia, the Americas and Africa. We create unique solutions dedicated to the needs of various customers. It is our priority to adjust our offering to the needs of individual customers as much as possible and to provide them with the highest level of service by customer service quality, product quality, logistics level, product availability and delivery guarantee. We are continuously improving our customer relations, and customer service is one of the key challenges in our business.

Figure 8. Our approach to ensuring customer satisfaction

Documents regulating CIECH Group customer relations include:

- CIECH Group Code of Conduct,
- CIECH Group Trading Policy,
- Procedures and instructions of the Integrated Management System regulating in each Group company the process of managing complaints with respect to products provided to customers and managing deliveries which are discrepant with respect to raw materials, semi-finished products and packaging.





Selected marketing communication initiatives of the CIECH Group in 2019

In 2019, the CIECH Group’s marketing communication activities focused on the development of specialist products. Numerous promotional materials supporting their sales have been developed as support. Also, dedicated campaigns were carried out.

In 2019, no cases of non-compliance with regulations and voluntary applied codes of marketing communication, including advertisements, promotions and sponsorship, were reported.

Soda and Salt

- Marketing of dishwasher granules and salt licks for farm animals.
- Expansion of websites to include new content for newly marketed products such as licks and granulates.
- Internet campaigns to build the CIECH brand image and promote our products, as well as dedicated campaigns carried out by us periodically, e.g. press advertisement for Salt Tablets in the “Murator” magazine.
- Work on strengthening the perception of brands, especially Sobic and Soda Ash, in all our markets.
- Increasing customer confidence and improving brand recognition – business and market networking.
- The Key Account Management programme – creating the image of CIECH as a professional supplier, establishing and strengthening relations with customers, verifying the needs and evaluation criteria for CIECH's product range.
- We participate in large international fairs and conferences, e.g:
 - the largest pharmaceutical fair, CPhI Worldwide, held in Frankfurt in 2019,
 - Aquatech fair in Amsterdam,
 - Agro-Show fair in Bednary near Poznań.



Silicates and Glass

- Promotion of CIECH Vitrosilicon S.A. during the scientific and didactic conference “Alternative directions of plant breeding and production” held in Szczecin on 12-14 June 2019 at the West Pomeranian University of Technology in Szczecin. CIECH Vitrosilicon demonstrated the applications of silicates in fertilisers.
- Extension of the product range to include new specialist products for the construction and agricultural sectors. VITROCER and VITROTECH are specialist silicate solutions dedicated to ceramic tiles, silicate paints and plasters. For the agricultural sector, CIECH Vitrosilicon has developed a new silicate concentrate, VITROAGRO, to be used as a base for silicate fertilisers.
- Promotional materials were prepared and press releases were published in the local, agro and construction media, e.g. <https://www.wrp.pl/grupa-ciech-poszerza-oferte-o-specjalistyczny-roztwor-krzemianu-potasu-dedykowany-produkcji-nawozow-krzemianowych-plynnnych-i-stalych/>.
- Introduction of 10 new decorative lantern designs to the product range. A catalogue for 2019 has been prepared.
- Introduction of new sizes of COMFORT jars.
- CIECH Vitrosilicon – Partner in the production of the movie “Polska Toskania” and the guide “Polska Toskania” (guide to Lubuskie region). There were press releases, information posted on Facebook, posters. The logo of CIECH Vitrosilicon, as a Partner, appeared on the premiere of the film, the album cover and the released guide. The guide also contains advertising material about CIECH Vitrosilicon's business.



Agro

- Poland-wide advertising campaign for the CHWASTOX product family.
- Web marketing – website www.ciechagro.pl.
- Agrowolucje (“Agro-revolutions”) – an online program addressed to farmers and their families.
- Field days – conference, training for farmers - a dose of practical knowledge for farmers, presentation of products, increasing brand awareness.



2.4 Research & Development.

The CIECH Group consistently implements innovations in key areas of its operations. The activities taken are focused on the development and improvement of products for key markets, improvement of existing production processes as well as implementation of innovative technologies. The CIECH Group has the ambition to become a leader among the most advanced chemical groups in Poland and worldwide.

In the CIECH Group, research, innovation and development activities are concentrated in a specially established company, CIECH R&D Sp. z o.o., that coordinates and carries out research and development activities for companies from the Group.

The CIECH Group collaborates with universities and experts in the area of innovation and development, and a part of project implemented is co-financed from EU funds as well as from domestic and regional support funds.

We cooperate with the following research institutes and universities:

- Nicolaus Copernicus University in Toruń,
- Warsaw University of Technology,
- Rzeszów University of Technology,
- AGH University of Science and Technology of Kraków,
- RWTH Aachen University,
- Institute For Chemical Processing of Coal,
- New Chemical Syntheses Institute,
- Institute of Industrial Organic Chemistry,
- Institute of Heavy Organic Synthesis “Blachownia”.

The Group runs a number of R&D projects in virtually all segments. These projects are implemented by R&D Sp. z o.o. These projects are implemented with the use of various support programmes.

The Physicochemical Laboratory of Crop Protection Chemicals located in Warsaw received the GLP (Good Laboratory Practice) certification in 2019.

In 2020, R&D will support two of the Group’s strategic areas – innovation and revenue diversification. It is our priority to increase the efficiency of **core business** through initiatives in the following areas:

- increasing the efficiency of production processes,
- reduction of greenhouse gas emissions,
- energy optimisation,
- changing waste into usable products.



Under the above initiatives, we want to cooperate with global research centres. We have implemented two key projects, Carbonisation + and CO₂ Concentration, which directly affect the above mentioned objectives.

In addition, R&D activities will focus on investments in growing new areas of the chemicals market, both through technology development and investment in innovative projects. In 2018, CIECH R&D Sp. z o.o. invested in innovative companies in Agro and materials engineering areas. One of the projects received funding under the NCRD Fast Path programme for the scale-up of technology for the production of shear thickened liquid and product development. In 2020, we will continue to search for access to innovative projects by investing in companies at an early stage and by cooperating with spin-offs established at universities in Poland and around the world. We are a member of the KEX Consortium for Printed Electronics which aims to explore the market for printed electronics.

Trademarks

Table 8. Number of registered trademarks in 2019

Office name	Number of trademark applications	
	2019	2018
Polish Patent Office	-	12
European Union Intellectual Property Office (EUIPO)	7	42



03 Our employees



3. OUR PEOPLE

3.1 Employment scale and conditions.

The CIECH Group employs a total of **3,705** employees under employment contracts (as at 31.12.2019), including **2,814** men and **891** women.

Table 9. Employed men and women by mode of employment

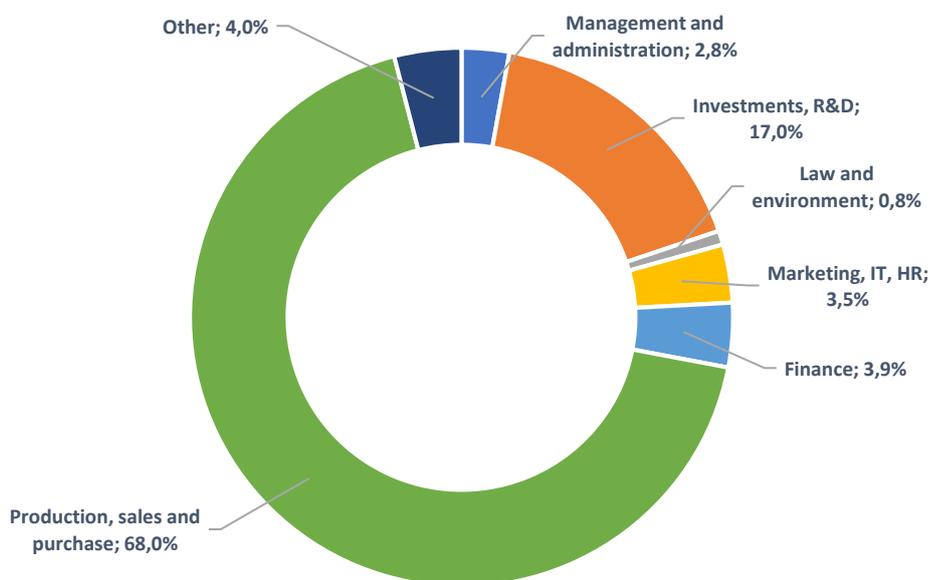
Mode of employment	2019		2018	
	Female	Male	Female	Male
employment contract for an indefinite period	761	2,515	790	2,550
employment contract for a definite period (including trial period contracts, replacement agreement, vocational training)	130	299	136	395

Table 10. Employed men and women by employment type

Employment type	2019		2018	
	Female	Male	Female	Male
full time	872	2,808	917	2,925
part time	19	6	13	16

CIECH Group also hires people based on other agreements, e.g. civil-law agreements, service agreements. It also uses services of temporary work agencies. In addition, it runs apprenticeship and job placement programmes and employs young people as part of practical vocational training. These people represent a small percentage of all employees.

Figure 9. Employment at the CIECH Group — operation areas



In 2019, in accordance with legal requirements, Employee Capital Plans were introduced in selected Polish companies of the CIECH Group. In order to provide employees with a uniform offer in this area, measures and consultations with the public were initiated which resulted in the selection of a single Financial Institution. During the implementation process, a number of information meetings with employees were held. Since October 2019, the EPC management agreement has been in place in the following companies: CIECH S.A., CIECH Soda Polska S.A., CIECH Cargo Sp. z o.o., CIECH Vitrosilicon S.A. and CIECH Sarzyna S.A.

Support & employee benefits

In the CIECH Group, we care about our employees by giving them access to fringe benefits. In 2019, we started the process of standardising the benefits offered to employees employed in Polish companies of the CIECH Group. As a result, a new common package of multiple life insurance options for employees and their families was introduced in June and sports membership card packages for employees and their families were introduced in September.

Benefits offered by the CIECH Group companies include, among others:

- private medical care,
- life insurance packages;
- sports membership cards,
- access to trade press,
- events held for employees and their families.

Trade unions at the CIECH Group

At the CIECH Group, there are **a dozen or so trade unions which associate about 60% of employees**. Each union operates in at least one company, and most in CIECH S.A. We know that cooperation with trade unions initiates changes which may influence the number of employees and employment conditions in the Group and therefore good relations with the social side are one of the priorities of the management team.

As a result of the process of evaluating jobs, in 2019 agreements were concluded with social partners. These agreements define uniform conditions for raising salaries to the levels specified in the salary tariffs for the period from the conclusion of the agreements to the end of 2021, and also include obligations of social organizations to ensure social peace until the end of 2021.

As part of the implementation of the social agreements, in July CIECH Sarzyna S.A. introduced an annex to the Remuneration Regulations, setting out a new job classification table. Subsequently, it was introduced in other companies: in CIECH Vitrosilicon S.A. in September, in CIECH S.A. in November and in CIECH R&D Sp. z o.o. in December.

In addition, in CIECH Soda Polska S.A. (November 2019) and CIECH Cargo Sp. z o.o. (December 2019) new Remuneration Regulations were introduced, which replaced the previously effective Collective Labour Agreements.

3.2 HR efforts

HR Vision:

*The HR vision involves building an environment in which the **best people** can grow and create a **culture of effectiveness**, thus implementing the Group's strategy.*

One of the key projects carried out in the HR Department was a project to change the remuneration system (evaluation of jobs, development of the basic remuneration system and the bonus system, together with a benchmark analysis of employee remuneration against market rates) and a project to evaluate and develop competencies in the CIECH Group.

In total, nearly 450 jobs in Polish companies of the Group were evaluated – each of them was assessed, among others, in terms of the scope of responsibility, role in the company or qualifications required. In the process of analyzing and harmonizing positions, we reduced the number of job names by about 25%. We have also revised all job descriptions across the Group.

The factor and scoring method was used to determine the hierarchy of positions. The positions have been divided into grades, depending on the score.

Based on the analysis of market payroll rates, payroll tables were prepared for positions in the CIECH Group. The target positioning and starting point for the payroll table was the market median. The tables will be updated as part of the regular payroll reviews.

The structure of positions and tariffs were consulted with the social partners and subsequently introduced into the Remuneration Rules.

The general structure of positions is a factor combining further elements of the integrated system of remuneration and development of employees in the CIECH Group, including: bonuses, evaluation systems, competence models.

We have also prepared a concept of changes in the integrated evaluation system and the goals and KPI management system, to be implemented in 2020.

Development of the CIECH Group's organisational culture

The CIECH Group has consistently implemented initiatives aimed at shaping the Group's organisational culture, developing its employees and perceiving CIECH S.A. as an attractive employer in order to effectively retain and engage employees in the implementation of its strategic objectives.

Series of meetings and workshops were initiated in 2019 and are planned to be continued in 2020 to highlight the key success factors (values, core principles) necessary for the implementation of the CIECH Group's vision and strategy.

Recruitment

Recruitment processes at the CIECH Group are carried out based on its adopted standards. **The organisation is also a member of the "Friendly Recruitment" coalition which means that it follows the provisions of the Recruitment Good Practice Code.**

A HR employee and a department manager are present at recruitment meetings. Candidates are interviewed, with a focus on their competence, and verified for their substantive knowledge and foreign languages fluency. If necessary, additional competence tests and knowledge tests are carried out. An important part of recruitment is feedback for candidates for a given position.

Some CIECH Group companies have a "Refer an Employee" Program, which enables employees to actively contribute to the acquisition of suitable candidates and thus build important organisational resources.

Figure 10. Stages of the recruitment process at the CIECH Group.



CIECH Group strives to continuously improve its recruitment process. As in 2018, we collect valuable feedback from candidates participating in the recruitment process through an anonymous online survey. The information collected will be used in the continuous improvement of recruitment standards.

All available job offers at the CIECH Group can be found on the corporate website under the Career tab <https://ciechgroup.com/kariera/>.

Table 11. Total number of newly hired employees by sex in 2019

	2019	2018
Female	105	139
Male	306	394
Total	411	533

Table 12. Total number of newly hired employees by age group in 2019

	2019	2018
Less than 30	139	200
30-50	223	286
Over 50	49	47
Total	411	533

Table 13. Total number of leaving employees by sex in 2019

	2019	2018
Female	134	146
Male	428	414
Total	562	560

Table 14. Total number of leaving employees by age group in 2019

	2019	2018
Less than 30	131	122
30-50	267	262
Over 50	164	176
Total	562	560

Internships

In 2019, CIECH Group companies offered technical **internships**, providing opportunities for development in many areas. An internship at the CIECH Group is a paid programme attended by students or graduates at CIECH S.A. organisational units and Group companies, under an agreed schedule. Internships at the CIECH Group are consistent with the "Top Quality Internship" principles. Interns were recruited to such areas as Production, Finance, Logistics, IT, R&D, Sales, Administration and Purchasing.

Every trainee, acquired during the recruitment process, was assigned a professional mentor who was responsible for introducing the intern to the organisational structure and business of the CIECH Group, monitored the tasks performed by the intern and provided ongoing feedback. When the internship ends, the professional mentor was obliged to write a reference letter related to the tasks performed by the intern and skills acquired during the internship. Every intern, on the other hand, was given an opportunity to provide feedback on the programme they were part of.

In 2019, the CIECH Group hired **32 interns**, of whom the best **12 interns were** offered the possibility of employment based on an employment contract or a civil-law contract.

In addition, the CIECH Group provided **work placement** opportunities for students of numerous schools/universities. Work placement at the CIECH Group is an unpaid programme attended by students at CIECH S.A. organisational units and CIECH Group companies as part of their obligatory vocational training, under an agreed schedule.

Onboarding

The CIECH Group operates the Onboarding Programme. The aim of the programme is to quickly and easily adapt new employees by providing them with basic knowledge about the CIECH Group, its products, internal documents, development opportunities and social benefits offered. The Onboarding process includes training, presentation of the company, delivery of welcome kits and information about the employment of a new employee through internal communication channels.

Employer branding

CIECH Group pursues a number of initiatives aimed at maintaining its image as a good employer. This year, we focused our efforts on promoting our production plants. We participated in many job fairs for both students and people actively seeking employment. Our business unit representatives had the opportunity to meet directly with people interested in joining the CIECH Group, talk about the nature of work, development opportunities in the company and our plans for the future.

Together with universities and secondary schools, we held workshops for students to share our knowledge of the labour market, but also to familiarise them with the nature of internships in our Group's companies. We have also organised a number of Open Days in our company, during which students from secondary schools, vocational schools and universities were able to get a close look at our manufacturing operations.

A chemical class was ceremoniously opened at the New Sarzyna School Complex under the patronage of the Rzeszów University of Technology and CIECH Sarzyna. A state-of-the-art chemistry lab, attractive topics and form of classes are designed to develop students' passion for studying chemistry, and in the future – to open the door to the universities they desire and enable them to find an interesting job.

Awards and distinctions for the CIECH Group

In 2019, the CIECH Group once again received the **“HR Najwyższej Jakości” [“Top-quality HR”] certificate** awarded by the Polish Human Resources Management Association. The award was presented in the employee development category for the **launch and implementation of the Programme for assessment of competences and development of skills of production workers**. The programme aims at creating a culture of knowledge sharing within the organisation, recognising the potential of employees and developing them as trainers, as well as expanding the internal training portfolio.



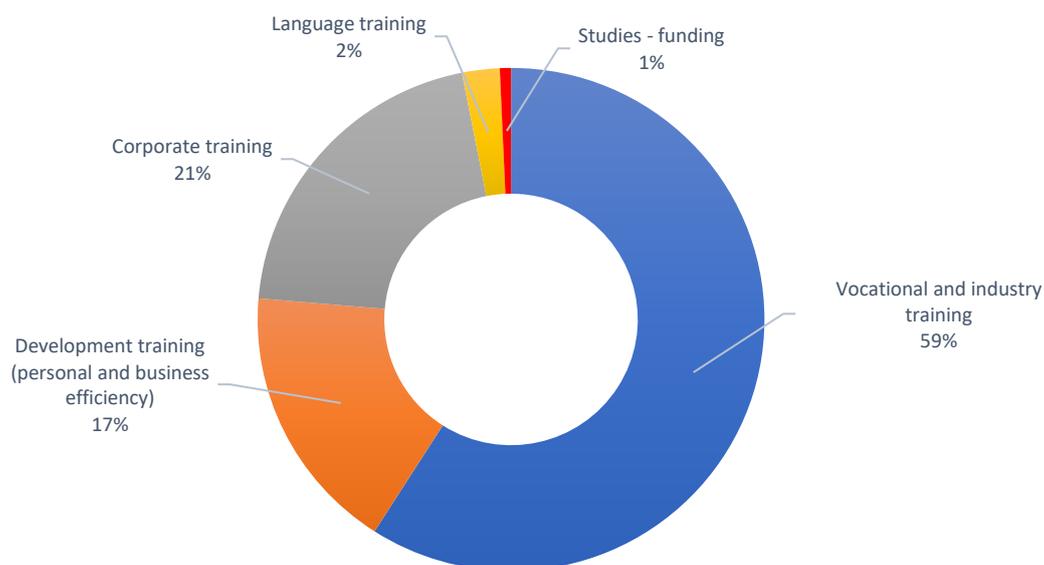
We are also very proud to have received the *SAP Innovation Award* for implementing SAP HCM. Since January 2018, the CIECH Group companies have implemented a new SAP HCM system in order to harmonise and automate HR, payroll and working time processes, increase the ability to report HR data at the Group level, provide a self-service portal for all employees of the Companies covered by the implementation, standardise the application environment by eliminating 9 HR and payroll systems.

3.2.1 Training & development.

The CIECH Group never stops growing and the employees develop with the Group. As an employer, it provides employees with access to external training (conducted in accordance with the development plan for particular business areas), internal training, studies, specialist courses and language courses. The above activities are aimed at creating suitable conditions for improving competences, acquiring knowledge and developing new skills for all employees of the Group.

In 2019, the CIECH Group trained employees in Counteracting Corruption and Violations, Cyber Security and New Management Principles related to organisational changes. As part of strengthening leadership in the organization and defining expectations towards key managers in the production area, as those who play an important role in shaping the organizational culture, an interactive lecture on leadership was held, accompanied by a strategic game.

In addition, 13 employees started post-graduate studies in the area of management and industrial processes. In recognition of previous involvement, but also to enable further improvement of knowledge and competences, the CIECH Group financed the participation of a selected manager in the prestigious “Programme for Leadership Development” at Harvard Business School.

Figure 11. Participation of the CIECH Group's employees in training courses by category in 2019

360-degree assessment

In 2019, a 360-degree assessment was carried out for the Key Management Personnel of the CIECH Group. The assessment involved 33 individuals (Management Board of CIECH S.A., Management Boards of Subsidiaries, Directors of Business Units and Directors reporting to the Management Board of CIECH S.A.) who were assessed by their colleagues, superiors and direct subordinates.

The competences assessed included: result orientation, leadership, cooperation and communication, change, innovation, credibility.

The attendance was 90%. Upon completion of the assessment, individual feedback sessions were held for the assessed individuals.

The 360-degree Assessment project enabled us to diagnose the level of managerial competence in the CIECH Group and provided the necessary input to prepare an action plan for the development of the Key Management Personnel to be implemented in the following year.

E-learning

The CIECH Group uses an e-learning platform which provides employees with easy access to knowledge and training in various areas. In 2019, a number of efforts were made to further adapt the usefulness of the platform for employees. Work is currently underway to ensure that the platform is not only a knowledge base for users, but also allows for efficient management of the training process. There will also be different categories of training, e.g. the possibility of developing personal effectiveness, e.g. time management, as well as business efficiency, e.g. managerial training. The platform will also enable reporting all kinds of user data activity.

Skills development system for production workers

In response to the development needs of production workers and, at the same time, to ensure the transfer of knowledge between experienced and new employees, a system for developing the skills of production workers was developed.

The system allows to maintain the stability of production processes by ensuring the appropriate level of skills of operational employees. It is based on matrices presenting desired skill profiles, assessment sheets for individual employees and assessment results indicating the current level in the employee's development path. The profiles cover technical skills, activities supporting the production process and four skills that are key to working in a safe and efficient manner, namely OHS, tidiness at the workplace, communication and cooperation, innovation and commitment.

Currently, the system for developing skills of production workers is being implemented in two companies (CIECH Soda Polska and CIECH Sarzyna).

Employee opinion survey

In the fourth quarter of 2019, an employee opinion survey was conducted in the CIECH Group. Employees in each location of the CIECH Group had the opportunity to participate and express their opinions by completing an electronic or paper questionnaire.

Numerous meetings were held for office and production workers to explain how to complete the survey and answer questions.

The survey attendance rate of 74% proves that various forms of communication have been successful and the employees want to share their views on the CIECH Group. Currently, the phase of analysis of outcomes and planning of measures to build the CIECH Group as an engaging working environment is underway.

3.3 OHS in the workplace.

Continued improvement of safety and working conditions for employees is one of the key strategic objectives set by the Management Board of CIECH S.A. for 2019-2021. We are pursuing this goal by implementing the Strategy for building an OHS culture in the CIECH Group's production facilities.

Its programme encompasses:

- implementation of a new methodology for assessing OHS management in the CIECH Group companies,
- a system of training courses and workshops, building awareness of the process of ensuring work safety in the CIECH Group,
- purchase and implementation of IT and analytical tools optimizing the work of OHS staff and providing complete knowledge of the causes and effects of OHS incidents, enabling effective prevention, improving safety and working conditions,
- promoting OHS culture in the organization by engaging employees in joint projects such as: Safety Days, OHS Picnics or Safety Champions Academy,
- implementation of a consistent, multi-layer security system, comprising subsystems that support anti-collision in storage space, monitoring of employees in danger zones and detecting harmful factors.



Our ambition is to create a work environment which is safe, promotes healthcare and prevents from accidents, injuries and occupational diseases.

We also pay attention to and care for our customers, suppliers and contractors who stay at our plants, which is why we have implemented safety standards to protect their lives and health.

We organise regular trainings on occupational health and safety for our employees. We have implemented an employee rewards system in the OHS area in every production plant and a system of reporting accidents, hazards and near misses. Regular assessment of risks in the workplace, implementation of appropriate risk controls and remedial measures minimise the level of risks to occupational safety.

Our mission is to continuously improve safety standards and all activities of our companies in line with the principles of sustainable development.

In accordance with these principles, we have implemented quality, environmental, health and safety procedures as well as a number of practices and programs that help us ensure the safest possible working conditions and meet customer requirements in accordance with the adopted business strategy and policy.

We believe that health and safe working conditions are one of the key areas determining the CIECH Group's competitiveness and operational efficiency, aiming at minimising accident rates and, as a result, creating an "accident-free working environment" based on a safety management system and a strong safety culture with significant commitment on the part of the management.

In addition, the following measures contribute to the safety and working comfort of employees:

- the new system of work clothing and personal protection equipment flow implemented in 2019 in the Polish production companies belonging to the CIECH Group, ensuring improved quality and fully compliant with legal requirements,
- implemented chemical management system,
- purchase of headsets (radios for two-way communication with built-in programmed analogue-digital unit), aimed at improving the safety of employees, minimizing the likelihood of future occupational diseases in the area of Fluid-Flow Machinery, as well as improving the efficiency of operation and increasing technical safety of machines by means of radio communication with simultaneous dampening of ambient noise,
- purchase of a new type of hearing protectors, Variophone - Noise Cliper, i.e. tailor-made ear plugs, equipped with a special acoustic filter to dampen industry-specific noise,
- videos for the purpose of training company and third-party employees as well as visitors and auditors, in the field of work safety rules at production plants, possible risks and emergency procedures,
- simulated rescue and firefighting actions undertaken on the premises of plants in cooperation with rescue and firefighting units of the State Fire Service,
- implementation of the system for reporting accidents, hazards, near misses, and implementing corrective and preventive actions (at each production plant, in order to prevent work accidents),
- setting measurable OHS objectives (KPIs) for managers, at each level of the organisation,
- carrying out OHS reviews (including hazard recording and supervision over the implementation of recommendations),
- continuation of KAIZEN and 5S programmes.

For 2020, it is assumed that measures under the pursued Strategy will be continued, including comprehensive training in communication, safety based on behavioural change, training in culture management and safety system, aimed at increasing the awareness of managers and employees, and ultimately at changing attitudes and behavior in relation to the establishment of a safe, accident-free work environment, so as to ultimately achieve the assumed strategic objective: **ZERO accident** among employees, managers and contractors.

The documents related to safety in the CIECH Group are as follows:

- CIECH Group OHS Policy,
- OHS procedures described above (including, but not limited to, a workwear circulation system, chemicals management system, etc.).

Table 15. Type and rate of work-related injuries in the CIECH Group in 2019

	2019			2018		
	Employees					
	Female	Male	Total	Female	Male	Total
Fatal accidents	0	0	0	0	0	0
Number of Lost Time Injuries	0	51	51	5	56	61
All reported accidents	0	66	66	7	83	90
LTIF*			2.72			bd
	Subcontractors					
	Female	Male	Total	Female	Male	Total
	Fatal accidents	0	0	0	0	0
Number of Lost Time Injuries	0	9	9	0	17	17
All reported accidents	0	10	10	0	18	18

*LTIF (lost time injury frequency rate) – total number of accidents at work standardised to 1 million hours worked by employees.



D4 Our impact on the environment



4. OUR IMPACT ON THE ENVIRONMENT

4.1 Formal and legal status

The CIECH Group companies operate on the basis of legal requirements specified in the applicable permits and administrative decisions. All companies strive to meet the best available industry practices in terms of technical, environmental and organisational solutions.

The most important decisions regulating the use of environment by the CIECH Group:

- Integrated permits,
- Water management permits,
- Waste collection permits,
- Waste processing permits,
- Waste generation permits,
- Greenhouse gas emission permits.

The CIECH Group has in place a Corporate Environmental Risk Management System used to analyse and control the environmental risk. Implementation of the system enables us to foresee incidents which may have a negative impact on the environment so that we can reduce their consequences.

A unified Environment Protection Policy is in effect in the Group. It imposes on all Group companies the obligation to:

- comply with the environmental protection laws,
- reduce emissions to the atmosphere and the quantity of generated waste,
- efficiently use natural resources and counteract climate changes by reducing CO₂ emissions,
- maintain good social relations in communities where business activities are performed,
- promote green products and services.

At selected CIECH Group companies, we implemented an environment management system which is compliant with ISO 14001. The system obliges the company to evaluate compliance with legal regulations, corporate requirements, and to continuous improvement and enhancements.

4.2 Pro-environmental investments.

In the CIECH Group, we carry out several environmental investments aimed at effective use of raw products and energy, reduction of emissions and reasonable water and sewage management. We also pay special attention to solutions increasing the safety of process facility operations.

One of the important measures in the field of environmental protection is a programme to reduce emissions of dust, nitrogen dioxide and sulphur dioxide. Our plants are currently being prepared to meet the very stringent requirements set out in the BAT Conclusions for Large Combustion Plants (LCP) which will come into effect after 17 August 2021.

According to the assumptions of the Environmental Policy, the CIECH Group companies are obliged to combat climate change by reducing CO₂ emissions. An example of this is the pilot carbon dioxide concentration project. Reducing carbon dioxide emissions from soda production on a larger scale translates into measurable savings, especially in view of the high price of CO₂ emission allowances. With this method, we will be able to increase production efficiency by reducing the necessary quantities of raw materials for the production of soda: coke and limestone, which can directly reduce CO₂ emitted into the atmosphere each year.

CIECH R&D Sp. z o.o. operates in the Open Innovation formula, collaborating with academic centres, a crowdsourcing platform and other entities operating in the area of innovation.

Over PLN 208 million spent on pro-environmental investments in 2017–2019.

Main pro-environmental investments:

- Construction of flue gas desulphurisation and denitrification systems in Janikowo and Inowrocław,
- Construction of post-soda lime suspension filtration system in plant in Janikowo,
- Reduction of dust emissions from the Inowrocław CHP Plant by modernising boiler ESPs.
- Improvement of energy efficiency of the CHP Plant in Janikowo and Inowrocław (modernisation of blast fans, modernisation of feedwater pump drives).

PLN 41.3 million – CIECH Group expenditure on eco-friendly investments in 2019

4.3 Environmental data.

WASTE

Table 16. Volumes of hazardous waste generated in 2019 (estimates)

	Hazardous waste [Mg]	
	2019	2018
CIECH Group	66,935	68,380

Table 17. Volumes of non-hazardous waste generated (excluding municipal waste) in 2019 (estimates)

	Non-hazardous waste (excluding municipal waste) in 2019 [Mg]	
	2019	2018
CIECH Group	983,572	1,045,382

EMISSIONS

Table 18. Direct emissions of greenhouse gases (Range 1), nitrogen oxides, sulphur oxides and other significant emissions to air in 2019 (estimates)

	Emission levels of CO ₂ to air [Mg]	
	2019	2018
CIECH Group	2,853,576	3,027,669

	Emission levels of nitrogen oxides, sulphur oxides and other significant emissions to air [Mg]	
	2019	2018
CIECH Group	18,625	23,423

**WATER****Table 19. Total water consumption (estimates)**

	Water abstraction [m ³]	
	2019	2018
Total water abstraction	47,713,668	50,898,973

Table 20. Total wastewater discharge (estimates)

	Wastewater discharge [m ³]	
	2019	2018
Total wastewater discharge	42,317,233	48,556,216

POWER**Table 21. Total energy consumption (estimates)**

	2019	2019
Energy factor balance (raw materials)	GJ	27,663,392 GJ
Energy factor balance (energy)	GJ	29,351,425 GJ
	2018	2018
Energy factor balance (raw materials)	GJ	27,505,267 GJ
Energy factor balance (energy)	GJ	31,421,161 GJ



05 Our business environment



5. OUR BUSINESS ENVIRONMENT

5.1 Our stakeholders.

CIECH Group's stakeholders play an important role in its operations both financially and non-financially. We provide precise information to all stakeholders. Thanks to their involvement in the dialogue, we receive valuable information that influences our business, in particular our strategic activities or management of the impact on the environment. In addition, a priority in the area of relations with our business environment is to ensure equal and continued access to information about the CIECH Group to our stakeholders.

Figure 12. CIECH Group stakeholders



Table 22. Communication with stakeholders

Stakeholder	Group description	Forms of dialogue
Capital market	<ul style="list-style-type: none"> ▪ Shareholder ▪ Institutional investors ▪ Individual investors ▪ Brokerage house analysts ▪ Other capital market institutions, including: WSE, PFSA, SEG ▪ Investor websites 	<ul style="list-style-type: none"> ▪ Stock exchange reporting (interim and current reports) ▪ General Shareholders' Meetings ▪ Website (investor relations tab with news) ▪ Face-to-face meetings in Poland (group and individual meetings) ▪ Conference calls ▪ Non-deal roadshows abroad ▪ Participation in conferences held by brokerage houses ▪ Investor chat rooms ▪ Information materials (including presentations, one-pagers, fact-sheets, videos) ▪ Mailings.

Stakeholder	Group description	Forms of dialogue
Employees	<ul style="list-style-type: none"> ▪ White-collar workers ▪ Blue-collar workers ▪ Potential employees ▪ Retired employees 	<ul style="list-style-type: none"> ▪ Internal Gazette – newsletter (quarterly) ▪ Mailing from HR Communications and Corporate Communications mail boxes ▪ Bulletin boards ▪ Intranet ▪ Face-to-face meetings
Customers	<ul style="list-style-type: none"> ▪ Existing customers of individual business units ▪ Potential customers 	<ul style="list-style-type: none"> ▪ Face-to-face meetings ▪ Printed materials ▪ Internet ▪ Mailing ▪ Phone conversations
Business partners	<ul style="list-style-type: none"> ▪ Suppliers ▪ Subcontractors 	<ul style="list-style-type: none"> ▪ Purchasing platform ▪ Website form ▪ Phone conversations ▪ Mailing ▪ Face-to-face meetings
Local communities and public institutions	<ul style="list-style-type: none"> ▪ Local communities in the vicinity of plants ▪ National and local authorities ▪ Local associations 	<ul style="list-style-type: none"> ▪ Website ▪ Phone conversations ▪ Mailing ▪ Face-to-face meetings
Media	<ul style="list-style-type: none"> ▪ Business and economic media ▪ Local and regional media ▪ Trade media – chemical ▪ Trade media – Agro segment 	<ul style="list-style-type: none"> ▪ Press releases ▪ Conferences and briefings ▪ Direct contact with the press officer

Relations with the capital market

At CIECH S.A., we pursue a range of activities with respect to investor relations (IR) in order to provide equal and reliable access to information about the Group to all stock market stakeholders. It is extremely important for the Group which pays special attention to transparency and openness in communication with the capital market. In our operations, we refer to recommendations and rules specified in “Best Practice for GPW Listed Companies 2016”.

CIECH S.A. takes a number of measures aimed at implementing the aforesaid objectives. Every year, the Group also strives to implement new tools addressing the market demands. For more information on IR activities, see Section 6.2.3 of the Management Board Report on activities of the CIECH Group and CIECH S.A.

Key issues among investors

CIECH S.A. conducted a survey among capital market stakeholders in order to learn about their perspectives on the importance of disclosing non-financial information by the CIECH Group, the extent to which the non-financial report for 2018 met their expectations, and what other topics they would like to see in the report. This is an opportunity to obtain information about the importance of the presented non-financial data, the needs of investors with respect to the non-financial report, their perception of the company, and the importance of selected non-financial issues when the respondents make investment decisions or analyse the CIECH Group.

Awards and distinctions related to the Company's presence on the capital market

In 2019, CIECH S.A. received the 3rd main award in the prestigious “The Best Annual Report 2018” competition organised by the Institute of Accountancy and Taxes in the regulated market companies category. The awards are granted to companies with a high quality annual report in terms of use value for shareholders and investors. Moreover, the Polish Association of Listed Companies qualified CIECH S.A. to the second stage of the 12th edition of the Golden Issuer's Website Competition where the websites of listed companies were evaluated. The ri.ciechgroup.com portal has been nominated for the “Best IR website” award in the “Large Companies” category.

Associations and organisations the CIECH Group is engaged in:

- Polish Association of Listed Companies,
- Polish-Romanian Bilateral Chamber of Commerce and Industry,
- Polish Chamber of Chemical Industry,
- Employers of Poland,
- Polish Salt Foundation,
- Polish Human Resources Management Association,
- Polish Chamber of Industrial Power and Energy Consumers,
- CEFIC (European Chemical Industry Council).



Selected awards and distinctions for the CIECH GROUP 2019

31.01		CIECH S.A. once again found itself in the ranking of the most dynamically developing companies in Poland.	27.06		The list presents companies that in the years 2016-2018 most dynamically increased foreign sales.
09.02		CIECH S.A. he won an amber statuette in a competition whose goal is, among others disseminating good practices and setting standards in the area of human resource management.	09.09		CIECH S.A. was included in the international ranking XIV ranking of the largest companies in Central and Eastern Europe TOP 500 CEE 2019 prepared by Coface.
13.02		The ri.ciechgroup.pl portal has been awarded in the "Issuer's Golden Website" competition, which awards the best websites of companies listed on the WSE.	12.09		SAP Polska awarded the most innovative companies in Poland with annual Innovation Awards.
30.04		„Gazeta Finansowa" published the ranking of "1000 largest companies in Poland", CIECH S.A. took 107 place in it.	18.09		The Nowy Przemysł magazine and the WNP.PL portal presents a list of 800 largest companies on the Polish market dealing in production and services for industry.
06.05		CIECH S.A. took 43 place in the ranking of 200 largest Polish companies. Companies that showed the highest profits and were distinguished by other indicators were awarded.	17.10		The jury of the prestigious competition 'The Best Annual Report 2018' recognized the report of CIECH S.A. for one of the three best annual reports of 2018 on the Polish market.
20.06		The list includes the largest, most interesting and fastest growing enterprises in Poland.	31.10		The ranking is a list of one hundred largest Polish private companies, the place in the ranking was determined by the company value (Enterprise Value, "EV"). CIECH S.A. took 14th place in the ranking.
17.06		CIECH S.A. once again he was among the 10 National Champions selected in the POLITYKA INSIGHT ranking. Experts appreciated above all the strong position of the Company in its industry and intensive foreign expansion.	ND		The award was received in the employee development category for the implementation and implementation of the Internal Trainers Program at the CIECH Group.

5.2 Support for culture, sport and local communities.

We strive to be a good neighbour and support local initiatives in the communities we operate in through contributing to the organisation of sporting and cultural events as well as educational programmes. We pursue charity and voluntary initiatives, and enable our employees to take part in them actively.

Our social commitment is regulated by the **Rules of Sponsorship and Donations at the CIECH Group.**

WE SUPPORT YOUNG TALENTS

Academy of School Talents

“Academy of School Talents” is a free, long-term support programme for the children of CIECH Group employees, initiated by Sebastian Kulczyk. Programme participants will receive help from graduates of world’s best universities to develop their talents and skills and choose the best educational pathway. IVY Poland advisors will also prepare them to study at the most prestigious universities in the United States and United Kingdom. The credibility of the program is guaranteed by its partner, the Ivy Poland Foundation, which continuously promotes and supports education of Poles at the best universities in the United Kingdom and the United States. The Foundation boasts expert knowledge of students’ educational needs and education systems in the USA, UK and other parts of the world. The students and holders of IVY Poland scholarships study at Harvard, Stanford, Yale, Columbia, UPenn, Oxford, Cambridge and LSE.



S c h o o l
Talents Academy

In September 2018, we commenced recruitment for the first year of the Academy of School Talents at the Polish plants of the CIECH Group. Intense information campaign was well received by our employees. As a result, several dozen children of the employees applied for the programme, out of which ten winners were selected.

The winners of the “Academy of School Talents” will now be individually supervised by mentors of the IVY Poland Foundation, which continuously promotes and supports education of Poles at the best universities in the United Kingdom and the United States. They will make sure the talents of the winners are used in the best way possible and help them choose the best educational pathway. New perspectives are now opening up for young people, and perhaps some of them will soon be taking their first steps on the premises of Harvard, Oxford or Yale.

In 2019, the first participants of the Academy of School Talents received the so-called offers, i.e. proposals for admission to universities in the UK. The final success of their efforts depends on the results of their high school (matura) exams.

In 2020, the IVY Poland Foundation supports six children of CIECH Group employees (the four oldest ones will try to get to their desired universities).

For more information, see www.akademiaszkolnychtalentow.pl

WE SUPPORT CULTURE

International Chopin Festival

In 2019, CIECH Group was one of the partners of the Chopin Festival in Duszniki Zdrój. 73. The International Chopin Festival is the oldest uninterrupted piano festival in the world. Each year, the most renowned pianists and winners of prestigious competitions play at the Festival.

Malta Festival

The CIECH Group, like in previous years, has supported one of the most important cultural events in Poland – the Poznań Malta Festival held in June. The Malta Festival is a place for nearly 300 events, more than 700 artists from 15 countries and almost 50 locations where art lovers can experience the most sophisticated theatrical art. It is a unique meeting of artists, intellectuals, people with different views, who share their knowledge, experience and what they do or care about in their lives. The audience does not only participate in these events, but also contribute to them.

CIECH supported an artist, Dominika Olszowy

CIECH, a long-standing patron of the works of Prof. Magdalena Abakanowicz, one of the most renowned Polish artists in the world, supplied resin to Dominika Olszowy who used it as a material for the “Spirit of Home” exhibition at the Raster Gallery. The works presented at the exhibition were created using EPIDIAN® DECO epoxy resin from CIECH Sarzyna’s portfolio. This way, the CIECH Group continues its mission to support artists, providing them with material for their artistic work.

CIECH Group supports the Nostalgia Festival

Nearly 2000 people took part in the events of the 13th Edition of the Nostalgia Festival Poznań, which once again enjoyed the support of the CIECH Group. It is a series of musical events, which take audiences to various corners of the world.

WE SUPPORT SPORT

Poznań Open Tennis Tournament

For yet another time, CIECH S.A. became the Main Partner of the “International Poznań Open Tennis Tournament”, part of the “ATP Challenger Tour”. The tournament, held as part of the ATP Challenger Tour series, was won by a Spanish player, Tommy Robredo, who won the final match against Rudolf Molleker from Germany.



Super League Triathlon

In 2019, the CIECH Group sponsored a unique triathlon event – a kind of Triathlon Champions League, intended for both professionals and amateurs. The Super League Triathlon is the most innovative and spectacular triathlon league in the world. The only qualifying race for this cycle in Europe took place in Poznań in the summer of 2019. The competition was also attended by CIECH Group employees.

WE SUPPORT LOCAL COMMUNITIES

More than PLN 300 thousand – the value of funds provided for donations, as well as initiatives supporting local communities in 2019 by the CIECH Group (approx. **PLN 300 thousand** also in 2018).

Selected initiatives for local communities from several CIECH Group companies:

CIECH Sarzyna S.A.

- Providing equipment for the chemistry lab in the School Complex in Nowa Sarzyna, joint patronage over the chemistry class together with the Rzeszów University of Technology.
- Purchase of a multimedia projector for a kindergarten in Nowa Sarzyna.
- Support for running events: Bieg dla Niepodległej, Bieg Zośki Turosz, Bieg Kwiat Azalii.
- Taking care of the team of CIECH Sarzyna S.A. runners.
- Financial contribution to holidays for children from the local Children's Home.
- Supporting chemistry competitions for schoolchildren.

CIECH Soda Polska S.A.

- Collaborating on the release of the album “Inowrocław during the Second World War 1939-1945” – the album includes photos of the plants, with information on the involvement of soda plant employees in the defence of Inowrocław and CIECH Soda Polska as the successor of Zakłady Mątwy.
- Providing recreation centres for local childcare facilities.
- Support for local Volunteer Fire Brigades.
- Sponsorship of sports competitions with the participation of Honorary Blood Donors. The company is a founder and a participant of the Inowrocław Ecological Foundation which educates children and teenagers in Inowrocław on environmental issues.

CIECH Soda Romania S.A.

- Support for Casa Pinocchio orphanage – we have been supporting the local orphanage with donations for four years.
- Co-organisation of a piano concert for young people dedicated to the memory of Irina Satchi, a famous Romanian musician born in Poland.
- Cooperation with the Polish Cultural Institute in Bucharest – sponsorship of events.
- Partnership with a local technical high school.



06 About the report



6. ABOUT THE REPORT

6.1 Reporting approach.

The non-financial report of the CIECH Group for 2019 (01/01/2019 – 31/12/2019) was prepared according to the international non-financial reporting standard Global Reporting Initiative, Core option. It is the third non-financial report of the CIECH Group which presents our impact on society, employees and the natural environment in a comprehensive manner. The previous Non-financial report of the CIECH Group for 2018 was published on 26 March 2019.

The non-financial reporting topics have been defined according to Global Reporting Initiative – GRI Standards. In order to learn about the views of key stakeholders on disclosing non-financial information by the CIECH Group, we conducted a survey among Polish and foreign investors.

Key reporting aspects in the CIECH Group:

1. Compliance of operations.
2. Product quality.
3. Climate issues and related emissions to air.
4. Safe production.
5. Customer satisfaction.
6. Impact on the environment related to raw materials usage.
7. Impact on the environment related to power consumption.
8. Purchasing practices.

The report has not been verified externally.

6.2 Content index according to GRI Standards.

Index number	Index name	Comments	Page number
	<u>Profile indices (mandatory)</u>		
	Organisation profile		
GRI 102-1	Organisation name	-	6
GRI 102-2	Description of the organisation activity, main brands, products and/or services	-	6-8
GRI 102-3	The location of the organisation's registered office	-	8
GRI 102-4	The localisation of operating activities	-	6-8
GRI 102-5	Organisation ownership and legal structure	-	8
GRI 102-6	Serviced markets	-	6-8
GRI 102-7	Business scale	-	3, 6-8
GRI 102-8	Data on employees and other people working for the organisation	-	32-38
GRI 102-9	Supply chain description	-	22-25
GRI 102-10	Significant changes in the reported period related to the size, structure, ownership or value chain	No change	-
GRI 102-11	Explanation whether and how the organisation applies the prudence principle.	-	45
GRI 102-12	External, economic, environmental and social declarations, principles and initiatives adopted or supported by the organisation	-	47
GRI 102-13	Membership in associations and organisations	-	47
	Strategy		
GRI 102-14	Senior management statement	-	2
GRI 102-15	Description of key influences, opportunities and risks	-	17-18, 20-21
	Ethics		
GRI 103-1, 103-2, 103-3	Description of the key reporting aspect: "Compliance of operations".	-	17-20
GRI 102-16	Organisation goodwill, code of conduct, behaviour principles and standards.	-	18
	Management		
GRI 102-18	Organisation supervision structure with committees reporting to the top supervisory body	-	10
	Stakeholder involvement		
GRI 102-40	List of stakeholders involved by the reporting organisation	-	45-46
GRI 102-41	Employees under collective agreements	-	33
GRI 102-42	Bases for identifying and selecting stakeholders engaged by the organisation	-	45-46
GRI 102-43	Approach to engaging stakeholders including the engagement frequency by stakeholder type and group	-	45-46
GRI 102-44	Key topics and issues among stakeholders and organisation's answer, including their reporting	-	45-46
	Reporting		
GRI 102-45	Listing of economic entities included in the consolidated financial statement	-	9
GRI 102-46	Process of defining report content	-	51
GRI 102-47	Identified key topics	-	51
GRI 102-48	<i>Explanation of the effects of any corrections of information contained in previous reports with their reasons and impact (e.g. mergers, acquisitions, a change of the year/base period, activity characteristics, measurement methods)</i>	Not applicable	-
GRI 102-49	<i>Significant changes with respect to the previous report related to the measurement scope, range or methods used in the report</i>	Not applicable	-
GRI 102-50	Reporting period	-	51
GRI 102-51	<i>Date of most recent report (if applicable)</i>	-	51
GRI 102-52	Reporting cycle	Annual	51
GRI 102-53	Contact information	-	54
GRI 102-54	Information whether the report has been prepared according to GRI Core or Comprehensive Standard	Core	51
GRI 102-55	GRI index	-	52-53
GRI 102-56	Policy and current practice with respect to external verification of the report	-	51
	<u>Detailed indices</u>		
	Raw materials		
GRI 103-1, 103-2, 103-3	Description of the key reporting aspect: "Impact on the environment related to raw materials usage"	-	27
GRI 301-1	Raw materials/materials used (partially reported indicator)	-	27



Index number	Index name	Comments	Page number
Power			
GRI 103-1, 103-2, 103-3	Description of the key reporting aspect: "Impact on the environment related to power consumption"	-	41-43
GRI 302-1	Energy consumption at the organisation (partially reported indicator)	-	43
Emissions			
GRI 103-1, 103-2, 103-3	Description of the key reporting aspect: "Climate issues and related emissions to air"	-	42-43
GRI 305-1	Direct greenhouse gas emissions (estimates)	-	42
Water and sewage			
GRI 303-1	Total water consumption by source (partially reported indicator)	-	43
GRI 306-1	Total water discharge by quality and destination (partially reported index)	-	43
GRI 306-2	Waste by type and disposal method (partially reported index)	-	42
Transport			
GRI 308-2	Important current and potential threats to the environment in the supply chain (descriptive indicator, partially reported)	-	22-25
Own indicator	% share of each transportation category (air, marine, rail, road) in the reported year.	-	23
Relations with business partners			
GRI 103-1, 103-2, 103-3	Description of the key reporting aspect: "Purchasing practices".	-	24
GRI 414-1	Percentage of new vendors that were selected based on the criteria of work conditions, social issues and human rights.	-	24
GRI 103-1, 103-2, 103-3	Description of the key reporting aspect: "Product quality"	-	25-27
GRI 103-1, 103-2, 103-3	Description of the key reporting aspect: "Safe production".	-	25-27
GRI 416-2	Total cases of non-compliance with regulations and voluntary codes related to product and service influence on health and safety	-	25-27
Research & Development			
Own indicator	Number of patent applications, trademarks, industrial designs registered in the reported year.	-	30
Customer relations			
GRI 103-1, 103-2, 103-3	Description of the key reporting aspect: "Customer satisfaction"	-	28-29
GRI 417-3	Total cases of non-compliance with regulations and voluntary codes of marketing communication, including advertisements, promotions and sponsoring by effect	-	29
Workplace			
GRI 401-1	Total number and percentage of new employees and total number of leaving employees in the reporting period	-	35
GRI 401-2	Fringe benefits for full time employees	-	33
GRI 403-2	Type and rate of work-related accidents	-	39
GRI 404-2	Programmes for managerial skills development and continuing education	-	36-38
Public involvement			
GRI 413-1	Percent of plants with implemented programmes for involving local communities, impact assessments and development programmes.	-	47-49
Own indicator	Value of funds transferred to CSR initiatives	-	49



6.3 Accounting Act compliance table.

See below, for the list of non-financial issues required by the Accounting Act with the number of the page, where the required information is described.

Issue	Page number
1. CIECH Group business model.	8-14
2. Key Non-financial Performance Indicators.	3
3. Policies, procedures and regulating documents at the CIECH Group:	17-18
▪ Employment issues	17-19, 31-38
▪ Social issues	17, 26-29, 47-49
▪ Environmental issues	17, 40-43
▪ Human rights	17-19
▪ Counteracting corruption	17-18
4. Non-financial risk management.	20

6.4 Contact details.

Contact information:

Press Officer

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REPRESENTATION BY THE MANAGEMENT BOARD

This Non-financial Report of the CIECH Group for 2019 was approved by the Management Board of the Company on 31 March 2020.

Warsaw, 31 March 2020

(signed on the polish original)

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Dawid Jakubowicz — President of the Management Board of CIECH Spółka Akcyjna

(signed on the polish original)

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Mirosław Skowron — Member of the Management Board of CIECH Spółka Akcyjna