



# Non-financial report of the CIECH Group for 2018



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/Madams,

You are most kindly invited to read the non-financial report of the CIECH Group for 2018 which is a comprehensive presentation of our Company's impact on its environment and issues related to environmental protection, as well as employee and social matters.

The CIECH Group is one of the largest Polish chemical companies with global footprint. We employ almost 3900 people in four European countries. Our products, which are used to manufacture items used by millions of people all over the world, are delivered to over 100 countries in Europe, Asia, Americas and Australia. Our Group consists of eight production plants located in Poland, Germany and Romania. In both these countries we belong to the group of the largest investors in the regions in which we operate.

Such a scale of activities, of course, affects the economic development of the areas in which we operate, and the natural environment and local communities in the vicinity of our plants. We are well aware of that, and this is why sustainable and socially responsible development is an essential element of the strategy for 2019-2021, as adopted by the Supervisory Board of CIECH S.A. In addition to precisely drawn up business plans, the strategy also includes a number of tasks related to building the best possible relationships with our surroundings, creating a friendly workplace or minimising the impact of our production activities on the environment.

The key element of our strategy is to introduce the best operating standards in the area of modern management, implementation of innovations or increasing efficiency while maintaining good practices of business ethics in all areas of our operations. Accordingly, in 2018, we introduced the Code of Conduct of the CIECH Group, which is a set of clearly defined standards of behaviour in both social and professional relations, which all employees of our organisation have committed themselves to comply with.

Last year, we undertook a number of activities contributing to the increase of employees' satisfaction and commitment. When it comes to this issue, we focus on building an organisational culture which is conducive to effective cooperation and work in a friendly atmosphere. In accordance with the aforementioned CIECH Group's Strategy for 2019-2021, further construction and strengthening of the organisational culture as well as motivating and rewarding work environment is a priority on the list of activities of the Management Board of CIECH S.A.

Last year was also another year in which we intensively implemented pro-environmental initiatives aimed at effective use of raw materials and energy, reduction of emission of pollutants and reasonable waste management. We also attach particular importance to the use of solutions improving the safety of our technological installations. The CIECH Group Strategy for 2019-2021 includes, among others, activities aimed at reducing the so-called carbon footprint in the soda production process, our key business, and such adjustment of the energy mix and good practices with regard to pro-environmental activities, so that CIECH becomes an entity that sets the best market standards.

Seeking to be regarded as a good neighbour in the environments in which we operate, we support cultural, sports and educational initiatives. We consider dialogue and cooperation with the local community to be an element of building a modern and open chemical holding.

Quality, within the meaning of the CIECH Group, means not only providing the highest quality products to the market, but also responsible and consistent building of the company's value in accordance with our environment: investors, employees, contractors, clients and local communities. Therefore, once again, we invite you to look at our Group and its impact in a broader perspective.

The CIECH Group understands quality not only as delivering products of the highest quality to the market, but also as increasing the Group value in a responsible and consistent manner, and in harmony with our environment: investors, employees, business counterparties, customers and local communities. Therefore, once again, I invite you to look at our Group and its impact in a broader perspective.

Kind regards



**Dawid Jakubowicz**

President of CIECH S.A. Management Board



**PLN 3.7  
billion**

– value of sales revenues  
of CIECH Group for 2018



**PLN 654  
million**

– EBITDA for 2018



**PLN 633  
million**

– EBITDA (adjusted)  
for 2018



**3,871**

– number of employees  
in CIECH Group in 2018



**100**

– number of markets  
that our products go to



**8**

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



**70**

research and development  
projects



Over  
**PLN 56  
million**

- expenses of the CIECH Group  
in 2018 for environmentally  
friendly investments



About  
**PLN 300  
thousand**

- value of funds  
transferred to  
CSR initiatives in 2018



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# D1 Our Group



# 1. OUR GROUP

## 1.1 Characteristics of the CIECH Group

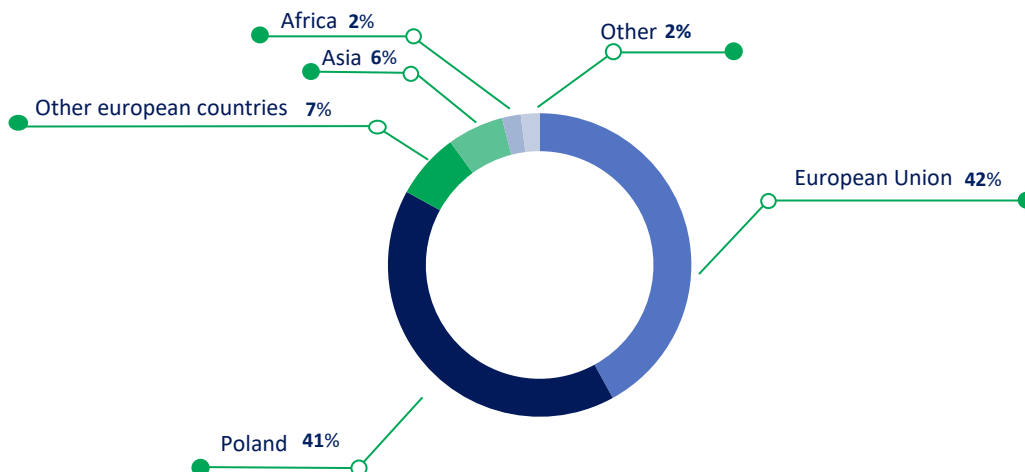
CIECH Group is one of the largest Polish chemical companies with global presence.

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 (2<sup>nd</sup> 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
<b>COMPANIES</b>	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
<b>PRODUCTS SERVICES</b>	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
<b>CUSTOMERS</b>	glass industry food detergent industry pharmaceutical households	agriculture furniture industry households	chemical food detergent industry paint industry households	major companies of the CIECH Group
<b>MARKETS</b>	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 2018**


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.

In the third quarter of 2018, a Spanish company, Proplan Plant Protection Company, S.L., engaged in the production and sale of crop protection chemicals, became a member of the CIECH Group. The company specialises in registering and distributing fungicides, herbicides, insecticides, growth regulators. It operates in the European market, mostly in Spain, and on other continents – mainly in Australia and Africa. Proplan outsources product formulation and packaging services to two plants.

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




We employ nearly 3900 people, including almost 1000 in Germany and Romania.

The holding 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

51% of shares

— 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. shareholders, see CIECH Group Operation Report for 2018 available at [www.ciechgroup.com](http://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. 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 **37 business entities**. We operate in the following segments: soda, organic, silicates and glass, and transport.

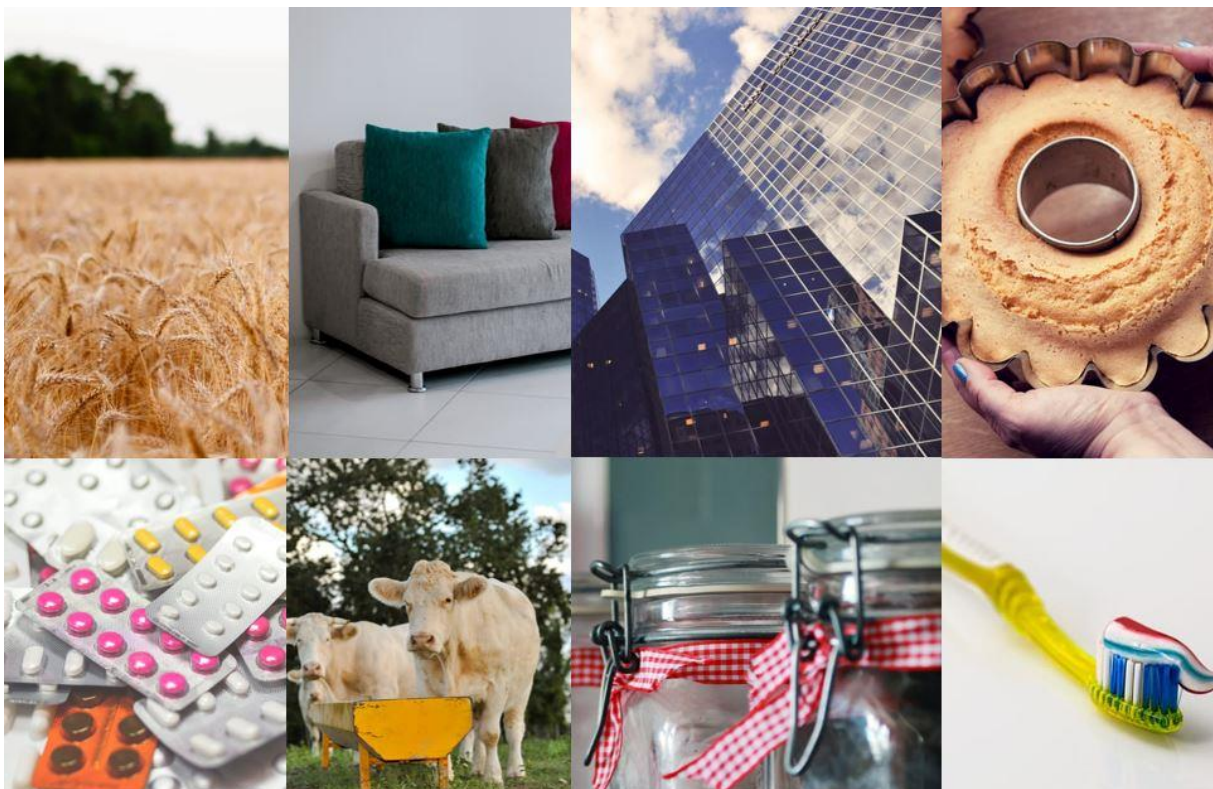
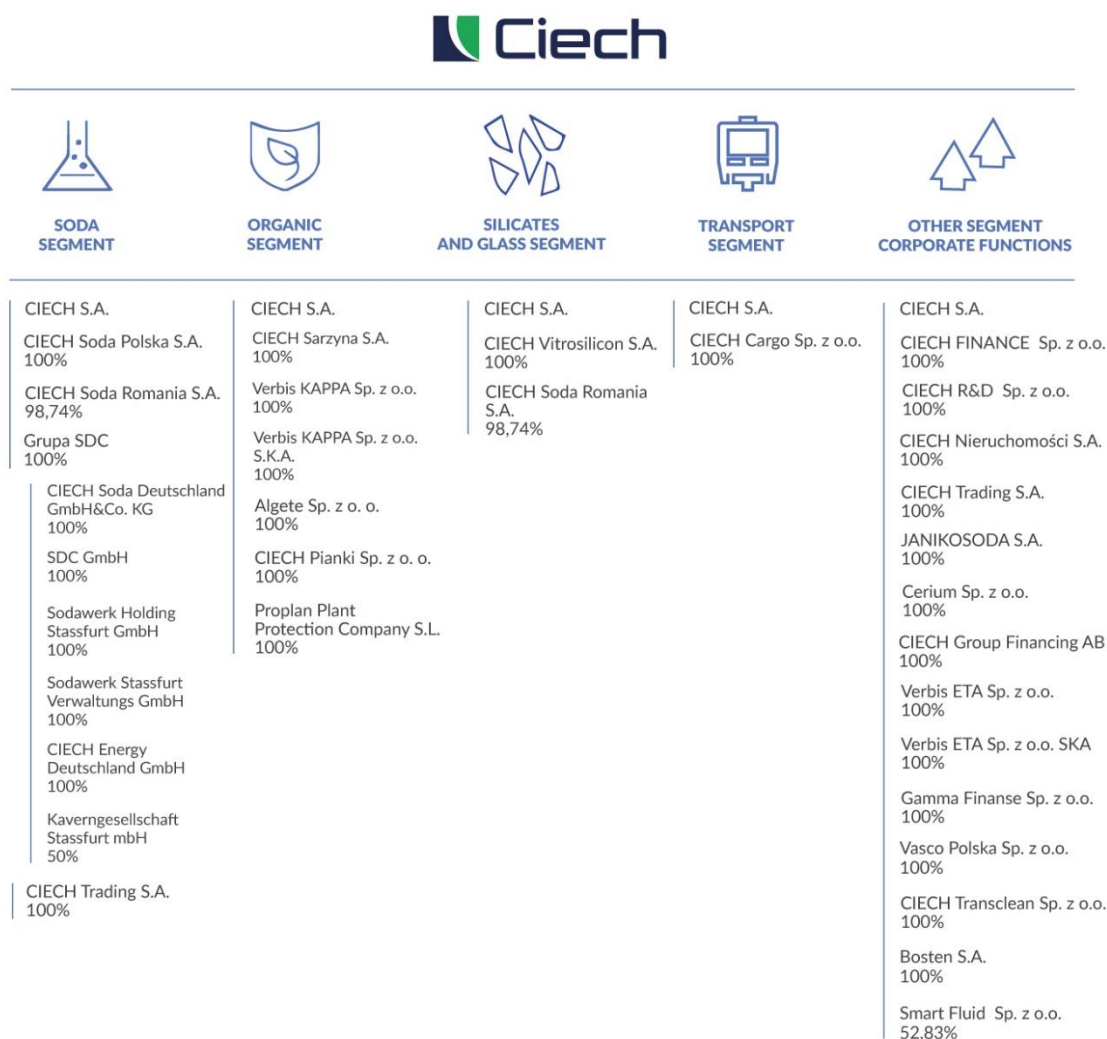




Figure 4. Structure of the CIECH Group – companies consolidated and valued using the equity method



In 2018, 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 2018:**

- 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.

## Members of CIECH S.A. Management Board and their scopes of responsibilities

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### Dawid Jakubowicz, President of the Management Board

- Strategy and Innovation Division
  - Human Resources Department
  - Audit and Control Department
  - Legal and Compliance Department
  - Assets Management Department
  - Security Office
  - Finance and Accounting Division
  - Independent position: OHS Coordinator, Representative of the Management Board for Investor Relations, Director of the Reshape Project, Adviser to the Management Board, Business Analysis Manager.
  - AGRO Business Unit.
- 

### Artur Osuchowski, Member of the Management Board

- Project Management and Entities Supervision Department
  - Marketing and Communication Department
  - Supply Chain Management Division, including:
    - Logistics Department
  - IT Department
  - Independent positions, including: Coordinator of the Management Board for the Integrated Management System; Representative of the Management Board for the Integrated Management System; Press Officer.
  - Business Unit: Salt, Soda, Resins, Foams, Silicates and Glass.
- 

### Mirosław Skowron, Member of the Management Board

- Investment Management Department
  - Facilities Maintenance Department
  - Purchase Division, including:
    - Raw Materials Purchase Department
    - Investment and Technical Purchases Department
    - Administration and IT Purchasing Department
  - Energy Department
  - Environmental Department
  - Grain Project Team
- 

## Members of CIECH Group Supervisory Board

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

For more information on the composition of the Management Board and the Supervisory Board as well as changes in 2018, see the CIECH Group and CIECH S.A. Operation Report for 2018 available at [www.ciechgroup.com](http://www.ciechgroup.com).

## RESHAPE Programme

In 2017, we initiated a programme of internal changes called RESHAPE, which is based on **two foundations** – a change to the Group’s organisational structure, and standardisation and optimisation of organisation-critical business processes, such as production, sales or logistics.

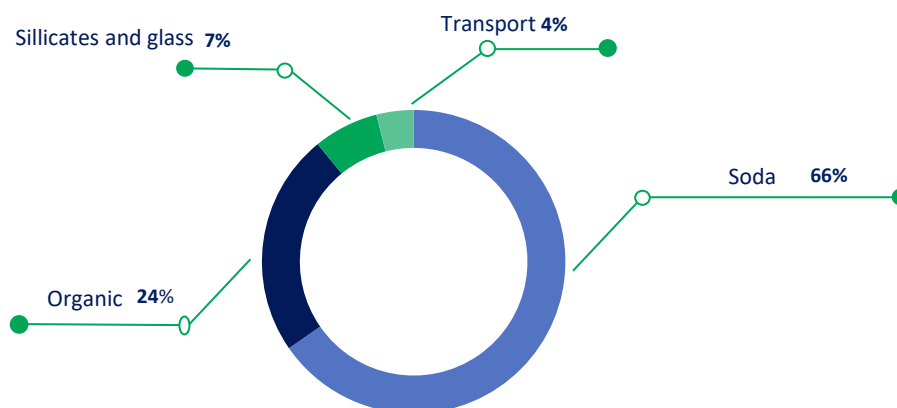
In October 2018, the Management Board of CIECH S.A. decided to terminate the **Reshape** Programme. However, some of the initiatives have been adapted and then incorporated into CIECH Group's strategy for 2019–2021. Further work on the separation of independent Business Units, creation of a Shared Services Centre and optimisation of key processes will be continued.



## 1.3 Operating segments.

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

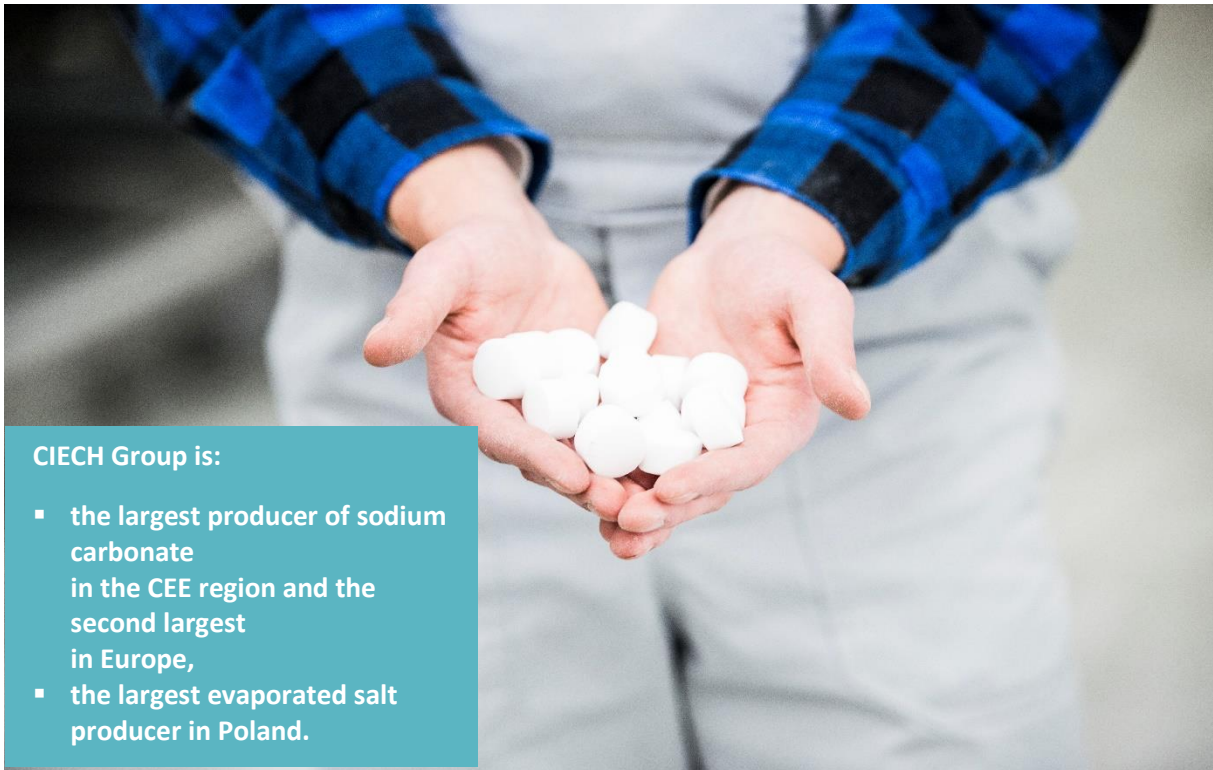
Figure 5. CIECH Group revenues in 2018 by segment (including inter-segment transactions)



### 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. **Sodium carbonate** – 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. **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 SO<sub>2</sub> 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 sodium carbonate 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 the third quarter of 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.



#### 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 CIECH Group and CIECH S.A. Operation Report for 2018 available at [www.ciechgroup.com](http://www.ciechgroup.com).

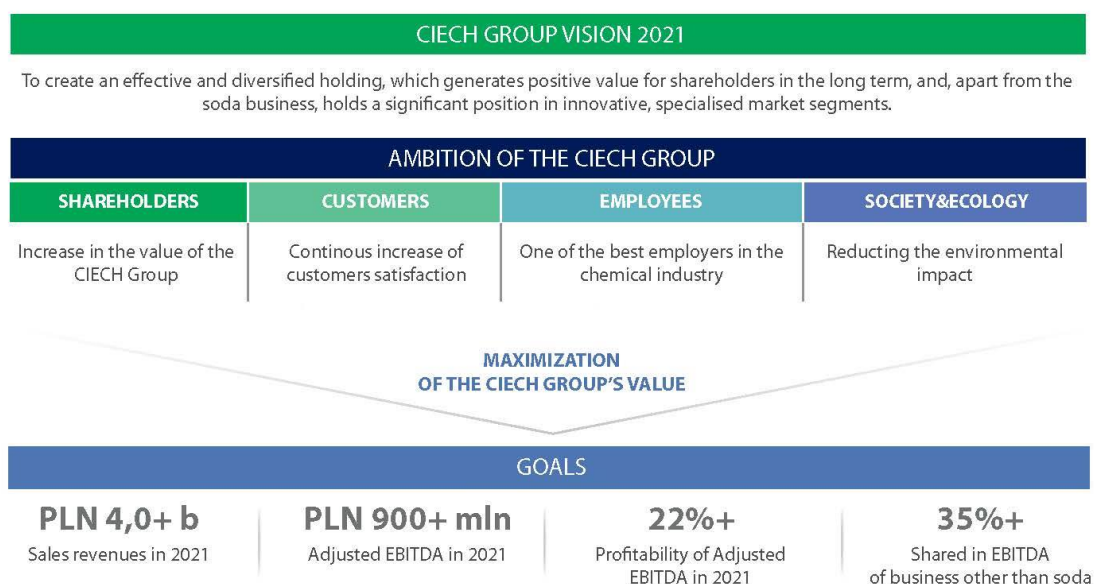
## 1.4 CIECH Group strategy.

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 investments in the development of specialist businesses in other segments, intensive use of innovation and the effects of R&D efforts to increase production efficiency and expand product portfolio and to create value 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:**

<p>Soda segment</p>	<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"> <li>▪ increasing production capacity of sodium bicarbonate and expanding the portfolio to include, among others, sodium bicarbonate for dialysis (soda),</li> <li>▪ a programme of continuous production efficiency improvement, also through modernisation in the area of energy (soda and salt),</li> <li>▪ a programme of increasing maintenance efficiency (soda and salt),</li> <li>▪ 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),</li> <li>▪ increasing the share of the Group's products in the specialist products market, including, among others, salt tablets, pharmaceutical salt and granulated salt (salt).</li> </ul>
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	Organic segment	<p>Strengthening of the market position consistently in the organic segment through, among other things:</p> <ul style="list-style-type: none"> <li>expanding the portfolio of active substances (increase by 40+) and new product registrations (increase by 200+) (crop protection chemicals),</li> <li>strengthening the position on key markets, i.e. Poland and Spain, and developing sales on other markets (crop protection chemicals),</li> <li>increasing the share of sales outside Poland to 40% (crop protection chemicals),</li> <li>development of specialist products (resins),</li> <li>maintaining current market position (foams).</li> </ul>
	Silicates and Glass segment	<p>Selective strengthening of the market position through, among other things:</p> <ul style="list-style-type: none"> <li>taking advantage of the growing silicates market,</li> <li>maintaining current market position in glass packaging.</li> </ul>
	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"> <li>building the best teams,</li> <li>creating a culture of continuous efficiency improvement,</li> <li>introducing state-of-the-art performance review and career planning tools.</li> </ul>



In 2018, the Strategy of the CIECH Group for 2014–2019, presented by the Management Board of the Company and approved by resolution of the Supervisory Board dated 3 November 2014, was in effect. According to that document, the strategic objective was maximisation of the value of the CIECH Group, mainly through the development in the soda and organic segments.

**Figure 7. Strategy of the CIECH Group applicable in 2018**



**Table 2. Objectives set in the CIECH Group's strategy for 2014–2019 have been achieved through:**



	Soda segment	<p>Strengthening of the leading position in the soda segment in the key European markets through, among other things:</p> <ul style="list-style-type: none"> <li>reaching new customers effectively,</li> <li>further improvement of product quality,</li> <li>building the position of the preferred supplier,</li> <li>development of processed types of sodium bicarbonate.</li> </ul>
	Organic segment	<p>Consistent strengthening of the market position in the organic segment through, among other things:</p> <ul style="list-style-type: none"> <li>an increase of production effectiveness,</li> <li>improved production capacity usage (resins and crop protection products).</li> </ul>

 <b>Silicates and Glass segment</b>	High quality and cost effectiveness of production in the Silicates and Glass segment in the long term through, among other things: <ul style="list-style-type: none"> <li>▪ completion of replacement investments,</li> <li>▪ completion of investments aimed to increase production capacity.</li> </ul>
 <b>Optimisation and development</b>	<ul style="list-style-type: none"> <li>▪ Optimisation of the product portfolio,</li> <li>▪ Development of highly processed products tailored to customer requirements (resins),</li> <li>▪ Geographical expansion (crop protection products), with the support of CIECH R&amp;D Sp. z o.o., which is the Group's R&amp;D centre,</li> <li>▪ Proactive steps to identify and implement new development initiatives oriented towards building the value of the CIECH Group.</li> </ul>

**Table 3. Key strategic activities completed in 2018**

 <b>Soda segment</b>	<ul style="list-style-type: none"> <li>▪ Increase of the share of sales to end customers,</li> <li>▪ Taking advantage of the economic upturn and effective relocation of volumes, which resulted in increased prices in Romania.</li> <li>▪ Maintaining presence in Asian markets and expanding sales on the African continent (Nigeria, South Africa).</li> <li>▪ Specialisation in container sales to distant markets – mainly Asia, Africa.</li> <li>▪ Launch of a new packaging line in Romania to increase sales in small packages.</li> <li>▪ Relocation of sales towards higher-margin markets.</li> <li>▪ Expansion of sales on the Polish feed and food market (sodium bicarbonate).</li> <li>▪ Intra-segment diversification through the introduction of new, highly processed products into the product portfolio – implementation of an investment in pharmaceutical-grade soda.</li> <li>▪ Improvement in salt-related logistics through the construction of a high-storage warehouse.</li> <li>▪ Development of the product offer in salt - licks and salt granules.</li> </ul>
 <b>Organic segment</b>	<ul style="list-style-type: none"> <li>▪ Acquisition in the third quarter of 2018 of a Spanish company called Proplan, specialising in registering, manufacturing and distributing fungicides, herbicides, insecticides, growth regulators.</li> <li>▪ Intensification of new products registration process, building new distribution channels, significant strengthening of the sales force, and advertising campaigns for the flagship products by CIECH Sarzyna S.A. (e.g. CHWASTOX and AGROSAR).</li> <li>▪ Implementation of a large investment programme aimed at extending the product portfolio of CIECH Sarzyna S.A. on the domestic and foreign markets for crop protection chemicals (CPC). The programme involves increasing the level of product registrations on key markets and efforts to ensure direct access to key active substances.</li> <li>▪ Development of the “Home and Garden” – ZIEMOVIT line which will enable to reach new users.</li> <li>▪ In 2018, a new facility for the production of coloured epoxy compositions was commissioned. The rebranding of the EPIDIAN® brand was completed, mainly in the area of epoxy flooring and decorative resin – EPIDIAN® DECO.</li> <li>▪ Commercialisation of new products from the UPR, ER and SPR areas. Intensification of marketing and PR efforts in the areas of resins.</li> <li>▪ Increasing the production capacity of PUR foams, as well as elimination of production bottlenecks as a result of completion of a long block warehouse.</li> <li>▪ Implementation of the development programme in CIECH Pianki Sp. z o.o. aimed at introducing new types of foams into the product portfolio, searching for new applications for current and new products.</li> </ul>



 <p><b>Silicates and Glass segment</b></p>	<ul style="list-style-type: none"><li>▪ Change in the production profile of Division No 1 in the Itowa plant – launch of production of glassy sodium silicate in place of glass packaging.</li></ul>
 <p><b>Optimisation and development</b></p>	<ul style="list-style-type: none"><li>▪ Continued development of the R&amp;D area to support the development of products responding to growing needs of the market. CIECH Group also implements a number of R&amp;D projects aimed at improving the efficiency of its plants.</li></ul>

## 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,
- environmental protection,
- corruption prevention.

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.

**Figure 8. CIECH Group vision**

## Vision



To create an effective and diversified chemical holding which generates a positive value for shareholders in the long term, and, apart from the soda business, holds a significant position in innovative, specialised market segments.



## Implementation of the Compliance System

In February 2018, we introduced a comprehensive compliance system. 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 4. Policies and procedures regulating non-financial areas in the CIECH Group**

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

### CIECH Group Code of Conduct

Each of the present and future employees is obliged to read and comply with the rules described in the Code of Conduct applicable at the CIECH Group. According to the Code of Conduct, managers communicate the rules set in the Code 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 or the Code in the form of a printed brochure. The Code of Conduct has been also translated into other languages to make it available to read by people who are not proficient in Polish.

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 consisted of four 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.

### **Corruption prevention at the CIECH Group**

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

- CIECH Group Code of Conduct whose basic goal is to drive the behaviour of all CIECH Group's employees, irrespective of functions or positions, with respect to ethical issues that take place during normal company operations so that the employees are fair and honest in their actions;
- Trading Policy;
- Procurement Procedures in 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.

On 1 February 2018, when the comprehensive compliance system was implemented, the following internal regulations on corruption prevention came into effect:

- 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 above documents and procedures, no cases of no corruption or fraud were reported at the CIECH Group in 2018.

### **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.

In 2018, when the comprehensive compliance system was implemented, the following internal regulations on respecting human rights came into effect:

- CIECH Group Code of Conduct,
- 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 2018, one case of bullying was reported at the CIECH Group. In order to process the case, we appointed an Anti-Bullying Committee based on the internal CIECH S.A. Anti-Bullying Policy. The Committee considered the complaint groundless.

#### “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 adapt its companies to new legal requirements. To this end, identification of personal data processing processes and legal grounds was carried out, and a number of procedures regulating issues related to personal data protection were also prepared. In order to ensure compliance with the GDPR, 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.

At present, CIECH Group's rules of conduct in the area of personal data are set out in the following internal regulations:

- 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.

#### 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 supposed 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 5. 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
<b>1. Social</b>	
1.1. Product related	<ul style="list-style-type: none"> <li>▪ Risk of failures and unplanned downtimes.</li> <li>▪ Risk related to changes in regulations concerning registration of crop protection products on target markets.</li> </ul>
1.2. Related to external environment	<ul style="list-style-type: none"> <li>▪ Risk related to the availability of raw materials.</li> <li>▪ Economic risk.</li> <li>▪ Risk of oversupply and decrease in prices of soda resulting from launching new production capacities and other activities of competitors.</li> <li>▪ Risk of strong price competition from large corporations and Far East producers in the area of crop protection chemicals.</li> <li>▪ Risk related to more restrictive regulations concerning the use of the natural environment.</li> <li>▪ Risk associated with court proceedings or other out-of-court procedures.</li> </ul>
<b>2. Employee-related</b>	<ul style="list-style-type: none"> <li>▪ Risk of failures and unplanned downtimes.</li> <li>▪ Risk of failure to retain or recruit staff by the CIECH Group.</li> <li>▪ Risk of personnel disputes.</li> </ul>
<b>3. Environmental</b>	<ul style="list-style-type: none"> <li>▪ Risk related to the availability of raw materials.</li> <li>▪ Risk of failures and unplanned downtimes.</li> <li>▪ Risk related to more restrictive regulations concerning the use of the natural environment.</li> </ul>
<b>4. Human rights</b>	<ul style="list-style-type: none"> <li>▪ Risk of personnel disputes.</li> </ul>
<b>5. Corruption prevention</b>	<ul style="list-style-type: none"> <li>▪ <i>This risk is not present at the CIECH Group.</i></li> </ul>



# 02 Our business



## 2. OUR BUSINESS

### 2.1 The supply chain.

#### TRANSPORTATION & LOGISTICS

Demanding market and specificity of transport industry environment present organisations with new challenges in the area of goods distribution and transport organisation. Rising operating costs of carriers and shortage of drivers are key elements causing enormous pressure on the increase in transport rates and the cost of the service.

Despite these unfavourable market developments, the Ciech Group is effectively implementing the assumptions adopted in its transport strategy, in which high operating standards and cost optimisation play the most important role. Through proper cooperation policy and continuous monitoring of the organisation's environment, it was possible to minimise growth of transport costs during the year and continue cooperation with most of the existing business partners. The balance of transport management has also been improved, where the share of transport organised by CIECH S.A. in 2018 **increased by approx. 5% as compared to 2017.**

In 2018, the volume of transported goods in all modes of transport amounted to **approx. 8.3 million tonnes.**

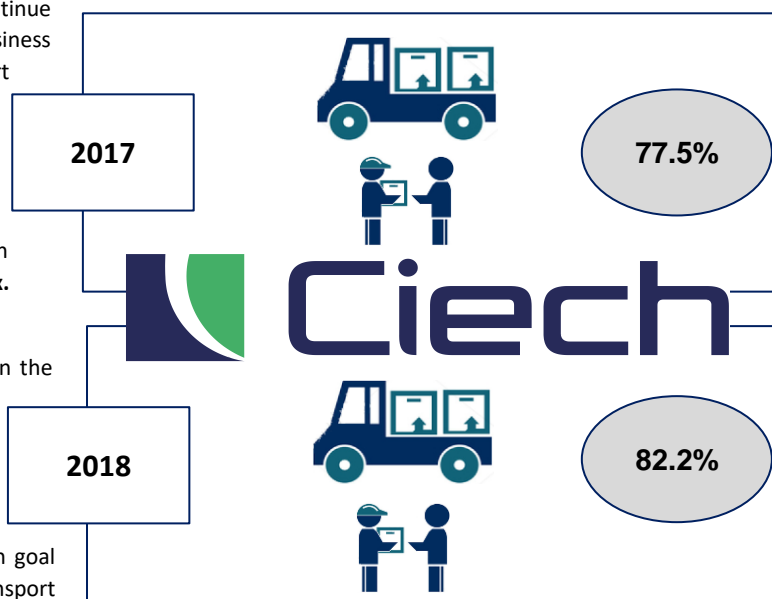
The most important branch of transport in the Group in the area of product distribution is invariably road transport. In the previous year, the share of this branch amounted to 55% of the total sales volume.

In road transport, the organisation's main goal was to reduce the number of transport companies and to continue cooperation with reliable partners. Such an approach has clearly contributed to the improvement of the quality of services, increased service efficiency and increasing the share of CIECH S.A. transport in the carriers' portfolio. **The number of transport companies has been reduced by more than half compared to 2017.**

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The second most important branch (in terms of sales volume) is rail transport (29%). In this area, in 2018, investments were continued in the expansion of sidings in order to enable rail transport of increased volumes of products shipped and raw materials received. The railway company operating within the Group (CIECH Cargo) is working intensely in order to meet its own transport needs in an even more comprehensive manner in related companies and to diversify its service portfolio.

In addition, numerous initiatives were carried out in order to obtain an appropriate amount of equipment for the implementation of operational activities. As part of these tasks, CIECH Cargo acquired additional wagons and locomotives and took over wagons from its subsidiary in order to optimise their use. Continuous analyses of the existing rolling stock are carried out in order to verify optimal resources (acquisition of new ones or disposal of old ones). In addition, cost optimisation

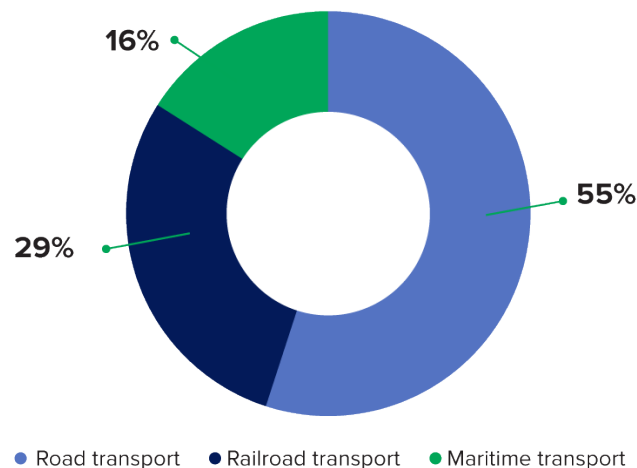


in transport has been achieved through a strategic combination of transport and an appropriate selection of transport tasks (margin criterion).



In maritime transport, the main tasks carried out in 2018 were to establish direct relations with shipowners (to avoid intermediaries), introduction of standards for control services and insurance contracts. Additionally, integration of purchasing processes within the entire Group and all locations (in Poland and abroad) was initiated. The past year has given many opportunities to open up to new destinations for sea shipments. Today, CIECH Group's products reach the most important global markets.

**Figure 9. Share of particular transport categories in sales in 2018.**



Just like transport operations, the area of internal logistics and warehouse management in the organisation is no less important. In this respect, there are ongoing investment projects, such as the high bay salt warehouse in Janikowo (CIECH Soda Polska S.A.) opened in January 2018, thanks to which we can store almost 13,000 pallets and send almost 100 cars of packed salt per day. In the area of internal logistics, there are many initiatives covered by the continuous improvement programme, including the following:



- implementation of time windows on loading, which has helped to improve the timeliness of deliveries,
- mapping of processes and material flow in order to optimise them,
- reorganisation of the existing storage facilities and obtaining additional storage sites,
- extending employee qualifications through additional training and certification,
- implementation of a monitoring and reporting system,
- launch of new scales with remote weighing system.

In addition, there are a number of initiatives to create synergies and integrate processes. An example can be the current project of standardisation of the forklift fleet operating in Polish production plants.

An important element of the Ciech Group's activities is the optimisation of the planning and decision making process. In order to ensure decision-making synergies and link strategic plans at a high level with daily operations, in 2018 the **Sales & Operations Planning (S&OP)** process was launched, which combines all business plans (finance, sales, marketing, production, purchasing, distribution, logistics) and enables maintaining continued competitive advantage through their integration and analysis of possible development scenarios.

Implementation works, planned for 24 months in 2018–2019, will cover all Ciech Group companies.

Our goal is to improve financial results through:

- reduction of the cost of stocks of raw materials, packaging and finished products by at least 10%,
- reduction of annual conversion costs by at least 10%,
- reduction of benefits lost by at least 20%,
- increase in customer service level by at least 15% thanks to the availability of products and on-time deliveries.

The **S&OP** process helps us to achieve our business objectives and goals, involve the entire organisation in cooperation, focus on key issues, manage risk and resources, and base decisions on available facts and scenarios.

### Supply Chain Designer Award



The CIECH Group received the main prize in the 7<sup>th</sup> edition of the Supply Chain Designer programme and a distinction in the Supply Chain Young Designer 2018 category. The "Time window management system" project implemented by CIECH S.A. was related to the introduction of a number of solutions contributing to the reduction of loading time of goods, among others by increasing the number of loading points, modernisation of the existing terminals and construction of new truck scales. The entire solution was supported by a TMS class system and integrated in the organisation's IT environment.

*"The award is a confirmation and recognition of the important role of logistics in an industrial company where on-time delivery and high quality service are an inseparable part of the commercial portfolio and play a significant role in building competitive advantage. I am very pleased that the solution implemented by CIECH has been appreciated by the jury and the award given during the prestigious logistics industry gala is the culmination of the hard work of the entire team in the logistics office," said Hubert Frasunkiewicz, Director of the Supply Chain Management Division.*

The Supply Chain Young Designer 2018 category refers to projects created in the Top Young 100 development programme for the best students from the supply chain in Poland. Its aim is to create mechanisms to solve actual business problems, intensive training in hard and soft skills and mentoring. The team of students overseen by a supervisor at CIECH S.A. was recognised for creating a comprehensive road transport cost calculator based on continuously updated fuel prices and delivery parameters. As a result, the calculator will automate the valuation of transport costs in the distribution process, which will shorten the time required for developing proposals and preparing a commercial calculation with the transport service.

### Purchasing practices at the CIECH Group

The Purchasing Division of the CIECH Group is responsible for all procurement functions in the organisation and consists 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 6. Key purchasing categories at the CIECH Group**

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

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) is also important. It is a sum of all costs related to an IT solution, from its purchase, through use, to disposal.

For technical purchase, an initial vendor evaluation on a purchasing platform at vendor registration has been launched. At that stage, we check OHS, product safety and experience requirements.

Depending on the purchased items, 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.

## 2.2 Product quality.

In the CIECH Group, we offer our customers innovative chemical products with a wide range of applications and a set quality level. Simultaneously, we care about sustainable development and continuous organization improvement based on the feedback from the business environment.

While launching new products, we take into account the demands of global markets as well as applicable standards and legal requirements. Production processes and our services follow safety and distribution principles.

In 2018, 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.

### 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 implemented systems support the activities of the Group companies focused on:

- meeting customer demands and legal requirements,
- providing and maintaining organisational governance by clearly specified procedures, and related responsibilities and privileges,
- providing stability and repeatability of process and their results,
- providing unambiguous data and information retrieved from monitoring and measurement processes with regard to products and services as well as processes, and using the information to manage and continuously improve the organisation.

In each company, system supervision and improvement has been entrusted to people who have required knowledge and competences.

Meeting the requirements of norms and standards is verified by external independent certification bodies. In 2018, all companies of the CIECH Group were successfully certified for compliance with the new edition of ISO 9001:2015 standards and, where applicable, for compliance with the new edition of ISO 14001:2015 standard and feed standards GMP+ B2, B3, B4. Audits of supervision in relation to other norms and standards also confirmed the proper functioning of management systems at Group companies.

**Table 7. Certified management systems at CIECH Group companies.**

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
CIECH Sarzyna S.A.	ISO 9001; ISO 14001; PN-N-18001; ISO 50001; WSK
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

The CIECH Group has established a common **Quality Policy**, which constitutes the basis for setting objectives and directions of action for processes implemented in the entire Group.

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.

## CIECH Quality Standard (CQS)

CIECH Group continues implementation of the CIECH Quality Standard (CQS) programme. In 2018, the structure of Quality Departments at production companies of the Group was unified, the assumptions for the optimisation of quality costs for the entire Group were developed and CIECH S.A. quality standards were prepared to be implemented by all companies of the Group.

### Tasks for 2019 under the CQS Programme:

- Continuation of the quality cost optimisation project at the Group,
- Adaptation of local internal regulations applicable at companies to the guidelines resulting from the CIECH S.A. Standards in accordance with the continuous improvement principle (Quality Plan),
- Improved quality of finished products and reduced number of complaints submitted by key customers,
- Comprehensive approach to quality management at the CIECH Group level.

**Table 8. CIECH Quality Standard (CQS) benefits**

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

## RAW MATERIALS USED FOR PRODUCTION

### Soda segment

The 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, based on long-term agreements. 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 CO<sub>2</sub>.

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 buys it in the form of process steam from a third party supplier. 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 10. 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 2018

In 2018, 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.

All these activities were preceded by an in-depth analysis of the market and customer requirements and expectations. Individual product lines have been developed and new brands have been created. Some of our brands have been refreshed and presented to customers in a completely new version. Hence the focus in 2018 on the development of a group of foliar fertilisers, the introduction of a new type of salt for water treatment or the introduction of a new brand of liquid silicates – VITROTECH. Working with products in 2018 also involves refreshment of already existing brands. New visual identification was created for calcium chloride, Kujawska Salt and EPIDIAN brand. Several solutions have also been implemented to increase the attractiveness of the COMFORT jars range. In all our product groups, we are also constantly working to improve the packaging, both in terms of usability and visual appeal.

Efforts in the marketing area also resulted in many new promotional and instructional materials, which are necessary to present our product range to customers. We are also constantly working on the content of our websites. In 2018, we focused our main activities on adapting the content of our websites to the needs of our customers by introducing new language versions. We have updated and made product information more attractive by building new websites or developing the existing ones. Online activities in 2018 also include Internet campaigns to build the CIECH brand image and promote our products, as well as dedicated campaigns carried out by us periodically, e.g. Agrorevolutions in the area of crop protection products.

We also attach great importance to building a customer base. We are looking for various tools available to search for new contacts. One of them is participation in trade fairs and conferences, which enable us to present our current product range. We participate in local fairs, co-organised with our partners, e.g. KOMPOZYT-EXPO 2018, as well as large international fairs and conferences, e.g. Roskill Asia conference, Composites Engineering Show or CPhlworldwide.

In 2018, no cases of non-compliance with regulations and voluntary applied codes of marketing communication, including advertisements, promotions and sponsorship, were reported.



## 2.4 Research & Development.

At the CIECH Group, research, innovation and development activities are concentrated in CIECH R&D company, which coordinates and carries out activities in this area for production companies of the Group.

It is our ambition to become a leader among the most advanced chemical groups in the world. We expand our research facilities, e.g. advanced resin application laboratories or GLP (Good Laboratory Practice) certified physicochemical laboratory for crop protection chemicals.

We cooperate with the following research institutes and universities:

- Nicolaus Copernicus University in Toruń,
- Institute For Chemical Processing of Coal,
- New Chemical Syntheses Institute,
- Institute of Industrial Organic Chemistry,
- Warsaw University of Technology,
- Rzeszów University of Technology,
- Institute of Heavy Organic Synthesis "Blachownia".

We are also actively seeking partners to cooperate in the field of research and development among other chemical companies in Poland and abroad.

In 2019, 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.

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, in which scientists from Polish universities are co-authors and co-investors. In 2019 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.



### Trademarks

**Table 9. Number of registered trademarks in 2018**

Office name	Number of trademark applications	
	2018	2017
Polish Patent Office	12	15
European Union Intellectual Property Office (EUIPO)	42	13



# 03 Our employees





## 3. OUR PEOPLE

### 3.1 Employment scale and conditions.

CIECH Group undertakes a number of actions aimed at improving the effectiveness of communication with employees and enhancing their satisfaction and commitment. Our efforts are focused on building organisational culture which enables effective cooperation and work in friendly atmosphere.

Several internal regulations on employment are in force in the CIECH Group. In 2018, we commenced work to set the same standards in HR services. A dedicated team of employees was delegated to standardise rules related to the recruitment of employees, establishment/modification/release of employment relationship, handling of civil law contracts, cooperation with trainees/apprentices, as well as the improvement of professional competences by employees. In December 2018, the "Instruction: Training and Professional Development at CIECH S.A." was approved and published. Work on further instructions will continue in 2019. The developed solutions will be implemented at the CIECH Group companies.

The companies have their own instructions/standards regarding the co-financing of language learning and the operation of social funds. Among internal regulations of Companies, there are also regulations and policies related to the rules for granting and using company mobile phones, modems and GSM card activation; remote work conditions; business travel; ordering and using stamps, etc.

At the beginning of 2018, the Capital Group adopted the "CIECH Group Compliance System". Ethical issues are set out in the "CIECH Group Code of Conduct" and regulations on bullying and discrimination in the "Procedure: Bullying and discrimination prevention in the CIECH Group working environment". Other important compliance-related HR documents include the "CIECH Group Occupational Health and Safety Policy" and "Procedure: Detailed rules and procedure for employee sobriety obligation in the CIECH Group". The above documents replaced the previous regulations in this respect applicable at the Companies.

Foreign CIECH Group companies operate in compliance with the local law, and their internal regulations are standardised more slowly than in Polish companies.

The CIECH Group employs a total of **3,871 employees under employment contracts (as at 31.12.2018), including 2,942 men and 929 women.**

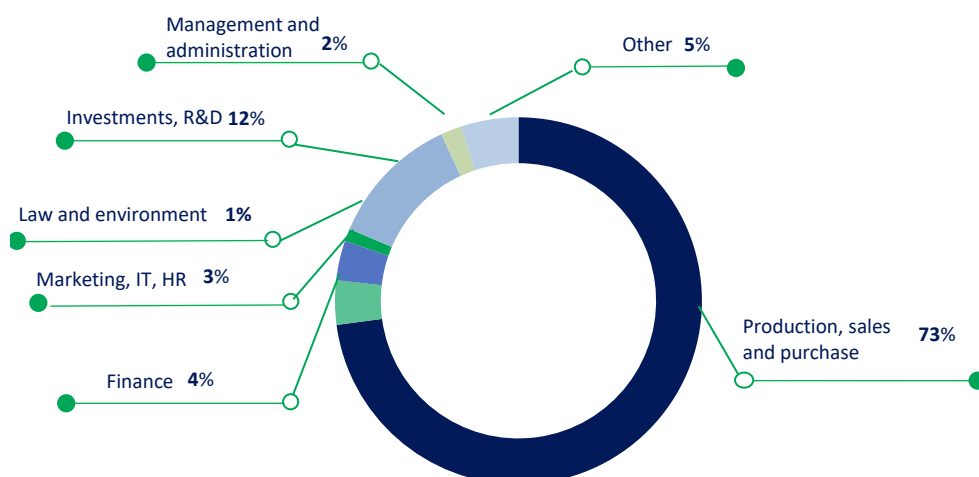
**Table 10. Employed men and women by mode of employment**

Mode of employment	2018		2017	
	Female	Male	Female	Male
employment contract for an indefinite period	790	2,550	802	2,516
employment contract for a definite period (including trial period contracts, replacement agreement, vocational training)	136	395	123	435

**Table 11. Employed men and women by employment type**

Employment type	2018		2017	
	Female	Male	Female	Male
full time	917	2,925	912	2,937
part time	13	16	13	14

CIECH Group also hires people based on other agreements, e.g. civil-law agreements, service agreements, managerial contracts, appointments. The percentage share of such contracts in the total number of employees is insignificant.

**Figure 11. Employment at the CIECH Group — operation areas**


### Trade unions at the CIECH Group

At the CIECH Group, there are **a dozen 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 good 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.

By the end of 2017, the largest Group company, CIECH Soda Polska S.A., and trade unions signed a collective agreement specifying the conditions for maintaining social peace and amicable dispute resolution. The end date of the agreement is 31 December 2019.

In February 2018, CIECH Sarzyna S.A. concluded an “Agreement on the extension of the term of the Collective Agreement dated 25 July 2017” with the social side until 30 June 2019.

In October 2018, CIECH Soda Polska S.A. concluded a collective agreement on the principles of development, improvement of efficiency and maintenance of the “Przyjezierze” Holiday Resort.

In the CIECH Group, **1,811 employees (47%)** are covered by the Collective Bargaining Agreement (CBA) or similar regulations applicable in foreign companies. In July 2018, CIECH Cargo Sp. z o.o. concluded Additional Protocol No. 2 to the Collective Bargaining Agreement concerning the rules of payment of bonuses and other components of remuneration of employees employed as drivers.

### Support & benefits

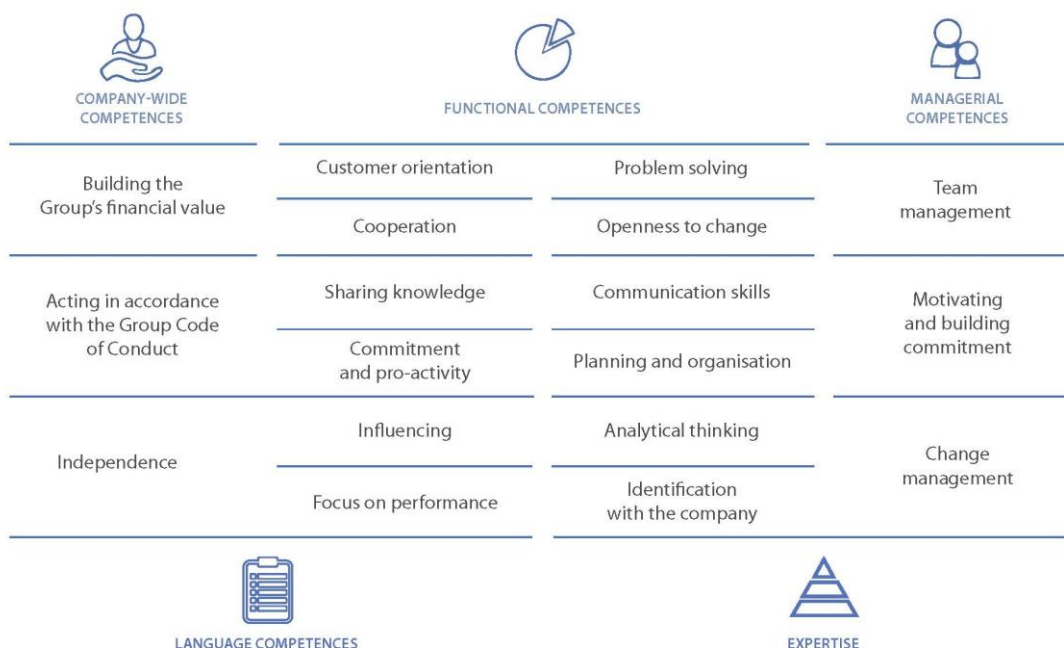
In the CIECH Group, we care about our employees by giving them access to fringe benefits. The type of support provided varies between Group companies and is a result of their capabilities, employees’ needs and expectations, and internal regulations and laws.

Employees of the Polish companies belonging to the CIECH Group may have access to private healthcare, life insurance, social funds, internal and external trainings (including postgraduate/MBA programmes), subsidies for foreign language learning, protective and work clothing, preventive meals, subsidies for prescription glasses and trade press.

### Competence model

The competence model in the CIECH Group defines the organisation’s expectations towards employees and candidates. It serves as a basis for determining the level of competence of candidates in the recruitment process and planning employees’ development activities. The model comprises a total of 18 competences divided into 3 categories. Expertise is an additional area.

Figure 12. List of competences included in the CIECH Group Competence Model.



### 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 on the basis of the Competence Model, 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 13. Stages of the recruitment process at the CIECH Group.



CIECH Group strives to continuously improve its recruitment process. In 2018, work began on strengthening the **candidate experience** area. An anonymous survey was implemented, which provides an opportunity to collect opinions and comments from candidates about the recruitment processes at the CIECH Group in which they participated. The information collected will be used by the organisation to improve recruitment standards and will allow to respond flexibly to the changing expectations of candidates actively seeking employment.

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

**Table 12. Total number of newly hired employees by sex in 2018**

	2018	2017
Female	139	109
Male	394	320
<b>Total</b>	<b>533</b>	<b>429</b>

**Table 13. Total number of newly hired employees by age group in 2018**

	2018	2017
Less than 30	200	148
30-50	286	238
Over 50	47	43
<b>Total</b>	<b>533</b>	<b>429</b>

**Table 14. Total number of leaving employees by sex in 2018**

	2018	2017
Female	146	115
Male	414	299
<b>Total</b>	<b>560</b>	<b>414</b>

**Table 15. Total number of leaving employees by age group in 2018**

	2018	2017
Less than 30	122	85
30-50	262	171
Over 50	176	158
<b>Total</b>	<b>560</b>	<b>414</b>

## Onboarding

The CIECH Group operates the Onboarding Programme, which is a continuation of the programme implemented in 2016. 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.

## Internships

In 2018, 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 CIECH 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 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 2018, the CIECH Group started cooperation with **29 interns**, of which the best **16 interns** were offered the possibility of employment based on an employment contract or a civil-law contract.

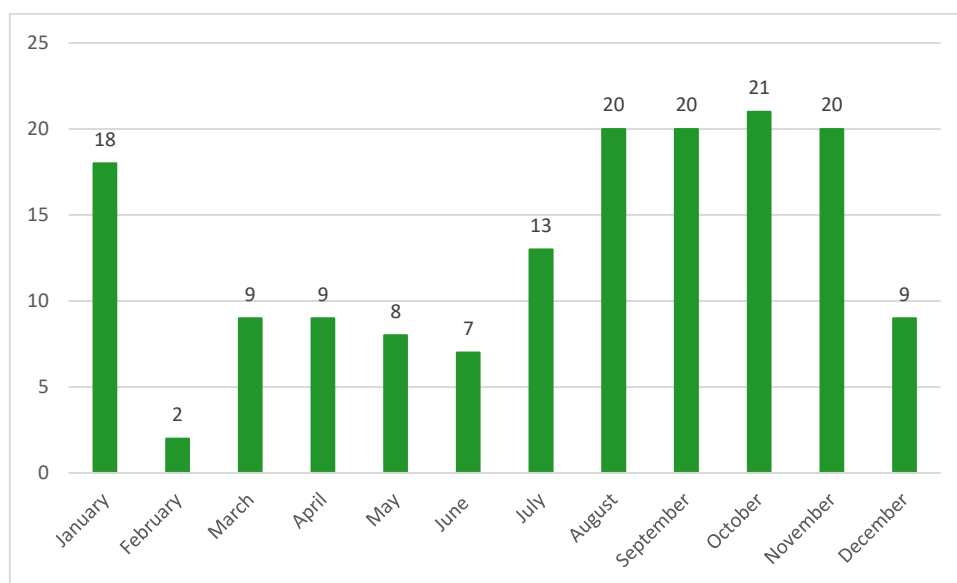
In addition, the CIECH Group provided **apprenticeship** opportunities for students of numerous schools/universities. Apprenticeship at the CIECH Group is an unpaid programme attended by students at CIECH S.A. organisational units and CIECH Group companies as part of their obligatory vocational training, under an agreed schedule. In 2018, **42 apprentices** took part in the CIECH Group programme.

## Temporary employment

Employment flexibility at the CIECH Group is a necessity that guarantees the achievement of its business objectives. In periods of variable production cycles, seasonal increases in sales, holidays planned by permanent employees, including maternity leaves, excessive absenteeism and staff turnover, the CIECH Group uses temporary workers.

Temporary workers are recruited to work in accordance with the job requirements and expectations of CIECH Group companies. Full administrative and legal service (calculation of pay components and keeping personnel files, payment of salaries, preparation of relevant declarations and contracts, social security, taxes) is provided by the temporary employment agency, which allows for reduction of administrative costs.

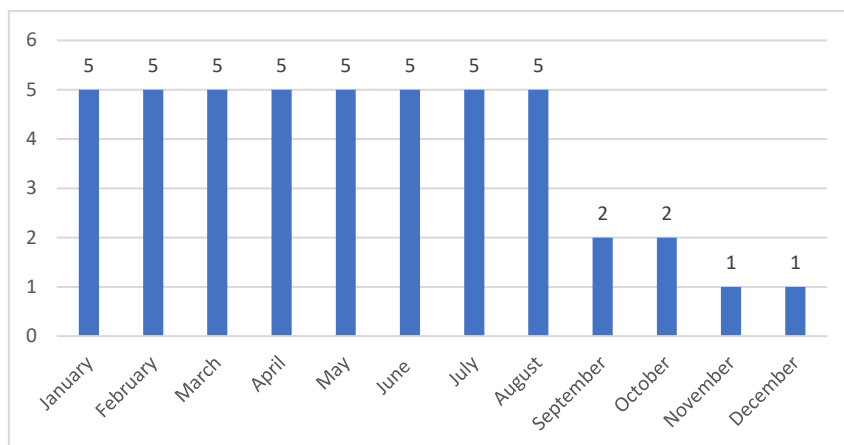
**Figure 14. Total number of temporary employees at CIECH Group in 2018.**



## Underage workers

CIECH Group employees also include underage workers who are not yet of legal age, but who are over 16 years of age. The main aim of cooperation with this group of workers is practical learning and vocational preparation. CIECH Group takes special care of its underage employees. The employer must create the necessary conditions for vocational training of the young worker. The work performed must not cause any risk to the health, life and mental and physical development of the underage worker or make it difficult for them to fulfil their school duties. We want the CIECH Group to be the first place for young people to go to work after they turn 18.

**Figure 15. Total number of underage employees at CIECH Group in 2018.**



## Employer branding

CIECH Group pursues a number of initiatives aimed at maintaining its image as a good employer.

Representatives of the Companies are keen to participate in events at which they have the opportunity to meet potential candidates. In 2018, they participated in a number of events addressed to students and graduates of universities in Warsaw, Toruń, Bydgoszcz, Inowrocław and Rzeszów. Many students and graduates also attended workshops on personal branding and creating a professional CV held by the CIECH Group's HR staff during the University Meetings with the Labour Market and during the Absolvent Talent Days in Warsaw. In partnership with the Poznań University of Technology, the CIECH Group's HR staff also conducted workshops for future engineers in the areas of chemical technology and rail transport.

On the other hand, the CIECH Group is open to potential future employees, as demonstrated by visits to production plants organised in collaboration with secondary schools and vocational schools for technical and secondary school students.

An important initiative of the CIECH Group was to organise, together with the Polish Human Resources Management Association, a meeting at the headquarters of CIECH S.A., during which a group of HR professionals discussed how to effectively implement development projects in organisations.

## Awards and distinctions for the CIECH Group

In 2018, the CIECH Group 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 Internal Trainer Programme** at the CIECH Group. 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.

During the Warsaw Industry Week 2018, an international trade fair, the CIECH Group received a distinction for the **implementation** of the Manager Academy project as an innovative method of managing a production company.

In the reporting period, CIECH Soda Polska S.A. received a certificate of a company that promotes honorary blood donation. This is a result of the Company's involvement in activities promoting blood donation among employees. In 2018, employees donated their blood 68 times and collected 31 litres of blood. In order to promote the idea of blood donation, representatives of the Company are keen to participate in various sports events – most recently in a volleyball tournament in Kruszwica, a shooting competition in Kobylniki or a table tennis tournament in Janikowo. Every year, a basketball tournament of Honorary Blood Donors clubs is also organised. In 2018, the tournament took place on 13 October at the sports and entertainment arena, where the CIECH team achieved victory.

### 3.2 Training & development.

The CIECH Group never stops growing and the employees develop with the Group. As an employer, we provide employees with access to external training (conducted in accordance with the development plan for particular business areas), internal training conducted by Internal Trainers, studies, specialist courses and language courses. Employee qualifications improvement is either financed in full, in part or, as in the case of subsidised language courses, in 75%. The above activities are aimed at creating suitable conditions for improving competences, acquiring knowledge and developing new skills for all employees of the Group.



#### Internal Trainers

As part of building a culture of knowledge sharing, an Internal Trainer Programme was launched in 2017 and was continued in 2018. In the spring of 2018, we started recruiting internal trainers, which resulted in the acquisition of 13 new trainers. Employees selected in the recruitment process were prepared to conduct trainings during a specially prepared Trainers' Skills Workshop.

In addition to carrying out their day-to-day duties as part of their job, the trainers engage in conducting training on topics of their own choice or in which they are specialists, and actively participate in the life of the trainer group. The diverse range of training topics is a response to the needs of employees in many areas.

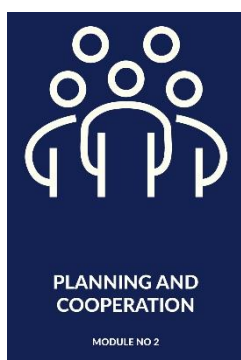
Employees have the opportunity to participate in training courses on, among others, the preparation of business presentations, data presentation, project management issues, basics of finance, Excel operation, project profitability calculation, issues related to ultraviolet-visible spectrophotometry (UV-VIS). They are also provided with an opportunity to develop soft skills during trainings on coping with stress, cross-cultural differences, or workshops on communication and collaboration.

In 2018, our trainers trained 230 employees during 24 training sessions. Participants find internal trainings to be a positive experience, which is confirmed in post-training evaluation surveys. The overall satisfaction with trainings is 4.9 on a 5-point scale.

Training sessions are held at individual locations of the CIECH Group companies and may be attended by all employees, regardless of the company in which they are employed.

#### Manager Academy Programme

In 2017, the CIECH Group launched the Manager Academy Programme, aimed to strengthen managerial competences in the areas of motivation and recognition, building commitment, team management and change management. Apart from classroom workshops, each manager had access to an on-line platform offering an additional knowledge base. In 2018, training sessions were held for a group of **around 400 managers** in Poland, Germany and Romania. The participants took a programme comprising 4 modules: engaging leader, planning and collaboration, conversation with the employee, motivation and recognition. The first edition of the programme ended in July 2018. The participants gave positive reviews both for the programme and for the trainers (score of 3.74 out of 4.00). The CIECH Group plans to continue the development activities for new managers in the organisation and to expand the programme by further exploring selected aspects of the first edition of the Manager Academy.



## CIECH Ambassador Programme

The Ambassador programme was launched in the CIECH Group in 2017. Every employee, regardless of their position or the company in which they work, may take part in the recruitment process and become an internal Ambassador. In 2018, there were 15 Ambassadors active within the Group.



The Ambassadors strengthen communication in the Group, engage in activities carried out by Companies, raise awareness among employees about the CIECH Group's products, exchange information and share ideas on how to streamline the organisation.

In addition to active participation in the Capital Group's life and involving other employees in projects, the group of Ambassadors meet periodically at workshops organised by the Human Resources Department of CIECH S.A. During these workshops, participants work on new projects, review their activities and develop their competences.

### "I in the CIECH Group" workshop

In 2018, a programme of workshops dedicated to all employees of the CIECH Group called "I in the CIECH Group" was launched. HR together with Ambassadors and Internal Trainers have developed 4 thematic modules. The aim of the workshops is to increase the employees' knowledge about the Group and strengthen their identification with the entire Group, rather than only with the Company for which they work. During the workshops, employees will have an opportunity to broaden their knowledge of the products manufactured and sold by the CIECH Group, its business environment, strategies and the most important projects implemented by the CIECH Group. The workshops also provide room for employees to reflect on the working environment and the areas that contribute to greater involvement of employees.

### Diversity Management Academy

The main objectives of the Diversity Management Academy are to build a culture of knowledge sharing in case of retirement, to support the process of succession and substitution of employees, as well as to educate future employees and build the employer's brand in the local market. Together with managers, we had chosen **26 employees** from CIECH Soda Polska S.A. workforce, who are prepared to take over tasks from employees who will retire in 2018–2020. We defined an individual plan for every employee taking account of the knowledge and competences required on the new position.

The activities of the Academy support and complement the system of internal on-the-job trainings. The aim of this programme is to transfer technological knowledge and increase production efficiency, and its operation will cover **840 production employees**, which constitutes almost **77% of the CIECH Soda Polska S.A. staff**.

The Academy also undertook a number of promotional activities (participation in educational fairs, meetings with parents and students, advertisements in the media) encouraging young people to pursue their vocational education at the CIECH Soda Polska S.A. production plant in Inowrocław. In cooperation with vocational schools, an apprenticeship programme has also been developed, under which the organisation will be able to recruit trained young employees who are prepared to take over production positions after the end of the three-year apprenticeship cycle.



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### E-learning

In 2018, as part of building a learning organisation, an e-learning platform was implemented in the Polish companies and in CIECH Soda Romania, providing employees with easy access to knowledge and training in various areas.

In the first stage, mandatory trainings on the CIECH Group Compliance System and Personal Data Protection were launched on the platform for employees (who have a business e-mail address) (the training on Personal Data Protection is also available in English for the English-speaking employees of CIECH R&D Sp. z o.o.). Subsequently, optional specialist trainings in the field of IT and OHS were launched. Further obligatory and optional courses for CIECH Group employees are planned to be launched in 2019.

At CIECH Soda Polska S.A., the e-learning platform was also used to conduct the final exams of production employees as part of the Internal Position-specific Trainings System.

For the purposes of e-learning courses, computer terminals are set up in production companies to ensure access to training for production employees who do not have business e-mail addresses or business computers.

With the platform, it is possible to verify the attendance at training courses, and employees can automatically generate final documents (certificates, authorisations and declarations).



### 3.3 OHS in the workplace.

We feel responsible for our employees so we implement the highest standards and continuously increase the level of safety culture in our plants. Our ambition is to create a work environment which is safe, promotes healthcare and prevents from accidents, injuries and occupational diseases. We do this by regular risk assessments in workplaces, implementing appropriate risk controls and countermeasures.

We also 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. We undertake many initiatives promoting good practices with respect to safety such as organising OHS conferences, safety days or specialist trainings.

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

- CIECH Group OHS Policy,
- OHS Procedures (including, but not limited to, Identification of hazards and occupational and/or damage risk evaluation; Provision of clothing, footwear and personal safety equipment to employees; Identification of exposure and supervision over health of employees exposed by profession to carcinogenic and/or mutagenic agents; Employee monitoring and preventive healthcare; Testing and measuring harmful and onerous agents in the work environment; Determining circumstances and causes of occupational accidents, near misses and providing benefits; Determining circumstances and causes of accidents on the way to and from work, and providing benefits; Procedure for suspected, identified and diagnosed occupational disease; Occupational Health and Safety Committee; Performing particularly dangerous tasks; Evaluation of health and safety of people employed in plants; Rewarding employee engagement in enhancing OHS, etc.).

The CIECH Group aim is to build a **ZERO accident** culture among its employees, managers and contractors. Our contractors and subcontractors must undertake to follow OHS standards when performing works at the premises of our production plants.

**Table 16. Selected safety initiatives of the CIECH Group**

Initiative	Details
OHS conferences (with representatives of control authorities, including National Labour Inspectorate, State Poviats Sanitary Inspector, Poviats Construction Supervision Inspectorate, Technical Supervision Office)	Each year in one of production plants (addressed mainly to the company executive management and partner companies)
Safety days (with emergency services and the vendors of work and protective clothing and personal protection equipment)	Each year in one of production plants (addressed mainly to production employees and their families)
Specialist trainings	Addressed both to the executive management and production employees (on responsibility of employee managers, safe work on heights, occupational risk, using personal protection equipment, etc.)
OHS reviews (including hazard recording and supervision over obeying guidelines)	In each production plant, to enhance the work environment conditions and eliminate hazards
Employee rewarding system in the OHS area	In each production plant, to eventually engage employees to report and eliminate hazards in the work environment
Systems for reporting accidents, hazards, near misses, and implementing corrective and preventive actions	In each production plant, to prevent from occupational accidents
KPI at each organisation level	Determining measurable OHS objectives at each organisation level
Standards for executing works at production plant premises	Applicable to contractors and subcontractors at production plant premises, to increase the level of safety

Initiative	Details
KAIZEN and 5S	Continuation of KAIZEN and 5S programmes

### Promoting good safety practices

On 4 October 2018 Nowa Sarzyna saw the second of the series of meetings of this type held in the CIECH Group, the OHS conference called “An accident at work is not an accident”. The aim of the conference was to disseminate knowledge about individual CIECH Group plants, accidents at work and preventive measures taken, building awareness and responsibility of employees and managers in the area of occupational health and safety. An important objective was also to emphasise the importance of risk assessment as a key element of occupational safety management. It was the intent of the organisers to exchange experiences in the management of occupational safety at CIECH Group companies, integration and cooperation between the OHS services of CIECH Group plants, companies providing services for CIECH Sarzyna S.A. and companies operating in the CIECH Group area.

The conference was also attended by representatives of institutions supervising working conditions, i.e. Regional Labour Inspectorate in Rzeszów, representatives of the State Sanitary Inspectorate in Leżajsk, the Office of Technical Inspection and the Poviát Headquarters of the State Fire Service in Leżajsk.

We are continuing implementation of the new system of work clothing and personal protection equipment flow in the Polish production companies belonging to the CIECH Group. Its main goals include:

- Increased safety and working comfort of employees,
- Equipping employees with a range of higher quality products which is fully compliant with legal requirements,
- Optimisation and standardisation of the range of products in the Polish companies within the Group,
- Full supervision over issued products which will provide savings and will not cause an uncontrolled increase of costs,
- Full clothing washing and repair services by a specialist entity which will make it possible to keep the clothing in proper condition and maintain the required protective properties,
- Lower purchase price due to large volume,
- Enhanced Group image.

In 2019, we plan to organise an occupational health and safety knowledge competition for employees of all our production Companies. We assume that inter-departmental will be held within individual plants, and then the best participants will compete with each other at the Companies’ level. The competition will enable employees to verify their knowledge of health and safety at work, develop their professional competencies, and through the introduction of the competition factor it will strengthen safe behaviours, which has the greatest impact on the reduction of accidents in the organisation.

**Table 17. Type and rate of accidents related to work in the CIECH Group in 2018**

	2018			2017		
	Employees					
	Female	Male	Total	Female	Male	Total
Fatal accidents	0	0	0	0	0	0
Accidents causing loss of work time	5	56	61	4	44	48
All reported accidents	7	83	90	6	61	67
	Subcontractors					
	Female	Male	Total	Female	Male	Total
	Fatal accidents	0	0	0	0	2
Accidents causing loss of work time	0	17	17	0	10	10
All reported accidents	0	18	18	0	18	18



# D4 Our impact on the environment



## 4. OUR IMPACT ON THE ENVIRONMENT

### 4.1 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 waste management. We also pay special attention to solutions increasing the safety of process facility operations.

It is particularly important to increase the atmosphere protection level and adaptation of installations to new emission standards set forth in the Industrial Emissions Directive (IED). The investment activities are conducted by international engineer teams that carry out projects based on the best available environmental protection techniques.

### **Over PLN 422 million** spent on pro-environmental investments in 2015–2018

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,
- Extension of the centre of decantation and filtration of distillation sludge at the Inowrocław Plant,
- Reduction of dust emissions from the Inowrocław CHP Plant by modernising boiler ESPs.

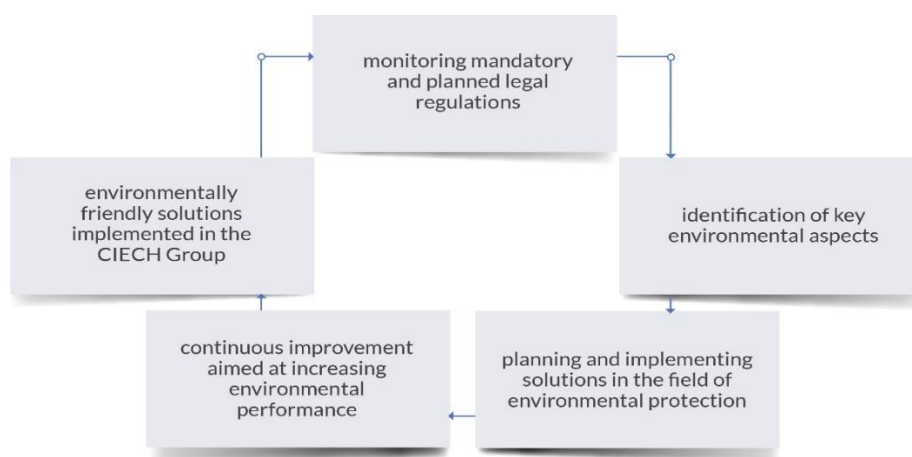
### **PLN 56.3 million** – CIECH Group expenditure on eco-friendly investments in 2018

#### Documents related to environmental protection at the CIECH Group

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 CO<sub>2</sub> 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.

**Figure 16. Environmental management system at the CIECH group**

The companies belonging to the CIECH Group operate in compliance with national and international laws in force. Moreover, all companies meet the environmental protection law requirements with respect to the used 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.

In the CIECH Group, we introduced 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.

**The Group companies monitor and report CO<sub>2</sub> emissions to reduce them according to the assumptions of the Environmental Policy. Moreover, the CIECH R&D facility is conducting research on solutions for future recovery and use of CO<sub>2</sub> generated in production processes.**

#### Cleaner air over Inowrocław and Janikowo

One of the most important investment projects currently executed by the CIECH Group with respect to environmental protection is a program that is supposed to significantly reduce sulphur dioxide and nitrogen oxide emissions to atmosphere. The basis of the project is flue gas desulphurisation and denitrification in two CHPs belonging to CIECH Soda Polska S.A. As a result, the plants in Inowrocław and Janikowo are prepared to meet current emission standards and emission requirements specified in BAT Conclusions for LCP (Large Combustion Plants) which will come into force in 2021.

## 4.2 Environmental performance.

### EMISSIONS

Table 18. Direct emissions of greenhouse gases (Range 1), nitrogen oxides, sulphur oxides and other significant emissions to air in 2018 (estimates)

Emission levels of CO <sub>2</sub> , nitrogen oxides, sulphur oxides and other significant emissions to air [Mg]		
	2018	2017
CIECH Group	3,027,669	3,035,703

### WATER

Table 19. Total water consumption (estimates)

Water consumption [m <sup>3</sup> ]		
	2018	2017
Total water consumption	50,898,973	56,771,920

### POWER

Table 20. Total energy consumption (estimates)

	2018	2017
Energy factor balance (raw materials)	27,505,267 GJ	27,960,115 GJ
Energy factor balance (energy)	31,421,161 GJ	31,736,803 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. 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 17. CIECH Group stakeholders



Table 21. Communication with stakeholders

Stakeholder	Group description	Forms of dialogue
<b>Investor environment</b>	<ul style="list-style-type: none"> <li>▪ Institutional investors,</li> <li>▪ Individual investors,</li> <li>▪ Brokerage houses,</li> <li>▪ Investment banks.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Stock exchange reporting (periodic and ongoing reports),</li> <li>▪ Website (IR tab),</li> <li>▪ Face-to-face meetings. in Poland (group and individual meetings),</li> <li>▪ Conference calls,</li> <li>▪ Non-deal roadshows,</li> <li>▪ Participation in investor conferences,</li> <li>▪ Information materials (including presentations, one-pagers, video, spreadsheets),</li> <li>▪ Investor chat rooms,</li> <li>▪ Mailings.</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>▪ White-collar workers,</li> <li>▪ Blue-collar workers,</li> <li>▪ Potential employees,</li> <li>▪ Retired employees.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Internal Gazette – newsletter (quarterly)</li> <li>▪ Mailing from HR Communications and Corporate Communications mail boxes,</li> <li>▪ Bulletin boards,</li> <li>▪ Intranet,</li> </ul>





Stakeholder	Group description	Forms of dialogue
<b>Customers</b>	<ul style="list-style-type: none"> <li>▪ Existing customers of individual business units,</li> <li>▪ Potential customers.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Face-to-face meetings.</li> <li>▪ Face-to-face meetings,</li> <li>▪ Printed materials,</li> <li>▪ Internet,</li> <li>▪ Mailing,</li> <li>▪ Phone conversations.</li> </ul>
<b>Business partners</b>	<ul style="list-style-type: none"> <li>▪ Vendors,</li> <li>▪ Subcontractors.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Purchasing platform,</li> <li>▪ Website form,</li> <li>▪ Phone conversations,</li> <li>▪ Mailing,</li> <li>▪ Face-to-face meetings.</li> </ul>
<b>Local communities and public institutions</b>	<ul style="list-style-type: none"> <li>▪ Local communities in the vicinity of plants,</li> <li>▪ National and local authorities,</li> <li>▪ Local associations.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Website,</li> <li>▪ Phone conversations,</li> <li>▪ Mailing,</li> <li>▪ Face-to-face meetings.</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>▪ Business and economic media</li> <li>▪ Local and regional media</li> <li>▪ Trade media – chemical</li> <li>▪ Trade media – Agro segment</li> </ul>	<ul style="list-style-type: none"> <li>▪ Press releases</li> <li>▪ Conferences and briefings</li> <li>▪ Direct contact with the press officer</li> </ul>

### Investor relations at the CIECH Group

At the CIECH Group, 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.

The CIECH Group performs several activities to execute the aforementioned assumptions. Every year, the Group also strives to implement new tools addressing the market demands.

### Key topics and issues among investors

In 2018, 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 last year's non-financial report 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 perspectives on the company, and the importance of selected non-financial issues when the respondents make investment decisions or analyse the CIECH Group. The topics that the Group is trying to expand to respond to the information needs of the investor environment are:

The most important non-financial topics taken into account when making an investment decision:

- Transparency and open dialogue with the company environment,
- Cooperation with vendors,
- Customer service quality and customer satisfaction.

We are a member of the Polish Association of Listed Companies. In our operations, we refer to recommendations and rules specified in "Best Practice for GPW Listed Companies 2016".

### Associations and organisations the CIECH Group is engaged in:

- Employers of Poland,
- Polish-Romanian Bilateral Chamber of Commerce and Industry,
- Polish Chamber of Chemical Industry.

## 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.



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.

For more information, see [www.ast.ciechgroup.com](http://www.ast.ciechgroup.com)

### WE SUPPORT CULTURE

#### International Chopin Festival

In 2018, CIECH Group was one of the partners of the Chopin Festival in Duszniki Zdrój. The 73<sup>rd</sup> 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.



#### CIECH Group supported the reconstruction of the monument to President Ignacy Mościcki

CIECH Group was one of the that supported an initiative to reconstruct the monument of Ignacy Mościcki, the President of Poland and an outstanding chemist. The monument can be seen in front of the Chemical Technology Building of the Warsaw University of Technology.

#### Concert on the 100<sup>th</sup> anniversary of Romania's regaining independence

On 28 November 2018, at the Warsaw Philharmonic Hall, we celebrated the centenary of the Great Union of Romania. The concert was part of the official celebration of the National Day of Romania on the hundredth anniversary of the resolution of the National Assembly of Alba Iulia and the incorporation of Transylvania, Banat, Krishana and Marmarosh areas, i.e. the so-called Great Union. The CIECH Group was partner to the celebration in this special year for the history of Poland and Romania.

## CIECH Group supports the Nostalgia Festival

Nearly 2000 people took part in the events of the 11<sup>th</sup> 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”. In the finals, Hubert Hurkacz beat Taro Daniel from Japan, who was ranked number one.



### Charity golf tournament by CIECH

CIECH S.A. became the Title Partner of the charity golf tournament played in June 2017 in Trzaskowo (near Poznań) – CHARITY GOLF TOURNAMENT by CIECH. The aim of the event was to raise funds for the Nasze Serce Foundation which supports children with particularly complex and hard to treat heart defects.

### Super League Triathlon

In 2018, 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 2018.

### Polish and World Championships of Children from Orphanages

In 2018, for the fifth time, CIECH Group supported the organisation of Polish Football Championships of Children from Orphanages and several weeks later also World Football Championships of Children from Orphanages. In total, almost 700 young players took part in both editions.

## WE SUPPORT LOCAL COMMUNITIES

**About PLN 300,000** – the value of funds transferred to CSR initiatives in 2018 (also **ca. PLN 300,000** in 2017).

### Selected initiatives for local communities from several CIECH Group companies:

#### CIECH Sarzyna S.A.

- “Łączy nas Chemia” (United by Chemistry) programme, which involves development of chemical education by supporting primary, secondary and higher schools in the purchase of equipment, organisation of workshop meetings on the premises of the factory and laboratory,
- Primary patronage over the Young Hope football academy in Nowa Sarzyna,
- Support for running events: Bieg dla Niepodległej, Bieg Zośki Turosz, UltraMaraton Podkarpacki,
- Taking care of the team of CIECH Sarzyna runners,
- Co-financing of the construction of a playroom in a kindergarten in Nowa Sarzyna,
- Purchase of multimedia equipment for the Primary School in Nowa Sarzyna,
- Financial support for the celebrations of the 50<sup>th</sup> anniversary of the Primary School in Nowa Sarzyna,
- Support of tree planting by students of the Primary School in Ruda Łańcucka.

#### CIECH Soda Polska S.A.

- Granting a donation by the Company to co-finance the celebrations of the 95<sup>th</sup> anniversary of the “Halka” Singing Society from Inowrocław.
- Funding of prizes for winners of the 26<sup>th</sup> Voivodeship Chemical Competition for First Classes, which took place on 11 June 2018. Organiser: Principal of Maria Konopnicka Secondary School in Inowrocław.
- Funding of prizes for the 5<sup>th</sup> Janikowska Dyszka nationwide 10 km run and the Nordic Walking march, which took place on 7 July 2018 in Janikowo. Organiser: Sports and Recreation Centre in Janikowo.



- Funding gifts for the “Smile Day of Jura Park in Solec Kujawski”, which took place on 25 July 2018. It was an event for children from orphanages, community centres and children from areas affected by storms, whose participants were children from Inowrocław and Janikowo municipalities. Organiser: Gazeta Pomorska.
- 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.

**CIECH Pianki Sp. z o.o.**

- Support for the Orphanage for Infants in Bydgoszcz in the form of making and handing over ready-made mattresses for the children.



# 06 About the report



## 6. ABOUT THE REPORT

### 6.1 Reporting approach.

The non-financial report of the CIECH Group for 2018 (01/01/2018 – 31/12/2018) was prepared according to the international non-financial reporting standard Global Reporting Initiative, Core option. It is the second non-financial report of the CIECH Group which presents our impact on society, employees and the natural environment in a comprehensive manner. Previous Non-financial report of the CIECH Group for 2017 was published on 26 March 2018.

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. Product quality.
2. Compliance of operations.
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	Comment	Page number
	<u>Profile indices (mandatory)</u>		
	<b>Organisation profile</b>		
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	-	33-36
GRI 102-9	Supply chain description	-	23-26
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.	-	44-45
GRI 102-12	External, economic, environmental and social declarations, principles and initiatives adopted or supported by the organisation	-	49
GRI 102-13	Membership in associations and organisations	-	49
	<b>Strategy</b>		
GRI 102-14	Senior management statement	-	2
GRI 102-15	Description of key influences, opportunities and risks	-	16-17, 20-21
	<b>Ethics</b>		
GRI 103-1, 103-2, 103-3	Description of the key reporting aspect: "Compliance of operations".	-	17-21
GRI 102-16	Organisation goodwill, code of conduct, behaviour principles and standards.	-	18
	<b>Management</b>		
GRI 102-18	Organisation supervision structure with committees reporting to the top supervisory body	-	10
	<b>Stakeholder involvement</b>		
GRI 102-40	List of stakeholders involved by the reporting organisation	-	48-49
GRI 102-41	Employees under collective agreements	-	34
GRI 102-42	Bases for identifying and selecting stakeholders engaged by the organisation	-	48-49
GRI 102-43	Approach to engaging stakeholders including the engagement frequency by stakeholder type and group	-	48-49
GRI 102-44	Key topics and issues among stakeholders and organisation's answer, including their reporting	-	48-49
	<b>Reporting</b>		
GRI 102-45	Listing of economic entities included in the consolidated financial statement	-	9
GRI 102-46	Process of defining report content	-	54
GRI 102-47	Identified key topics	-	54
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	-	54
GRI 102-51	<i>Last report publication date (if any)</i>	Not applicable	-
GRI 102-52	Reporting cycle	Annual	54
GRI 102-53	Contact information	-	57
GRI 102-54	Information whether the report has been prepared according to GRI Core or Comprehensive Standard	Core	54
GRI 102-55	GRI index	-	55-56
GRI 102-56	Policy and current practice with respect to external verification of the report	-	54



	Detailed indices		
	<b>Raw materials</b>		
GRI 103-1, 103-2, 103-3	Description of the key reporting aspect: "Impact on the environment related to raw materials usage"	-	28-29
GRI 301-1	Raw materials/materials used (partially reported indicator)	-	28-29
	<b>Power</b>		
GRI 103-1, 103-2, 103-3	Description of the key reporting aspect: "Impact on the environment related to power consumption"	-	45-46
GRI 302-1	Energy consumption at the organisation (partially reported indicator)	-	46
	<b>Emissions</b>		
GRI 103-1, 103-2, 103-3	Description of the key reporting aspect: "Climate issues and related emissions to air"	-	45-46
GRI 305-1	Direct greenhouse gas emissions (estimates)	-	46
	<b>Water and sewage</b>		
GRI 303-1	Total water consumption by source (partially reported indicator)	-	46
	<b>Transportation</b>		
GRI 308-2	Important current and potential threats to the environment in the supply chain (descriptive indicator, partially reported)	-	23-26
Own indicator	% share of each transportation category (air, marine, rail, road) in the reported year.	-	24
	<b>Relations with business partners</b>		
GRI 103-1, 103-2, 103-3	Description of the key reporting aspect: "Purchasing practices".	-	26
GRI 414-1	Percentage of new vendors that were selected based on the criteria of work conditions, social issues and human rights.	-	26
GRI 103-1, 103-2, 103-3	Description of the key reporting aspect: "Product quality"	-	28-29
GRI 103-1, 103-2, 103-3	Description of the key reporting aspect: "Safe production".	-	28-29
GRI 416-2	Total cases of non-compliance with regulations and voluntary codes related to product and service influence on health and safety	-	28-29
	<b>Research &amp; Development</b>		
Own indicator	Number of patent applications, trademarks, industrial designs registered in the reported year.	-	31
	<b>Customer relations</b>		
GRI 103-1, 103-2, 103-3	Description of the key reporting aspect: "Customer satisfaction"	-	29-30
GRI 417-3	Total cases of non-compliance with regulations and voluntary codes of marketing communication, including advertisements, promotions and sponsoring by effect	-	30
	<b>Workplace</b>		
GRI 401-1	Total number and percentage of new employees and total number of leaving employees in the reporting period	-	36
GRI 401-2	Fringe benefits for full time employees	-	34
GRI 403-2	Type and rate of work-related accidents	-	42
GRI 404-2	Programmes for managerial skills development and continuing education	-	39-41
	<b>Public involvement</b>		
GRI 413-1	Percent of plants with implemented programmes for involving local communities, impact assessments and development programmes.	-	50-52
Own indicator	Value of funds transferred to CSR initiatives	-	51





### 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	17-18, 33-36, 41-42
▪ Social issues	17-18, 26-29, 31, 50-52
▪ Environment	17-18, 45-46
▪ Human rights	17-20
▪ Corruption prevention	17-19
4. Non-financial risk management.	20-21

### 6.4 Contact details.

**Contact information:**

Press Officer

[Miroslaw.Kuk@ciechgroup.com](mailto:Miroslaw.Kuk@ciechgroup.com)

## REPRESENTATION OF THE MANAGEMENT BOARD

This Non-financial Report of the CIECH Group for 2018 was approved by the Management Board of the Company on 26 March 2019.

Warsaw, 26 March 2019

*(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)*

.....

**Artur Osuchowski — Member of the Management Board of CIECH Spółka Akcyjna**

*(signed on the polish original)*

.....

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