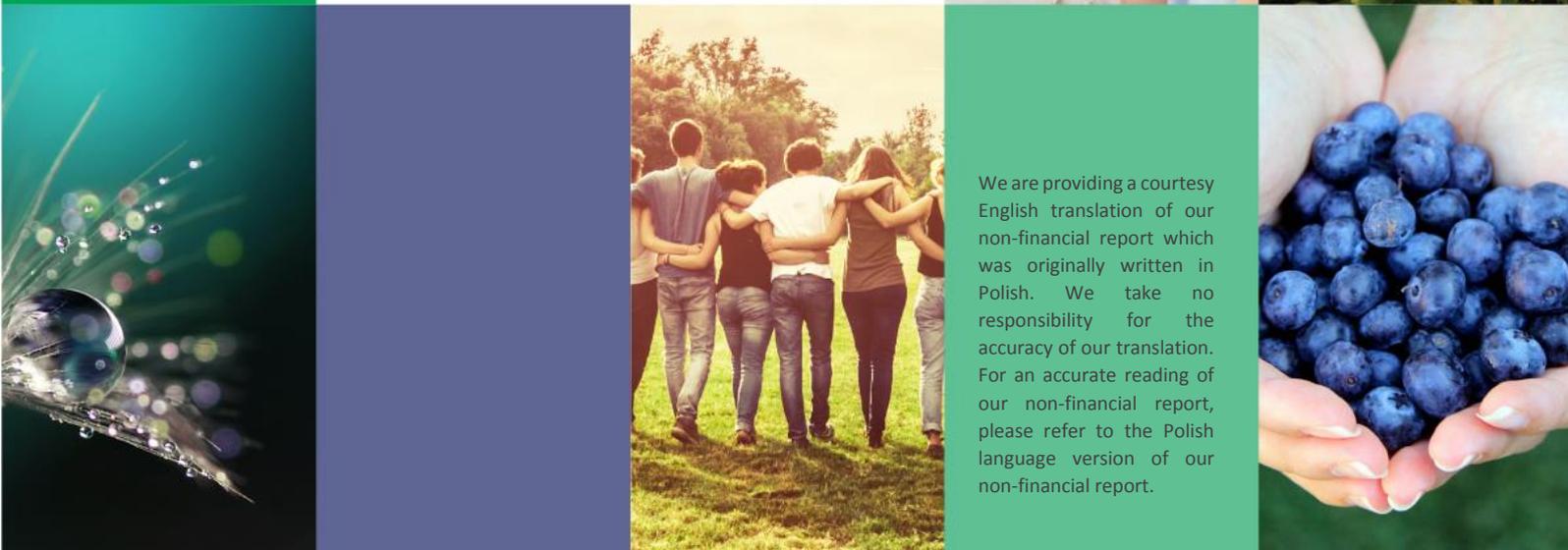




## Non-financial report of the CIECH Group for 2017



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,

It is my pleasure to provide you the first non-financial report of the CIECH Group which is a comprehensive presentation of our Group's impact on the environment, employees and society including our actions in the area of human rights and corruption prevention.

The CIECH Group is one of the largest Polish chemical companies with global presence. Our products, which are used to manufacture items essential in everyday life of people all over the world, are delivered to over 100 countries. Our Group consists of eight production plants located in Poland, Germany and Romania. We employ almost 3900 people in these three countries. At this scale of operations, we are fully aware of our impact on the environment as well as our influence on the economic and social development of regions where we operate.

In the CIECH Group, all our actions are in line with the idea of sustainable development so economic, social and environmental issues are critical elements of our business strategy. We aim at setting standards for modern management, innovation, high quality of products and co-operation with customers and business partners. In particular, we focus on promoting ethical standards and actions oriented towards respecting human rights among our stakeholders, especially our employees and business partners.

Our customers are both global chemical corporations and smaller companies in Europe, Asia, Americas and Africa. It is our priority to adjust our offering to the needs of individual customers as much as possible and to provide them with highest level of services by customer service quality, product quality and availability, high level of logistics and the guarantee of stable deliveries. Simultaneously, we care about sustainable development and continuous organization improvement based on the feedback from our business environment. While launching new products, we take into account the demands, standards and legal requirements of global markets.

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. We are extremely interested in eco trends and pro-environmental solutions, especially in circular economy.

People who make up the CIECH Group are our most valuable asset. We feel responsible for them so we continuously implement the highest standards 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.

In the CIECH Group, we make several actions which also foster the increase of employee satisfaction and commitment. Our actions are focused on building organizational culture which enables effective cooperation and work in friendly atmosphere.

We strive to be a good neighbour and support local initiatives through the organisation of sporting and cultural events, and educational programmes regarding environmental protection. We take charity and voluntary initiatives, and enable our employees to actively take part in them.

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

You are cordially invited to read the non-financial report of the CIECH Group for 2017.

Kind regards,

Maciej Tybura

President of the CIECH S.A. Management Board



**PLN 3.6 billion**

– value of sales revenues of CIECH Group for 2017  
(↑3,6%)



**PLN 833 million**

– EBITDA for 2017



**PLN 808 million**

– EBITDA (adjusted) for 2017



**3,876**

– number of employees in CIECH Group in 2017



**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 100 million**

- expenses of the CIECH Group in 2017 for environmentally friendly investments



About  
**PLN 300 thousand**

– the value of donations transferred in 2017 by the CIECH Group



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# D1 Our Group



# 1. OUR GROUP

## 1.1 Characteristics of the CIECH Group.

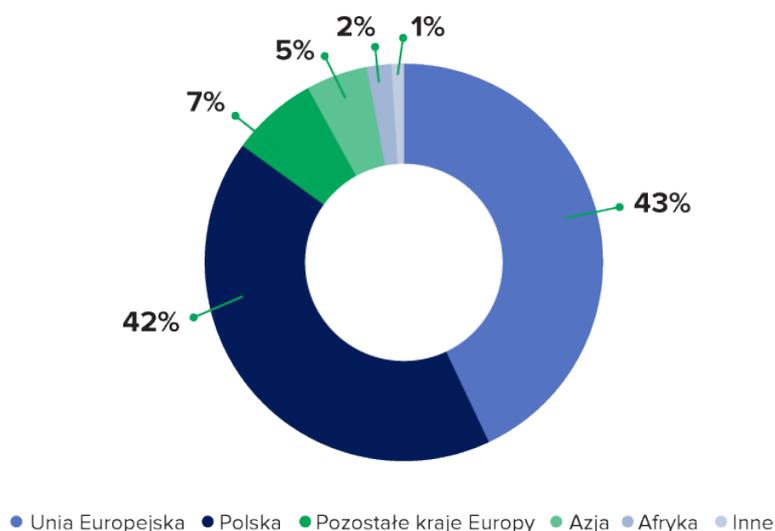
The CIECH Group is one of the largest Polish chemical companies with global presence.

We make products which are used to manufacture items essential in everyday life of people all over the world. We deliver highest-quality chemicals: soda ash (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 the CIECH Group's 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	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 the CIECH Group is the European Union, including mainly Poland, Germany and Central and Eastern European countries. Our products are also delivered overseas, mainly India, Northern Africa and Middle East.

**Figure 2. Geographical structure of the CIECH Group revenues in 2017**


The Group consists of 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 soda ash, salt and soda derived products; 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 segment

**Figure 3. The CIECH Group production plants**




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

The holding company of the CIECH Group is CIECH S.A. with registered office in Warsaw, Wspólna 62 Street.

The CIECH Group  
is supported  
by a reliable  
strategic investor



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

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

For more information about CIECH S.A. shareholders, see the CIECH Group Operation Report for 2017 available at [www.ciechgroup.com](http://www.ciechgroup.com).

## 1.2 CIECH Group business model.

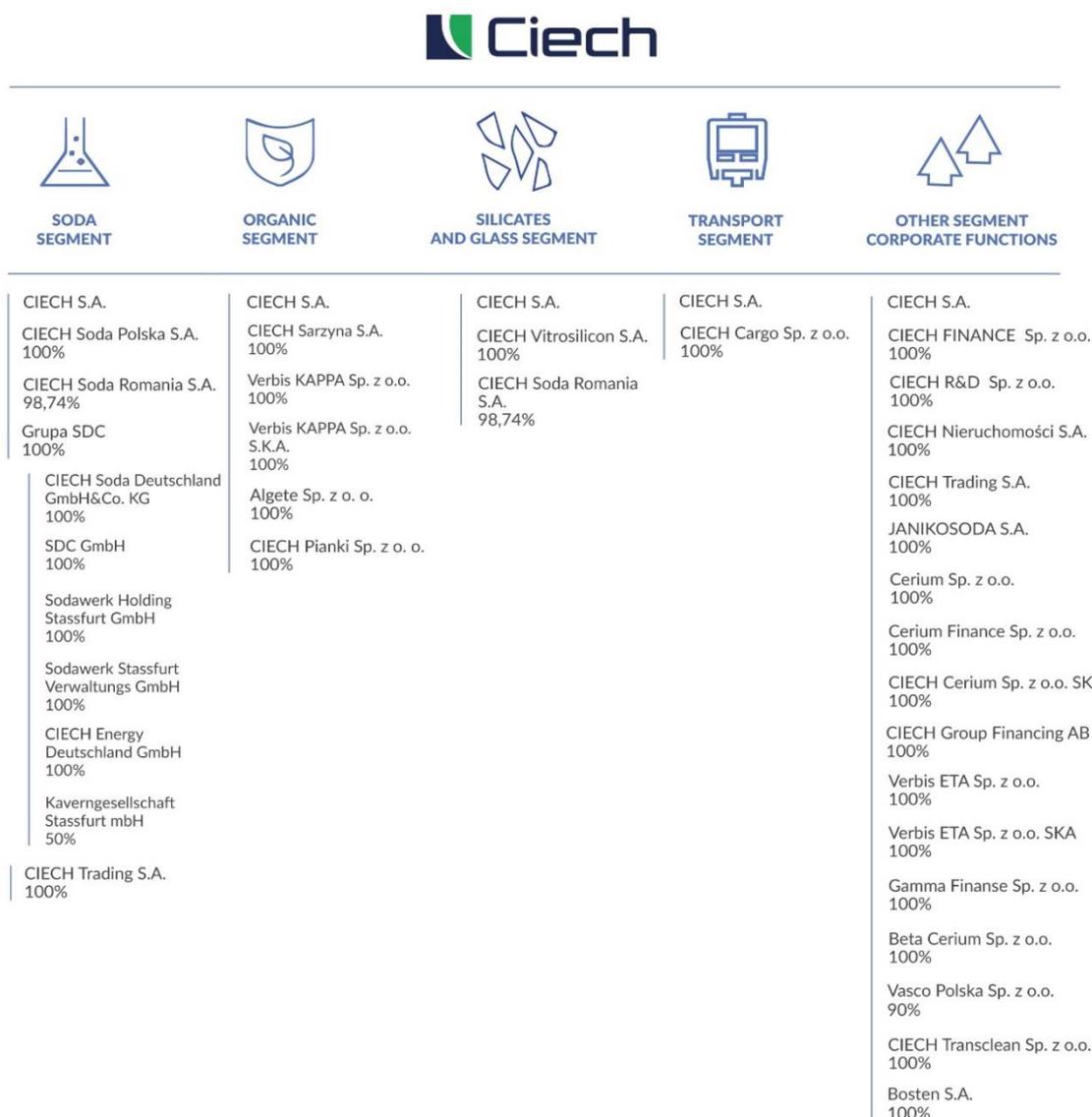
The CIECH Group consists of domestic and foreign manufacturing, distribution and trade companies operating in the chemical industry. The strategic and operational goals are achieved via organizational structure based on business units and functional areas, including corporate, technical, supply chain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

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



Fot. CIECH Sarzyna in Nowa Sarzyna

Figure 4. CIECH Group's structure – consolidated companies and valued with the equity method



The CIECH Group's business model is based on the Matrix Management model in which the heads of specific functional areas within CIECH S.A are responsible for their proper operation in the entire CIECH Group.

**Key assumptions of the CIECH Group business model:**

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

## Members of the CIECH Board and their scopes of responsibilities

---

### Maciej Tybura, the President of the Management Board

- Group Management Department,
  - Strategy and Innovation Division,
  - Human Resources Department,
  - Audit and Control Department,
  - Legal and Compliance Department,
  - IT Department,
  - Asset Management Department,
  - Security Department,
  - Purchase Division, including:
    - Raw Materials Purchase Department,
    - Investment and Technical Purchases Department,
    - Administration and IT Purchase Department,
  - Finance and Accounting Division, including:
    - Accounting Department,
    - Finance Management Department,
    - Controlling Department,
    - Inowrocław Branch,
    - Nowa Sarzyna Branch,
  - Independent position: OHS Coordinator.
- 

### Artur Król, Member of the Management Board

- Investment and Maintenance Division, including:
    - Investment Management Department,
    - Facilities Maintenance Department,
  - Environmental Department,
  - Energy Department,
  - Independent position: Management Board Advisor for Chemical Production.
- 

### Artur Osuchowski, Member of the Management Board

- Project Management and Entities Supervision Department,
  - Marketing and Communication Department,
  - European Funds Department,
  - Supply Chain Management Division, including:
    - Logistics Department,
  - Salt Business Unit,
  - Soda Business Unit, including:
    - Soda Ash Sales Department,
    - Sodium Bicarbonate Sales Department,
    - Sales Analysis Support Department,
    - Production Department,
  - Independent positions, including: Integrated Management Systems Coordinator, Representative of the Management Board for the Integrated Management System, Press Officer, Representative of the Management Board for Investor Relations.
- 

On March 6, 2018, the Supervisory Board of CIECH S.A. appointed Mr Krzysztof Szlaga as a Member of the Management Board of CIECH S.A., effective on March 12, 2018.

### Members of the CIECH Group Supervisory Board

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

For more information about the members of CIECH S.A. Management Board and Supervisory Board, see the CIECH Group Operation Report for 2017 available at [www.ciechgroup.com](http://www.ciechgroup.com).

### RESHAPE Programme

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



RESHAPE strategic objectives:

- **Be closer to a customer** – we are changing the internal structure to be more customer-oriented and more responsive to customer needs,
- **Enhance internal processes** – thanks to standardisation and optimisation of internal processes we will cooperate more closely within the Group,
- **Care about the comfort of work** – we are implementing SAP ERP, a new model of employee qualification improvement and tools enhancing internal communication.

### FOUNDATION I – the new organizational structure

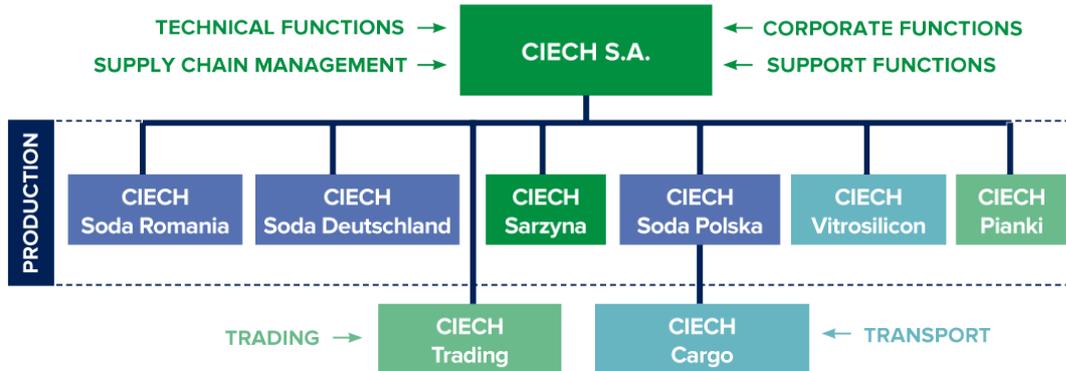
The new CIECH Group organizational structure shall enable to create six business units for specific product groups.

**Tabela 1. Business units of CIECH Group**

Segment	Business Unit
 Soda segment	1. Soda ash and sodium bicarbonate
	2. Salt
 Organic segment	3. AGRO
	4. Resins
	5. Foams
 Silicates and glass segment	6. Silicates and glass

The new structure shall enable us to develop specific Group businesses with high flexibility of reaction to changes on markets. This model works perfectly in the largest global chemical corporations.

Figure 5. The new CIECH Group organisational structure



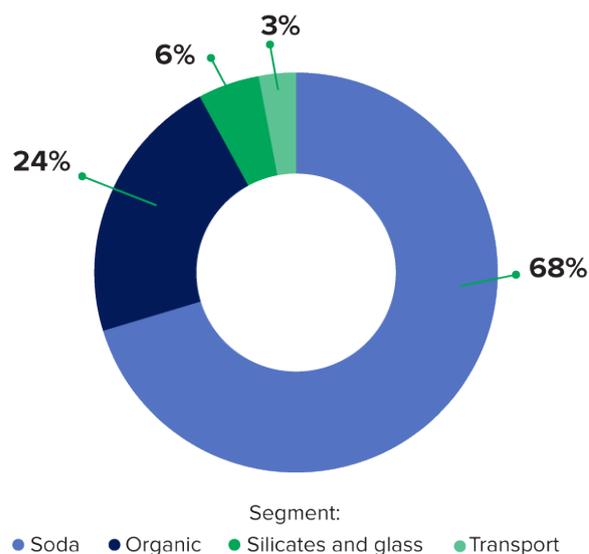
#### FOUNDATION II – process standardization and optimisation thanks to cutting-edge tools

We implement several modern tools in the organization, including the latest version of SAP ERP and a new purchasing platform. At the Group level, we shall standardize production management systems as well as the Transportation Management System (TMS) used to manage logistics and transport.

### 1.3 Segments of operation.

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

Figure 6. CIECH Group revenues in 2017 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 applications in the industry. The CIECH Group develops a portfolio of high-quality soda-based products including:

1. **Soda ash** – one of the basic raw materials for glass production; it is also used for the production of washing and cleaning products, in metallurgy and chemical industry to produce certain types of mineral fertilizers, dyes and pigments, etc.
2. **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** – finds common use in road maintenance, construction industry, chemical industry, as well as coal, oil and gas mining.



## Organic segment

This segment includes:

1. **Crop protection chemicals** – A full range of over 100 different products. The most famous trademarks of the company include AGRO brands, i.e. Chwastox, Agrosar, Sarox, Ekonom, and ZIEMOVIT, a Home and Garden brand.
2. **Resins** – Used in the production of polyester and glass laminates, glass fibre reinforced products used to manufacture sports and tourist floating equipment, bathtubs, tanks, garden decorations, etc. They are also used in the production of powder paints, varnishes and glues.
3. **Polyurethane foams** – Used mainly in production of furniture and sleeping mattresses. They are used in the automotive industry (production of car seats and finishing elements), construction industry and textile industry.



#### CIECH Group is:

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

#### Silicates and Glass segment

1. **Glass products** – A range of approx. 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 food processing industry.
2. **Silicates** – Used to produce precipitated silica, detergents and paper.



The CIECH Group is the largest producer of grave lanterns in Central and Eastern Europe.

#### Transport segment

The transport segment is focused on domestic rail transport services, including the rental of rail carriages, rail cargo transport and maintenance of rail sidings. The main customers are the companies of the CIECH Group 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 the Group's operations in terms of real property sales and management, granting licences for the use of trademarks to the CIECH Group companies, financing activities, etc.

For more information about the production processes, production capacities and key sale market of each segment, see the CIECH Group and CIECH S.A. Operation Report for 2017 available at [www.ciechgroup.com](http://www.ciechgroup.com).

## 1.4 CIECH Group strategy.

In 2014, we adopted a Strategy for 2014-2019 whose objective is the maximisation of the value of the CIECH Group, mainly through the development in the soda and organic segments.



The goals defined in the strategy are achieved by:

 <b>Soda segment</b>	Strengthening of the leading position in the soda segment in the key European markets through, among other things: <ul style="list-style-type: none"> <li>▪ effective acquisition of new clients,</li> <li>▪ further improvement of the quality of products,</li> <li>▪ strengthening the position of a preferred supplier,</li> <li>▪ development of processed types of sodium bicarbonate.</li> </ul>
 <b>Organic segment</b>	Consistent strengthening of the market position in the organic segment through, among other things: <ul style="list-style-type: none"> <li>▪ an increase of the production effectiveness,</li> <li>▪ an increase in the production capacity usage (resins and crop protection chemicals).</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 in the improvement of the 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 which meet customer requirements (resins),</li> <li>▪ Geographical expansion (crop protection chemicals), with the support of CIECH R&amp;D Sp. z o.o., a company which is the Group's R&amp;D centre,</li> <li>▪ Active steps taken to identify and implement new development initiatives oriented on the building of the CIECH Group value.</li> </ul>

**Table 2. Key strategic activities completed in 2017**

 <p><b>Soda segment</b></p>	<ul style="list-style-type: none"> <li>▪ Increase in the share of sales to end customers,</li> <li>▪ Taking over customer warehouse service,</li> <li>▪ Increase in carriage management as a service provided to customers with greater use of rail transport,</li> <li>▪ Termination of ineffective agency agreements,</li> <li>▪ Signing medium-term trade agreements,</li> <li>▪ Increased presence on Asian markets,</li> <li>▪ Increase in the share of the Polish feed market (sodium bicarbonate),</li> <li>▪ Inter-segment diversification through introduction of new, highly processed products into the product portfolio – launch of an investment in pharmaceutical-grade soda for dialysis commencement of new investment projects to introduce new salt products such as salt granulate and salt licks.</li> <li>▪ Improvement in logistics with regard to salt following the construction of a high-storage warehouse.</li> </ul>
 <p><b>Organic segment</b></p>	<ul style="list-style-type: none"> <li>▪ Intensified registration of new products, building new distribution channels, significant strengthening of the sales force, and advertising campaigns for the flagship products (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). This programme includes increasing the level of product registrations on key markets and efforts aimed at ensuring direct access to key active substances.</li> <li>▪ Development of the “Home and Garden” – ZIEMOVIT line which will allow for reaching new users.</li> <li>▪ Increasing the production capacity of foams by building long block’s warehouse.</li> </ul>
 <p><b>Silicates and glass segment</b></p>	<ul style="list-style-type: none"> <li>▪ Completion of the investment project in the Żary Plant, i.e. construction of a new furnace for sodium silicate glass for a long-term contract – reaching the planned capacity, constructing a cable line from Jankowa Switching Station to Żary Plant, and adapting the Żary Plant to receive soda supplies by rail (reconstruction of the railway siding).</li> </ul>
 <p><b>Optimisation and development</b></p>	<ul style="list-style-type: none"> <li>▪ Completion of the investment project in the Żary Plant, i.e. construction of a new furnace for sodium silicate glass for a long-term contract – reaching the planned capacity, adapting the Żary Plant to receive soda supplies by rail (reconstruction of the railway siding).</li> </ul>

## 1.5 Management standards.

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

All our actions are in line with the idea of sustainable development 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.

The actions taken by the CIECH Group are supported with implemented management system procedures based on international standards, ISO standards and numerous internal regulations.

### Mission and vision

#### Mission



A leader of the Polish chemical market, responsible partner of both global innovative corporations and smaller local companies.

#### Vision



We strive at being a company which sets standards for modern management, innovation, high quality products and co-operation with customers and business partners.

We build a group with a stable and strong global position.  
An organization which excels at reliability, competitiveness and respect for the environment.

We build the CIECH value together with our employees and shareholders, and share successes with each other.

### Implementation of a compliance system

In 2017, we were at an advanced phase of implementing 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 shall include updated policies and procedures concerning employees, social issues, environment, human rights, and corruption prevention. The system was implemented on the 1 February 2018.

**Table 3. Policies and procedures regulating non-financial areas in the CIECH Group**  
(based on the compliance system implemented in February 2018)

<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: Mobbing 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 authorized authorities, services and offices,</li><li>▪ Procedure: Asking questions and reporting violations of laws, internal regulations and ethical standards in force in the CIECH Group,</li><li>▪ Procedure: Detailed rules and procedure for employee sobriety obligation in the CIECH Group.</li></ul>
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<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 authorized 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: Mobbing 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 Abuse 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 in force in the CIECH Group,</li> <li>▪ Procedure: The Rules of Monitoring and Reporting Compliance Obligations in 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 follow the rules described in the Code of Conduct adopted in 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 the prepared set of key assumptions related to ethical principles, we have developed **model ethical conduct of a CIECH Group employee** which a starting point of assessing a behaviour which is not within the range of standard ethical values effective in our Group.

In the CIECH Group, we established an **Ethics Committee** which until 31/01/2018 consisted of three members who have full trust of the employees and guarantee objectivity with respect to others and fair treatment. The Members of the Ethics Committee are appointed by the Management Board.



#### Anti-corruption in 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;
- The Rules of Awarding Contracts;
- The Rules of Owner Supervision and Owner Rights Execution;
- The Rules of Sponsoring and Donations in the CIECH Group;
- The Rules of Control and Internal Audit in the CIECH Group.

On 1 February 2018, when a 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 in force in the CIECH Group

Thanks to the documents and procedures mentioned above, no corruption or abuse case was reported in the CIECH Group in 2017.

#### Respect for human rights in 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, integrated work environment; we don't discriminate people due to 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 mobbing, is prohibited.

The documents related to the respect for human rights in the CIECH Group are as follows:

- CIECH Group Code of Conduct.
- Internal Anti-mobbing Policy.

On 1 February 2018, when a 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: Mobbing 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 in force in the CIECH Group.

In 2017, one case of mobbing was reported in the CIECH Group. In order to process the case, we appointed the Anti-mobbing Committee based on the internal Ciech S.A. Anti-mobbing Policy. The Committee judged the complaint as groundless.

#### **Financial risk management in the CIECH Group**

The Risk Management System operating in the CIECH Group is a supporting instrument for the Management Board and Supervisory Board, and is supposed to provide a continuous increase of the CIECH Group's value to the 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 the identified risks are associated with business processes executed in the CIECH Group.

**Table 4. The list of most important non-financial risks identified in the organization in the reporting period.**

Non-financial issue	Risks identified in the Risk Management System in the CIECH Group
<b>1. Social</b>	
<i>1.1. Product related</i>	<ul style="list-style-type: none"> <li>▪ Risk of breakdowns and unplanned downtimes.</li> <li>▪ Risk related to changes in regulations concerning registration of crop protection chemicals on target markets.</li> </ul>
<i>1.2. Related to external environment</i>	<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 non-court proceedings</li> </ul>
<b>2. Employee-related</b>	<ul style="list-style-type: none"> <li>▪ Risk of breakdowns 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 breakdowns 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>No risk in the CIECH Group.</i></li> </ul>



# 02 Our business



## 2. OUR BUSINESS

### 2.1 The supply chain.

#### TRANSPORTATION & LOGISTICS

The localization of the CIECH Group plants enables us to optimise logistics efforts and expand the distribution network which is of particular importance in the area of the soda products. Plants in Poland and Germany guarantee access to key raw materials and markets, and stability of supplies in Europe. Thanks to production in the Romanian plant we strengthen our presence in fast-growing overseas markets.

Logistics in the CIECH Group means not only servicing the soda segment, but also other businesses where transport needs are very diverse. In total, we secure a rolling portfolio with a wide variety of vehicles, starting from silos through tarpaulins, dump trucks, space sets and groupage shipments. Adding to this the remaining types of transport (rail and sea, air transport) we will be able to show the scale of diversity and the challenges it brings.

The goods, both raw materials and finished goods, are moved based mainly on services bought on the market. The CIECH Group uses transportation and transportation-related services (e.g. loading and unloading) for about 8 million tons of cargo a year. We use several hundred distributed service providers. The yearly cost of transportation services is about 0.25 billion PLN.

**About 8 million** tons of cargo per year

**0.25 billion PLN** – the cost of transportation services in the CIECH Group

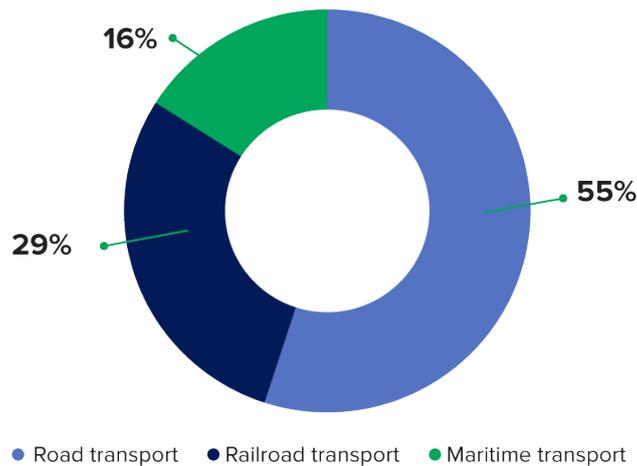
The CIECH Group's supply chain in the transport area features shipping regularity and operation scale stability both with respect to volume and distribution over time (excluding strictly seasonal products), and distribution network shape. It fosters long-term partnership relations with logistic service providers.

To strengthen our competitive advantage, we also use our own rail operator by running large-scale transportation activities on the external market. Our own fleet gives us flexibility, increases efficiency and enables cost optimisation. Apart from economic and operational reasons, rail transport reduces emissions and is less annoying for society which perfectly fits in environmental responsibility, one of the top priorities in the CIECH Group development strategy.



Rail is also a part of intermodal transport initiatives which strengthen our competence by contributing to reducing negative impact of transportation on the environment.

Figure 7. % of each transport mode in soda shipping in 2017.

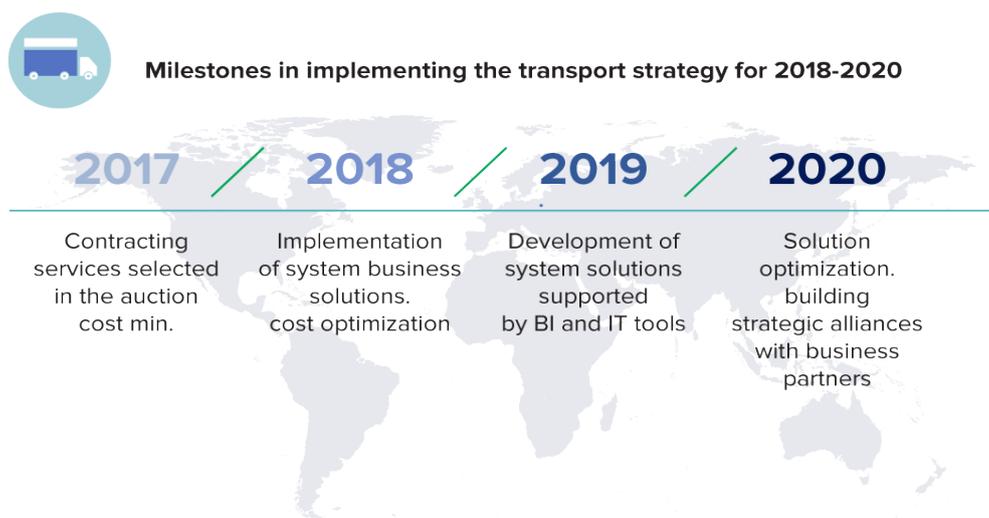


In supply chain management, we focus on three basic pillars: **cost optimisation, quality, and innovation and business partnership**. This is not to mention an important aspect of risk management which gains special importance for an organization operating in a dynamically changing environment. This approach enables the CIECH Group to be customer-oriented and generate value added in the area of integrated supply chain (value chain).

Figure 8. Basic Pillars of Supply Chain Management in the CIECH Group



Each of the listed pillars is a basis for developing key Supply Chain Management areas, creating formal guidelines for change direction and desired action effects.

**Figure 9. Milestones in transportation strategy realized for years 2018-2020**


In 2017, we completed several initiatives which contributed to enhanced level of customer service and enabled further process optimisation. These changes include:

- Supply management according to VMI (Vendor Managed Inventory) model.
- Increased transport competence in the area of product distribution.
- Centralized process of recruiting carriers and planning load-ins.
- Standardization of TMS (Transportation Management System) operation.
- Opening a high storage warehouse for the Salt business unit.
- Opening a new long-block warehouse in the Foams business unit.
- Upgrading silos with loading terminals in soda plants (investment in progress.)
- Investments in the logistic infrastructure, e.g. new rail and truck scales.

#### PURCHASE PRACTICE

Purchase Division of the CIECH Group is responsible for all procurement functions in the organization and consists of units responsible for:

- Purchase of raw materials for the Organic segment,
- Purchase of raw materials for the Soda and Salt segments,
- Technical purchase,
- Administration and IT purchase.

**Table 5. The main purchase groups in the CIECH Group**

Area	Purchase 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 purchase</b>	<ul style="list-style-type: none"> <li>▪ purchase for maintenance and ongoing repairs,</li> <li>▪ investment purchase,</li> <li>▪ purchase of fixed assets and machines.</li> </ul>
<b>Administration and IT purchase</b>	<ul style="list-style-type: none"> <li>▪ administrative and general purchase (including OHS and firefighting purchase, office supplies and services, security services, business trips and incentive);</li> </ul>

Area	Purchase categories
	<ul style="list-style-type: none"><li>▪ IT and telecommunications purchase (including licenses, hardware, telecommunication and IT services);</li><li>▪ professional service purchase (including tests, expert opinions, permits, marketing purchase, consulting services).</li></ul>

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

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

#### Vendor selection criteria in the CIECH Group

In 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, we launched an initial vendor evaluation on a purchasing platform at vendor registration. 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 Day,
- Vendor visits to a plant,
- Participation in industry conferences and fairs,
- Vendor audits.



#### Vendor Day in the CIECH Group

On 12 October 2017, we held in Warsaw an open doors day for existing and future vendors and service providers of the CIECH Group in the area of Investment and Technical Purchase. The aim of this meeting was to communicate to vendors and business partners the purchase process applied in the CIECH Group and company communication methods with business environment, and to present investment plans and

## 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. In production processes and provided services, we follow safety and distribution principles.

In the CIECH Group, we 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 with consistency and compatibility of assumptions and rules set forth in the organization.

The basis of the system is ISO 9001 which enables to:

- provide stability and repeatability of process and their results,
- meet customer demands and legal requirements,
- provide and maintain organizational governance by clearly specified procedures, and related responsibilities and privileges,
- provide unambiguous data and information retrieved from monitoring and measurement processes for products and services as well as processes, and to use this information to manage and continuously improve the organization.

In the CIECH Group, we have a common **Quality Policy**. Besides, each company has an effectively implemented and documented system for document management, control and distribution (procedures, instructions). In each company, system supervision and improvement has been entrusted to people who have required knowledge and competence. The Quality Policy is a basis for setting goals and driving operations of the whole Group.

In 2017, no case of non-compliance with regulations and applied codes related to product quality that would cause a penalty, fine or warning was reported.

**Table 6. Certified management systems in the CIECH Group companies.**

Company	Norms/standards
CIECH S.A.	ISO 9001
	GMP+ B3
	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

Company	Norms/standards
	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
CIECH Trading S.A.	ISO 9001
	GMP+ B3
	GDP API
CIECH Pianki Sp. z o.o.	ISO 9001 (implementation in progress)

In 2018, CIECH shall be re-certified for compliance with ISO 9001:2015 and GMP + B3. We are also planning to extend certification by GMP + B4 related to freighting road transport of animal feed for third-parties. Moreover, in 2018, two companies of the Soda segment, CIECH Soda Polska S.A. and CIECH Soda Romania S.A., shall extend certifications by HALAL requirements (for products that can be eaten by Muslims).

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

#### **CIECH Quality Standard (CQS)**

The CIECH Group is implementing the CIECH Quality Standard (CQS) programme which shall enable a comprehensive approach to quality management at the Group level. Such an approach shall influence the product quality and cost optimisation, and reduce the number of complaints submitted by key customers.

#### **The main goals of the CIECH Quality Standard (CQS):**

- Comprehensive approach to quality management at the CIECH Group level,
- Defined corporate functionalities in line with RESHAPE,
- Cost optimisation – cost optimisation plan for the Group,
- Adoption of CIECH Standards and their implementation plan according to the organization continuous improvement principle – Quality Plan,
- Improved quality of finished products and reduced number of complaints submitted by key customers,
- Redesigned quality structure and number of employees in quality departments of individual CIECH Group companies.

**Table 7. CQS (CIECH Quality Standard) 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 relationships. Faster complaint processing,</li> <li>▪ Product quality improvement.</li> </ul>
<b>For the company development</b>	<ul style="list-style-type: none"> <li>▪ Retaining talented people with valuable experience and skills and maintaining optimum 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 the company finances</b>	<ul style="list-style-type: none"> <li>▪ Quality cost identification,</li> <li>▪ Quality control cost optimisation plans,</li> <li>▪ Minimizing costs related to bad quality.</li> </ul>
<b>For enhanced company organization</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 systemic way at the Group level.</li> </ul>

## RAW MATERIALS USED IN PRODUCTION

### Soda segment

The main raw materials used in the production process in soda segment include **limestone, salt brine, ammonia, coke or anthracite**. The soda ash production plants are located in close proximity to limestone and brine suppliers (due to the high transportation costs of these raw materials in comparison with 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

The products manufactured and the raw materials used in production by the CIECH Group are subject to many legal regulations in the scope, among others, of registration and safety analysis of substances they contain. The EU Regulation (EC) No 1907/2006 on Registration, Evaluation, Authorization 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 Relationships with customers.

Our customers are both global chemical corporations and smaller companies in Europe, Asia, 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 relationships, and customer service is one of the key challenges in our business.

**Figure 10. Our approach to provide customer satisfaction**



In 2017, we initiated many activities related to improving our customer service, for instance we created new sales folders, we systematically expand our sales network, and, above all, we improve our products. These changes address opinions and expectation of our customers, which we collect by regular surveys on the level of satisfaction with our services.

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

- 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.

### **We strive to be a reliable partner for our customers**

The CIECH Group has a diversified portfolio of customers – the largest soda customer accounts for less than 6% of the Group's revenues. We focus on building solid and long-term relations with customers.

#### **Selected marketing communication initiatives of the CIECH Group in 2017:**

- Developing a strategy for edible salts and new branding,
- Intensified activity in the area of relationship marketing – several initiatives for building and strengthening relations with the CIECH Group key customers (Key Account Development Program in the Soda segment),
- Developing new concepts of sales support materials and implementing them,
- Several market researches for developing sales of the existing Group products and extending existing product offering, search for new sales channels and new markets,
- Developing new segmentation within a couple of product groups offered by the Group,
- Expansion of the distribution network,
- Developing activities in the new media channel,
- Advertising campaigns promoting brands from the CIECH Group portfolio,
- Loyalty programmes.

### Chwastox product line packaging appreciated by the Institute of Industrial Design

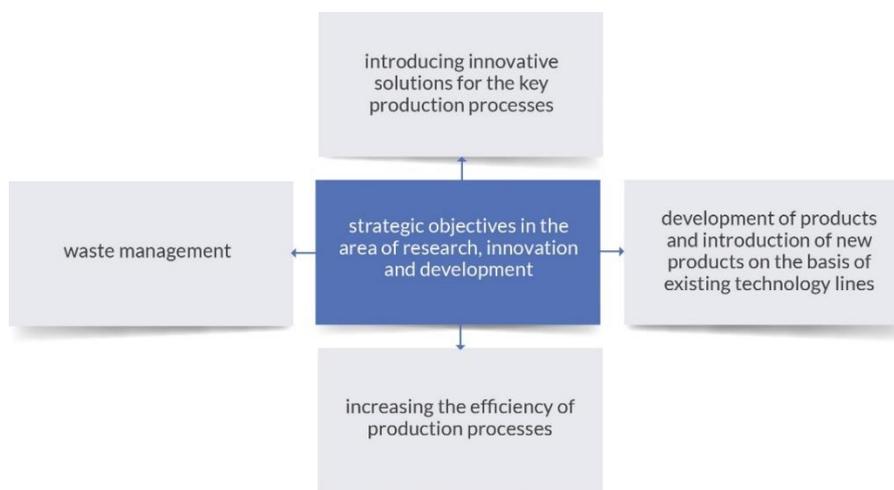
In 2017, the Chwastox product line was awarded with “Finalist of the Good Design 2017 Competition” in the “Applied Graphics and Packaging” category. The awards are given by the Institute of Industrial Design, the only Polish research unit and Research & Development Centre which deals with industrial design in a systemic way. CIECH Sarzyna S.A. introduced new packaging for the Chwastox product line at the beginning of 2016. The main goal of the implemented changes was to increase user convenience and maximize the label readability.

In 2017, no cases of non-compliance with regulations and voluntary applied codes of marketing communication, including advertisements, promotions and sponsoring, were reported

## 2.4 Research & Development.

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

**Picture 11. Strategic objectives in the area of research and development in the CIECH Group**



We have the 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. The CIECH Group is planning to invest over **12 million PLN** in the development of its research infrastructure till the end of 2018.

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.

Our priority in research and development is developing products of even higher quality which address the needs of our customers with optimised production costs. We are extremely interested in eco trends and pro-environmental solutions, especially in circular economy.

Currently, we are conducting **70 R&D projects** in AGRO, Resins, and Soda and Salt areas.

According to the strategy we have adopted, we search for innovative solutions which enable to:

- Expand and continuously optimise our product portfolio in individual business areas by introducing new products or modifying the existing ones.
- Increase the efficiency of production processes.

- Reduce greenhouse gas emissions.
- Decrease the total coal usage.
- Optimise energy usage.
- Increase energy efficiency.
- Change waste into usable products.

## Trademarks

**Table 8. Number of trademarks registered in 2017**

Office name	Number of trademarks applications
Polish Patent Office	15
European Union Intellectual Property Office	13

## Production process optimisation projects – examples

The CIECH Group will also continue a number of R&D activities aimed at increasing plant efficiency and implementing modern products responding to the growing needs of the market (in particular, increasing the efficiency of soda ash production and improving efficiency through the reuse of waste streams in the production process, as well as work on the extension and optimisation of the agro product portfolio). Some of these projects are financed from various support projects, such as INNOCHEM.



# 03 Our employees



## 3. OUR EMPLOYEES

### 3.1 Employment scale and conditions.

In the CIECH Group, we undertake a number of actions aimed at improving the efficiency of communication with employees and enhancing their satisfaction and commitment. Our actions are focused on building organizational culture which enables effective cooperation and work in friendly atmosphere.

Several internal regulations on employment are in force in the CIECH Capital Group. Individual processes are being unified.

In the Polish companies of the Group instructions: "Rules of recruitment in the CIECH Group" and "The rules of organizing internships in the Ciech Group" are applied. Instruction: "Trainings and professional development in the CIECH Group" is currently being updated. The companies have own instructions on hiring, changing employment conditions and terminating employment relationship as well as regulations on subsidizing foreign language learning and the operation of social funds.

Among internal regulations, you can also find regulations and policies related to the rules of granting and using company cell phones, modems and GSM card activation; remote work conditions; business trips; ordering and using stamps, etc.

The ethical issues are regulated in the "CIECH Group Code of Conduct" and in internal regulations on mobbing and discrimination.

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

CIECH Group employs in total **3 876** people under employment agreements (as at 31.12.2017), including **2 951** men and **925** women.

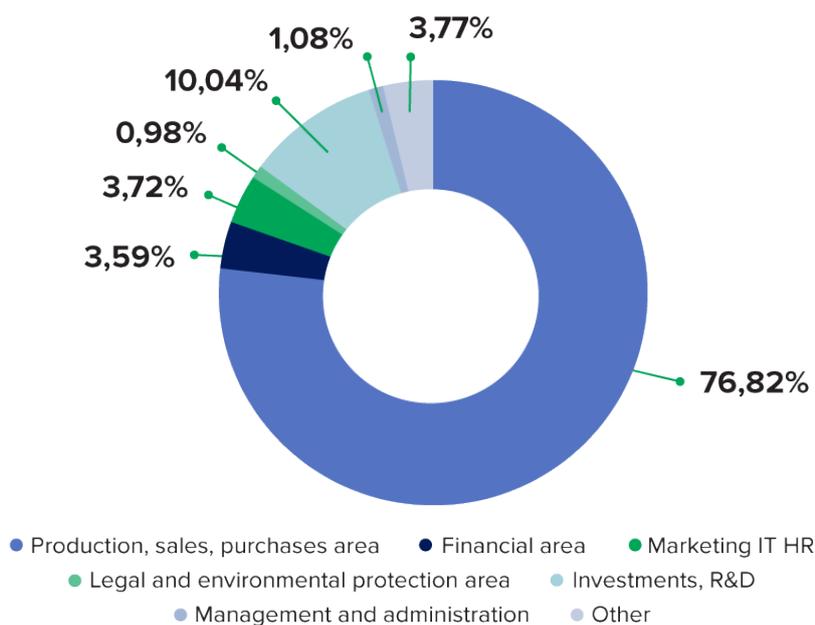
Table 9. Employed men and women by employment kind

Employment kind	Female	Male
employment agreement for indefinite period	802	2 516
employment agreement for definite period (including agreements for probation period, replacement agreement, vocational training)	123	435

Table 10. Employed men and women by employment type

Employment type	Female	Male
full time	912	2937
part time	13	14

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

**Figure 12. Employment in the CIECH Group — operation areas**

### Trade unions in the CIECH Group

In the CIECH Group, there are **about 20 trade unions which associate about 70% of employees**. Each operates in at least one company, and most in CIECH S.A. We know that good cooperation with trade unions initiates changes which can influence the number of employees and employment conditions in the Group, that's why 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 31/12/2019.

In the CIECH Group, **1783 employees (46%)** work under Corporate Collective Labour Agreement (CCLA).

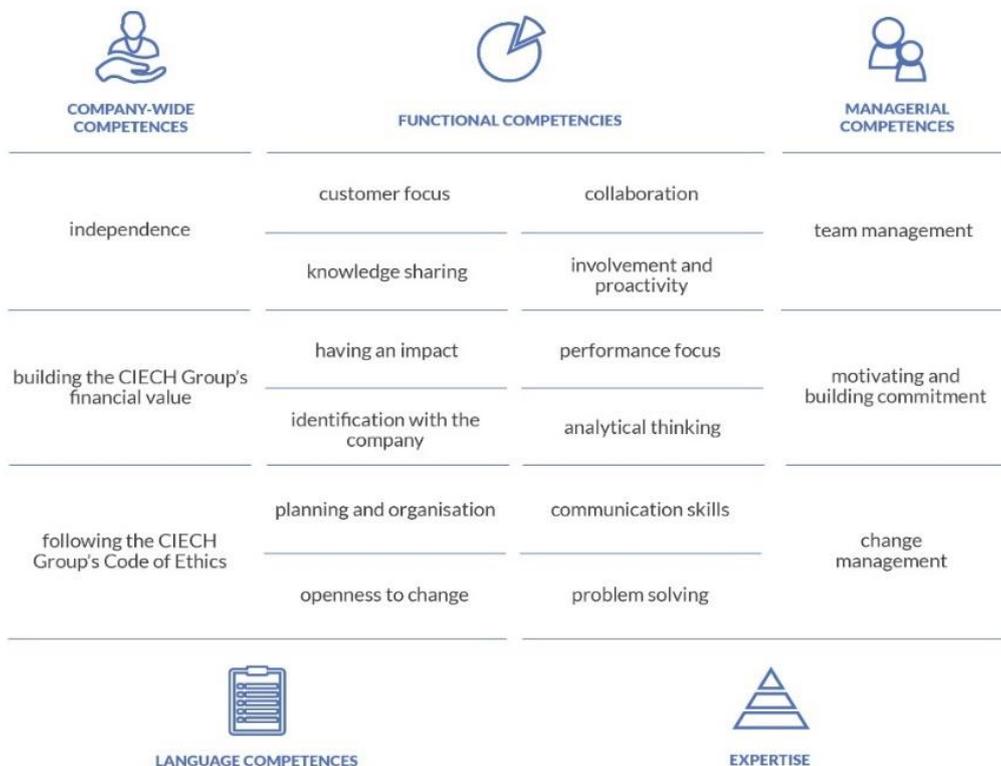
### Support & benefits

In the CIECH Group, we care about our employees by giving them access to fringe benefits. The type of support varies between the 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 can have access to private healthcare, life insurance, a social funds, internal and external trainings (including postgraduate/MBA programmes), subsidies for foreign language learning, protective and work clothing, preventive meals, subsidies for corrective glasses and trade press

### Competence model

The competence model in the CIECH Group clearly specified the company expectations towards employees and candidates. It is also a space for specifying the level of competence that employees have and for planning their development. This enables us to correctly determine the needs and to adjust employee development plans to them. We do it by various development forms, e.g. own work, workshops, trainings and mentoring.

**Figure 13. Competence model in the CIECH Group.**


### CIECH Ambassador Programme



In the first quarter 2017, we launched the Ambassador programme in the Group. Every employee, regardless of their position or the company in which they work, could participate in the programme. In the recruitment process, 17 employees were selected from applications received from companies in Poland, Germany and Romania.

The Ambassadors strengthen communication in the Group, engage in activities carried out in the business, raise awareness among employees about the Group's products, exchange information and share ideas.

In addition to actively participating in the company's life and involving other employees in projects, the Group of Ambassadors meets 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.

Internal Ambassadors acting in the CIECH Group are a group of employees who by supporting company's development are also developing themselves.

## Employee Commitment and Opinion Survey



We regularly ask for the employees' opinion by conducting the "Employee Commitment and Opinion Survey" in all companies of the CIECH Group. Each employee, by filling in an anonymous questionnaire, has the opportunity to express his opinion on the work environment that our organization creates. **The aim** of the research is to recognize the attitudes prevailing among employees and to compare how the perception of individual categories of the work environment changed in relation to the results from the previous year

As the CIECH Group, we want to build a strong organizational culture based on the involvement of employees and make it an element of competitive advantage, which is why in the survey we ask our employees about many areas that make up the engaging work environment, including: Management and Managers, Development Opportunities, Reliable employer brand, Balance between work and personal life, Work and responsibility, Guidelines and procedures.

After each study, we return to the managers and employees with the results and in relation to them, together we work out activities that are systematically implemented in our organization.

In 2017, 42% of CIECH Group employees took part in the survey.

### Employee Commitment and Opinion Survey and CSR

Each survey completed by employees in the "Employee Commitment and Opinion Survey" in 2016 was associated with the allocation of a specific amount to the budget related to the Corporate Social Responsibility (CSR) area. The funds collected in 2017 provided many projects for local communities. The projects were selected as part of the "Support locally" competition and were reported by the employees themselves. The collected funds allowed employees, among others:

- to create a cinema hall in the Bydgoszcz Complex of Care and Educational Facilities equipped with audiovisual equipment and seats made of flexible polyurethane foam produced by CIECH Pianki,
- renovate dormitory rooms at the Orphanage in Orłowo near Inowrocław and give children clothing, toys and cleaning products,
- to organize an art contest for children from the Primary School in Inowrocław, which was connected with workshops on caring for the environment,
- support the artistically talented youth in Germany, preparing to perform the performance "Secret Garden" by Frances Hodgson Burnett,
- organize a collection of used electrical and electronic equipment in Janikowo. The collection was combined with conducting ecological education lessons for several classes of the Primary School,
- support the children's football team training at the Piast Ilowa Club. The funds donated to the team were allocated for the purchase of new sports outfits and balls.

CSR is a great way to build commitment and cooperation among employees, which is why subsequent editions of the research are also combined with the collection of funds for CSR projects.

### Recruitment

Recruitment processes in the CIECH Group are carried out based on adopted standards. You can find all available vacancies on our website, in the Careers section <https://ciechgroup.com/en/careers/>.

Apart from standard recruitment channels, some of our companies hold a "Recruit a Friend" programme. A HR employee and a department manager are present on recruitment meetings. We perform a competence interview with candidates based on the Competence Model developed with managers in 2016. An important part of recruitment is feedback for candidates for a given position.

In addition to the standard recruitment channels, in some of our companies "Recommend Employee" Programme operates.

**The CIECH Group is also a member of the "Friendly Recruitment" coalition which means that we follow the provisions of the Recruitment Good Practice Code.**

**Table 11. Total number of newly hired employees by sex in 2017**

Female	109
Male	320
<b>Total</b>	<b>429</b>

**Table 12. Total number of newly hired employees by age group in 2017**

Less than 30	148
30-50	238
Over 50	43
<b>Total</b>	<b>429</b>

**Table 13. Total number of leaving employees by sex in 2017**

Female	115
Male	299
<b>Total</b>	<b>414</b>

**Table 14. Total number of leaving employees by age group in 2017**

Less than 30	85
30-50	171
Over 50	158
<b>Total</b>	<b>414</b>

### Internships

We organize professional payable internships compliant with “Internships of Highest Quality” practices. We recruit for diverse areas, i.e. Finance, Logistics, IT, R&D, Sales, Purchase.

Each intern has a professional mentor assigned who is responsible for introducing the intern to the organisational structure and business of the CIECH Group, continuous monitoring tasks performed by the intern and giving ongoing feedback. When the internship ends, the professional mentor is obliged to write a reference letter related to the performed tasks and skills learnt during the internship. The best interns are offered further employment in the CIECH Group.

In 2017, the CIECH Group employed **35** interns of which **15 best candidates** were offered further employment.

## Onboarding

We continue the onboarding process which was launched in 2016. The programme objective is better adaptation of new employees. For them, it is a good opportunity to learn about the CIECH Group, products, development opportunities and social offer. Onboarding meetings take place twice a month.

## Employer branding

The CIECH Group is constantly striving for active communication inside and outside the organization. We are present as an employer in social media, on job fairs or industry conferences. Participation in events is an opportunity to meet with potential candidates and interns who plan to take up their first professional challenges. As an employer, we regularly participate in initiatives addressed to school pupils and students.

In May 2017, at the Academic Job Fair in Rzeszów, the Internal Ambassadors organised workshops on business processes in a manufacturing company for students and graduates.

We also cooperate with industry schools in Inowrocław and Kruszwica as part of a practical vocational training programme. In CIECH Soda Polska, we have launched promotional activities which encourage students to choose a new path of education. Each year we organize training for another group of apprentices. Thanks to this programme, after three-year education the company will be able to recruit young trained employees who will be prepared to take production positions. A similar programme is carried out in CIECH Cargo in cooperation with the Upper High School Complex in Kruszwica. This year, four students finish practical training as a mechanic - machine and device assembler, and in two years one student will finish practical training as an electrical mechanic. The graduates shall be employed in the company as a mechanic, metalworker or electrical mechanic.

## Rewards & honorary mentions

1. **Highest Quality HR 2017** – the Polish Human Resources Management Association awarded us with the Highest Quality HR 2017 Certificate which is given to companies with the highest standards of HR based on objective examination of the personnel policy.
2. **Professional Human Resources Management Honorary Mention** – awarded by the Institute of Labour and Social Studies. The aim of the competition is to promote knowledge and best practical experience in the field of human resources management by recognising organisations that are successful in this area.

## 3.2 Training & development.

The CIECH Group never stops developing and the employees develop with the Group. The CIECH Group's employees have access to external and internal trainings (conducted by other employees), colleges or foreign language courses (we pay 75% of the costs related to foreign language courses). In 2017, 127 CIECH Group employees received subsidies for learning foreign languages. Moreover, we organize workshops for employees as part of the implemented Competence Model. We have also created several educational programmes:

- Manager Academy,
- Diversity Management Academy
- Knowledge Pills for Employees/Managers.

### Manager Academy Programme



The Manager Academy Programme, launched in 2017, aims to strengthen the implemented managerial competencies in the areas of motivating, building commitment, team management and change management. In addition, the results of "Employee

Commitment and Opinion Survey” from 2016 indicated that the area of employee development and recognition is a very important element of human resources management, on which we should focus.

The program is dedicated to all team managers. The CIECH Group has about **400 managers** who will take part in 4 training sessions of the Manager Academy. The first training sessions began in January 2018.

#### Knowledge pills



As part of employee development, we care about delivering short knowledge pills which refresh the knowledge gained via other forms of education (e.g. internal trainings, general corporate trainings) and simultaneously increase the position-related competence. The topics we choose for the cyclic Employee/Manager Reading Book are inspired by both current employee needs and current market trends.

For example topics were related to:

- Effective communication which fosters building and developing cooperation within a team and between departments,
- Factors strengthening committed attitude which favours achieving position-related goals,
- Building team spirit by organizing effective/motivating meetings with employees.

#### Diversity Management Academy

The Academy was prepared to address the challenges of building commitment, recruiting candidates, preparing successors, sharing experience and increasing competence in teams. Together with managers, we had chosen **56 employees**, who were prepared to take over tasks from employees who will retire in 2017-2022. We defined an individual plan for each employee taking into account the knowledge and competences required on the new position. We also prepared a professional training programme thanks to which, after a three-year education cycle, the company will be able to recruit every year 15 young trained employees who will be prepared to take production positions.

#### Internal Trainer



In order to promote knowledge sharing in the organisation, an Internal Trainer Programme was launched in 2017. Employees selected in the recruitment process were prepared to act as internal trainers during the Train the Trainer workshop.

In addition to carrying out their day-to-day duties as part of their job, the trainers share their knowledge with other employees. Thanks to the diverse topics of training sessions, it is possible to share knowledge from many areas. Starting from business presentations, team building, purchasing needs in technical procurement, administration, IT, finance for non-financial professionals to training in ISO standards, quality control and project scheduling.

HR departments actively support the trainers in their development by systematically organizing workshops for them to broaden their coaching competences, sending knowledge pills or implementing coaching supervision. In the future, we want to expand the team of internal trainers and expand the thematic portfolio of trainings.

### 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 organize regular trainings on occupational health and safety for our employees. We have been implementing an employee awarding system in the OHS area in production plants and a system of reporting accidents, hazards and near misses. We take many initiatives promoting good practices with respect to safety such as organizing 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 cancerogenic and/or mutating agents; Employee monitoring and preventive healthcare; Testing and measuring harmful and health-oppressive 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; Awarding employee engagement in enhancing OHS).

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 15. Selected safety initiatives taken in 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 awarding system in the OHS area	Eventually In each production plant, to engage employees to report and eliminate hazards in the work environment

Initiative	Details
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 organization level	Determining measurable OHS objectives at each organization level – from 2018
Standards for executing works at production plant premises	Applicable to contractors and subcontractors at production plant premises, to increase the level of safety

### Promotion of good security practices

On 14 September 2017, CIECH Soda Polska S.A. organized in Inowrocław a conference on occupational safety “Produce safely to build safety”. During the conference, the issues related to safety in production and construction industries were discussed. The event goal was, above all, a higher level of OHS in companies cooperating with CIECH Soda Polska S.A. The conference hosted, among others, the representatives of the National Labour Inspectorate, Technical Supervision Office and Poviast Construction Supervision Inspectorate.

In 2018-2019, we plan to implement a new system of work clothing and personal protection equipment flow in the Polish production companies belonging to the CIECH Group. Its main goal is:

- 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 uncontrolled increase of costs,
- Full service of clothing washing and repair by a specialist entity which will make it possible to keep the clothing in proper condition and maintain the required protective performance,
- Lower purchase price due to large volume,
- Enhanced Group image.

**Table 16. Type and rate of accidents related to work in the CIECH Group in 2017**

	Employees			Subcontractors		
	Female	Male	Total	Female	Male	Total
<b>Fatal accidents</b>	0	0	0	0	2	2
<b>Accidents causing loss of work time</b>	4	44	48	0	10	10
<b>All reported accidents</b>	6	61	67	0	18	18



# 04 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 who carry out projects based on the best available environmental protection techniques.

### Over 366 million PLN – spent on pro-environmental investments in 2015-2017

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

### 103 million PLN – the CIECH Group expenditure on eco-investments in 2017

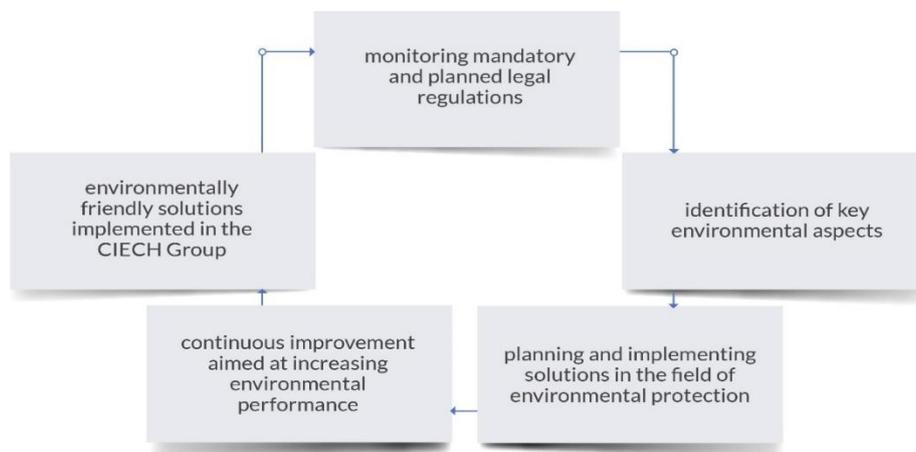
#### The documents related to environmental protection in the CIECH Group

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

- obey the environmental protection laws,
- reduce emissions to 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.

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

Figure 14. Environmental management system in 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. Implementing this system lets us to foresee incidents which may have negative impact on the environment so we are able to reduce their consequences.

The Group companies monitor and report CO<sub>2</sub> emissions to reduce them according to the assumptions in the Environmental Policy. Besides, in all production plants of the CIECH Group, we carry out ESPRO (Energy Saving Program) which reduces CO<sub>2</sub> emissions and power consumption, and maximizes production efficiency. Many investments are made as part of this program, including heat recovery, reduction of heat loss during transit, increasing lighting system efficiency and replacing devices for more energy efficient. With these projects, the CIECH Group is minimizing CO<sub>2</sub> emission per tonne of a final product. Moreover, the CIECH R&D facility is conducting research on solutions for future recovery and use of generated CO<sub>2</sub> 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 desulphurization 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 results.

### EMISSIONS

**Table 17. Direct emissions of greenhouse gases (Range 1), nitrogen oxides, sulphur oxides and other significant emissions to air in 2017 (estimates)**

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

### WATER

**Table 18. Total water consumption by source (estimates)**

Water consumption by source [m <sup>3</sup> ]	
Total water consumption	56,771,920

### POWER

Energy factor balance in 2017 (raw materials) – TOTAL: **27,960,115 GJ**

Energy factor balance in 2017 (energy) – TOTAL: **36,974,708 GJ**



# 05 Our business environment



## 5. OUR BUSINESS ENVIRONMENT

### 5.1 Our stakeholder.

A priority in the area of relations with business environment is to ensure equal and continuous access to information about the CIECH Group to our stakeholders.

Figure 15. CIECH Group stakeholder



Table 19. Communication with stakeholders

Stakeholder	Group description	Communication channels
Investor environment	<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 (periodical and ongoing reports),</li> <li>▪ Website (IR tab),</li> <li>▪ Face-to-face meetings in Poland,</li> <li>▪ Conference calls,</li> <li>▪ Non-deal roadshows,</li> <li>▪ Participation in investor conferences,</li> <li>▪ Information materials (including presentations, one-pagers, video, etc.),</li> <li>▪ Chats,</li> <li>▪ Mailings.</li> </ul>
Employees	<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> <li>▪ Face-to-face meetings.</li> </ul>

Stakeholder	Group description	Communication channels
<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>▪ 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>

### Investor relations in the CIECH Group

In the CIECH Group, we take perform several 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.

At the beginning of February 2017, we organized in CIECH S.A. the first investor seminar for analysts and institutional investors. It was an educational meeting aimed at extending knowledge about the strategy, business, products and markets we operate on. The event met with great interest and gathered 60 representatives of the most important Polish brokerage houses, investment funds and pension funds. In 2017, we also started to carry out quarterly investor chats which provide more frequent and easier access of individual investors to CIECH S.A. representatives.

### Key topics and issues among investors

In 2017, we conducted a survey among Polish and foreign investors to learn about their view on disclosing non-financial information by the CIECH Group. It was an opportunity to gather information about the stakeholder view on the company, their needs related to a non-financial report, and significance of selected non-financial issues for making investment decisions or analysing the CIECH Group by the respondents.

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

- Transparency and open dialogue with the company environment,
- Cooperation with suppliers,
- Lawfulness and organisational governance in the company (including, but not limited to, the company ethical principles, anti-corruption procedures), compliance,
- Product quality,
- Customer service quality and customer satisfaction.

### The non-financial report of the CIECH Group for 2017 addresses the information demands of investors.

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 organizations the CIECH Group is engaged in:

- Employers of Poland,
- Polish-Iranian Chamber of Commerce,
- 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 through the organisation of sporting and cultural events, and educational programmes regarding environmental protection. We take charity and voluntary initiatives, and enable our employees to actively take part in them.

Our social engagement is regulated by **The Rules of Sponsoring and Donations in the CIECH Group**.

### WE SUPPORT CULTURE

#### The Collection of Magdalena Abakanowicz Artworks

The CIECH Group owns a priceless collection of artworks of Magdalena Abakanowicz, an icon of Polish and world art of the 20<sup>th</sup> century. We have been cooperating with the artist and her studio for over twenty years without a break. The artworks made in part of epoxy resin produced by CIECH Sarzyna S.A. were given to the company as a proof of gratitude of Magdalena Abakanowicz for unceasing support for her artistic activity.

To promote the collection Magdalena Abakanowicz artworks in 2017, we organized:

- An exhibition of Magdalena Abakanowicz artworks in the Inowrocław City Gallery,
- An exhibition of artworks in the University of Warsaw Library,
- Partnership in the “Genius Saeculi – the spirit of our time...” project which commemorated the life and art of Magdalena Abakanowicz.

#### “Genius Saeculi – the spirit of our time...”

The CIECH Group became a patron of an exhibition paying tribute to Magdalena Abakanowicz. The exhibition of almost 30 pieces was accompanied with a competition in which artists were supposed to refer in their works to the peculiarity and essence of the art of Magdalena Abakanowicz.

The competition was initiated by the Department of Art and Philosophy Institute of the Rzeszów University, and the Association of Polish Artists and Designers (Rzeszów Circle). The artists invited to the project, including students and alumni of the Rzeszów University, were supposed to refer in their works to the peculiarity and essence of the art of Magdalena Abakanowicz. The honorary juror was Artur Osuchowski, a Member of the CIECH Management Board.

#### International Chopin Festival

In 2017, CIECH Group was one of partners of the Chopin Festival in Duszniki Zdrój. 72. 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.

#### Initiatives in foreign companies

In 2017, CIECH Soda Deutschland with other local sponsors co-funded the extension of exhibition in the Stassfurt City and Mining Museum and supported financially the Juventa art group. It is a team of 14 children and teenagers from 9 to 14 working at the castle in Hohenerleben.

### WE SUPPORT SPORT

#### Poznań Open Tennis Tournament

For the second time, CIECH S.A. became the Main Partner of the “International Poznań Open Tennis Tournament” which is played as a part of the “ATP Challenger Tour”. The winner of the 14<sup>th</sup> edition of one of the most important tennis tournaments in Poland was Aleksiej Watutin from Russia, and fans could also support the greatest Polish male tennis player Jerzy Janowicz.

#### Charity golf tournament by CIECH

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

#### Polish Championships of Children from Orphanages

In 2017, for the fourth time, CIECH S.A. supported the organisation of Polish Football Championships of Children from Orphanages. 400 young players from 40 orphanages competed in the Championships.

**WE SUPPORT LOCAL COMMUNITIES****About 300 thousand PLN** – the value of donations made by CIECH Group in 2017**Selected initiatives for local communities from several companies in the CIECH Group:****CIECH Sarzyna S.A.**

- Scholarship programme for the most chemically talented teenagers in the region,
- Subsidy for the educational folder about the history of the School Complex in Sarzyna,
- ZIEMOVIT Gardens in Nowa Sarzyna – product arrangement of the green space around the Cultural Centre in Nowa Sarzyna,
- ZIEMOVIT Gardens in the Łañcut Castle – the orchid garden, rose gardens and the green space around the castle,
- The Orphanage in Nowa Sarzyna – support for the children summer leisure,
- A playground for disabled children in Nowa Sarzyna,
- Honey and Folk Culture Festival in Jelna – co-funding the publication of folder on bee keeping and organisational support of the event,
- Organisational support for the 3<sup>rd</sup> Independence Run “Nowa Sarzyna’s Eleven”.

**CIECH Soda Polska S.A.**

- A charity donation in the fund raising organized by the Kuyavian-Pomeranian Voivodeship Marshal for social welfare centres, hospices and special educational facilities during the Marshal Charity Ball,
- Participation in the “Gramy dla Pinezki” charity concert that took place in Toruń,
- 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 Pinnocchio orphanage – we have been supporting the local orphanage with donations for four years.

**CIECH Vitrosillicon S.A.**

- A donation for the construction of a leisure and sport ground for the Ally Aviators Primary School in Iłowa.
- A donation for the purchase of fitness equipment in the outdoor gym constructed by the schools.



# 06 About the report



## 6. ABOUT THE REPORT

### 6.1 Reporting approach.

The non-financial report of the CIECH Group for 2017 (01/01/2017 – 31/12/2017) have been prepared according to the international non-financial reporting standard Global Reporting Initiative, Core option. It is the first non-financial report of the CIECH Group which presents our impact on society, employees and the natural environment in a comprehensive way.

The non-financial reporting topics have been defined according to Global Reporting Initiative GRI Standards. In order to learn about the view 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. Lawful operations.
3. Climatic 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 practice.

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 registered office	-	8
GRI 102-4	The localization 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	-	4,6-8
GRI 102-8	Data on employees and other people working for the organisation	-	34-35
GRI 102-9	Supply chain description	-	23-27
GRI 102-10	Significant changes in the reported period related to the size, structure, ownership or value chain	No changes	-
GRI 102-11	Explanation whether and how the organisation applies the caution principle.	-	44-45
GRI 102-12	External, adopted or supported by the organisation, economic, environmental and social declarations, principles and initiatives	-	48
GRI 102-13	Membership in associations and organisations	-	48
	<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: "Lawful operations".	-	16-19
GRI 102-16	Organisation goodwill, code of conduct, principles and behaviour standards.	-	18
	<b>Management</b>		
GRI 102-18	Organisation supervision structure with committees reporting to the top supervisory body	-	9-10
	<b>Stakeholder involvement</b>		
GRI 102-40	List of stakeholders involved by the reporting organisation	-	47-48
GRI 102-41	Employees under collective agreements	-	35
GRI 102-42	Basis for identifying and selecting stakeholders involved by the organisation	-	47-48
GRI 102-43	Approach to involving stakeholders including the involvement frequency by stakeholder type and group	-	47-48
GRI 102-44	Key topics and issues among stakeholders and organisation's answer, including their reporting	-	47-48
	<b>Reporting</b>		
GRI 102-45	Listing of economic entities included in the consolidated financial statement	-	9
GRI 102-46	Process of defining the report content	-	52
GRI 102-47	Identified key topics	-	52
GRI 102-48	<i>Explanation of the effects of any corrections of information contained in previous reports with their reasons and influence (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	-	52
GRI 102-51	<i>Last report publication date (if any)</i>	Not applicable	
GRI 102-52	Reporting cycle	Annual	52
GRI 102-53	Contact information	-	55
GRI 102-54	Information whether the report has been prepared according to GRI Core or Comprehensive Standard	Core	52
GRI 102-55	GRI index	-	53-54
GRI 102-56	Policy and current practice with respect to external verification of the report	-	52
	<u>Detailed indices</u>		
	<b>Raw materials</b>		
GRI 103-1, 103-2, 103-3	Description of the key aspect of reporting: "Environmental impact associated with the consumption of raw materials"	-	29
GRI 301-1	Used raw materials / materials (index reported partially)	-	29



Index numer	Index name	Comment	Page number
<b>Energy</b>			
GRI 103-1, 103-2, 103-3	Description of the key reporting aspect: "Impact on the environment related to power consumption"	-	44-45
GRI 302-1	Power consumption in the organisation (index reported partially)	-	45
<b>Emissions</b>			
GRI 103-1, 103-2, 103-3	Description of the key reporting aspect: "Climatic issues and related emissions to air"	-	44-45
GRI 305-1	Direct greenhouse gas emissions (estimates)	-	45
<b>Water and waste</b>			
GRI 303-1	Total water consumption by source (index reported partially)	-	45
<b>Transportation</b>			
GRI 308-2	Important current and potential threats to the environment in the supply chain (descriptive index, index reported partially)	-	23-27
Own index	% of each transportation category (air, marine, rail, road) in the reported year.	-	24
<b>Relationships with business partners</b>			
GRI 103-1, 103-2, 103-3	Description of the key reporting aspect: "Purchase practice".	-	25-26
GRI 414-1	Percent of new suppliers who 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"	-	27-30
GRI 103-1, 103-2, 103-3	Description of the key reporting aspect: "Safe production".	-	27-30
GRI 416-2	Total cases of non-compliance with regulations and voluntary codes related to product and service influence on health and safety	-	27-30
<b>Research &amp; Development</b>			
Own index	The number of patent applications, trademarks, industrial designs registered in the reported year.	-	32
<b>Customer relations</b>			
GRI 103-1, 103-2, 103-3	Description of the key reporting aspect: "Customer satisfaction"	-	30-31
GRI 417-3	Total cases of non-compliance with regulations and voluntary codes of marketing communication, including advertisements, promotions and sponsoring by effect	-	30-31
<b>Workplace</b>			
GRI 401-1	Total number and percentage of new employees and total number of leaving employees in the reporting period	-	38
GRI 401-2	Fringe benefits for full time employees	-	35
GRI 403-2	Type and rate of work-related accidents	-	42
GRI 404-2	Programmes for manager skill development and continuing education	-	39-41
<b>Public involvement</b>			
GRI 413-1	Percent of plants with implemented programs of involving local communities, impact evaluations and development programmes.	-	49-50
Own index	Value of subsidies given	-	50



### 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.	8-12
2. Key Non-financial Performance Indicators.	3
3. Policies, procedures and documents in the CIECH Group:	17-18
▪ Employment	17-18, 34, 41-42
▪ Social issues	17-18, 26-28, 30, 49
▪ Environment	17-18, 44-45
▪ Human rights	17-20
▪ Corruption prevention	17-19
4. Non-financial risk management.	20-21

### 6.4 Contact details.

**Contact details:**

Press Officer

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



## STATEMENT OF THE MANAGEMENT BOARD

This Non-financial Report of the CIECH Group for 2017 was approved by the Management Board of the Company at its registered office on 26 March 2018.

Warsaw, 26 March 2018

(Signed on the Polish original)

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**Maciej Tybura — President of the Management Board of CIECH Spółka Akcyjna**

(Signed on the Polish original)

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**Artur Król – Member 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)

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**Krzysztof Szlaga – Member of the Management Board of CIECH Spółka Akcyjna**