
CIECH Group

NON-FINANCIAL REPORT

2020

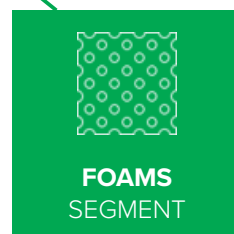
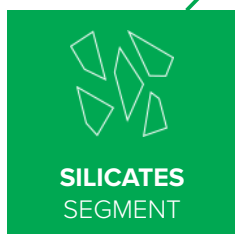
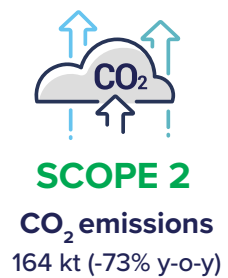
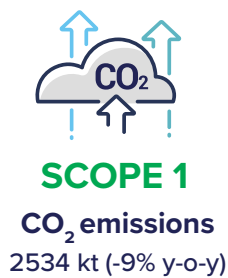
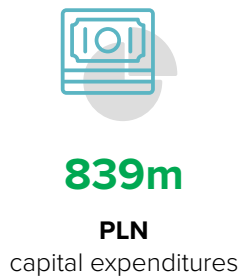
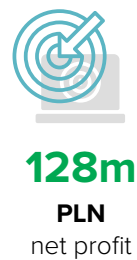
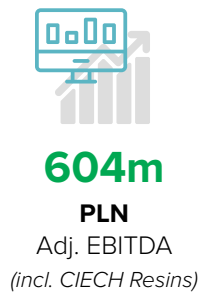
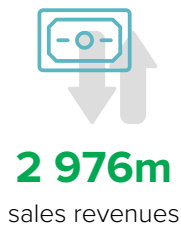


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CIECH GROUP IN 2020



1. Letter from the President of the Management Board of CIECH S.A.



Dear Sir or Madam,

You are most kindly welcome to read the non-financial report of the CIECH Group for 2020, which shows the impact of our company on its environment and our initiatives in the areas of sustainable development, environmental protection, business ethics and employee matters. For us, the past year was a crucial period of preparation and implementation of numerous projects confirming our responsible approach to business operations.

We are part of the chemical industry, which due to its nature, has a very large impact on the environment. We are aware of this impact and our responsibility for the natural environment, as well as the quality of life of our employees, neighbours and future generations.

Responsibility begins with transparency and openness. We have been long well aware of the fact that modern business must take into account its impact on the environment, not only at the level of declarations, but also on the basis of hard and measurable indicators. Accordingly, out of concern for the highest ethical standards of our operations, environmental protection and the global natural resources, in comparison to its previous editions in this report we have significantly increased the scope of data provided on carbon dioxide emissions, energy issues or programmes and our human resources management initiatives.

In addition, meeting the expectations of our stakeholders, in recent months we have prepared ambitious goals for each of the key elements of CIECH's sustainable development, which will be incorporated in the ESG strategy we are in the process of preparing at the moment, with regard to environmental ("Environmental"), social ("Social") and corporate governance ("Corporate Governance") factors. The strategy is scheduled to be published in the second quarter of 2021.

The goals that we intend to present in the strategy relate to both decarbonisation processes, energy efficiency, the idea of a closed economy, the implementation of the highest safety standards and the creation of an engaging work environment, as well as transparency and business ethics. As an expression of our responsibility, in collaboration with the stakeholders of our Group – customers, suppliers and social partners – we will also incorporate the rules included in the CIECH's Codes of Conduct and the Codes of the Business Partner of the CIECH Group which are currently being prepared.

With regard to 2020, I would like to emphasise with great pleasure that in spite of the coronavirus pandemic, the global economic crisis and numerous difficulties – both business and social – our efforts to promote and implement corporate social responsibility solutions have not weakened, and what is more, they are now even more intensive.

In 2020, we continued initiatives in the area of environmental protection or creating a friendly work environment, while not forgetting about the support of local communities, which was so essential in this difficult period. Our companies financed, among others, purchases of protective equipment for the healthcare service in the regions where our plants operate. We supported our employees with equipment facilitating remote learning for children, we provided their families with disinfecting fluid manufactured by CIECH Sarzyna, and at the end of last year, CIECH Pianki launched the production of certified FFP2 face masks, which we regularly distribute to our employees and stakeholders. We also donated our masks to the organisers and volunteers of the The Great Orchestra of Christmas Charity charity fundraising event, in order to ensure that the 29th Final of this noble initiative was conducted in the safest possible conditions.

Looking for inspiration and the best examples, as well as the opportunity to exchange experience with other sustainable development leaders, in 2020 we joined the United Nations Global Compact – the largest initiative associating businesses operating in a responsible manner. Our internal analyses show that approx. 88 percent of our Group's revenues come from the manufacture of products whose end uses may help the world develop in a sustainable manner, and which are in line with the 17 goals of the UN's 2030 Agenda for Sustainable Development. Some of our products, such as medical sodium bicarbonate or modern and safe plant protection products, directly affect the quality of life of the planet's inhabitants. Others are an important, often irreplaceable, raw material or semi-finished product for e.g. electric vehicles (automotive glass or high performance tires), photovoltaic and solar panels (flat glass) or COVID-19 vaccine vials. The examples mentioned are actual end uses from our customer portfolio.

Being an important link in global value chains, we are aware that the benefits of applying our products must be significantly greater than the expenses and burdens we generate. As a global holding, we feel responsible not only for supporting the economic development and prosperity of Poland, Europe or the world in general, but also for sustainable development while respecting natural resources, supporting important social projects and building partnership relations with our environment: investors, employees, counterparties and local communities. This is accompanied by the maximum transparency of our company's impact on the surrounding world and a precise definition of the measures we take to make our environment more sustainable and friendly. All this is reflected in the content of this report, which I strongly and kindly encourage you to read.

YOURS FAITHFULLY



DAWID JAKUBOWICZ
PRESIDENT OF THE MANAGEMENT BOARD OF CIECH S.A.

OUR VALUES



RESPONSIBILITY

We are not indifferent to our work, because we treat CIECH as our own company. We care about how our company is doing and how it is growing, how it is said and how our colleagues feel.

That is why we take responsibility for what we say and do: for the results of our work, for quality, reliability, customer and co-workers' satisfaction, for their safety. We are able to look wider and further, anticipating the consequences of our actions and decisions on others and identifying risks and opportunities early enough to be able to take effective activities.



RELIABILITY

CIECH = reliability. We guarantee the quality and timeliness of everything we do. We do what we say, we keep our word and commitments.

We are transparent in communication and we provide reliable information, thanks to which we build relationships based on trust.

Thanks to this, we are a reliable partner for our employees, customers and investors.



TEAM

We can be reliable as the CIECH Group because we work as one team. We trust each other, we share information and knowledge.

We take care of each other and support each other on the way to achieving a common goal, using each person's strengths.



DEVELOPMENT

We know that by standing still, we are actually stepping back. In order to build a stable future, we must constantly develop and move forward.

Therefore, we are proactively looking for opportunities to improve our processes, working methods and competences. We observe trends, expand and deepen our knowledge and develop skills.

We support the development of our associates. We implement modern tools and create a work environment that inspires development.

OUR RESPONSE TO COVID-19

In connection with the COVID-19 pandemic, in our plants and companies of the CIECH Group, we have implemented measures to protect the health of employees and minimise the risk of spreading the coronavirus. All plants of the Group in Poland operate in line with the detailed guidelines of the Ministry of Health and the Chief Sanitary Inspector, as well as the regulations arising from the Act on Coronavirus and the State of Epidemiological Threat in Poland. Foreign factories and offices adhere to similar local regulations.

We have taken numerous steps to ensure the safety of our employees, customers and suppliers, and to minimise the risk of spreading the virus, namely:

- the ability to test employees for the presence of coronavirus at the employer's expense was introduced - we have performed approximately 800 tests since the beginning of the pandemic.
- intensive information campaign on hygiene and safety in the face of the introduced epidemic was carried out in all our establishments;
- in the spring of 2020, all people entering the plant had their temperature measured. People with elevated temperature were not allowed on the premises of the plant;
- in the event of any suspicions as to the health of their employees, strict precautions were implemented in the plants. Even in the absence of symptoms, employees who may be at risk of contracting infection are subject to strict instructions on the recommendations of sanitary authorities and sent home for isolation from other employees;
- for production positions, the shift work system was modified so as to limit contacts between employees as much as possible, e.g. in order to ensure that there are no contacts between employees who finish and start their shift.
- disinfection of common rooms and selected objects (door handles, handrails, etc.) in places most often frequented by employees;
- restrictions on external and internal meetings were introduced and their replacement with teleconferences;
- business trips and entries to the premises by third parties have been limited to the necessary minimum;
- where possible, employees were recommended to work remotely (from home, using company equipment);
- where possible, employees were allowed to drive cars directly to their workplaces in plants, in order to avoid contact between them and other employees;
- new regulations have been introduced for any person coming from outside (subcontractors, carriers) on the promotion of hygiene rules and the provision of personal protective equipment for visitors/subcontractors/carriers;
- additional regulations have been introduced for any person coming from outside (subcontractors, carriers) on the entry and stay on the premises of the plants;
- carriers receive disposable gloves and disinfectants, and the loading itself is carried out according to new, strict rules, with the maximum possible limitation of contact between CIECH employees and drivers, suppliers and recipients of the company.

Employee safety

- several hundred thousand masks for all employees
- tens of thousands of litres of liquid for disinfecting workplaces (including our own product - KETUSAR)
- over 1 thousand protective suits
- Insurance against infection
- Visible disinfection of large facilities such as a concierge building, entrance gate, lockers and social amenities
- Safe commuting to work (disinfected buses, additional car rental)
- Support while working remotely - webinars, podcasts, guides on how to cooperate and deal with isolation
- Purchase of additional laptops for employees who own desktops

Support of employees and their families

- Over 7 thousand litres of disinfecting liquid produced by CIECH Sarzyna for each employee and their family
- A model of extended medical care, incl. a psychological support package
- 300 tablets for employees' children - e-school support
- Additional cash benefits for employees working in stationary mode
- Additional gigabytes of internet for employees

Support of health care system

- 100 mattresses for the construction of a field hospital
- in the Kujawsko-Pomorskie Province
- 80 visors - 3D printing by CIECH Vitrosilicon for the emergency services in Żagań
- 250 visors - purchase for the Communicable Disease Hospital in Łańcut and Leżajsk
- 200 visors and 100 protective suits - purchased for the Communicable Disease Hospital in Bydgoszcz
- 400 visors - purchase for the County Hospital and the Fire Department
- in Inowrocław and the infectious diseases hospital in Grudziądz
- PLN 42 thousand for the purchase of a specialist bed at the Hospital in Leżajsk and protective suits for the local authorities
- 100 medical protective suits for the



CHARACTERISTICS OF THE CIECH GROUP

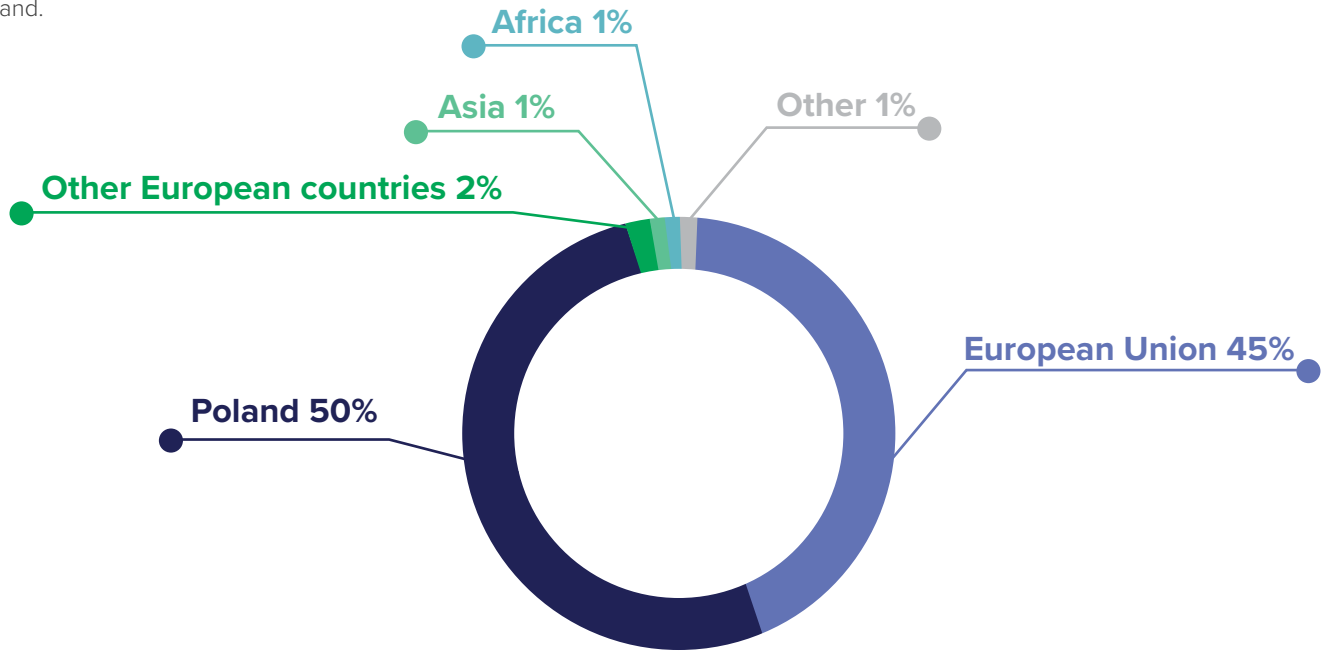
2. Characteristics of the CIECH Group

CIECH is an international, developing chemical group with a strong position on global markets. We are the second largest manufacturer of sodium carbonate and sodium bicarbonate in the European Union, the largest manufacturer of evaporated salt in Poland, the largest supplier of sodium silicates in Europe, the largest Polish manufacturer of plant protection products and a leading producer of polyurethane foams in Poland. Our production plants are located in Poland, Germany and Romania, and we employ over 3000 people throughout the EU.

We are currently completing the largest greenfield investment in our history - the construction of a modern salt plant in Stassfurt, Germany. The expenditure on this project is approximately EUR 140 million, which makes us one of the largest Polish foreign investors.

Our products are sold to over 100 countries around the world. The most important market for the CIECH Group's products is the European Union, mainly Poland, Germany and the countries of Central and Eastern Europe.

The headquarter of the CIECH Group is located in Warsaw, and the products are manufactured in 8 production plants in three countries - Poland, Germany and Romania, in addition, the Group also has a distribution company in Spain and service providing companies in Poland.



2.1. Structure of the CIECH Group – operational segments

The activities of the CIECH Group are centred around five core operational segments.

	SODA SEGMENT	AGRO SEGMENT	FOAMS	SEGMENT SILICATES	SEGMENT PACKAGING
KEY COMPANIES	CIECH SA CIECH Soda Polska Ciech Soda Deutschland Ciech Salz Deutschland CIECH Soda Romania CIECH Cargo	CIECH SA CIECH Sarzyna Proplan	CIECH SA CIECH Pianki	CIECH SA CIECH Vitrosilicon CIECH Soda Romania	CIECH SA CIECH Vitrosilicon
KEY PRODUCTS	Sodium carbonate Evaporated salt Sodium bicarbonate Calcium chloride Energy	Plant protection products Formulation services	Polyurethane foams Protective masks	Glassy sodium and potassium silicates	Glass lanterns and jars

Figure 1: Key operating segments and major categories of ciech group products

Significant change in the structure of the Group - Sales of CIECH Żywiec

Compared to 2019, the composition of the Group decreased by CIECH Żywiec Sp. z o.o. producing epoxy and polyester resins. We concluded a preliminary agreement for the sale of CIECH Żywiec with LERG S.A. on 20 July 2020. The transaction value including, among others, the share purchase price is approximately PLN 160 million. Detailed information on the transaction was presented in Current Report No. 27/2020. The agreement was finalised on 1 March 2021.



2.2. Companies of the CIECH Group



Figure 1. Location of the key companies of the CIECH Group

As at 31 December 2020, the CIECH Group comprised 40 business entities, including:

1. parent company – CIECH S.A.,
2. 33 subsidiaries, of which:
 - 23 were domestic subsidiaries, and
 - 10 were foreign subsidiaries,
3. domestic affiliates,
4. 1 foreign affiliate,
5. 1 jointly controlled domestic entity,
6. 1 jointly controlled foreign entity.

The parent company, CIECH S.A., has its registered office in Warsaw, a branch in Romania, a branch in Germany, and operates through its offices in Inowrocław and Nowa Sarzyna. CIECH Trading Sp. z o.o., one of its subsidiaries, has a branch in Bydgoszcz.

The trading activity is carried out mostly by CIECH S.A., domestic and foreign trading subsidiaries of CIECH S.A., as well as selected manufacturing companies (CIECH Sarzyna S.A., CIECH Vitrosilicon S.A., SDC Group, CIECH Pianki Sp. z o.o.) while the manufacturing activity is carried out by production companies, subsidiaries of CIECH S.A. The production is located in 8 plants, with four largest production plants (two in Poland, one in Germany and one in Romania) operating in the soda segment and manufacturing sodium carbonate and soda derived products (in the case of CIECH Soda Romania S.A., the plant also manufactures products in the silicates segment, the soda plant in Janikowo, it also manufactures salt products, and the plant in Germany produces electricity sold to third parties). The remaining 4 plants operating in the agro, foams, silicates and packaging segments are located in Poland. Soda production at the Romanian plant was suspended in the third quarter of 2019 (for more information, see Current Report No. 40/2019).






 SODA SEGMENT	 AGRO SEGMENT	 FOAMS SEGMENT	 SILICATES SEGMENT	 PACKAGING SEGMENT	OTHER SEGMENTS
CIECH S.A. CIECH Soda Polska S.A. 100% CIECH Soda Romania S.A. 98,74% CIECH Salz Deutschland GmbH 100% Grupa SDC 100% CIECH Soda Deutschland GmbH & Co. KG 100% SDC GmbH 100% Sodawerk Holding Stassfurt GmbH 100% Sodawerk Stassfurt Verwaltungs GmbH 100% CIECH Energy Deutschland GmbH 100% Kavernengesellschaft Stassfurt GmbH 50% CIECH CARGO Sp. z o.o. 100% CIECH Services Sp. z o.o. 100% CIECH R&D Sp. z o.o. 100% CIECH Trading Sp. z o.o. 100%	CIECH S.A. CIECH Sarzyna S.A. 100% Verbis KAPPA Sp. z o.o. 100% Verbis KAPPA Sp. z o.o. SKA 100% Algete Sp. z o.o. 100% Proplan Plant Protection Company S.L. 100% CIECH Services Sp. z o.o. 100% CIECH R&D Sp. z o.o. 100%	CIECH S.A. CIECH Pianki Sp. z o.o. 100% CIECH Services Sp. z o.o. 100% CIECH R&D Sp. z o.o. 100%	CIECH S.A. CIECH Vitrosilicon S.A. 100% CIECH Soda Romania S.A. 98,74% CIECH Services Sp. z o.o. 100% CIECH R&D Sp. z o.o. 100%	CIECH S.A. CIECH Vitrosilicon S.A. 100% CIECH Services Sp. z o.o. 100% CIECH R&D Sp. z o.o. 100%	CIECH S.A. CIECH FINANCE Sp. z o.o. 100% CIECH R&D Sp. z o.o. 100% CIECH Nieruchomości Sp. z o.o. 100% CIECH Trading Sp. z o.o. 100% Certum Sp. z o.o. 100% CIECH Group Financing AB. 100% Verbis ETA Sp. z o.o. 100% Verbis ETA Sp. z o.o. SKA 100% Gramma Finance Sp. z o.o. 100% CIECH Transclean Sp. z o.o. 100% Smart Fluid Sp. z o.o. 100% CIECH Services Sp. z o.o. 100% CIECH Serwis i Remonty Sp. z o.o. 100% EJ Pomiar Sp. zo.o. 94,23% CIECH Vitro Sp. z o.o. 100%

Figure 2. Companies of the CIECH Group and their assignment to operational segments

2.3. Business model

The CIECH Group operates based on the Constitution of the CIECH Group (the “Constitution”), adopted by the Management Board of CIECH in 2019. The Constitution is the highest-ranking internal legal act applicable to entities belonging to the CIECH Group, it is a specific agreement between the companies of the CIECH Group. The Constitution creates the foundations of the management system directing the activities of the CIECH Group to achieve the Interest of the CIECH Group. The interest of the CIECH Group is a benefit achieved not at the level of individual companies of the CIECH Group, but at the level of the CIECH Group - through the implementation of common strategic goals by CIECH, Business Unity and Companies that are not part of Business Units or constitute independent Business Units. The interest of the CIECH Group is consistent with the interest of CIECH shareholders.

The Constitution:

- governs mutual relations between entities of the CIECH Group
- identifies the sources of applicable regulations to which all entities of the CIECH Group shall adhere,
- sanctions the CIECH Group,
- introduces a BU-centric management model
- enables the adoption and implementation of Corporate Documents in CIECH Group companies

The main benefit of the Constitution is the introduction of a BU-centric management model in the CIECH Group. Business Unity conducts operational activities based on product specialisation, and CIECH has a strategic and holding role. The Shared Services Centre (CIECH Services Sp. z o.o.) that is being created runs an auxiliary activity for the entire CIECH Group. In the BU-centric management system, decisions are made in Business Units or companies that are not Business Unit and are not part of the Business Unit, with the advisory and recommending participation of CIECH structures.

2.4. Strategy of the CIECH Group for 2019-2021

The Management Board of CIECH S.A. carries out an on-going analysis of the market environment and identifies innovative solutions aimed at building the CIECH Group's value. Therefore, the Management Board presented an update of the CIECH Group strategy for 2019-2021, approved by a resolution of the Supervisory Board on 5 December 2018.

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

As a result of the COVID-19 pandemic, the implementation of the strategy for 2019-2021 is likely to be delayed. The fundamental diagnosis of the Group's challenges and goals has not changed, however, the economic situation caused by the pandemic has had an impact on all global markets, including ours.



VISION OF THE CIECH GROUP FOR 2021

Creation of an effective and diversified chemical holding company that generates positive value for its shareholders in the long term and, apart from soda, has a significant footprint in innovative, special market segments.

AMBITION OF THE CIECH GROUP

SHAREHOLDERS	CUSTOMERS EMPLOYEES	EMPLOYEES	COMMUNITY AND ECOLOGY
Increasing the value of the CIECH Group	Continuous improvement of customer satisfaction	One of the best employers in the chemical industry	Reduced environmental impact

MAXIMISATION OF THE VALUE OF THE CIECH GROUP

FINANCIAL GOALS

4.0+ B	900+ M	22%+	35%+
sales revenues in 2021	Adj. EBITDA in 2021	Adj. EBITDA profitability in 2021	Share in EBITDA of businesses other than soda

Figure 3. Vision, ambition and goals of the CIECH Group as per Strategy for 2019-2021

We pursued the goals defined in the strategy in the following manner:

Soda Segment

Increasing the efficiency of the soda business, which will translate into improved customer satisfaction and will enable to increase the share in the baking soda market and the development of the salt business, among others, through:

- Construction of a modern and efficient salt plant in Stassfurt - a new installation, the commissioning of which is scheduled for 2021, will increase the salt production capacity by approx. 75%, i.e. by 450,000 tonnes of high-quality salt. As the ultimate objective, after reaching full production capacity and developing a complete product portfolio, the new installation will generate approximately PLN 25 million in EBITDA per annum.
- increasing the production capacity of sodium bicarbonate - the new installation in Stassfurt is fully operational and provides a product with target quality and physicochemical parameters. The production capacity of the plant in Stassfurt is 100,000 tonnes of sodium bicarbonate per annum (soda),
- Obtaining certificates confirming the highest quality, cleanliness and parameters of the production process of sodium bicarbonate from the plant in Stassfurt, which enables it to be sold on the pharmaceutical market as an active ingredient of medicinal products - GMP1 certificate, entry in the EudraGMP2 database,
- Implementation of an ambitious energy strategy aimed at reducing CO2 emissions by approx. 1/3 in a five-year period perspective - the strategy is based on the increase in the use of renewable energy sources (thermal waste processing, photovoltaics), gradual replacement of coal as an energy fuel with gas and an increase in energy efficiency.
- Process improvements and the use of the outcomes of research and development, for example, an innovative method of carbon dioxide capture, concentration and purification in the sodium carbonate production process was implemented at the plant in Inowrocław, which will reduce CO2 emissions by approx. 5 thousand tonnes per year, but will also significantly reduce production waste and the amount of raw materials used - coke and limestone.
- modernisation of existing installations and devices, in particular, in terms of energy efficiency – in 2020, total savings in energy purchase costs and additional revenues as a result of the implementation of tasks to improve energy efficiency amounted to approximately PLN 30 million.
- maintenance efficiency improvement programme – e.g. we have implemented an innovative production line surveillance system – “Mobilny Obchodowy”, which enables regular monitoring of individual installations and effective management of the entire soda production process, as well as appropriate maintenance of key devices in optimal condition.
- Transfer of some service processes inside the Group (insourcing) - our company CIECH Serwis i Remonty provides comprehensive maintenance services for our production plants. Its appointment is the result of a policy under which we have decided to limit the use of the services of third-party entities. This means a reduction in the number of subcontractors to hire new employees within our Group.
- digitisation of production processes and the use of the latest technological solutions - for example, we implement the Advanced Process Control system, which is used to monitor, control and optimise the production process in real time, allowing for automatic change of its parameters in order to increase the efficiency of the entire process.
- Reallocation of sales towards higher margin markets, especially thanks to new volumes of sodium bicarbonate - we have recorded more than a twofold increase in the sale of soda for haemodialysis, there are also visible increases in other recipients of the pharmaceutical, food, feed and technical industries.
- Development of the product offer and increasing the share of the Group's products in the specialised salt products market, incl. salt tablets, pharmaceutical salt, salt licks and salt granules

Agro Segment	<p>Increased use of the business potential of the Agro segment thanks to, among others:</p> <ul style="list-style-type: none"> • Development of the existing product portfolio: significant investment supporting the development of the CHWASTOX brand - obtaining full registration for all cereal crops in Poland, significant expansion of registration in the scope of controlled weeds, crucial for complete protection. • Intensification of new product registrations in Poland (already over 25 different active substances, upcoming successive implementations in 2021), several new products to be implemented on the very promising market in Romania, several new registrations in Spain and the Mediterranean Basin countries. • Preparation and marketing of innovative products, such as BGT – a breakthrough technology that enables achievement of intended effects using half of the previously used active substance. • Digitisation and automation of sales and distribution processes increasing planning efficiency and management of the availability of our products, which, apart from maximising the effects of our sales efforts, also leads to the development and improvement of the entire market efficacy.
Foams Segment	<ul style="list-style-type: none"> • Consistent strengthening of the market position in the segment: • Extensions of the available foams produced based on the existing technologies. • Adaptation of the composition formula of foams to the specific customer requirements, in particular, certification for low emission of foams in accordance with IKEA requirements, Oeko-Tex certifications, flame retardant certification of foams according to BS standards for the British market. • Commissioning of the installation for the production of protective masks in about 5 months and obtaining the CE certificate to confirm the filtration level FFP2 (FFP3 pending certification). The new installation has a production capacity of approximately 10 million pieces per annum. • Work on the use of environmentally friendly raw materials for the production of foam (bio-polyols and re-polyols)
Silicates segment	<ul style="list-style-type: none"> • Taking advantage of market opportunities on the growing market and maintaining the leading position in the European market of sodium silicates, among others, through: • Expansion of production capacity - by the end of 2021, we will commission a new glassy sodium silicate furnace at the plant in Żary. The investment with a total value of approx. PLN 80 million will increase our production capacity in this business to approx. 240 thousand tonnes per year (from the current 180 thousand tonnes) and strengthen our position as the largest supplier of silicates in Europe. The investment is to increase the revenues of the silicate business by approx. PLN 60 million annually. • Expansion of the offer of liquid silicates to include new products dedicated to specialised applications: VITROBRUK, VITROCER, VITROTECH & VITROAGRO.
Packaging Segment	<ul style="list-style-type: none"> • Maintaining the leading position on the Polish lantern market despite unfavourable external conditions (lockdown), further development of our product offer.
Organisational Culture	<p>The HR vision assumes building an environment in which the best talents can develop and create a culture of effectiveness, thus implementing the Group's strategy by:</p> <ul style="list-style-type: none"> • building the best teams, • creating a culture of continuous efficiency improvement, • introducing modern evaluation and career planning tools. • The strategy for the development of a safety culture assumes co-creation by the employer and employees of a safe, healthy and people-friendly work environment, through: <ul style="list-style-type: none"> • leadership based on caring for people, • programmes to support awareness, responsibility and engagement of each employee, • systemic approach and coherence, • application of modern IT tools.

2.5. Shareholders of the CIECH Group



Since 2014, the **major shareholder of CIECH S.A.** is a long-term strategic investor – **Kulczyk Investments**.

It is an international investment company focused on business opportunities in high growth markets.

To the best knowledge of the Company, entities holding significant blocks of shares (at least 5%) are the entities listed below:

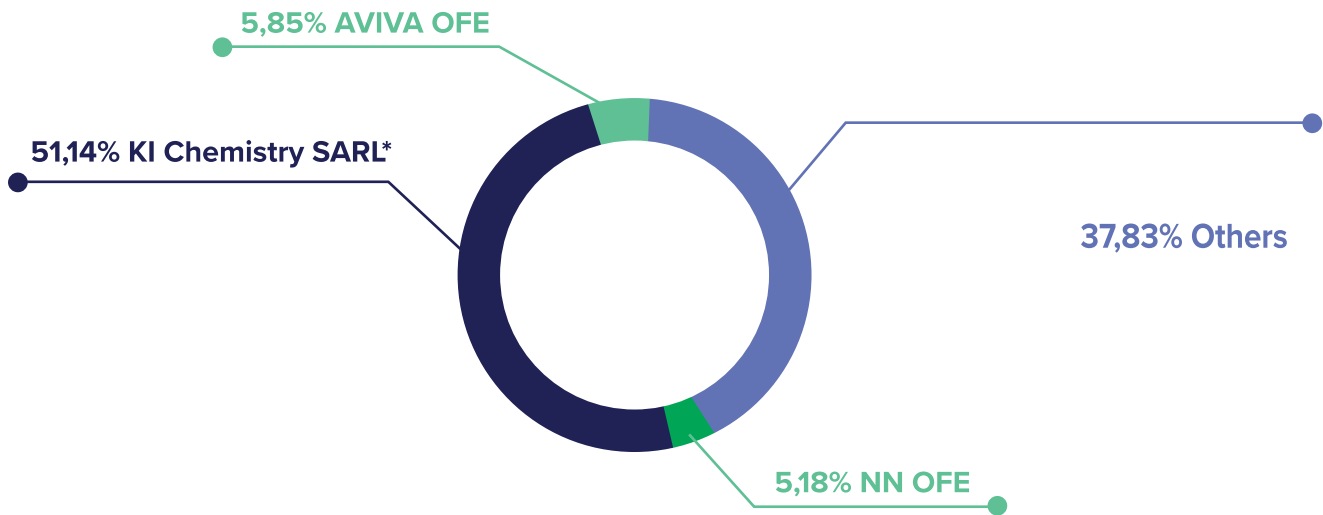


Figure 4. Shareholding structure of CIECH SA as at the date of publication of this report





OUR PRODUCTS

3. Our products



Figure 5. CIECH Group products whose end use supports the UN Sustainable Development Goals

We manufacture both core raw materials in the area of inorganic chemistry (e.g. sodium carbonate) and products with a higher degree of processing (sodium bicarbonate, silicates, plant protection products). Many of our products are not used directly by consumers, but are a significant contribution to final products that support the achievement of the United Nations Sustainable Development Goals.

Approximately 88 percent of our revenues come from the sale of products whose end-use supports the achievement of the UN sustainable development goals

3.1. Soda segment

The soda segment is the area with the greatest share in the Group's financial results. In 2020, it was responsible for over 87% of Adj. EBITDA (adjusted for one-off events). In this segment, we manufacture sodium carbonate, sodium bicarbonate, salt and other products such as calcium chloride or hopcalite. In addition, we are a seller of low-emission (gas) electricity in Germany, which serves, among others, local system regulation and balancing.

3.1.1. Sodium carbonate (Na_2CO_3)

Sodium carbonate is one of the basic raw materials for the glass manufacturing industry — about one half sodium carbonate produced worldwide is used for the production of glass. Our customers use it to manufacture, among others:

- flat glass for construction, used in modern and effective architecture,
- automotive glass, used among others in the production of electric vehicles,
- environmentally-friendly glass packaging,
- photovoltaic and solar panels, and
- packaging vials for medicines and other glass packaging, as well as instruments used in pharmacy and laboratories.

It is also used, as a natural detergent, for the production of washing and cleaning products, in metallurgy and chemical industry, among others, to produce certain types of mineral fertilizers as well as dyes and pigments. There are two basic types of sodium carbonate:



Dense soda – used primarily in the production of glass.



Light soda – used primarily in the production of granular detergents.

The main difference between light and dense soda is the bulk density (1 tonne of light soda is of higher volume than 1 tonne of dense soda), and the basic chemical characteristics are identical. The type of product purchased by customers depends primarily on the technology they use and on their individual preferences.

The CIECH Group sells sodium carbonate both in bulk, as well as packed in big and smaller bags. The products sold in bulk are transported to the customer in specialist tankers or railway wagons, and the packed products – by road or railway transport. Sodium carbonate is also transported by ship, either in bulk or in packages, usually loaded into containers.

Sodium carbonate is used primarily in production of:

- flat glass,
- glass packaging and glassware,
- detergents,
- technical application, other chemical applications, treatment plants, mineral extraction.

3.1.2. Sodium bicarbonate (NaHCO_3)

Sodium bicarbonate is a product of sodium carbonate. It is an important pharmaceutical product, used alone (e.g. for dialysis) or as a component of medicines. It is also used in the cosmetics industry.



Pharmaceutical-grade dialysis soda – a specially purified soda grade with specific granulometric parameters and complying with requirements set out in special regulations (including API, GMP+ certification).



Pharmaceutical-grade soda – its acid neutralisation action, potential binding with other chemicals and cleaning properties help pharmaceutical grade soda find widespread use in the pharmaceutical and cosmetic industries.



Food grade soda – a product that finds many uses in the food industry and in households, and which meets the requirements of special regulations (e.g. IFS certification).



Feed soda – an animal feed ingredient intended for feed manufacturers and private farmers.



Industrial-grade soda – a product widely used in many branches of industry, including in particular as a sorbent in flue gas desulphurisation installations (sold under the Sorbeco brand) and in the production of detergents, in paper industry and chemical industry.

The Sobic sodium bicarbonate from CIECH Soda Deutschland has received a pharmaceutical market authorisation

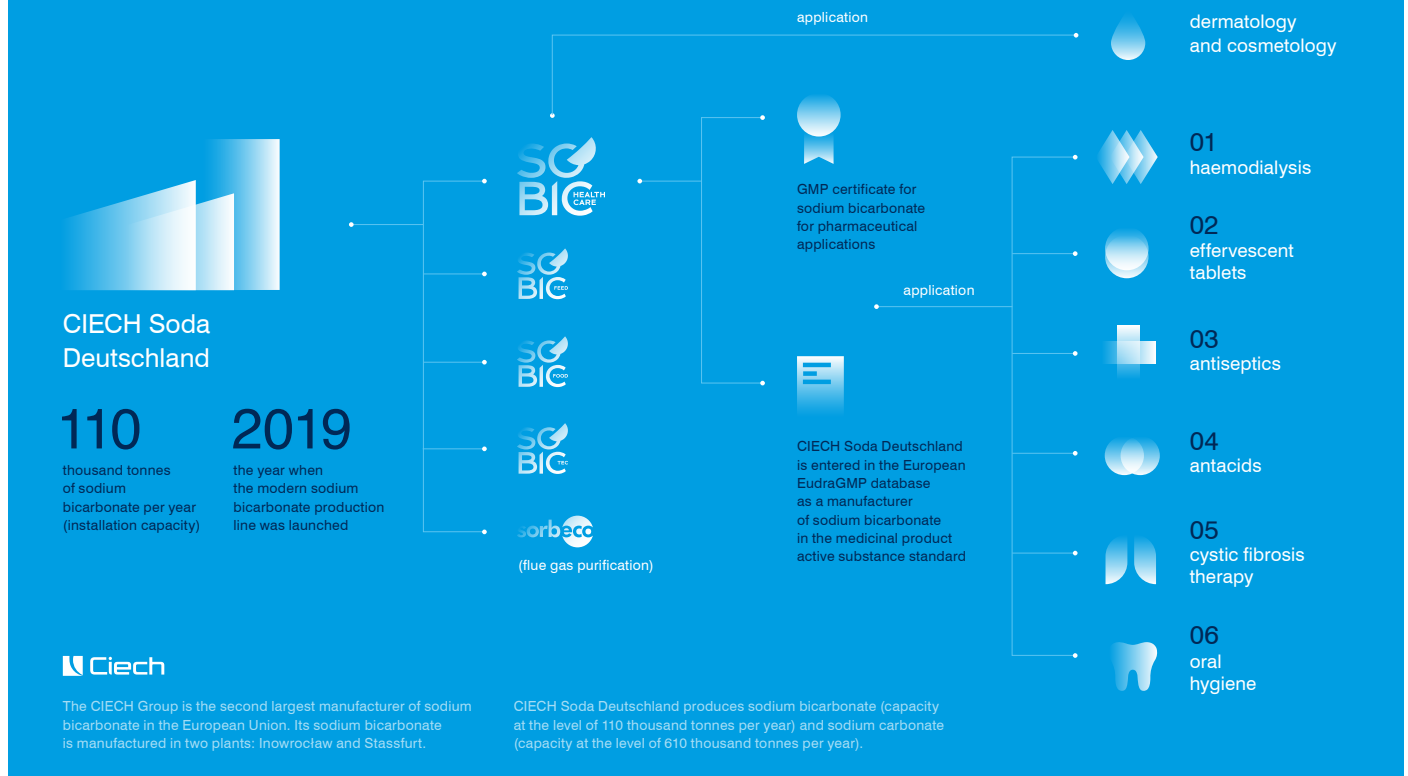


Figure 6. Sodium bicarbonate from the new production plant in Stassfurt complies with the rigorous requirements for pharmaceutical products.

3.1.3 Production processes of sodium carbonate and bicarbonate

The production of soda in the CIECH Group is the responsibility of the following three companies: CIECH Soda Polska S.A. (plants in Janikowo and Inowrocław), CIECH Soda Deutschland GmbH & Co. KG (Stassfurt) and CIECH Soda Romania S.A. (Ramnicu Valcea – production suspended in September 2019). Sodium carbonate is produced in all plants and sodium bicarbonate – in Inowrocław and Stassfurt.

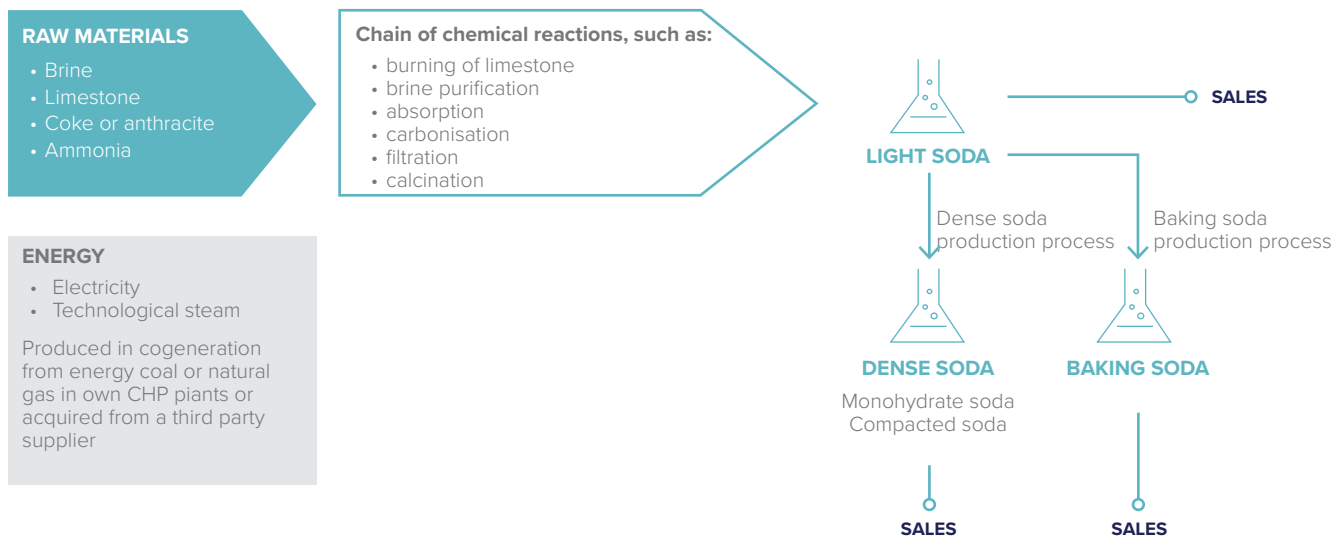


Figure 7. Simplified diagram of the soda production process.

Main raw materials used in the production process in soda segment include limestone, salt brine, ammonia, furnace fuel (coke or anthracite) and heat.

The sodium carbonate 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). The production plant located in Germany uses also own deposits of brine and limestone.

Coke is the so-called furnace fuel, used to burn limestone and produce CO₂. Coke is usually supplied based on short- or long-term contracts. In the soda production process, coke can be replaced with anthracite which is slightly less efficient, but also cheaper than coke. The Group 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 in the form of technological steam – production plants in Poland and Germany have their own CHP plants, and the Romanian company bought it from a third party supplier. Key energy-producing raw materials used by the Group’s CHP plants include: hard coal (plants in Inowrocław and Janikowo) and natural gas (plant in Stassfurt). Hard coal is supplied under both short-term and long-term contracts with fixed price or price indexed to various indices, and the price formula for gas supplied in Germany is based on market prices for this raw material (in the case of options - on prices from option contracts).

The soda segment is intensely developed by the Group. In 2015 and 2016, a key project, Soda +200, was completed. It consisted in increasing the production capacity of the soda plant in Inowrocław by 200 thousand tonnes per year (ended in the first quarter of 2016). In addition, in 2020 the Group completed a multi-year project to increase its sodium bicarbonate production capacity at its German plant. Currently, CIECH’s plant in Germany can produce up to 50,000 tonnes of top quality sodium bicarbonate, with an overall capacity of 110,000 tonnes per year.

Further development of activities in the soda segment will take place mainly through continuation of optimisation activities with regard to production capacity, as well as the growth of product quality and concentration on more processed products. At the same time, the Group will improve the quality of service of its current clients and conduct intensive activities to attract new customers.

SODIUM CARBONATE



SODIUM BICARBONATE**



*The plant is currently in hibernation.

** Sodium bicarbonate is produced from sodium carbonate, therefore, in calculating the total production capacity of the CIECH Group, only sodium carbonate capacity should be taken into account and not the sum of these two items.

Figure 8. Production capacity of the CIECH Group soda plants

3.1.4. Salt (NaCl)

Evaporated salt of which we are a producer is widely used in the food industry, water treatment and softening processes and in the chemical industry.

In 2020, we continued the implementation of the investment in an evaporated salt plant in Germany, the production capacity of which is planned at the level of approx. 450 tonnes of salt per year - this will allow us to almost double our production capacity in this area. In addition, the new plant in Stassfurt will also ultimately produce salt for pharmaceutical applications.

Thanks to this investment, we will join largest producers of evaporated salt in Europe, with an established position in Central Europe, Scandinavia and with the prospect of expansion into the markets of Western Europe. The target production parameters are planned to be achieved by the end of the third quarter of 2021.

The salt plant in Stassfurt will be one of the most modern facilities of this type in Europe. Evaporated salt will be produced there using a technology different from that in the Polish plant. Instead of steam heated evaporators (the MEE technology), a fully automated production line based on MVR technology (evaporation of water by supplying compressed steam) was applied here. Based on the physical Boyle’s law, the technology ensures significant savings and increases the efficiency of salt production.

The solutions applied in Stassfurt also include the use of an effective, low-emission source of thermal energy (an efficient gas CHP plant) and effective management of thermal energy in the production process, confirmed by the ENEV certificate. In addition, the electricity used in the salt plant will come from 100% renewable energy sources. In addition, the plant has been equipped with an optimal system for managing production waste, which is discharged into an underground place

of storage. The new CIECH plant will also be equipped with a modern, fully automated high-storage warehouse.

The advantage of the German location of the new salt production plant is the availability of its own sources of raw materials (brine), a low-emission and effective source of energy and a convenient location enabling expansion on attractive Western European markets.

The plant will employ approx. 100 people.

Salt products of the CIECH Group

- Table salt and iodised table salt – produced from the saline solutions generated by the wet mining of natural rock salt beds, through the extraction of brine. Table salt contains a minimum of 99.9% of sodium chloride and finds widespread use in the food industry. The CIECH Group sells salt primarily in 1 kg bags, under the brand name of Sól Kujawska and under private label brands of discounts and retail chains, as well as in larger, 25 kg packaging for production facilities
- Salt without anti-caking agent – used in food production (mainly products manufactured on the BIO market - this product does not contain an anti-caking agent).
- Salt tablets – used in water purification systems, e.g. to regenerate ion exchangers and multi-functional filter softeners that filter out water hardness contributors (i.e. calcium and magnesium). The key recipients of salt tablets produced by the CIECH Group include: households (private water purification systems), housing associations (water purification for new residential estates), industry (water purification for factories), as well as by such entities as swimming pools or hospitals. The CIECH Group sells salt tablets both in Poland (where it holds a majority share of the market) and abroad, systematically increasing its market share.
- Feed salt and salt licks – used in agriculture and for production of animal feeds which, owing to the salt content, perfectly supplement the diet of livestock, especially ruminants, with minerals. The salt content perfectly supplements the diet of livestock, especially ruminants, with minerals. CIECH's salt products also used in emergency feeding of forest animals since they improve assimilation of potassium, magnesium and calcium. Fodder-grade salt is sold in the GMP+ chain.
- Pickling salt – nitrite salt (for pickling) is an essential additive used in the production of raw and cured meats. Pickling is one of the oldest forms of food preservation – preservation using salt.
- Granulated salt – used by households (dishwashers). Granulated salt extends dishwasher life.
- Industrial salt – one of the components used in the manufacture of detergents, washing powders and dyes. The product finds widespread use in electrolysis and the production of soda.

At present, the CIECH Group is focused on expanding the range of specialised products in the dry salt portfolio, focusing on increasing production capacity, developing new products and new sales directions.

Salt products are supplied to most European countries. The key export markets are: Germany, Czech Republic, Slovakia, Hungary, Sweden, Belgium, Lithuania, Latvia, Ukraine, Italy and France.

3.1.5 Salt production process

Evaporated salt of which we are a producer is widely used in the food industry, water treatment and softening processes as well as in the chemical industry.

In 2020, we continued the implementation of the investment in an evaporated salt plant in Germany, the production capacity of which is planned at the level of approx. 450 tonnes of salt per year, which will almost double the production capacity of Ciech's evaporated salt. In addition, the new plant in Stassfurt will also ultimately produce salt for pharmaceutical applications.

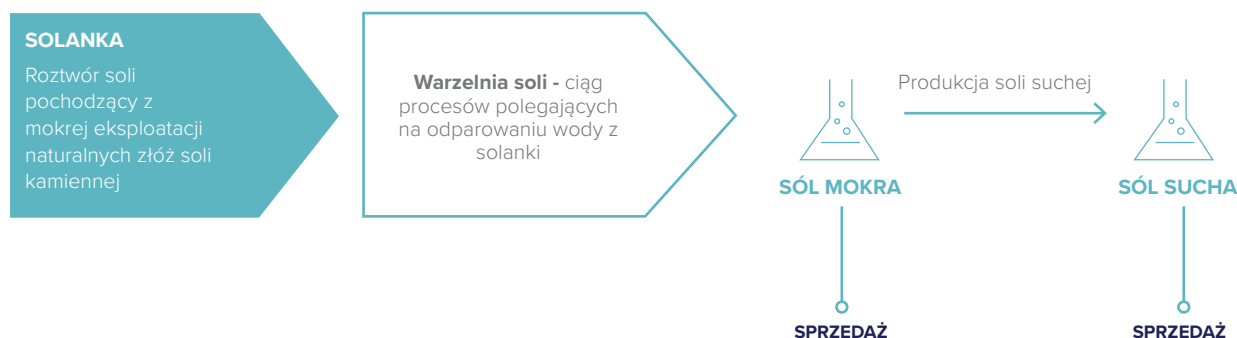


Figure 9. Simplified salt production diagram



Figure 10: Production capacity of the CIECH Group plants – salt



3.1.6. Other soda segment products

As part of the soda segment, we also manufacture products on a scale smaller than soda and salt, such as:

- Calcium chloride (CaCl₂) – used, among others, in as an environmentally friendly agent for maintaining roads in the winter season (de-icing) and in other seasons (dust removal), and as a source of easily digestible calcium for vegetables and fruits
- Hopcalite - used in respiratory protection devices such as gas masks, oxygen apparatuses and devices for monitoring the level of carbon monoxide.
- Electricity - Part of the electricity generated at our gas-fired CHP plant in Stassfurt is sold commercially. In addition, the CHP plant participates in stabilising the power grid and balancing renewable sources (it receives additional remuneration for this activity)

3.2. Agro segment – plant protection products

The CIECH Group is the largest domestic producer of plant protection chemicals and a leader on the herbicide market. In addition to the manufacture and sale of products for the agricultural industry, we have our share in the transformation of this market. We are changing and modernising the market of plant protection products by digitising it and introducing automated solutions that facilitate cooperation with our distributors and users of our products.

Modern plant protection products that we make enable you to safely improve the efficiency of agriculture and reduce its negative effects on the planet:

- They reduce the acreage of crops, reducing soil degradation due to deforestation,
- They increase the efficiency of harvesting, maximising the efficiency of energy and water resources consumption,
- They allow for the reduction of greenhouse gas emissions by agriculture,
- They stabilise the quality and quantity of crops,
- They protect against dangerous diseases and infections (e.g. mycotoxins).

The agro segment is the second pillar of the CIECH Group's business. In 2020, it generated 7% of adj. EBITDA (adjusted for one-off events). Products included in this segment are manufactured by the following two companies: CIECH Sarzyna S.A. and Proplan Plant Protection Company, a supplier of plant protection products.

The Polish company CIECH Sarzyna S.A. specialises in the manufacture and distribution of plant protection products, which is their largest Polish producer and sales leader on the herbicides market. The competitive advantage of the Company is, among others, one of the most modern plants in the world for the production of MCPA - an effective and safe herbicide, as well as 60 years of experience in manufacturing plant protection products. CIECH Sarzyna has a modern production plant and a laboratory with a prestigious GLP certificate ("Good Laboratory Practice") in Nowa Sarzyna in the Podkarpackie region. The full assortment of AGRO of the CIECH Group includes over 150 products (herbicides, fungicides, insecticides, growth regulators and seed dressings), in various chemical groups, application forms, packaging sizes, depending on the target market and application forms. The most famous trademarks of the AGRO brand are: CHWASTOX, Agrosar, Tarcza Łan Extra, Labrador Extra, Nikosar and Prokarb. In addition to European markets, it also supports markets in Asia, Australia, North Africa, Latin America and Canada.

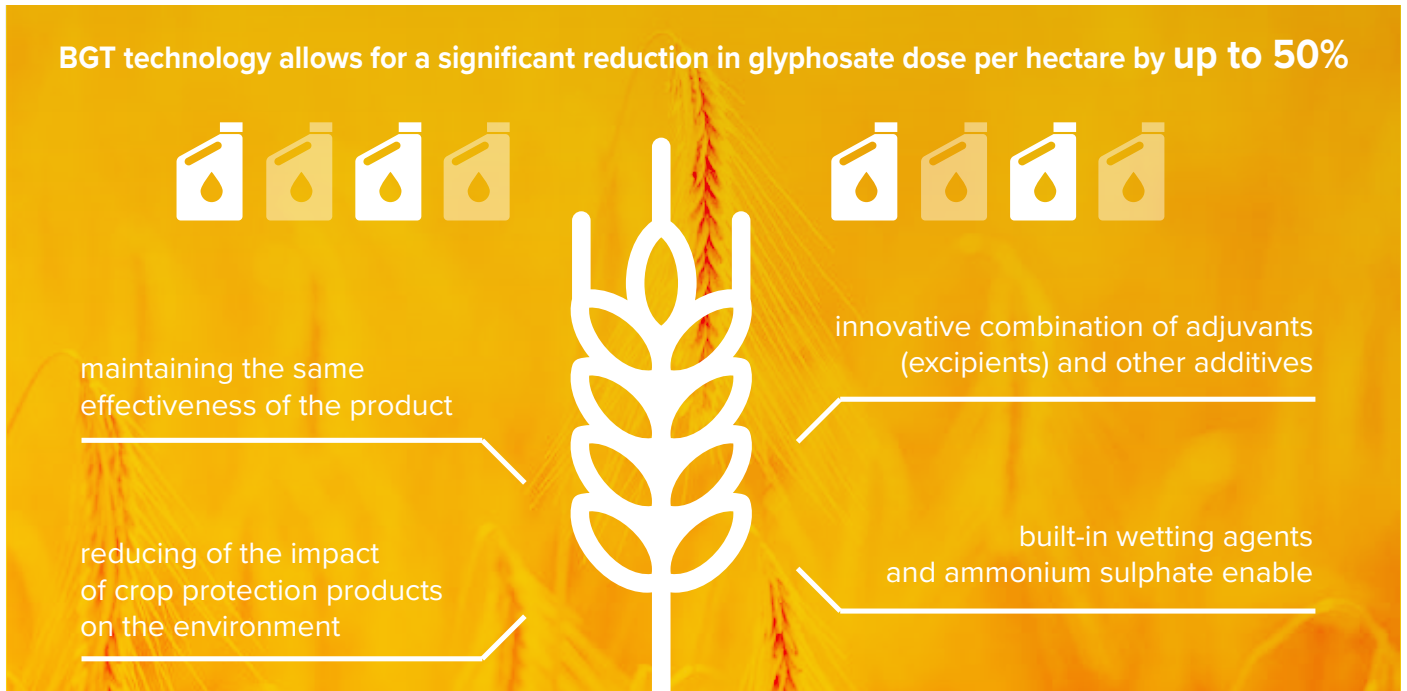
As a manufacturer of plant protection products, our responsibility includes:

- Strict adherence to quality and safety rules and regulations,
- Conducting research on the safety of using products in accordance with the highest standards,
- Taking care of the highest quality of production processes and the raw materials, ingredients and semi-finished products used,
- Research and development in new products, especially in the possibility of achieving the desired effects with the lowest possible dosage of active substances,
- Market education on the principles of effective and safe use of products.
- An example of our approach to solving problems faced by the agricultural sector and using the latest research achievements is the creation and registration of a new plant protection product, based on the innovative BGT technology ("Better Glyphosate Technology"). It enables the current effectiveness of glyphosate-based products to be maintained while reducing the dose of active substance per hectare by half, compared to existing standards. Work on the launch of the production line was carried out in 2020, and in February 2021 the company registered the BGT technology at the Ministry of Agriculture and Rural Development.

CIECH Sarzyna is the first company in the world to introduce an innovative glyphosate formulation - BGT technology - on an industrial scale. The company plans to produce several hundred thousand litres of the new preparation. In the first phase, the new product will be intended for use on stubble, maize, fruit crops and land not used for agriculture.

In the following years, CIECH Sarzyna will also introduce a BGT-based product for other crops. Outside the country, plant protection products based on BGT technology will also be able to be used in crops on the markets where CIECH operates, where, among others, olive groves, vines and citrus fruits are grown and located.

BGT technology allows for a significant reduction in glyphosate dose per hectare by up to 50%



Glyphosate is the most widely used active substance, applied in plant protection worldwide. Herbicides based on this active ingredient are among the most thoroughly tested plant protection products in the world, approved for use by regulatory agencies in over 160 countries. 800 scientific studies on glyphosate around the world.

The BGT technology is an innovative combination of a system of adjuvant (excipients) and other additives, ensuring full glyphosate functionality in a single product. The unique combination of all key ingredients facilitates the preparation of the spray liquid and contributes to increasing the amount retained on the plant surface, creating favourable conditions for the penetration of the active substance and its transport to the location of action.

As a result, this breakthrough solution allows for a significant reduction in glyphosate dose per hectare, up to 50% compared to competitors' products, without sacrificing proven effectiveness. The product contains built-in humidifiers and ammonium sulphate, generally added by users separately. This facilitates the use of the product, reduces the risk of errors, and improves the economic aspects of the procedure. The effectiveness of the BGT technology has been confirmed by numerous studies carried out both in Polish, European and global conditions.

The new technology of glyphosate formulation is in line with the proposed assumptions of the European Commission's "From Farm to Fork" programme, which includes obligation to reduce the consumption of active substances in the European Union by 2030. Accordingly, the solution proposed by the CIECH Group may be the best possible compromise between the needs of modern agriculture and pro-ecological attitudes related to the implementation of the provisions of the European Green Deal.

Glyphosate is the most widely applied active substance used in plant protection in the world. Herbicides based on it are one of the most thoroughly tested products in the world, approved for use by regulatory agencies in more than 160 countries. The safety of their use is confirmed by over 800 scientific studies. This position was taken by the most important world institutions dealing with the use of this type of substances in the production of food for humans. First of all, the European Food Safety Authority (EFSA) issued a positive opinion.



CIECH's response to the challenges related to the implementation of the **European Green Deal**



combines **concern for the natural environment** with the needs of **modern and sustainable agriculture**



CIECH is the first company to apply the technology on an industrial scale and introduce it to the **global market**



the first **innovation in glyphosate** formulation of such great importance in 45 years.



effectiveness of the BGT technology has been confirmed by **numerous studies** carried out both in Polish and European conditions.

3.3. Foams segment

Polyurethane foams

The CIECH Group is one of the largest suppliers on the domestic market of polyurethane foams (PUR foams). The foams segment generated in 2020 over 6% of Adj. EBITDA (adjusted for one-off events).

Flexible polyurethane foams are used mainly in production of upholstered furniture and sleeping mattresses.

To a lesser extent, they are used in the automotive industry, construction industry and textile industry.

CIECH Pianki Sp. z o.o. has many years of experience in the production and sale of flexible PUR foams. It is one of the largest elastic foam producers in Poland. Recipients of the company's products include the largest furniture and mattress manufacturers in Poland and Europe. Because of physical and mechanical properties (low specific gravity) PUR foams are sold primarily on local markets. In Poland, the consumption of flexible polyurethane foams is associated largely with the national furniture industry and its high position in the international markets which is consistently strengthening and the value of export of Polish furniture keeps growing.

Protective masks

Using our potential and competences to support the global fight against the COVID-19 pandemic, in December 2020 we launched the production of protective masks providing high-quality protection in the FFP2 class (we are in the process of obtaining FFP3 certification). The new production line in Bydgoszcz is capable of making approx. 10 million masks per annum. It took us about five months to launch production, establish supply chains, and complete testing and certification, which confirms our flexibility and high operational efficiency. Our masks also have the Standard 100 by Oeko-tex® certification, which means that they are free from harmful substances in concentrations that have a negative impact on human health, including pesticides, chlorophenols, formaldehyde, allergenic dyes, prohibited azo dyes and extractable heavy metals.



3.4. Silicates segment

3.4.1. Silicates and water glass

In 2020, the silicates segment generated over 4% of Adj. EBITDA (adjusted for one-off events).

The CIECH Group manufactures sodium and potassium silicates. Both types of silicates are produced in two forms – solid, offered under the brand name of VITROSIL (glassy sodium and potassium silicate) and liquid, offered under the brand name of VITROLIQ (sodium water glass and potassium water glass).

Sodium silicates are used for production of precipitated silica (about 37% of consumption in Europe, used mainly in the tire and beauty product industries), detergents (about 17%), paper, zeolites and in other industries.

After expanding the production capacity of sodium silicate in the Żary and Łłowa plants, CIECH Vitrosilicon S.A. is currently the third largest manufacturer of sodium silicate in Europe and the leader in the sales of this raw material.

Potassium silicates are used in the production of welding electrodes, construction chemicals, including paints and silicate plaster. For the purpose of continued development of this segment, the CIECH Group concentrates on the use of new applications of silicates and development of high-margin products.

BU Silicates also includes the Ramnicu Valcea plant in Romania, which has capacity to produce glassy sodium silicates and sodium water glass. Soda and sand are the main raw materials used.

3.4.2. Extension of the production capacity of sodium silicates

The investment process has started - the construction of a new glassy sodium silicate furnace - a raw material necessary for the production of precipitated silica, from which, among others, modern, energy-saving tires and cosmetics are made. The investment with a total value of approx. PLN 80 million will increase our production capacity to about 240 thousand tonnes per annum (from the current 180 thousand tonnes) and will strengthen the Group's position as the largest supplier of silicates in Europe, supplying the largest chemical companies with this raw material. The investment is to increase the revenues of the silicate business by approx. PLN 60 million annually.

Construction and investment works are scheduled to begin in March 2021, and production from a new furnace with a capacity of approx. 100 tonnes per year will begin before the end of this year. At the same time, the Group will reduce production in older and less efficient furnaces, and the net effect of the new investment on the Group's production capacity is an increase of approx. 60 thousand tons of silicates annually.

The new furnace will be characterised by better performance and fuel economy parameters, i.e. natural gas, which will additionally reduce CO₂ emissions per tonne of product by about 20% compared to the existing technology. An additional advantage of the investment, increasing its efficiency, is its partial use of the existing infrastructure, which will optimise the fixed expenses of the Żary plant.

Sodium silicates are used in the production of precipitated silica (about 40% of silicates in Europe are applied in the production of silica). It is used, among others, in the tire industry, in the production of modern tires characterised by lower rolling resistance, and thus fuel economy and lower CO₂ emissions while maintaining high adhesion. In addition, precipitated silica is used in the cosmetics industry, the production of paints and fillers for plastics. According to external analytical centres, the precipitated silica market may grow on average at a rate of about 7 percent per annum in the coming years.

3.5. Packaging segment

In 2020, it generated almost 4% of Adj. EBITDA (adjusted for one-off events).

CIECH Vitrosilicon S.A. specialises in the manufacturing of lanterns for vigil lights and is recognised as the leader of the Polish market. The full range covers approx. 160 designs, including lanterns for jar candles and custom designs, dedicated to individual customers. The Company offers a wide and diversified range of lanterns for vigil lights, including lanterns in the smallest and largest sizes and with a very diverse design. The company is also the only Polish producer of COMFORT-type jars with glass cover and fastening clamps. On a small scale, the Company also produces standard Twist-off jars for the food processing industry.



3.6. QUALITY AND SAFETY OF PRODUCTS

According to the strategy of the CIECH Group for 2019-2021, the activities of the Group's companies are focusing on the implementation of the following four basic values: increasing customer satisfaction, increasing innovation, continuous improvement of business efficiency and management effectiveness.

These values are implemented in the quality area through:

- continuous supervision over compliance with laws and standards relating to the quality and safety of the products and services we provide,
- providing a rich product portfolio and adapting it to the needs and quality requirements of customers,
- building lasting relationships with customers, listening to their needs and quickly providing feedback to business partners,
- minimising the cost of poor quality (complaints),
- gradual reduction of operational expenses and risks,
- implementation of new quality management tools and policies to support product quality and safety assurance,
- ensuring appropriate skills and competences of employees at particular positions,
- continuous improvement of the implemented management systems, in line with the needs of the CIECH Group and customer expectations.

3.6.1. Key achievements in 2020

Compliance with GMP API requirements

In 2020, CIECH Soda Deutschland joined the group of API (Active Pharmaceutical Ingredient) producers, obtaining an entry in the European Database of Producers and Distributors of Active Substances (EudraGMP), thus confirming its compliance with the requirements of European law (GMP - Good Manufacturing Practice) in the area of manufacturing of active substances used in the production of medicinal products (including agents for parenteral use).

IFS FOOD Certificate

The CIECH Group obtained the IFS FOOD (International Food Safety Standard) certificate, confirming the compliance of its food products manufactured in Poland with the requirements of the IFS Standard. This is one of the two most important food safety standards in the food industry, approved by the GFSI (Global Food Safety Initiative) and increasingly required by customers, not only in Europe, but also around the globe.

Both the obtained certificate and the possibility of labelling products with the IFS mark will enable us to increase the attractiveness of our products on the market, expand the base of counterparties and increase the level of trust of our customers.

Extension of the GMP+ Certificate

Salt licks, which expanded the portfolio of feed products manufactured by CIECH Soda Polska S.A. - the Janikowo plant, in 2020, was covered by the GMP+ certificate (the GMP+ system is an international standard developed to ensure high quality and safety of feed).

EU type conformity certificate for protective masks

With the outbreak of the COVID-19 epidemic, CIECH Pianki Sp. z o.o. decided to launch the production of protective masks and to have the new products certified as personal protective equipment. It only took half a year and protective masks with the FFP2 filtration class obtained a certificate of product compliance with the requirements of EU law and the requirements of the EN 149 standard in the area of personal protective equipment - filtering half masks, issued by CIOP-PIB as well as a health quality certificate issued by the National Institute of Hygiene (PZH).

3.6.2. Management Systems with the CIECH Group

The systems implemented within the CIECH Group are based on the requirements of ISO 9001, and depending on the needs of the Company and customer expectations, the basic requirements are supplemented with (industry- or product-) specific requirements, to maintain consistency and assumptions as well as rules established within the organisation.

The basis for setting goals and directions of activities for the processes covered by the system requirements is the Quality Policy, which is common to all companies of the CIECH Group.

The scope of implemented and certified management systems is presented in the table below.

Company	Norms/ standards
CIECH S.A.	ISO 9001; GMP+ B3/B4; GDP API
CIECH Soda Polska S.A.	ISO 9001; ISO 14001; GMP+ B1/B2; GMP API; FSSC 22000; IFS FOOD, KOSHER, ISO 17025
CIECH Sarzyna S.A.	ISO 9001; ISO 14001; PN-N-18001; ISO 50001; WSK, ISO 17025
CIECH Żywiec Sp.z o.o.	ISO 9001, ISO 14001
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, GMP API
CIECH Cargo Sp. z o.o.	ISO 9001; ISO 14001; Railway carrier safety certificate in part A and B; ECM certificate
CIECH Trading S.A.	ISO 9001; GDP API
CIECH Pianki Sp. z o.o.	ISO 9001; STeP by OEKO-TEX® Certificate, CIOP-PIB Certificate for FFP2 class masks

Table 2 Certified management systems in the CIECH Group companies in 2020

Supervision over the maintenance and improvement of the systems has been entrusted to employees of the Quality Departments in individual companies, who have the necessary knowledge and qualifications.

All employees undergo obligatory training in the implemented policies and procedures in accordance with the scope of duties for the position held and responsibilities. Newly hired employees and associates are subject to initial training in the requirements of the Integrated Management System.

In 2020, despite the limitations arising from the COVID-19 pandemic, independent external audits were carried out in all companies, which confirmed the proper operation of the management systems in relation to the implemented standards.

There were also no reports of non-compliance with laws or codes applicable in the area of Product Quality, which would result in a penalty, fine or warning.

3.6.3. CIECH Quality Standard (CQS)

The CIECH Quality Standard (CQS) programme supports the implementation of quality activities in the Group's companies, which includes projects supporting further optimisation of quality expenses within the Group, continuous improvement of the quality of the finished product, reduction of the number of complaints from key customers, organisational improvement and development of personnel qualifications and skills.

For our customers	Norms/standards
For our customers	<ul style="list-style-type: none"> Meeting the requirements of laws, external and internal specifications and safety standards, Better customer relations, faster complaint handling time, Improved quality of products.
For the development of the company	<ul style="list-style-type: none"> Maintaining talented people with valuable experience and skills while keeping an optimal level of employment, Involvement of all employees in the implementation of the company's strategy - non-financial employee motivation, Laboratories as our showpieces.
For the company's finance	<ul style="list-style-type: none"> Plans for the optimisation of the quality control expenses, Minimising costs related to poor quality.
For improved company organisation	<ul style="list-style-type: none"> Developing a joint Quality Management System based on ISO 9000 standards, Exchange of information, knowledge and skills between employees (locally and globally), Regular implementation of new quality tools and solutions at the level of the entire Group. Introduction of a central reporting system for quality results in the companies of the CIECH Group..

Table 3. Benefits of the CQS (CIECH Quality Standard) programme

3.6.4. Tasks for 2021

In 2021, in the area of Quality Management, in addition to the continuation of previously started activities to support the implementation of the CIECH Group's strategy, new challenges will arise with regard to the system requirements and certification of new entities within the Group:

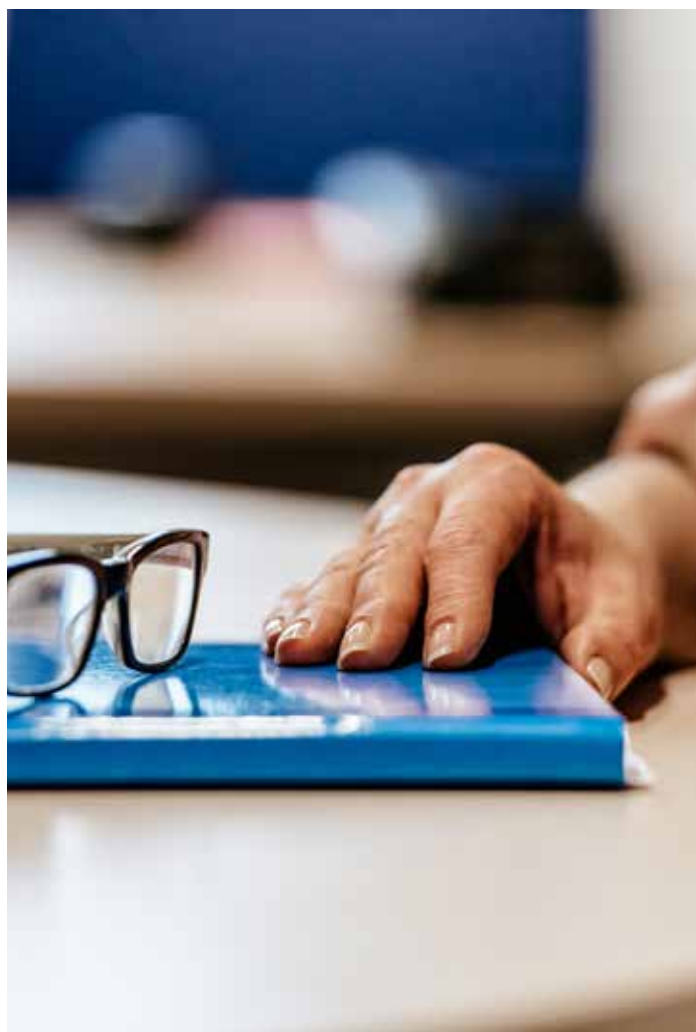
- CIECH Salz Deutschland GmbH - the newly built evaporated salt production plant in Stassfurt (Germany) will launch ISO 9001, HACCP, IFS certification in 2021; there are also plans for entering it in the European register of manufacturers and distributors of the active substance – the GMP API.
- Proplan Plant Protection Company S.L. – certification of compliance of implemented processes with the requirements of ISO 9001 by a new company of the Group located in Madrid (Spain), engaged in the manufacture and distribution of AGRO products.
- CIECH Vitro Sp. z o.o. and CIECH Vitrosilicon S.A. – due to the division of the CIECH Vitrosilicon company into two separate entities (Silicates and Glass Packaging Business Units), each of the new companies will start individual certification for compliance with the requirements of ISO 9001 and ISO 14001.
- as well as with the implementation of new or updated standards in other companies:
- CIECH Pianki Sp. z o.o. - CIECH Pianki Sp. z o.o. - preparation for obtaining a certificate of compliance of FFP3 filtering half-masks with the requirements of European Union law and EN 149 standard (respiratory protection equipment - filtering half masks to protect against particles);
- CIECH Soda Polska S.A. – extension of the scope of ISO 17025 certification, certification of food products for compliance with VLOG and V-Label requirements;
- CIECH Sarzyna S.A. – transition to the new edition of the standards: ISO 50001 (Energy Management), ISO 45001 (Occupational Health and Safety Management), ISO 17025 (accreditation of research and calibration laboratories); and
- CIECH Soda Deutschland GmbH – commencement of certification for compliance with the requirements of the IFS FOOD standard.

3.7. Customer relations

Our customers are both global chemical companies as well as smaller recipients from Europe, Asia, North and South America and Africa. We create unique solutions dedicated to the needs of various customers. The priority is to adjust the offer as much as possible to the individual needs of the customer and to provide the highest level of service understood as customer support quality, product quality, logistics level, product availability, and guarantee of deliveries. We are continuously improving our relationship with the customer, and customer support is one of the most important challenges of our business.

Within the CIECH Group, the following documents, among others, govern customer relations:

- the Code of Conduct of the CIECH Group,
- Commercial Policy within the CIECH Group,
- Procedures and instructions of the Integrated Management System, governing in each of the Group's companies the process of managing complaints with regard to products delivered to customers and non-conforming deliveries of raw materials, semi-finished products and packaging.



3.8. Risk management

The CIECH Group strives to achieve its strategic objectives without taking excessive risks. To this end, the Group has implemented a risk management system through which:

- it identifies threats to the achievement of its objectives,
- it defines proposed actions to minimise the threats and their impact on the objectives set,
- in the case of risks that have not yet been identified, allows for their proper identification and assessment.

The Risk Management System of the CIECH Group is an organised set of general principles and guidelines, defining how the risks to which the CIECH Group is exposed should be managed. The objective of the system is to lay a foundation for introducing risk management methods, procedures, requirements and reports required for keeping the CIECH Chemical Group’s risk at an acceptable level.

The risk management system operating within the CIECH Group is constantly developed and improved. It is an important part of supporting day-to-day operations. This process is aimed at the ongoing identification and mitigation of risks and the introduction of mechanisms through which many external risks affecting the future growth in value of the CIECH Group can be recognised, identified and appropriately managed so that they have a neutral impact on the achievement of strategic objectives.

The CIECH Group defines risk as an event, action or lack of action that will prevent the Group from achieving its objectives. Risk is therefore perceived negatively because it implies a threat to the achievement of the objectives set.



Figure 11: Structure of responsibilities for the risk management process of the CIECH Group

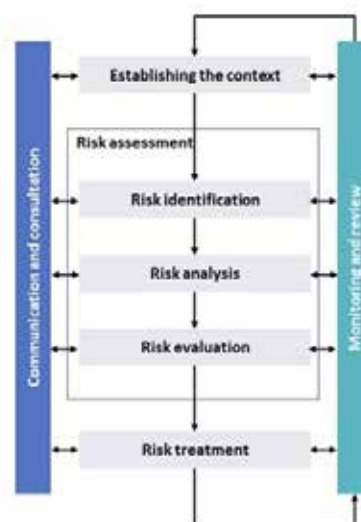


Figure 12 Diagram of the CIECH Group’s risk management process

The CIECH Group’s risk management system is based on the following key principles:

- each manager and employee of an organisational unit of a CIECH Group entity (including CIECH S.A., Subsidiaries) is responsible for risk management,
- risk management is a continuous process,
- a risk whose effects threaten human health and life is unacceptable,
- risks cannot be completely eliminated; they are an inherent part of the business.

The risk management process implemented in the CIECH Group is a comprehensive and corporate solution. It covers Group entities, processes and projects. It applies to all employees of the Group. This process is an instrument that supports the Management Board in day-to-day operations, while the Supervisory Board of CIECH S.A. uses it to monitor the effectiveness of the internal control and internal audit systems.

Risk management objectives in the CIECH Group are implemented through:

- systematic approach to the identification of all risks,
- supporting the allocation of resources by setting priorities for risks,
- selection and implementation of the best risk management strategy,
- risk monitoring, analysis and reporting that take into account all potential effects of existing risks.

Measures taken as part of the CIECH Group’s risk management process are implemented on an ongoing and regular basis. Risk is managed in a two-dimensional manner - vertically and horizontally, by identifying not only risks that occur within a given entity, organisational unit or process, but also those risks whose materialisation affects various areas of the Group’s operations, entities and processes from the point of view of the entire CIECH Group. Only with such a comprehensive approach to and understanding of risks, is it possible to manage risks effectively and efficiently and deliver tangible benefits to the Group.

Risks caused by the occurrence of the COVID-19

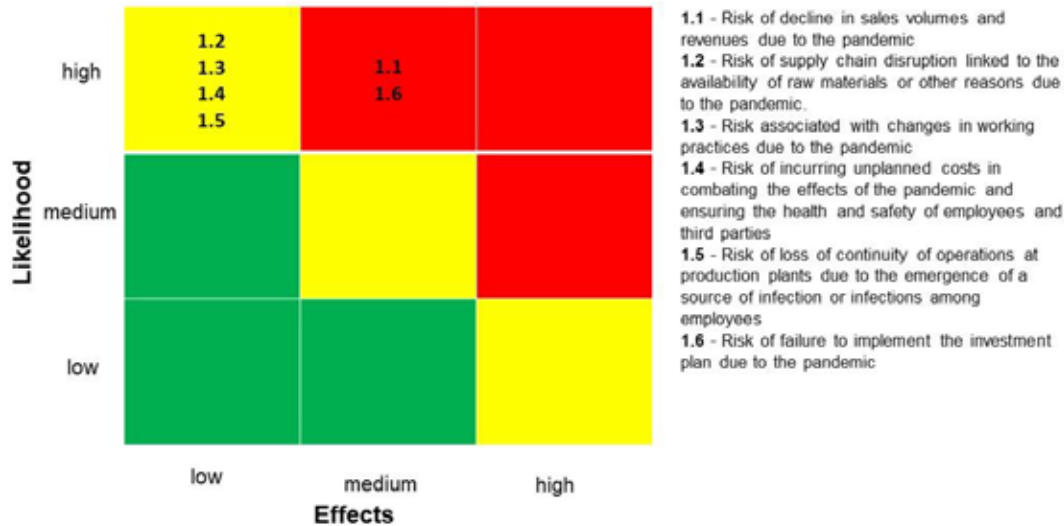


FIGURE 28: STRUCTURE OF RESPONSIBILITIES FOR THE RISK MANAGEMENT PROCESS OF THE CIECH GROUP

As regards responsibility for the risk management process, a special role in the process is assigned to the key participants in the process, which are the Management Board of CIECH S.A., the Executive Committee, the management personnel and the Chief Risk Officer. The correctness and effectiveness of the risk management system implemented is monitored by the Supervisory Board and the Audit Committee on the basis of, among other things, information from the Management Board of CIECH S.A. on current risks and their management methods.

The risk management process at the CIECH Group has been defined and implemented in accordance with the „International Standard ISO 31000:2018 Risk Management”.

Operating Risks of the CIECH GROUP

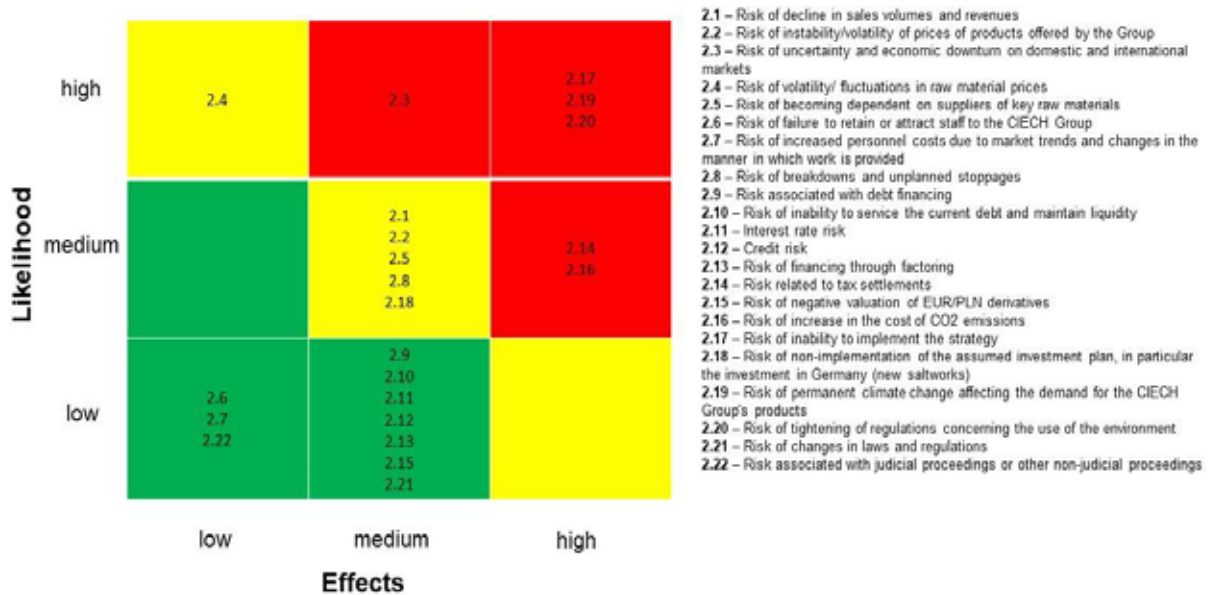


FIGURE 29: DIAGRAM OF THE CIECH GROUP'S RISK MANAGEMENT PROCESS

By referring to the ISO 31000 standard, the CIECH Group risk management process formally regulates the approach to the activities of identifying, analysing, assessing, managing, monitoring and communicating risks in the CIECH Group.

It is CIECH Group's aspiration to be perceived by its stakeholders as a transparent organisation with a high awareness and understanding of risks that may affect the achievement of objectives. Hence the comprehensive approach to risk management, focused on identifying events that may prevent objectives from being met.

As an element of the Group's value creation, the risk management process focuses on the following risk categories which are essential for achieving the Group's objectives:

- Risks associated with the loss of human health and life,
- Operational risks that may affect the continuity of production processes,
- Legal risks,
- Compliance risks,
- Regulatory risks,
- Strategic risks related to the impact of the environment on the CIECH Group,
- Reputational risks,
- Financial risks,
- Environmental risks.

3.9. Investments implemented in 2020

The CIECH Group has implemented and regularly updates a programme of investment projects for production plants in order to maintain the current production levels of each of the plants, their development and to comply with the conditions arising from growing customer requirements and new laws. The main purposes for which capital expenditure is made by the Company and its subsidiaries is the replacement of the worn-out equipment and its modernisation in order to improve energy efficiency, reduce emissions, improve the automation and control processes, management processes, and to search for new development opportunities.

The capital expenditure incurred by the CIECH Group companies in 2020 amounted to approx. PLN 757 million. The main capital expenditure was allocated to the implementation of several large projects, including the construction of the salt plant in Stassfurt and the development of new products in the Agro segment. Furthermore, in 2020, CIECH Soda Polska S.A. finalised the implementation of large projects in the modernisation of the electric power industry area, enabling increase its efficiency and effectiveness (replacement and modernisation of turbine sets, modernisation of boilers). In 2020, the R&D expenses were incurred mainly on activities related to the registration of new active substances and plant protection products based on them. The remaining capital expenditure was allocated mainly to modernisation and replacement projects, the purpose of which was to increase or maintain production capacity, and to improve the production efficiency of our plants.

Decisions on the implementation of investment projects are made on the basis of a detailed analysis of each of the tasks, including economic efficiency analyses and indicators such as: internal rate of return (IRR), net present value (NPV) and the period of return on investment. The most important projects implemented in 2020 are presented below.

Investment	Implementation status 2020
<p>Soda - achieving the final parameters by the installation for the production of sodium bicarbonate</p> <p>At the plant in Stassfurt, an investment was completed involving the construction of an installation for the production of highly specialised soda for pharmaceutical applications. In 2020, the installation achieved the assumed production parameters in terms of both the quantity and quality of the manufactured product. A certification process was also performed - CIECH Soda Deutschland obtained a GMP certificate confirming that, according to EU law, the manufacturer operates in accordance with good practices of production, transport and storage of raw materials for the pharmaceutical industry. At the same time, CSD obtained a positive opinion of the local pharmaceutical authority and was entered into the European EudraGMP database as a manufacturer of sodium bicarbonate as a standard for the active substance of medicinal products.</p> <p>The soda from the new installation is characterised by the highest degree of purity and strictly defined granulometric parameters. The physical and chemical properties of this product are governed by strict quality restrictions and are verified by regulatory authorities and customers. An additional advantage of the production lines of CIECH Soda Deutschland is their ability to tailor the product to an individual customer order in terms of its physical properties.</p>	<p>Project completed - achieving the target production capacity.</p>
<p>Salt - the largest greenfield investment in the history of the CIECH Group</p> <p>The salt plant in Stassfurt will be one of the most modern facilities of this type in Europe and will ultimately produce approx. 450 thousand tons of salt per year. The target production parameters are planned to be achieved by the end of the third quarter of 2021. The investment with a value of approx. EUR 140 million strengthens the position of CIECH as one of the largest Polish private investors abroad.</p> <p>Evaporated salt will be produced there using the MVR technology (water evaporation through the supply of compressed steam). The technology, based on the physical Boyle's law, will give rise to significant savings and increase the efficiency of salt production compared to the steam heated evaporator technology (the MEE technology) used in the Janikowo plant.</p> <p>For the production process, the new salt plant will use technological steam from an efficient and low-emission gas-fired combined heat and power plant, and the electricity used will originate from 100% renewable sources. The plant will be equipped with an optimal system for the management of production waste, which will be discharged to an underground storage location.</p>	<p>Project in progress. Completion planned for Q3 2021</p>

Investment	Implementation status 2020
<p>Silicates - expansion of the production capacity of sodium silicates</p> <ul style="list-style-type: none"> The investment process for the construction of a new glassy sodium silicate furnace has commenced. Construction and investment works are to begin in March 2021, and production from a new furnace with a capacity of approx. 100 tonnes per year will start before the end of 2021. At the same time, production in older and less efficient furnaces will be reduced, as a result of which the production capacity will increase by approx. 60 thousand tonnes of silicates net, which should translate into an increase in revenues of approx. PLN 60 million per annum (after reaching full production capacity). The new furnace will be characterised by high performance and fuel savings parameters, i.e. natural gas, which will additionally reduce CO2 emissions per tonne of product by approx. 20% compared to the currently applied technology. As an additional advantage, increasing its efficiency, the investment will partially use the existing infrastructure, which will optimise the fixed expenses of the Żary plant. 	<p>Project in progress. Completion planned for Q4 2021</p>
<p>Protective masks – production launched within five months in response to extraordinary circumstances</p> <p>Following the outbreak of the COVID 19 pandemic, we decided to take advantage of our key project management competencies and resources to provide safety-enhancing products.</p> <p>As a result, in just five months, we launched the production, established supply chains and carried out the process of testing and certification of specialised face masks.</p> <p>Our masks comply with the European standard EN 149:2001, and their filtration efficiency is at the level of the FFP2 class (≥94%). Certification for the purposes of a higher, FFP3 class, is currently underway. Thanks to these parameters, our masks provide users with tested protection during the current pandemic and can be used for protection against air pollution, e.g. as dust protection in construction, mining or laboratory work.</p> <p>The production line was built at the CIECH Pianki plant in Bydgoszcz, and its capacity stands at 10 million pieces annually.</p>	<p>Project completed</p>
<p>Investments in the framework of the power industry strategy</p> <p>We implement a comprehensive and ambitious energy strategy with a view to modernising our fleet of energy assets and reducing CO2 emissions by approximately 1/3 in the next five years..</p> <p>As part of the strategy, we are implementing, among others, the following projects:</p> <ul style="list-style-type: none"> Construction of a small gas unit in Inowrocław, consisting of a 16MWe turbine, a heat recovery boiler and a gas boiler. The investment will reduce our CO2 emissions by approx. 40 thousand tonnes per annum. Completion is scheduled for the end of 2022. Obtaining heat and electricity from zero-emission sources - thermal waste treatment installations - in Inowrocław and Janikowo. Currently, advanced discussions on the parameters of the project with potential business partners are underway - investors and owners of new installations. The completion of these projects scheduled for 2026 should reduce our emissions by approx. 490 thousand tonnes of CO2 per annum. Comprehensive modernisation of existing installations, especially boilers in Inowrocław and Janikowo. The implementation of all projects in this area will reduce our CO2 emissions by approx. 45 thousand tonnes annually, and finalization is scheduled by the end of 2021. Portfolio of smaller projects - over 40 energy efficiency initiatives (e.g. replacement of lighting, modernisation of devices) and process efficiency (e.g. CO2 recovery from the production process). Individual projects will be finalised systematically, and the total reduction of emissions as a result will stand at approx. 75 thousand tonnes of CO2 per annum. 	<p>Project in progress</p>

Table 4 Key investments of the CIECH Group in 2020

3.10. Research & development

The CIECH Group is consistently implementing innovations in key areas of its operations. These activities focus on the development and improvement of products intended for our key markets, the improvement of existing manufacturing processes, and the implementation of innovative technologies. The CIECH Group pursues its ambition to become a leader of modern chemical groups in Poland and globally. Within the CIECH Group, research and development activities were concentrated at CIECH R&D Sp. z o.o., which coordinated and conducted R&D activities for the Group's production companies. As a result of the implementation of the CIECH Group's Strategy for 2019-2021, the research and development activities of Ciech R&D in the area of production and products of the Group's companies were transferred to production companies in 2020.

At the end of the year, we commenced work to launch a platform to support start-ups and innovative projects at an early stage of their development.

The CIECH Group collaborates with universities and experts in the area of innovation and development policy, and some of the implemented projects are co-financed from European Union as well as national and regional aid funds.

Research and development achievements

As part of its R&D activities, the Group implements a number of projects practically in all segments. Different types of support programmes are applied in the implementation of these projects. In the Group's key soda segment, several projects are underway, with different stages of advancement. These projects are aimed at improving the efficiency of the processes and reducing the environmental impact. The following achievements should be mentioned:

- We have permanently implemented, as an element of the production line in the plant in Inowrocław, an innovative method of carbon dioxide capture, concentration and purification in the sodium carbonate production process. Analyses are currently underway as to its application in other plants. The installation built in cooperation with the Institute for Chemical Processing of Coal enables us to reduce carbon dioxide emissions by at least 5 thousand tonnes per annum as a minimum, as well as to reduce production waste and the amount of raw materials consumed, i.e. coke and limestone.
- we launched the production of the first batch of a new plant protection product, based on the innovative BGT technology ("Better Glyphosate Technology"). It allows us to maintain the current effectiveness of glyphosate-based products while reducing, by half, the dose of active substance per hectare compared to existing standards.
- with the annual R&D expenditure in the Agro segment of approximately PLN 30 million, our portfolio of active substances is continuously expanding (increase by over 40 substances during the year) and so is product registration (increase by over 200 registrations during the year)

Our ongoing R&D projects include in particular:

- The Carbonisation+ project, the purpose of which is to increase the efficiency of soda production by approx. 1% by modifying the ammonia absorption process (completion scheduled for 2021),
- Project to improve energy efficiency of the calcium chloride production process (by approx. 7.5%) and waste salt management (completion scheduled for 2021)
- Recycling and reusing in the process of the dust generated in the production of calcium chloride (efficiency improvement by approx. 3%) (completion scheduled for 2021)
- Recycling and reusing of the salt dust generated in the salt production process (completion scheduled for the end of 2021),
- Research into the possibility of using post-soda lime to enhance workings in opencast mines (completion scheduled for 2022),
- Recovery of brine from de-sludge (completion scheduled for 2022).

Collaboration with universities and institutes

In 2020, the CIECH Group collaborated, among others, with the following renowned universities and institutes in research and development:

Universities

- Warsaw University of Technology
- Wrocław University of Science and Technology
- Nicolaus Copernicus University, Toruń
- RWTH Aachen University
- AGH University of Science and Technology, Krakow

Institutes

- Fertiliser Research Institute
- Institute for Chemical Processing of Coal - ICHPW Zabrze
- Institute of Organic Industry - IPO Warsaw
- Institute of Ceramic Building Materials

What did the implementation of the innovative CO2 capture, concentration and purification method look like?

During the first stage, specialists from the CIECH R&D team in Inowrocław, in collaboration with the employees of the Institute for Chemical Processing of Coal, Zabrze, analysed the sources of carbon dioxide emissions from individual soda industry installations and developed a number of preliminary concepts for reducing CO2 emissions to the atmosphere.

Detailed technological and economic analysis of the developed concepts enabled them to develop a unique technology for capturing and shifting carbon dioxide back to the sodium carbonate production process. Subsequently, a series of studies on this innovative solution were performed - initially in laboratory conditions and then on a pilot scale.

Based on the obtained results, a pilot installation for carbon dioxide capture from waste gases from the soda industry was designed. This installation was completed in 2019 at the Soda Plant, Inowrocław. Initial commissioning was carried out by a joint ICHPW team of engineers under the leadership of professor Krzysztof Jastrzab and CIECH specialists. A series of process studies were performed in order to determine the optimal parameters for the capture and return of carbon dioxide to the sodium carbonate production process.

The next step was to incorporate this technology in the sodium carbonate production line, producing a positive effect in the form of reduced carbon dioxide emissions to the atmosphere, with a simultaneous increase in the production capacity of the installation.



SUSTAINABLE DEVELOPMENT MANAGEMENT

4. Sustainable development management

We attach particular importance to the issues of sustainable development and responsible business. We are aware of our role in the local environment and the impact we have on the activities and lives of our stakeholders. We are also aware of our impact on the natural environment. Products manufactured by the CIECH Group contribute to the implementation of the UN Sustainable Development Goals, and our objective is to focus on strengthening the positive, and reducing the negative, effects of our operations. We strive for the long-term sustainable development of the CIECH Group, which will benefit all our stakeholders: employees, customers, suppliers, neighbours, owners, as well as future generations. We work with people, institutions and organisations that share our approach to doing business.



Figure 15. Sustainable development management structure within the CIECH Group

Sustainable development initiatives currently underway in the entire Group are being organised and summarised as part of the ESG Strategy to be published in 2021. As part of the strategy developed, we define measurable and ambitious goals in all areas of sustainable development.

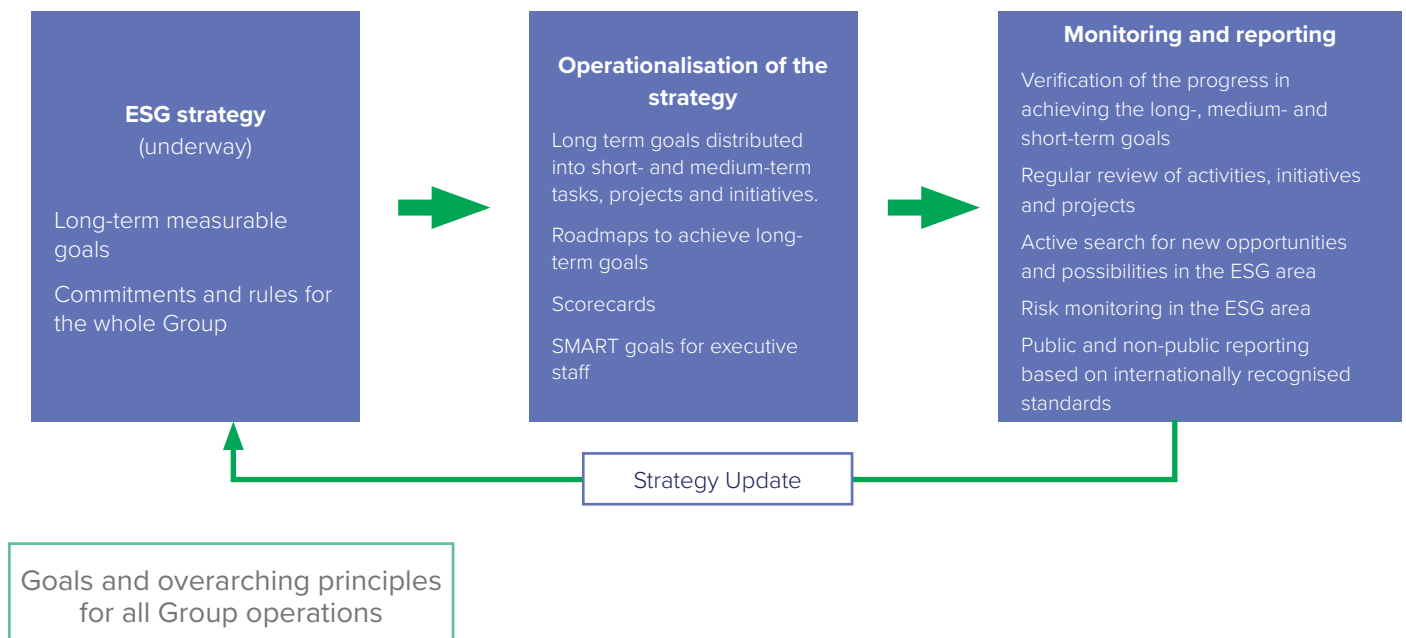


Figure 16. Sustainable management cycle within the CIECH Group



SAFETY AND HEALTH OF OUR EMPLOYEES

5. Safety and health of our employees

People who are direct participants in our business are the most important to us. Apart from people bound by employment contracts with us, we understand this term as also including our suppliers, subcontractors and guests. We are aware that only by creating technical, organisational and social conditions that support their health and safety, we are able to ensure continuity of production and business development. The WHO definition assumes that health is not only the absence of disease or disability, but the full physical, mental and social well-being, therefore safety has its place in every management process, from recruitment or purchasing, through production and logistics areas, to the broadly understood development of leaders and employees.

We have the ambition to be one of the best employers in the chemical production industry that is not easy in terms of safety, therefore the continuous increase in efficiency, including the improvement of working conditions for our employees, is one of the main directions of the Group's overall strategy.

5.1 Labour safety management

We are continuously improving our safety management system by introducing appropriate regulations in individual processes. In order to ensure the highest possible effectiveness of the implementation of safety objectives, we implement them together, which is why they are included in the bonus system of each employee, at every level and in every area.

The basis for the operation of the system is our Health and Safety Policy. On its basis, further systematised, standardised regulations are created to ensure the effective and safe course of defined processes.

Our priorities here are:

- adequate risk perception and analysis, including supervision of particularly dangerous works and works carried out by subcontractors;
- an effective safety training and development system;
- supporting safety both from the level of investment as well as awareness of each person and its impact on the level of safety in the immediate vicinity through everyday small decisions.

In 2020, we updated our Health and Safety Policy, introducing, among others, the principle of "zero tolerance" for breaking safety rules and its acceptance by people managers. We expect our subcontractors and suppliers, especially those working on the site of our plants, to adhere to the procedure with the same strictness as applied by our employees.

5.2 Occupational risk assessment

An integral part of business management is safety management, understood as effective occupational accident and illness prevention and prevention of any conditions related to work. Occupational risk assessment is its first and basic element. Risk assessment is the basis for the selection of work equipment, chemicals and preparations used, and equipment for workstations. As a result of risk assessment, we take appropriate preventive measures, select production and work organisation methods, with a view to increasing the level of protection of the safety and health of employees.

The purpose of risk analysis is to identify all hazards in the work process and determine the level of the related risk (risk assessment). The risk assessment consists in comparing the level of risk determined as a result of the analysis with the level considered as acceptable. Identification of hazards occurring in the work process is the most important stage of the occupational risk analysis. It should be conducted in a systematic manner, allowing the detection of as many threats as possible. Risk estimation is the last stage of the analysis and consists in assigning threats to a certain level of risk, in accordance with the adopted measure. In our organisation, we estimate the risk using the risk score method, where the parameters of the risk value are: the potential effects of the event, losses (human and material) caused by the incident, the exposure time of harmful factors to the employee and the likelihood of occurrence of the incident.

We conduct occupational risk assessment periodically and whenever the information used for its assessment has lost its topicality, in particular, in the following situations:

- when creating new workplaces,
- when introducing changes to workplaces (technological or organisational),
- after changing the applicable requirements relating to the assessed workplaces, and
- after introducing changes to the applied protective measures.

In addition, we continuously monitor hazards in the work environment through scheduled or ad hoc health and safety inspections. The result of such a review is a report that provides the Managers of individual areas with knowledge and a basis for actions aimed at eliminating the identified threats or identified irregularities. Moreover, our employees have the right and even the obligation to report any identified irregularities or hazards. We also monitor the status of implementation of recommendations after such reviews.

5.3. Safety training

In order to ensure the adequate level of knowledge and awareness of our employees in occupational safety, we do not rely only on obligatory initial and periodic training as required by law. We attach great importance to training that will not only provide employees with the basic knowledge on how to work safely, but above all, make them aware of their value for the organisation and the value that they should perceive in their own health and life. We strive to ensure that our employees care not only for their own safety, but also for the safety of their associates. Accordingly, our training frequently takes the form of workshops, short meetings and talks on installations/plants and practical exercises. Examples include, among others, fire exercises, exercises in the use of safety measures when working at height or the proper use of personal protective equipment (e.g. hearing protection and respiratory protection). Our employees are not only aware of how to provide first aid, but are also able to provide it in practical terms.

5.4. Key achievements of 2020

In spite of the difficult market situation caused by the Covid-19 pandemic, we have not stopped in our efforts to make the working environment of our employees and contractors as safe as possible. We continued with our projects scheduled for 2020. We also developed and improved the measures taken in previous years. All these activities enabled us to maintain the downward trend in terms of accident/injury rates in our organisation. Although the organisation in 2020 strongly developed its competences in the area of maintenance - two companies were purchased to provide these services for our largest production plants in Inowrocław and Janikowo, which gave rise to an increase in employment and the man-hours worked, the number of work accidents within the CIECH Group remained at the same level as in 2019. The LTIF ratio, as per 1,000,000 man-hours, decreased from 5.88 to 5.76. Since 2015, there were no fatal accidents within our Group.

As part of the continuation of our Strategy for building an occupational health and safety culture, in 2020 we primarily managed to implement a uniform reporting system for accident ratios, both resulting and underlying ones, through the Power BI application, which monitors the ratios in real mode. The system also enables tracking and analysing trends and immediate response to emerging threats or deviations from the assumed goals. We have developed a detailed matrix of objectives (KPI) in the area of broadly understood safety for each level of our organisation, the implementation of which is aimed at improving awareness of work safety with our employees, but also at improving their working conditions. We built a training base for our production employees, which will enable them to develop their soft skills, e.g. in the area of safety, which will also directly translate into their professional development. We are also continuing the programmes launched in 2019, which perfectly fit into our Occupational Health and Safety Policy and the Strategy of building a safety culture throughout the organisation. These include, among others:

- Standards for the performance of work by contractors on the premises of our production plants,
- A programme for the implementation of goals and tasks in terms of eliminating hazards in the work environment, and
- Safety alerts that are, among others, a platform for the exchange of hazard and incident experience among our Group companies.



5.5. Figures and ratios

	2020			2019		
	Employees					
	Women	Men	Total	Women	Men	Total
Number of fatal injuries	0	0	0	0	0	0
Lost (working) time injuries	0	34	34	3	31	34
Number of all reported injuries	2	66	68	4	63	67
LTIF*			5,76			5,88
	Subcontractors					
	Women	Men	Total	Women	Men	Total
	Women	Men	Total	Women	Men	Total
Number of fatal injuries	0	0	0	0	0	0
Lost (working) time injuries	0	9	9	0	9	9
Number of all reported injuries	0	10	10	0	10	10

*LTIF- lost time injury frequency rate - the number of injuries at work with loss of working time standardised to 1 million hrs worked by employees.

Table 5. Details of the number of injuries within the CIECH Group



5.6. Employee engagement, corporate culture and employee relations

5.6.1. HR strategy

By connecting our Employee remuneration and development policy with the Performance Management System, we strive to obtain high Employee engagement and ensure the success of the business strategy. At the same time, we place a strong emphasis on the continuous development of the desired organisational culture based on common values and our competence model. The attractive brand of the Employer helps us in conducting external communication of our organisation and attracting attention of future candidates for the positions we offer.

All these elements are part of an integrated system that enables us to strengthen and integrate our organisation as a company created by people.

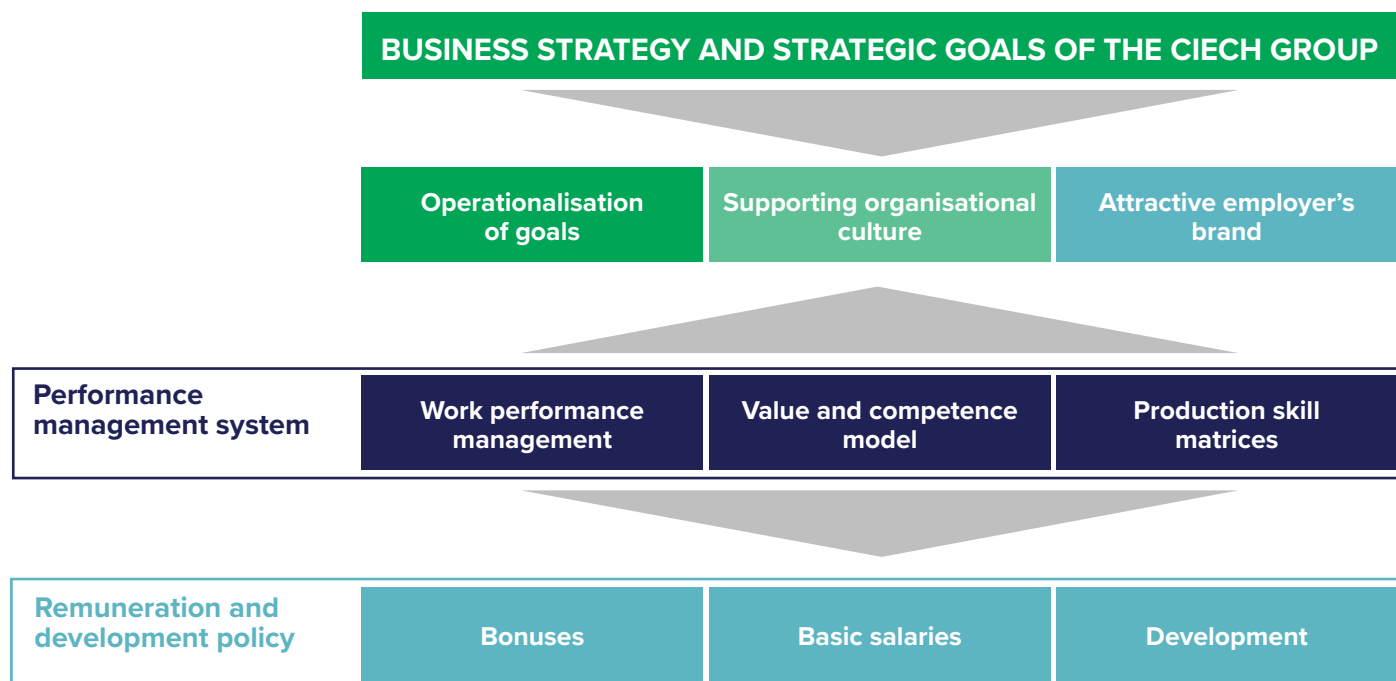


Figure 17. HR Strategy Model

5.6.2. An integrated performance management system

In 2020, we carried out preparatory activities for the implementation of the Integrated Performance Management System within the CIECH Group. We have already started to implement some elements of this system in previous years, such as the standardisation of job tariffs in the CIECH Group companies. The system is based on setting goals that clearly result from the business strategy of the CIECH Group. The last months of 2020 were the time of preparation of further elements of the system, such as a uniform bonus policy and structures for setting and accounting for individual goals for each Employee.

5.6.3 Values and competency model and organisational culture developed on their basis

A strong organisational culture supporting business activities is one of the pillars of the CIECH Group's strategy. To support the process of its construction, we have created a comprehensive plan for the entire organisation. We started our activities with workshops, during which, together with the Group's Top Management, we developed a list of values that fit into the Group's business strategy and reflect the identity of our corporation. On its basis, we have constructed a model of competencies necessary to implement and strengthen these values at all levels of the company.

Value Based Competencies Model



Figure 18. Values and competences

The values, skills and conduct necessary to implement the strategy were the basis for the development of a competency model, the descriptions of which were adapted to the role that a given person plays in the organisation, i.e. Employees and Managers whose role is also related to managing others.

Our organisational culture is the subject of regular meetings of the management board with teams of Employees. Moreover, individual managers are responsible for the promotion of selected values, giving an example of their everyday use. In this way, each Employee has a chance to see how to implement them in specific activities he undertakes at work.

Another element strengthening the awareness of company values and making it easier for Employees to implement them was the introduction of the Employee award – the “CIECH Value Hero”. Employees can nominate their friends for this award. Each quarter is devoted to one of the four values, and the people with the most votes receive a financial reward.

5.6.4. System of skills and production employee development (the ABCD model)

One of the elements of the entire HR system is the ABCD Model - the Skills Management System for Production Employees and production-related positions, which helps us in:

- planning work in production,
- Employee development,
- motivating Employees, and
- ensuring the stability of production processes

How did this project come about? All production processes, technical skills and tasks in the warehouse area have been compiled as “Employee’s production skill set”. The so-called soft skills corresponding to the Group’s values were added to them.

Dedicated skill sets for individual positions have been created, the so-called job profiles. We always have four soft skills and a set of technical skills in each profile. The profiles also include levels of expectations for a given skill on a scale from 1 to 4.

We have created the so-called excel sheets with matrices where we compared the current skills of the Employee with the expected profile. Thus we arrive at a summary “balance sheet” that shows at what level the Employee is at present, where A is a learner, B is an independent Employee, C - a highly versatile person, and D is practically a successor of the Master. These levels vary depending on the salary. The evaluation is made on an annual basis, which is related to pay rise moves.

Based on such “balance sheets”, we also plan development activities and career paths for production Employees and production-related positions. The “training package” for production Employees is being expanded.

The implementation of the ABCD Model has helped us to strengthen the role of the Masters as the Junior Managers. The masters participated in multi-module workshops where they could gain and strengthen team management skills, lead a team through change, communication and motivation.

Currently, the system is used in Soda, Salt, Foams and Agro Business Units. Our plans for 2021 involve the inclusion of more Business Units in Poland. Implementations in foreign companies are being planned in the coming years.

5.6.5. Unification of remuneration and development policies

Basic salaries

In 2020, we continued the process of evaluating job positions in companies that had not been subjected to this process before. The job tariff obtained as a result of the job mapping process allowed us to standardise the basic salary policy within the entire Group.

New jobs were evaluated in accordance with the adopted factor-point methodology, e.g. in terms of the required qualifications, responsibility area and the role within the company.

Salaries were reviewed in line with the adopted principles. Based on the remuneration report purchased in 2020, a comparative analysis of the applicable basic salary tables to market rates was performed.

The result of these activities was the update of the salary table applicable on the Polish market and the revision of positions at CIECH Soda Polska and CIECH Cargo. The changes were consulted with the social counterparties, following which they were incorporated in the Remuneration Regulations published in December 2020.

In order to standardise the payroll processes, collective agreements were concluded in July 2020, under which in CIECH S.A., CIECH Pianki Sp. z o.o. and CIECH Vitrosilicon S.A. the due date for the payment of Employees' salaries was changed.

In 2021, the Group will continue with amendments to the Remuneration Regulations of other companies.

Bonus system

In 2020, we prepared concepts for further elements of the integrated performance management system - the competence assessment and development system and the bonus remuneration system within the CIECH Group. In 2020, we started a series of meetings with the management staff, thanks to which we consulted the idea and target principles of the Group's bonus policy. A series of meetings with the management staff was organised to analyze the key business goals of the Group and individual companies and to conduct a cascading workshop. Bonus policy rules have been developed based on job grades and the area in which they occur. The prepared draft was submitted for consultation to the public side. The work will be continued in 2021.

The effects of these activities will appear in 2021 as soon as the implementation of the new Bonus Regulations uniform with respect to the entire HR strategy and the commencement of the process of setting individual business and development goals together with Employees.

5.6.6. Employee development

The Leader Programme

In the fourth quarter of 2020, we commenced preparations to create an internal development programme for Managers from all our Companies. We prepared the programme for three groups of recipients - TOP Leader, Team Leader and Production Leader. The thematic blocks of individual trainings were created based on the company's values and competences. The programme is "tailor-made" to best meet the needs that arise on the part of Managers in our organisation. The main thematic blocks concern, among others areas such as: management styles, planning and setting goals, motivating and appreciating, communication and cooperation with the team, change management, conflict resolution, stress management, building a culture of sharing knowledge. In addition to workshops developing soft skills, Managers will participate in training in the area of recruitment, labour law and OHS for the Manager.

Coaching activities

Since 2020, we have placed great emphasis on strengthening the role of leaders at various levels. In addition to training, we also organise coaching for selected Managers. Depending on the managerial level, the sessions are conducted by the Learning & Development team or we organise an external trainer. Such a system covers, in particular, people who have taken up new positions and need strengthening in their role.

E-learning platform

We have just modified the platform to make it more useful for Employees in everyday use. Additional content for the knowledge base was also purchased. We develop our resources so that Employees and Managers can find interesting materials for themselves. In the Leader Programme, we effectively use Blended Learning techniques. In addition to the classic training form, Employees are provided with various materials for independent work. The platform is also intensively used during onboarding trainings.

Language platform

The CIECH Group enables Employees to develop language competences by using the language platform. The platform is interactive, contains hundreds of dialogues, scenes, interactive exercises, ready-made templates to facilitate writing e-mails, word repetitions, language games, films, tests, etc. Employees have at their disposal over 1300 lessons at all levels (from basic to advanced) in the field of language general, business, travel, as well as industry and departmental dictionaries. The platform includes a pronunciation coach, a built-in multimedia dictionary and other useful functionalities and gamification, as well as the possibility of using a mobile application on smartphones. The CIECH Group finances 100% of this form of developing the language competences of its Employees.

"HR Developer"

Periodically, once a month, development articles are sent to all Employees via an on-line newsletter. The subject of the articles is wide, from remote work through project management techniques, creative techniques for working with a team, assertiveness and many others. In addition, each article comes with an information pill with interesting events, webinars and podcasts. We want this monthly content to be a support in everyday work, as well as a supplement to the development activities that we propose to Employees.

5.6.7. Feedback – we check the pulse of our organisation

360 degree evaluation

In 2020, a 360-degree evaluation was carried out for the Management Staff of the CIECH Group. 90 people participated in the assessment (the Management Board of CIECH S.A., Management Boards of Subsidiaries, Business Unit Directors and Directors reporting to the Management Board of CIECH S.A.), who were assessed by colleagues, superiors and direct subordinates.

The following competencies were assessed: Decision making, Safety, Credibility, Professionalism, Cooperation and communication, Engaging leadership, Striving for development, Continuous process improvement. These competences constitute the competency profile of the Manager adopted within the CIECH Group.

The survey attendance was over 90%. After the end of the study, individual sessions with feedback for the assessed persons were conducted.

The 360-degree assessment project made it possible to diagnose the level of managerial competences in the CIECH Group and provided the necessary information for the preparation of an action plan for the development of the Management Staff, which will be implemented in the next year.

Pulse Check 2020

At the end of 2020, we organised the PULSE CHECK research in the CIECH Group. The aim of the audit was to check whether we as a Group are going in the right direction, and whether the decisions made by the Management Board are understood and helpful. We wanted to verify how the activities carried out in the company are perceived, especially those during the pandemic, and how the Top Management is assessed.

The survey was conducted electronically. It consisted of 30 questions within the following categories:

- Current engagement / commitment level,
- Understanding and feeling of the need to change,
- Perception of the organisational culture within the CIECH Group,
- Activities of the CIECH Group during the COVID pandemic, and
- Evaluation of the Top Managing Staff (executives) - their activities, communication and setting directions

In order to ensure its complete anonymity, the survey was entirely carried out by an external company that has been on the market for years and specialises in opinion research. The results of the study allowed to develop activities for the next year.

5.6.8. Rewards and certifications

In 2020, we received the HR of the Highest Quality certificate. The certification process involves 2 stages, including filling out a questionnaire (about 50 questions) covering all HR processes and analyzing the selected HR project. The Polish Association of Human Resources examines the practical dimension of the HR policy and tools used by the company (including recruitment, incentive and remuneration systems, employee development, internal communication, employer branding, CSR). HR of the Highest Quality is a confirmation for Employees and candidates that the company is a good, credible and reliable employer, using the latest solutions in the field of human capital management.

Another title awarded to us in 2020 is Reliable Employer. The evaluation criteria are broad, they relate to every aspect of the operation of a modern enterprise, including working conditions, timely payments, career paths, employee evaluation, incentive system, equal treatment and external opinions about the company.

These awards are most important to us since we obtained them in a challenging year for both employers and employees.

5.6.9. Employee benefits

In the CIECH Group, we take care of our Employees by providing them with access to additional benefits. In the Polish companies of the CIECH Group, there is a uniform offer of benefits for Employees and their families, which was further expanded in 2020 to include children's insurance. Most companies of the CIECH Group create their own company social benefit funds, under which Employees may be eligible for, among others, self-arranged countryside holiday, Christmas and other benefits.

The offer of benefits in the CIECH Group companies comprises, among others:

- private medical care,
- life insurance packages,
- sports (membership) cards,
- insurance for children up to 26 years of age,
- access to trade-specific press and publications, and
- benefits from the company's social benefit fund.

5.6.10. Developing an attractive brand on the labour market and clear principles of recruitment

Recruitment

Recruitment processes within the CIECH Group are based on the adopted standards. Our organisation belongs to the "Friendly Recruitment" Coalition, which means that it complies with the provisions of the Code of Good Recruitment Practices.

The recruitment process is standardised for the entire Group and involves meetings in the presence of an HR employee and a business representative. Depending on the grade of the position, the recruitment processes consist of one or more stages.

A competency interview is conducted with candidates, and their substantive knowledge and knowledge of foreign languages are also

checked. Additionally, if necessary, competency tests and knowledge tests are carried out. An important element of the recruitment process is the feedback for persons applying for a given position, which is provided to each candidate, regardless of the recruitment result. In communication with candidates, we are supported by the recruitment system, thanks to which the flow of information exchanged with candidates is monitored.

In order to meet the changing conditions, we have introduced the standard of recruitment conducted entirely remotely.

In the case of positions for which recruitment cannot be carried out remotely (e.g. production area), the recruitment is carried out with all safety measures.



Figure 19. Recruitment process within the CIECH Group

The CIECH Group cares about continuous improvement in the recruitment process. As in 2019, we collect valuable feedback from candidates participating in recruitment processes using an anonymous online survey. The information obtained helps the organisation to continuously improve its recruitment standards.

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

Work placements and internships

In 2020, substantive internships and school work placements were organised at the CIECH Group companies, giving the opportunity to acquire knowledge and the opportunity to develop in many areas. The CIECH Group internship is a paid programme implemented by students or graduates in organisational units of CIECH S.A. and the Group’s companies, in the agreed time. The internships at the CIECH Group are in line with the assumptions of “Top quality internships”. The areas for which interns were recruited include: Production, Finance, Logistics, IT, R&D, Sales, Administration and Purchasing.

Each intern, acquired in the recruitment process, was assigned a professional tutor who was responsible for the implementation, familiarisation with the organisational structure and activities of the Group, monitoring the tasks performed by the intern and providing ongoing feedback. After the end of the programme, the supervisor was obliged to issue written references regarding the tasks completed by the trainee and the skills acquired during the internship. However, each trainee had the opportunity to provide feedback on the implemented programme.

In 2020, the CIECH Group started cooperation with 19 interns.

Additionally, the CIECH Group enabled students from many schools / universities to complete work placements. It is a free programme, implemented by pupils / students as part of professional practice in organisational units of CIECH S.A. and the companies of the CIECH Group, in the agreed time.

Pre-boarding and onboarding

The first stage of adding a new Employee to the organisation is the pre-boarding process, which has been standardised for each of the CIECH Group companies. Roles have been separated in the process, based on responsibility for individual tasks. A future Employee of the Group is provided with permanent HR and payroll services for a dedicated employee of the Human Resources and Payroll Department. Communication with the future Employee takes place by phone and e-mail to minimise direct contact in the age of a pandemic. At every stage of employment, the future Employee can count on the support of the HR Department.

The CIECH Group operates an Onboarding Programme. Its objective is quick and easy adaptation of new Employees by providing them with basic knowledge about the CIECH Group, products, internal files, development opportunities and social offer. The Onboarding process includes training, company presentation, delivery of welcome kits and information on hiring a new Employee through internal communication.

Onboarding is divided into two key stages. HR onboarding (organisational) is the stage of completing the formalities related to employment, getting to know the company and its organisational structure, the most important information about the rules of everyday functioning in the company. This onboarding stage is run and administered by the HR Department.

Functional onboarding, which is conducted by the supervisor and the team of a new Employee, consists in introducing them into tasks and duties in a given position, in getting to know the work culture in a given team and in establishing formal and informal relations with co-workers.

The entire Onboarding process has no end date - it lasts as long as the new Employee is completely independent in the position concerned.

EMPLOYER BRANDING

The CIECH Group continuously undertakes a number of activities related to maintaining the image of a good employer. In 2020, we focused our work on promoting our production plants. We participated in job fairs for both students and people actively seeking employment. Our representatives of business units and HR representatives could meet directly with people interested in joining the CIECH Group, talk about the nature of work, development opportunities in the company and our plans for the future.

In order to be closer to potential candidates - the group created an employer profile on professional portals related to the labour market. Profiles were created to promote corporate events and present emerging job offers.

Together with universities and secondary schools, we organised meetings for students, during which we shared our knowledge about the labour market, but also introduced the nature of work in the companies of our Group.

In the School Complex in Nowa Sarzyna, the idea of a chemical class is continued under the patronage of the Rzeszów University of Technology and CIECH Sarzyna. A modern chemical laboratory, attractive subject matter and form of classes are designed to develop students' passion for chemistry studies, and in the future - to open the door to their dream universities and enable them to find an interesting job.

5.6.11. Communication with Employees

WE ENGAGE OUR EMPLOYEES THROUGH COMMUNICATION ACTIVITIES AND SUPPORT EMPLOYEE INITIATIVES

Communication activities during the transformation of the organisation are key to ensuring the Employees' sense of security. Communication in production companies is divided into 3 channels: all online tools, traditional message carriers and direct communication.

In 2020, in the area of communication, we focused in particular on quickly reaching all Employees during the first months of the pandemic, which was our most important goal, i.e. effective communication and fast flow of information throughout the organisation.

ONLINE COMMUNICATION

On a period basis, twice a month, we communicate organisational changes taking place inside the company to our Employees at all levels of employment (personnel and reorganisation changes) and about initiatives that relate to the Group and current activities. In addition to written communication in the form of regular mailings and newsletters, we organise information meetings - Communications Day. These are quarterly meetings where, in addition to a dose of information about the current results of the company and the projects we are currently implementing, Employees have the opportunity to ask questions to which the speakers respond live.

TRADITIONAL (OFFLINE) COMMUNICATION

We place information leaflets for Employees about projects in special boxes located at production installations in our plants. The Operational Employees appreciated the introduction of short and practical project descriptions in the form of leaflets that you can take with you.

Since it is not possible to organise information meetings, during major reorganisation changes, Shift Managers are given information materials (answers to questions, guiding messages, etc.) by Shift Managers.

At the end of the year, we started a pilot of communication with Operational Employees through information screens that are suspended in common spaces in our two Production Plants. The first results allow us to build an information flow process and increase the number of screens in production spaces.

During the pandemic, we launched a radio hub, which had been closed for many years, in one of the most extensive production plants in the field. This solution worked great for short organisational messages for Operational Employees, especially during the most severe moments of the pandemic.

5.6.12. Activities to engage employees

We place emphasis on the traditions valued by our Employees. During Christmas, we distributed 3500 "goodie" bags to our Employees in Poland, Germany, Romania and Spain. Christmas bags were filled with sweets of Polish brands, thermal mugs or water bottles, and each Employee received a winter hat featuring the CIECH logo. Winter in our offices and plants was filled with various colours of pompoms on the hats on the heads of our Employees.

Chemist's Day is an important day for a chemical group. This year, a pandemic has prevented us from integrating during family picnics. However, as a symbol, we honoured the Chemist's Day with a chemistry knowledge quiz. There were 20 questions and those were not the easiest ones. As an award, 20 of our best chemists received a large bag with company gadgets.

We promote a culture of mutual appreciation. We have introduced a competition for our Employees, where we promote Employees' attitudes in line with the Group's values - the CIECH Value Hero. An Employee may nominate any other Employee to this award. Nominations are made by completing a questionnaire with a descriptive justification why the person concerned should receive a prize for demonstrating a specific value. A separate Jury in each of our locations (the composition of which includes Employees) casts its votes for selected Employees.

We support employee initiatives, such as integration and sports campaigns “Wiosła na Wisłę” (“Paddle on the Vistula”) or the company’s football team.

5.6.13. Relations with the social counterparties

There are over **a dozen trade unions in the CIECH Group, associating approx. 60% of Employees**. Each of them operates in at least one company, and most of them operate in CIECH S.A. We know that good cooperation with trade unions initiates changes that may affect the state and conditions of employment in the Group, therefore good relations with the social counterparties are one of the priorities of the management staff.

Especially during the pandemic, we talked intensively with the Social Side, agreeing our joint actions towards Employees. We have regular meetings with all trade unions.

In December 2020, the companies where the Company Social Benefits Fund is operated concluded agreements with the social counterparties, under which their Employees received the so-called holiday (Christmas) benefits.

5.6.14. Figures and indicators

Towards the end of 2020, the CIECH Group employed 3415 persons: 2611 and 804 men and women respectively.

	2020			2019		
	Men	Women	Total	Men	Women	Total
CIECH Group employees	2611	804	3415	2814	891	3705

Table 6. Employment in the CIECH Group by gender

Age	2020		2019	
	Men	Women	Men	Women
Under 30	292	123	323	145
30-50 years	1294	447	1427	462
over 50	1025	234	1064	284
TOTAL	2611	804	2814	891

Table 7. Employment in the CIECH Group by age

Contract type of employment	2020		2019	
	Men	Women	Men	Women
Employment contract for indefinite period	2077	588	2515	761
Employment contract for a definite period (incl.: trial period, understudy, practical job placement)	534	216	299	130
TOTAL	2611	804	2814	891

Table 8 Employment in the CIECH Group by contract type

Employment type (related to hours of employment)	2020		2019	
	Men	Women	Men	Women
Full-time	2575	788	2808	872
Part-time	36	16	6	19
TOTAL	2611	804	2814	891

Table 9 Employment in the CIECH Group by type

	2020	2019
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Employment area	Men	Women	Men	Women
OHS	7	6	4	5
Controlling, Accounting, Finance	50	106	32	74
Power sector	167	7	169	8
Other	113	89	177	48
Investments	34	13	30	8
Quality Control	20	163	11	126
Logistics/Warehouse	163	36	107	33
Environmental protection	6	7	3	7
Production	1527	170	1155	126
Sales and marketing	64	73	65	78
Maintenance	364	21	207	16
Purchases	42	28	26	32
Management, Administration, HR, IT	54	85	32	82
TOTAL	2611	804	2018	643

Table 10 Employment in the CIECH Group by area

Employment level	2020		2019	
	Men	Women	Men	Women
Executive managers				
<i>Below 30</i>	1			1
<i>30-50 year</i>	12	3	10	
<i>powyżej 50 lat</i>	6		2	
Middle managerial staff and experts				
<i>Below 30</i>	1	3	13	3
<i>30-50 year</i>	86	34	150	59
<i>Above 50</i>	43	12	99	11
Non-production operational positions				
<i>Below 30</i>	65	48	60	90
<i>30-50 year</i>	411	322	198	192
<i>Above 50</i>	237	138	133	116
Production operational positions				
<i>Below 30</i>	259	38	141	21
<i>30-50 year</i>	773	100	619	78
<i>Above 50</i>	717	106	593	72
TOTAL	2611	804	2018	643

Table 11 Employment in the CIECH Group by level

	2020		2019	
	Men	Women	Men	Women
Newly engaged employees	350	97	306	105

Table 12 Newly engaged employees

	2020		2019	
	Men	Women	Men	Women
Employee departure	626	225	428	134

Table 13 Employee departure



OUR ENVIRONMENTAL IMPACT

6. Our impact on the environment

For the CIECH Group, an important issue in the area of environmental protection is maintaining the technology regime and high quality of products, but also minimising negative impact on the environment by limiting emission of pollution to the atmosphere, waters and soil, rational waste management and optimisation of energy consumption per one tonne of the output.

Environmental issues are a priority for the CIECH Group, which was reflected in the development and implementation of a Uniform Environmental Policy in 2016. Pursuant to the Policy, all companies of the Group are required to comply with applicable environmental law regulations, reduce air emissions and the amount of wastes produced, utilize natural resources in a rational manner and combat climate changes through CO2 reduction, and to maintain good social relations in communities where business activities are conducted.

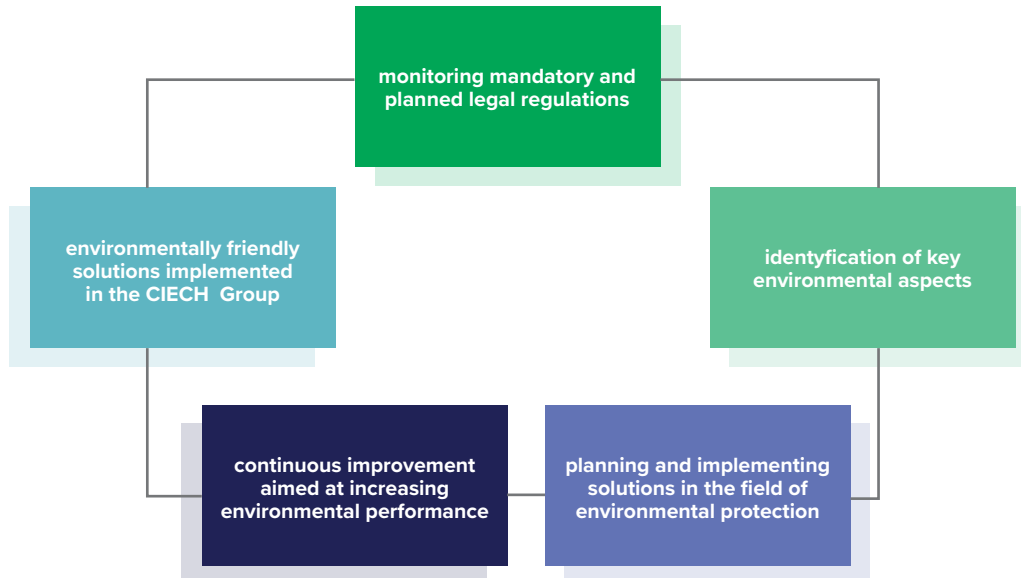


Figure 20 Environmental Management System within the CIECH Group

During the last several years, the CIECH Group has implemented a number of investment projects in the soda segment to support the protection of atmosphere, including:

- reduction of dust emissions from the Group’s CHP Plants by modernising ESPs,
- reduction of nitrogen oxide emissions from the Group’s CHP Plants by constructing flue gas denitrification units,
- reduction of nitrogen dioxide emissions from the Group’s CHP Plants by constructing flue gas desulfurisation units,
- a comprehensive modernisation of the dust removal system at the Lime Furnace Facility in Janikowo.

At present, the Group continues to carry out further projects in the scope of, among others, reduction of CO2 emissions, reduction of energy consumption and reduction of noise emission.

Production plants of CIECH Group operate under required permits and administrative decisions. The majority of production companies within the CIECH Group have implemented environment management systems in conformity with ISO 14001 regulations.

The National Transitional Plan (PPK), applicable to plants that produce energy and steam (CHP plants), extended the deadline to adjust LCP (Large Combustion Plant) systems to new standards, until 30 June 2020 at the latest.

As of 1 July 2020, plants that produce energy and steam are required to observe very restrictive emission standards for dust (20-25 mg/Nm3), sulphur oxides (200-250 mg/Nm3) and nitrogen oxides (200 mg/Nm3) emissions introduced for large combustion plans (LCP).

Work is currently underway to bring steam and power generation plants into compliance with the LCP BAT Conclusions, which will come into force as of 17 August 2021. The new emission limits will be as follows: for dust – 15–20 mg/Nm3, for sulphur oxides – 130–200 mg/Nm3; and for nitrogen oxides – 150–180 mg/Nm3. In addition, for sources with a rated capacity of more than 300 MW, mercury emissions must be measured on a continuous basis.

In the area of regulations related to the emission trading scheme, intensive work was carried out in 2020 to update the benchmarks. Their values will affect the calculation of the free allocation of CO2 emission allowances in the period 2021-2025.

Legal status of environmental use

Companies of the CIECH Group carry out their operations based on current administrative decisions regulating the manner and the scope of environmental use. All CIECH Group companies operating IPPC installations have obtained integrated permits.

Company	Permit for	Validity period
CIECH Soda Polska S.A. Zakład Produkcyjny w Inowrocławiu	Integrated permit for installation to manufacture soda and soda derived products.	Indefinite
CIECH Soda Polska S.A. Zakład Produkcyjny w Janikowie	Integrated permit for installation to manufacture soda and soda derived products.	Indefinite
CIECH Soda Polska S.A. Zakład Energetyczny w Inowrocławiu	Integrated permit for heat and power station's installation (4 OP-110 boilers).	Indefinite
CIECH Soda Polska S.A. Zakład Energetyczny w Janikowie	Integrated permit for heat and power station's installation (3 CKTI boilers and 2 OP-140 boilers).	Indefinite
CIECH Soda Deutschland GmbH & Co. KG	Integrated permit for installations to manufacture light and dense sodium carbonate, and sodium bicarbonate.	Indefinite
CIECH Energy Deutschland GmbH	light and dense sodium carbonate, and sodium bicarbonate.	Indefinite
CIECH Soda Romania S.A.	Integrated permit for installation to manufacture sodium carbonate.	12.09.2022
CIECH Sarzyna S.A.	Integrated permit for installations to manufacture crop protection products (MCPA i MCPP and esters from the esterification of phenoxyacids).	Indefinite
CIECH Żywiec Sp. z o.o.	Integrated permit for installations to manufacture unsaturated and saturated polyester resins, epoxy resins, curing agents for epoxy resins, phenol-formaldehyde resins, Flodur	Indefinite
CIECH Vitrosilicon S.A. Zakład w Żarach	Integrated permit for installations to manufacture sodium silicate glass and potassium silicate glass.	Indefinite
CIECH Vitrosilicon S.A. Zakład w Łłowej	Integrated permit for installations to manufacture water solution of sodium and potassium silicates (water glass), glass packaging and solid sodium silicate (glassy sodium silicate).	Indefinite
CIECH Pianki Sp. z o.o.	Integrated permit for installations to manufacture PUR foams.	Indefinite

Table 14: List of integrated permits held by CIECH Group companies

EU REACH Regulation

The REACH Directive binding from 1 June 2007 concerns safe usage of chemical substances produced or imported (from countries outside EU) in quantities of 1 tonnes annually or more. Producers and importers who put substances to turnover in the EU customs area were obligated to complete registration.

An up-to-date information on registrations in the CIECH Group in 2020 is provided below:

BU Soda;

- The REACH registration of two substances of CIECH Soda Romania S.A. was deactivated.

AGRO Segment

- The registration documentation of one substance was updated, the tonnage of substance registrations was increased.

The registration documentation updates for 2 substances in the Soda Segment and 2 substances in the Silicates Segment are scheduled for 2021.

6.1. Greenhouse gas emissions

6.1.1. Emission sources

The CIECH Group currently emits significant amounts of carbon dioxide into the atmosphere. The issue is related mainly to the Group's energy assets, which provide electricity and high-performance technological steam for production processes:

- Two coal-fired CHP plants (Inowrocław and Janikowo)
- Gas-fired heat and power plant (Stassfurt).

The emission sources include the processes themselves, namely:

- Sodium carbonate and sodium bicarbonate (Inowrocław, Janikowo, Stassfurt)
- Silicates (Żary, Ramnicu Valcea).

In addition, the Group is the owner or user of means of transport that emit greenhouse gases (including diesel locomotives, cars). Their impact on the Group's total emissions is negligible compared to the aforementioned categories.

The CIECH Group does not emit greenhouse gases other than carbon dioxide.

6.1.2. Management of this area

Reduced CO₂ emissions to the atmosphere is one of the main goals and challenges we face. We are aware of our responsibility to slow down and ultimately halt greenhouse gas-related climate change.

We are currently working on setting medium and long-term emission reduction targets that will be presented in 2021. According to preliminary analyses, the ambitious but realistic goal is to reduce CO₂ emissions (Scope 1 and 2) by about 1/3 by 2026 compared to 2019.

We intend to achieve this through:

- gradual replacement of coal with gas and other fuels in our CHP plants
 - the construction of a small gas unit in Inowrocław, consisting of a 16MWe turbine, a recovery boiler and a gas boiler, is currently underway. The investment will reduce our CO₂ emissions by about 40,000 tonnes per year. Completion is scheduled for the end of 2022.
 - Analyses are underway regarding the use of other gas sources
- joint ventures with other entities aimed at the use of thermal waste treatment installations for the production of process steam and electricity - such a model is currently successfully used in Stassfurt. The completion of projects planned for 2026 should reduce our emissions by approx. 490 thousand tonnes of CO₂ per year
- modernisation of the existing fleet of energy assets. The implementation of all projects in this area will reduce our CO₂ emissions by approx. 45 thousand tonnes per year, and finalisation is planned by the end of 2021
- process improvements and the effects of research and development. For example, in 2020, we launched an innovative method of capturing, concentrating and purifying carbon dioxide in the sodium carbonate production process. The installation was built in cooperation with the Institute for Chemical Processing of Coal (IChPW) and enables the reduction of carbon dioxide emissions by at least 5,000 tonnes per year.
- Portfolio of smaller projects - over 40 energy efficiency initiatives (e.g. replacement of lighting, modernisation of devices) and process. Individual projects will be finalized systematically, and the total reduction of emissions as a result will reach approx. 75 thousand tonnes of CO₂ per year.

In the longer term, further reduction of emissions will require the use of technologies that are currently at various stages of development, such as, for example, hydrogen combustion or co-combustion, energy storage, small nuclear reactors, large-scale carbon capture and storage or others. We are currently unable to determine which of them will be best applicable for these purposes. We are analysing different scenarios of technological development and running our own projects in order to be ready to implement the most effective solutions available on an industrial scale.

6.1.3. Figures and ratios

	2020	2019
From electricity and heat production	2 003 227	2 091 691
<i>Ciech Soda Polska</i>	1 558 318	1 664 857
<i>Ciech Energy Deutschland</i>	444 677	426 834
<i>emissions from electricity and heat for own needs</i>	289 584	278 468
<i>emissions from sold electricity and heat</i>	155 093	148 366
<i>Ciech Soda Romania</i>	232	0
From production processes	579 260	759 262
<i>Ciech Soda Polska</i>	403 046	476 326
<i>Ciech Soda Deutschland</i>	160 767	148 880
<i>Ciech Soda Romania</i>	1 909	120 339
<i>Ciech Vitrosilicon</i>	13 538	13 717
From means of transport	1 526	1 504
<i>Ciech Cargo (combustion locomotives)</i>	1 526	1 504
Total Scope 1	2 584 013	2 852 457

Table 15 CO2 emissions - Scope 1

	2020	2019
<i>Ciech Soda Polska</i>	133 745	162 974
<i>Ciech Soda Deutschland</i>	0	0
<i>Ciech Soda Romania</i>	3 800	396 682
<i>Ciech Vitrosilicon</i>	11 024	15 901
<i>Ciech Cargo (combustion locomotives)</i>	6 685	7 824
Others	8 970	13 903
Total Scope 2	164 225	597 284

Table 16 CO2 emissions - Scope 2

	2020	2019
Total Scope 1 and 2	2 748 248	3 449 741

Table 17 CO2 emissions - Scope 1 and 2 in total

	2020	2019
Emissions covered by the ETS	2 582 497	2 853 576

Table 18 CO2 emissions – Emissions covered by the ETS

6.2. Energy management

6.2.1. Energy assets of the CIECH Group

6.2.1.1. CIECH Soda Polska:

Inowrocław CHP plant with a total thermal capacity of 356 MWt, equipped with four steam boilers supplying steam to three back-pressure turbine sets (TPP) with a total generator power of 37.4 MWe. The heat generated in cogeneration comes from the combustion of hard coal.

Janikowo heat and power plant with a total achievable thermal capacity of 405.55 MWt, equipped with five steam boilers supplying steam to five back-pressure turbine sets (TPP) with a total generator power of 56.0 MWe. The heat generated in cogeneration comes from the combustion of hard coal.

CIECH Soda Polska S.A. CHP plants coal-fired, meet environmental requirements (IED directive) thanks to the operation of flue gas desulphurization and denitrification installations.

In addition, CIECH Soda Polska, as an energy company, in addition to energy activities consisting in the production of electricity and heat, also acts as a distribution system operator (DSO) on its own network.

6.2.1.2. CIECH Energy Deutschland:

The Stassfurt heat and power plant, with a total thermal capacity of 553 MWt, equipped with two gas turbines with heat recovery boilers and two gas boilers and supplies one back-pressure turbine set (TPP). The total installed capacity of the generators is 134 MWe. The heat generated in cogeneration comes from the combustion of natural gas.

The CIECH Energy Deutschland CHP plant is fired with natural gas and meets the environmental requirements (IED directive) without the need to build additional flue gas cleaning installations.

The production assets of the CIECH Group of soda companies were located in SODA Business Unit, due to technological connections (the main recipient of heat and electricity) and energy consumption of production processes. Operationally, CHP installations are organizational units in individual Companies supervised by the Energy Office.

6.2.2. Third-party sources for electric and thermal energy purchases

6.2.2.1. CIECH Soda Deutschland (Stassfurt)

The production plant in Stassfurt uses process steam and electricity from the nearby REMONDIS Thermische Abfallverwertung GmbH thermal waste treatment plant. In 2020, the CIECH Group obtained approx. 411 GWh of electricity and heat from this source, which enabled it to avoid the emission of approx. 90 thousand tonnes of CO₂ (assuming that energy would be replaced by that from its own CHP plant).

6.2.2.1. CIECH Soda Romania

The CIECH Soda Romania plant is currently in hibernation. Until the production was discontinued, it used the process steam produced in the assets of CET Govora, which uses lignite as fuel.

6.2.2.1. Agro - Ciech Sarzyna (Nowa Sarzyna)

The production plant of the Agro Business Unit, located in Nowa Sarzyna, obtains heat energy from the nearby modern Nowa Sarzyna heat and power plant using natural gas.

6.2.2.1. Other

In other cases, the source of electricity is in most cases a seller selected in a tender or having a natural monopoly (traction energy), and heat energy is a local supplier (network).

6.2.3. Energy efficiency

A very important element of the CIECH Group's operations is continuous improvement and increasing energy efficiency. Pursuant to the Energy Efficiency Act, projects aimed at improving energy efficiency are submitted to the Energy Regulatory Office for the issue of energy efficiency certificates, known as "White Certificates", which are traded on the Polish Power Exchange (TGE). Completed tasks involving, among others, on the modernisation of drives, replacement of insulation and reduction of energy consumption in technological processes.

In 2020, we sold energy efficiency certificates on TGE in the total amount of 8,366 toe (tonnes of oil equivalent), corresponding to energy savings of approx. 97,300 MWh. Sales revenue amounted to approximately PLN 16.5 million. The efficiency improvement programme will be continued in the coming years.

In addition, in 2020 some of the Group's companies received support as energy-intensive enterprises in accordance with the RES Act - this meant a reduction of the RES obligation for Ciech Soda Polska to 60% and for Ciech Vitrosilicon to 80% respectively, in the total amount of approximately PLN 2 million. These companies also received the support in 2020 due to them for 2019 in accordance with the Act on the compensation system for energy-intensive sectors and subsectors, in the total amount of PLN 10.7 million.

CIECH Soda Polska, as a company consuming more than 100 GWh of electricity, makes settlements with the energy seller in terms of the obligation to provide electricity with the so-called "White Certificates" in accordance with article 15 of the Energy Efficiency Act by sending a declaration on the implementation of a task confirmed by an energy efficiency audit. For 2020, a declaration was issued for 217 tonnes, corresponding to energy savings of approximately 2,525 MWh and savings in the cost of energy purchase in the amount of

PLN 0.4 million.

Additionally, in accordance with the “Energy Prices Act”, CIECH Soda Polska and CIECH Sarzyna received compensation as energy sellers to end users (in accordance with the electricity trading authorisations held by them) for the second half of 2019 in the total amount of approx. PLN 0.3 million. For the second half of 2019, CIECH Sarzyna and CIECH Pianki, as end recipients, received de minimis co-financing in the amount of approximately PLN 0.1 million.

The total savings in energy purchase expenses and additional revenues as a result of the implementation of energy efficiency improvement tasks for 2020 amounted to approx. PLN 30 million.

The aforementioned tasks are performed in the CIECH Group companies, which are supervised by the Chief Energy Expert (Management Board Representative for Energy).

6.2.4. Figures and ratios

	2020	2019
Energy factor balance (used raw materials) [GJ]	27 044 049	27 663 392
<i>Hard coal (CHP) [GJ]</i>	<i>17 095 377</i>	<i>18 005 457</i>
<i>Natural gas [GJ]</i>	<i>9 948 672</i>	<i>9 657 935</i>
Energy factor balance (produced and purchased energy) [GJ]	26 295 080	29 351 425
Energy factor balance (produced and purchased energy) [MWh]	7 304 189	8 153 174
<i>Electricity [MWh]</i>	<i>1 419 456</i>	<i>1 498 912</i>
<i>Heat [MWh]</i>	<i>5 884 733</i>	<i>6 654 262</i>

Table 19 Energy consumption within the CIECH Group



6.3. Water resource management and sewage management

The production processes of the CIECH Group companies consume water directly from natural sources and municipal water supply systems.

In the companies of the CIECH Group, water from natural sources is used both for production and energy needs. In order to restrict its consumption, the plants operate closed water circuits.

Post-production wastewater is discharged into natural water systems or into the municipal sewage system. The wastewater parameters do not exceed the specified permissible values in the permits.

In order to ensure compliance with regulations and minimise the impact on water resources, we regularly monitor the quality of groundwater, incl. groundwater near our plants, especially in terms of salinity and chloride content.

Water consumption [m3]

	2020	2019
Total water consumption	34 455 540	44 690 437

Table 20 Total water consumption

Wastewater discharge [m3]

	2020	2019
Total wastewater discharged	35 752 588	44 690 437

Table 21 Total wastewater discharged

6.4. Air quality

Gas and dust emissions are monitored by the installed continuous monitoring systems (combined heat and power plants) and periodic measurements of other emitters.

The emissions were reduced by modernising the installations and installing flue gas desulphurisation and denitrification systems.

	2020	2019
Nitrogen and sulphur oxides and other	12 818	18 625

6.5. Waste and hazardous substance management

The amounts and types of waste are monitored on an ongoing basis. Reduction targets have also been set for the entire CIECH Group. Reducing the amount of waste generated by 15% by 2025, and 16% compared to 2019.

Hazardous waste [Mg]

	2020	2019
CIECH Group	589	833

Table 22. Amount of hazardous waste produced in 2020 (estimated values)

Waste other than hazardous (excluding municipal waste) [Mg]

	2020	2019
The CIECH Group	512 031	1 049 671

Table 23. Amount of non-hazardous waste (excl. municipal waste) produced in 2020 (estimated values)



OUR ENVIRONMENT

7. Our environment

7.1. Membership in organisations

7.1.1. UN Global Compact

The CIECH Group has been a member of the United Nations Global Compact since 29 July 2020. In our decision to join this initiative, we do not only want to draw on the current knowledge and experience of this international organisation in the area of sustainable development, but also intend to bring our own extensive experience in activities for climate protection, especially in the areas of energy and minimising the impact of production on the environment.



Global Compact
Network Poland

10 UN Global Compact Principles

Human Rights

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

Labour

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

Environment

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

Anti-Corruption

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

All UNGC Principles are reflected in our internal regulations. We also intend to actively promote them with our business partners - as of 2021, our partners will be required to comply with the Business Partner Code prepared by us, which will be confirmed by the relevant clauses incorporated into binding agreements.

In addition, all companies of the CIECH Group joined the Declaration of Adoption of the United Nations Ethical Programme Standard, thus committing themselves to comply with internationally recognised human rights and labour standards, according to which, in particular, they will be supporting and promoting the freedom of association within the CIECH Group and relations with the market environment, supporting the elimination of all forms of slavery and forced labour and contributing to the effective abolition of work by adolescents under 18 years of age.

7.1.2. Other associations and organisations in which the CIECH Group is engaged:

- Bilateral Polish-Romanian Chamber of Commerce and Industry,
- Polish Chamber of Chemical Industry,
- Employers of the Republic of Poland,
- "Polska Sól" (Polish Salt) Foundation,
- Polish Society for Human Resources Management,
- Chamber of Industrial Power and Energy Recipients,
- CEFIC - European Chemical Industry Council.

7.2. Relations with local communities

We make efforts to be a good neighbour and support local initiatives within the communities in which we operate through collaboration in the organisation of sports and cultural events as well as educational programmes. We implement charitable and voluntary projects, giving our employees the opportunity to actively participate in them.

In 2020, due to the ongoing pandemic and limitations in organising sports and cultural events, the CIECH Group allocated its energy and resources to supporting local communities and health services in the fight against the effects of the COVID-19 pandemic, which are presented in detail on page xx.

7.2.1. We support young talents

School Talent Academy



AKADEMIA SZKOLNYCH TALENTÓW

The “School Talent Academy” is a free, long-term support programme for children of employees of the CIECH Group, initiated by Sebastian Kulczyk. Programme participants will receive help from graduates

of the best universities in the world in developing their talents and skills and choosing the most favourable educational path. Advisers from the “Nativated” Foundation will prepare them for their final exams, and for studying at foreign universities in the United States and UK. The credibility of the programme is guaranteed by its partner - the “Nativated” Foundation, which promotes and supports the education of Poles at the best universities in Great Britain and the United States. The foundation has expert knowledge of the educational needs of students and school systems in the US, UK and other parts of the globe.

In September 2018, we started the recruitment process for the first year of the School Talent Academy in the Polish plants of the CIECH Group. The intensive information campaign was well received by our employees. As a result, dozens of employees’ children signed up for the programme, out of which ten winners were selected. In 2020, the first participants of the Academy made their attempts to enter their dream universities abroad.

In October 2020, the first participant of the programme began her studies at the prestigious University of Southampton, at the faculty of “Biomedical Sciences”. A gifted graduate of Jan Kasprówicz Upper-Secondary School No. 1 in Inowrocław used the support of advisors and tutors to improve her English language, broaden her knowledge and horizons, and – prepare perfectly to apply to UK universities, as a result of which she was invited to prestigious universities in the United Kingdom. Due to her impressive achievements and scientific successes, the student also became the first scholarship holder of the “School Talent Academy” and obtained financial support for the duration of her studies.

In 2021, two more participants will take their secondary school-leaving examination and attempt to enter their dream universities with the help of the School Talent Academy.

For more information go to www.akademiaszkolnychtalentow.pl

7.2.2. We support the largest charity fundraiser in Poland



In December 2020, the CIECH Group produced and donated 250 thousand top-quality filtering masks for the organisation of the 29th Final of Wielka Orkiestra Świątecznej Pomocy (the Great Orchestra of Christmas Charity - WOŚP). The masks reached 1362 staff groups preparing for the Final, which was held on 31 January 2021. Certified FFP2-class protective masks, with 94% filtration parameters, will ensure the safety of organisers and 120 thousand volunteers throughout Poland. At the end of November, the CIECH Group started the production of the highest quality protective masks in its production plant in Bydgoszcz. They are manufactured in 100% in Poland, and for their production, mainly raw materials from Polish manufactures were used. The complicated and meticulous certification process was also carried out in Poland by the authorised institution - the Central Institute for Labour Protection. The masks effectively protect the respiratory system against solid and liquid particles forming aerosols (dusts, fumes, mists) - as confirmed by the EN 149:2001 certificate awarded to them in the FFP2 protection class.

The WOŚP Foundation, enjoying great social trust in Poland, is a non-governmental organisation. It was founded in 1993 and since then it has organised each year, on the second Sunday of each January, a fundraiser, the WOŚP Finale. With the collected funds, the WOŚP Foundation purchases and donates top-of-the-class medical equipment to children’s hospitals in Poland. Today, their donations are the basis of modern equipment in all hospitals treating children throughout Poland. So far, WOŚP has raised over PLN 1.3 billion to support Polish medicine.

7.2.3. We support helping others and employee voluntaries

One of the initiatives started by our employees are colleague fundraisers for local institutions in need. At CIECH Soda Polska, fundraisers were held for the children's hospice, where we managed to collect more than PLN 4,000 and several dozen material gifts, as well as for the local orphanage and the "Dar Dziecka" Association, where we managed to collect all Christmas gifts for children and, in addition, almost PLN 3,500.

In other companies of the Group, we held fundraisers for local flood victims and took part in the Gaszyn Challenge social initiative.



7.3. STATE AID

In 2020, the CIECH Group companies continued publicly subsidised projects launched in previous years. Particularly intensive work was carried out by CIECH Salz Deutschland GmbH as part of the project to build a new salt production plant in Stassfurt, Germany (over EUR 11 million in funding awarded in 2017).

In June 2020, CIECH R&D Sp. z o.o. settled the project "Development by CIECH R&D sp. z o.o. in cooperation with Nicolaus Copernicus University in Toruń (subcontractor) of a globally innovative technology for ammonia brine carbonation allowing the increase of sodium efficiency in the sodium carbonate production process". CIECH R&D Sp. z o.o. received over PLN 370 thousand as the last tranche of the subsidy. A project aimed at reversing CO₂ in the soda production process was also implemented by CIECH R&D Sp. z o.o. for another year. The work carried out in 2020 resulted in the receipt of a refund in the amount of over PLN 330 thousand. The project will be continued in 2021. The company also continued the implementation of the project under the name of "Establishment of a Research and Development Centre of Ciech R&D Sp. z o.o.". The financial and material settlement of the aforementioned project will be carried out in 2021.

Smart Fluid Sp. z o.o. continued to carry out R&D works aimed at verifying in real conditions the thesis about the possibility of using shear thickened liquids for large-scale, economically viable production of material, which is a semi-finished product for manufacturers of widely understood clothing /protective elements/ sports accessories. The work completed allowed the company to receive a refund of more than PLN 440 thousand from a subsidy granted in the amount of more than PLN 5 million.

CIECH Soda Polska S.A. received a positive decision regarding the change of the commencement date of the project aimed at the development and implementation of anomaly detection methods and algorithms, predictive and prescriptive algorithms and the development of a neural metamodel to optimise processes at some nodes of the sodium carbonate production plant. The project will be launched in 2021, rather than in 2020, as originally planned. The company has also submitted an application for subsidy for the project entitled "Construction of a Gas and Steam Complex together with a recovery boiler on the premises of the Inowrocław Plant". The requested subsidy amount is over PLN 30.2 million.



MANAGEMENT WITHIN THE CIECH GROUP

8. Management within the CIECH Group

8.1. MANAGEMENT STRUCTURE

8.1.1. CIECH

The highest governing body of CIECH is the General Meeting of Shareholders, the powers and authorities of which arise from the Commercial Companies Code and the Articles of Association of CIECH. The procedure at the General Meetings of Shareholders complies with the Regulations of the General Meeting of Shareholders.

There is a Supervisory Board at CIECH, the powers and authorities of which are specified in the Articles of Association of CIECH, and its proceedings by the Regulations of the Supervisory Board. According to the Articles of Association of CIECH, the Supervisory Board shall consist of 5 to 9 members, appointed by the General Meeting of CIECH.

The Management Board of CIECH shall consist of at least two members appointed by the Supervisory Board. The President of the Management Board presides over the Management Board and coordinates its work. The President shall also have a decisive vote in adopting resolutions – where there is an equal number of votes for and against the resolution, the President of the Management Board shall have the casting vote.

CIECH S.A.'S MANAGEMENT BOARD



DAWID JAKUBOWICZ

President of the Management Board of CIECH S.A. since 10 September 2018

He has completed a Program for Leadership Development (PLD) at the Harvard Business School in Boston and holds the MBA title from the Georgia State University and the University of Economy in Poznań. A graduate of the Faculty of Economy at the University of Economy in Poznań.

Mr Dawid Jakubowicz is a member of the management board of Kulczyk Investments S.A. He joined Kulczyk Investments in 2010 and has since then been responsible for the supervision of the investment portfolio. He is an esteemed expert with the international operational experience in building the value of companies from the chemical, mining, energy, automotive and new technologies sectors.

Enlisted as a qualified auditor by the National Chamber of Statutory Auditors since 2014. In the past, he worked for international company KPMG Audyt, where he was responsible for audit of separate and consolidated financial statements of entities from many sectors.

Scope of responsibilities in CIECH S.A. – supervision over organisational units:

- HR and Administration Department
- Strategy Department
- Legal Department
- Compliance Department
- Internal Audit Department
- IR and ESG Director
- Corporate Supervision Department
- Strategic Organisational Project Department
- Public Relations Manager / Press Officer



MIROSLAW SKOWRON

Member of the Management Board of CIECH S.A. since 10 September 2018.

Mr Mirosław Skowron graduated from the Wrocław University of Technology, completed an MBA course at the Wrocław University of Economics, holds the MBA diploma awarded by the Gdansk Foundation for Management Development, and completed a course of Strategic Leadership Academy at the ICAN Institute, organized by the Harvard Business Review.

He is an expert with many years of experience in the energy, construction and mining industries. At the CIECH Group he is responsible, among others, for issues related to production, energy and maintenance. Previously, he was among others, the president of management boards of companies such as Przedsiębiorstwo Budowy Kopalń S.A. forming a part of the KGHM Group, Polimex-Energetyka Sp. z o.o., Energa Elektrownie Ostrołęka S.A. and Energa Invest S.A., as well as PGE Elektrownia Opole S.A.

Scope of responsibilities in CIECH S.A. – supervision over organisational units:

- Investment Department (including PMO and Power Engineering)
- Asset and Safety Management Department (including OHS)
- Environmental Department
- Quality Management Department
- Strategic Investment Project Department (GRAIN)
- Operational Excellence
- Logistics / S&OP Department
- CIECH R&D.



JAROSLAW ROMANOWSKI

Member of the Management Board of CIECH S.A. since 20 April 2020.

A graduate of the Faculty of Management at the Poznań University of Economics. He has completed a number of prestigious courses in international finance, risk management and business valuation.

He is a manager with long-standing experience in management of global organizations. An expert in the field of international trade, financing and project development. For years, associated with the raw materials sector. In 2003-2006 and 2017-2020, Jarosław Romanowski served as Vice-President of the Management Board, Chief Financial Officer at Tele-Fonika Kable S.A. From 2002 to 2016, he worked for KGHM Polska Miedź S.A., holding the positions of: General Director for Finance, General Director for Sales and Hedging, and from 2013 to 2016, he was the First Vice-President of the Management Board of KGHM Polska Miedź S.A.

Scope of responsibilities in CIECH S.A. – supervision over organisational units:

- Controlling Department
- Finance Management Department
- Accounting Department
- Tax Department
- Risk Department
- Branches (PL, DE, RO)
- Purchasing Department
- IT Department

8.1.2. The CIECH Group

The CIECH Group operates based on the Constitution of the CIECH Group (the “Constitution”), adopted by the Management Board of CIECH in March 2019. The Constitution is the highest-ranking internal legal act applicable to entities belonging to the CIECH Group, it is a specific agreement between the companies of the CIECH Group. The Constitution creates the foundations of the management system directing the activities of the CIECH Group to achieve the Interest of the CIECH Group. The interest of the CIECH Group is a benefit achieved not at the level of individual companies of the CIECH Group, but at the level of the CIECH Group - through the implementation of common strategic goals by CIECH, Business Unity and Companies that are not part of Business Units or constitute independent Business Units. The interest of the CIECH Group is consistent with the interest of CIECH shareholders.

The Constitution:

- governs mutual relations between entities of the CIECH Group
- identifies the sources of applicable regulations to which all entities of the CIECH Group shall adhere,
- sanctions the CIECH Group,
- introduces a BU-centric management model, and
- enables the adoption and implementation of Corporate Documents in CIECH Group companies

The main benefit of the Constitution is the introduction of a BU-centric management model in the CIECH Group. Business Units conducts operational activities based on product specialisation, and CIECH has a strategic and holding role. The Shared Services Centre (CIECH Services Sp. z o.o.) that is being created runs an auxiliary activity for the entire CIECH Group. In the BU-centric management system, decisions are made in Business Units or companies that are not a Business Unit and not part of any Business Unit, with the advisory and recommending participation of CIECH structures.

The benefits of the Constitution are corporate documents common to all companies of the CIECH Group (“Corporate Documents”), such as policies, regulations and general procedures. Corporate documents are prepared by CIECH, adopted by the Management Board of CIECH and then implemented directly in the companies of the CIECH Group. Corporate Documents define: the rules of organisation and conduct in the business process, the rules of supervising business processes, the scope of duties, tasks and competences in business processes.

One of the main Corporate Documents is the DoA (Delegation of Authorities) (“DoA”) Matrix. The DoA is an instrument used to support and monitor key business decisions within Business Units and Companies. The DoA defines the catalogue of key issues and the thresholds that require the participation of individual governing bodies and individuals in the decision-making process. The DoA identifies the individuals/governing bodies responsible for the decision-making process. Each company of the CIECH Group has its individualised Delegation of Authorities Matrix.

The Constitution defines the creation of collegiate bodies of the CIECH Group (“Collegiate Bodies”). Collegiate Bodies are appointed to carry out permanent tasks or specific projects or ad hoc tasks. The following permanent collective bodies operate in the CIECH Group: Executive Committee, Remuneration and Appointment Committee, Purchasing Committee and Investment Committee. Collegiate bodies have advisory and decision-making powers. Their decisions are binding on the Business Units and the companies of the CIECH Group.

The main permanent Collegiate Body is the Executive Committee. It is a Collegiate Body including members of the Management Board of CIECH, directors of the largest Business Units and directors of key CIECH departments. The main tasks of this Committee are:

- defining guidelines, goals and assumptions for the strategy of the CIECH Group and the strategy of Business Units and companies of the CIECH Group and issuing recommendations to the Management Board of CIECH regarding the approval of these strategies,
- support for the Management Board of CIECH in the supervision of Business Units and companies of the CIECH Group, and
- assessment of strategic risks and defining preventive and corrective actions, contingency plans in case these risks should materialise.

8.2. Management standards and compliance system

We strive to set standards in the area of modern management, innovation, high-quality products and cooperation with customers and business partners.

We operate in accordance with the idea of sustainable development, where economic, social and environmental issues are a key element of our business strategy, with particular emphasis on such areas as:

- relations with employees,
- occupational health and safety,
- environmental protection, and
- counteracting unlawful behaviour, including corruption.

These rules are set out in the Code of Conduct of the CIECH Group, which describes in detail the standards of conduct of the Group and its employees in individual areas.

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

Compliance System

The Compliance system has been operating in the CIECH Group since 2018. It is a set of procedures and systems designed to prevent legal risks. The Compliance System is to develop the regulations existing in the CIECH Group. It includes updated policies and procedures regulating labour, social, environmental, human rights and anti-corruption issues. The Compliance system is constantly updated to the dynamic regulatory changes and changes in the management system of the CIECH Group.

8.3. THE CODE OF CONDUCT OF THE CIECH GROUP

The Code of Conduct of the CIECH Group describes patterns of behaviour that are addressed to all employees of the CIECH Group - regardless of their position, length of service, form of the concluded contract and scope of duties. All employees of the CIECH Group are required to read the Code of Conduct, understand it and apply it as part of their daily duties. Particular responsibility in the application of the Code of Conduct rests with the management of the CIECH Group - by being a model of conduct and providing support and assistance in the event of doubts or violations of the rules of conduct.

The provisions of the Code of Conduct are also addressed to our clients, business partners, contractors and shareholders, because we are convinced that common values and principles constitute the foundation for effective cooperation and sustainable development based on respect for law and honesty.

We ensure compliance - this principle of conduct requires the employees of the CIECH Group to approach the performance of official duties based on the need to comply with the law, internal regulations and ethical standards in both social and professional relations.

We respect human rights - in the CIECH Group we know that the most important thing is human, therefore business ethics is of great importance, as it is permanently inscribed in our strategy and everyday work.

We respect free competition - effective and fair competition is the basis for the operation of the CIECH Group and therefore we can offer our customers the highest quality products and achieve the set business goals. All employees of the CIECH Group, with particular emphasis on the management staff, are obliged to comply with the rules of fair competition and to react in the event of violation of these rules, be it through internal activities in the CIECH Group, or by our contractors or partners.

We comply with stock exchange trading regulations and best practices - CIECH as a participant in stock exchange trading - is subject to Polish and international regulations on securities, compliance with which proves a responsible approach to regulatory authorities and capital market participants, as well as awareness of the value and numerous benefits that the CIECH Group it relates to the listing of shares.

We work in safe conditions - the companies of the CIECH Group are committed to improving the standards of conduct aimed at ensuring a safe working environment, because we are aware that safety is particularly important in production positions and in the case of employees who spend most of their working time driving motor vehicles.

We provide a work environment free from mobbing and other prohibited conduct - while performing our duties, we build friendly and partner relations together and we are open and friendly towards our colleagues. Providing a professional and friendly work environment also means that the CIECH Group companies will not tolerate any form of mobbing, harassment, incl. sexual harassment.

We counteract unlawful behaviour - we do not tolerate unlawful behaviour and monitor the work environment to prevent such behaviour and immediately eliminate the effects of such behaviour. We encourage employees to report unlawful behaviour.

We do not tolerate the presence of alcohol and intoxicants in the workplace - work in the CIECH Group requires conscious thinking and often the ability to react quickly - the safety of our co-workers or suppliers depends on it. We strictly forbid the use of alcohol and drugs in the workplace, as well as being under their influence at the time and place designated for the performance of official duties, and violation of these rules is a serious breach of employee duties.

We respect the natural environment - we make every effort to ensure that our actions are fully consistent and harmonious with the idea of environmental protection, while adhering to the principle that the activities of a modern and professional enterprise cannot stand in opposition to the standards applicable to respect for the common good of all people, which the natural environment undoubtedly is.

We do not tolerate any fraud or corruption - the CIECH Group unequivocally and consistently applies a zero-tolerance policy for all frauds and corruption - regardless of its form, therefore we show honesty in business activities and as part of daily duties in relations with customers, contractors, suppliers and colleagues. We require our contractors to accept anti-corruption clauses when concluding agreements.

We counteract a conflict of interest - we protect the activities of the CIECH Group from circumstances that may threaten the impartial and objective performance of official duties for the CIECH Group due to family, financial, personal, emotional reasons, political sympathies, economic interests or any other situations whose occurrence is or may constitute a loss for the CIECH Group. We require our counterparties to accept conflict of interest clauses when concluding agreements.

We protect information and secrets of the CIECH Group - we make sure that all employees of the CIECH Group exercise particular care when accessing and processing trade secrets, personal data, expertise (know-how) of the CIECH Group and information requiring reporting on the stock exchange against various threats, in particular related to with cybercrime.

We use company property responsibly within the working time - all persons, including employees of the CIECH Group, are obliged to protect the assets and resources of the CIECH Group entrusted to them against theft, loss and misuse.

8.4. List of internal procedures

Employee area

- Code of Conduct of the CIECH Group,
- Information Protection Policy of the CIECH Group,
- Procedure- Regulations of the operation of the Ethics Committee of the CIECH Group,
- Anti-fraud and anti-corruption policy of the CIECH Group
- Procedure- offering and accepting gifts and invitations within the CIECH Group,
- Procedure- Counteracting mobbing and discrimination in the work environment within the CIECH Group,
- Occupational Health and Safety Policy of the CIECH Group,
- Procedure- managing inspections of authorised bodies, services and authorities,
- Procedure for reporting violations of law, internal regulations and ethical standards applicable within the CIECH Group,
- Procedure- Detailed rules and procedure for compliance with the obligation of sobriety by employees within the CIECH Group.

Social area	<ul style="list-style-type: none"> ▪ Code of Conduct of the CIECH Group, ▪ Policy of Compliance with Competition Law within the CIECH Group, ▪ Intellectual Property Protection Policy of the CIECH Group, ▪ Information Protection Policy of the CIECH Group, ▪ Policy of Counteracting Conflicts of Interest within the CIECH Group, ▪ Anti-fraud and anti-corruption policy of the CIECH Group ▪ Procedure- managing inspections of authorised bodies, services and authorities.
Environmental area	<ul style="list-style-type: none"> ▪ Environmental Protection Policy of the CIECH Group
Respect for human rights	<ul style="list-style-type: none"> ▪ Code of Conduct of the CIECH Group, ▪ Intellectual Property Protection Policy of the CIECH Group, ▪ Information Protection Policy of the CIECH Group, ▪ Procedure- Counteracting mobbing and discrimination in the work environment within the CIECH Group ▪ Procedure for reporting violations of law, internal regulations and ethical standards applicable within the CIECH Group,
Anti-corruption	<ul style="list-style-type: none"> ▪ Code of Conduct of the CIECH Group, ▪ Policy of Compliance with Competition Law within the CIECH Group, ▪ Policy of Counteracting Conflicts of Interest within the CIECH Group, ▪ Anti-fraud and anti-corruption policy of the CIECH Group ▪ Compliance Policy of the CIECH Group, ▪ Procedure- offering and accepting gifts and invitations within the CIECH Group, ▪ Procedure for reporting violations of law, internal regulations and ethical standards applicable within the CIECH Group, ▪ Procedure- rules for monitoring and reporting Compliance Obligations within the CIECH Group, ▪ Procedure- Regulations of the operation of the Ethics Committee of the CIECH Group.

Table 24. List of internal procedures

8.5. Rules for reporting violations

The CIECH Group has implemented and maintains a Procedure for reporting violations of law, internal regulations and ethical standards applicable within the CIECH Group.

The procedure describes the rules for reporting any violations of law, internal regulations/procedures and ethical principles prevailing within the CIECH Group, in particular those contained in the Code of Conduct of the CIECH Group. Violation is understood as an actual or potential activity contrary to the law, regulations/procedures or ethical standards as in force within the CIECH Group. The CIECH Group provides fully anonymous and open communication channels for reporting such violations. Such fully anonymous reporting channel is provided by: Linia Etyki Sp. z o.o. This reporting channel enables contact with the whistleblower, while maintaining the anonymous nature of the notification report and any correspondence.

Each employee or associate, intern, volunteer, individual participating in the recruitment process, customer, shareholder and member of governing bodies of companies of the CIECH Group may report a Violation in any matter which, in the whistleblower's opinion, constitutes or may constitute a breach. The CIECH Group ensures protection and anonymity of the whistleblower. In special cases, the CIECH Group protects the whistleblower who is an employee of the CIECH Group against the action of the management, employees or any other persons violating the employee's rights, privacy or any other forms of retaliation. The process of reporting Violations and providing information related to the examination of a Violation report, analysis of Violations and carrying out the explanatory proceedings shall be strictly confidential.

Explanatory proceedings in cases of Violations of laws and regulations are carried out by the Compliance Officer of the CIECH Group, and in cases of violations of ethical principles and conflicts of interest – by the Ethics Committee of the CIECH Group, and when it comes to mobbing/discriminatory behaviour by the Committee for Counteracting Unlawful Conduct.

In 2020, there were 4 reports of the aforementioned violations. There were no reports of corruption-related violations.

8.6. Counteracting corruption and frauds

As an active participant of business transactions, the CIECH Group applies a policy of zero tolerance for any fraud and corruption, promoting activities based on ethical values and attitudes and compliance with the law regulating the issues of counteracting fraud and corruption wherever it conducts business. This approach builds and strengthens the reputation of the CIECH Group as a reliable partner acting in a responsible and transparent manner, gaining a competitive advantage based solely on market criteria: quality, price and through the innovative nature of the products, services and solutions offered. Any abuses, including corrupt behaviour, involve the risk of legal, financial and image liability by the Company, the management of the CIECH Group, and the employees themselves.

An anti-fraud and anti-corruption policy has been implemented which applies within the whole CIECH Group. As an appendix to this policy, the Group has developed a procedure for offering and accepting presents within the CIECH Group. The process of counteracting fraud and corruption in the CIECH Group consists in compliance with the requirements of this policy by all employees of the CIECH Group, regardless of the type of employment contract concluded and the entrusted position, as well as other stakeholders of the CIECH Group, including associates, suppliers, subcontractors and counterparties.

Under the procedure for offering and accepting gifts, we do not give any gifts to government officials. Giving or receiving a gift, as part of a business relationship, with a value exceeding PLN 200 gross, requires the consent of the immediate supervisor and the Compliance Officer of the CIECH Group. Giving and receiving a gift with a value exceeding PLN 200 gross must be recorded. The relevant gift register is maintained by the Compliance Officer of the CIECH Group.

CIECH Group employees may not accept any gifts, and in particular:

- from any counterparty or its related entities during negotiations, in connection with ongoing or planned negotiations,
- from any counterparty or its related entities in connection with the performance of the contract, including in particular, the work acceptance confirmation related thereto.

Employees who are responsible for making a decision in a specific case or participate in any capacity in the decision-making process related to a specific case, due to their role or official position, may not accept any gifts from counterparties associated with the case.

We require our counterparties to accept anti-corruption clauses when entering the tender procedure or when concluding contracts, in which they oblige themselves to adopt the Anti-Fraud and Anti-Corruption Policy of the CIECH Group.

8.7. Observance of human rights

At the CIECH Group, we place emphasis on promoting ethical values and behaviour aimed at observance of human rights among our stakeholders, predominantly our employees and counterparties. Accordingly, all companies of the CIECH Group joined the Declaration of Adoption of the Standard of the United Nations Ethical Program, thus committing themselves to comply with internationally recognised human rights and labour standards, according to which they shall, in particular, support and promote the freedom of association within the CIECH Group and relations with the market environment. support the elimination of all forms of slavery and forced labour and contribute to the effective abolition of work by adolescents under the age of 18.

- We comply with all applicable laws in terms of working hours, overtime, pay and other employer's benefits. Wages and salaries are paid in a timely manner, in accordance with the applicable "Remuneration Regulations".
- We give our employees the freedom to join or withdraw their membership in trade unions and/or employee representation of their choice.
- We appreciate a diverse, inclusive work environment, and do not discriminate against, or tolerate any discrimination, on the basis of gender, age, race, religion, disability, sexual orientation, origin or any other characteristic protected by law.
- We do not use any type of forced labour. Employees have control over their identity documents and do not pay any fees related to obtaining or maintaining their employment.
- Using any physical and/or mental force, including mobbing, is prohibited.

8.8. Competition protection

The Competition Law Compliance Policy within the CIECH Group defines rules aimed at protecting fair and healthy competition. In particular, as part of the observance of the principles of fair competition:

- we avoid making any kind of arrangements, without the consent and knowledge of our Legal Department, with entities from outside the CIECH Group, in the scope of pricing, sales and offer policies, production volume, costs and expenses as well as sales method. This restriction shall also apply to any contacts and information provided to all types of industry organisations, chambers of commerce, as well as expressing opinions on any other economic operator in a non-substantive manner,
- we treat as confidential any information on the pricing, sales and offer policies, and those that may be used to limit free competition, such as planned price changes, interest in participating in any tender and the content of the tender offer, and
- we treat our customers and business partners in a fair and respectful manner. We exclude practices of unjustified privileging, or blocking or limiting access to products from the CIECH Group's offer.

8.9. Counteracting conflicts of interests

The Policy of Counteracting Conflicts of Interest within the CIECH Group defines the principles of any action and measure aimed at excluding the possibility of a conflict of interest from the business operations of the CIECH Group. We assume that an employee is in a conflict of interest if, when acting for their own benefit or for the benefit of any other person or entity to whom they are obliged, they act against the interests of the CIECH Group. Such circumstances may threaten the employee's impartial and objective performance of official duties for the CIECH Group due to family, financial, personal, emotional reasons, as well as political affiliations, economic interests or any other situation the existence or occurrence of which is or may be detrimental to the CIECH Group.

In some cases, a conflict of interest may also be regarded as a manifestation of corrupt behaviour. Accordingly, the CIECH Group takes all steps in order to identify, clarify and manage cases of connections, relations, contacts, evidence of gratitude, as well as transactions or any other undertakings that may affect, directly or indirectly, the loyalty and impartiality of decisions made by the employees of the CIECH Group.

Where a conflict of interest exists, each employee of the CIECH Group shall immediately disclose such circumstances to their immediate supervisor or the CIECH Group Ethics Committee in order to make an objective and fair decision aimed at eliminating or solving the problem.

We require our counterparties to accept conflict of interest clauses when concluding agreements with them.

8.10. Compliance training

The Compliance Department of the CIECH Group carries out initial and periodic training in:

- the rules of the Code of Conduct of the CIECH Group,
- the management system within the CIECH Group,
- the anti-corruption and anti-fraud policy of the CIECH Group.
- procedures for offering and accepting gifts within the CIECH Group.
- using an anonymous channel for reporting violations (whistle-blowing)



Grupa CIECH

RAPORT NIEFINANSOWY

2020

ABOUT THIS REPORT

9. About this report

9.1. Methodologies forming the basis for preparation of this report

The non-financial report of the CIECH Group for 2020 was prepared in accordance with the Core Option of the international non-financial reporting standard, Global Reporting Initiative. It is the fourth non-financial report of the CIECH Group, which comprehensively presents our impact on social, employee and environmental issues. The previous non-financial report of the CIECH Group for 2019 was published on 31 March 2020.

9.2. Our stakeholders and the manner of interacting with them

In our operations, we exert a significant impact, both short-term and long-term, on our immediate and further environments. Analysing and assessing this impact enables us to we conduct a dialogue and obtain information on issues which are of interest to our stakeholders.



Figure 21 Stakeholders of the CIECH Group

We actively analyse which issues are of particular interest to our stakeholders, and we openly inform them about our actions in these issues and take their expectations into account.

In order to structure and organise our approach to stakeholder relevant issues, we have adopted the methodology and concept developed by SASB (the Sustainability Accounting Standards Board), which identified the most important ESG areas that should be reported. In addition, we analysed our interaction with different stakeholder groups and reviewed documents published by our stakeholders and their representative institutions.

Stakeholder group	Group characteristics	Forms of dialogue and obtaining feedback
Investors	<ul style="list-style-type: none"> ▪ individuals and institutions that have engaged, or are considering investing their capital, in the CIECH Group: shareholders (institutional and individual), potential shareholders as well as banks and other institutions on the debt capital market. ▪ individuals and institutions intermediating and supporting active participants of the financial market in the analysis and execution of investment decisions: brokerage houses and offices, industry-specific and financial media ▪ institutions organising and supervising the financial market, managing its infrastructure and participating in the process of establishing regulations: the Stock Exchange, the Polish Financial Supervision Authority and the Association of Stock Exchange Issuers 	<ul style="list-style-type: none"> ▪ Information obtained through direct contacts ▪ Analysis of ESG surveys and questionnaires sent to the CIECH Group ▪ Analysis of international non-financial reporting standards, especially GRI and SASB ▪ Analysis of the existing and proposed regulations and codes of good practice on the Polish market and abroad.
Employees	<ul style="list-style-type: none"> ▪ Individuals employed by the CIECH Group companies, regardless of the type and place of employment and position held ▪ In some cases, also individuals employed by suppliers and subcontractors of the CIECH Group (e.g. working at our production plants) ▪ Potential employees ▪ Former employees, especially people who retired from CIECH. 	<ul style="list-style-type: none"> ▪ Direct contacts ▪ Employee opinion survey ▪ Dialogue with trade unions and employee representation bodies ▪ Interactive communication day events providing with ability to directly ask questions to the Management Board ▪ Other internal communication tools
Customers	<ul style="list-style-type: none"> ▪ Current, potential and former customers ▪ In some cases, also our customers' clients 	<ul style="list-style-type: none"> ▪ Direct contacts ▪ Analysis of ESG inquiries, questionnaires and surveys sent to the CIECH Group ▪ Customer ESG strategies and reports ▪ Documents published by industry organisations in which our customers participate.
Suppliers	<ul style="list-style-type: none"> ▪ Suppliers, service providers and subcontractors. 	<ul style="list-style-type: none"> ▪ Direct contacts ▪ ESG strategies and reports of our suppliers ▪ Verification of compliance with our Code of Business Partners and ESG standards by our suppliers (underway)

Stakeholder group	Group characteristics	Forms of dialogue and obtaining feedback
Local communities	<ul style="list-style-type: none"> Communities at the locations of our production facilities Local authorities and local public administration 	<ul style="list-style-type: none"> Direct contacts Consultation processes
Future generations	<ul style="list-style-type: none"> All individuals and institutions who will be our stakeholders in a long, at least several decades, time perspective Represented through long-term policies of governments, international and supranational organisations and the activities of local, regional and global NGOs Analysis of programme documentation and communications from governments, international organisations and supranational NGOs. 	<ul style="list-style-type: none"> Analysis of programme documentation and communications from governments, international organisations and supranational NGOs. Tracking the results of scientific research and technical progress in areas similar to the activities of the CIECH Group.

Table 25. Forms of dialogue and manner of obtaining feedback on areas which are significant to our stakeholders

9.3. Materiality analysis

9.3.1. Process

In order to prioritise the areas included in the ESG, we carried out a detailed materiality analysis. The analysis was performed in December 2020. Accordingly, the resulting conclusions will be fully taken into account in the next edition of the report. At present, not in all areas that we have considered material, we have reliable data that could be presented.

When analysing materiality, we applied the SASB approach.



Figure 22 Materiality analysis for ESG areas within the CIECH Group

9.3.2. Results

Based on the materiality analysis described above, we have selected four areas of priority materiality and eight areas of high materiality.

Areas of priority materiality:

- Greenhouse gas emissions (GHG Emissions)
- Energy Management
- Water and Wastewater Management
- Employee Health and Safety.

Areas of high materiality:

- Air Quality
- Waste and Hazardous Material Management
- Community Relations
- Employee Engagement, Corporate Culture and Labour Relations
- Product Quality and Safety
- Business Ethics
- Management of the Legal and Regulatory Framework
- Critical Incident Risk Management

Priority materiality areas are of great interest to our stakeholders or have a very large impact on our current or future financial results. High materiality areas are also of interest to our stakeholders and have a financial impact, however, at a level noticeably lower than priority areas. The priority and high materiality areas are presented in this report. The exceptions include the areas of “Critical Incident Management” and “Regulatory Management”, which are currently being analysed within the Group, and the manner of their consistent presentation is subject to internal discussion. They will be described in the next edition of the report.

Those areas which do not classify as priority or high materiality areas have not been described in this report. This does not entail that they are not significant for the operations of the CIECH Group. It only means that according to our assessment, their presentation in this report would bring little benefit or informative value for our stakeholders.

9.4. Indexes

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9.5. Contact

For more information on the content described in this report, please contact our Investor Relations and ESG Director at: Przemyslaw.Wasilewski@ciechgroup.pl

STATEMENT OF THE MANAGEMENT BOARD

This Non-financial Report of the CIECH Group and CIECH S.A. in 2020 was approved by the Management Board of the Company on 22 April 2021.

Warsaw, 22 April 2021.

(signed on the polish original)

.....
Dawid Jakubowicz - President of the Management Board of CIECH Spółka Akcyjna

.....
Miroslaw Skowron – Member of the Management Board of CIECH Spółka Akcyjna

.....
Jaroslaw Romanowski – Member of the Management Board of CIECH Spółka Akcyjna



