

CIECH Group

# NON-FINANCIAL REPORT

2021



Ciech



wnp!AWARDS

	2021	2020	2021 vs. 2020		2019	2021 vs. 2019	
<b>Financial data</b>							
Sales revenues [PLNm]	3 460	2 976	484	16%	3 242	218	7%
EBITDA(N) [PLNm]	727	585	142	24%	639	88	14%
Net profit/(loss) [PLNm]	302	123	107	87%	105	125	119%
Net cash from operating activities [PLNm]	1 279	767	512	67%	535	744	139%
Net cash from investment activities [PLNm]	-707	-834	127	-15%	-411	-296	72%
Total assets [PLNm]	7 146	5 916	1 230	21%	5 171	1 975	38%
Net debt adjusted*[PLNm]	1 177	1 531	-353	-23%	1 443	-265	-18%
Net debt adjusted*/EBITDA(N) LTM [PLNm]	1,63	2,45	-0,82	-33%	2,19	-0,56	-26%
Market capitalisation (WSE) at the end of the year [PLNm]	2 213	1 697	516	30%	1 092	1 121	103%
<b>EU Taxonomy data</b>							
Turnover KPI (share of Taxonomy-eligible activities)	43%						
CAPEX KPI (share of Taxonomy-eligible activities)	43%						
OPEX KPI (share of Taxonomy-eligible activities)	63%						
<b>Non-financial data</b>							
Average annual number of employees	3 322	3 415	-93	-3%	3 705	-383	-10%
LTIF [standardised to 1 million hrs worked]	5,08	5,76	-1	-12%	5,88	-1	-14%
CO <sub>2</sub> emission, Scope 1 and 2 [Gg]	2 819	2 783	36	1%	3 454	-635	-18%
Energy consumption [TJ]	26 919	26 295	624	2%	29 351	-2 432	-8%
Total water intake [km <sup>3</sup> ]	34 768	34 456	312	1%	44 690	-9 922	-22%
Total compounds emission excl. CO <sub>2</sub> [Mg]	6 697	11 907	-5 210	-44%	18 258	-11 561	-63%
Non-hazardous waste [Gg]	524	512	12	2%	1 050	-526	-50%

\*Net debt adjusted based on credit facilities agreement

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

# 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 2021, 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. A special moment for our organisation was the publication of the first ESG Strategy in the history of our company. In the Strategy, we presented eight ambitious commitments of the CIECH Group to the world around us in the areas of natural environment, social issues as well as corporate governance and quality of management.

We combined the previously implemented initiatives related to the responsible approach to the issues of sustainable development with new projects suitable for the times in which we operate. This is how a single coherent plan was created, the implementation of which our stakeholders will

be able to monitor over the next years. The publication of the ESG strategy, “Chemistry for a Better World”, in an obvious way, influences the presentation of the content of this report, and in subsequent editions of this report, it will allow for regular monitoring of the progress in the implementation of individual objectives.

Due to the nature of our business, the goals of the ESG Strategy focus on environmental issues, gradual decarbonisation and supporting the idea of a circular economy. Objectives strengthening the areas of work safety, respect for diversity and human resources management initiatives, as well as best practices in the area of corporate governance are also of utmost importance.

As previously announced, in 2021 we introduced the Code of Conduct and the Code of the Business Partner of the CIECH Group. As part of global supply chains, we responsibly collaborate with such partners who share consistent values with us.

I am pleased to emphasise that thanks to our investments, our share of specialised products is growing, supporting the key goals described and supported by the United Nations. Soda for dialysis and pharmaceutical applications, innovative plant protection products, or in the near future - pharmaceutical grade salt - are examples of CIECH's contribution in facing the challenges of the coming years. And yet our basic product – soda ash – is used in today's key global issues related to renewable energy sources or electromobility.

There are new elements in the 2021 edition of the report, including comprehensive and in-depth analysis of the impact of the European Union Taxonomy on the activities of the CIECH Group and its environmental goals. The introduction of taxonomy regulations is a breakthrough in terms of openness and transparency, establishing clear criteria allowing for an activity to be considered compliant with the EU's environmental objectives. The production of sodium carbonate qualified to the list of activities covered by the taxonomy in the first year of its application.

An extensive part of the report also describes our quality management systems in the context of the safety of products manufactured by our Group.



As one of the first Polish companies, last year CIECH joined the globally recognised Science Based Target Initiative. This is an excellent example of the fact that we are looking for and implementing the best sustainable development practices, which is why we establish cooperation with organisations that not only help companies achieve their ambitious goals but also objectively and professionally verify the quality of actions taken by such companies.

Over the past year, we continued our activities in the area of Corporate Social Responsibility in the difficult conditions of the pandemic, such as providing external entities with protective masks manufactured at our plant in Bydgoszcz and supporting important social initiatives, including those indicated by our employees.

In 2021, we increased the scale of our involvement in projects important for local communities in their immediate vicinity. In the following years, we intend to transform these activities into a permanent practice, and at the same time, provide them with a uniform form in every location of our production plants.

We are changing the Group into a modern corporation with a global reach, operating in line with the idea of sustainable development, where financial and economic goals are implemented in harmony with the care for natural resources and the environment, and are supported by a wide range of socially important initiatives from the point of view of both employees and external stakeholders. An equally important goal is full transparency of our activities and impact on the environment, as well as the possibility of verification of our intentions by stakeholders.

This report offers a comprehensive description of the impact of the CIECH Group and our measures to enhance Corporate Social Responsibility. I kindly recommend reading the report.

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.



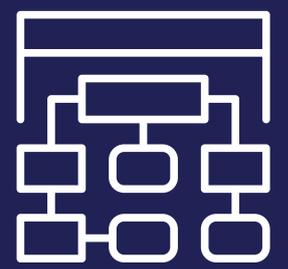
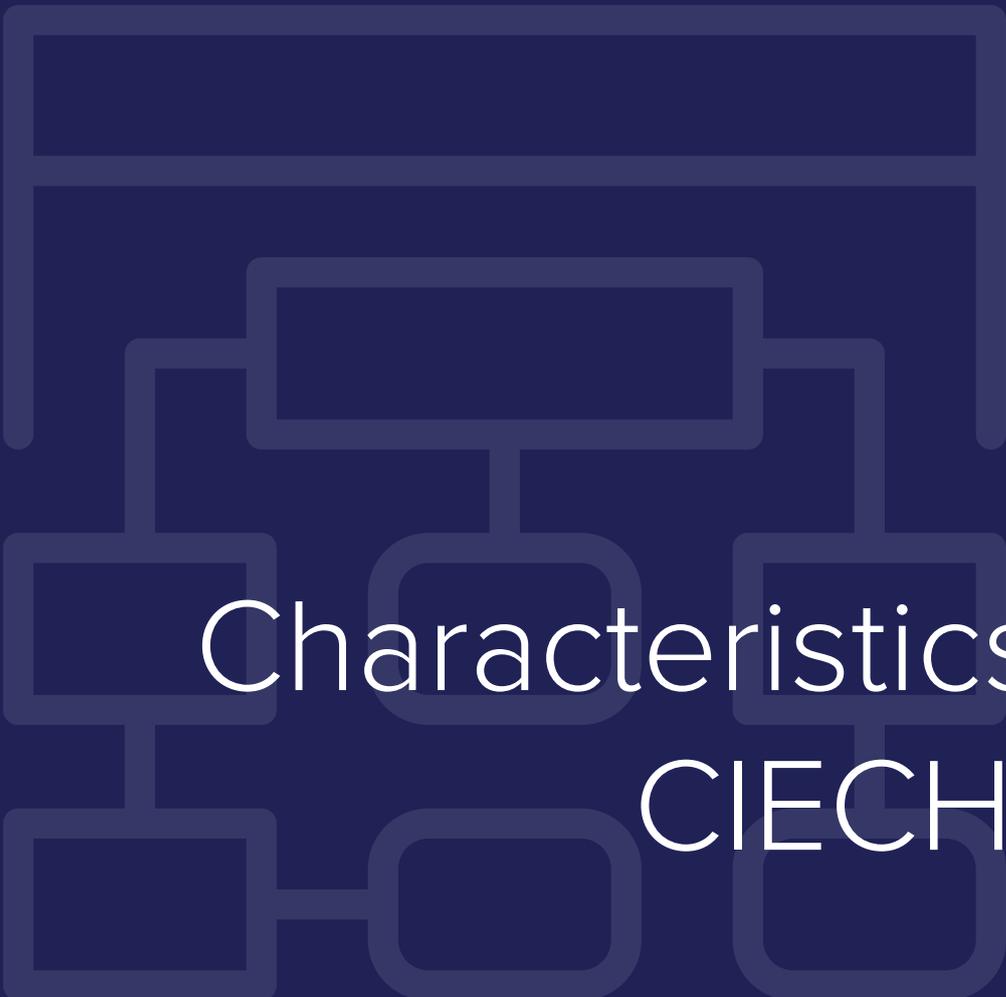
## DEVELOPMENT

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.

1



# Characteristics of the CIECH Group

# 1. Characteristics of the CIECH Group

The CIECH Group is a global chemical group of companies, focusing on promising markets.

The Ciech Group is an international, professionally managed group, with a well-established leader position in the chemical industry in Central and Eastern Europe. It manufactures products forming the basis for the production of articles necessary in the everyday life of people around the world - modern products with the highest world quality.

We are the second largest manufacturer of sodium carbonate and sodium bicarbonate in the European Union, one of the largest manufacturer of evaporated salt in Europe, 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.

The headquarters of the Ciech Group are 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. We employ over 3000 people throughout the EU.

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

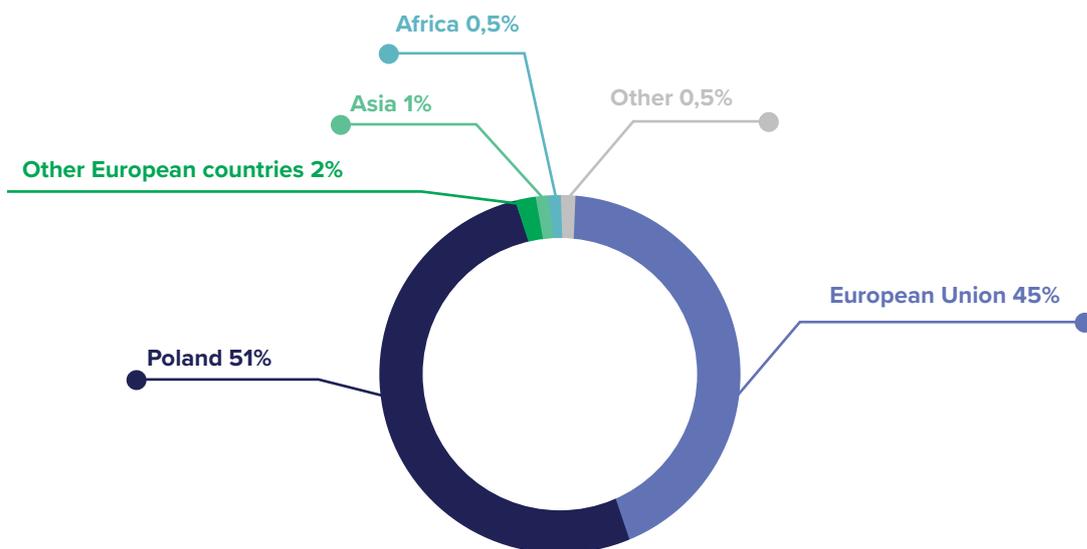


Figure 1. Geographical structure of the CIECH Group's revenues in 2021

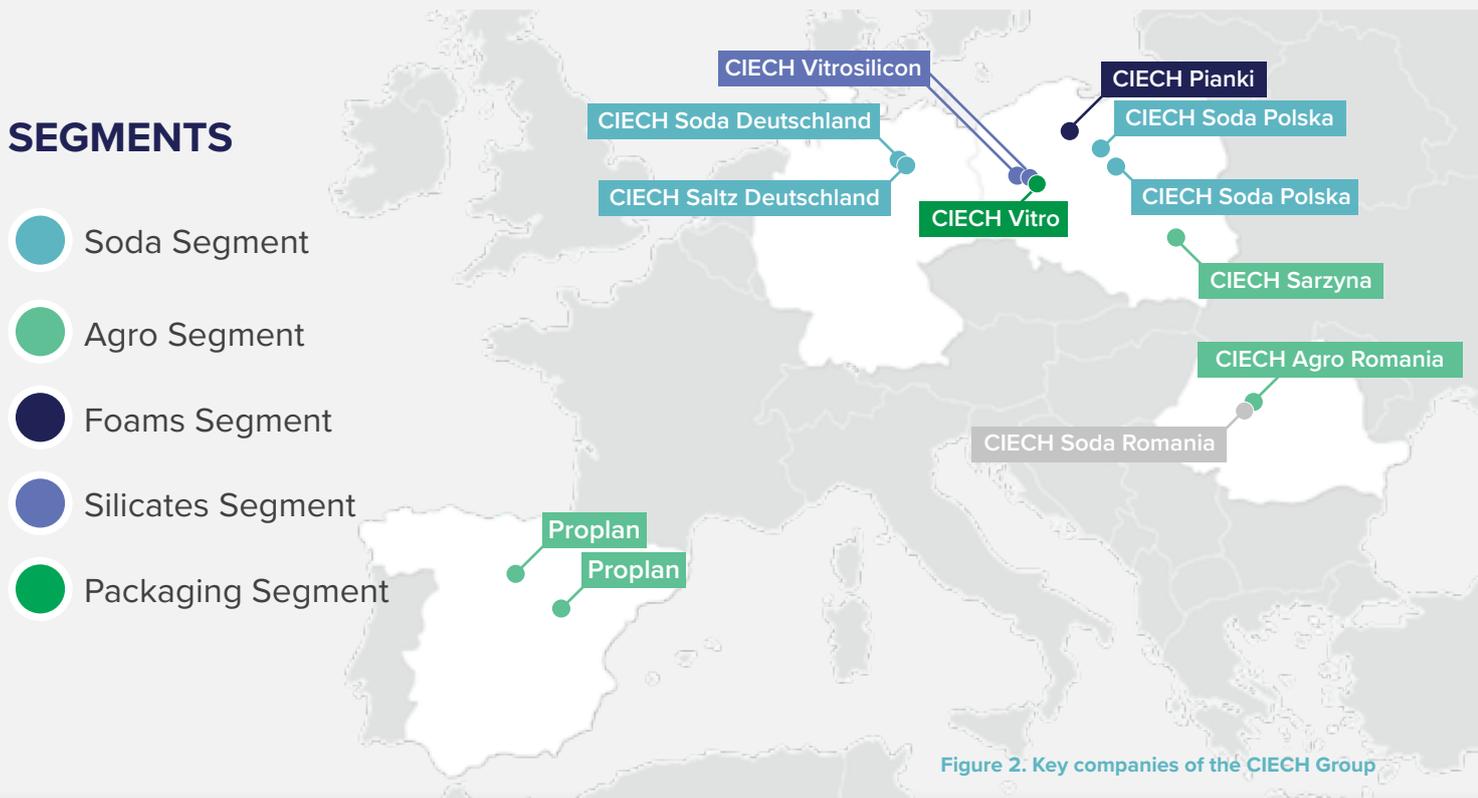
As at 31 December 2021, the CIECH Group comprised 41 business entities, including:

- parent company,
- 34 subsidiaries, of which:
  - 23 were domestic subsidiaries, and
  - 11 were foreign subsidiaries,
- 3 domestic affiliates,
- 1 foreign affiliate,
- 1 jointly controlled domestic entity,
- 1 jointly controlled foreign entity.

The parent company, CIECH S.A., has a branch in Romania, a branch in Germany, and operates through its offices in Inowrocław and Nowa Sarzyna.

The strategic and operational goals of the CIECH Group are realised within the organisational structure based on functional divisions, covering the functions of sales, production, purchasing and support.

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 manufactures also 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).



## 1.1. Business model

Our business model operates based on the Constitution of the CIECH Group, 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 Units 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:

- sanctions the CIECH Group,
- 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,
- 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 conduct 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.

## 1.2. Shareholders of the CIECH Group



**KULCZYK**  
INVESTMENTS

Since 2014, the main shareholder of CIECH S.A. is its long-term strategic investor - Kulczyk Investments.

It is an international investment group specialising in initiating and executing transactions in markets with the highest growth potential.

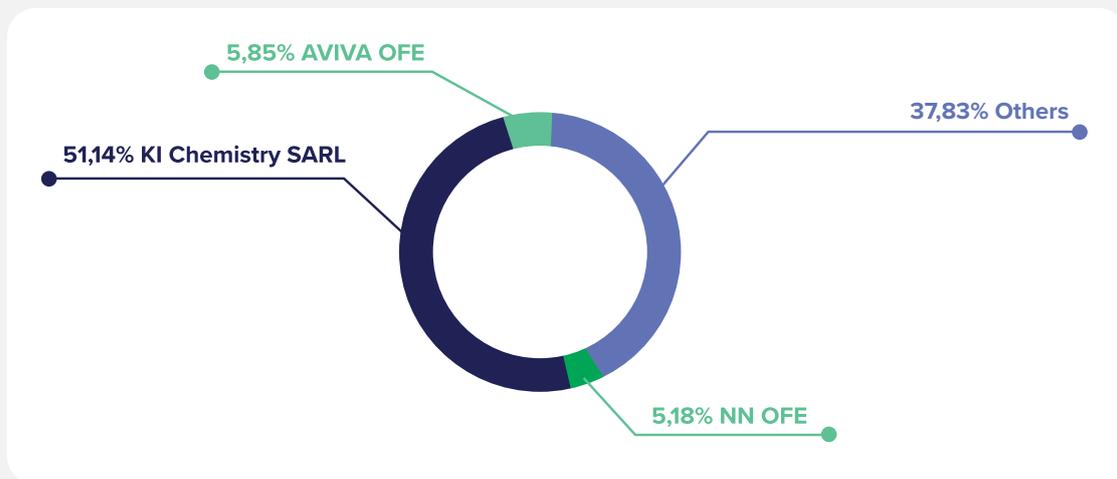


Figure 3. Shareholder structure of CIECH S.A. as at the date of publication of this report

Shares of CIECH S.A. debuted on the Warsaw Stock Exchange on 10 February 2005. In February 2011, the company finalised the issue of shares with pre-emptive rights, as a result of which it issued ordinary bearer shares - their first listing took place on 30 March 2011. Shares of CIECH S.A. are listed on the main market of the WSE in the continuous trading system.

On 23 August 2016, shares of CIECH S.A. were admitted to trading on the Frankfurt Stock Exchange and are listed on the regulated market there.

	2021	2020	2019
Number of shares	52 699 909	52 699 909	52 699 909
Closing price on the last trading day of the year (PLN)	42,0	32,2	39,7
Market capitalisation (WSE) at the end of the year (PLN million)	2 213	1 697	2 092
Maximum price in the year (PLN)	51,7	41,7	60,55
Minimum price in the year (PLN)	29,54	21,1	30
Average trading volume per session on the WSE (shares)	96 822	85 042	63 900
Average trading value per session on the WSE (PLN thousand)	3 801	2 702	2 859

Table 1. Basic information on CIECH S.A. shares

## Awards and distinctions granted in 2021 for activities related to communication with investors and presence on the capital market:



The financial statements of CIECH S.A. for 2020 were appreciated by the jury of the 16th edition of „The Best Annual Report”. The competition is organised annually by the Institute of Accounting and Taxes, and its aim is to promote annual reports prepared by companies listed on the Stock Exchange, with the highest utility value for investors and shareholders. CIECH received an award in this poll for the sixth time.

In this year’s edition of „The Best Annual Report”, the company was awarded by the „Rachunkowość” monthly for the continuous, high level of prepared financial statements in accordance with the IFRS/IAS guidelines (International Financial Reporting Standards or International Accounting Standards). This is the sixth award for CIECH S.A. in this prestigious competition. In recent years, the company received: the award for the best report on operations (2017 edition), the third main prize (2018 edition) and the distinction of the „Rachunkowość” monthly for the greatest progress in improving the quality of the financial statements (2019 edition).



CIECH won the first („diamond”) prize in the „ESG Leaders” competition, in the „Strategy” category, organised by the Warsaw Stock Exchange, PwC consulting company and NN Investment Partners TFI.

„ESG Leader” is a title awarded to companies and institutions that have implemented and maintain an outstanding ESG strategy, offer innovative products and services that have a positive impact on the environment, and conduct effective information and promotional campaigns in the area of sustainable development. The award is granted in three main categories: „Strategy”, „Innovation” and „Educational Programme”. In the first, the Committee assessed the ESG strategies adopted in the organisations in 2020 and 2021.



CIECH is among the companies distinguished by the WNP Awards - granted by the editors of the WNP.PL portal for people, institutions and enterprises that have a significant impact on positive economic transformations, indicating development directions to others, illustrating important trends in the economy with their activity.

In the justification, the competition organisers emphasised that the distinction was awarded „for making bold commitments and engagement in the implementation of an ambitious ESG strategy - especially in the area of reducing greenhouse gas emissions”.

2



Our products

## 2. Our products



Figure 3. CIECH Group products, the end use of which 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 86 percent of our revenues come from the sale of products whose end-use supports the achievement of the UN sustainable development goals.

## 2.1. Soda segment

The soda segment is the area with the greatest share in the Group's financial results. In 2021, it was responsible for over 81% 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.

### 2.1.1. Soda ash (Sodium carbonate - $\text{Na}_2\text{CO}_3$ )

**We are the second largest manufacturer in Europe.**

Currently, we produce sodium carbonate in Inowrocław, Janikowo and Stassfurt.

Production capacity: up to 2.6 million tonnes per annum\*.



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.

In addition, as a natural detergent, soda is used for the production of washing and cleaning products. Moreover, it is used in metallurgy and chemical industry, among others, to produce certain types of mineral fertilisers as well as dyes and pigments.

\*taking into account CIECH Soda Romania and sodium carbonate used in the production of sodium bicarbonate

There are two basic types of sodium carbonate:



**Dense soda ash** - used primarily in the production of glass.



**Light soda ash** - 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.

### Transportation of soda using a low-emission truck fleet

As part of its cooperation with the LPG Polonia carrier, the CIECH Group has started a large-scale transport of sodium carbonate and bicarbonate with the use of vehicles powered by liquefied natural gas (LNG), characterised by lower emissions – of both carbon dioxide, nitrogen oxides and sulphur, as well as PM 10. For this purpose, there is an LNG refuelling station on the premises of the Inowrocław plant. Low-emission transport is one of the initiatives implemented as part of the CIECH Group's sustainable development strategy, created in accordance with ESG standards (regarding care for the environment, society and corporate governance).

Built by LPG Polonia and approved for use by the Inowrocław County Office, the LNG station, located on the premises of the CIECH soda plant in Inowrocław, is one of the few facilities of this type in Poland. It is intended for use only by the fleet supporting the plant and will allow for continuous refuelling with liquefied natural gas. The station's capacity is approx. 70 refuelled vehicles a day. Trucks transporting sodium carbonate and bicarbonate from Inowrocław to the Group's customers in Poland complete nearly 10,000 journeys annually. The use of an ecological fleet and the transition to liquefied natural gas will contribute to the reduction of CO<sub>2</sub> emissions in the supply chain, the so-called indirect emissions (Scope 3), by approx. 60%. The contract with LPG Polonia guarantees the CIECH Group lower costs of transport by LNG-powered trucks than in the case of similar transport carried out by cars with diesel engines.



## 2.1.2. Sodium bicarbonate (NaHCO<sub>3</sub>)

**We are the second largest manufacturer of sodium bicarbonate in Europe.**

We produce it in Inowrocław and the super modern plant in Stassfurt.

Production capacity: up to 200 thousand tonnes per annum.



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 material used both by feed manufacturers and individual 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.

### 2.1.3. Production process 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.

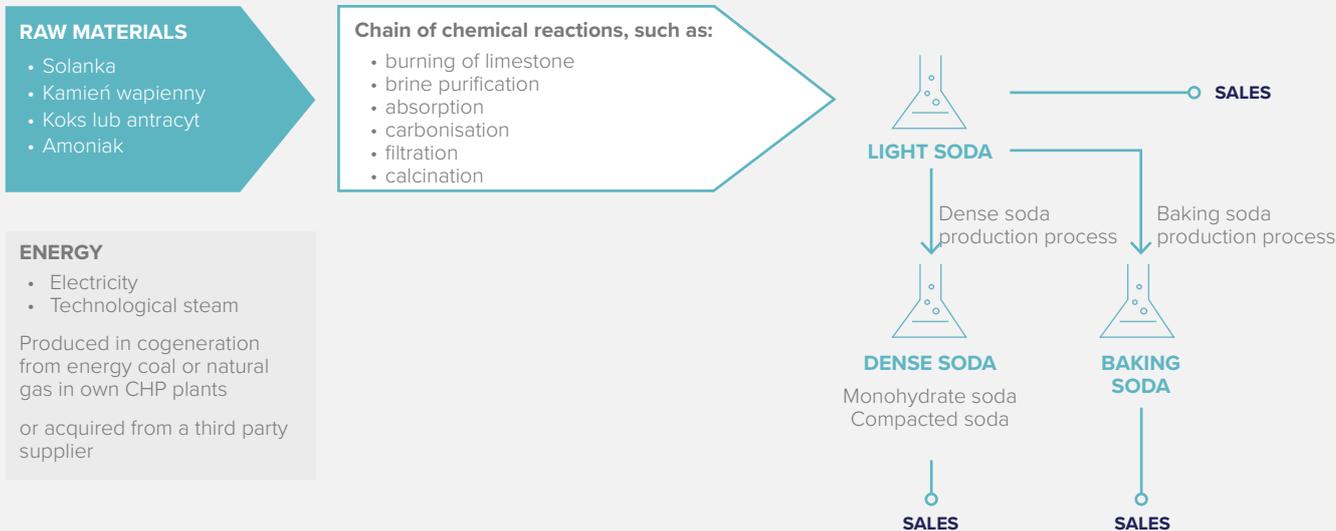


Figure 4. Simplified diagram of the soda production process.

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 CO<sub>2</sub> needed for the further steps of the process. 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, among others in the quality class complying with the requirements of the pharmaceutical industry.

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 5. Production capacity of the CIECH Group soda plants

## 2.1.4. Salt (NaCl)

### Currently produced in Janikowo and the super modern plant in Stassfurt

Total production capacity is approx. 950 thousand tonnes



Evaporated salt of which we are a producer is widely used in the following industries:

- Pharmaceutical - as a component of pharmaceuticals. The salt from the Stassfurt plant meets the stringent purity standards for products for medical applications. Currently, certification is underway, the completion of which will enable us to sell this product of the highest quality and purity.
- Food - on its own or as a component of supplements enriching the diet of wild and farm animals (cows, horses, sheep, goats and forest animals). In this case, the feed or lick salt is enriched with minerals (copper, cobalt, selenium, zinc, manganese, iodine).
- Water treatment and softening processes - thus contributing to the reduction of water, detergent and fuel consumption. It also extends the life of household appliances.
- Chemical industry and other heavy industry branches - mainly in electrolysis processes.

In 2021, the CIECH Group started the process of launching an investment in a evaporated salt plant in Germany, the production capacity of which is planned at the level of approx. 450 thousand tonnes of salt per year, which allows almost doubling the production capacity of evaporated salt in the Group. Commercial sales on a larger scale will begin in 2022. Thanks to this investment, we are among the 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 salt plant in Stassfurt is one of the most modern facilities of this type in Europe. Evaporated salt is 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-fired 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 comes 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 storage place. The new CIECH plant is also 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.

### 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.
- Salt products for medical applications are under preparation (including certification).
- At present, we are 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.

## 2.1.5. Salt production process

Evaporated salt is produced from salt solution originating from wet exploitation of natural rock salt deposits:



Figure 6. Simplified salt production diagram



Figure 7. Production capacity of the CIECH Group plants - salt

## 2.1.6. 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 ( $\text{CaCl}_2$ ) – 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 on the market. In addition, the CHP plant participates in stabilising the power grid and balancing renewable sources (it receives additional remuneration for this service)

## 2.2. Agro Segment – plant protection products

The CIECH Group is the largest Polish 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 participate 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.



The agro segment is the second pillar of the CIECH Group's business. In 2021, it generated nearly 16% 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.

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).

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.

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 Podkarpacie 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.

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 - Halvetic, 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.

As a result, this breakthrough solution allows for a significant reduction in glyphosate dose per hectare, up to 50% compared to competitor 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 is confirmed by numerous studies - carried out 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. Notably, the European Food Safety Authority (EFSA) issued a positive opinion.

## 2.3. Foams Segment

### 2.3.1. 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 2021 over 9% 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.

Work is currently underway on the use of recycled materials (re-polyols) and plant-derived raw materials (bio-polyols) in the production of foams.

### 2.3.2. 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 FFP3 class (we obtained certification in April 2021, before that, production was certified in the FFP2 class). The 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.

## 2.4. Silicates Segment



In 2021, 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 Howa 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.

The Silicates BU also includes the Ramnicu Valcea plant in Romania, which has capacity to produce glassy sodium silicates and sodium water glass.

Soda ash from our plants, high-quality sand from local suppliers and natural gas are the main raw materials used.



## 2.4.1. Extension of the production capacity of sodium silicates

At the beginning of November 2021, at the premises of the Żary plant, after successfully heating the furnace to a temperature of 1450 degrees Celsius and feeding the raw materials, the first batch of sodium silicate was produced in the form of the so-called glassy sodium silicate. It was the key point of the commissioning phase of the new plant for smelting glassy sodium silicate. The investment worth PLN 80 million increased the production capacity of the CIECH Group in the area of sodium silicates by approx. 30%, to approx. 240 thousand tonnes per year.

The new furnace is characterised by better performance and consumes less natural gas compared to the existing technology, and allows for the reduction of carbon dioxide emissions by approx. 20%.

Its construction commenced at the beginning of July 2021, and up to 200 people worked on the site. 1,100 tons of steel, 3,000 tons of ceramic materials and 800 cubic meters of concrete were allocated to the construction of the entire installation. The investment partly uses the existing infrastructure, which influences the optimisation of the fixed costs of the plant.



## 2.5. Packaging Segment

In 2021, the packaging segment generated over 2% 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.



## 2.6. Activities of the CIECH Group in terms of the EU Taxonomy

### 2.6.1. About EU Taxonomy

The CIECH Group is an entity subject to the obligation to disclose non-financial data in accordance with the Non-Financial Reporting Directive (NFDR) and is subject to *Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment* with applicable delegated acts supplementing the content of the Regulation. This Regulation, hereinafter referred to as the EU Taxonomy, translates the European Union's climate and environmental objectives into technical criteria to determine whether an activity is classified as sustainable in relation to the six environmental objectives.



Figure 8. The six environmental objectives of the EU Taxonomy

The overarching goal of the EU Taxonomy is to create a more sustainable financing system by channelling direct investments towards sustainable projects and thus contributing to the implementation of the European Green Deal policy.

The EU taxonomy is a **classification system** listing economic activities and **technical criteria for six environmental objectives** to determine whether an activity is **sustainable**.

Following the guidelines of Delegated Regulation 2021/2178 , we present information on revenues (Turnover KPI), capital expenditures (CAPEX KPI) and operational expenses (OPEX KPI) broken down into activities classifying for taxonomy and other activities, not covered by the taxonomy as at the date of publication of the disclosure.

The Regulation applies to the financial year 2021 in the simplified reporting version. Accordingly, the activities classified under the taxonomy have not been analysed in terms of the previously published technical criteria for the environmental objectives „Climate change mitigation” and „ Climate change adaptation” set out in Delegated Regulation 2021/2139. Disclosure is accompanied by contextual information as defined in 1.2. of Annex 1 to Delegated Regulation 2021/2178 relating to the aforementioned key indicators - Turnover KPI, CAPEX KPI and OPEX KPI.

We conducted an analysis to identify those activities that are Taxonomy-eligible. The analysis was based on:

- a list of activities from the final version of Regulation 2021/2139, Annexes I and II, containing descriptions of individual activities covered by the taxonomy,
- NACE code definitions that have been indicated as references in the descriptions of specific activities,
- a dedicated Taxonomy Compass tool developed by the European Commission.

As a result of the analysis, we identified three important Taxonomy-eligible activities in the CIECH Group, which are presented in Table 2.

Sector	Code	Activity	Description of activity
Industry	3.12.	Production of sodium carbonate	Production of light and dense soda ash.
Transport	6.2.	Rail freight transport	Domestic rail transport of goods.
Construction	7.3.	Installation, maintenance and repair of energy efficiency equipment	Individual overhaul and/or renovation activities consisting in the assembly, maintenance or repair of energy-saving devices such as: lighting systems, insulation and modernization of heating systems, including devices involved in the production of thermal energy and technological steam for the needs of production processes.

**Table 2. The EU Taxonomy-eligible activities**

The core business of the CIECH Group is the production of sodium carbonate, which was included in the list of activities of significant importance in the context of the first two environmental goals, i.e. „Climate change mitigation” and „Climate change adaptation”. The activities related to the production and sale of sodium carbonate and derivative products have been described in greater detail in the previous parts of Chapter 2.

The transport sector includes the activity of rail freight, which in the CIECH Group is mainly carried out for the soda segment with a small share of services for third parties.

The activities specified in the Delegated Act are also considered activities eligible for the taxonomy for capital expenditure and operating expenses, if they are performed exclusively for internal purposes of the company and do not generate revenues from sales to third parties. In this context, the activity of 7.2. Installation, maintenance and repair of energy efficiency equipment was identified within the Construction sector.

We take into account that the EU Taxonomy will evolve along with the progress of work on technical criteria for other environmental goals and the list of identified activities covered by the taxonomy as well as the scope of reporting obligations may change.

## 2.6.2. Information regarding 2021

In line with Regulation 2020/852, for the financial year 2021 the CIECH Group is obliged to disclose only the proportion of the conducted Taxonomy-eligible activities in total turnover, capital expenditure and operating expenses. Table 3 presents the share of activities eligible for taxonomy in relation to the first two environmental objectives „Mitigation of climate change” and „Adaptation to climate change” in the total net revenues, capital expenditure and operating expenses of the CIECH Group.

	Reference value for 2021 in PLN thousand	Share of Taxonomy-eligible activities**	Share of Taxonomy-non-eligible activities*
Revenues	3 459 915	43%	57%
Capital expenditure	742 386	43%	57%
Operating expenses	180 108	63%	37%

\* As per regulations in force as at the date of publishing this report.

**Table 3. Share of Taxonomy-eligible and non-eligible activities in 2021 in total revenues, capital expenditure and operating expenses of the CIECH Group**

In order to meet the upcoming full reporting requirements, below we also present key performance indicators, i.e. Turnover KPI, CAPEX KPI and OPEX KPI broken down into individual Taxonomy-eligible activities, which are presented in Tables 4-6.

Activity	Code	Turnover	Turnover KPI
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>			
I. Sodium carbonate production	3.12.	1 462 311	42%
II. Rail freight transport	6.2.	8 952	0%
III. Installation, maintenance and repair of energy efficiency equipment	7.3.	0	0%
Total A		1 471 263	43%
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>			
IV. Other activities	n/a	1 988 652	57%
Total B		1 988 652	57%
<b>TOTAL ACTIVITY</b>		<b>3 459 915</b>	<b>100%</b>

Figures in PLN thousand

**Table 4. Turnover KPI for financial year 2021**

Activity		Code	Capital expenditure	CAPEX KPI
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>				
I.	Sodium carbonate production	3.12.	247 226	33%
II.	Rail freight transport	6.2.	29 199	4%
III.	Installation, maintenance and repair of energy efficiency equipment	7.3.	39 199	5%
Total A			315 624	43%
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>				
IV.	Other activities	n/a	426 762	57%
Total B			426 762	57%
<b>TOTAL ACTIVITY (A+B)</b>			<b>742 386</b>	<b>100%</b>

Figures in PLN thousand

Table 5. CAPEX KPI for financial year 2021

Activity		Code	Operating expenses	OPEX KPI
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>				
I.	Sodium carbonate production	3.12.	104 669	58%
II.	Rail freight transport	6.2.	9 071	5%
III.	Installation, maintenance and repair of energy efficiency equipment	7.3.	0	0%
Total A			113 740	63%
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>				
IV.	Other activities	n/a	66 367	37%
Total B			66 367	37%
<b>TOTAL ACTIVITY</b>			<b>180 108</b>	<b>100%</b>

Figures in PLN thousand

Table 6. OPEX KPI for financial year 2021

### 2.6.3. Contextual and methodological information (accounting policy)

The data presented above comes from the existing financial and management reporting systems. The consolidation procedure excludes the risk of double-counting for the total revenues, capital expenditure and operating expenses of the CIECH Group, which are reference values for calculating percentages. In order to calculate the percentage of KPIs for each activity in the total reference value, where possible, we collected data directly from the financial systems. In cases where direct allocation to individual activities was not possible, we used appropriate percentage distribution keys and assigned the corresponding values. Additionally, in order to eliminate the risk of double-counting, when calculating the costs for individual activities, we took into account only the capital expenditure and operating expenses directly related to each of them.

The definition of turnover for the purposes of Regulation 2021/2178 includes income recognised in accordance with the International Accounting Standard (IAS) 1 point 82 (a) adopted by Commission Regulation (EC) No 1126/2008, which corresponds to the definition of net revenues from the sale of products or services provided for the purposes of the financial statements of the CIECH Group. Accordingly, the basis for calculating Turnover KPI are the consolidated revenues of the CIECH Group from continuing operations in 2021, disclosed under „Net sales revenues from continuing operations” in the consolidated financial statements for 2021.

The disclosure of Turnover KPI was prepared on the basis of consolidated data. Therefore, for individual activities, revenues from activities conducted for the purpose of own consumption within the CIECH Group are not identified.

The calculation basis for CAPEX KPI is the total capital expenditure of the CIECH Group, which, in accordance with Regulation 2021/2178, includes costs settled on the basis of:

- a) IAS 16 Property, Plant and Equipment, point 73 (e) (i) and 73 (e) (iii),
- b) IAS 38 Intangible Assets, point 118 (e) (i),
- c) IAS 40 Investment Property, point 76 (a) and 76 (b) (for the fair value model),
- d) IAS 40 Investment Property, point 79 (d) (i) and 79 (d) (ii) (for the model based on the purchase price or cost of production),
- e) IAS 41 Agriculture, point 50 (b) and 50 (e),
- f) IFRS 16 Leases, point 53 (h).

In 2021, the CIECH Group did not incur any capital expenditure resulting from mergers or acquisitions of external entities.

Capital expenditure is presented on an accrual basis.

Operating expenses for the purpose of calculation of OPEX KPI within the meaning of Regulation 2021/2178 are direct, non-capitalised costs related to research and development, building renovation activities, short-term leasing, maintenance and repairs as well as any other direct internal and external expenses related to the day-to-day servicing of tangible fixed assets necessary to ensure the continuous and efficient functioning of these assets. Based on the above definition, we analysed the costs of the CIECH Group in terms of significance for the EU taxonomy. We identified the costs related to servicing and maintaining the CIECH Group’s assets in good condition and classified them into four main categories:

- Costs of external services, including costs of repairs and renovations, cleaning costs, technical inspection, maintenance, inspections, research and development expenses,
- Personnel costs related to the repair of assets,
- Costs of materials for repairs and renovations as well as consumables,
- Short-term leases and rentals.

In 2021, the CIECH Group did not issue the so-called green bonds or debt securities to finance specific identified taxonomy activities.

The presentation currency of the disclosure regarding the activities covered by the taxonomy is Polish zloty, in accordance with the currency adopted for the consolidated financial statements. The data are presented in PLN thousand unless stated otherwise.

The disclosure resulting from the reporting obligation imposed by Regulation 2020/852 was prepared for the first time and concerns only the financial year 2021. Accordingly, comparative data for previous years are not presented. We have started work on improving the granularity of financial data to enable more accurate reporting in subsequent disclosures.

## 2.6.4. Contextual information for individual activities

### 2.6.4.1. Production of sodium carbonate (soda ash)

As part of activity 3.12. Production of sodium carbonate, we identified the production activity of light and dense soda ash in two companies - CIECH Soda Polska and CIECH Soda Deutschland. In the Turnover, CAPEX and OPEX KPIs we did not take into account the values directly related to a product type other than light and dense soda ash. Where necessary, the disaggregation of operating expenses related to soda and salt production installations was based on the analysis of the production process, and the distribution keys used reflect the technical specificity of this process. In other cases, we used a division based on the production structure. The costs related to materials for repairs and renovations as well as costs of personnel assigned to the maintenance function were divided according to the key of expenditures on renovation services. In other cases, we used a division based on the volume structure of production.

#### Turnover KPI

Revenues, including:		1 462 311
Revenues from contracts with clients		1 462 311
Lease revenues		0
Other revenue sources		0

Figures in PLN thousand

Table 7. Quantitative division of the Turnover KPI for the activity 3.12. Production of sodium carbonate

#### CAPEX KPI

Capital expenditure, including:		247 226
Increases in property, plant and equipment, internally generated intangible assets, increases in investment property acquired or recognised in the carrying amount and capitalised right-of-use assets		247 226
Increases in value related to acquisitions as a result of business combinations		0
Expenditure incurred under the plan to adjust operations to meet the criteria of sustainable activities		n/a*

Figures in PLN thousand

\*Due to the level of advancement of works on technical criteria for environmental taxonomy purposes, in 2021, the CIECH Group did not have a plan to adjust its operations to meet the technical criteria for sustainable activities referred to in point 1.1.2.2. of Annex 1 to Regulation 2021/2178.

Table 8. Quantitative division of the CAPEX KPI for the activity 3.12. Production of sodium carbonate

## OPEX KPI

Operating expenses, including:		104 669
Third-party services		78 950
Personnel costs		19 743
Materials		5 976
Short-term leases and rentals		0

Figures in PLN thousand

Table 9. Quantitative division of the OPEX KPI for the activity 3.12. Production of sodium carbonate

### 2.6.4.2. Rail freight transport

As part of activity 6.2. Rail freight transport, we identified domestic rail freight transport services rendered by CIECH Cargo. In the Turnover, CAPEX and OPEX KPIs we recognised only those values which are directly related to railway transport means.

## Turnover KPI

Revenues, including:		8 952
Revenues from contracts with clients		8 952
Lease revenues		0
Other revenue sources		0

Figures in PLN thousand

Table 10. Quantitative division of the Turnover KPI for the activity 6.2. Rail freight transport

## CAPEX KPI

Capital expenditure, including:		29 199
Increases in property, plant and equipment, internally generated intangible assets, increases in investment property acquired or recognised in the carrying amount and capitalised right-of-use assets		29 199
Increases in value related to acquisitions as a result of business combinations		0
Expenditure incurred under the plan to adjust operations to meet the criteria of sustainable activities		n/a*

Figures in PLN thousand

\*Due to the level of advancement of works on technical criteria for environmental taxonomy purposes, in 2021, the CIECH Group did not have a plan to adjust its operations to meet the technical criteria for sustainable activities referred to in point 1.1.2.2. of Annex 1 to Regulation 2021/2178.

Table 11. Quantitative division of the CAPEX KPI for the activity 6.2. Rail freight transport

## OPEX KPI

Operating expenses, including:		9 071
Third-party services		3 534
Personnel costs		1 420
Materials		696
Short-term leases and rentals		3 421

Figures in PLN thousand

Table 12. Quantitative division of the OPEX KPI for the activity 6.2. Rail freight transport

### 2.6.4.3. Installation, maintenance and repair of energy efficiency equipment

As part of activity 7.3. Installation, maintenance and repair of energy efficiency equipment, we identified renovation activities for systems improving energy efficiency mainly lighting systems and heating networks, including devices generating thermal energy and technological steam for the needs of production processes. In the CAPEX KPI we recognised capital expenditure assigned to such tasks.

## CAPEX KPI

Capital expenditure, including:		39 199
Increases in property, plant and equipment, internally generated intangible assets, increases in investment property acquired or recognised in the carrying amount and capitalised right-of-use assets		39 199
Increases in value related to acquisitions as a result of business combinations		0
Expenditure incurred under the plan to adjust operations to meet the criteria of sustainable activities		n/a*

Figures in PLN thousand

\*Due to the level of advancement of works on technical criteria for environmental taxonomy purposes, in 2021, the CIECH Group did not have a plan to adjust its operations to meet the technical criteria for sustainable activities referred to in point 1.1.2.2. of Annex 1 to Regulation 2021/2178.

Table 13. Quantitative division of the CAPEX KPI for the activity 7.2. Installation, maintenance and repair of energy efficiency equipment

## 2.7. 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,
- 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, and
- continuous improvement of the implemented management systems, in line with the needs of the CIECH Group and customer expectations.

### 2.7.1. Key achievements in 2021

#### 2.7.1.1. GMP Certificate at CIECH Soda Deutschland

CIECH Soda Deutschland (CSD) has obtained the prestigious GMP (Good Manufacturing Practice) certificate, confirming the highest quality of sodium bicarbonate production, and has been entered in the European EudraGMP database as a manufacturer of sodium bicarbonate as a standard for the active substance of medicinal products. This enables the German company of the CIECH Group to enter the promising pharmaceutical market. Sodium bicarbonate produced at CSD complies with the latest European Pharmacopoeia (Ph. Eur.). This soda is characterised by the highest degree of purity and strictly defined granulometric parameters.

#### 2.7.1.2. Certification of a new evaporated salt plant at CIECH Salz Deutschland

In 2021 CIECH Salz Deutschland launched a new evaporated salt plant and by achieving the target quality parameters, it obtained the ISO 9001:2015 certificate for the quality management system, the ISO 50001 certificate for the energy management system and the certificate for the HACCP standard for the production and distribution of foodstuffs.

### 2.7.1.3. Obtaining a GLP Certificate for a laboratory of Ciech Agro GLP

GLP certificate, i.e. the Good Laboratory Practice system, prepared in terms of quality and proper operation of laboratories, requires the use of appropriate techniques in laboratories. By implementing the GLP system, it will be possible to control and improve research for plant protection products at CIECH Sarzyna S.A.

### 2.7.1.4. Certification of a new Company - CIECH Vitro Sp. z o.o.

CIECH Vitro Sp. z o.o. obtained the ISO 9001:2015 and ISO 14001:2015 certificates and confirmation of compliance with the hygienic conditions (PZH certificate) for products (jars) intended for contact with food.

### 2.7.1.5. Certification of CIECH Proplan, Plant Protection Company S.L.U

The Spanish company CIECH Proplan, belonging to the CIECH Group, obtained the ISO 9001:2015 certificate confirming the compliance of the requirements for the quality management system.

### 2.7.1.6. Obtaining the EU type conformity certificate for protective masks

Protective masks manufactured by CIECH Pianki Sp. z o.o. with filtration class FFP3 obtained a certificate of product compliance with the requirements of EU law and the requirements of EN 149 in personal protective equipment - filtering half masks, issued by CIOP-PIB.

## 2.7.2. Management systems within the CIECH Group

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

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

The scope of management systems implemented and recertified in 2021 is presented in the table below.

Company	Norms/standards
<b>CIECH S.A.</b>	ISO 9001; GMP+ B3; GDP API
<b>CIECH Soda Polska S.A.</b>	ISO 9001; ISO 14001; GMP+ B1/B2; GMP API; IFS; KOSHER; PZH approval; v-label
<b>CIECH Sarzyna S.A.</b>	ISO 9001; ISO 14001; ISO 45001; ISO 17025; ISO 50001; WSK, GLP
<b>CIECH Vitrosilicon S.A.</b>	ISO 9001; ISO 14001
<b>CIECH Vitro Sp. z o.o.</b>	ISO 9001; ISO 14001, PZH approval
<b>CIECH Soda Romania S.A.</b>	ISO 9001
<b>CIECH Soda Deutschland GmbH</b>	ISO 9001; GMP+; ISO 14001; ISO 50001; KOSHER, GMP API, EXIPACKT
<b>CIECH Salz Deutschland GmbH</b>	ISO 9001; ISO 50001; HACCP
<b>CIECH Cargo Sp. z o.o.</b>	ISO 9001; ISO 14001; Railway carrier safety certificate in part A and B; ECM certificate
<b>CIECH Pianki Sp. z o.o.</b>	ISO 9001; STeP Certificate by OEKO-TEX®, STANDARD 100 Certificate by OEKO-TEX®, CIOP-PIB Certificate for FFP3 masks, PZH approval, PZH Certificate

Table 14. Certified management systems in the CIECH Group companies in 2021

Norms/standards	
<b>For our customers</b>	<ul style="list-style-type: none"> <li>• Meeting the requirements of laws, external and internal specifications and safety standards</li> <li>• Building lasting customer relations</li> <li>• Faster complaint handling time</li> <li>• Improved quality of products</li> </ul>
<b>For the development of the company</b>	<ul style="list-style-type: none"> <li>• Maintaining talented people with valuable experience and skills while keeping an optimal level of employment</li> <li>• Involvement of all employees in the implementation of the company's strategy - non-financial employee motivation</li> </ul>
<b>For the company's finance</b>	<ul style="list-style-type: none"> <li>• Plans for the optimisation of the quality control expenses</li> <li>• Minimising costs related to poor quality</li> </ul>

**Table 15. Benefits of the CQS (CIECH Quality Standard) programme**

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 2021, 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 norms and 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 initiation of a procedure for the withdrawal of a product from the market.

### 2.7.3. CIECH Quality Standard (CQS)

In 2021, the CIECH Quality Standard (CQS) programme was effectively implemented in all companies. As part of the programme, the CIECH Group implemented its own quality standards, based on the international ISO 9001: 2015 standard, which provide the Group with a uniform approach in the area of quality, as well as optimisation of quality costs, 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.

### 2.7.4. Tasks for 2022

For the years 2022-2024, the CIECH Group has implemented a new strategy in the area of quality, which covers three development directions:

- progress in innovation,
- further improvement,
- effective management.

Improvements in the area of production processes as well as in the area of quality control have been planned, including the modernisation of the existing laboratories in the Group, replacement of laboratory equipment, which will allow optimisation of the work of laboratories, standardisation in the area of Quality Assurance and Quality Control for the entire Group, and the development of employees' competences.

Continuous improvement of financial efficiency by minimising costs related to poor quality of products through more effective monitoring of production processes based on established indicators (KPI).

In 2022, new challenges arise in the CIECH Group related to covering new entities within the Group with the system requirements and certification, namely:

- CIECH Salz Deutschland GmbH – will proceed with IFS and Kosher certification, and certification is planned for compliance with the requirements for the production of pharmaceutical grade salt as an active and auxiliary substance.
- CIECH Sarzyna S.A. – commencement of the implementation of lighting measurements according to PN-EN 12464-1:2022-01E
- CIECH Soda Polska S.A. – will proceed with Halal certification.

## 2.7.5. Chemical Product Management (REACH, CLP, BPR)

### 2.7.5.1. Regulation (EC) 1907/2006 (REACH) - Information on current registrations in the CIECH Group in 2021.

In 2021, the European Chemicals Agency (ECHA) did not issue any binding decision ordering the performance of additional tests or the updating of the registration dossiers of substances of which the CIECH Group companies are registrants or co-registrants.

However, a spontaneous update of the registration dossiers for four substances was submitted:

- two substances from the Silicates BU,
- two auxiliary substances related to the Soda BU.

The update was mainly due to the need to adapt the chemical safety assessment of the substance to the current requirements of ECHA and was successfully completed.

Resins BU – in February 2021, as planned, REACH registrations for 6 substances were transferred to the new owner of the company CIECH Żywiec Sp. z o.o. - the LERG Group. The transfer took place as part of the finalisation of the sale transaction of CIECH Żywiec Sp. z o.o.

In 2022, further analysis of the REACH registration needs is being carried out in the context of expanding the lists of suppliers of qualified raw materials used in production.

The safety data sheets are also updated to meet the requirements of Regulation (EU) 878/2020, amending Annex II of REACH.

### 2.7.5.2. Regulation (EC) 1272/2008 (CLP)

In 2021, new requirements were implemented regarding the submission of information on hazardous mixtures placed on the market by the CIECH Group to poison centres in the EU.

The new legal requirements mainly concern the AGRO BU: about 120 products were notified in 15 EU countries.

### 2.7.5.3. Regulation (EU) 528/2012

In March 2021, a new evaporated salt plant in Germany was included in the list of suppliers of the active substance - active chlorine, generated from sodium chloride by electrolysis, which allows the marketing of salt tablets used in water treatment.

In 2022, activities related to the registration of the finished biocidal product are being carried out in accordance with EU procedures.

## 2.8. Customer relations

Our customers are both global chemical groups 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:

- 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



ESG Strategy –  
“Chemistry for  
a Better World”

### 3. ESG Strategy – “Chemistry for a Better World”

Responsible business conduct has always been a fundamental principle to us. The real value in the long term can only be built by responsible business, which, apart from short-term financial parameters, cares about stability and sustainable relations with the environment - both the natural environment from which we use resources and with people inside and around our company.

As humanity, we face great challenges - we must stop climate change, take care of the welfare of a growing population, change some of our actions and habits to leave our planet a good place to live for our children, grandchildren and future generations.

As an international company participating in the global economy, we believe that we are particularly responsible for it. Business representatives have the knowledge, skills, resources and agency to effectively change the world for the better. And the world needs it as never before.

In 2021, we prepared and announced our ESG Strategy. It contains our principles and goals that are ambitious, however, if we make the necessary efforts, these goals are feasible, and above all, defined and measurable.

We titled it “Chemistry for a Better World”, because we know the role our industry plays and can play in response to the challenges of the present day. It is a difficult industry that uses Earth’s resources, has a strong environmental impact and generates high risks. All the more, our role is to make the benefits of our business far greater than the costs and burdens we generate.

Activities related to the management of our impact in the environment, social and corporate governance areas are carried out both locally and supervised or inspired by the headquarters of the Group. The area of sustainable development management reports directly to the President of the Management Board and is coordinated by the Investor Relations and ESG Department established for this purpose.

The Strategy contains eight commitments of the CIECH Group with regard to climate policy, social relations and management quality. For each commitment, there are specific initiatives and measurable targets for monitoring progress.

Details of our Strategy: [www.esgciech.com](http://www.esgciech.com)

## Commitments of the CIECH Group:

1

We speed up on **the path to carbon neutrality.**



2

We decouple growth and **energy consumption.**



3

We see circularity as a **key efficiency lever.**



4

We put **safety** as a top priority.



5

We want to be an inclusive place for diverse talents to develop.



6

We are a responsible part of **local communities.**



7

We join our efforts together with **clients and suppliers.**



8

We earn credibility **by delivering promises.**



## 3.1 Environment area



We speed up on the path to **carbon neutrality**.

Our main long-term goal is to achieve climate neutrality\* by 2040. In the first phase, we intend to reduce CO<sub>2</sub> emissions by 33% by 2026 compared to the base year 2019. We have also committed to completely eliminating coal from electricity and heat generation for production processes by 2033.

A 1/3 reduction in emissions by 2026 is part of our energy strategy. We will achieve this by gradually reducing the use of high-carbon fossil fuels. Together with our partners, we are working on the construction of a thermal waste treatment installation in Inowrocław. We are considering the use of biomass as a fuel and we are analysing the possibility of using natural gas, although due to economic and political changes this fuel has lost much of its attractiveness. In addition, we are continuously working on our energy and process efficiency.

Achieving complete climate neutrality will require the use of technologies that have not yet been implemented on an industrial scale, and the selection of the most appropriate solution is subject to analysis. An important issue in the transition phase towards climate neutrality is also limiting the use of coal as an energy raw material.

\* Climate neutrality means that if we emit greenhouse gases, we will remove them from the atmosphere or apply an adequate balancing mechanism

**The CIECH Group, as the first of the group of large industrial companies in Poland, applied for the Science Based Targets initiative (the “SBTi”), created, among others, by: United Nations Global Compact, Carbon Disclosure Project, World Resource Institute (WRI) and World Wide Fund for Nature (WWF). This project aims to set climate goals for individual companies based on scientific knowledge and monitor progress on a regular basis. SBTi companies strive to keep global warming below 2 degrees Celsius compared to the pre-industrial era, in line with the Paris Agreement.**

**Currently, we are working on verifying our emission reduction target in accordance with the scientific criteria set by the SBTi.**

The Science Based Targets initiative promotes best practices in reducing greenhouse gas emissions and achieving climate neutrality, in line with the scientific knowledge and experience, among others, of climatologists. It offers support to the members of the initiative in setting goals and developing a schedule for achieving those related to climate protection, and additionally provides professional monitoring of activities. Science Based Targets is also the leader of the Business Ambition for 1.5°C campaign, which aims to promote activities in the business environment to reduce the pace of global warming.

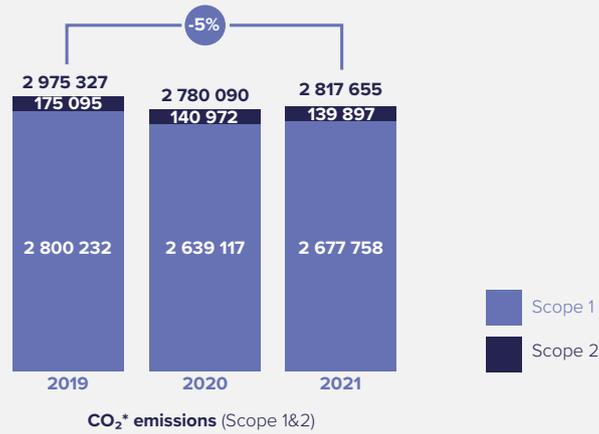


Figure 9. Reduction of CO2 emissions in 2021 compared to the base year 2019 excluding CIECH Soda Romania

\*excl. CIECH Soda Romania

We decouple growth and **energy consumption**.

A priority for the CIECH Group is to reduce the energy consumption ratio per unit of revenue or production each year. Until we have introduced solutions that allow the use of only renewable energy, reducing the energy consumption of our production is an important element in restricting our impact on the natural environment. Since 2019, our energy intensity, measured by the amount of energy consumed per unit of revenue, has decreased by 14%.

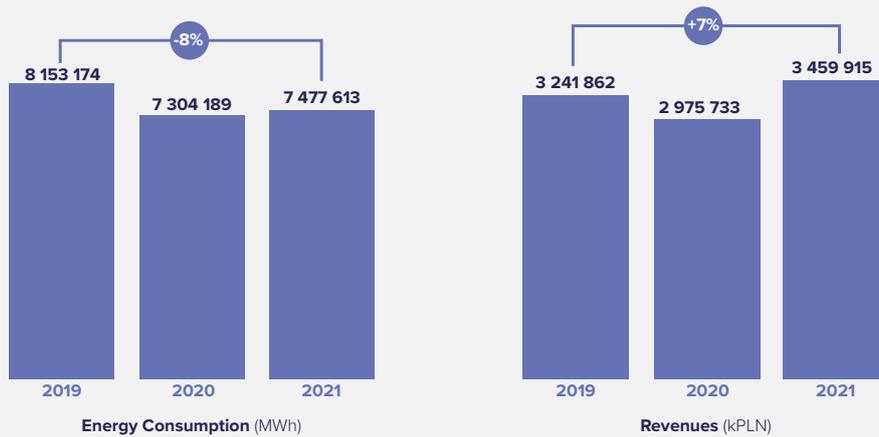


Figure 10. Change in energy consumption and revenues of the CIECH Group in 2019-2021

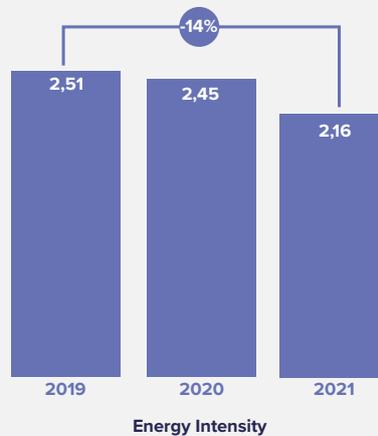


Figure 11. Energy intensity in the CIECH Group: Energy consumed in GJ per PLN 1 thousand revenues

## We see circularity as a **key efficiency lever**.

As we move towards a circular economy, we strive to improve our processes by reducing waste and using fewer raw materials. Our objective is to systematically reduce the use of water in our production processes, to introduce solutions to increase the use of production waste in the manufacturing of soda and salt and more recyclable materials such as glass cullet in the manufacturing of silicates and packaging. We also plan to start the production of polyurethane foams from recovered or natural raw materials. Additionally, we intend to increase the share of environmentally friendly and recyclable packaging.

### **Our R&D for Sustainable Development**

As part of its research and development activities, the Group carries out a number of projects in virtually all segments. Various types of support programmes are used in the implementation of these projects. In the Group's key soda segment, several projects are carried out at various stages of advancement. These projects are aimed at improving the efficiency of the processes as well as reducing the environmental impact. The following achievements can be mentioned:

We have permanently implemented an innovative method of carbon dioxide capture, concentration and purification in the sodium carbonate production process as part of the production line at the plant in Inowrocław. Analyses of its application in other plants are currently underway. The installation, built in cooperation with the Institute for Chemical Processing of Coal, enables the reduction of carbon dioxide emissions by at least 5,000 tonnes per year and reduces production waste and the amount of used raw materials - coke and limestone. At the beginning of 2022, the installation capacity was increased by another 1,300 tonnes, and by the end of the year, we plan the next stage of modernisation and increase of its capacity by another 1,000 tonnes.

We started the production of the first batch of a new plant protection product, based on the innovative BGT technology ("Better Glyphosate Technology"). It allows 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.

Thanks to approx. PLN 30 million annually in R&D expenditure in the Agro segment, our portfolio of active substances is continuously being expanded (increase by over 40 substances during the year) in terms of product registrations (increase by over 200 registrations during the year).

### **Our current research and development projects include in particular:**

The Carbonisation+ project, the aim of which is to improve the efficiency of soda production by approx. 1% thanks to the modification of the ammonia absorption process (completion is scheduled for 2021). The construction was completed as per schedule in 2021 and the implementation for continuous traffic is planned for March 2022. In the same year, we are starting work on a twin installation, which will work with the other half of the factory in Inowrocław. By 2024, we plan to implement this technology at our plant in Stassfurt (DE).

A project to improve energy efficiency of the calcium chloride production process (by approx. 7.5%) and waste salt management (completion planned for 2021). Unfortunately, due to problems in the supply chains, the end of the project is scheduled for mid-2022. All assumptions about process improvement remain the same.

Recycling and re-use in the process of dust generated in the production of calcium chloride (efficiency increase by approx. 3%) (scheduled completion in 2021). Due to the increase in costs, the implementation of the project was postponed to 2022.

Study of the possibility of using post-soda lime to strengthen workings in opencast mines (planned completion in 2022)

In 2022, we should complete the CO<sub>2</sub> stream recovery project at the sodium bicarbonate production installation, which will prevent the emission of almost 5,000 tonnes of carbon dioxide.

In 2022, we begin the first phase of the CO<sub>2</sub> disposal project in distillation liquids. Ultimately, after the implementation of this project, we should prevent the emission of 25 thousand tonnes of carbon dioxide at the plant in Inowrocław (by 2024) and almost 100 thousand tonnes if the project is implemented in all of the Group's soda plants (>2024).

We implement many strategic initiatives for all soda plants related to energy efficiency and heat (steam) recovery from processes, which will significantly affect the consumption of energy resources, and thus, reduce our environmental impact.

## 3.2 Social responsibility area



### We put **safety** as a top priority

Our goal is to eliminate accidents (injuries) on the premises of the CIECH Group plants. We implement the highest safety standards that apply to both our employees and subcontractors with whom we cooperate. We use tools such as Performance Management to integrate security objectives as a key component in the manager evaluation process. We also use the latest installation monitoring technologies that will support the achievement of the “zero injuries” goal.

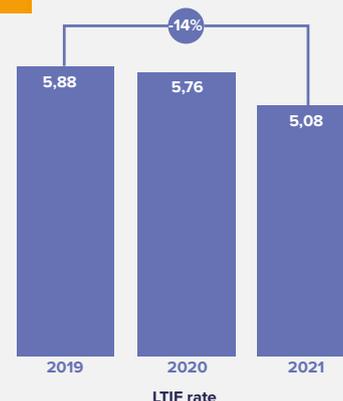


Figure 12. LTIF rate (number of injuries at work per 1 million hours worked) in the CIECH Group in 2019-2021

### We want to be an inclusive place for **diverse talents to develop**.

We believe in the benefits brought by diverse teams, which translate measurably into the management method and company results. Accordingly, our goal is to attract more women to the CIECH Group and provide them with the opportunity to fully realise their development potential. We want our efforts to lead to a natural increase in the share of women in managerial positions, reaching the level of at least 35% in 2030. One of the tools supporting this goal is the professional succession programme, which we want to implement by 2024. The issue that we address in our ESG strategy is also the elimination of the gender pay gap in the same positions.

### We are a responsible part of **local communities**.

We can see how important a role we can play in supporting local communities to improve their quality of life. We strive to strengthen dialogue and cooperation with local communities and local government authorities. We want to support socially significant projects in the immediate vicinity of our production plants, including the preparation of the “Good Neighbour” programme or support for local sports teams. We implement education promoting programmes and we offer support for young people in education through programmes such as the “School Talents Academy” or “Chemistry Class” in Nowa Sarzyna.

## 3.3 Corporate governance area



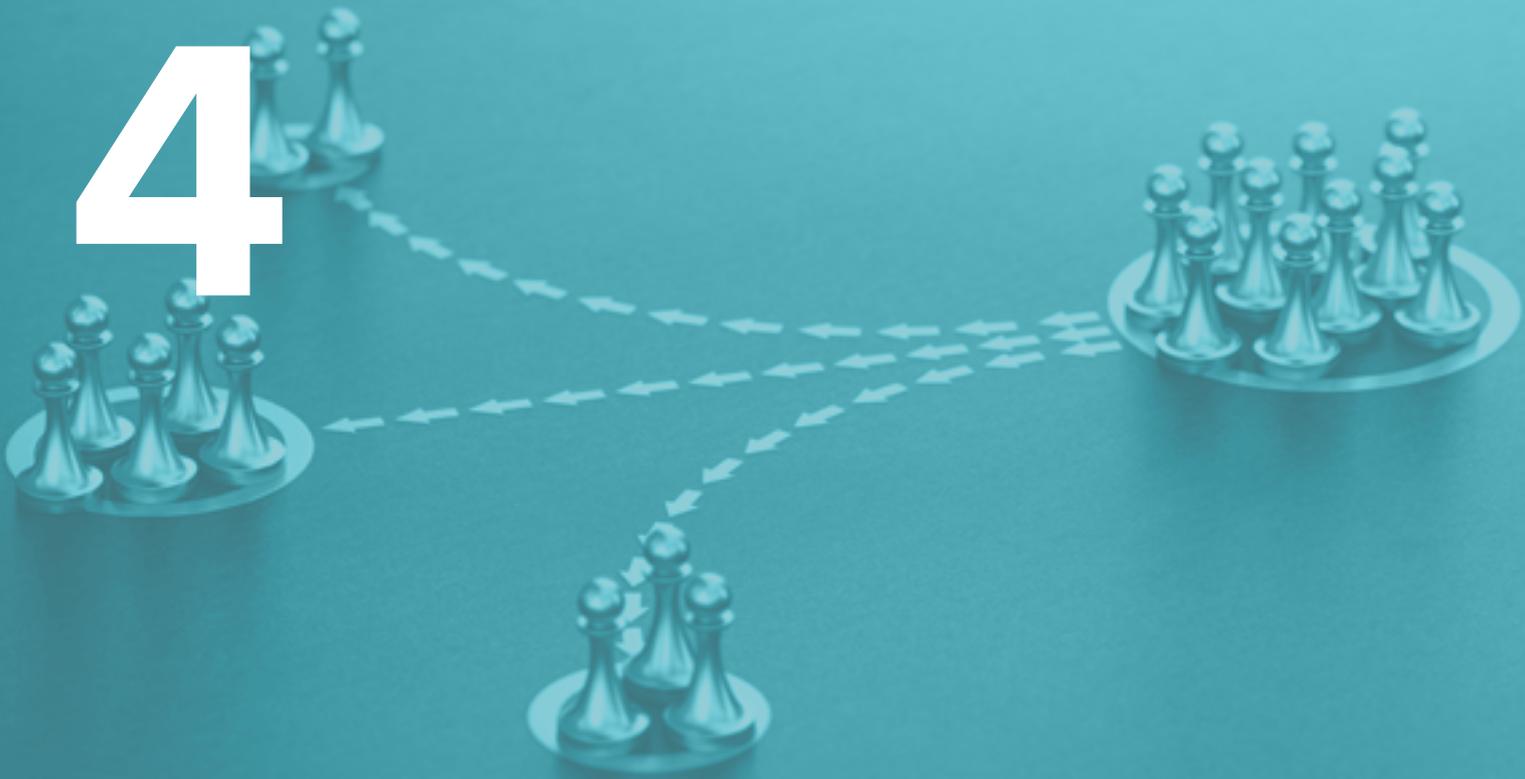
We join our efforts together with **clients and suppliers**.

Our commitment also extends to our business partners. We want to cooperate with those who share our values and thus help us implement the idea of sustainable development. We expect both our employees and business partners to comply with the implemented Code of Conduct of the CIECH Group and the Code of Business Partner, especially in terms of human rights, environmental protection and ethics. Additionally, in 2021, we started a survey of the ESG level among our suppliers.

We earn credibility **by delivering promises**.

We want to strengthen the credibility of the CIECH Group through the transparency of reporting on the management method and achievements in the area of sustainable development. For this purpose, we report ESG issues and related risks according to the most recognised reporting systems, using, among others, GRI and SASB standards and the Ecovadis platform for better communication with customers as part of our non-financial reporting. We are working on the full implementation of the TCFD recommendations in the area of analysis and description of climate risks.

4



Risk  
management

## 4. 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 Group's risk at an acceptable level.

The risk management system operating within the CIECH Group is continuously 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 any risks affecting the value of the CIECH Group can be properly recognised, identified and appropriately mitigated so that they have a limited or 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.

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., Group segments and Subsidiaries) is responsible for risk management,
- risk management is a continuous process,
- any 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 operating in the CIECH Group is a comprehensive and corporate solution. It covers Group entities, processes and projects, and 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.

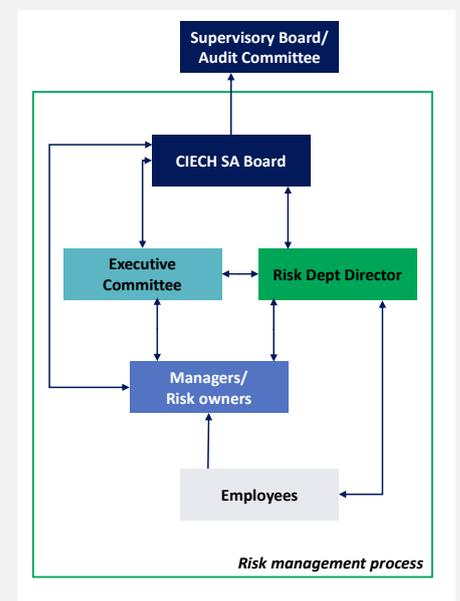


Figure 13. Diagram of responsibilities for the risk management process of the CIECH Group

## 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.

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”.

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 existing 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.

The CIECH Group is not limited to the indicated risk categories. The Group makes every effort to identify and verify the key areas of risk on an ongoing basis and effectively mitigate them through the developed and implemented risk management process.

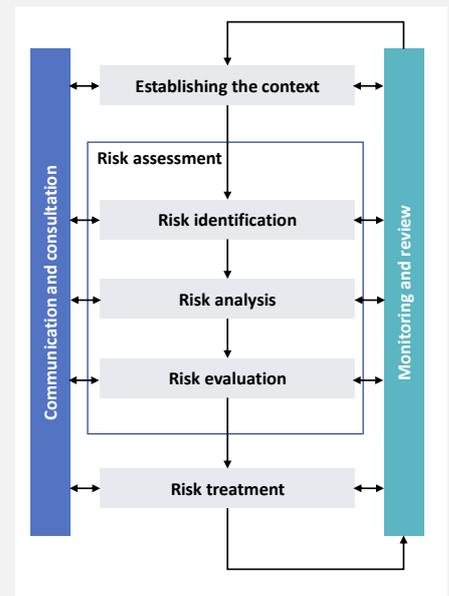


Figure 14. Diagram of the risk management process of the CIECH Group

The CIECH Group is not limited to the indicated risk categories. The Group makes every effort to identify and verify the key areas of risk on an ongoing basis and effectively mitigate them through the developed and implemented risk management process.

2021 was another year in which the CIECH Group, due to the prevailing COVID-19 pandemic, faced its effects on a local and global scale.

Unlike in 2020, in 2021 the CIECH Group had already developed and proven methods of managing the risks associated with a pandemic situation. For this reason, while presenting the following list of the most important risks related to the functioning of the CIECH Group in 2021, the Group decided not to separate the risks from the risks caused by the COVID-19 pandemic and the risks arising from the operating activities in the current business environment.

From the point of view of the implementation of the strategic goals of the CIECH Group, the key risks identified and described in this part of the report affected the following areas:

- Sales,
- Purchases,
- Production,
- Employees,
- OHS,
- Finance,
- Strategy,
- Environmental protection,
- Regulatory and legal.

The Risk Map below presents the most significant risks related to the day-to-day operations of the CIECH Group in 2021. A detailed description of the aforementioned risks is provided in Note 3.4. of the Management Board’s report on the activities of the CIECH Group in 2021:

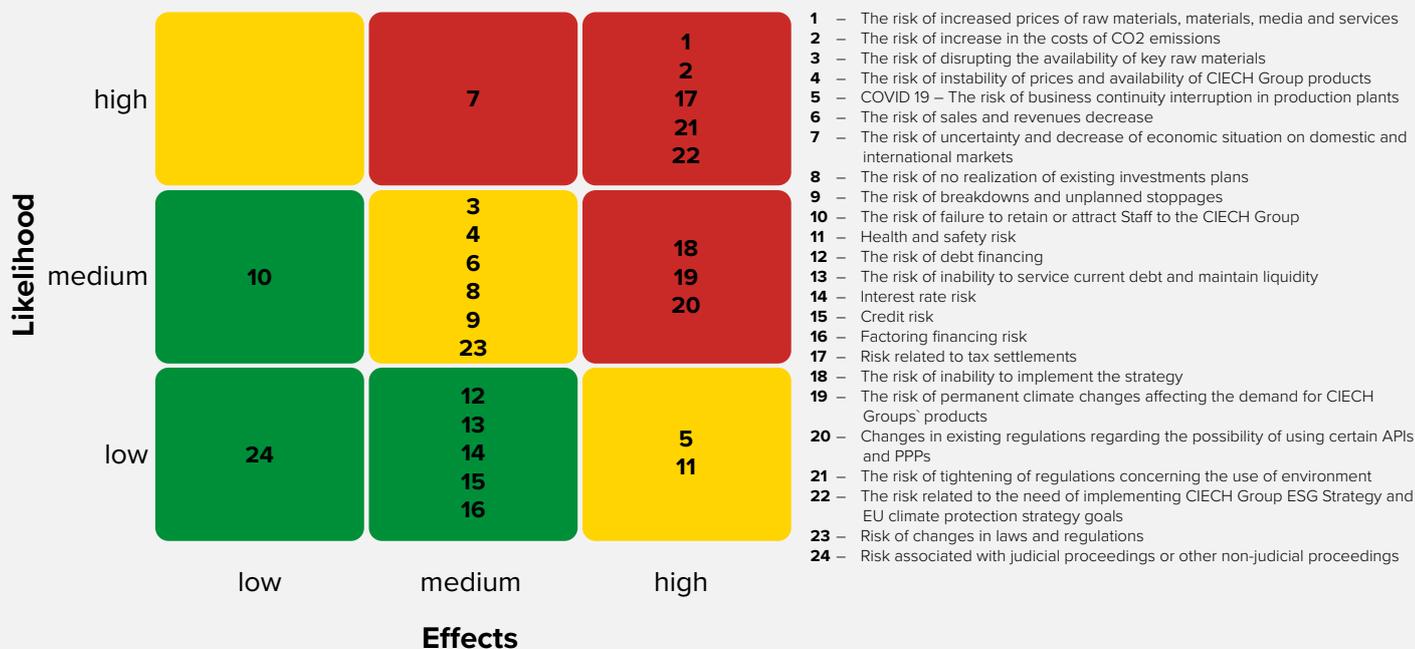


Table 16. CIECH Group Operational Risks in 2021

## 4.1. Risks related to climate change

We started work on including in our risk analysis also the risks associated with climate change, in accordance with the recommendations and concept defined by the Task Force on Climate-related Financial Disclosures (TCFD).

According to the TCFD methodology, the risks related to climate change are divided into:

1. Risks related to changes leading to the emergence of a low-carbon economy:
  - Political and legal risks - involving, among others, regulatory actions to contain climate change and promoting adaptation to these changes. This category also includes risks related to possible liability (litigation).
  - Technological risks - related to technical and technological progress and innovations supporting the transformation of the economy into low-emission and energy-efficient.
  - Market risks - including, for example, changes in demand and supply for certain raw materials, products and services due to the increasing consideration by market participants of risks and opportunities related to climate change.
  - Reputational risks - related to changes in the perception of the company by its stakeholders as a result of its activities supporting or delaying the transformation towards a low-emission economy.
2. Risks related to the physical, actual impact of climate change:
  - Sudden - related to events or phenomena resulting from climate change, in particular sudden weather phenomena (e.g. hurricanes, floods, droughts, etc.).
  - Chronic - associated with long-term, gradual changes in climatic conditions, e.g. average temperature, surface and land water levels, etc.

The concept of describing the impact of climate change on companies also classifies the opportunities that arise during the transformation of the economy into a low-carbon one and as a result of the use of emerging innovations:

- efficient use of raw materials,
- the use of new sources and methods of generating electricity and heat,
- new products and services,
- the emergence of new markets, including new segments in the financial markets,
- Increase in resilience.

In 2021, we mapped the operational risks identified by us in the CIECH Group with the TCFD concept, taking into account their financial impact on the Group's operations. In line with the TCFD methodology, the potential financial impact of risks may relate to:

- revenues
- costs and expenses
- assets - the amount of capital expenditure
- assets - the value of non-current assets
- assets - the value of intangible assets
- liabilities
- financing (including the cost of capital and access to financing).

The below map places the operational risks of the CIECH Group within the classification adopted by the TCFD.

As per TCFD classification		Operational risks of the CIECH Group				
Risk type	Category	Potential financial impact	Risk	Effects	Probability	Risk level
Risks related to transfor-mation	Political and legal	Costs and expenses	2. Risk of an increase in the cost of CO <sub>2</sub> emissions	High	High	High
		Assets – capital ex-penditure, Assets – value of fixed assets	8. Risk of failure to implement the as-sumed investment plan	Medium	Medium	Medium
		Costs and expenses	17. Risk related to tax settlements	High	High	High
		Revenues, Financing	18. Risk of inability to implement the strategy	High	Medium	High
		Revenues	19. Risk of permanent climate changes affecting the demand for the CIECH Group's products	High	Medium	High
		Revenues, Assets - capital expenditure, Assets - value of intan-gible assets	20. Risk of changes in laws and regula-tions regarding the possibility of using certain active substances and PPC	High	Medium	High
		Costs and expenses, Assets - capital ex-penditure, Assets - value of fixed assets	21. Risk of tightening the regulations related to the use of the environment	High	High	High
		Revenues, Assets - capital expenditure, Financing	22. Risk related to the necessity to achieve the goals of the CIECH Group's ESG strategy and the EU climate policy	High	High	High
		Liabilities	23. Risk of changes to laws and regula-tions	Medium	Medium	Medium
	Technological	Revenues, Costs and expenses	1. Risk of an increase in the prices of raw materials, materials, utilities and services	High	High	High
		Costs and expenses	2. Risk of an increase in the cost of CO <sub>2</sub> emissions	High	High	High
		Revenues, Costs and expenses	3. Risk of disrupting the availability of key raw materials	Medium	Medium	Medium
		Assets - capital ex-penditure, Assets - value of fixed assets	8. Risk of failure to implement the as-sumed investment plan	Medium	Medium	Medium
		Costs and expenses, Assets - capital ex-penditure	9. Risk of failure and unplanned down-time	Medium	Medium	Medium
		Costs and expenses, Assets - capital ex-penditure, Assets - value of fixed assets	21. Risk of tightening the regulations related to the use of the environment	High	High	High
		Revenues, Assets - capital expenditure, Financing	22. Risk related to the necessity to achieve the goals of the CIECH Group's ESG strategy and the EU climate policy	High	High	High
	Market	Revenues, Costs and expenses	1. Risk of an increase in the prices of raw materials, materials, utilities and services	High	High	High
		Costs and expenses	2. Risk of an increase in the cost of CO <sub>2</sub> emissions	High	High	High
		Revenues, Costs and expenses	3. Risk of disrupting the availability of key raw materials	Medium	Medium	Medium
		Revenues	4. Risk of instability of prices and availa-bility of products offered by the Group	Medium	Medium	Medium
		Revenues	6. Risk of a decrease in the volume of sales and revenues	Medium	Medium	Medium
Revenues		7. Risk of uncertainty and economic downturn on the domestic and interna-tional market	Medium	Medium	Medium	
Assets - capital ex-penditure, Assets - value of fixed assets		8. Risk of failure to implement the as-sumed investment plan	Medium	Medium	Medium	

Risks related to transformation						
Risks related to transformation	Reputational	Financing	12. Risk related to debt financing	Medium	Low	Low
		Financing	13. Risk of inability to service the exist-ing debt and maintain liquidity	Medium	Low	Low
		Liabilities, Financing	14. Interest rate risk	Medium	Low	Low
		Revenues, Assets - capital expenditure, Assets - value of intan-gible assets	20. Risk of changes in laws and regula-tions regarding the possibility of using certain active substances and PPC	High	Medium	High
		Revenues, Assets - capital expenditure, Financing	22. Risk related to the necessity to achieve the goals of the CIECH Group's ESG strategy and the EU climate policy	High	High	High
	Sudden	Revenues	4. Risk of instability of prices and availa-bility of products offered by the Group	Medium	Medium	Medium
		Financing	13. Risk of inability to service the exist-ing debt and maintain liquidity	Medium	Low	Low
		Revenues, Financing	18. Risk of inability to implement the strategy	High	Medium	High
		Costs and expenses, Assets - capital ex-penditure, Assets - value of fixed assets	21. Risk of tightening the regulations related to the use of the environment	High	High	High
		Revenues, Assets - capital expenditure, Financing	22. Risk related to the necessity to achieve the goals of the CIECH Group's ESG strategy and the EU climate policy	High	High	High
Physical risks	Sudden	Revenues, Costs and expenses	3. Risk of disrupting the availability of key raw materials	Medium	Medium	Medium
		Revenues	4. Risk of instability of prices and availa-bility of products offered by the Group	Medium	Medium	Medium
		Costs and expenses, Assets - capital ex-penditure	9. Risk of failure and unplanned down-time	Medium	Medium	Medium
	Chronic	Revenues, Costs and expenses	1. Risk of an increase in the prices of raw materials, materials, utilities and services	High	High	High
		Costs and expenses	2. Risk of an increase in the cost of CO <sub>2</sub> emissions	High	High	High
		Revenues	7. Risk of uncertainty and economic downturn on the domestic and interna-tional market	Medium	High	High
		Revenues, Financing	18. Risk of inability to implement the strategy	High	High	High
		Revenues	19. Risk of permanent climate changes affecting the demand for the CIECH Group's products	High	Medium	High
		Revenues, Assets - capital expenditure, Assets - value of intan-gible assets	20. Risk of changes in laws and regula-tions regarding the possibility of using certain active substances and PPC	High	Medium	High
		Costs and expenses, Assets - capital ex-penditure, Assets - value of fixed assets	21. Risk of tightening the regulations related to the use of the environment	High	High	High
Revenues, Assets - capital expenditure, Financing	22. Risk related to the necessity to achieve the goals of the CIECH Group's ESG strategy and the EU climate policy	High	High	High		
Liabilities	23. Risk of changes to laws and regula-tions	Medium	Medium	Medium		

Table 17. Table mapping operational risks identified in the CIECH Group with the classification of risks in line with the TCFD

# 5



Our employees  
and associates

## 5. Our employees and associates

### 5.1. Safety and health of our employees and critical incident management

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 carries specific risks and threats, which is why continuous improvement of safety processes is one of the main pillars of the Group's overall strategy.

#### 5.1.1. Labour safety management

The focus on systemic management of occupational safety results from the strategy of the CIECH Group. The general framework for managing work safety is our Occupational Health and Safety Policy, updated in 2021.

In updating our Occupational Health and Safety Policy and the entire OHS management system, we relied on the requirements of the international ISO 45001 standard. The document therefore contains, first of all, the obligation to ensure safe and hygienic working conditions in order to prevent injuries and health ailments. To achieve this, in our Policy, we primarily commit ourselves to meeting legal requirements, eliminating threats, reducing risk and continuous improvement of the OHS management system. An important element supporting the effective management of the safety area is also consultation and participation of employees in making decisions related to health and safety and the implementation of actions resulting from these decisions.

Importantly, the Policy applies to all our stakeholders, including guests and subcontractors. On the one hand, all these groups are included in our OHS management system, and on the other hand, we require them to comply with our safety standards in cooperation.

Subsequently, as part of the standardisation of the occupational safety management system, the defined processes are detailed and standardised to meet the current needs and emerging challenges. The safety management system is and must be alive, continuously improved, because processes, threats, regulations or even generations of our employees and stakeholders are changing.

### Our priorities here are:

- management commitment to health and safety issues
- proper perception and analysis of health and safety risks in each process,
- an effective training and development system in the area of safety,
- wherever possible, the reliance on hard data as a basis for decision making,
- supporting safety both from the level of investment in infrastructure and the awareness of each person and its impact with everyday, small decisions on the level of safety in the immediate environment.

### 5.1.2. The “Safe CIECH” project

In the second half of 2021, we launched a wide-ranging „Safe CIECH” project, which is to reflect our focus in the coming years on developing a safety culture, both in the area of the work environment and employee behaviour at every level of the organisation. As part of the project, so far, among others:



- We have updated the Health and Safety Policy to meet the requirements of ISO 45001. One of our companies, Ciech Sarzyna S.A. was the first company in the Group to receive a certificate of compliance with this standard in 2021. By 2024, we plan to raise the certification level of our production companies to 50%.
- We refreshed 10 safety rules of the CIECH Group, which are the basis for talks on safety, from which, among others, we are now starting internal meetings.
- We changed the structure of the Team responsible for safety and increased the number of its employees in the Head Office and in individual Companies by almost 50%.
- We have started a series of trainings on risk perception and reacting to dangerous situations (See? React!). In 2021, 50 people in managerial positions from two companies completed them in the form of a pilot programme, and in 2022 the programme will cover our other entities, a total of about 150 people. The next step will be to train all employees, including previously selected internal trainers in this process.
- We have developed a new, comprehensive procedure for reporting and analysing accidents with a focus on finding the system root cause.
- We conducted several health and safety competitions among our employees.
- We also try to celebrate our achievements in creating safe working conditions, which is why at the beginning of 2022 we distinguished several companies that did not report any „recordable” events throughout 2021.

Due to further improvements in the coming years, we also plan the following:

- introduction of consistent software supporting the reporting and analysis of accidents and the implementation of all improvement actions,
- development of the training system, including the competences of leaders in the field of safety,
- introduction of a coherent system of internal inspections and audits,
- introducing regular visits of managers in production areas,
- further modernisation of production plants in the area of infrastructure,
- structuring of the H&S Management System and certification of other companies according to ISO 45001.



### 5.1.3. Unified platform for access to safety and health information

All information regarding the safety and health of employees is available to them on an ongoing basis. Work instructions and the current risk assessment for a given job are provided as part of the initial training, periodic training and in each case of changes in the way the work is performed or the type or level of identified hazards.

At least once a month, a special communication campaign is prepared for all employees, based on our 10 golden safety rules. Short reminders of our principles, along with practical examples, incl. a reference to safety outside work, reach employees via emails, posters and leaflets, and these issues are also discussed during internal meetings. We try to ensure that each such rule is accompanied by an additional element - in the form of a gadget, a quiz, making it easier to read and remember the content.

In companies with more than 250 employees, OHS Committees have been established, which meet at least once a quarter to discuss current health and safety challenges and plans. The meetings are attended by representatives of the Management Board, the Health and Safety Service and employees' representatives, in most cases, representatives of Trade Unions. If necessary, experts in specific areas are also invited, e.g. from the Maintenance Department, the Legal Department or an occupational medicine physician.

## 5.1.4. Risk assessment

We believe that risk assessment means a comprehensive approach that allows us to minimise the risks to the health and safety of our employees and stakeholders. It is an integral part of our processes, including purchasing or investment.

An important part of this systemic approach is occupational risk assessment, the purpose of which is to determine the type and level of hazards accompanying particular tasks. It helps to estimate the potential losses resulting from it, but above all, support the selection of adequate protection means, using the hierarchy of control measures (ERICPD). In our organisation, we use the Risk Score method, where at the risk assessment stage, the following are considered: the potential effects of exposure to people's health and life, the time of exposure to threats and the likelihood of such negative effects.

We carry out occupational risk assessment periodically, at most once every two years, and in each case of changes that may affect the health and safety of employees, especially 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,
- changes in the applied protective measures, and
- occurrence of a near-accident or accident at work.

Employees from a given area and, if necessary, industry experts participate in the process of occupational risk assessment, coordinated by representatives of the OHS service. The input data for this process include:

- information about the tasks performed, machines, devices or vehicles used,
- information on the substances and materials used,
- data on accidents and near misses occurring in a given area or at a given job,
- data on reported threats, and
- results of health and safety reviews, inspections, external inspections, workplace inspections with the participation of an occupational medicine physician, etc.

Risk assessment is also a key element of preparation as part of the Contractors' work at our production plants.

In addition, we continuously monitor the risks in the work environment through regular inspections carried out not only by OHS services, but also as a team, with the participation of area owners (managers of organisational units) or representatives of the Maintenance Department. Noticed threats or irregularities are prioritised and appropriate corrective actions are carried out by designated persons. The degree of implementation of such activities is tracked as one of the numerical indicators in the H&S area.

As a pilot, in one of the companies, we introduced software to support the performance of the rounds with the possibility of taking photos, audio and video recordings at the observation site and adding a short note. Data from such inspections are collected in one place, which allows you to track the performance of the inspections themselves and the implementation of recommendations resulting from them. After the test period, we will decide to use this tool in other companies.

One of the crucial rights, and in the Ciech Group, also one of the duties of employees, is to refrain from work if the working conditions are so dangerous that any individual's health or life could be at risk. We expect that after the supervisor has been notified of such conditions, employees in this type of situation will withdraw from their work. The hazard will then be discussed and, following the risk assessment, appropriate risk minimisation measures will be taken so that the work can be performed safely. Reporting identified hazards, dangerous situations and behaviours by employees is one of the important obligations that we present during introductory and initial general health and safety training. We also remind them about these issues during the aforementioned training sessions "See? React!", convincing the participants that it not only serves our statistics supporting decisions on priority areas and activities, but above all, it aims to improve their safety in daily work.

## 5.1.5. Safety training

The competences of our employees in the area of occupational safety are of key importance to us, as they are a guarantee of safety for themselves, co-workers, contractors, and therefore our entire organisation. That is why we do not stop at mandatory initial and periodic training required by law. We are developing a system of training in the area of health and safety by:

- including the scope of responsibility in the field of occupational safety for people managing employees to the company's overall development programme for management,
- involvement of our employees to perform the role of internal trainers, for example training in the "See? React!" series,
- introducing periodic first aid training for all employees,
- continuous improvement of the health and safety part during the introductory programme so as to communicate our safety expectations to our employees from the beginning of employment.

We strive to ensure that the largest possible part of the training is carried out in a practical form, despite the difficulties related to the pandemic. We also conduct safety talks on an increasing number of occasions, including with reference to our 10 Safety Principles.

The largest training project for 2021-2022 in the area of OHS Management is the „See? React!“, Which is, first of all, to develop the competence to perceive risk, despite working sometimes for many years in the same place, similar conditions and threats. Secondly, it is to make the managers of employees aware of their responsibilities in the field of occupational health and safety and develop their competences in conversations with employees focused on responsibility for the workplace, activities in the sphere of influence and developing their own solutions to improve work. For employees, it is to strengthen the feeling that all activities in the area of health and safety serve them themselves, so that they can return home safely and in full health every day.

The sense of responsibility and practical management skills are also to be strengthened by the OHS module in the trainings covering a wide range of leadership competences.

## 5.1.6. Key achievements in 2021

The end of the year was also the end of the period covered by the Group's Strategy for 2019-2021, including the H&S Strategy.

During this period, we managed to reduce the number of injuries by approx. 50%, and the LTIF rate fell by almost 15%. In 2021, LTIF was 5.1 compared to 5.8 in the previous year, which is a good forecast for the next years in which we want to reduce the injury rate by another 30%.

There has been no fatal accident in our Group since 2015.

Three of our companies received awards from the Management Board of CIECH S.A. for achieving „zero recordable injuries“ throughout 2021.

Despite the continuing difficulties related to the Covid-19 pandemic, we have not ceased in our efforts to make the working environment of our employees and contractors as safe as possible. Most of the projects were continued, unless undertaking them would involve a greater risk than delaying them.

We started many activities to strengthen our communication in the H&S area, including:

- regular meetings of OHS employees from all companies, aimed at exchanging good practices, learning from each other from mistakes in case of incidents, updating strategic directions for the Ciech Group and key activities related to the H&S area,
- periodic communications in the form of emails, posters and in each case other surprises in the form of quizzes for employees, which are to strengthen the communication of our 10 Safety Rules,
- periodic mutual visits of employees of OHS employees at individual plants of the Group, aimed primarily at the exchange of good practices and facilitating the unification of standards while maintaining the diversity of our production profiles.

The biggest strategic change in 2021 in the H&S area is the reorganisation of the H&S Department, strengthening it with additional specialists and focusing on an approach to safety based on global standards of the chemical industry.

## 5.1.7. Figures and ratios

	2021			2020			2019		
Employees									
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Number of fatal injuries	0	0	0	0	0	0	0	0	0
Number of lost (working) time injuries	8	44	52	0	34	34	3	31	34
Number of all reported injuries	10	51	61	2	66	68	4	63	67
LTIF*			5,08			5,76			5,88
Subcontractors									
	Women	Men	Total	Women	Men	Total	Woman	Men	Total
Number of fatal injuries	0	0	0	0	0	0	0	0	0
Number of lost (working) time injuries	0	14	14	0	9	9	0	9	9
Number of all reported injuries	1	14	15	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 18. Figures and ratios regarding injuries in the CIECH Group

## 5.2. Employee engagement, corporate culture and employee relations

### 5.2.1. HR Strategy

The goal of the CIECH Group is to build high employee commitment and ensure the success of its business strategy. By connecting our Employee remuneration and development policy with the Performance Management System, we are able to address our goals even more effectively. 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 a potential Employer helps us in conducting effective external and internal communication and attracting attention of future candidates for the positions we offer.

These elements are part of an integrated system that enables us to strengthen and integrate our organisation.



Figure 15. Key processes in the HR Strategy

### 5.2.2. Our commitments in the “Chemistry for a Better World” ESG Strategy

We are building CIECH as the best place for the development of our employees’ talents, relying on diverse teams and rewarding them for the goals pursued. We believe that diverse teams achieve better results. Accordingly, attracting more women and ensuring that they have the opportunity to fully realise their professional potential is our utmost priority. Our goal is for our efforts to lead to a natural increase in the share of women in managerial positions, as a minimum, to 35% in 2030, in line with the goals adopted in the ESG Strategy published in 2021.



### 5.2.3. Values and competency model and organisational culture developed on their basis

An integrating 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 action plan for the entire organisation. We embarked on the first stage in 2020 with a workshop, during which, together with the highest managerial staff, we developed a list of values that fit into the Group’s business strategy and reflect the identity of our organisation. On this basis, we have constructed a model of competencies necessary to implement and strengthen our values at all levels of the company. We consistently build the processes of the CIECH Group around the developed values and competences, which have become an integral part of the Code of Conduct, recruitment processes, onboarding, performance management and development programmes.



Figure 16. Competencies model based on the CIECH Group’s values

The values, skills and conduct necessary to implement the strategy were the basis for the development of a competency model, which subsequently was adapted to the role that a given person plays within the organisation, i.e. employee and managerial positions requiring competences in team management.

Our organisational culture is the subject of regular meetings of the Management Board with dedicated teams of employees. Moreover, selected managers are responsible for the promotion of individual values, while setting an example of their practical use with their own conduct. In this manner, each employee has the opportunity to see how to implement these values in specific activities undertaken at work on a daily basis.

## 5.2.4. An integrated Performance Management System



In 2021, we implemented the Integrated Performance Management system. The system is based on setting goals that clearly arise from the business strategy and serve its purpose. Performance Management is a continuous dialogue between an employee and a manager on how to translate business priorities into individual goals, maximise the chances of achieving them, what the expected end result is and what goals should be achieved in the next step. With Performance Management, we are able to build an organisational culture and greater employee involvement. The last months of 2021 were the time to define

the assumptions for the implementation of a new tool enabling goal management based on the SAP Success Factors technology, integrated with SAP-HCM.

## 5.2.5. Development and unification of the remuneration policy

### 5.2.5.1. Basic salaries

In 2021, we continued the process of evaluating newly created jobs in individual companies. In order to unify the remuneration policy, we updated the basic salary table and the job grading table in key Polish companies of the CIECH Group. The resulting changes were introduced to the Remuneration Rules. At the same time, as a result of the implementation of the ABCD Model, we increased the base salaries for employees in operational positions. Afterwards, in December 2021, we updated the salary tariff table again to take into account the increase in the minimum wage for 2022. As part of the adopted framework, we have adjusted the base salaries as of 1 January 2022 to the level of at least the minimum salary specified at individual levels of the tariff table. In addition, we have defined basic salaries for operating employees at individual skill levels (ABCD Model) and introduced new provisions regarding the seniority entitling to calculate the retirement pension - currently the internship in all companies of the CIECH Group is considered.

### 5.2.5.2. Bonus system

In 2021, we continued meetings with the managerial staff in the form of workshops developing the skills of setting and accounting for goals, taking into account the cascading of strategic and business goals. Based on the developed rules and dialogue with the Social Counterparties, we have defined and implemented new Bonus Rules in all Polish companies of the CIECH Group.

We have implemented two bonus systems: the annual system and the quarterly-annual system, the membership of which depends on the rank of a given job. The bonus rules are based on setting individual and team goals as well as dialogue between the employee and the manager. The amount of the bonus payment depends on the level of achievement of the overall company, Business Unit, team and individual goals.

## 5.2.6. Employee development

### 5.2.6.1. Leader Programme



The Leader Programme is a training series dedicated to all managers in the CIECH Group, developed by the internal Learning & Development Team. All training modules are based on the Competence Model consistent with the Values of the CIECH Group. The programme supports the implementation of team management standards, equips managers with practical tools, indicates the uniform „language of behaviour” of the manager in the Group and is an opportunity to exchange good managerial practices. In the programme, we use the „blended learning” method to convey the content as effectively as possible, taking into account the preferences of each recipient. Training paths - TOP Leader, Team Leader and Production Leader - are adapted to three groups of recipients in order to best respond to their needs.

In 2021, **420 managers** were covered by the Programme - we created **28 training groups** and **9 thematic modules**. The **average assessment of the training** was **4.7** (on a scale of 1-5), and the **overall attendance was 76%**.

### Implemented modules in 2021



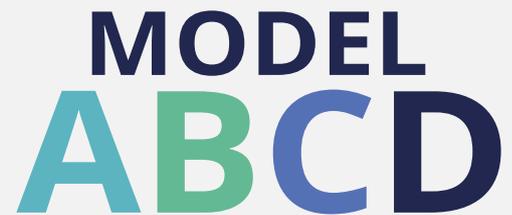
Figure 17. Modules of the Leader Programme completed in 2021

In 2022, we plan to continue development activities for managers by implementing modules regarding, among others, motivating and appreciating employees, managing difficult situations, assertiveness, supporting employee development (coaching/instructing). We also plan training in labour law for managers, conducting recruitment and onboarding processes, and the responsibility of managers for health and safety. Some of the thematic modules, such as planning and setting goals, an appraisal interview and a development interview, will be carried out periodically to support managers in the implementation of specific processes throughout the year. We plan to include the Leader Programme in our permanent development offer so as to enable new managers to go through the entire training cycle.

#### 5.2.6.2. Operational employee skill and development system (ABCD Model)

The ABCD model is a Skills Management System for Operational Employees (production and production-related positions), which helps us in:

- planning work in production,
- employee development,
- motivating employees,
- ensuring stability of production processes.



All production processes, technical skills and tasks in the warehouse area have been compiled as an „employee production skill set“. The so-called soft skills corresponding to the Group’s values were added to them.

Job profiles, i.e. dedicated skill sets for individual positions, were created. Each profile consists of four soft skills and a set of technical skills. The profiles also include levels of expectations for a given skill on a scale of 1-4.

Thanks to the matrices for assessing the current skills of an employee in relation to the expected profile, the employee is classified into one of four levels, which are differentiated by remuneration:

**A** – learner

**B** – independent employee

**C** – very versatile person

**D** – master successor

The evaluation cycle takes place once a year, which is linked to pay rise moves. Based on the level of competence, we also plan development activities and career paths for employees in the production area and production-related positions.

The implementation of the ABCD Model has helped us to strengthen the role of the masters as the Lower Managerial Staff. The masters participated in multi-module workshops where they could gain and enhance their team management, change implementation, communication and motivating skills.

In addition to the operation of the ABCD model in the Soda, Agro and Foams Business Units, in 2021 we implemented the model in the Silicates and Cargo Business Units. As for 2022, we are planning to extend the model to further Business Units in Poland and in foreign companies.

### 5.2.6.3. Supporting development measures

#### E-learning platform

Our employees can benefit from training available on our e-learning platform. We continuously modify and develop training so that everyone can find valuable developing material for themselves. In addition to the classic training form, employees also receive various materials for independent work.

E-learning training available to all employees include:

- Business negotiations
- Time management
- How to effectively manage in remote work mode.
- Knowledge base - various articles and materials on communication and cooperation, mental resilience, remote work, giving and receiving feedback, etc.

As part of the Leader Programme, managers have the opportunity to benefit from the following dedicated training:

- Role of the manager
- Team development stages
- Delegating
- Monitoring
- Planning and setting goals

#### Language platform

This interactive platform contains hundreds of dialogues, scenes, exercises, ready-made templates that facilitate writing emails, word repetition, language games, videos, tests, etc. At their disposal, employees have over 1300 lessons at all levels of proficiency (from basic to advanced) in general and business language, on the go, as well as industry and departmental dictionaries. The platform features a pronunciation coach, a built-in multimedia dictionary and other useful functionalities as well as gamification, and also enables the use of a mobile application on smartphones. The CIECH Group finances 100% of this form of developing its employees' language competences. In 2021, approximately 400 of the Group's employees used the platform.

#### Coaching activities

In 2021, we continued supporting managers by using individual coaching activities for selected people. Depending on the managerial level, the sessions were conducted by the Learning & Development Team or managers worked with external coaches. This approach applies in particular to those who have taken up new positions and need to be strengthened in their role. In 2021, such activities covered 5 managers who took a total of approx. 60 hours of coaching sessions.

#### “HR Developer”

In 2021, we continued sending development articles to all employees via our online newsletter. Subjects of articles include, among others, project management, management by objectives, communication in the spirit of NVC and team roles. We want this content to be supportive in everyday work, and to complement the development activities that we offer to our employees.

## 5.2.7. Feedback – we check the pulse of our organisation

### 5.2.7.1. 360 degree evaluation

The 360-degree evaluation process enables us to diagnose the level of managerial competences in the CIECH Group and provides the necessary information to prepare an action plan for the development of the management staff to be implemented this year. This process takes place every year, each time we evaluate the competences of a different managerial group.

The following competencies were assessed: decision making, safety, credibility, professionalism, cooperation and communication, involving leadership, striving for development, continuous improvement of processes.

In 2021, we conducted a 360-degree evaluation for 25 managers of various levels from the CIECH Group companies, who were assessed by their colleagues, superiors and direct subordinates.

The survey turnout was over 80%. After the study is completed and the results are processed, individual sessions with feedback for the evaluated individuals are conducted. The results of the survey are very helpful in designing and selecting the most appropriate development activities for a given manager.

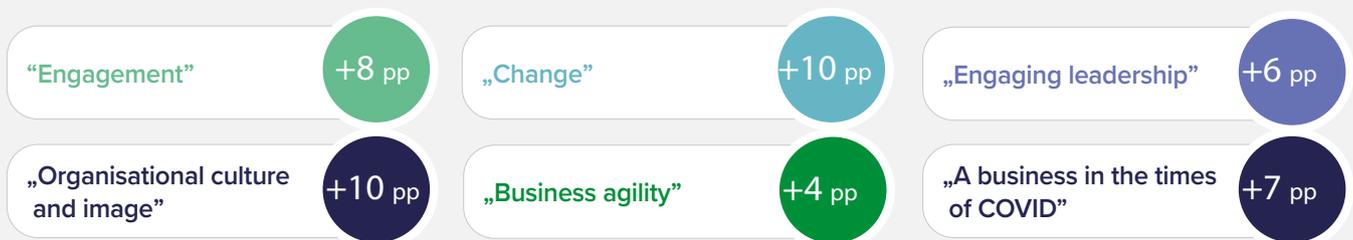
### 5.2.7.2. Pulse Check 2021

In autumn 2021, we organised another PULSE CHECK survey in the CIECH Group. The aim of the survey is to check whether as a Group we are heading in the right direction, whether the decisions made by the Management Board are properly interpreted and support the daily work of managers and their teams. We want to check the „pulse of the organisation” and how to support employees on a daily basis to make CIECH an even better place to work for them. All managers and independent employees who coordinate projects in the Group were invited to the survey. To ensure full anonymity, the survey was carried out by, in its entirety, by an external company that has been on the market for years and specialises in opinion polling.

The survey was carried out electronically. It consisted of 30 questions (including 2 open-ended questions) within the following categories:

1. Engagement,
2. Organisational culture and image,
3. Business agility,
4. Change,
5. Engaging leadership – Top Managerial Staff,
6. A business in the times of COVID.

In 2021, the turnout in the survey was 68%. We have clearly observed increases in the percentage of results in each of the aforementioned categories compared to 2020:



The increase in employee satisfaction in all areas throughout the year may prove that the activities we undertake as a Group are noticed and appreciated by our employees. Based on the results of the Employee Opinion Survey and Pulse Check from previous years, we are continuously implementing changes and improvements that respond to the needs expressed in the surveys. The results of the 2021 survey provide the basis for the development of further activities to be implemented in 2022.

## 5.2.8. Rewards and certifications



In 2021, we received the certificate: **HR of the Highest Quality**, awarded by the Polish Association of Human Resources Management (PSZK). The certification process is divided into two stages, including completing a questionnaire (about 50 questions) covering all HR processes and analysing a selected HR project. PSZK 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 and 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 human capital management solutions.



Another title that we obtained in 2021 is **Solidny Pracodawca (Reliable Employer)**. The evaluation criteria are broad and 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 third-party opinions about the company.



We also received a recognition and a special award „**Friendly Workplace 2021**”, which is highly valued on the market. Our pro-development activities and the area of relations with employees (culture, atmosphere), as well as the benefits offered were particularly highly appreciated by the jury.

These awards are especially important to us because we received them in a year full of special challenges, both for employers and employees.

## 5.2.9. Employee benefits

In the CIECH Group, we care for our employees and their family members, providing them with access to additional benefits. A uniform benefit offer is in place in the Polish companies of the CIECH Group. Most companies establish company social benefit funds, under which employees may be entitled to, among others, self-arranged countryside holidays, allowances, holiday benefits, which in 2021 were extended to include holiday cards for children.

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,
- benefits from the company's social benefit fund,
- co-financing for the purchase of glasses, and
- Employee Capital Plans.

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

### 5.2.10.1. Recruitment

Recruitment processes within the CIECH Group are based on the adopted standards. We belong to the “Friendly Recruitment” Coalition, which means that we comply 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, in its entirety, remotely. In the case of positions for which recruitment cannot be carried out remotely (e.g. production area), the recruitment is carried out with the preservation of all safety measures.

The CIECH Group cares about continuous improvement in the recruitment process. Just like in the previous years, 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://kariera.ciechgroup.com>

### 5.2.10.2. Work placements and internships



In 2021, 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. Internship is understood as 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. Moreover, each trainee had the opportunity to provide feedback on the implemented programme.

In 2021, the CIECH Group started cooperation with 19 interns as part of the CIECH Starter program. From among the group of interns, we have established and are continuing a longer cooperation with 4 interns who currently support selected organisational units.

Additionally, the CIECH Group has made it possible for students of many schools/universities to complete their work placement. It is a free program, implemented by school/university students as part of professional practice in organisational units of CIECH S.A. and the companies of the CIECH Group, in the agreed time.

### 5.2.10.3. 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.

In 2021, the HR Department conducted 45 onboarding sessions for new employees. The sessions were held at least once a month in each company of the CIECH Group. Over 300 new employees of the CIECH Group were covered by the onboarding process.

As part of HR Onboarding, meetings with managers, meetings with the team and meetings with a dedicated supervisor are organised. Implementation training includes, among others, familiarisation with the history, mission, vision and values of the company, discussion of the organisational structure, corporate procedures and rules of work, presentation of non-wage benefits and the rules of using them, discussing the flow of HR and payroll documents, welcome packages, using elements of gamification with prizes, IT issues, issues administration, finance, security and the adopted ESG strategy.

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. 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. During this process, discussing

the scope of tasks in a given position, presenting a work plan for the next period, getting to know the team, presenting development opportunities in a given position.

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

#### **5.2.10.4. 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.

### **5.2.11. Internal communication and employee engagement**

Communication activities during the transformation of the organisation are key to ensuring the sense of security of employees. Communication in production companies such as ours is divided into 3 channels: all online tools, traditional message carriers and direct communication through meetings. We often combine communication activities with actions involving employees, which has a positive effect on the reception of communication itself and its effectiveness.

In 2021, we focused on the development of online and offline communication tools, the aim of which was to increase the effectiveness of communication and faster information flow throughout the organisation. We also operated around the integration of employees through engaging communications and events in safe conditions.

#### **5.2.11.1. Online, direct and traditional (offline) communication**

We regularly communicate to employees about organisational changes taking place inside the company at all levels of employment (personnel and reorganisation changes) as well as about initiatives that relate to the Group and current activities. In addition to written communication in the form of regular mailings and information newsletters, we organise information meetings - Global 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 answer live.

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

Due to the lack of the possibility of organising information meetings, during major reorganisation changes, operational employees are given information materials by Change Managers (answers to questions, leading messages, etc.)

### 5.2.11.2. Engaging employees through communication activities and supporting their initiatives



We emphasise the traditions valued by our employees. During Christmas, we distributed 3,500 packages to our employees in Poland, Germany, Romania and Spain. Christmas packages were filled with sweets of Polish brands, CIECH playing cards, and each Employee received a winter neck warmer and socks with the CIECH logo. In production plants and offices, we also emphasise “sweet” holidays such as Saint Nicholas or Fat Thursday.

In 2021, we organised a series of summer events, CIECH Fest. Throughout the day, on the premises of our Production Plants and Offices, we had barbecues and celebrated our time together by playing for prizes, e.g. from the Health and Safety Area. During the CIECH Fest, employees also contributed to charity, rowing kilometres on a stationary ergometer to local foundations. In total, we “rowed” over PLN 50,000.



Our employees are also involved in various collections for local aid institutions, incl. Christmas fundraising for the Nursing Home or ‘Children’s Day’ collection for children in the local orphanage. In 2021, employees from Inowrocław collected nearly PLN 10,000 as part of colleague fundraising events.

We celebrate our successes at online meetings, such as the completion of our largest investment in history, the salt plant in Germany. We have prepared a virtual tour of the Plant for employees, where the employees responsible for the construction talked in detail about specific places.

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. In 2021, we awarded each other 38 Employees as Value Heroes.



We support employee initiatives, such as integration and sports campaigns or company football teams. In 2021, on the initiative of our employees, we organised the CIECH Goal integration campaign, i.e. joint betting of the results of matches during the European Football Championships by employees of various companies and nationalities.

In 2021, we built the foundations of the „Healthy CIECH” programme, as part of which we plan to implement pro-health activities for employees of the CIECH Group in Poland. In May and June we organised active months - every week there was an „active webinar”, incl. exercises on chairs at home, yoga, active breaks for operating staff or exercises for a healthy spine. Employees could also take part, as part of the Healthy CIECH campaign, in the step challenge - a whole month of competition in daily step statistics, where the best ones received awards.

In the second half of 2021, employee engagement campaigns focused on safety, both online and occupational health & safety. Our employees warned others with their stories related to cybersecurity, which was the introduction to opening the communication of updating the Security Policy in the company. This year, we also launched the „Safe CIECH” programme in the OHS area. Each month we devote communication to a different health and safety principle through online and traditional communication and games with prizes.

## 5.2.12. Relations with the social counterparties

Within the CIECH Group, there are **ten trade union organisations associating approx. 43% of employees** (each operating in at least one company). We know that good cooperation with trade unions initiates changes that may affect the state and conditions of employment in the Group. Accordingly, proper relations with the social counterparties are one of the managerial staff's priorities.

Especially during the pandemic, we talked intensively with the Social Counterparties, agreeing our joint actions with regard to employees. In addition, in 2021, negotiations took place with all trade unions on the content of the implemented Remuneration Regulations and the Bonus Regulations in the CIECH Group.

In December 2021, the companies in which the Company Social Benefits Fund operates concluded agreements with the social counterparties, under which employees received the so-called Christmas benefits, and employees' children - Christmas cards.

### 5.2.13. Figures and indicators

At the end of 2021, 3322 individuals were employed with the CIECH Group: 2555 men and 767 women.

	2021			2020			2019		
	Men	Woman	Total	Men	Woman	Total	Men	Woman	Total
CIECH Group employees	2 555	767	3 322	2 611	804	3 415	2 814	891	3 705

Table 19. Employment in the CIECH Group by gender

Age	2021			2020			2019		
	Men	Woman	Total	Men	Woman	Total	Men	Woman	Total
Under 30	360	132	492	292	123	415	323	145	468
30-50 years	1 118	421	1 539	1 294	447	1 741	1 427	462	1 889
Over 50 years	1 077	214	1 291	1 025	234	1 259	1 064	284	1 348
<b>TOTAL</b>	<b>2 555</b>	<b>767</b>	<b>3 322</b>	<b>2 611</b>	<b>804</b>	<b>3 415</b>	<b>2 814</b>	<b>891</b>	<b>3 705</b>

Table 20. Employment in the CIECH Group by age

Employment type	2021			2020			2019		
	Men	Woman	Total	Men	Woman	Total	Men	Woman	Total
Employment contract for indefinite period	2 041	578	2 619	2 077	588	2 665	2 515	761	3 276
Employment contract for a definite period (incl.: trial period, understudy, practical job placement)	513	189	702	534	216	750	299	130	429
<b>TOTAL</b>	<b>2 555</b>	<b>767</b>	<b>3 322</b>	<b>2 611</b>	<b>804</b>	<b>3 415</b>	<b>2 814</b>	<b>891</b>	<b>3 705</b>

Table 21. Employment in the CIECH Group by type

Employment type	2021			2020			2019		
	Men	Woman	Total	Men	Woman	Total	Men	Woman	Total
Full-time	2 454	733	3 187	2 575	788	3 363	2 808	872	3 680
Part-time	101	34	135	36	16	52	6	19	25
<b>TOTAL</b>	<b>2 555</b>	<b>767</b>	<b>3 322</b>	<b>2 611</b>	<b>804</b>	<b>3 415</b>	<b>2 814</b>	<b>891</b>	<b>3 705</b>

Table 22. Employment in the CIECH Group by type

Employment area	2021			2020		
	Men	Woman	Total	Men	Woman	Total
OHS	5	9	14	7	6	13
Controlling, Accounting, Finance	53	118	171	50	106	156
Power sector	161	8	169	167	7	174
Other	101	64	165	113	89	202
Investment	25	10	35	34	13	47
Quality Control	19	156	175	20	163	183
Logistics/Warehouse	153	37	190	163	36	199
Environmental protection	6	8	14	6	7	13
Production	1467	144	1611	1527	170	1697
Sales and marketing	66	75	141	64	73	137
Maintenance	393	22	415	364	21	385
Purchases	48	29	77	42	28	70
Management, administration, HR, IT	58	87	145	54	85	139
<b>TOTAL</b>	<b>2 555</b>	<b>767</b>	<b>3 322</b>	<b>2 611</b>	<b>804</b>	<b>3 415</b>

Table 23. Employment in the CIECH Group by area

Employment level	2021			2020		
	Men	Woman	Total	Men	Woman	Total
<b>Executive managers</b>						
Under 30	0	0	0	1	0	1
30-50 years	33	4	37	12	3	15
over 50 years	21	1	22	6		6
<b>Middle managerial staff and experts</b>						
Under 30	3	1	4	1	3	4
30-50 years	76	40	116	86	34	120
over 50 years	51	14	65	43	12	55
<b>Non-production operational positions</b>						
Under 30	115	102	217	65	48	113
30-50 years	344	279	623	411	322	733
over 50 years	272	112	384	237	138	375

Production operational positions						
Under 30	242	29	271	259	38	297
30-50 years	665	98	763	773	100	873
over 50 years	733	87	820	717	106	823
<b>TOTAL</b>	<b>2 555</b>	<b>767</b>	<b>3 322</b>	<b>2 611</b>	<b>804</b>	<b>3 415</b>

Table 24. Employment in the CIECH Group by level

	2021			2020			2019		
	Men	Woman	Total	Men	Woman	Total	Men	Woman	Total
Newly engaged employees	379	84	463	350	97	447	306	105	411

Table 25. Newly engaged employees

	2021			2020			2019		
	Men	Woman	Total	Men	Woman	Total	Men	Woman	Total
Employee departure	382	138	520	626	225	851	428	134	562

Table 26. Employee departure

	2021	2020
All employees	6,4%	5,6%
Operational employees – production area	12,3%	12,0%
Operational employees – areas other than production	13,2%	20,4%
Middle managerial staff and executive man-agers	3,4%	1,6%

Table 27. GPGR (Gender Pay Gap Ratio)

GPGR - percentage difference between the average monthly remuneration (including bonuses, awards and other allowances) of women and men. The ratio does not take into account the remuneration of the Management Board of the Company. The GPGR is calculated as a percentage as the absolute value of the difference between the quotient of the average monthly salary of women, divided by the average monthly salary of men, and the number 1.

# 6



Our impact on the  
environment

## 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.

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, utilise natural resources in a rational manner and combat climate changes through CO<sub>2</sub> reduction, and to maintain good social relations in communities where business activities are conducted.

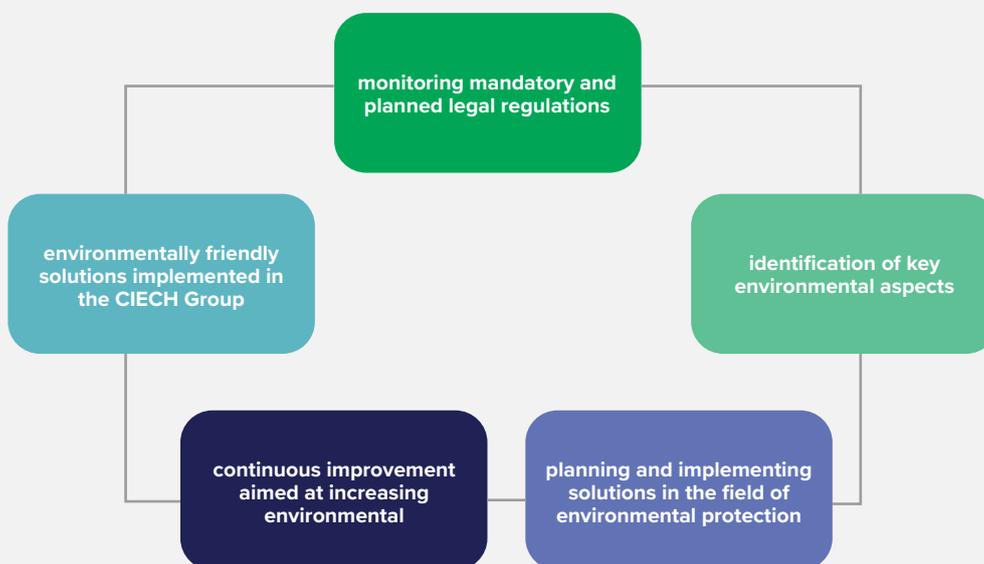


Figure 18. Environmental Management System within the CIECH Group

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.

Due to the requirements of the Industrial Emissions Directive (IED Directive) and the need to adapt to new, more restrictive emission standards, e.g. with regard to sulphur dioxide, nitrogen oxides and dust, there are periods for plants producing energy and steam (combined heat and power plants) during which these plants will have to comply with the new emission ceilings. The following periods were distinguished: the period until 30 June 30 2020 (extension of the deadline for adapting LCP installations under the Transitional National Plan (PPK)), the period from 1 July 2020 to 17 August 2021 (from the end of participation in the PPK to the end of the deadline to adapt to the new BAT Conclusions for the LCP) and the period from 18 August 2021 (validity of the amended BAT Conclusions for the LCP).

From 1 July 2020, power and steam plants are subject to stricter emission standards for dust emissions (20-25 mg/Nm<sup>3</sup>), sulphur oxides (200-250 mg/Nm<sup>3</sup>) and nitrogen oxides (200 mg/Nm<sup>3</sup>) for large power plants combustion (LCP). In turn, from 18 August 2021, new, very restrictive emission levels apply to large combustion plants, which result from the new BAT Conclusions for LCP.

The new emission values are respectively: for dust (15-20 mg/Nm<sup>3</sup>), sulphur oxides (130-200 mg/Nm<sup>3</sup>) and nitrogen oxides (150-180 mg/Nm<sup>3</sup>). Moreover, for sources with a nominal power above 300 MW, the mercury emission should be continuously measured. Administrative proceedings are currently underway aimed at issuing amended integrated permits, adjusted to the requirements of the BAT Conclusions for the LCP.

In the area of regulations related to the greenhouse gas emission allowance trading system (EU ETS), in 2021 the revised values of emission factors for the allocation of free emission allowances for the years 2021-2025 (i.e. benchmarks) were determined. 2021 was a breakthrough in terms of changing the rules for submitting annual activity level information for installations covered by the EU ETS (i.e. BDR), which have been replaced by activity level reports (ALC report). ALC reports are subject to annual verification and are submitted to the National Centre for Emission Balancing and Management (KOBIZE) by 31 March of each year. In addition, from 1 January 2022, further changes are introduced regarding the ALC report.

The final annual number of emission allowances for installations covered by the EU ETS system allocated for the year 2021 was issued in the fourth quarter of 2021.

In 2021, intensive legislative work began on the implementation of EU law into the Polish legal system related to the implementation of the new EU action plan for the circular economy. These changes mainly relate to the tightening of requirements in the field of waste management, including determining higher levels of waste recycling and changes in packaging management in the context of reducing the use of plastic products and packaging, changes in packaging design, as well as the obligatory use of recycled raw materials in the production of packaging. In 2021, the definition and basic assumptions of Extended Producer Responsibility were introduced into the national legal order. The planned changes to the regulations are likely to result in a further increase in costs, including related to waste management, including packaging waste, and will impose new obligations on those placing products in packaging on the market.

## 6.1. 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. Inowrocław Production Plant	Integrated permit for installation to manufacture soda and soda derived products.	Indefinite
CIECH Soda Polska S.A. Janikowo Production Plant	Integrated permit for installation to manufacture soda and soda derived products.	Indefinite
CIECH Soda Polska S.A. Inowrocław Power Plant	Integrated permit for heat and power station's installation (4 OP-110 boilers).	Indefinite
CIECH Soda Polska S.A. Janikowo Power Plant	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	Integrated permit for the installation of a combined heat and power plant.	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 Vitrosilicon S.A. Żary Plant	Integrated permit for installations to manufacture sodium silicate glass and potassium silicate glass.	Indefinite
CIECH Vitrosilicon S.A. Iłowa Plant	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 28. List of integrated permits held by CIECH Group companies in 2021

## 6.2. Greenhouse gas emissions

Currently, the CIECH Group emits significant amounts of carbon dioxide into the atmosphere, mainly due to its industrial activities. For the purposes of this report, reporting standards defined by the GHG Protocol Corporate Accounting and Reporting Standard were adopted. The monitoring of greenhouse gas emissions is done using the division into Scope 1 and Scope 2 as defined below..

### Scope 1

Scope 1 calculates direct GHG emissions from sources that are owned or controlled by the company.

For the CIECH Group, the main source of direct carbon dioxide emissions are energy assets held in Poland and Germany, which generate electricity and heat in the form of, among others, technological steam of high parameters for the needs of production processes:

- two coal-fired CHP plants (Inowrocław and Janikowo),
- gas-fired heat and power plant (Stassfurt),
- glass furnace (Iłowa) and silicate furnaces (Iłowa, Żary)
- gas boilers (Stassfurt, Iłowa, Żary, Ramnicu Valcea)

The sources of direct emissions are also the production processes themselves, in particular the production of soda ash and sobic (Inowrocław, Janikowo, Stassfurt), as well as the production of glass packaging (Iłowa) and silicates (Iłowa, Żary, Ramnicu Valcea).

In addition, the CIECH Group is the owner or user of means of transport emitting greenhouse gases (including diesel locomotives and car fleet). Their impact on the total level of direct emissions is negligible compared to the above mentioned categories.

### Scope 2

Scope 2 includes indirect greenhouse gas emissions related mainly to the purchase of electricity or heat by end users from external entities. Emissions from energy purchased for resale are not included.

In the case of energy purchased from an identified producer, the appropriate emission intensity indicator was used (market-based approach). In the case when energy was purchased from an unmarked producer (from the grid), the emissions were calculated using the generally available average emission intensity indicators for particular locations (location-based approach).

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

CIECH Group	2021	2020	2019
<b>Scope 1</b>	<b>2 678 069</b>	<b>2 640 465</b>	<b>2 920 571</b>
From production of electricity and heat	<b>2 083 542</b>	2 046 606	2 141 386
- for own needs as part of the CIECH Group	<b>1 937 245</b>	1 891 512	1 993 021
- for sale	<b>146 297</b>	155 093	148 366
From production processes	<b>591 717</b>	591 228	776 765
From means of transport	<b>2 810</b>	2 631	2 420
<b>Scope 2</b>	<b>140 984</b>	<b>142 694</b>	<b>533 032</b>
<b>Total (Scope 1 &amp; 2)</b>	<b>2 819 053</b>	<b>2 783 159</b>	<b>3 453 604</b>

Figures in Mg

**Table 29. Carbon dioxide emissions for the CIECH Group broken down into categories**

The vast majority of carbon dioxide emissions of the CIECH Group, mainly from energy production and soda production processes, is covered by the European Emissions Trading System.

CIECH Group	2021	2020	2019
The volume of emissions covered by the ETS	<b>2 596 486</b>	2 582 497	2 853 576
Percentage of total ETS emissions	<b>97%</b>	98%	98%

Figures in Mg

**Table 30. Carbon dioxide emissions for the CIECH Group covered by the ETS**

## 6.2.1. Detailed information on greenhouse gas emissions in individual segments and companies

In 2021, we expanded the repository of carbon dioxide emission sources, which now includes all tangible and the vast majority of intangible data. The comparative data for 2019-2020 has been updated to maintain comparability. Where necessary, the required corrections resulting from the conducted audit were introduced. All changes in the calculation method are described in detail in the part concerning carbon dioxide emissions in individual segments of the CIECH Group.

## Soda Segment

Soda segment	2021	2020	2019
<b>Scope 1</b>	<b>2 590 890</b>	<b>2 569 730</b>	<b>2 839 019</b>
From production of electricity and heat	2 029 889	2 002 685	2 091 691
CIECH Soda Polska	1 597 470	1 558 318	1 664 857
CIECH Energy Deutschland, incl.:	429 590	444 135	426 834
- for own needs as part of the CIECH Group	283 293	289 042	278 468
- for sale	146 297	155 093	148 366
CIECH Soda Romania	311	232	0
CIECH Salz Deutschland	2 518	n/a	n/a
From production processes	558 770	564 929	745 545
CIECH Soda Polska	420 000	403 046	476 326
CIECH Soda Deutschland	138 770	160 767	148 880
CIECH Soda Romania	0	1 116	120 339
From means of transport	2 231	2 116	1 783
CIECH Cargo (diesel locomotives)	2 231	2 116	1 783
<b>Scope 2</b>	<b>124 446</b>	<b>129 743</b>	<b>514 937</b>
CIECH Soda Polska	116 273	121 335	149 175
CIECH Soda Romania	1 088	1 722	357 938
CIECH Cargo (electric locomotives)	7 086	6 685	7 824
<b>Total (Scope 1 &amp; 2)</b>	<b>2 715 337</b>	<b>2 699 473</b>	<b>3 353 956</b>

Figures in Mg

Table 31. Carbon dioxide emissions for the Soda Segment

### CIECH Soda Polska

Under Scope 2, an adjustment was made to reduce the published CO<sub>2</sub> emissions for 2020 (by 12,410 Mg) and 2019 (by 13,799 Mg) by the part generated by electricity purchased for further resale to external entities operating in or in the vicinity of the plants in Inowrocław and Janikowo.

### CIECH Energy Deutschland

As a result of the audit of source data under Scope 1, a correction of CO<sub>2</sub> emissions in the “From production of electricity and heat” category was introduced, reducing the declared 444 677 to 444 135 Mg in 2020. The adjustment results from the revised amount of produced electricity and heat used for the CIECH Group’s own needs.

### CIECH Soda Romania

As a result of the audit of the source data, the following adjustments were made:

- under Scope 1, in the „From production processes” category, an adjustment was made to reduce the amount of CO<sub>2</sub> emissions by 793 Mg in 2020, in line with the recommendations of the auditor verifying the calculation method. It should be taken into account that the data for 2019 include emissions from the soda and silicate production process. In 2020, CO<sub>2</sub> emissions were generated only as a result of the combustion of carbonate raw materials as part of the silicate production process, which we have ceased, which is the reason for the decrease in CO<sub>2</sub> emissions to zero in 2021.
- under Scope 2, an adjustment was introduced to reduce the published CO<sub>2</sub> emissions for 2020 and 2019, from 3,800 to 1,722 Mg in 2020 and from 396,682 to 357,938 Mg in 2019, respectively. The adjustment is the result of a revision of the calculation methodology and adopted benchmark indicators.

### CIECH Cargo

In 2021, the emission analysis under Scope 1 included data on the amount of fuel coming from outside the fuel warehouse, i.e. purchased en route at commercial stations. In order to maintain comparability, the data for 2019-2020 have been adjusted.

### Agro Segment

Agro Segment / CIECH Sarzyna	2021	2020	2019
Scope 1	0	0	0
Scope 2	12 624	10 592	14 174
<b>Total (Scope 1 &amp; 2)</b>	<b>12 624</b>	<b>10 592</b>	<b>14 174</b>

Figures in Mg

**Table 32. Carbon dioxide emissions for the Agro Segment including CIECH Sarzyna**

Data was separated for the Agro Segment, which in the previous report was recognised under the item „Other”. The CIECH Sarzyna company obtains energy mainly from the modern Nowa Sarzyna Combined Heat and Power Plant (from outside the CIECH Group), located in the immediate vicinity. In 2021, the emissions were updated with data on electricity purchased by CIECH Sarzyna from other suppliers. In order to maintain comparability, the data for CIECH Sarzyna for previous years have been corrected.

## Silicates Segment

CIECH Vitrosilicon	2021	2020	2019
<b>Scope 1</b>	<b>72 582</b>	<b>56 482</b>	<b>67 043</b>
From production of electricity and heat	42 501	33 023	38 947
From production processes	30 081	23 459	28 096
<b>Scope 2</b>	<b>10 562</b>	<b>7 984</b>	<b>11 485</b>
<b>Total (Scope 1 &amp; 2)</b>	<b>83 144</b>	<b>64 466</b>	<b>78 528</b>

Figures in Mg

**Table 33. Carbon dioxide emissions for the Silicates Segment including CIECH Vitrosilicon**

The Scope 1 CO<sub>2</sub> emission source repository has been expanded to include the Silicate area for the first time. The analysis included installations assigned to CIECH Vitrosilicon in 2021, mainly silicate furnaces in Łłowa and Źary, and also emissions from the combustion of carbonate raw materials in the silicate production process, not covered by the emissions trading system (ETS). Historical data for 2019-2020 is also presented.

As part of Scope 2, from 2021, energy consumption from external suppliers is monitored separately for the CIECH Vitrosilicon company covering the Silicate area and for the separate CIECH Vitro company to which the Packaging area has been assigned. It should be noted that previously these data were reported jointly under the CIECH Vitrosilicon item. In order to maintain comparability, the data for 2019-2020 has been assigned to the appropriate company using the energy consumption key in 2021.

## Packaging Segment

CIECH Vitro	2021	2020	2019
<b>Scope 1</b>	<b>14 018</b>	<b>13 738</b>	<b>13 872</b>
From production of electricity and heat	11 152	10 898	10 748
From production processes	2 866	2 840	3 124
<b>Scope 2</b>	<b>4 100</b>	<b>3 099</b>	<b>4 458</b>
<b>Total (Scope 1 &amp; 2)</b>	<b>18 117</b>	<b>16 837</b>	<b>18 331</b>

Figures in Mg

**Table 34. Carbon dioxide emissions for the Packaging Segment including CIECH Vitro**

CIECH Vitro was registered on 1 April 2021. Full data records, broken down into Silicates and Packaging areas, are kept from the moment of transferring the Packaging business area („Packaging BU”) to CIECH Vitro from CIECH Vitrosilicon. In order to maintain comparability, the historical data for 2019-2020 was adjusted to the current reporting method reflecting the new structure of the CIECH Group.

After analysing the emissions of the Packaging business area, a decision was made to report emissions from the gas used to generate energy in the glass furnace in the „From production of electricity and heat” category. Additionally, insignificant amounts of emissions generated from the gas boiler in Hłowa were included in the analysis. The emission resulting from the combustion of carbonate raw materials was assigned to the category „From production processes”. In last year’s report, emissions from used gas and carbonate raw materials were reported jointly in the „From production processes” category.

For Scope 2, emissions from externally purchased energy were reported for Silicates and Packaging together. In order to maintain comparability, the data for 2019-2020 has been assigned to the appropriate company using the energy consumption key in 2021.

### Other activities, including corporate functions

Other	2021	2020	2019
<b>Scope 1</b>	<b>579</b>	<b>514</b>	<b>637</b>
From means of transport (car fleet)	579	514	637
<b>Scope 2</b>	<b>1 876</b>	<b>1 869</b>	<b>2 152</b>
CIECH Pianki	1 555	1 585	1 914
Other	321	283	239
<b>Total (Scope 1 &amp; 2)</b>	<b>2 455</b>	<b>2 383</b>	<b>2 789</b>

Figures in Mg

**Table 35. Carbon dioxide emissions for other activities**

For other activities, the repository under Scope 1 was extended with data on CO<sub>2</sub> emissions from fuels for the needs of the car fleet of the CIECH Group. The data has been updated for the period 2019-2021.

## 6.2.2. Management of this area

Reducing CO<sub>2</sub> 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.

In the ESG strategy „Chemistry for a Better World” we have committed ourselves to the following:

- to reduce Scope 1 and 2 greenhouse gas emissions by 33% by 2026 compared to the base year 2019 (2020, burdened with the effects of economic disruptions caused by the pandemic, is not appropriate for comparison),
- to completely eliminate coal from energy production by 2033,
- to become net climate neutral by 2040.

The goal of 2026 has been defined and precisely divided into initiatives under the Energy Strategy. We intend to reduce emissions by gradually replacing the steam coal used in the production of process steam with other energy sources. We are conducting advanced works on the project to build a thermal waste processing installation in Inowrocław (together with a partner), we are also considering the use of biomass technologies. Due to the changes in the political and economic environment, we have re-analysed projects to build capacity based on natural gas.

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

## 6.3. Energy management

### 6.3.1. Energy assets of the CIECH Group

The production assets of the CIECH Group of soda companies were located in the Soda Business Unit due to technological connections (the main and actually the only recipient of heat and electricity) and due to the energy consumption of soda production processes (availability of brine and steam agreed operationally by the Soda BU with the Salt BU). Operationally, the heat and power plant installations are part of the technological process of producing soda and salt.

#### 6.3.1.1. 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 desulphurisation 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.

#### 6.3.1.2. 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.

### 6.3.2. Third-party sources for electric and thermal energy purchases

#### 6.3.2.1. 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 2021, the CIECH Group obtained approx. 406 GWh of electricity and heat from this source, which enabled it to avoid the emission of approx. 87 thousand tonnes of CO<sub>2</sub> (assuming that energy would be replaced by that from its own CHP plant).

### 6.3.2.2. CIECH Salz Deutschland (Stassfurt)

CIECH Salz Deutschland, under the Renewable Energy Guarantee of Origin (GoO) system, obtained a certificate of origin for 20 GWh of electricity from renewable sources, which fully covered the company's electricity demand in 2021.

Guarantees of origin for electricity generated from renewable energy sources are a document certifying the end user who purchases them that the amount of electricity specified in this document introduced to the distribution network or to the transmission network comes from RES.

### 6.3.2.3. 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.

### 6.3.2.4. 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. Since 2021, thermal energy has been purchased through LERG S.A.

### 6.3.2.5. 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).

## 6.3.3. Sale of electricity and thermal energy

The Soda Segment also carries out activities involving the production and sale of electricity and heat to third parties. Electricity sold by the heat and power plant in Stassfurt (CIECH Energy Deutschland) constitutes the vast majority of the electricity produced: over 88% of the electricity generated there is supplied to external customers.

Additionally, small amounts of thermal energy are sold outside the CIECH Group by the Polish company CIECH Soda Polska.

	2021	2020	2019
<b>CIECH Energy Deutschland</b>			
<b>Total amount of generated electricity, incl.:</b>	702 759	736 646	698 154
for own needs as part of the CIECH Group	81 987	82 125	82 437
for sale to external entities	620 772	654 521	615 716
<b>Total amount of generated heat, incl.:</b>	1 297 464	1 301 686	1 254 135
for own needs as part of the CIECH Group	1 237 059	1 245 054	1 195 676
for sale to external entities	60 404	56 631	58 459
<b>CIECH Soda Polska</b>			
<b>Total amount of generated electricity, incl.:</b>	334 168	316 374	331 194
for own needs as part of the CIECH Group	334 168	316 374	331 194
for sale to external entities	0	0	0
<b>Total amount of generated heat, incl.:</b>	4 367 533	4 128 189	4 409 278
for own needs as part of the CIECH Group	4 320 164	4 085 081	4 364 556
for sale to external entities	47 368	43 108	44 723

Figures in MWh

**Table 36. Division of generated energy into energy used within the CIECH Group and sold to external entities**

### 6.3.4. Energy efficiency

An important element of the activities of the CIECH Group companies is continuous improvement and increasing energy efficiency. In accordance with the Energy Efficiency Act, a mandatory audit of the company's energy efficiency is carried out every 4 years, which was carried out in 2021. Appropriate certificates confirming the performance of the audit by the CIECH Group were submitted to the Energy Regulatory Office (ERO) in the third quarter of 2021. In addition, for the projects implemented to improve energy efficiency, applications are submitted to the ERO for the issuance of energy efficiency certificates, the so-called „White Certificates” traded on the Polish Power Exchange (TGE). In 2021, energy efficiency certificates were sold on the Polish Power Exchange in the total amount of 6,150 toe. The sales revenue amounted to nearly PLN 12 million.

White Certificates received	
ECM blast fans	1 828
EC1 feed water pumps - overflow elimination	1 243
EC1 feed water pumps - pressure reduction	174
ECJ blast fans	298
EC2 feed water pumps - overflow elimination	1 071
EC2 feed water pumps - pressure reduction	545
Accounting for the CSP obligation for 2020	-23
Heating networks	1 015
<b>Total</b>	<b>6 150</b>

**Table 37. List of projects for which the CIECH Group received White Certificates [toe] in 2021**

The efficiency improvement programme will be continued in the coming years. Below, there is a list of applications submitted to the ERO including tasks in progress.

Requested BC (White Certificates) [toe]	
Dehydration	954
LED lighting	955
Thermal insulation of technological devices - Inowrocław	127
Modernisation of the loss salt installation	1 029
Thermal insulation of technological devices - Janikowo	772
Modernisation of the gas compressor system	1169
<b>Total</b>	<b>5 006</b>

**Table 38. Projects in progress for which applications for White Certificates have been submitted**

Another 30 initiatives improving energy efficiency are under analysis, for which „White Certificates” can be obtained.

In addition, in 2021, the CIECH Group received support as an energy-intensive enterprise in accordance with the RES Act (regarding CIECH Soda Polska and CIECH Vitrosilicon) - reduction of the RES obligation for CIECH Soda Polska to 60% and for CIECH Vitrosilicon to 80% in the total amount of PLN 2.4 million. Both companies also receive a reduction in the cogeneration fee in the amount of PLN 0.1 million.

In order to obtain the tax relief for 2022, in accordance with the RES Act, by 30 November 2021, applications were submitted to the ERO together with an opinion of a statutory auditor confirming the calculation of the energy consumption ratio.

CIECH Soda Polska, as an enterprise consuming more than 100 GWh (over 500 GWh), settles accounts with the Energy Seller for the obligation to provide electricity with „White Certificates” in accordance with article 15 of the Energy Efficiency Act by sending a declaration on the implementation of the task confirmed by an energy efficiency audit showing savings of 5,803 toe, i.e. approx. 67,490 MWh. You have 5,091 toe remaining. For the year 2021, another declaration will be issued for approx. 215 toe (the register will be reduced by this value), corresponding to savings in energy purchase costs (White Certificates in the energy mix of 1.5%) in the amount of PLN 0.6 million.

Total savings in energy purchase costs and additional revenues as a result of the implementation of tasks improving energy efficiency in 2021 amount to PLN 30.7 million

In 2021, CIECH Soda Polska and CIECH Vitrosilicon obtained the proceeds due for 2020 in accordance with the Act on the compensation system for energy-intensive sectors and subsectors in the total amount of PLN 15.9 million. In order to obtain compensation for 2021, the application must be submitted to the ERO by 31 March 2022.

### 6.3.5. Figures and ratios

	2021	2020	2019
Balance of energy factors (raw materials used) [GJ]	27 326 119	27 044 049	27 663 392
Hard coal (combined heat and power plant) [GJ]	17 604 806	17 095 377	18 005 457
Natural gas [GJ]	9 721 313	9 948 672	9 657 935

Table 39. Balance of energy factors (raw materials used) [GJ] in 2019-2021

	2021	2020	2019
Balance of energy factors (energy produced and purchased) [GJ]	26 919 407	26 295 080	29 351 425
Balance of energy factors (energy produced and purchased) [MWh]	7 477 613	7 304 189	8 153 174
Electricity [MWh]	1 450 001	1 419 456	1 498 912
Heat [MWh]	6 027 612	5 884 733	6 654 262

Table 40. Balance of energy factors in (energy produced and purchased) [GJ, MWh] in 2019-2021

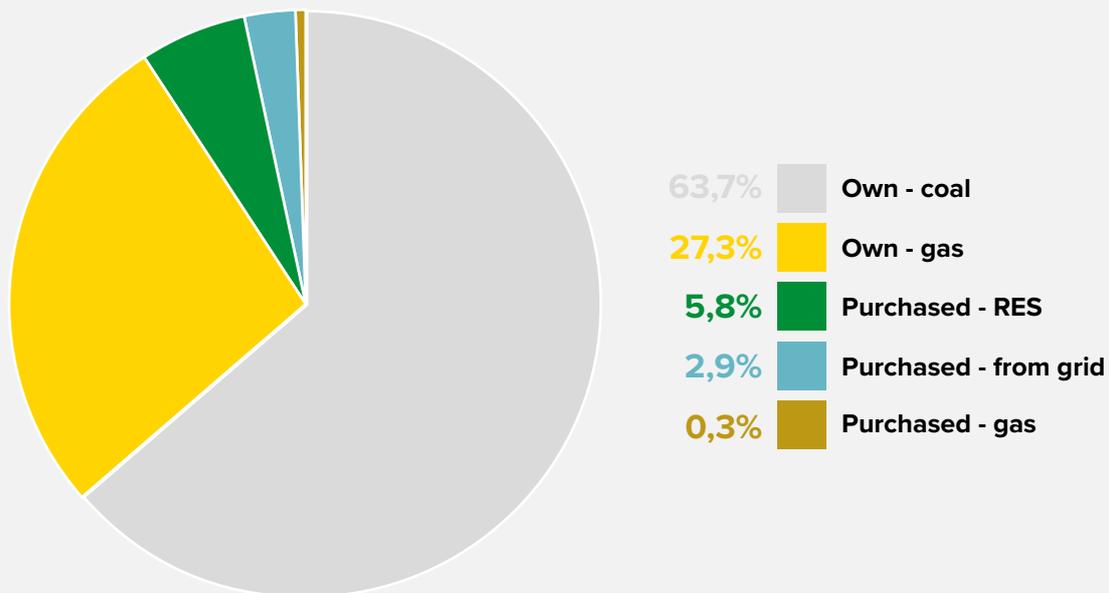


Figure 19. Generated and purchased energy (electricity and heat) by sources of origin in 2021

## 6.4. Water resource management and sewage management

The CIECH Group continuously strives to conduct its activities in the field of water and wastewater management in an optimised and sustainable manner. The companies of the CIECH Group make every effort to ensure that the use of water resources is carried out in a responsible manner, thus reducing the negative impact of our operations on the environment.

The production processes of the CIECH Group companies use water directly from natural sources and municipal water supply systems. Water from natural sources in the companies of the CIECH Group is used both for production, social and living, cooling and energy needs. In order to reduce its consumption, the plants operate closed water circuits, which is in line with the implementation of the assumptions of the circular economy. The use of increased water circulation in the technological circuit is aimed at reducing water intake from natural sources.

The companies of the CIECH Group also use and manage rainwater and snowmelt in their own installations, thus reducing the intake of water from natural sources.

Post-production wastewater, after treatment in on-site wastewater treatment plants, is discharged into waters or to the municipal sewage system. The parameters of the waste water do not exceed the specified permissible values in the permits.

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

As part of the implementation of measures to improve water quality in the area of Inowrocław (from 2018) and Janikowo (from 2019), work is being carried out, including on cleaning barrier wells, modernisation of pumping stations or modernisation of piezometers used for continuous water monitoring. In the following years, further investment works are planned to improve the condition of the aquatic environment.

In order to improve the water and wastewater management in the companies of the CIECH Group, modernisation, investment and research and development works are planned in order to reduce the negative impact of the activity on the environment.

m3	2021	2020	2019
Surface water	32 288 603	31 905 286	41 721 743
Groundwater	2 443 404	2 523 176	2 931 806
Water supply networks	35 493	27 078	36 888
<b>Total water intake</b>	<b>34 767 500</b>	<b>34 455 540</b>	<b>44 690 437</b>

Table 41. Total water intake [m3] in 2019-2021

m3	2021	2020	2019
Discharge of sewage into waters	33 780 598	34 133 155	42 917 646
Discharge of sewage to a municipal treatment plant	1 902 573	1 619 433	1 314 668
<b>Total wastewater discharge</b>	<b>35 683 171</b>	<b>35 752 588</b>	<b>44 232 314</b>

Table 42. Total wastewater discharge [m3] in 2019-2021

## 6.5. Air quality

The CIECH Group attaches great importance to reducing air emissions. Due to the tightening of emission standards and new legal obligations, we systematically adjust our installations and strive to continuously reduce the emitted pollutants.

In recent years, the CIECH Group has carried out a number of investments, especially in the soda segment, favouring the protection of the atmosphere, including:

- reduction of dust emissions from the owned CHP plants by modernising electrostatic precipitators,
- reduction of nitrogen oxides from the existing CHP plants by building a flue gas denitrification installation with the use of 3 levels of catalytic elements (in the Inowrocław and Janikowo locations),
- reduction of sulphur dioxide from the existing CHP plants by building a flue gas desulphurisation installation,
- the de-dusting system of the Lime Furnace Installation in Janikowo was comprehensively modernised.

The aforementioned modernisations, in line with the adaptation of the installation to new emission standards, in connection with the very restrictive requirements of the BAT Conclusions for LCP and in connection with the completion of the PPK (in mid-2020), significantly contributed to the reduction of individual types of pollutants into the atmosphere.

Additionally, in order to reduce air emissions, our installations are equipped with various atmospheric protection devices with high pollution reduction efficiency. These devices include, among others wet dust collectors (efficiency at the level of 85.5%), cyclones and scrubbers (efficiency at the level of 99%), multi-cyclones (efficiency at the level of 95%), and bag filters (efficiency at the level of 95% - 99.9%).

Measurements of air emissions in the CIECH Group are carried out in accordance with applicable regulations and the permits held. Gas and dust emissions are monitored by the installed continuous monitoring systems (combined heat and power plants) and by periodic measurements on other emitters. In addition, modern measurement systems have been installed on the emitters, especially those related to the soda segment, thanks to which it is possible to monitor emissions with greater accuracy and precision.

[Mg]	2021	2020	2019
Nitrogen oxides (NOx)	1 785	1 771	1 988
Sulphur dioxide (SO <sub>2</sub> )	891	1 085	1 655
Total dusts	169	176	251
Ammonia (NH <sub>3</sub> )	2 253	2 130	4 451
Carbon monoxide CO	1 590	6 699	9 867
Volatile organic compounds	9	46	46
<b>Total</b>	<b>6 697</b>	<b>11 907</b>	<b>18 258</b>

Table 43. Emissions of selected compounds into the atmosphere [Mg] in 2019-2021

## 6.6. Waste and hazardous substance management

The companies of the CIECH Group conduct waste management in accordance with the permits and administrative decisions in their possession. Due to the dynamically changing obligations and regulations in the field of waste management, we continuously adapt to changes in the formal and legal environment and strive to reduce the amount of waste generated, as well as to the sustainable management of waste and raw materials.

The CIECH Group produces waste, the main source of which is production processes in individual plants. Waste storage and storage sites comply with the requirements specified in the permits or administrative decisions in their possession.

All companies of the CIECH Group that are subject to the registration obligation in the Database on products and packaging as well as on waste management have appropriate registrations. Our companies keep current quantitative and qualitative waste records.

We also make every effort to ensure that the entities cooperating with us in the field of waste management are guided by the same values as the CIECH Group, conducting their activities in a sustainable manner. The selection of entities collecting and managing waste generated in the CIECH Group companies is preceded by a detailed analysis of the current permits and administrative decisions.

The CIECH Group implements the principles of a circular economy, using some of the waste it produces as secondary raw materials or materials for the reclamation of areas transformed by human economic activity. Some of the waste we produce is secondary raw material for other industries, for example our waste is used in the production of cement and clinker, which allows to reduce the use of natural aggregates and emissions to the environment.

Reduction targets have also been set for the entire CIECH Group. Reduce the amount of waste generated by 15% by 2025. It is also planned to increase the use of secondary raw materials by searching for new recipients and ways of managing the generated post-production waste. Research and development works are also carried out for this purpose.

As part of initial and periodic training, all our employees receive information on the safe handling of hazardous materials, depending on the specificity of their position. In any case, that is, both if it involves contact during the supply of raw materials, laboratory tests, production processes or activities related to hazardous waste. Moreover, these types of risks are also taken into account in the occupational risk assessment.

Also, trainings for guests and subcontractors cover the subject of possible hazards from substances, mixtures or hazardous materials in a given location and at a specific job.

	2021	2020	2019
Hazardous waste	366	589	833

Table 44. Amount of generated hazardous waste [Mg] in 2019-2021

	2021	2020	2019
Non-hazardous waste (excluding municipal waste)	523 569	512 442	1 049 671

Table 45. Amount of generated non-hazardous waste (excluding municipal waste [Mg] in 2019-2021

## 6.7. Restoration of degraded areas - Reclamation

A number of reclamation works are carried out in the companies of the CIECH Group, aimed at minimising our impact on the environment. Reclamation is a process of restoring utility and natural values to areas that have been transformed as a result of human economic activity or natural factors.

The CIECH Group, on the basis of its administrative decisions, carries out reclamation works in landfills where in the past were stored, among others, still sludge.

The works are carried out in accordance with the schedule, in which an important role is played by the sequence of actions related to the technical closure of the pond with a technical mixture, and then biological reclamation with the use of an agrotechnical mixture. The area prepared in such a way is finally left to self-purification through natural succession.

As part of the formation of the technical layer, ash and slag, ash-slag mixtures and lime 09 produced in one of the CIECH Group companies are used on the surface of the ponds. For the agrotechnical layer, the ratio of the ash-slag mixture to sewage sludge is 2: 1. Stabilised sewage sludge is collected from the Municipal Sewage Treatment Plant and from the Municipal Water and Sewage Company. The physicochemical properties of the sewage sludge used are controlled by accredited laboratories in terms of meeting the requirements for their use in reclamation works.

By the end of 2021, 775,808.4 m<sup>3</sup> of waste (except sewage sludge) from the CIECH Group's own plant was used for the rehabilitation of the ponds.

The reclamation, according to the schedule resulting from the administrative decision, will be completed by the end of 2022.

Another example of reclamation carried out is the restoration of the site after the post-production sewage retention reservoir. Reclamation is carried out with the use of processed sewage sludge from the Municipal Biological Sewage Treatment Plant. Ultimately, the result of reclamation works is the creation of a forested post-retention area.

7



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 its decision to join this initiative, the group does not only want to draw on the current knowledge and experience of this international organisation in the area of sustainable development, but also intends to bring its own extensive experience in activities for climate protection, especially in the areas of energy and minimising the impact of production on the environment.

All UNGC Principles are reflected in our internal regulations and actively promoted among business partners of the Group. Our partners are required to comply with the Business Partner Code prepared by us, which is confirmed by the relevant clauses incorporated into binding agreements. The Code sets out the basic principles of human rights, environmental protection and business ethics. This practice also results from one of the eight key commitments of the CIECH Group's ESG strategy, adopted in May 2021, regarding its readiness to cooperate with business partners who share the Group's values and with whom it pursues the sustainable development path.

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.

The employees of the CIECH Group also participate in the UN Global Compact Network Poland Ethics Standard project,

#### 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 STANDARDS

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

##### ENVIRONMENTAL PROTECTION

1. Businesses should support a precautionary approach to environmental challenges,
2. undertake initiatives to promote greater environmental responsibility, and
3. encourage the development and diffusion of environmentally friendly technologies.

##### ANTI-CORRUPTION

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

and within its framework they co-create the Working Group for ethical standards and responsible communication. The initiative aims to create a Responsible Communication Standard, which will be a set of principles defining ethical information management at the external and internal level in the organisation, supplemented with tools enabling the implementation of the developed solutions.

In 2021, we also joined the Target Gender Equality initiative, where we gain and share knowledge in creating programmes supporting gender diversity at all levels of the organisation.

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

- Association of Stock Exchange Issuers,
- 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

The CIECH Group places a high priority on being a good neighbour and supporting local initiatives in the communities in which it operates through cooperation in the organisation of sports and cultural events as well as educational programmes. The Group carries out charitable and voluntary projects, enabling the Group's employees to actively participate in them.

1. Bydgoszcz - continuation of cooperation with representatives of local communities in the immediate vicinity of the Group's production plants and the handing over of 50 thousand protective masks again in 2021 for the City Hall in Bydgoszcz.
2. Nowa Sarzyna – maintaining the patronage over the chemical class in Nowa Sarzyna in the Podkarpacie region, which is part of the CIECH project called „Łączy nas chemia” („Chemistry binds us”). The partners of the project are the Rzeszów University of Technology and the Nowa Sarzyna City and Commune Office. As part of the agreement, CIECH Sarzyna has created a special offer for students of the University of Technology. Students pursue a passion for chemistry in a professionally equipped chemical laboratory, the construction of which was funded by CIECH Sarzyna. The studio regularly hosts meetings of students who have chosen advanced chemistry with CIECH Sarzyna employees on recruitment in the chemical industry and the process of creating and registering products on individual global markets.
3. Inowrocław - CIECH Soda Polska together with Jan Kasprowicz Museum and Inowrocław County, carried out an educational and charity project paying attention to the protection of animal rights: „Museum and Friends for Animals - Ecological Inowrocław County” with a series of workshops for the youngest, painting and photography plein-air, auction and collection, from which all profits remained in all transferred to the charges of the Shelter for Homeless Animals in Inowrocław.
4. Nowa Sarzyna - Donating equipment in the form of a thermal imaging camera for the Fire and Rescue Unit of the Fire Brigade in Nowa Sarzyna.

5. Nowa Sarzyna - agreement with a school in Leżajsk regarding educational support in the field of chemistry lessons.
6. Inowrocław - with the start of the 2021/2022 season, CIECH Soda Polska became a sponsor of the Noteć Inowrocław Kujawski Basketball Association - the team playing in the tournament gained financial support and a new name „KSK CIECH Noteć Inowrocław”.
7. Janikowo – CIECH Soda Polska was and remains the sponsor of the local football team of Unia Janikowo. The team plays in the third football league.
8. Inowrocław - in 2021, employees of CIECH Soda Polska participated twice in the Autumn Cleaning of Noteć campaign at the canoeing and sailing marina in Inowrocław together with scouts from ZHR, residents of Inowrocław, youth from the Chemical and Electronic School Complex together with educators and employees of Inowrocław institutions and companies.
9. Łowa – The CIECH Vitro company made a donation (of PLN 3 thousand) to the “Na Ratunek Dzieciom z Chorobą Nowotworową” Foundation (supporting children with cancer) based in Wrocław, to the ward of the foundation, a young resident of Łowa.
10. Łowa – The CIECH Vitrosilicon company made a donation (of PLN 3 thousand) to the “Fundacja Pomocy Rodzinom i Chorym na Mukowiscydozę” (a foundation supporting families and patients with cystic fibrosis) based in Krakow, to the ward of the foundation, a young resident of Łowa.

### We support young talents

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, the CIECH Group started the recruitment process for the first year of the School Talent Academy in the plants of the CIECH Group across the country. 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 2021, the first participants of the Academy continued their studies commenced in 2020. The laureate of the first edition of the Academy from Inowrocław continues her studies at the University of Southampton in Great Britain, majoring in „Biomedical Sciences” and is still a beneficiary of the programme, receiving financial support for the duration of her education. Last year, also thanks to the help of the School Talent Academy, two other two participants passed the secondary school-leaving examination and entered their dream universities in Zurich and Amsterdam.

In 2021, the “School Talent Academy” operated in an extended formula, providing support to university students and organising the recruitment of new participants. In November, nine new participants were admitted to the „School Talent Academy” with plans to start studies at prestigious European universities.

For more information go to – [www.akademiaszkolnychtalentow.pl](http://www.akademiaszkolnychtalentow.pl)

## 7.2.1. We support the largest charity fundraiser in Poland

The CIECH Group produced and handed over 200 thousand top-quality filtering masks for the organisation of the 30th Final of the Great Orchestra of Christmas Charity (in Polish: Wielka Orkiestra Świątecznej Pomocy). The masks reached 1633 staff members preparing for the Final, which took place on 30 January 2022. Certified FFP3 class protective masks, allowing for 94% filtration, ensured the safety of the organisers of the Final and 120 thousand volunteers collecting money all over Poland.

The CIECH Group started the production of the highest quality face masks at its production plant in Bydgoszcz in November 2020. They are manufactured in 100% in Poland, and mainly raw materials from Polish producers were used for their production. The complicated and meticulous certification process was also carried out in Poland by an 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), which is confirmed by the EN 149: 2001 certificate awarded to them in the FFP2 and FFP3 protection classes.

The Great Orchestra of Christmas Charity 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, 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 1.5 billion and purchased more than 66 thousand devices.

## 7.2.2. We support helping others and employee volunteers

One of the initiatives by employees are colleague fundraisers for local organisations and institutions in need. At CIECH Soda Polska, charity donations were held for children from the Orphanage in Orłowo and for the charges of the "Dar Serca" Association in Janikowo. For the total amount of PLN 3,182.57 and EUR 3.94 raised in 37 collection boxes located in the production plants, gifts: cosmetics, games and sweets were purchased. In addition, the employees of CIECH Soda Polska organised the „Christmas package for a child” campaign, which consisted in delivering cards to Santa Claus, prepared by children from the Orphanage in Orłowo and the charges of the "Dar Serca" Association in Janikowo. Each of the employees could help Santa Claus by selecting one card and organising a gift for a small author of the Christmas letter.

Another action carried out by the Group's companies was ergometer rowing during the CIECH Fest picnics, where for each 500 metres, PLN 100 was awarded to an organisation or educational institution chosen by the company. The total amount of PLN 50 thousand was sent in the form of donations to organisations in need of help.

The Group carried out a colleague fundraiser for the long-term treatment and rehabilitation of the daughter of one of the employees, 4.5-year-old Nina, who fell ill with an incurable heart disease, where the only final solution is its transplant.

## 7.3. Public aid

In 2021, the CIECH Group companies continued some publicly subsidised projects launched in previous years. Substantive work related to the implementation of the material scope of the projects, as well as related to their settlement, allowed to receive a reimbursement in the amount of:

- 9 642 292,47 EUR by CIECH Salz Deutschland GmbH as part of the project to build a new salt production plant in Stassfurt, Germany (EUR 11,250 thousand in funding awarded in 2017).
- 1 379 441,83 PLN received by CIECH Sarzyna S.A. in connection with the completed project “Developing and testing, on a demonstrable scale, internationally innovative agro-chemical preparations of a unique composition and formulation”.
- 574 717,90 PLN received by Smart Fluid S.A. in connection with a research and development project entitled “Development and validation of real-world technology for the production of impact-absorbing smart materials by exploiting the properties of shear thickening fluids (STF)”.
- 80 661,72 PLN received by CIECH R&D Sp. z o.o. as part of the project: „Optimization of the production of soda and soda-derived products through the use of concentrated CO<sub>2</sub> waste streams together with the carbon dioxide chemisorption process in postdistillation suspension in order to improve the properties of post-soda lime”. In August 2021 the company submitted a final payment request for a refund amount of 526 244,63 PLN, which is to be paid upon approval of the payment request in 2022.

In 2021, CIECH Sarzyna S.A. received a reimbursement in the amount of 6 044 108,50 PLN as part of the project entitled „Development and verification in real conditions of a more efficient and energy-saving technology for the production of an innovative herbicide with a reduced active substance content”. Total project value is 14 194 277,50 PLN.

CIECH Cargo SP. z o.o. continued the implementation of the project: „Purchase of rolling stock for intermodal transport at CIECH Cargo Sp. z o.o.”, for which a reimbursement agreement was concluded in 2019 for the amount of 14 200 000,00 PLN.

In 2021, CIECH Soda Polska S.A. continued the implementation of the project entitled: „Development of AI / ML algorithms for selected installation nodes in order to increase the efficiency of production resources and optimize the soda ash production process - industry 4.0”, for which the company obtained funding in 2019. The amount of the awarded co-financing is 4 934 386,19 PLN.

CIECH R&D Sp. z o.o. completed the implementation of the project entitled “Establishment of a Research and Development Center of Ciech R&D Sp. z o.o.” and submitted a final payment request for a refund amount of 3 157 864,28 PLN, which is to be paid upon approval of the payment request in 2022.

In 2021, the CIECH Group companies received subsidy (de minimis aid) for personnel training as well as aid in the form of CO<sub>2</sub> emission allowances.

The companies from the CIECH Group also use the corporate income tax exemption in connection with investments carried out on the basis of permits to operate in Special Economic Zones or on the basis of decisions issued on support within the Polish Investment Zone. In 2021, CIECH Vitrosilicon S.A. successfully completed the process of applying for a support decision, which will allow it to benefit from income tax exemption in the following years in the amount of up to 31 850 000,00 PLN (provided that the declared maximum investment expenditure is incurred).

# 8



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.

#### Members of the Management Board of CIECH S.A.:



**DAWID JAKUBOWICZ**

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

He 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&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, organised 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. In years 2002 - 2016, he was associated with 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, 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 Units 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 conduct 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, 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 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,
- 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.

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 continuously updated to the dynamic regulatory changes and changes in the management system of the CIECH Group.

## 8.3. Code of conduct of the CIECH Group

Since 11 May 2021, the new Code of Conduct of the CIECH Group has been in force. The Code, based on 4 fundamental values: responsibility, reliability, team and development, describes patterns of behaviour that are addressed to all employees and associates of our Group - regardless of the form of the concluded contract. The provisions of the Code are also addressed to our business partners 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. The Code is a guideline for all decisions made at each level of our Group. Accordingly, internal policies and procedures are based on the provisions of the Code, creating a unified system of corporate documents.

### We care about our PEOPLE

#### **We observe and safeguard human rights**

The human being is of essence to us. Therefore, we attach great importance to business ethics, which is permanently inscribed in our strategy and everyday work. We are proud to be a signatory of the United Nations Global Compact declaration. We adhere to internationally recognised human rights and labour standards. Within our Group and in relations with the market environment, we support and promote freedom of association. We support the elimination of all forms of slavery, forced labour, child labour and the actual abolition of juvenile labour.

#### **Safety at work is the highest priority to us**

We care about the health and safe working conditions of our employees, customers, suppliers and subcontractors providing us with their services or staying on the premises of our plants. We are guided by the following two fundamental principles:

1. zero tolerance for people who violate occupational health and safety regulations and standards, and
2. ensuring high OHS standards.

We are continuously improving our activities in the area of occupational health and safety, among others, by modernising our production technology, taking into account, first of all, our employees' safety. We systematically raise the awareness and qualifications of our employees in work safety, striving to eliminate accidents/injuries at work and occupational diseases. We promote the participation and involvement of employees in the continuous improvement of our occupational health and safety system, as well as in preventing potentially accidental events. The high health and safety standards that we have put in place apply not only to our employees, but also to our suppliers, subcontractors and any other individuals staying on our premises.

#### **We ensure a friendly work environment, free from mobbing and other forbidden behaviour**

Together, we build friendly relations based on partnership principles. We have the common responsibility for professional behaviour to ourselves and others. We listen to and appreciate our associates, we respect their opinions and decisions, even if they differ from ours. We create a work environment free from any mobbing, humiliating, ridiculing or isolating behaviour. We promote the principles of equal treatment in the recruitment, employment, remuneration and promotion processes in which our employees are involved. We take care of the dignity and friendly working environment for each employee, showing them due respect regardless of their religion, skin colour, beliefs, gender, sexual orientation or age.

## **We have zero tolerance for alcohol and intoxicants in the workplace**

Work requires conscious thinking and the ability to respond quickly as the safety of other associates or our business partners depends on it. We do not tolerate alcohol or drugs in the workplace, either their consumption or being under their influence at the time and place designated for carrying out official duties.

## We care about our WORLD

### **We respect the natural environment**

We are part of the chemical industry, which is of great benefit to mankind, but at the same time, there is some price involved, namely its impact on the environment. This means that while running our business, we remember about responsibility for the fate of future generations and our planet. Accordingly, we strive to eliminate any negative environmental effects of our operations, and where possible, to minimise them. We make every effort to ensure that our actions are fully consistent and harmonious with the idea of environmental protection. We observe generally applicable environmental protection laws and, where possible, adopt more restrictive internal standards. We understand the impact of greenhouse gases on the climate and that is why we are implementing ambitious projects aimed at minimising emissions and full decarbonisation in the future. We minimise environmental protection risks, among others, by reducing the use of natural resources and energy, eliminating or reducing the amount of harmful emissions, by-products of production processes and waste. We use water in a sustainable manner, minimising its consumption and taking care of the quality of local resources.

### **We support local communities**

We care for local communities wherever our production plants are located. We are aware of our importance as an employer and work together with local authorities, NGOs and residents to improve their life quality. Our objective is developing good neighbourly relations based on open dialogue, consultation and collaboration. We engage in employee volunteering for local initiatives, and as a Group, we support socially significant initiatives in our immediate environment.

## We care about our GROUP

### **We improve ourselves**

We are prepared to make bold choices and decisions in line with our values and the Code. We are continuously expanding our knowledge and experience to achieve excellence in the chemical industry. We strive to apply the best practices in all areas of our operation, while not forgetting about innovative solutions.

### **We ensure compliance**

We proactively learn about and comply with applicable laws, internal regulations as well as industry and ethical standards – both in social and professional relations. Compliance with legal requirements and ethics in all areas of our Group's operations has a positive effect on our work, regardless of the tasks performed and the place in the structure of our Group.

### **We protect our Group's information and secrets**

Confidential information plays a special role in our Group's business strategy, and any loss, destruction of, or access to, such information by unauthorised individuals may give rise to very serious consequences. We exercise particular care when accessing and processing trade secrets, personal data, expertise (know-how) of our Group and confidential information within the meaning of the public trading regulations. We protect our data against different types of threats, in particular, those related to cybercrime.

## **We use our company assets in a responsible way**

We protect the assets and resources of our Group entrusted to us against damage, destruction, theft or loss. We use the assets of our Group responsibly because we are aware that they have been made available to us in order to attain specific business goals. We use the Group's assets made available to us for personal purposes to a minimum necessary extent, in line with the Group's internal regulations. We never use the Group's assets entrusted to us for our personal gain or to compete with others.

## **We do not tolerate any fraud or corruption**

We clearly and consistently apply a zero-tolerance policy to all fraud and corruption. We show honesty in our business operations and in our daily duties, in relations with our business partners and state and local government officials, in all countries in which we operate. We also expect honesty and compliance from our business partners, with whom we work together to develop best practices to protect the trust, value and reputation of our Group.

## **We comply with stock exchange trading regulations and good practices**

CIECH S.A. is a company listed on the stock exchange of the Warsaw Stock Exchange and Die Börse Frankfurt. We comply with Polish and international securities regulations and good practices in the scope of stock exchange trading. We pursue a transparent information policy, ensuring equal access to information. We strive for the financial market to effectively assess the prospects and risks of our business in the long term, and that is why we are running a proactive dialogue with analysts, our shareholders and potential shareholders, as well as other representatives of the financial market.

# We care about our BUSINESS PARTNERS

## **We respect free competition**

Effective and fair competition is at the core of our business. We adhere to the rules of fair competition, thus having a positive impact on the economy and the quality of business transactions. Hence, we are able to offer our customers the highest quality products while achieving the set business objectives. We respond and take action where there is any violation of the principles of fair competition, either inside or outside our Group, by our business partners.

## **We counteract conflicts of interests**

A conflict of interest may jeopardise the impartial and objective performance of official duties for our Group. We take measures with a view to identifying, explaining and managing cases of connections, relationships, contacts, evidence of gratitude as well as transactions or any other commitments that may affect, either directly or indirectly, the loyalty and impartiality of decisions made by our employees. We disclose the possibility of a conflict of interest to the immediate supervisor or the Ethics Committee of the CIECH Group in order to make an objective and fair decision aimed at eliminating or solving the problem.

# We report DOUBTS AND VIOLATIONS

## **Contact with the immediate supervisor**

As part of everyday duties and professional situations, doubts, dilemmas and questions may arise. There may also be situations in which we find a violation of ethical principles, law or internal regulations. In any doubt, we contact our immediate supervisor who has the adequate knowledge and experience in this regard. We report violations only in good faith. When reporting doubts or identified violations, we act in line with the values of our Group.

## 8.4. Code of the Business Partner of the CIECH Group

The CIECH Group companies place special emphasis on sustainable development and responsible business issues. 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 positive, and reducing negative, effects of our operations. We strive towards 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 collaborate with people, institutions and organisations that share our approach to doing business. Accordingly, we expect our business partners to help us achieve our sustainable development and responsible business conduct objectives and to identify with the values and principles we have adopted.

The Code of the Business Partner of the CIECH Group (the “Code”) sets the minimum standards of conduct for business partners of the CIECH Group companies, in particular: suppliers, contractors, distributors, recipients, sellers, service providers, other counterparties and entities with the help of which business partners perform business tasks in relation to the companies of the CIECH Group (“Partners”). The condition for starting and continuing the business relationship of a CIECH Group company with Partners is confirmation by the Partners and adoption of the principles set out in the Code. The provisions of the Code apply to the company, members of governing bodies, employees and associates of our Partners.

### CIECH Group’s standards

#### 1. Human rights and labour standards

##### **Human rights**

We expect our Partners to observe human rights, both in the context of working conditions of their employees and in business. All employees and associates of our Partners are treated in a fair, respectful and dignified manner.

##### **Occupational Health and Safety**

We expect our Partners to provide their employees and associates with a safe workplace and comply with all applicable occupational health and safety standards and regulations. All employees and associates receive the adequate workplace instructions, incl. information on the OHS conditions and requirements, protective measures, and they are provided with appropriate training. Our ultimate goal is zero accidents/injuries at work.

##### **No discrimination**

We expect our Partners not to discriminate, or tolerate any form of discrimination, against any person based on their gender, race, ethnicity, nationality, religion, beliefs, disability, age, sexual orientation, health, political beliefs, marital status or membership in organisations.

##### **No mobbing**

We expect our Partners not to use, or tolerate any forms of, mobbing, harassment, incl. sexual harassment, and to have implemented procedures preventing any type of unlawful behaviour.

##### **Prohibition of forced and slave labour**

We expect our Partners not to use any form of slave or forced labour, both in Poland and abroad. The work carried out by our Partners’ employees is undertaken voluntarily and may be terminated by them on this basis.

## **No child labour**

We expect our Partners not to use child labour in any form and to contribute to the actual abolition of any form of juvenile labour. When and if we employ any young people, their engagement with our companies complies with the law.

## **Right of association**

We expect our Partners to recognise the employees' right to associate and organise, and respect this right.

## **No tolerance for alcohol and intoxicants in the workplace**

We expect our Partners to not tolerate the presence of any alcohol and intoxicants in the workplace.

## **2. Respect for the natural environment**

### **Counteracting climate changes caused by greenhouse gas emissions**

We expect our Partners and their suppliers to counteract climate changes caused by greenhouse gas emissions, among others, by reducing these emissions and increasing the efficiency of energy use. We have adopted ambitious decarbonisation targets to slow down and ultimately stop the negative climate changes caused by the emission of greenhouse gases into the atmosphere – we intend to achieve carbon neutrality by 2040.

### **Minimising significant environmental risks**

We expect our Partners to minimise other risks related to environmental and climate protection, among others, by reducing other harmful emissions, protecting water quality and resources, pursuing a policy of rational waste management and thus striving to ensure that their economic and social activity is environmentally and climate-friendly and contributes to the prevention and reduction of any negative phenomena in its functioning.

### **Compliance with environmental laws and regulations**

We expect our Partners to comply with the provisions of environmental protection law, in particular, to have all permits and licences required by law and related to their operations, and to fulfil all operational and reporting obligations resulting therefrom.

## **3. Conducting economic activity**

### **Ethical conduct of operations**

We expect our Partners to apply the principles of ethical conduct in each area of their business and to strive to implement solutions that build awareness of ethical principles of conduct in the workplace among their employees and associates.

### **Compliance with law**

We expect our Partners to comply with all applicable local and international laws. In the event that the provisions of local law are less restrictive than the principles of the Code, we expect our Partners to apply the principles set out in the Code.

### **Fair competition and antitrust laws**

We expect our Partners to act in compliance with all applicable competition protection regulations, for example, by abstaining from dumping prices, price fixing or other unlawful arrangements.

## Compliance with international sanctions

We expect our Partners to comply with international sanctions imposed on countries, economic operators or natural persons, and not to conduct any economic activity violating international restrictions.

## Zero tolerance for fraud and corruption

We expect our Partners to apply a zero-tolerance policy to any fraud and corruption, regardless of its form. Our partners may not, directly or indirectly, offer or accept any undue advantage or promise thereof, including material, financial and personal benefits, unauthorised gifts, etc., in exchange for a specific act or omission.

## Honesty in commercial activities

We expect our Partners to show honesty in their business activities, and as part of their daily duties, in relations with their customers, counterparties, suppliers and associates.

## Information security

We expect our Partners to implement and maintain high information security standards to enable us to effectively protect confidential information, including any trade/business secrets.

## Counteracting conflicts of interests

We expect our Partners to avoid and counteract any conflict of interest that could weaken their credibility, or our trust, or the trust of third parties in the CIECH Group companies. We expect our Partners to report any situations that may indicate a conflict of interest and any cases in which employees or individuals representing the CIECH Group companies participate in the Partner's enterprise or are in any way related to them.

## 4. Collaboration for sustainable development

We encourage our Partners to work together in order to achieve the goals and strengthen the values described in the Code, in particular, in the area of exchanging experience, best practices and implementing joint activities and projects. We are convinced that the Sustainable Development Goals can only be attained if all interested parties actively collaborate with one another.

## 5. Audits

We reserve the right to verify compliance with the standards defined in the Code using internal or external control mechanisms and to request changes that have been identified during conducted audits.

## 6. Reporting violations

We expect our Partners to report any suspected violations of the Code using one of the available channels, including anonymous.

## 8.5. KYC (*Know Your Customer/Supplier*) verification

Starting from 1 October 2021, we verify our suppliers using the KYC Procedure. The KYC verification complements, supplements and at the same time confirms the application of the CIECH Group standards, described in article 8.4 (The Code of the business partner of the CIECH Group). Through the KYC procedure, we verify and confirm that our Partners conduct their activities in accordance with the standards of the of the business partner of the CIECH Group (article 8.4), especially in the area of human rights, environmental protection and ethics. The KYC verification of our partners is the fulfilment of one of the obligations that we included in the CIECH Group ESG Strategy - „we introduce ESG to our purchasing procedures - we will examine the status and ESG risk of suppliers responsible for at least 70% of our expenses by 2023”.

At the Soda Business Unit and the Salt Business Unit, we conduct a KYC verification of Partners with an annual turnover of  $\geq$  PLN 4 million net or with a transaction value of  $\geq$  PLN 4 million net. In other Business Units and companies, we conduct a KYC verification of Partners with an annual turnover of  $\geq$  PLN 2 million net or with a transaction value of  $\geq$  PLN 2 million net.

The condition for introducing the Partner to the Customer Base of the CIECH Group is a positive KYC result. The condition for the conclusion of the contract/order/acceptance of the offer of the Partner entered in the Customer Base is a positive KYC result. The condition for concluding an annex to the contract/order with the Partner entered in the Customer Base is a positive KYC result.

The validity period of the Partner’s KYC verification result depends on the KYC risk assessment and is 6, 12 or 24 months.

In the KYC verification process, we ask Partners to complete the KYC Form, which has been divided into the following parts:

- General issues - in this section we ask, among others, about registration data, industries in which the Partner conducts business, quotations of the Partner’s shares on stock exchanges, composition of the Partner’s group.
- Sanctions - in this section we ask, among others, about the Partner’s activities in the markets covered by international sanctions, conducting business with persons who are subject to international sanctions.
- Ethical conduct of business - in this section we ask about compliance with individual standards of the CIECH Group, specified in the Code of the Business Partner of the CIECH Group.
- Principles of ethical business conduct - in this part we ask, among other things, for the Partner to attach its codes of conduct or its codes of the business partner.
- Target for reducing CO<sub>2</sub> emissions - in this section we ask, among other things, to provide a target for reducing CO<sub>2</sub> emissions.
- Proceedings related to the ethical conduct of business activity - in this part, we ask for answers to questions regarding the proceedings conducted, among others, against the partner or members of its bodies, regarding, among others, monopolistic practices, prohibited employment practices (mobbing, discrimination, youth labour, slave labour), money laundering and terrorist financing, bribery or corruption.

The result of the KYC verification of a given Partner, within the validity period, is valid for all companies of the CIECH Group.

In the period between October 2021 and the end of February 2022, we verified over 100 Partners, and all Partners received a positive KYC result, with the KYC result valid for 24 months, 12 or 6 months.

## 8.6. List of internal procedures

### Employee area

- Code of Conduct of the CIECH Group,
- Code of the Business Partner of the CIECH Group,
- Information Security 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

- Code of Conduct of the CIECH Group,
- Code of the Business Partner of the CIECH Group,
- Policy of Compliance with Competition Law within the CIECH Group,
- Intellectual Property Protection Policy of the CIECH Group,
- Information Security 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

- Code of Conduct of the CIECH Group,
- Code of the Business Partner of the CIECH Group,
- Environmental Protection Policy of the CIECH Group.

### Respect for human rights

- Code of Conduct of the CIECH Group,
- Code of the Business Partner of the CIECH Group,
- Intellectual Property Protection Policy of the CIECH Group,
- Information Security 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

- Code of Conduct of the CIECH Group,
- Code of the Business Partner 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.

## 8.7. 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 2021, there were 2 reports of the aforementioned violations. There were no reports of corruption-related violations.

Status	2021
Incident during verification	1
Recovery plans under implementation	2
Recovery plans were in place and the results were reviewed as part of routine internal review processes	1
Incident closed, no further action required	1

Table 46. Number of all open violation cases by status in 2021

## 8.8. 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.

## 8.9. Observance of human rights

Within 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.

## 8.10. 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..

## 8.11. 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.

## 8.12. Compliance training

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

- rules of the Code of Conduct of the CIECH Group,
- rules of the Code of the Business Partner of the CIECH Group
- rules of the MAR information obligations,
- Management System within the CIECH Group,
- KYC Procedure of the CIECH Group,
- Anti-corruption and anti-fraud policy of the CIECH Group,
- Procedure for offering and accepting gifts within the CIECH Group,
- using an anonymous channel for reporting violations (whistle-blowing).

# 9



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 2021 was prepared in accordance with the Core Option of the international non-financial reporting standard, Global Reporting Initiative. It is the fifth 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 2020 was published on 12 April 2021.

This report also provides information on the implementation of the principles of the UN Global Compact (*Communication on Progress*).

The non-financial report of the CIECH Group for 2021 has not been subjected to an independent verification and review process by a certified external auditor.

### 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 conduct a dialogue and obtain information on issues which are of interest to our stakeholders.



## 9.3. Materiality analysis

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, currently, The Value Reporting Foundation*), 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
<b>Investors</b>	<ul style="list-style-type: none"> <li>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</li> <li>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</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Information obtained through direct contacts</li> <li>Analysis of ESG surveys and questionnaires sent to the CIECH Group</li> <li>Analysis of international non-financial reporting standards, especially GRI, SASB and TCFD</li> <li>Analysis of the existing and proposed regulations and codes of good practice on the Polish market and abroad</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Individuals employed by the CIECH Group companies, regardless of the type and place of employment and position held</li> <li>In some cases, also individuals employed by suppliers and subcontractors of the CIECH Group (e.g. working at our production plants)</li> <li>Potential employees</li> <li>Former employees, especially people who retired from CIECH.</li> </ul>	<ul style="list-style-type: none"> <li>Direct contacts</li> <li>Employee opinion survey</li> <li>Dialogue with trade unions and employee representation bodies</li> <li>Interactive communication day events providing with ability to directly ask questions to the Management Board</li> <li>Other internal communication tools</li> </ul>

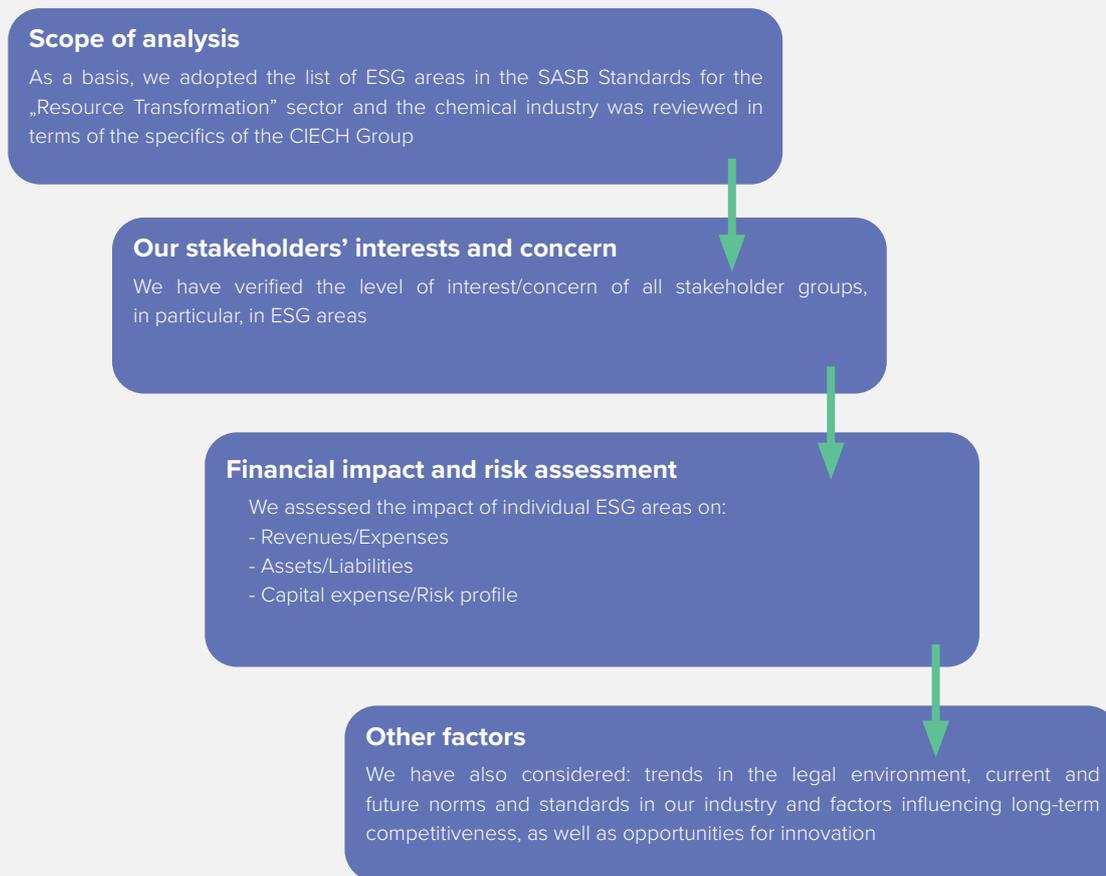
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Current, potential and former customers</li> <li>• In some cases, also our customers' clients</li> </ul>	<ul style="list-style-type: none"> <li>• Direct contacts</li> <li>• Analysis of ESG inquiries, questionnaires and surveys sent to the CIECH Group</li> <li>• Customer ESG strategies and reports</li> <li>• Documents published by industry organisations in which our customers participate</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Suppliers, service providers and subcontractors.</li> </ul>	<ul style="list-style-type: none"> <li>• Direct contacts</li> <li>• ESG strategies and reports of our suppliers</li> <li>• Dialogue on compliance with our Code of Business Partners and ESG standards by our suppliers</li> </ul>
<b>Local communities</b>	<ul style="list-style-type: none"> <li>• Communities at the locations of our production facilities</li> <li>• Local authorities and local public administration</li> </ul>	<ul style="list-style-type: none"> <li>• Direct contacts</li> <li>• Consultation processes</li> </ul>
<b>Future generations</b>	<ul style="list-style-type: none"> <li>• All individuals and institutions who will be our stakeholders in a long, at least several decades, time perspective</li> <li>• Represented through long-term policies of governments, international and supranational organisations and the activities of local, regional and global NGOs</li> </ul>	<ul style="list-style-type: none"> <li>• Analysis of programme documentation and communications from governments, international organisations and supranational NGOs</li> <li>• Tracking the results of scientific research and technical progress in areas similar to the activities of the CIECH Group</li> </ul>

**Forms of dialogue and obtaining opinions on areas of significant importance to stakeholders**

## 9.4. 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 and was updated in December 2021.

When analysing materiality, we applied the SASB approach..



## 9.5. Results of the analysis

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 and Critical Incident Risk Management

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

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.

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.

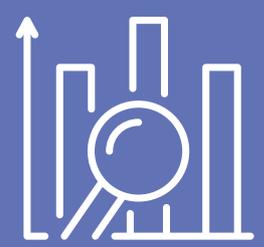
## 9.6. Changes in relation to the previous version

After the materiality analysis, we made two changes compared to the previous version of the report.

The Critical Incident Risk Management area has been merged with the *Employee Health and Safety* area due to the interdependence of these two areas and the resulting concentration of responsibility for both areas in one functional department. This area is currently undergoing significant transformations, which are described in detail in the relevant chapter of this report.

The *Management of the Legal & Regulatory Environment* area has been removed from the list of highly material areas. We believe that our active operations in this area are marginal in the scale of the operations of the entire Group and detailed disclosures will not have any significant information value for our shareholders. In particular, referring to the definition of the area listed in the SASB standards: we rely to a small extent on state aid, which in our case largely relates to supporting research and development activities (details on state aid received by the CIECH Group are described in chapter 9), we do not engage in lobbying activities other than through participation in national and international industry organisations, we do not rely on regulatory support to ensure our competitiveness, and we strive to ensure that our business complies with all current and predictable regulations, where applicable possible by adopting standards that are more ambitious than those set out in the actual regulations.

# 10



Indexes

# 10. Indexes

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# 11



Contact



## 11. Contact

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## STATEMENT OF THE MANAGEMENT BOARD

This non-financial report of the CIECH Group for 2021 was approved by the Management Board of the Company on 29 March 2022.

Warsaw, 29 March 2022.

Dawid Jakubowicz

President of the Management Board of CIECH  
Spółka Akcyjna

Mirosław Skowron

Member of the Management Board of CIECH  
Spółka Akcyjna

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Member of the Management Board of CIECH  
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