Non-financial statement of the Grupa Azoty Group for the 12 months ended December 31st 2018
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Introduction

This non-financial statement for 2018 presents data and indicators for the Grupa Azoty Group. Under the Accounting Act, the related statutory reporting requirements apply to the Group at the level of the Grupa Azoty Group (the “Group” or “Grupa Azoty Group”), Grupa Azoty S.A. Group, Grupa Azoty Zakłady Chemiczne Police S.A. Group (“Grupa Azoty POLICE Group”) and Grupa Azoty Zakłady Azotowe Puławy Group (“Grupa Azoty PUŁAWY Group”) as well as their respective parent companies, i.e. Grupa Azoty S.A, Grupa Azoty POLICE, and Grupa Azoty PUŁAWY. Qualitative and quantitative data is presented according to this breakdown. This non-financial statement has been prepared in accordance with the guidelines contained in Directives of the European Parliament and of the Council (2014/95/EU and 2013/34/EU) and in the Accounting Act, concerning disclosure of non-financial information.

1. Management area

The management process at the Grupa Azoty Group is carried out in a responsible manner with a view to achieving sustainable development, materialising in an integrated approach to social, economic and environmental aspects.

Mission:
Create value for Grupa Azoty and the national economy by delivering safe, useful and innovation-driven chemical products.

Vision:
Deploy state-of-the-art, comprehensive chemical industry solutions that meet stakeholder expectations Key products and services: The Grupa Azoty Group’s business is divided into the following five segments:
- Agro Fertilizers
- Plastics
- Chemicals
- Energy
- Other Activities segment, comprising other activities, including laboratory services and property rental.

The Grupa Azoty Group manufactures nitrogen, nitrogen-sulfur, nitrogen-phosphorus and compound fertilizers, as well as ammonia and other nitrogen-based intermediate products. The Plastics segment accounts for the second largest share in the Grupa Azoty Group’s overall sales. Its product portfolio includes: Tarnamid®, Alphalon® (trade names of polyamide 6), Tarnoform® (trade name of polyacetal (POM)), and other modified plastics. The Chemicals segment comprises OXO products (OXO alcohols, plasticizers), technical grade urea, melamine, sulfur and other. The Grupa Azoty Group’s main production plants operate their own electricity and heat generating units. The Group companies also operate their own electricity and energy carrier distribution networks, which make up the Energy segment. The Other Activities segment comprises maintenance and other services (automation, design, repairs, etc.), logistics, infrastructure management, environmental protection, and research. Most of the Grupa Azoty Group’s products are sold in Poland, with exports going mainly to EU member states, in particular Germany, the United Kingdom, the Czech Republic, Italy, France, and Belgium. Fertilizers and chemicals (urea and OXO alcohols) are the key product groups sold in the domestic market. Exports to EU countries include mainly fertilizers (such as Saletrosan® 26, ammonium sulfate As21, Salmag®, Pulan®, Rsm®, Polifoska®) and OXO alcohols, whereas exports to Asia - caprolactam and polyamides. The Grupa Azoty Group’s fertilizers are also sold in South American markets.

1.1. Structure of the Grupa Azoty Group

Over the last few years, Grupa Azoty successfully consolidated Poland’s largest chemical plants with an aim of harnessing their combined potential to deliver a common strategy. In Q4 2018, the Grupa Azoty Group finalised the acquisition of COMPO EXPERT, a global manufacturer of speciality fertilizers which sells its products to nearly a hundred countries, strengthening the Group’s position among Europe’s largest chemical concerns. The parent of the Grupa Azoty Group is Grupa Azoty S.A., whose business activities include manufacturing, trading and services related to nitrogen fertilizers, engineering plastics and intermediates. The Company operates its own research facilities. It
concentrates both on research into new products and technologies, and on advancing existing products. Grupa Azoty S.A.’s registered office is located in Tarnów. It has been listed on the Warsaw Stock Exchange since June 30th 2008 and is included in the WIG, WIG30, mWIG 40, WIG-Poland, WIG-CHEMIA and WIG.MS-PET indices, as well as the Respect Index. Its shares are also a constituent of foreign indices: MSCI, FTSE Russel, and FTSE4Good Index. Grupa Zakłady Chemiczne Police S.A. has been listed on the WSE since September 2005, and Grupa Azoty Zakłady Azotowe Puławy S.A since November 2005. As at December 31st 2018, the Grupa Azoty Group comprised Grupa Azoty S.A., the parent, and ten subsidiaries:

Source: Company data.

Grupa Azoty S.A.’s subsidiaries:
Grupa Azoty Zakłady Azotowe Puławy Spółka Akcyjna
Grupa Azoty PULAWY specialises in the manufacturing of nitrogen fertilizers and is one of the largest melamine manufacturers in the world. The Grupa Azoty Puławy Group is subject to requirements regarding the disclosure of non-financial information, mandated by the Accounting Act of September 29th 1994, and presents such non-financial information in this statement.

Grupa Azoty Zakłady Chemiczne Police Spółka Akcyjna
Grupa Azoty Police is a major manufacturer of compound and nitrogen fertilizers, as well as titanium white. The Grupa Azoty Puławy Group is subject to requirements regarding the disclosure of non-financial information, mandated by the Accounting Act of September 29th 1994, and presents such non-financial information in this statement.

Grupa Azoty Zakłady Azotowe Kędzierzyn Spółka Akcyjna
The company’s two business pillars are nitrogen fertilizers and OXO products (OXO alcohols and plasticizers).

Goat TopCo GmbH
Goat TopCo GmbH is a holding company for 22 other entities, including the main operating company COMPO EXPERT GmbH of Münster, Germany, one of the largest global manufacturers of speciality fertilizers.

PDH Polska S.A.
The company’s purpose is to construct a PDH propylene and polypropylene production plant with related infrastructure, auxiliary systems and inter-unit connections, and extension of the Police sea port facilities to include a handling terminal for chemicals that would provide the required logistics infrastructure for receiving and storing the raw material.

PDH Polska S.A. is majority owned by Grupa Azoty POLICE, with 40.07% of its shares held by Grupa Azoty S.A.

Grupa Azoty ATT Polymers GmbH
The company’s registered office is located in Guben, Germany. Since July 10th 2013, it has been trading under the name Grupa Azoty ATT Polymers GmbH. It manufactures polyamide 6 (PA6).

Grupa Azoty Polskie Konsorcjum Chemiczne Spółka z ograniczoną odpowiedzialnością
Grupa Azoty PKCh’s services encompass comprehensive design support for investment projects in the chemical industry – from study and concept work to engineering design, building permit design and working plans, to services provided during the construction, commissioning and operation of process units.

Grupa Azoty Koltar Spółka z ograniczoną odpowiedzialnością
Grupa Azoty KOLTAR provides countrywide railway transport services. It is one of the few organisations in Poland to hold licences required to perform comprehensive repairs of rail car chassis and tank cars used in the transport of dangerous materials (according to RID). Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol Spółka Akcyjna Grupa Azoty SIARKOPOL is Poland’s largest producer of liquid sulfur.

Grupa Azoty Folie Spółka z ograniczoną odpowiedzialnością
Its principal business is research and development in technical science. In 2018, the company did not carry out any operating activities or employ any personnel.

Grupa Azoty Compounding Spółka z ograniczoną odpowiedzialnością
Its business model is based on a portfolio of specialised engineering plastics manufactured through the compounding of plastics, with the use of innovative technological solutions. In 2018, the company did not carry out any operating activities or employ any personnel.
As at December 31st 2018, the Grupa Azoty PULAWY Group comprised Grupa Azoty PULAWY, the parent, and eight subsidiaries.

Source: Company data.
The Grupa Azoty PULAWY Group’s subsidiaries:

**Gdańskie Zakłady Nawozów Fosforowych Fosfory Sp. z o.o.**  
Gdańsk-based manufacturer of fertilizers and nitrogen compounds.

**Zakłady Azotowe Chorzów S.A.**  
Producer of inorganic and organic chemicals. The only Polish producer of fertilizer grade, technical grade and food grade potassium nitrate, also manufacturing calcium nitrate solution and, recently, hydrogenated fatty acids, including stearin.

**Agrochem Pulawy Sp. z o.o.**  
AGROCHEM Sp. z o.o. is a trading partner of the agricultural sector, specialising in the supply of goods necessary for agricultural production, including in particular mineral fertilizers, crop protection chemicals and certified seed, as well as in the purchase of grain.

**SCF Natural Sp. z o.o.**  
SCF Natural offers high quality granulated hops and plant extracts for the food and pharmaceutical industries. Its core business activities include execution of contracts for, purchasing, and processing of hops for domestic and foreign consumers. Given its specific business profile, the company does not apply all documents or policies which are in place at the Group level.

**Prozap Sp. z o.o.**  
A comprehensive engineering design office with a proven, more than 45 years’ track record in designing new and upgrading existing fertilizer and other chemical production units.

**Remzap Sp. z o.o.**  
The company carries out industrial construction, investment, and renovation projects, combining many years of knowledge and experience with a systematic approach to QHSE management.

**Sto Zap Sp. z o.o.**  
The company’s business activities include catering, trading, and provision of services. It provides cleaning services to Grupa Azoty PULAWY and produces water and carbonated beverages, but its principal business is in catering services. Given its specific business profile, the company does not apply all documents or policies which are in place at the Group level.

**Elektrownia Puławy Sp. z o.o.**  
A special purpose vehicle which implemented the project to construct a power-generating unit. Elektrownia Puławy Sp. z o.o. merged with Grupa Azoty Zakład Azotowe Puławy S.A. on January 2nd 2019 (date of registration of the merger in the National Court Register entry kept for the acquirer (Grupa Azoty Zakład Azotowe Puławy S.A.) and deletion of Elektrownia Puławy Sp. z o.o. from the National Court Register).
As at December 31st 2018, the Grupa Azoty POLICE Group comprised Grupa Azoty S.A., the parent, and eight subsidiaries:

Source: Company data.
The Grupa Azoty POLICE Group’s subsidiaries:

**Grupa Azoty Police Serwis Sp. z o.o.**
The company’s business includes overhauls and project execution in the mechanical and construction industries (construction of systems and apparatuses, including those made of plastics, maintenance services, workshop services, treatment of metals, and technical supervision services), project execution and technical and engineering services in the areas of automation and power engineering, repairs of control and instrumentation equipment and power generation plant and equipment, plant engineering in automatics and power generation, including plant engineering in process control and visualisation systems.

**Koncept Sp. z o.o.**
The company’s business consists in the provision of design services for the construction, assembly, mechanical, electrical, automation and measurement, and technological industries (including preparation of expenditure and investment estimates). The company specialises in design work for the chemical industry (manufacture of ammonia, urea, compound fertilizers, phosphoric and sulfuric acid, and titanium pigment), as well as printing and binding services.

**Supra Agrochemia Sp. z o.o.**
Its business comprises revitalising post-industrial sites owned by the company and preparing them for the purposes of redevelopment projects.

**Transtech Usługi Sprzętowe i Transportowe Sp. z o.o.**
The company provides transport services, plant and equipment services, and workshop services (repair of battery-electric trucks, stackers, passenger cars, delivery vans, lorries, loaders, diggers, bulldozers and mobile cranes) as well as periodic inspection services.

**Zarząd Morskiego Portu Police Sp. z o.o.**
The company’s business comprises sea port operation, port construction, property management, research work, sea and inland shipping, and coastal water transportation services. The subsidiary is a port authority within the meaning of the Act on Sea Ports and Harbours.

**PDH Polska S.A.**
The company’s purpose is to construct a PDH propylene and polypropylene production plant with related infrastructure, auxiliary systems and inter-unit connections, and extension of the Police sea port facilities to include a handling terminal for chemicals that would provide the required logistics infrastructure for receiving and storing the raw material. PDH Polska S.A. is majority owned by Grupa Azoty POLICE, with 40.07% of its shares held directly by Grupa Azoty S.A.

**Grupa Azoty Africa S.A. w likwidacji (in liquidation)**
The company is in liquidation and is not conducting any business.

**Infrapark Police S.A. w likwidacji (in liquidation)**
The company is in liquidation and is not conducting any business.
1.2. Business strategy and key financials

Changes in economic conditions and in the Grupa Azoty Group’s immediate environment have necessitated a revision of its previous strategic objectives to better align them to the current market landscape. In the years to 2020 the Grupa Azoty Group will pursue growth in four areas representing major challenges for Poland’s top chemical producer. The challenges faced by the Grupa Azoty Group are as follows:

- Complete the Group consolidation process
  Launched in 2013, the Grupa Azoty Group consolidation process offers potential further gains. In order to more effectively manage the Grupa Azoty Group, a system of management by business segments is being implemented. Grupa Azoty will continue to integrate its processes and consolidate its sales/marketing, procurement, logistics, finance, IT and other functions until 2020.

- Reinforce leadership in agricultural solutions in Europe
  To preserve its strong position on the fertilizer markets at home and regionally, Grupa Azoty will seek to increase control over retail channels, looking for opportunities to grow and improve the efficiency of its production processes.

- Strengthen the second operating pillar by expanding the non-fertilizer business
  In order to diversify its revenue sources and become less dependent on business cycles in agriculture, Grupa Azoty will step up its efforts to expand non-fertilizer business lines, with petrochemicals and plastics as the key areas for growth.

- Develop and implement innovations to drive growth of the chemical industry
  With its own unique expertise in agro-products, Grupa Azoty will become an active participant in research, development and innovation projects in Poland, particularly those focused on developing and marketing advanced, profitable, speciality fine chemicals.

1.3. Key performance indicators

The strategic growth areas are as follows:
- The operational excellence programme, with the annual effect on the Group’s EBIT expected at PLN 300m;
- Organic growth, with capital expenditure estimated at 7bn over the seven years between 2014 and 2020;
- Efficiency enhancement, to be achieved through mergers and acquisitions.

Consolidated financial results of the Grupa Azoty Group:

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>9,998,967</td>
<td>9,617,495</td>
</tr>
<tr>
<td>Gross profit</td>
<td>1,592,543</td>
<td>2,159,761</td>
</tr>
<tr>
<td>Operating profit</td>
<td>80,991</td>
<td>597,214</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>(53,683)</td>
<td>(36,824)</td>
</tr>
<tr>
<td>Net profit</td>
<td>7,650</td>
<td>488,826</td>
</tr>
</tbody>
</table>

Source: Consolidated financial statements of the Grupa Azoty Group for 2018.
1.4. Sustainable development strategy

Grupa Azoty S.A. has been listed in the prestigious RESPECT index for nine years and in 2016 it became a constituent of the FTSE4Good Index. This demonstrates its strong commitment to incorporating the principles of corporate social responsibility and sustainable development into its daily business practice and to meeting the highest ESG (Environmental, Social, Governance) standards. The Group considers sustainable development to be of strategic importance. Oversight of the sustainable development management process rests with the President of the Management Board and with individual Management Board members within their respective areas of responsibility. As the pursuit of sustainable development spans all areas of the Group’s activities, representatives from various departments and levels of the Group are also involved in the process.

We treat our strategic approach to sustainable development as a reflection of the integrated approach to measures taken in the area of economic efficiency, responsibility towards employees and the environment, as well as community relationships. In 2018, we updated our strategic priorities in sustainable development and corporate social responsibility formulated in the Grupa Azoty Group Sustainable Development Strategy for 2018-2022.

PILLAR 1: Product and production
Our ambition: We guarantee efficient, innovative and environmentally-friendly production by:
- Ensuring high product quality
- Investing in research and looking for innovative technology solutions, extending the product value chain (chemicals and plastics)
- Improving the environmental efficiency and cost efficiency of processes (reduction of energy use, emissions, water consumption)
- Ensuring safe production, transport and storage
- Protecting the safety of our employees
- Development of closed-loop economy

PILLAR 2: People and relations
Our ambition: We enhance our positive impact on the social and economic environment by:
- Supporting the development of sustainable and precise agriculture and education of farmers
- Improving customer relations
- Supporting the social and economic development of towns, cities and regions in our main facility locations
- Sponsorship, community involvement and dialogue
- Growing the intellectual capital of current and future employees, who form our immediate social environment in our main facility locations

PILLAR 3: Good governance
Our ambition: We strive for operational excellence and manage risks by:
- Corporate governance and compliance
- Building a coherent organisational culture based on values and ethics
- Promoting employee engagement and innovation
- Managing supply chain responsibility
- Ensuring cybersecurity
- Participating in ESG (Environmental, Social, Governance) initiatives and reviews
- Monitoring of key indicators and integrated reporting in accordance with the world’s most recognised standards and guidelines

Grupa Azoty has signed the declaration of partnership for the United Nations’ Sustainable Development Goals, which cover a wide range of challenges, their implementation being monitored worldwide through appropriate indicators. Our activities support the following goals:

**Innovation, industry and infrastructure** - with efforts to further this objective underpinned by technological progress. Without technology and innovation, industrialisation would not progress and we want to develop research and bring on technology advances in the industrial sector.

**Zero hunger** - we are aware that the agriculture and food sector is essential to combatting poverty. Our goal is to increase food production efficiency and volumes, sustain ecosystems, adapt to climate change, and - with our products - gradually improve soil and land quality.
Responsible consumption and production - balanced consumption and production require a systematic approach and cooperation between various actors along the supply chain, from manufacturers to consumers. Therefore, we run a number of training events at Grupa Azoty, e.g. for farmers.

Quality education - we aim to increase the number of young people and adults who have relevant skills (including technical and vocational skills) for employment, finding fair jobs, and entrepreneurship.

Climate change measures - climate change is felt across all continents. Excessive greenhouse gas emissions require a coordinated effort and solutions developed at international levels. We want to take joint action to combat these adverse changes, reducing our environmental footprint.

Clean water and sanitation - in our operations we seek to significantly increase water-use efficiency to help solve the problem of insufficient water supply.

The sustainable development strategy for 2018-2022 implemented by the Group takes into account the Sustainable Development Goals with the highest relevance for the fertilizer and chemical industry. The Group pursues these goals relying on the Grupa Azoty Group Enterprise Management Policy and the Integrated Management System Policy. At the COP24 Climate Summit held in Katowice between December 3rd and 14th 2018, Grupa Azoty was recognised for its pursuit of the UN Sustainable Development Goals and the Ten Principles of the United Nations Global Compact.

Grupa Azoty POLICE pursues a Management Policy which guarantees that strategic goals are achieved as part of an Integrated Management System consistent with international standards. The Integrated Management System is structured around the principles assuming giving priority to customers, reducing environmental losses and mitigating the risk of hazards, and continuous improvement. The Management Policy implemented by the company sets out plans and principles for its operations at large, providing a framework for setting and reviewing strategic goals in quality, environmental protection, workplace safety, and food safety. Sustainable development management policies will also be put in place at other Grupa Azoty POLICE Group companies.

Striving to meet the growing needs and expectations of its customers and other stakeholders, Grupa Azoty PUŁAWY implemented and obtained certification for its Integrated Quality, Environment and Safety Management System in 2004. The key document of the system is the ‘Quality, Environmental and Safety Policy’, defining the company’s goals and ways to achieve them. A key objective related to the implementation of the Integrated Quality, Environment and Safety Management System that is set in the Policy is to cater to the changing customer needs by ensuring compliance with the legal regulations on environmental protection, employee and contractor safety and environmental footprint reduction.
1.5. List of certified management systems

<table>
<thead>
<tr>
<th>Management System</th>
<th>Grupa Azoty S.A.</th>
<th>Grupa Azoty Puławy</th>
<th>Grupa Azoty Police</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality management system conforming to the ISO 9001 standard</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Environmental management system conforming to the ISO 14001 standard</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Occupational health and safety management system conforming to the PN-N-18001 standard</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Occupational health and safety management system conforming to the BS OHSAS 18001 standard</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Food safety management system conforming to the ISO 22000 standard</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>PN-EN ISO/IEC 17025:2005 management system (general requirements for the competence of testing and calibration laboratories)</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Management standard meeting the requirements of the Fertilizers Europe Product Stewardship Standard</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Enterprise risk management system based on ISO 31000:2012 Risk management and COSO II Risk management standards</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy management system conforming to the ISO 50001 standard</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Energy management system</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Food safety management system</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

Source: Company data.

Grupa Azoty S.A., Grupa Azoty PUŁAWY and Grupa Azoty POLICE apply the corporate governance rules described in the “Code of Best Practice for WSE Listed Companies 2016.” The Code defines in particular the rules of pursuing an investor information and communication policy, internal systems and functions, and relations with shareholders.

1.6. Risk management

The Group pursues the world’s most exacting standards in enterprise risk management. Risk management forms part of the management process and is an important ingredient in safeguarding and building the Group’s value in the long term.

The Enterprise Risk Management System is based on PN-ISO 31000:2012 “Risk management principles and guidelines” and the “Enterprise Risk Management - Integrated Framework” standard developed by COSO. Grupa Azoty S.A. has adopted an “Integrated Enterprise Risk Management at Grupa Azoty” procedure, under which a two-tier risk classification is applied, grouping risks in five categories. The social and environmental aspects are included in the “Support function” category.

With a view to ensuring consistency of risk management across the Group, a Corporate Integration Team for Risk Management Process has been established at each Group company.

In accordance with the regulations in place at the Grupa Azoty Group, risk management is performed based on the following stages:

1. Analysis of the organisational context
2. Risk identification and assessment
   - Identification and classification of risks,
   - Quantitative and qualitative analysis of risks,
   - Analysis of control mechanisms,
   - Mapping and prioritization of key risks.
3. Risk handling
   - Planning of risk handling,
   - Risk proximity monitoring,
   - Risk mitigation,
   - Verification of effectiveness of measures taken.
4. Monitoring and reporting.
The Grupa Azoty Group applies monthly reporting of Key Risk Indicators and quarterly reporting of effectiveness of Enterprise Risk Management (ERM). The Group companies monitor risk proximity on an ongoing basis and take mitigation measures with respect to risk probability and/or effects of specific risks.

Risk management at the Group is part of the process of building and protecting its value. Risks are identified in all areas of activity. As part of risk management, measures are taken in accordance with the strategy selected for managing a given risk. The risk management process involves continuous improvement in the use of risk management tools.

An overview of the selected key non-financial risks with a potential impact on the implementation of strategic goals by the Grupa Azoty Group is provided below.

Grupa Azoty Group risk map

Risk associated with new legal requirements related to production processes, including environmental regulations

- Risk associated with implementation of the Industrial Emissions Directive (IED)
  - The Group will have to bring its production facilities into compliance with the new regulations. The Group companies will be required to undertake specific adaptation work, and bear its costs.

  **Mitigation measures:**
  - Grupa Azoty keeps monitoring all proposed and actually enacted changes in the legal environment which could affect its operations. Investments necessary in the light of new regulations are included in the Group’s investment plans.

- Risk associated with greenhouse gas emissions
  - Every year, the allocation of GHG emission allowances decreases by several per cent. If the Group’s actual CO₂ emissions are not fully covered by the free allowances, the Group may need to incur additional capital expenditure on projects designed to reduce its emissions of nitrous oxide and carbon dioxide.

  **Mitigation measures:**
  - In order to mitigate that risk, the Group companies have been taking steps to reduce the energy intensity of their processes, bringing down greenhouse gas emissions. Implementation of the adopted energy policy has been confirmed by a certificate of the Energy Management System’s compliance with ISO 50001. When increasing production volumes or launching new installations covered by the EU ETS, the companies apply to the Ministry of the Environment for allocation of additional greenhouse gas emission allowances from the MSR on an as-needed basis.

- Risk related to BAT conclusions
  - Following a scheduled review of the regulations regarding the Best Available Techniques for the Manufacture of Large Volume Inorganic Chemicals: ammonia, acids & fertilizers, there is a risk that stricter and more extensive requirements could be implemented in relation to pollutant emissions into the environment.
  - There is a risk that new BATs could be defined for installations for which so far no BATs have been specified. The deadline for adapting production facilities to the emission requirements contained in BAT conclusions is four years.

  **Mitigation measures**
  - Reviewing the effectiveness of technologies used in the context of development trends prevailing in the competitive environment.
  - Planning and implementing projects designed to bring the production facilities in line with BAT/BREF standards.
  - Searching for new process solutions, particularly to improve efficiency and reduce energy intensity in the context of regulations currently in place and state-of-the-art technologies.
✓ Developing and extending the product range by adding new fertilizers based on components produced by existing facilities.

**Risk of failure to meet emission reduction requirements**

- Risk of failure to meet deadlines for reduction of NO₂, SOₓ and particulate matter emissions
  - The Group is taking steps to ensure compliance with the requirements of the IED Directive (on industrial emissions), which entered into force as of January 1st 2016 defining new emission standards for fuel combustion installations, including permissible levels of sulfur dioxide, NOx and particulate matter emissions.

**Mitigation measures**

- Grupa Azoty Kędzierzyn - construction of a new coal-fired power generating unit.
- Grupa Azoty - construction of a flue gas desulfurisation system based on the wet magnesium oxide process.
- Grupa Azoty Police - construction of a flue gas desulfurisation system based on the wet ammonia process.

**Risk of instability of the legal environment**

- Risk of implementation/tightening of EU or local regulations that would restrict the use or application of the Group’s products
  - Amendments to EU directives and regulations applicable to the Group’s key manufacturing and trading activities give rise to a potential risk that the use of the Group’s products by customers in the EU countries may be restricted.

**Mitigation measures**

- The Group monitors and implements new requirements on an ongoing basis. It is actively involved in the work of registration consortia and European associations to be informed in advance of any upcoming changes in legislation.
- The Group reviews the impact of new regulations on its products.
- The Group is now in the process of identifying threats associated with the draft new fertilizer regulation of the European Parliament and of the Council designed to implement the principles of the Circular Economy package.
- Additionally, the Group monitors other aspects of EU regulations, such as free trade agreements (DCFTA Ukraine, TTIP). It also takes steps to ensure that its entire manufacturing and distribution processes meet the safety requirements applicable to trading in its products.

- Risk of deteriorated supply-demand balance

In the Fertilizers segment, risks related to:
  - Increased imports of nitrogen and compound fertilizers, produced based on cheaper raw materials, to Poland and the EU, and consequently persisting oversupply and aggressive pricing policies pursued by importers struggling to maintain their shares in the fertilizers market.
  - Competition growing stronger as new products are marketed and more effective technologies are applied.

In the Plastics segment, risks related to:
  - Global oversupply of caprolactam and polyamide. Excess volumes from the Far East are shipped to Europe, as a result of which traditional export markets of EU manufacturers begin to shrink and prices decline to unsatisfactory levels.

In the Chemicals segment, risks related to:
  - Weaker demand for titanium white from paint and varnish manufacturers, higher quality requirements in the plastics and paper industries, significant increase in the production capacities of Chinese manufacturers, and plans to classify titanium white as a carcinogen.
Higher supply of OXO alcohols on balanced European markets, driven by heavy inflows of cheaper alcohols, especially from the Russian market.

**Mitigation measures**
- Adapting the product mix to market needs and requirements, e.g. by beginning to offer a non-phthalic plasticizer, ensuring high purity of OXO alcohols, exploring market niches (for instance by improving the DEHP plasticizer for medical applications), and arranging deliveries tailored to the needs of end users (flexitanks for deep-sea freight of small product volumes).
- Efforts to minimise the manufacturing costs of individual products.
- Active participation in public affairs marketing and trade associations.

**Risk related to occupational health & safety**
- Risk related to failure of the security system
  - The Group has reliable safety systems and preventive measures in place across all organisational and technological levels, including occupational health and safety as well as protection against industrial accidents, but there can be no assurance that they will completely eliminate the risk of such accidents.

**Mitigation measures**
- Identification of hazards inherent in technological processes, storage and transport, and implementation of technical solutions and organisational measures to minimise the risk of an accident.
- Ongoing monitoring of the operation of machinery and equipment and evaluation of their technical condition.
- Fitting of plants and units with safety and protection systems to minimise the risk of major accidents and environmental contamination, as well as risks to human life and health.
- Continuous improvement of staff qualifications through training courses, etc.

**Risk related to selection of personnel**
- The risk related to recruiting employees without appropriate qualifications
  - As an employer we face the challenge of finding the right candidates with extensive knowledge of the chemical industry and specialist skills. On the one hand, the market is not able to provide specialists who can quickly understand our organisation and processes, and - on the other hand - potential employees have high pay expectations.

**Mitigation measures**
- In the pursuance of the Grupa Azoty Group strategy for 2013-2020, Grupa Azoty has implemented a scholarship policy across the Group, covering junior and senior high school students as well as university undergraduates (doing master’s or engineer’s programmes) to build lasting competitive advantage based on employees’ knowledge and high individual competences.

Risk management at Grupa Azoty Police and Grupa Azoty Puławy is integrated with the Group-wide risk management process. It is a continuous process consisting in ongoing risk identification, review and response to changes in risk, application of analytical risk mitigation and constant improvement in risk controls.
2. Environmental area

The Grupa Azoty Group’s activities in the field of environmental protection are strictly regulated and subject to a number of requirements which follow from the Environmental Protection Law, the Waste Act, the Water Law and other regulations, as well as permits issued by governors and marshals of the provinces where the Group operates. In accordance with the Environmental Protection Law, all companies of the Grupa Azoty Group are required to adapt their permits to the requirements laid down in applicable regulations.

Furthermore, environmental protection rules that apply to the Grupa Azoty PULAWY Group are also provided for in the integrated permit for the operation of process units issued by the Governor of the Province of Lublin and subsequently extended under a decision by the Marshal of the Province of Lublin. Grupa Azoty POLICE operates based on an integrated permit for the operation of process units granted by the Marshal of the Province of Szczecin.

At the Grupa Azoty Group, the parent Grupa Azoty S.A., Grupa Azoty PKCh SP. Z O.O. and Grupa Azoty JRCh sp. z o.o. have developed and implemented the Grupa Azoty Group Enterprise Management Policy and the Integrated Management System Policy, under which the companies define their own general and specific objectives (in accordance with the ‘Objective setting and task planning’ and ‘Identification, assessment and monitoring of environmental aspects’ procedures, as well as other procedures implemented individually by the companies) in the area of QHSE management. Such objectives are defined to match the needs that follow from the implemented ISO standards. In addition to the objectives, the companies develop and define their individual short-term and long-term programmes along with the related metrics and responsibilities for their implementation. Similar policies have also been implemented by the Grupa Azoty PULAWY Group companies, including the parent Grupa Azoty PULAWY, Prozap Sp. z o.o. and Remzap Sp. z o.o., and the Grupa Azoty POLICE Group companies, including the parent Grupa Azoty POLICE and Police Serwis sp. z o.o. The Grupa Azoty Group seeks to integrate its environmental protection management systems.

An Environmental Management System consistent with the ISO 14001 standard, which supports the activities related to environmental protection and prevention of contamination, has been implemented at all companies of the Grupa Azoty Group, excluding Grupa Azoty KOLTAR Sp. z o.o., and at Grupa Azoty PULAWY and Grupa Azoty POLICE. The system also requires the companies to assess the compliance of any activities they undertake with applicable laws and other standards, and to pursue continuous improvement in environmental protection management. In order to improve the energy efficiency at the Grupa Azoty PULAWY Group, an Energy Management System compliant with the requirements of the ISO 50001: 2011 standard has been implemented.

In accordance with the adopted Energy Policy, Grupa Azoty PULAWY has established and implemented energy objectives and programmes and pledged to comply with all the legal requirements and other commitments it has made in the area of generation and rational consumption of energy necessary in its production processes, recognising energy consumption as an important factor having an impact on the natural environment and costs of business operations.

2.1. Direct and indirect impacts: raw materials and consumables

The list presents total consumption of key raw materials and consumables in 2018, including materials purchased from external suppliers and procured from internal sources in accordance with the adopted division into parent companies and corporate groups. The presentation of volumes of key raw materials is supplemented with a description of how the materials are used and the products made from them.
<table>
<thead>
<tr>
<th>Item</th>
<th>Name of strategic raw material [unit of measurement - metric ton, cubic metre]</th>
<th>Consumption in Grupa Azoty Group in 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>High-methane natural gas [TCM]</td>
<td>548,991</td>
</tr>
<tr>
<td>2</td>
<td>Nitrogen-rich natural gas [TCM]</td>
<td>62,402</td>
</tr>
<tr>
<td>3</td>
<td>Heavy fuel oil [MT]</td>
<td>7,611</td>
</tr>
<tr>
<td>4</td>
<td>Hard coal [TMT]</td>
<td>1,460</td>
</tr>
<tr>
<td>5</td>
<td>Liquid ammonia - purchased [MT]</td>
<td>13,813</td>
</tr>
<tr>
<td>6</td>
<td>Benzene [MT]</td>
<td>63,315</td>
</tr>
<tr>
<td>7</td>
<td>Phenol [MT]</td>
<td>83,643</td>
</tr>
<tr>
<td>8</td>
<td>Liquid sulphur [TMT]</td>
<td>1,037</td>
</tr>
<tr>
<td>9</td>
<td>Technical grade sulfuric acid [TMT]</td>
<td>261,789</td>
</tr>
<tr>
<td>10</td>
<td>Technical grade methanol [MT]</td>
<td>12,701</td>
</tr>
<tr>
<td>11</td>
<td>Phosphates [MT]</td>
<td>908,646</td>
</tr>
<tr>
<td>12</td>
<td>Potassium chloride [MT]</td>
<td>427,606</td>
</tr>
<tr>
<td>13</td>
<td>Titanium slag [MT]</td>
<td>16,684</td>
</tr>
<tr>
<td>14</td>
<td>Ilmenite [MT]</td>
<td>66,562</td>
</tr>
<tr>
<td>15</td>
<td>Polyethylene [MT]</td>
<td>2,489</td>
</tr>
<tr>
<td>16</td>
<td>Oxygen [TCM]</td>
<td>237,769</td>
</tr>
<tr>
<td>17</td>
<td>Nitrogen - purchased [TCM]</td>
<td>23,800</td>
</tr>
<tr>
<td>18</td>
<td>Ammonium sulfate [MT]</td>
<td>22,732</td>
</tr>
<tr>
<td>19</td>
<td>Phosphoric acid [MT]</td>
<td>13,910</td>
</tr>
<tr>
<td>20</td>
<td>Technical grade nitric acid [MT]</td>
<td>5,403</td>
</tr>
</tbody>
</table>

Source: Company data.

Grupa Azoty POLICE uses potassium chloride, phosphates, sulphur and sulfuric acid procured from its suppliers in the production of compound fertilizers. Sulfuric acid, ilmenite, titanium slag and natural gas are key raw materials used in the production of titanium white. Natural gas in Grupa Azoty POLICE is used, among other things, in the production of ammonia intended for sale and ammonia used as a semi-finished product to make urea and compound fertilizers. Variations in consumption of individual raw materials are due to changes in production volumes of particular products.

At Grupa Azoty PUŁAWY, high-methane natural gas is the main production input used in the production of ammonia. High-methane natural gas is also used for heating purposes in the production of caprolactam and melamine and as an auxiliary fuel at the CHP plant. Coal is the primary source of energy at Grupa Azoty PUŁAWY. Benzene is used to produce cyclohexanone, a semi-finished product used in caprolactam production. Sulfur is used to make sulfuric acid, which in turn is used in the production of caprolactam. Polyethylene is used to manufacture foil and bags.

### 2.2. Direct and indirect energy consumption within the organisation

Direct energy consumption is the consumption of energy by the organisation and by its products and services. Direct energy is used to generate final energy (e.g. for heating, transport) or transitional forms of energy such as electricity or heat. Among the primary sources of energy used by the Grupa Azoty Group there are non-renewable energy sources, such as coal or natural gas.
Indirect energy consumption is the volume of consumption of primary energy sources used by the Group indirectly through the purchase of electricity, heat or steam. For the purposes of this Report, data has been classified into three groups:

- Electricity, heat, cooling and steam purchased for consumption
- Electricity, heat, cooling and steam generated by the organisation
- Electricity, heat, cooling and steam sold by the organisation

The heat consumed in Grupa Azoty S.A. comes entirely from the ECII CHP plant, while the electricity consumed by the Company is both in-house generated and purchased. Grupa Azoty POLICE uses heat generated from its own coal-fired sources, with fuel oil used as a light-up fuel, heat purchased from a local supplier, heat recovered from production units, and electricity purchased from third parties or generated in its own sources.
2.3. Total water abstraction and information on recycled or reused water

The operations conducted by the Grupa Azoty Group involve significant water consumption. The following table shows total volumes of abstracted water by type of source, both directly by the organisation and by intermediaries, such as municipal utility companies.

<table>
<thead>
<tr>
<th>Item</th>
<th>Source</th>
<th>Grupa Azoty S.A.</th>
<th>Grupa Azoty POLICE</th>
<th>Grupa Azoty Puławy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total volume [m³]</td>
<td>Total volume [m³]</td>
<td>Total volume [m³]</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Group Parent</td>
<td>Group Parent</td>
<td>Group Parent</td>
</tr>
<tr>
<td>1</td>
<td>surface water</td>
<td>111,240,196</td>
<td>12,300,779</td>
<td>1,362,890</td>
</tr>
<tr>
<td>2</td>
<td>ground water</td>
<td>5,761,088</td>
<td>622,411</td>
<td>6</td>
</tr>
<tr>
<td>3</td>
<td>municipal water supply</td>
<td>547,360</td>
<td>-</td>
<td>334,304</td>
</tr>
<tr>
<td>4</td>
<td>other</td>
<td>152,319,117</td>
<td>-</td>
<td>148,665,328</td>
</tr>
<tr>
<td>5</td>
<td>TOTAL</td>
<td>261,886,239</td>
<td>12923190</td>
<td>150,362,528</td>
</tr>
</tbody>
</table>

Source: Company data.

Grupa Azoty is committed to sustainable water and wastewater management. The Group uses water resources responsibly and takes care to ensure that its wastewater is properly treated. Grupa Azoty S.A. draws water from two sources: from the Dunajec River (surface water) and from Quaternary formations (underground water). At Grupa Azoty S.A., water is used primarily for cooling purposes and in technological processes, for drinking, as a raw material for production of special waters, and for fire protection purposes. In 2018, the Company reduced groundwater abstraction, which changed the proportion of volumes of surface water and groundwater used to produce drinking water. In 2017, drinking water was produced exclusively from underground water. However, in 2018, due to economic reasons relating to collective water demand and collective wastewater discharge, drinking water losses were compensated with treated surface water.

In recent years, Grupa Azoty S.A. has completed a number of investment projects supporting more efficient use of water and improving the safety of water and sewerage systems. Liquidation of unprofitable units, modernisation of production and adaptation of production processes to higher environmental protection standards, as well as measures taken at individual units with a view to reducing water consumption in technological processes, have all directly translated into a significant reduction in wastewater output. The Company recycles water so that it can be recovered and reused. In 2018, the total volume of re-used/recycled water was 1,938,536 m³, representing approximately 15% of the total amount of water abstracted by the Company.

Grupa Azoty ZAK S.A., a subsidiary of Grupa Azoty S.A., has in place a system for recirculation of treated industrial wastewater, water from ash and slag hydrotransport, cooling water and stormwater - all this water is used to produce industrial water. The amount of wastewater reused to produce industrial water in 2018 was 2,402,191 m³, which accounted for 29.4% of the total water abstracted by the company.

At Grupa Azoty SIARKOPOL, a subsidiary of Grupa Azoty S.A., the recycled water volume in 2018 amounted to 1,985,045 m³, which accounted for 88% of the total water abstracted. This was possible as the company uses a closed-loop system for formation water, and has tight-sealed its technological nodes and eliminated process water discharge.

Grupa Azoty POLICE abstracts water from two surface water intake points, located on the Oder and Gunica rivers. The water is used for industrial purposes, as a cooling agent, and for fire-fighting applications. The company monitors the quantity and quality of abstracted water. The volume of water drawn from the Gunica and Oder rivers is measured by means of flow meters located at measurement points. The amount of underground water drawn from the S-1 well is measured using a water meter.

In 2018, Grupa Azoty POLICE increased water abstraction from the Gunica River by 729.0 thousand cubic metres. Water from the Gunica river is drawn periodically. The volume of inland water drawn from this river depends on the salinity of water in the Oder river (internal sea water abstraction is presented in “other” in the table above). Water abstraction from the Oder river fell by 18,663.2 thousand cubic metres due to changes in production volumes. Underground water is abstracted seasonally (from May to September) for the purpose of irrigation of the former iron sulfate (II) landfill site which underwent reclamtion in 2015.
Spent cooling water at Grupa Azoty POLICE is partly reused in production of softened water and then demineralised water. Some volumes of spent cooling water are returned to the water intake point and then reused. Condensates are recycled and reused at the plant for various purposes, depending on the degree of purity. In 2018, the volume of re-used/recycled water was 14,740,890 m³, which represented 9.71% of the total water abstracted by the company.

Grupa Azoty PULAWY draws surface water from the Vistula river through a system of four pipelines (R1-R4), on which flow meters measuring the amount of abstracted water are installed. The company’s second source of water is surface water from the Kurówka river (a flow meter is installed on the pipeline supplying water to the plant). Water is also supplied to Grupa Azoty PULAWY from groundwater intake points via two pipelines on which flow meters are installed. STO ZAP, a Grupa Azoty PULAWY Group company, reported abstraction of domestic hot water, production water and drinking water for sale as total water abstraction presented in “other”. Grupa Azoty PULAWY uses partial recirculation of water from the discharge channel to be reused in cooling processes, which reduces surface water withdrawal from the Wisła river by corresponding amounts. In 2018, the company recirculated 503,105 cubic metres of spent cooling water, which represented 0.61% of the total volume of water abstracted.

2.4. Reduction of energy consumption

In 2018, Grupa Azoty took a number of measures to improve the energy efficiency of its technological processes. Thanks to technical improvements in processes and other energy saving initiatives, a clear reduction in energy consumption was achieved in 2018. The measures taken included:

- process redesigning and streamlining,
- replacement of equipment with more energy-efficient one,
- operational changes.

The figures given below do not take into account reductions in energy consumption due to capacity reductions and outsourcing.

<table>
<thead>
<tr>
<th>Total energy savings [GJ]</th>
<th>Description of initiatives reducing energy consumption (with the level of reduction achieved)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grupa Azoty S.A.</td>
<td>9,829.5</td>
</tr>
<tr>
<td></td>
<td>• Upgrade of N-1 and N-2 cooling circuits;</td>
</tr>
<tr>
<td></td>
<td>• Grupa Azoty Prorem sp. z o.o. upgraded its electricity systems,</td>
</tr>
<tr>
<td></td>
<td>• replacement of lighting and windows.</td>
</tr>
<tr>
<td>Grupa Azoty POLICE</td>
<td>97,399.13</td>
</tr>
<tr>
<td></td>
<td>• Replacement of luminaires with energy-saving ones (1,813 MWh/year);</td>
</tr>
<tr>
<td></td>
<td>• Controlling furnace losses by reducing carbon content in ash (33,400 GJ/year);</td>
</tr>
<tr>
<td></td>
<td>• Reduction of stack losses by controlling the oxygen content in flue gas (31,200 GJ/year);</td>
</tr>
<tr>
<td></td>
<td>• Overhaul of coal mills;</td>
</tr>
<tr>
<td></td>
<td>• Replacement of three motors for 2WM 1-3 (2,333 MWh/year);</td>
</tr>
<tr>
<td></td>
<td>• Upgrade of TUP-12 type TG1 turbine set;</td>
</tr>
<tr>
<td></td>
<td>• Installation of inverters on thrust fans (1,200 MWh/year);</td>
</tr>
<tr>
<td></td>
<td>• Replacement of belt conveyor lighting system (123 MWh/year);</td>
</tr>
<tr>
<td></td>
<td>• Replacement of two motors in the W-21 pumping house;</td>
</tr>
<tr>
<td></td>
<td>• Revitalisation of plates on four exchangers;</td>
</tr>
<tr>
<td></td>
<td>• Replacement of lighting columns, luminaires and clocks controlling their work;</td>
</tr>
<tr>
<td></td>
<td>• Reduction of the diesel oil consumption rate.</td>
</tr>
<tr>
<td>Grupa Azoty PULAWY</td>
<td>approximately 280,000.00</td>
</tr>
<tr>
<td></td>
<td>• Upgrade of the unit for CO₂ absorption in potassium carbonate solutions - Line IV, V and I of the Gas Pre-Treatment System at Ammonia Department I;</td>
</tr>
<tr>
<td></td>
<td>• Replacement of the TG-2 turbine generator set;</td>
</tr>
<tr>
<td></td>
<td>• Upgrade of Water Pumping House No. 3;</td>
</tr>
<tr>
<td></td>
<td>• Installation of the expansion turbine unit - electricity generator on the natural gas stream;</td>
</tr>
<tr>
<td></td>
<td>• Structural filling of the cyclohexanone rectification column;</td>
</tr>
<tr>
<td></td>
<td>• Combustion of gases from benzene hydrogenation in cyclohexanol dehydrogenation furnaces;</td>
</tr>
<tr>
<td></td>
<td>• Replacement of circulation water pumps.</td>
</tr>
</tbody>
</table>

Source: Company data.

The quantities disclosed in the table do not include energy consumption decrease attributable to lower production capacities and outsourcing. Some of the initiatives require detailed calculations or studies to determine their precise contribution to reducing energy consumption.
In 2018, Azoty Prorem Group sp. z o.o., a subsidiary of Grupa Azoty S.A., modernised its electricity systems and replaced lighting and windows, generating total energy savings of 1,768 GJ.

In 2018, the subsidiaries of Grupa Azoty Puławy Group took the following measures to cut energy consumption:

- In 2018, REMZAP Sp. z o.o. commenced the preparations to modernise the D-45 building, which should bring about significant savings in electricity and heat consumption.
- In 2018, Gdańskie Zakłady Nawozów Fosforowych Fosfory Sp. z o.o. replaced luminaires with energy-saving LEDs and replaced worn out motors with highly efficient IE3 class motors.

For these measures, no data sufficient to accurately quantify the energy savings in 2018 was collected.

2.5. Biodiversity

Grupa Azoty S.A. manages environmental issues in a strategic and comprehensive manner. This is possible primarily due to the existing Environmental Management System, which complies with the ISO 14001:2004 standard. This system ensures balance between environmental protection and pollution prevention on the one hand and socioeconomic needs on the other. At Grupa Azoty S.A., environmental impacts have been identified, and those that proved significant are subject to supervision. The adopted supervision criteria allow for transparent monitoring and assessment of the effectiveness of individual processes affecting the environment. Assessment of compliance with applicable requirements is carried out on an ongoing basis.

Grupa Azoty S.A.’s premises are located in Mościce, the industrial district of Tarnów, located in the western part of the city. None of the Company’s products or services affect biodiversity. No effect of the Company’s operations on biodiversity has been recorded either. The Company has registered its products in accordance with the REACH Regulation. Chemical Safety Reports have been prepared. Appropriate instruction manuals and data sheets describing their possible effects on living organisms have been prepared for each product. Periodic inspections by administrative authorities have revealed no irregularities.

Grupa Azoty POLICE attaches great importance to the environment as a whole, with particular emphasis on the effect of its operations on changes taking place in the environment, and undertakes various preventive and compensatory measures.

The company is located within the Police city limits, about 3.5 km north of the city centre, on the left bank of the Oder River. It occupies an area of about 1,300 ha, covered by a valid local zoning plan. The area is classified as an industrial and warehouse area.

In accordance with the local zoning plan for the town and municipality of Police, in the vicinity of the plant, in the protection zone and in the 200 metre belt around the zone, there are mainly areas designated as industrial and warehouse areas, screening greenery, meadows, farmland and, locally, farm buildings in the village of Tatynia.

The area owned by the Company has no significant natural value and is not subject to any national or EU nature protection measures. However, areas subject to various forms of such protection are located in the vicinity of the Company’s sites:

Nature reserves
- Białokrzew Kopicki
- Olszanka
- Uroczysko Święta
- Świdwie.

Natura 2000 sites:
- Police - Kanaly (Police Canals) (PLH320015) - about 0.4 km to the south of the plant site
- Zalew Szczeciński (Szczeceń Lagoon) (PLB320009) - about 2 km to the north of the plant site
- Ostosza Wkrzańska (Wkra Refuge; formerly Puszcza Wkrzańska) (PLB320014) - about 2 km to the west of the plant site
- Oder Estuary and Szczecin Lagoon (PLH320018) - about 2.5 km to the east of the plant site.

There are two landfills on the Company’s premises: an iron sulfate landfill and a phosphogypsum landfill. The company has implemented and observes a strict process regime that minimises the landfills’ impact on the environment. Since 1994, efforts have been made to introduce high growing vegetation at the landfill site.
The landfill site is covered with trees. The condition of the grass sod, the extent to which it covers the site, the visual appearance of the plants and their ability to go through all development phases, including growth of fertile shoots, demonstrate the ability of many plant species to develop normally in this environment.

For a number of years, the landfill site has been a habitat for many plant species and animals, such as beech martens, otters, stoats, foxes, roe deer, boars and about 100 species of birds. Based on field observations, ornithologists from Szczecin University found that the area adjacent to the landfill site (storage reservoirs of the wastewater treatment plant) can be compared to the Świdwie reserve in terms of the number and diversity of bird species.

Grupa Azoty Police places great importance on compliance with broadly defined environmental protection regulations, including animal protection, as evidenced by the environmental decisions held by the Company.

The Company holds, among other things, permits for undertaking prohibited activities with respect to protected species of wild animals (the European beaver).

Grupa Azoty POLICE supports efforts to promote biodiversity also by placing a peregrine falcon nesting box on one of the Company’s CHP Plant flue gas stacks. Azoty Police Group covers the costs of online broadcast from the nest and from the front of the nesting box. The project has been run in cooperation with the ‘Sokół’ (‘Falcon’) Wildlife Protection Association of Włocławek since 2016.

The Grupa Azoty PULAWY facilities are located within a forest complex on the right bank of the Vistula river, some three kilometres north of Pulawy. They cover an area of approximately 299.4 ha. The area adjacent to Grupa Azoty Zakłady Azotowe Puławy S.A. is located on the border of two physiographic subprovinces: the Central Polish Lowlands and the Lublin-Lviv Upland and their geographical mesoregions:
- the Middle Vistula River Valley (north-west),
- the Radom Plain (south-west).

The area is covered by a local zoning plan. The Company’s premises are located outside of areas protected under the Nature Conservation Act of April 16th 2004. The site is not covered by any form of nature protection, nor adjacent to any protected areas.

Grupa Azoty Zakłady Azotowe Puławy S.A. does not impact people, plants, animals, fungi, natural habitats, water or air. Calculations of air pollution dispersion made for the purposes of the documentation prepared to obtain the Integrated Permit show that the Plant does not exceed the permitted emission levels outside the area it owns.

Grupa Azoty Zakłady Azotowe Puławy S.A. is located in an industrial area and has no negative impact on the landscape. The area on which Zakłady Azotowe Puławy S.A. is located is not one with a high natural and landscape value.

In the vicinity of the plant, ambient concentration in the air is much lower than the TLV (immission). For over 50 years of the plant’s operation, no hard evidence has been found that the health of the Puławy region’s population deteriorated due to ambient concentration.

The amount of noise from noise emitters located on the premises of Grupa Azoty Zakłady Azotowe Puławy S.A. does not exceed the permitted night- and day-time noise levels in the acoustically protected areas.

With environmental protection in mind, in 2005 Grupa Azoty PULAWY placed a peregrine falcon nesting box on the Company’s CHP Plant flue gas stack. Peregrine falcon chicks successfully hatched in the Lublin Province in 2013, which was the first such case to have been documented. The programme was also continued in 2018.

### 2.6. Substances emitted to the atmosphere

The Grupa Azoty Group is strongly committed to ensuring compliance with the legal standards applicable to air protection and constantly adapts its units to meet emission standards. The table below presents the volumes of selected compounds emitted into the air in 2018 by the main companies of the Group.

<table>
<thead>
<tr>
<th>Item</th>
<th>Compound emitted into the air</th>
<th>Grupa Azoty S.A.</th>
<th>Grupa Azoty Police</th>
<th>Grupa Azoty Puławy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Emissions (in Mg)</td>
<td>Group</td>
<td>Parent</td>
<td>Group</td>
</tr>
<tr>
<td>1</td>
<td>nitrogen oxides</td>
<td>8,571.27</td>
<td>4,852.00</td>
<td>748.67</td>
</tr>
</tbody>
</table>
Non-financial statement of the Grupa Azoty Group for the 12 months ended December 31st 2018
(all amounts in PLN '000 unless indicated otherwise)

<table>
<thead>
<tr>
<th></th>
<th>Sulfur dioxide</th>
<th>Carbon dioxide</th>
<th>Total dust</th>
<th>Ammonia</th>
<th>Methane</th>
<th>Carbon monoxide</th>
<th>Sulfuric acid</th>
<th>PM 10</th>
<th>PM 2.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>5,650.65</td>
<td>836.00</td>
<td>1,894.30</td>
<td>1,894.30</td>
<td>1,835.10</td>
<td>1,678.44</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>4,955,248.68</td>
<td>1,005,418.00</td>
<td>1,169,727.53</td>
<td>1,169,727.53</td>
<td>1,814,488.61</td>
<td>1,799,379.21</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>1,548.24</td>
<td>168.00</td>
<td>459.98</td>
<td>453.00</td>
<td>752.79</td>
<td>553.11</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>1,914.80</td>
<td>187.00</td>
<td>450.18</td>
<td>450.18</td>
<td>1,035.38</td>
<td>1,035.38</td>
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<tr>
<td>6</td>
<td>184.40</td>
<td>8.00</td>
<td>-</td>
<td>-</td>
<td>10.85</td>
<td>10.85</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>715.38</td>
<td>63.00</td>
<td>117.38</td>
<td>117.35</td>
<td>253.61</td>
<td>167.52</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>175.88</td>
<td>106.00</td>
<td>65.19</td>
<td>65.19</td>
<td>4.67</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>502.41</td>
<td>110.00</td>
<td>-</td>
<td>-</td>
<td>261.09</td>
<td>241.68</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>84.42</td>
<td>65.00</td>
<td>-</td>
<td>-</td>
<td>19.42</td>
<td>0.01</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Company data.

Emissions at the Grupa Azoty Group are measured in keeping with generally applicable laws, including with the Minister of Environment’s Regulation on the requirements with respect to measurement of emissions and water abstraction volumes, dated October 30th 2014.

Grupa Azoty S.A. measures, on a continuous basis, its emissions from the CHP Plant and the Dual-Pressure Nitric Acid Unit. Fertilizer units are subject to, among others, periodic measurements of total dust emissions (in accordance with the PN-Z-04030-7:1994 standard) and periodic measurement of ammonia emissions and concentration (in accordance with the WT-07/ZA-123 standard).

Grupa Azoty S.A. constantly monitors air quality at five sites across Tarnów. The locations of the measurement sites have been selected so as to cover the wide area that may be affected by particulate matter and gas emissions from the plant.

Emissions from Grupa Azoty POLICE’s EC II CHP plant facilities are monitored on a continuous basis, while emissions from the titanium white unit are measured both on a continuous and periodic basis. In line with the Integrated Permit, emissions from the other Grupa Azoty POLICE’s process units are measured on a periodic basis. EC II CHP Plant as well as the titanium white, sulfuric acid, fertilizer and urea production units, which are the main emission sources, account for 58% and 40% of emissions of gaseous pollutants and particulate matter, respectively. The significant decrease in the volumes of SO2, NOx and particulate matter emissions is attributable to the launch of a wet ammonia-based wet flue gas desulfurization unit and a NOx selective non-catalytic reduction unit at the Company’s EC II CHP plant. The emission output from the Company’s main units and the results of periodic measurements lead to changes in air emission volumes.

The emissions are monitored by Grupa Azoty POLICE on a 24/7 basis at three measurement locations, allowing the company to assess the impact of pollutants generated during everyday operation of its units.

In 2018, the increase in sulfur dioxide emissions from Grupa Azoty PULAWY was related to the shutdown of the flue gas desulfurization unit, which lasted over a month and was connected with the upgrade of the unit.
2.7. Waste and waste management methods

An organisation’s environmental impact can be analysed on the basis of data on types of generated waste and waste management methods. Below are presented the amounts of waste generated by the Grupa Azoty Group in 2018, broken down into two categories:

- hazardous waste, as defined by the national legislation in force at the point of generation,
- non-hazardous waste including all other forms of waste, excluding used water.

The information on the total volume of waste by type has been supplemented with information on waste disposal methods, which include:

- landfilling
- on-site recovery
- transfer to third-party contractors
- on-site disposal
- storage.

<table>
<thead>
<tr>
<th>Item</th>
<th>Waste type</th>
<th>Amount (Mg)</th>
<th>Waste weight [Mg]</th>
<th>Group</th>
<th>Company</th>
<th>Group</th>
<th>Company</th>
<th>Group</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>hazardous waste</td>
<td>14,835.88</td>
<td>102.15</td>
<td>9,608.21</td>
<td>9,573.43</td>
<td>704.84</td>
<td>522.71</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>non-hazardous waste</td>
<td>4,394,494.17</td>
<td>60,651.01</td>
<td>4,122,869.26</td>
<td>4,120,991.69</td>
<td>112,578.80</td>
<td>98,979.77</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>4,409,330.05</td>
<td>60,753.16</td>
<td>4,132,477.47</td>
<td>4,130,565.12</td>
<td>113,283.63</td>
<td>99,502.48</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item</th>
<th>Waste disposal method</th>
<th>Amount (Mg)</th>
<th>Group</th>
<th>Company</th>
<th>Group</th>
<th>Company</th>
<th>Group</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>storage</td>
<td>1,866,551.85</td>
<td>0.00</td>
<td>1,850,743.36</td>
<td>1,850,743.36</td>
<td>15,808.49</td>
<td>15,807.62</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>on-site recovery</td>
<td>371,079.92</td>
<td>108.80</td>
<td>360,205.05</td>
<td>360,205.05</td>
<td>10,766.07</td>
<td>15.83</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>transfer to third-party contractors</td>
<td>339,066.62</td>
<td>60,801.52</td>
<td>74,592.72</td>
<td>72,276.16</td>
<td>84,825.03</td>
<td>82,000.19</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>on-site disposal</td>
<td>1,847,192.70</td>
<td>0.00</td>
<td>1,847,192.70</td>
<td>1,847,192.70</td>
<td>0.03</td>
<td>0.03</td>
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<tr>
<td>5</td>
<td>storage</td>
<td>2,868.39</td>
<td>0.00</td>
<td>181.78</td>
<td>181.78</td>
<td>1,678.80</td>
<td>1,678,803</td>
<td></td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>4,426,759.51</td>
<td>60,910.32</td>
<td>2,285,541.12</td>
<td>4,130,599.05</td>
<td>113,078.42</td>
<td>99,502.48</td>
<td></td>
</tr>
</tbody>
</table>

Source: Company data.

The above table shows the quantity of waste generated as a result of the organisation’s operations in 2018 and presents the methods of its disposal. The difference between the amount of waste generated and the amount of waste disposed of is attributable to the storage volumes of waste generated in the previous year. Hazardous waste represents as little as 0.3% of total waste generated by the organisation. More than 40% of waste generated by the organisation in 2018 was disposed of within the organisation, while about 40% was landfilled. Over 8% was recovered by the organisation on site. Only 7.5% was transferred to third-party contractors.

2.8. Monetary value of fines and other sanctions

The Provincial Inspectorate for Environmental Protection (WIOŚ) imposed a fine of PLN 500 on Grupa Azoty Jednostka Ratownictwa Chemicznego sp. z o.o., a Grupa Azoty Group company, for the landfill site manager’s failure to comply with its obligation to refuse to accept waste for landfilling in the cases referred to in Art. 120.1 of the Waste Act. In addition, on December 8th 2017, the Provincial Inspectorate for Environmental Protection of Kraków initiated administrative proceedings concerning the imposition on Grupa Azoty JRCH sp. z o.o. of a financial penalty for failure to landfill waste in the AB-2 sector in line with the condition specified in Section 11.A. of the Instruction for Managing the ‘Za Rzeką Biała’ Non-Hazardous Waste Landfill Site in Tarnów. In view of the above, on September 11th 2018 Grupa Azoty JRCH sp. z o.o. appealed against the decision of the Provincial Inspectorate for Environmental Protection of Kraków dated August 30th 2018, Ref. No. TI.7062.1.8.2018.TN. The appeal has been sent to the Chief Inspector for Environmental Protection in Warsaw and is being considered.

In 2018, a penalty was imposed on Grupa Azoty PULAWY in connection with an event that took place in 2017. An analysis of data from the continuous emissions monitoring system at the company’s CHP plant showed incidences of exceeding the emission limits for sulfur dioxide and particulate matter. The limits were exceeded in connection with the shut-down of the flue gas desulfurization unit which
was necessary in order to stop the unit’s absorption section to remove defects inside the absorber and inspect the booster fans. In order to minimise emission limit exceedance, only low-sulfur fuel was used in the operating boilers. By way of a decision dated March 19th 2018, a penalty of PLN 408,213.00 was imposed on the company. Following the implementation of a project eliminating the cause of the penalty, the Provincial Inspector of Environmental Protection decided to withhold the penalty. No other excess emissions were identified. No administrative proceedings related to environmental protection were pending against the Company.

In 2018, no administrative financial penalties were imposed on the Azoty POLICE Group for non-compliance with environmental protection laws.

### 2.9. Mitigation of environmental impacts of products and services

Major environmental projects carried out in 2018 by Grupa Azoty S.A. included the collection of slag from the ECII CHP plant boilers. The project will make it possible to use slag to produce building materials, thus helping to reduce the amount of landfilled furnace waste.

In addition, in 2018 a number of projects were pursued by Grupa Azoty S.A. to reduce the consumption of energy carriers in production processes and make more efficient use of available resources. The main projects in this area included utilisation of purge gases from the ammonia synthesis unit, comprehensive utilisation of heat generated in selective phenol hydrogenation, reduction of steam consumption in caprolactam production, and alteration of the pumping system of the first heating segment.

In 2018, Grupa Azoty POLICE completed the ‘Upgrade of the 20F-125 absorption system’ project. The aim of the project was to reduce ammonia emissions into the air and cut down ammonia consumption in the urea production process. Before the project was implemented, ammonia emissions into the air amounted to 30.508 kg/h. Following completion of the project, measurements taken on the E6-10 emitter on April 20th 2018 showed NH3 emissions of 7.599 kg/h, i.e. below the permitted level of 30.508 kg/h. The environmental objective of the project was achieved.

More than PLN 250m is the cost of Grupa Azoty POLICE’s environmental project to construct an exhaust gas treatment unit at the ECII CHP Plant. As part of the project, OP-230 boilers no. 1 and 2 were revamped. A deNox system was installed on both boilers and put in operation, with NOx emissions now below 200 mg/m3 over the entire boiler load range. In May 2018, a flue gas desulphurisation unit was brought on stream. The new unit (ammonia-based method) enables achieving compliance with the current SO2 emission parameters (<200 mg/m3) required by the IED Directive.

In 2018, Grupa Azoty POLICE carried out, and plans to complete in 2019, the project to change its phosphoric acid production method from the DH dihydrate method to the dihydrate hemihydrate DA-HF process. Capital expenditure on this project amounts to PLN 83m. The principal objective of the proposed technology change is to:

- improve the efficiency of phosphoric acid production,
- bring the Phosphoric Acid Division’s units into compliance with the BAT requirements,
- improve the quality of phosphoric acid (by, for instance, reducing the content of cadmium and other pollutants),
- reduce the consumption of thermal energy during acid concentration,
- cut the volumes of waste (phosphogypsum) generated in the process,
- reduce the amount of phosphorous used in the process.

In 2018, Grupa Azoty POLICE was carrying out a project designed to replace 1WP1,2 blower fan motors with motors with a frequency converter. The use of motors with optimum current/voltage settings is expected to generate tangible benefits in the form of electricity savings of 1,028 MWh per year. Modernisation of equipment to reduce energy consumption and improve process regulation largely contributes to achieving the Company’s environmental protection objectives. The capital expenditure on this project is PLN 1.9m.

In parallel, projects aimed at reducing the consumption of electricity, heat and CO2 emissions into the air are at the planning and design stage. The ‘Wastewater collection and recirculation at Urea I unit’ project, completed in 2018 by Grupa Azoty PULAWY, has helped reduce the Company’s environmental impact by enabling the reuse of wastewater, previously discharged, in the production processes.

The ‘Replacement of the TG-02 turbine generator set’ project contributed to improving the reliability of electricity and process steam generation, increasing efficiency, reducing the consumption of industrial production water, as well as to enhancing the safety and ergonomics of staff work.
The upgrade of control and I&C systems of the Biological Wastewater Treatment and Neutralisation Plant has significantly improved the monitoring of parameters of biological wastewater treatment at the on-site treatment plant.
The circulation water network at the Ammonia Department was modernised in order to maintain proper quality and pressure parameters of cooling water. The upgrade of pump drives and installation of new pipelines, performed as part of the same task, reduced electricity consumption associated with the transmission of cooling water.
The continued modernisation of lighting systems and switchgears also indirectly improves energy and environmental efficiency.

At Grupa Azoty PULAWY, on June 8th 2018, as part of the ongoing upgrade of steam generator OP-2015 No. 2 designed to reduce NO\textsubscript{x} emissions, a turn-key contract for the procurement, construction work and services required to design, construct, start up, commission and operate the K2 steam generator was signed.
In 2018, work was also continued to select a contractor for the design and construction of a central biological industrial wastewater treatment plant. The project, once completed, will enable the Company to meet the requirements defined in the BAT conclusions for common wastewater treatment systems.

As part of environmentally-oriented projects, in 2018 GZNF Fosfory Sp. z o.o. (a Grupa Azoty Puławy Group company) carried out work related to the construction of an ash unloading, storage and dispensing system. Performance testing of the system is currently underway.

Pro-environmental projects implemented in 2018 by other Group companies involved the construction of sanitary sewage systems.

In addition, RSM®, Pulaska® and RSM®S liquid fertilizers are sold to rail and road tankers. They do not require disposable packaging, which reduces the quantity of materials used (plastic film, bags, pallets) and the potential amount of waste.

3. Human resources

The basic principles of HR management and respect for human rights are defined across the Grupa Azoty Group and at the parent companies in the Collective Bargaining Agreements, which have been developed individually and implemented by each Group company. The matters regulated under the Agreements include rules of remuneration for employees, working hours, rules governing allowances and other remuneration components, as well as rules governing benefits other than remuneration for work (pension and death benefits). At Grupa Azoty S.A. and Grupa Azoty POLICE, the approach to workforce management also follows from the HR policy. Grupa Azoty S.A., Grupa Azoty PULAWY and most of the PULAWY Group companies have implemented appropriate work rules.

3.1. Diversity

The Group has not formally introduced any diversity policy, but in its operations it follows clear rules of employment and promotion. It also seeks to achieve diversity in terms of gender, education, age and professional experience of its entire workforce, including in particular members of the governing bodies and key management personnel. It is the Grupa Azoty Group’s intention to apply transparent criteria in relations with its employees, depending on their experience, performance, potential, and values defined by the Group.

One of the key principles applied at every stage of cooperation with employees is the guarantee of fair and equal treatment, as defined in the ‘Grupa Azoty S.A. Code of Ethical Conduct’ and the Codes of Ethical Conduct adopted by Grupa Azoty PULAWY and Grupa Azoty POLICE Groups. The Codes lay down the principles that should be applied by all employees and managerial staff at the workplace. This applies both to the principles of day-to-day cooperation in performing professional duties and the recruitment processes conducted by the Grupa Azoty Group companies. Some of the main principles defined in the Code require that:

- All current and prospective employees are guaranteed a fair and objective assessment.
- The scope of responsibilities and expected performance for all jobs are communicated in a transparent and clear manner.
- Development and in-service training opportunities are offered to all employees.
- All decisions relating to employee promotion are made carefully and clearly justified.
- Everyone is treated with respect, regardless of their position, length of service, or experience.
3.2. Employment

At the end of 2018, the Grupa Azoty Group had 14,967 employees (the Goat TopCo GmbH Group workforce is not included), the Grupa Azoty POLICE Group - 3,495 employees, and the Grupa Azoty PUŁAWY Group - 6,831 employees. At the parent companies, the workforce numbers were as follows: 2,200 at Grupa Azoty S.A., 2,528 at Grupa Azoty POLICE, and 3,487 at Grupa Azoty PUŁAWY. In 2018, Grupa Azoty employed 3,436 women, representing over 23% of the total number of employees, and 11,531 men (nearly 77% of the total workforce).

Workforce at the Grupa Azoty Group as at December 31st 2018 (excluding the Goat TopCo GmbH Group)

<table>
<thead>
<tr>
<th></th>
<th>Grupa Azoty Group</th>
<th>Grupa Azoty S.A.</th>
<th>Grupa Azoty POLICE Group</th>
<th>Grupa Azoty POLICE</th>
<th>Grupa Azoty PUŁAWY Group</th>
<th>Grupa Azoty PUŁAWY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>3436</td>
<td>647</td>
<td>650</td>
<td>541</td>
<td>1140</td>
<td>798</td>
</tr>
<tr>
<td>Men</td>
<td>11531</td>
<td>1553</td>
<td>2845</td>
<td>1987</td>
<td>3673</td>
<td>2689</td>
</tr>
<tr>
<td>Total</td>
<td>14967</td>
<td>2200</td>
<td>3495</td>
<td>2528</td>
<td>6831</td>
<td>3487</td>
</tr>
<tr>
<td>Full-time</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>3390</td>
<td>11475</td>
<td>646</td>
<td>1550</td>
<td>647</td>
<td>2842</td>
</tr>
<tr>
<td>Men</td>
<td>47</td>
<td>55</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>3437</td>
<td>11530</td>
<td>647</td>
<td>1553</td>
<td>650</td>
<td>2845</td>
</tr>
<tr>
<td>Part-time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Company data.

At the end of 2018, the Grupa Azoty Group employed 3,436 women (22.9%) and 11,531 men (77.1%), the Grupa Azoty POLICE Group - 650 women (18.5%) and 2,845 men (81.5%), the Grupa Azoty PUŁAWY Group - 1,140 women (16.6%) and 3,673 men (83.4%). At the parent companies, the proportions were as follows: 647 women (29.4%) and 1,553 men (70.6%) at Grupa Azoty S.A., 541 women (21.4%) and 1,987 men (78.6%) at Grupa Azoty POLICE, and 798 women (22.8%) and 2,689 men (77.2%) at Grupa Azoty Puławy.
3.3. Remuneration

Each of the key Group companies is a significant and valued employer in the region in which it operates. The table below shows the remuneration of the lowest-level employees in relation to the minimum pay in Poland in 2018 at the Grupa Azoty Group, Grupa Azoty POLICE Group, Grupa Azoty PUŁAWY Group and at the Groups’ parents.

Remuneration of the lowest-level employees in relation to the minimum pay in Poland in 2018.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum pay at the company in 2018</td>
<td>2100.00</td>
<td>2800.00</td>
<td>2600.00</td>
<td>2500.00</td>
<td>2100.00</td>
<td>2366.28</td>
</tr>
<tr>
<td>Minimum pay in Poland in 2018</td>
<td>2100.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ratio of the minimum pay at the company to the minimum pay in Poland in 2018</td>
<td>100%</td>
<td>124.44%</td>
<td>123.80%</td>
<td>119.00%</td>
<td>100%</td>
<td>112.68%</td>
</tr>
</tbody>
</table>

Source: Company data.

3.4. Additional benefits

The Grupa Azoty Group provides its employees with a number of additional benefits. The Group does not have a uniform policy in this respect. Each Group company defines it taking into consideration the employees’ expectations and its resources.

Grupa Azoty S.A. has established an Employee Pension Plan, which was registered with the Polish Financial Supervision Authority on July 26th 2012. The Company established the plan in the form of an agreement on the employer’s payment of employee contributions to an investment fund. The fund manager is Towarzystwo Funduszy Inwestycyjnych PZU S.A. In 2018, 1,872 Company employees were registered in the plan. Additional medical care has been provided since October 1st 2008, first in cooperation with PZU S.A. and now in cooperation with Luxmed Sp. z o.o. Employees receiving medical care have access to health services, i.e. access to primary and specialist care physicians, specialist examinations and diagnostic tests. Medical care is subsidised by the employer. In 2018, 1,792 employees and 675 employee family members were covered by the medical care, making up a total of 2,467 people. Grupa Azoty S.A.’s employees may join group life insurance with PZU. It is a voluntary insurance for employees and their family members. This insurance is not subsidised by the employer.

Grupa Azoty POLICE offers its employees with a length of service of at least three months the opportunity to join the Employee Pension Plan. The fund manager is Towarzystwo Funduszy Inwestycyjnych PZU S.A. In addition, all employees of the company may join the health insurance scheme offered by Luxmed sp. z o.o. The employer subsidises the premium for each employee who takes out the insurance. The company includes all staff employed under employment contracts in the Dental Package. The company employees may take out group life insurance with PZU Życie.

Grupa Azoty Puławy provides all staff employed under employment contracts with medical care under health insurance - LMG Försäkrings AB S.A. MED; the employer subsidises the premium. In addition, Grupa Azoty PUŁAWY fully finances the premium for employees who have taken out a unit-linked group life insurance offered by PZU Życie S.A. (life insurance and investment fund). At the same time, the employees may take out group employee insurance with PZU Życie S.A.

Moreover, all the companies offer their employees social benefits under the Rules of Procedure of the Company Social Benefits Fund, including co-financing of employees’ holidays, co-financing of employee children’s summer camps/winter camps/holidays, subsidies, and housing loans.
3.5. Occupational health and safety

The Group’s business requires compliance with the most exacting safety standards. Therefore, training in occupational health and safety and prevention of accidents and injuries at work is very important for the entire Group. OHS issues are globally regulated across the Group as part of formal agreements with trade unions.

Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by gender in 2018.

<table>
<thead>
<tr>
<th></th>
<th>Grupa Azoty Group</th>
<th>Grupa Azoty S.A.</th>
<th>Grupa Azoty POLICE Group</th>
<th>Grupa Azoty POLICE</th>
<th>Grupa Azoty PUŁAWY Group</th>
<th>Grupa Azoty PUŁAWY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total workplace accidents</td>
<td>24</td>
<td>125</td>
<td>2</td>
<td>10</td>
<td>6</td>
<td>38</td>
</tr>
<tr>
<td>Fatalities</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Severe injuries</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Minor injuries</td>
<td>24</td>
<td>123</td>
<td>2</td>
<td>10</td>
<td>6</td>
<td>38</td>
</tr>
<tr>
<td>Total days lost due to workplace accidents</td>
<td>1091</td>
<td>6367</td>
<td>24</td>
<td>595</td>
<td>190</td>
<td>1535</td>
</tr>
<tr>
<td>Incidence rate (total number of accidents/headcount × 1,000)</td>
<td>6.98</td>
<td>10.84</td>
<td>3.09</td>
<td>6.44</td>
<td>9.23</td>
<td>13.36</td>
</tr>
<tr>
<td>Severity rate (days lost/number of accidents)</td>
<td>45.46</td>
<td>50.94</td>
<td>12.00</td>
<td>59.50</td>
<td>31.67</td>
<td>40.39</td>
</tr>
</tbody>
</table>

Source: Company data.

Detailed rules, internal policies and management systems regarding OHS vary across the Group companies. At Grupa Azoty S.A., the OHS matters are regulated by the Work Rules. The Company has also implemented the Occupational Health and Safety Management System compliant with the BS OHSAS 18001:2007 and PN-N-18001:2004 standards. At two Grupa Azoty PUŁAWY Group companies OHS matters are covered by the Integrated Management System, while at the other entities of the Grupa Azoty PUŁAWY Group the ‘Safety Policy’ has been implemented. At the Grupa Azoty POLICE Group OHS rules are included in the Collective Bargaining Agreements, while internal regulations contain more detailed provisions. In addition, Grupa Azoty POLICE has implemented a management system compliant with the BE OHSAS 18001:2007 standard, together with the Safety Book and numerous procedures for OHS monitoring, hazard identification and occupational risk assessment, testing and measurements of work environment, etc. In accordance with the framework agreement concluded with their parent (Grupa Azoty POLICE), the POLICE Group companies are not obliged to implement a management system complaint with the BE OHSAS 18001:2007 standard; certain elements of this system are implemented on the basis of generally applicable legal regulations and in accordance with internally developed procedures.

In order to increase the involvement of managers and employees in OHS matters, develop the ability to perceive hazards, improve communication, and raise awareness of the importance of health and safety at work, Grupa Azoty has also implemented the STOP™ Safety Monitoring Programme.
3.6. Staff training

The rate shows the scale of Grupa Azoty Group’s investment in employee training in 2018 and the extent of this investment across the workforce. The table below presents data for 2018, separately for the Grupa Azoty Group, Grupa Azoty POLICE Group, Grupa Azoty PUŁAWY Group and the Groups’ parents in the following two categories:

- Total number of hours devoted to the training of employees in each category of employees and by gender.
- Average hours of training per year per person by employee category and by gender.

<table>
<thead>
<tr>
<th></th>
<th>Grupa Azoty Group</th>
<th>Grupa Azoty S.A.</th>
<th>Grupa Azoty POLICE Group</th>
<th>Grupa Azoty POLICE</th>
<th>Grupa Azoty PUŁAWY Group</th>
<th>Grupa Azoty PUŁAWY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of training hours by gender</td>
<td>29533.5</td>
<td>104332</td>
<td>4665</td>
<td>11199</td>
<td>3166</td>
<td>24930</td>
</tr>
<tr>
<td>Average number of training hours by gender</td>
<td>8.59</td>
<td>9.05</td>
<td>7.21</td>
<td>7.21</td>
<td>4.87</td>
<td>8.76</td>
</tr>
</tbody>
</table>

Source: Company data.

The data presented includes external and internal training, excluding OHS training and job training.

3.7. State Fund for Rehabilitation of the Disabled

Contributions to the State Fund for Rehabilitation of the Disabled are paid by all employers who have at least 25 employees (measured in FTEs), with less than 6% of them being disabled.

<table>
<thead>
<tr>
<th>Contributions paid to the State Fund for Rehabilitation of the Disabled in 2018</th>
<th>Grupa Azoty Group</th>
<th>Grupa Azoty S.A.</th>
</tr>
</thead>
<tbody>
<tr>
<td>PLN 14,133,934.00</td>
<td>PLN 2,703,901.00</td>
<td></td>
</tr>
<tr>
<td>Grupa Azoty POLICE Group</td>
<td>Grupa Azoty POLICE</td>
<td></td>
</tr>
<tr>
<td>PLN 3,096,120.00</td>
<td>PLN 2,114,582.00</td>
<td></td>
</tr>
<tr>
<td>Grupa Azoty PUŁAWY Group</td>
<td>Grupa Azoty PUŁAWY</td>
<td></td>
</tr>
<tr>
<td>PLN 3,976,115.00</td>
<td>PLN 3,201,580.00</td>
<td></td>
</tr>
</tbody>
</table>

Source: Company data.

The largest portion of the money is transferred by the Fund directly to employers as wage subsidies. The Fund also supports disabled individuals, non-governmental organisations working for people with disabilities and specialist institutions, such as occupational therapy workshops, or social economy projects, such as occupational activity centres. A part of the Fund’s financial resources, mainly those for disabled individuals, is distributed by county self-government units, which - through their subordinate structures - collect and consider applications for financial support and then transfer the money.

3.8. Relations with employees and freedom of association

The table below shows the total number of (representative and other) trade unions active at the Group, the percentage of employees who are members of the trade unions and information whether a Works Council has been established at the parent companies of the Grupa Azoty Group, Grupa Azoty POLICE Group and Grupa Azoty PUŁAWY Group.
4. Social and sponsorship policy

4.1. Community involvement of the Grupa Azoty Group

The Grupa Azoty Group treats cooperation with its social environment and local communities as a strategic and long-term matter.

SCR and sponsorship initiatives contribute to the implementation of the long-term growth strategy of the Grupa Azoty Group. The Grupa Azoty Group and its Parent undertake initiatives in this area based on the ‘Group Policy and Rules of Social and Sponsorship Activities’, formulated and implemented in 2013, which defines the directions of social and sponsorship activities, including:

- Investments benefitting the local community, solving social issues, charitable assistance in the form of cash and non-cash donations and services, addressed directly to the communities or to charitable organisations, NGOs and non-profit organisations,
- Social and sponsorship projects relating to local initiatives, often with a supraregional, or even international, media coverage,
- Nationwide and international social and sponsorship projects, going beyond the framework of local initiatives.

Objectives of the social and sponsorship activities:

- Building a positive image of the Group as a people- and environmentally-friendly business,
- Building the Group’s and its companies’ image as socially responsible businesses supporting local initiatives,
- Promoting the Grupa Azoty brand by increasing its recognition outside the group of its customers and buyers of its products,
- Communicating Grupa Azoty’s message to circles which are important for the Company, with focus on the importance of high standards of projects and initiatives implemented by the Group,
- Building the Group’s and its companies’ reputation, and gaining recognition and favourable perception among the public, particularly for the positive role the Group plays in solving social and environmental issues of today’s world,
- Enhancing attractiveness of the regions in which the Group operates as places to live, work, pursue passions and fulfil ambitions; while offering young people the best possible education, health and wellbeing opportunities,
- Supporting promotional and commercial activities.

National and international community involvement initiatives, including social and sponsorship projects, are coordinated by Grupa Azoty S.A. on behalf of the entire Grupa Azoty Group. At the same time, each of the Grupa Azoty Group companies implements projects and social activities of a local nature and reach. Decisions to undertake individual initiatives are made by the Management Board of a given company, based on the ‘Plan of social and sponsorship activities’ approved by the relevant Supervisory Board.

The principles of engaging with local communities are also incorporated into the codes of ethical conduct of Grupa Azoty S.A., Grupa Azoty PULAWY and Grupa Azoty POLICE, which stipulate that the companies should:

- Have an open approach and be ready to engage in dialogue with the local community;
- In contacts with representatives of local communities - respect their dignity and reputation;
In a situation of conflict - always look for ways to protect the legitimate interests of each party;
Be sensitive to the needs of the environment.
Not let themselves be guided by political views.

Detailed rules governing charitable donations are laid down in the Group-wide ‘Grupa Azoty Group’s Donation Policy’ and in Donation Rules in place at individual Group companies. The Policy and the Rules set out the principles to be followed when making charitable donations.

Through its social and sponsorship projects, the Grupa Azoty Group builds its reputation of not only a financially successful, but also socially responsible business. As an entity using natural resources, the Group undertakes social and sponsorship activities dedicated primarily to local projects and the needs of local communities. The Grupa Azoty Group cares in particular about the development of the regions in which its companies operate. At the same time, it seeks to ensure that the reach and character of the projects it chooses to sponsor is supra-regional. With this goal in mind, it undertakes activities extending beyond its local borders, thus becoming a global brand. Its social and sponsorship policy may therefore also cover international entities and projects. The Group addresses its social and sponsorship efforts to organisations and institutions working for the following causes in a given region:
- education of children and the youth;
- culture;
- economic development and promotion of the region;
- achievements of the founding fathers of the Polish chemical industry and traditions of the industry;
- protection of life and health;
- amateur sports.

In September 2018, Grupa Azoty joined the United Nations Global Compact, an initiative of the Secretary-General of the United Nations for corporate social responsibility. Thus, it committed itself to adhere to and promote the 10 Principles of the UN Global Compact, as well as to report on the progress of their implementation.

In 2018, in the 12th edition of the Responsible Companies Ranking, in which the largest companies in Poland are assessed in terms of the quality of their CSR management, Grupa Azoty once again ranked among the top companies in the ranking.

4.2. Community involvement of the Grupa Azoty Group

Grupa Azoty S.A. undertakes central-level activities aimed at promoting and advertising the entire Group (financed by companies using the Grupa Azoty brand) and also pursues local projects promoting Grupa Azoty S.A., the parent of the Group.
All such activities are carried out based on the Grupa Azoty Social and Sponsorship Policy, Grupa Azoty Donation Rules and additional internal documents adopted in 2013.

CENTRAL-LEVEL PROJECTS
The main central-level project is the cooperation with the Polish Ski Association, which covers both professional sports, support for sports events and CSR.

Professional sport
In 2012, Grupa Azoty (then Azoty Tarnów) started collaboration with the Polish Ski Association. In 2018, a new four-year agreement was executed, under which Grupa Azoty is advertised using the ski jumping, cross-country skiing, Nordic combined and snowboard national teams.
Under the agreement, Grupa Azoty became the Main Partner of the Polish Ski Association. Moreover, Grupa Azoty offered particular support to the development of cross-country skiing in Poland and became the Strategic Partner of Polish Cross-Country Skiing and the Main Partner of the cross-country skiing national team.
Grupa Azoty also established individual partnerships with:
- Piotr Żyła, a ski jumper, member of National Team A, with standings improving year by year (fourth place in the FIS World Cup general classification in the 2018/2019 season);
- Jakub Wolny, a ski jumper who became an important part of National Team A before the 2018/2019 season, and is one of the most promising young jumpers in Poland;
- Aleksander Zniszczot, a young jumper who delivers good results in the Continental Cup and has had several good performances in National Team A.
In 2018, Grupa Azoty also supported Marek Cieślak, coach of the speedway national team and the Częstochowa speedway club. For his contribution to the development of Polish sport, he has been awarded the Order of Polonia Restituta twice. Marek Cieślak is one of the top award-winning Polish coaches.

**Sports events**
In previous years, Grupa Azoty’s logo could be seen at numerous sports events. Grupa Azoty supported a number of winter sports competitions, including the most prestigious ones: the FIS World Cup ski jumping competitions in Wisła and Zakopane.

**CSR in sports**
Following its decision to offer special support to promote cross-country skiing, Grupa Azoty has also become the Main Partner of the National Programme for the Development of Cross-Country Skiing. The main goal of the project is to find the successors of Justyna Kowalczyk, i.e. cross-country skiers who could successfully compete in FIS World Cup cross-country skiing competitions.

Grupa Azoty also supported the 13th Winter Polonia Games, which brought together athletes from all over the world. The Games are a cyclical event organised by the ‘Polish Community’ Association together with Polish local governments and addressed to Polish expatriates doing both summer and winter sports. In 2018, 546 participants from 22 countries competed in alpine skiing, cross-country skiing, snowboarding, short track speed skating, speed skating, ice hockey, Nordic walking and family tournament. Unlike with any other competition, the main idea behind the Games was participation regardless of age, gender or physical condition, because it was not the result that mattered the most, but the satisfaction of crossing the finish line.

In 2018, Grupa Azoty was also a title partner of Grupa Azoty PRZEDSZKOLIADA TOUR, Europe’s largest cycle of sports events for active preschoolers. Pre-schools and their representative teams - participants of the nationwide active entertainment initiative Przedszkoliada.pl - took part in the events.

In 2018, Grupa Azoty decided to join the Team 100 programme. Its main objective is to support young and promising Polish athletes, members of national teams, doing individual Olympic sports. Each of the athletes receives an annual subsidy of about PLN 40,000. Agreements with Oskar Kwiatkowski (snowboard), Oskar Różański (athletics) and Renata Knapik-Miazga (fencing) were signed already in 2019.

**Culture**
On the 100th anniversary of Poland regaining independence, Grupa Azoty supported, among others, the 11. Wawel at Dusk Festival, which presented Polish music all the way from Bartłomiej Pękiel to Krzysztof Penderecki.

**Other activities**
Grupa Azoty was a co-organiser and/or partner of conferences on environmental protection and safety. In 2018, it helped organise the ‘Environmental Development Trends in the Chemical Sector’ conference, the Polish Chemical Industry Congress, and other events. In addition, Grupa Azoty was a partner of the Safe Chemicals Programme run by the Polish Chamber of Chemical Industry. The conferences provided a platform for meeting experts on safety in the chemical sector, experience sharing and developing solutions that can be used at the Grupa Azoty plants.

**LOCAL ACTIVITIES**
Grupa Azoty S.A. also carries out numerous community projects to engage its stakeholders in a joint effort.

Key such projects in 2018 included:

**Professional sport**
- cooperation with Unia Tarnów ŻSSA - Grupa Azoty S.A. has been cooperating with this Tarnów speedway club for over 60 years; in 2018, Unia Tarnów competed in the highest league;
- cooperation with KS ZKS Unia Tarnów - a Tarnów football club with a rich history;
- cooperation with Stowarzyszenie Piłki Ręcznej Tarnów - a Tarnów handball club which won the SuperLiga competition for second-tier teams in the 2017/2018 season;
- cooperation with Grupa Azoty PWSZ Tarnów - Tarnów women’s volleyball club in Tarnów, which performs with growing success in the first league;
- cooperation with Międzyszkolny Uczniowski Klub Sportowy 1811 - Tarnów men’s basketball club.
Sport events
Grupa Azoty S.A. supported numerous sport events with a nationwide and local reach. The events supported by the Parent included Grupa Azoty Triathlon Radłów.

Development of the region
In 2018, Grupa Azoty S.A. participated in numerous initiatives for the development of the region and its community, supporting the operations of such institutions as:

- PTTK (Polish Tourist Association) Branch at Grupa Azoty S.A. in Tarnów-Mościce
- Naczelna Organizacja Techniczna Federacja Stowarzyszeń Naukowych-Technicznych (Polish Federation of Science and Engineering Associations NOT), Tarnów Council
- Stowarzyszenie Inżynierów i Techników Przemysłu Chemicznego (Polish Association of Chemical Engineers)
- Ignacy Mościcki Foundation of Tarnów
- Towarzystwo Przyjaciół Mościc (Society of the Friends of Mościce).

Development of education
Grupa Azoty S.A. has a long-standing commitment to promoting the development of local communities, which is delivered through various educational activities, campaigns and programmes designed to support children and young people in pursuing their interests, improving their skills and acquiring new knowledge in such fields as environmental protection. In 2018, Grupa Azoty S.A. worked in partnership with schools from the Tarnów region, including:

- Technical School Complex of Tarnów
- General Education School Complex No. 1 of Tarnów
- Sports School Complex of Tarnów
- Vocational and Lifelong Learning Centre in Tarnów.

Grupa Azoty S.A. intends to continue the cooperation on a long-term basis. To this end, it has signed an agreement with the Ignacy Mościcki Technical School Complex, under which the Company is to employ up to ten students each year, provide apprenticeship opportunities, help prepare classes and organise educational field trips, and offer support in applying for EU funds.

Development of children’s and youth sports, and amateur sports
Driven by the belief that through respect for people and the spirit of fair play universal access to sports not only is a foundation of correct education of children and youth, but also eliminates the threats posed by contemporary social ills, Grupa Azoty S.A. undertakes initiatives supporting stakeholders conducting activities in this area. To build the strength of its brand, Grupa Azoty supports the best Polish athletes without forgetting about the needs of the local community – it supports not only professional, but also amateur sports people and organisations, which in 2018 included:

- AZS (University Sports Association) Club at the State Higher Vocational School in Tarnów (field and track section),
- Unia Tarnów ZSSA - speedway school,
- Stowarzyszenie Piłki Ręcznej Tarnów (handball) - youth teams,
- Międzyszkolny Uczniowski Klub Sportowy 1811 (basketball) - youth teams,
- KS ZKS Unia Tarnów - football school,
- Miejsko-Ludowy Klub Sportowy Dąbrovia sports club (archery),
- Ludowy Klub Sportowy Jutrzenka sports club - football school.

Development of culture
Believing that culture is an invaluable social phenomenon and an integral system within the process of education which stimulates imagination, sensitivity and creativity of subsequent generations and plays a significant role in shaping both individual and national identity, in 2105 Grupa Azoty S.A. undertook the following initiatives:

- organisation of cultural events and workshops promoting respect for the national and cultural identity,
- support of cultural projects and programmes promoting both the region and the national culture.

To this end, in 2018 Grupa Azoty S.A. supported a number of entities, including:

- Mościce Arts Centre
- ArtContest Artistic Association of Tarnów (Grupa Azoty International Jazz Contest)
• BWA City Art Gallery of Tarnów
• Ludwik Solski Theatre of Tarnów,
• Ignacy Jan Paderewski Centre in Kąśna Dolna,
• Tarnów Regional Museum,
• Wawel Royal Castle - National Art Collection.

Protection of life and health
The Company is aware of the need to undertake initiatives for human health and life, help the suffering, sick and terminally ill, as well as those deprived of opportunities for development and unable to properly function in the society. For this reason, in 2018 Grupa Azoty S.A. focused on organisations which care for the development of others and provided financial aid to:
• ‘Ich Lepsze Jutro’ Association
• Centre for Children with Special Educational Needs of Zbylitowska Góra
• Janusz Korczak Foster Care Centre in Tarnów,
• Słoneczny Dom (Sunny House) Foster Care Centre,
• Przyjazny Dom (Friendly Home) Foster Care Centre,
• Emergency Foster Care Centre,
• PCK Blood Donors Club at Grupa Azoty S.A.

Grupa Azoty S.A. also made numerous donations. In 2018, the beneficiaries included:
• Ignacy Mościcki Foundation,
• Association of Graduates and Friends of High School No. 4 in Tarnów - donation financing the purchase of a fume cupboard and chemical reagents for the laboratory of Comprehensive School Complex No. 1 of Tarnów,
• PTTK (Polish Tourist Association) Branch at Grupa Azoty S.A. in Tarnów-Mościce - donation intended to co-finance tourist events,
• KANON Association - donation intended to co-finance the Przystań Day Care Centre.

4.3. Community involvement of the Grupa Azoty POLICE Group

The Grupa Azoty POLICE Group’s main sponsorship activities are carried out at the parent, Grupa Azoty Zakłady Chemiczne Police S.A. Support for community development is one of the elements of Grupa Azoty Group’s strategy. For many years, the parent has cooperated with local clubs, associations and foundations. It also supports individuals and co-organises local events. These initiatives are implemented in accordance with the social and sponsorship policy and include promotional and advertising agreements or donations.

The parent, as an entity of particular economic importance for Western Pomerania and at the same time an entity that extensively uses natural resources, supports mainly regional projects. Grupa Azoty POLICE builds its socially friendly image by supporting various initiatives, including:
• professional and amateur sports,
• cultural initiatives, including mass cultural events,
• educational institutions for children and youth,
• healthcare institutions providing services to employees and their families,
• research programmes,
• regional environmental initiatives,
• social campaigns.

Cultural initiatives
Grupa Azoty Police started cooperation with the Social, Educational and Cultural Association of the Youth Wood & Brass Band. The band promotes musical culture, representing the region and the country at international events. Grupa Azoty Police also signed an agreement with the Rodzina Rozwój Sukces Foundation of Szczecin, under which an album with recordings of the Animato harmonica band was released.

Support of sports
2018 saw continued cooperation with many sport clubs and associations, both professional and amateur ones. Grupa Azoty Police for another year supported the football team Pogoń Szczecin and women’s volleyball club Chemik Police, which again won Poland’s Championship and competed in the European Champions League. In 2018, Marcin Lewandowski, multiple vice-champion of Europe and the world in the 1,500m run, joined the group of athletes supported by the company.
Equally important in 2018 was cooperation with local sport promoters:
- The company signed another agreement with the Chemik Police Football Club. The first team, in which the company’s employees also train, was promoted to the fourth league in the 2017/2018 season. The club also runs the Police Youth Football Academy, where it trains the youngest residents of Police, often children of Grupa Azoty Police employees;
- Support was given to swimming clubs (Wodnik Police Student Integration Swimming Club) and table tennis players (Champion Students’ Sports Club);
- The company also supported local sport events, which attracted not only Polish, but also foreign athletes. These events included the ‘Wild weekend’, a three-day event for runners in various categories, the Polish Senior Cup in fencing, and the finals of the Kazimierz Górski Football Tournament for boys born in 2003.

Activities promoting national traditions and patriotic attitudes
In 2018, Grupa Azoty POLICE became actively involved in the activities of the Fundacja Polskich Wartości Foundation, which for several years has been pursuing a noble cause to support compatriots living in the Eastern Borderlands. In addition to the agreement signed by Grupa Azoty POLICE and the Foundation, providing for promotion during the ‘Package for the Compatriot and Hero living in the Eastern Borderlands’ campaign, the company donated for an auction T-shirts autographed by athletes supported by Grupa Azoty. Proceeds from the auction were used to prepare packages for the Poles living in the Eastern Borderlands. In 2018, with the support of the company, the Foundation organised the 6th ‘Wolf’s Trail’ run to commemorate the Cursed Soldiers. Also, the Foundation organised a trip for former members of the anti-communist movement to go on the Working People’s Nationwide Pilgrimage to the Jasna Góra Monastery.

Health promotion initiatives
For another year now, Grupa Azoty POLICE has been supporting the activities of the Polish Association of Honorary Blood Donors – the Henri Dunant Honorary Blood Donors Club in Police. In response to the club’s request, the company agreed to take patronage over the club. The club carried out several blood donation sessions on the company’s premises.

Initiatives for education of children and the youth
A number of interesting educational projects were launched in 2018, including the signing of a letter of intent and an agreement with the County of Police concerning cooperation as part of the Vocational and Permanent Education Centre. The agreement gives students the opportunity to obtain professional qualifications relevant to the company’s business: chemical engineering technician and operator of chemical industry equipment. In addition, the Centre would organise a series of professional training and job courses for the company’s existing staff, tailored to the company’s needs. The Company also took patronage of the chemical engineering classes at the Władysław Orkan School Complex No. 2 in Szczecin. The students of the School Complex in Police, who in 2019 will complete their education in the chemical class under the company’s patronage, took part in the apprenticeships, and the best ones were awarded scholarships.

Charitable donations
Grupa Azoty POLICE actively responds to social needs by making financial and in-kind donations. The detailed procedure for granting support and the purposes for which donations may be given are defined in the Donation Rules. In 2018, support was provided to local clubs, associations, company employees and individuals. These efforts usually involve the promotion of sports and a healthy lifestyle, social welfare, holidays for children and youths, culture and art or religious cult. The initiatives embraced by Grupa Azoty Police include the following:
- in-kind assistance in the form of a washer dryer and tourist cots for a Szczecin family in which quadruplets were born in 2018;
- financing of treatment and rehabilitation of several Grupa Azoty Police employees;
- support for local sports clubs, including the Sport Academy of Police, the ‘Ósemka’ Students’ Athletics Club or the ‘TYTAN’ Association for the Promotion of Physical Education, intended for the organisation of sport events;
- donations to the Company employees who promote sports and a healthy lifestyle;
- donation to a children’s home in Police, intended to finance a holiday trip for the children under the care of the home;
- support for the Queen of Apostles Hospice Association, which is constructing an in-patient hospice in Tarnów;
• support for educational initiatives pursued by local schools;
• support for the Polish Angling Association, the Szczecin Region, for the purpose of stocking of the retention and compensating reservoir in Police;
• covering the cost of travel of Brownies, Cub Scouts, Guides and Scouts of the 28th ‘Fire’ Group to summer camps;
• co-financing of the renovation of the Church of Immaculate Conception of the Virgin Mary in Police;
• support for cultural initiatives, including the Social, Educational and Cultural Association of the Youth Wood & Brass Band and co-organisation of the ‘Larpia Sail Festival’ event.

Donations were granted mainly to applicants from the Province of Szczecin and - in justified cases - also from other regions. Each application was examined on a case by case basis.

Corporate social responsibility
Some of the initiatives implemented by the company follow from the requirements to be fulfilled by socially responsible companies. For this reason, Grupa Azoty Police takes every effort to respond to the needs of local communities and other stakeholders, including employees, local institutions and entities. These efforts include both social initiatives and projects dedicated exclusively to employees. These include sports and educational initiatives, but also those related to health and safety at work. In 2018, Grupa Azoty Police joined the nationwide celebration of the 100th anniversary of Poland’s regained independence. One of the initiatives was the ‘Independence Relay’. Each of the ten company employees ran 100 km, starting and finishing the run in front of the company’s head office. Held under the National Patronage of the President of the Republic of Poland Andrzej Duda, the event was “one of the projects organised as part of the nationwide celebration of the 100th anniversary of Poland’s regained independence, serving to commemorate and promote patriotic attitudes, achievements and aspirations of Poles”.

Last year, children from Police pre-schools had the opportunity to take part in one of Europe’s largest sport projects for preschoolers - Grupa Azoty Przedszkoliada Tour. During the event, athletes from local sports clubs promoted physical activity among not only the youngest residents of Police, but also their parents, inviting entire families to join in. Several dozens of similar events were organised in Poland each year. The chemical group has been a partner of the event since 2016. The company pursues initiatives addressed to its employees. Last year, meetings were organised between the management staff and the retired employees. During the meetings, members of the Management Board personally thanked them for their commitment to the company, handing them congratulatory letters and gifts. Management Board representatives also congratulated those employees who became parents last year. The employees came to the meetings with their babies, who received special layettes from the company.

Grupa Azoty Police also implemented initiatives whose overriding objective was to promote occupational safety. As part of the ‘Stop Accidents’ programme, the idea behind which is to prevent risks by observing whether work is performed in safe conditions, rewards were given to those employees who were particularly observant and demonstrated commitment to the project. With employee safety in mind, the ‘5 minutes for safety’ project was run, consisting of short lessons dedicated to a selected OHS issue.

As a company of strategic importance for the region, Grupa Azoty Police is an important source of information that is frequently used in academic publications and dissertations. Therefore, engaging in the development of science, it willingly makes available materials coming from universities, research institutes or students from across Poland, thus disseminating knowledge about its activities. A visit to the company’s production plants was for many students an opportunity to learn the ins and outs of the plant’s day-to-day operations, such as production processes. The Company readily organises work placements and internships requested by applicants from various regions of Poland.

4.4. Community involvement of the Grupa Azoty PULAWY Group

The sponsorship activities of the Grupa Azoty Pulawy Group are handled mainly by Grupa Azoty Zaklady Azotowe Pulawy S.A.


The social and sponsorship activities of Grupa Azoty Zaklady Azotowe Pulawy S.A. in 2018 were conducted in accordance with a plan adopted by the Company’s Management Board and approved by the Supervisory Board. In 2018, PLN 17.8m was allocated to social and sponsorship projects.
Grupa Azoty Zakłady Azotowe Puławy S.A. views social and sponsorship activities as a tool for the implementation of its long-term development strategy aimed at strengthening its production and business potential. Through its engagement in such initiatives, the Company seeks to promote its image of not only a manufacturer of fertilizers and chemical components, but also of a friendly and socially responsible business. As a company using natural resources, it undertakes activities dedicated primarily to supporting local initiatives and needs. At the same time, Grupa Azoty Zakłady Azotowe Puławy S.A. wants the initiatives it sponsors to have a supra-regional reach and character.

In 2018, the key areas of the Grupa Azoty Pulawy Group’s social and sponsorship activities included promotion of sports and healthy lifestyles, education and support for cultural initiatives.

Sports

In 2018, the greatest sums were allocated to sponsoring professional sports. Grupa Azoty Zakłady Azotowe Puławy S.A. continued its engagement with Azoty-Pulawy Sports Club, Malwina Kopron and, until December 2018, Wisła Puławy Sports Club. At the same time, Grupa Azoty Zakłady Azotowe Puławy S.A. became the sponsor of the Motor Lublin speedway team and the Padwa Zamość Sports Club which plays in the first league of handball.

In 2018, the Azoty-Pulawy men’s handball team, sponsored by the company, fought for top positions in the best league at the national level and represented Poland in European cups. The Azoty-Pulawy senior team won the bronze medal of the Polish Championship, repeating its success from 2017. In the 2017/2018 season, Azoty-Pulawy took part in the third round of the EHF Cup, beating TTH Holstebro (a participant in the group stage of the Champions League from the previous season) in a two-legged tie and for the first time in the Club’s history managed to qualify to the group stage of the Cup. At the group stage, the Pulawy team played Wacker Thun of Switzerland, Fraikin BM Granollers of Spain and Chambéry Savoie of France, and finished third having scored four points. It should also be noted that in 2018 Azoty Puławy for the first time reached the final of the Polish Cup, in which they had to concede a victory to Vive Tauron Kielce, one of the best teams in Europe.

For the second season in a row, Azoty Puławy II found itself among the best teams playing in the second league. The core of the team are players trained from the scratch at the club and excelling in youth group competition.

After the difficult 2017/2018 season, Wisła Puławy Sports Club was demoted from the second league and started the next season in the third macro-regional league. 2018 was a very successful year for the weight lifting section of Wisła Puławy Sports Club. Its athletes won more than a dozen medals at national and international competitions. Among the best achievements were Zuzanna Majewska’s bronze medal at the European Championships, Jakub Węgrzyn’s silver medal at the Polish Senior Championships, and Szymon Gruszecki’s gold medal at the Polish Youth Championships.

In 2018, Grupa Azoty Zakłady Azotowe Puławy S.A. continued the collaboration with Malwina Kopron, a hammer thrower from Puławy. In 2018, Malwina Kopron won the bronze medal of the Polish Track and Field Championships in Lublin. She also took the third place in the European Winter Cup, and at the European Championships, with a 72.20m throw, she took the place just behind the podium positions.

Last year, the speedway club Motor Lublin joined the group of teams sponsored by Grupa Azoty Zakłady Azotowe Puławy S.A. In 2018, after a very good season, the club was promoted to the speedway premiership league. Grupa Azoty Zakłady Azotowe Puławy S.A. also appreciated the success of Padwa Zamość Sports Club, which in 2018 was promoted to the first league of handball and became another team playing under the Pulawy brand.

In its initiatives promoting sports and healthy lifestyles, Grupa Azoty Zakłady Azotowe Puławy S.A. supported not only professionals, but also associations of sports enthusiasts and amateur athletes. In 2018, it sponsored the Azoty Yacht Club of Puławy, which organises sailing courses and camps on lakes and the Vistula River, the company’s PTTK (Polish Tourist Association) Branch, which organises and promotes tourist activities among company employees, and the ‘Chemik’ Puławy Society for the Promotion of Physical Culture. The Company supported young athletes, including Jakub Szymula, a talented wrestler from the Lublin region, representative of Poland and winner of the title of Junior Champion of Poland in 2018.

In 2018, the Grupa Azoty PULAWY Sports Academy, a social and sports programme for children playing football, continued its activities. The Academy’s initiatives included several local football tournaments organised by individual teams. The Chemists’ Day events included the second tournament for the Grupa Azoty PULAWY CEO Cup, in which young football players took part. In 2018, the 12 teams associated in the Sports Academy were joined by new teams: Leopoldów-Rososz Amator Sports Club in Ryki, Municipal and School Puławiak Sports Club and MKS Sybilla Puławy, the only girls’ team in the area. Since its inception, the Academy has enjoyed great interest from the local community.
Education
Believing that intellectual capital is the key to business success and seeking to build a workforce with strong competencies and a stable HR base, the Company continued to support the Technical School Complex of Pulawy and the Maria Curie-Skłodowska University in Lublin (branch campus in Pulawy). The Technical Chemistry major curriculum has been adapted to cater for the competencies needed in the chemical industry. The cooperation with Maria Curie-Skłodowska University will allow the graduates of the Technical School Complex of Pulawy to continue their education studying relevant courses at the University, and the Company employees will have an opportunity to supplement their education in the course of extramural studies.

The Company’s initiatives also extended to the youngest residents of the Pulawy county. In partnership with the Pulawy Science and Technology Park, it organised events promoting science among children and youth as part of the Young Chemist’s Day and Lublin Science Festival. Students from 14 educational institutions participated in the Young Chemist’s Day. The total number of participants was about 5,000.

Culture
As part of its community engagement, Grupa Azoty Zakłady Azotowe Pulawy S.A. also helps organise cultural events and supports cultural initiatives. For another year, the Company cooperated with the ‘Dom Chemika’ Pulawy Community Centre (including during the celebrations of the 65th anniversary of the Pawiśle Song and Dance Ensemble), the Musical Theatre in Lublin, and the Community Centre in Lublin. In 2018, the company also took patronage over the Henryk Sienkiewicz Museum in Wola Okrzejska and co-financed the purchase of memorabilia of Henryk Sienkiewicz: 25 letter manuscripts and the writer’s reports from his journey to Africa.

‘It’s Good to Be Polish’ programme
The programme, initiated almost two years ago, aims at cultivating the Polish national identity and preserving traditions.

Under the ‘It’s Good to Be a Pole’ programme, Grupa Azoty PULAWY remembers important events in Poland’s history - what has been good and beautiful in our history and which heroes of the past might serve as role models. One of such heroes is Major Marian Bernaciak ‘Orlik’, whose Memorial Room was established last year in the Ryki Municipal Cultural Centre with the support from Grupa Azoty Zakłady Azotowe Pulawy S.A. It is worth noting that in 2018 the programme had a special dimension due to the 100th anniversary of Poland’s regaining independence. Particular focus was placed on the celebrations of the Cursed Soldiers National Day, the Flag Day, the Third May National Day, the anniversary of the Miracle on the Vistula River, the Independence Day of November 11th. Many other holidays and anniversaries, including local ones, were also celebrated. Under the programme, Grupa Azoty Zakłady Azotowe Pulawy S.A. was one of the initiators and founders of the Independence Mast, which was unveiled on the Roman Dmowski Roundabout in Lublin on November 11th 2018. In the pursuit of the programme’s objective to cultivate the Polish national identity, support was also given to the construction of a new Solidarity monument commemorating, among others, the workers of Zakłady Azotowe Pulawy who went on strike during the 1980s martial law regime.

The Company again engaged in organising ‘Musical Evenings in the former Bridgettine Church’, remembering the spiritual heritage of ancestors and the rich tradition of the former Bridgettine Church in Lublin. The concert programme included Polish patriotic songs, Polish Legion songs and recitations. The concerts, organised with a view to celebrating the 100th anniversary of Poland’s independence, paid tribute to all those who laid down their lives on the altar of their Homeland. Other initiatives undertaken as part of the ‘It’s Good to Be a Pole’ programme included:

- Support for the organisation of the patriotic concert “For Independent Poland”;
- Assistance in organising the reconstruction of the Battle of the River Bug;
- Support for patriotic runs;
- Patriotic event “Poland - Wings of Glory”.

Bearing in mind important social needs, the parent of the Grupa Azoty Pulawy Group responds actively to the needs of foundations, associations, schools, non-profit organisations and individuals in a difficult life situation. In particular, the parent supports the projects contributing to the improvement of medical care quality. In 2018, thanks to the funds provided by the parent, the premises of the Observation and Infectious Diseases, Pulmonology, Neurology and Neurological Rehabilitation Wards in the Pulawy hospital were renovated and modernised.

CSR initiatives
Spreading awareness of environmental issues to the local community
Grupa Azoty Zakłady Azotowe Puławy S.A. also participated in the activities of the Secretariat of the Responsible Care Programme. In 2018:

- the nationwide photo contest ‘Catch the Hare’ was held for the twelfth time. The winner of the second prize in the year’s edition was an employee of Grupa Azoty Zakłady Azotowe Puławy S.A. In an online vote between October 8th and 12th, employees of Grupa Azoty Zakłady Azotowe Puławy S.A. won three special Grand Prix titles.

- the ‘Tree for a bottle’ campaign was organised for the fourteenth time among pre-school and primary school children of the Puławy County. In 2018, 2,225 students from 31 educational institutions in the Puławy County took part in the action, including 18 primary schools and 13 pre-schools. 1,032,043 PET bottles were collected. 541 trees were planted. For the third time in a row, children from the Puławy County collected over a million plastic bottles.

In the ‘Tree for a Bottle’ campaign, children collect plastic bottles. In return for the bottles, they receive tree seedlings. The bottles are recycled, and teachers, based on materials provided by coordinators, teach the children respect for the environment, the principles of waste management, and the benefits of recycling. The campaign organisers also remind that bottles should be crushed before disposal. Since the beginning of the campaign in 2003, children from the Puławy County have collected over 7.7m bottles (approximately 300 tonnes) and planted 4,420 trees.
5. Ethics management (counteracting corruption and bribery, respect for human rights)

At the Grupa Azoty Group, the principles, desirable attitudes and conduct relating to ethics and respect for human rights are defined in the ‘Grupa Azoty Group’s Code of Ethical Conduct.’ The Code describes the measures to be taken by the Group to foster responsible employee behaviour and build relations with its environment. The Code defines the values applicable to all Grupa Azoty S.A. Group companies, namely:

- Economy - understood as responsible management of the Group’s tangible and intangible assets based on a cost-benefit analysis so as to maximise benefits to the Group’s shareholders and other stakeholders.
- Professionalism - making every effort to ensure that its management, operational and control system standards are effective and conducive to the achievement of its business strategy. To be professional is to apply the highest standards of care and make proper use of expertise, skills and business competence.
- Cooperation - Grupa Azoty Group believes that good cooperation means arranging mutual relations in a way that maximises benefits to the Group while respecting the interests of the other party. This requires communication aimed at achieving a win-win situation, based on implementing common goals in an atmosphere of trust and understanding.
- Respect - respect is understood as full recognition of another person’s dignity, irrespective of their nationality, race, gender, age, physical ability, religion, political views or sexual orientation.
- Transparency - transparency means openly communicating our decisions and the reasons behind them, as well as our expectations and requirements. We practice transparency in all aspects of our activity except for those which must remain confidential for business or legal reasons.

The Code applies to all employees of the Grupa Azoty Group (with the exception of Automatyka Sp. z o.o., where the matters in question are covered by the Collective Bargaining Agreement), and is also addressed to the Group’s customers, business partners, shareholders and other stakeholders. At the Grupa Azoty PULAWY and Grupa Azoty POLICE Groups, matters related to business ethics and human rights are covered respectively by the Code of Ethical Conduct of Grupa Azoty Zakłady Azotowe Puławy S.A., adopted by Grupa Azoty PULAWY, and the Code of Ethical Conduct of Grupa Azoty Zakłady Chemiczne Police S.A., adopted by Grupa Azoty POLICE, PDH Polska S.A., Transtech sp. z o.o. and KONCEPT Sp. z o.o.

At other companies of the Grupa Azoty PULAWY and Grupa Azoty POLICE Groups, these matters are governed by the Collective Bargaining Agreements and Work Rules. The Code of Ethics of Grupa Azoty PULAWY and Grupa Azoty POLICE consists of two chapters. Chapter 1 sets out the core values and principles of business ethics in relations with stakeholders, suppliers and the local community. Chapter 2 covers employee matters, such as equal opportunities in employment, promotion, development and in-service training. The Code also defines the procedure for reporting unethical behaviour through an immediate supervisor or the Ethics Officer. In addition, Zakłady Azotowe Chorzów S.A. has implemented a procedure for counteracting mobbing and discrimination.

At Grupa Azoty S.A., one case of mobbing was reported in 2018. The anti-mobbing procedure was initiated in accordance with Internal Regulation No. 09/2014 on Mobbing Counteracting Rules, dated March 3rd 2014. At Grupa Azoty PULAWY, one case of violation of the Code of Ethics was reported within the organisation. None of the other companies of the Grupa Azoty Group, Grupa Azoty PULAWY Group, and Grupa Azoty POLICE Group reported any breaches of the code of ethics or human rights or any instances of discrimination at the workplace.

The Grupa Azoty S.A. Group (with the exception of Grupa Azoty PKCh Sp. o.o. and Automatyka Sp. z o.o.) and Grupa Azoty S.A. have implemented the Grupa Azoty Group’s Compliance Management Rules, which form the policy framework for preventing corruption and bribery. At Grupa Azoty PKCh and Automatyka, this area is governed by the rules set out in the Code of Ethics. All matters related to the management of conflicts of interest and risk of corruption at the Grupa Azoty PULAWY Group, Grupa Azoty POLICE Group and their respective parent companies are also governed by the above-mentioned Code of Ethical Conduct of Grupa Azoty Zakłady Azotowe Puławy S.A. and Code of Ethical Conduct of Grupa Azoty Zakłady Chemiczne Police S.A. The Codes lay down the principal standards of behaviour to be followed in everyday work. According to their provisions, all employees are required:
• Avoid situations which may give rise to a conflict of interest or put them in a conflict of interest situation;
• Carefully analyse any situations for their potential impact on the impartiality of work-related actions or decisions;
• Promptly notify their immediate supervisors and the Ethics Officer of any situations which give rise or may lead to a conflict of interest.

In 2018, there were no pending lawsuits regarding breaches of fair competition rules against the Grupa Azoty Group, Grupa Azoty PULAWY Group, Grupa Azoty POLICE Group or any of their respective parent companies. No cases of corruption or fraud were detected in 2018 either.

6. Product quality, safety in production, storage and transport, and safety related to the impact of chemical substances and mixtures on humans

Ensuring product safety and quality throughout a product life cycle is our main priority and one of the adopted strategic goals. We strive to minimise the risk inherent in our operations, related to, inter alia, the use of potentially hazardous chemicals, environmental footprint and impact on the local community, by applying the highest global standards and stringent regulations implemented across the entire Grupa Azoty Group. The legal framework for our production and investment activities, as well as the reclamation of contaminated land and the provision of appropriate conditions for production, storage and transport of our products, is set out in the following laws:
• The Environmental Protection Law,
• The Water Law,
• The Waste Act, and
other regulations applying to environmental protection, occupational health and safety and fire protection.

One of the basic principles underlying the operations of the Grupa Azoty Group is responsibility for all activities related to the manufacture of products across the entire supply chain. As a member of Fertilizers Europe, the Group has implemented the Product Stewardship programme, drawing on international quality standards and regulations. Under the programme, all companies of the Grupa Azoty Group are obliged to ensure that their fertilizer products, as well as all raw materials and intermediates used in their production, are processed, transported, stored, distributed and used in a responsible manner causing no harm to human health and safety or to the natural environment. In 2018, 100% of key product categories across the Grupa Azoty Group were assessed for their potential impact on consumer health and safety and on the natural environment.

The products and materials produced by the Group are sold, inter alia, to food producers and farmers. Ensuring their highest quality and safety is therefore of utmost importance as it has a direct impact on the safety and health of people - the consumers of food products made of crops grown by Grupa Azoty’s customers. Bearing in mind the need to ensure food security, Grupa Azoty has adopted and achieved the following objectives:
1. To offer fertilizers supporting efficient and environmentally-friendly crop production to make agriculture profitable and guarantee the supply of affordable food;
2. To contribute to the security of food supply, thereby reducing poverty and supporting human development;
3. To prevent degradation of soil and restore it to original condition with a view to achieving wider environmental goals, such as prevention of desertification;
4. To eliminate (wherever possible) or mitigate the negative environmental impacts of our fertilizers and agricultural production.

The key document in that area is the Grupa Azoty Group’s Food Safety Policy adopted across the entire Grupa Azoty Group, including subordinate groups and parent companies. The Policy is implemented through:
• ongoing monitoring of the parameters affecting the quality and safety of products
• compliance with high standards of hygiene at the stage of production, storage and distribution
• consistent upgrades and improvement of production infrastructure and technology
- improving health and safety awareness among the staff
- managing internal and external communication so as to exchange information about hazards to product safety in the food chain.

In 2018, no penalties were imposed on any of the Grupa Azoty Group companies for non-compliance with the laws and regulations regarding the supply and use of products at any stage of their life cycle.

In the European Union, pursuant to Regulation (EC) No 1907/2006 of the European Parliament and of the Council concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), there is an obligation to register manufactured or imported chemical substances and conduct the chemical safety assessment in terms of the risks they pose to human health and the environment. The regulation requires manufacturers and importers to communicate information down the supply chain to downstream users regarding the safe use of substances on their own or in mixtures (as part of other products) by means of a mandatory document form (material safety data sheet). All Grupa Azoty Group companies complied with the duty to register all manufactured substances, and prepared and published appropriate material safety data sheets (or equivalent documents) in accordance with the REACH Regulation for all products placed on the market. In 2018, those documents were updated on an ongoing basis, and we continued the process of consolidation of all REACH measures and closer cooperation across the Grupa Azoty Group.

The Grupa Azoty Group also pays particular attention to ensuring the safe transport of manufactured intermediates and products. In transporting particularly dangerous goods, we apply the European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR, L’Accord européen relatif au transport international des marchandises Dangereuses par Route). With the safety of local communities and the environment in mind, the Grupa Azoty Group companies provides support for other entities and business partners in the event of accidents in transport of hazardous materials. Grupa Azoty S.A., the POLICE Group and the PUŁAWY Group are part of the SPOT System of Assistance in Transport of Hazardous Materials, which was established to improve the safety of hazardous materials transport in Poland, and in case of any incidents - to facilitate effective elimination of accident consequences by joint efforts and measures of the national rescue and fire services and the SPOT members.

All companies of the Grupa Azoty Group have the necessary monitoring systems, safeguards and procedures in place to prevent accidents and to contain their consequences, and report their safety issues on a regular basis. The main procedures implemented across the Grupa Azoty Group include preventive plans, production process controls, particularly hazardous work procedures, emergency/accident response, monitoring of health and safety at work, operational controls, assessment of compliance of the adopted safety objectives with applicable standards, and storage procedures. The procedures implemented by the Grupa Azoty Group are also related to product labelling, transport vehicles and packaging, in accordance with the REACH Regulation and Regulation (EC) No. 1272/2008 on classification, labelling and packaging of substances and mixtures (CLP).

In 2018, the Grupa Azoty Group reported no cases of non-compliance with the applicable regulations and voluntary codes concerning product information and labelling.
The systems implemented by the Grupa Azoty Group companies include, inter alia:

- Industrial Accident Prevention Programme and High Risk Establishment Notification;
- Management System compliant with the PN-EN ISO/IEC 17025:2005 standard (general requirements for the competence of testing and calibration laboratories);
- Automotive Industry Quality Management Standard implemented in accordance with the ISO/TS 16949:2009 standard;
- Management Standard compliant with the Fertilizers Europe Product Stewardship Standard.

In order to comply with highest product safety standards and requirements, a system compliant with the requirements of the Codex Alimentarius standard, ISO 22000 and the applicable legal provisions is implemented and maintained in all Group companies whose products are sold to the food industry. In addition, the FSSC (Food Safety System Certification) system was implemented at Grupa Azoty PULAWY in September 2014.

In 2018, the Grupa Azoty Group companies improved, maintained and sought to integrate the common elements of the management systems in place. The integration process across the Grupa Azoty Group is carried out by a dedicated team, which is responsible for monitoring all amendments to standards and for initiating necessary adaptation measures for the certification of management systems according to the requirements of ISO 9001:2015 and ISO 14001:2015.

The relevance of adopted safety measures is also assessed by external inspection authorities and accreditation/certification bodies. Audit recommendations are implemented within prescribed time-limits, and the certificates obtained by the Company confirm our due care and concern for safety.

Signatures of members of the Management Board

signed with a qualified electronic signature

Wojciech Wardacki, PhD  
President of the Management Board

signed with a qualified electronic signature

Witold Szczypiński  
Vice President of the Management Board  
Director General

signed with a qualified electronic signature

Paweł Łapiński  
Vice President of the Management Board

signed with a qualified electronic signature

Grzegorz Kądzielawski, PhD  
Vice President of the Management Board

signed with a qualified electronic signature

Mariusz Grab  
Vice President of the Management Board

signed with a qualified electronic signature

Artur Kopeć  
Member of the Management Board

Tarnów, April 25th 2019