

**NON-FINANCIAL DATA REPORT  
PFLEIDERER GROUP FOR 2018**

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## 1. LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD

Dear Sir or Madam,

I am pleased to present to you the second non-financial report of the Pfleiderer Capital Group for 2018 presenting important social, employee and environmental aspects of our operations. I hope that the information contained in the document fully reflects the everyday life of our business and fully presents the potential that we have.

The Pfleiderer Capital Group is a unique company operating on the international market, which executes the established goals based on innovation and a sustainable resource management approach. The Pfleiderer Capital Group operates according to the highest standards of business ethics, ensuring transparency in all areas of activity. The ability to integrate within the organization, the use of modern technologies and the accumulation of specialized employees who influence the Company's market success allows the Group to develop unique competence in its field.

We are aware that our activities have consequences for the environment and have an impact on society, which is why the overriding principle that we follow is the principle of sustainable development and socially responsible business. We respect the society in which we operate and business partners we work with. We take actions that balance our impact on environmental and social aspects through a number of activities. We attach great importance to complying with laws and regulations and maintaining transparency of our activities. We are a respected employer and responsible business partner.

I am convinced that the presented content covering the most important aspects of the business will be recognized.

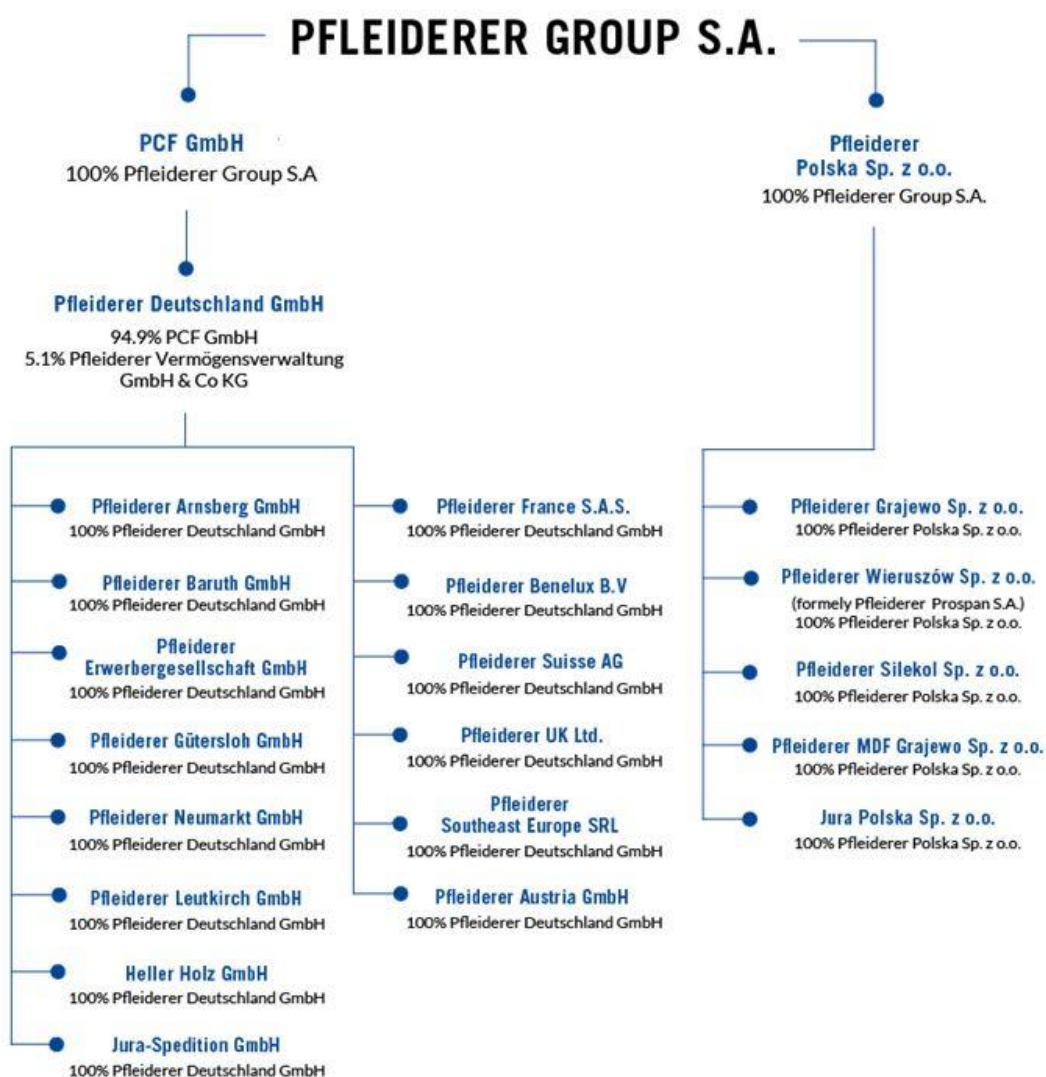
I invite you to read the report.

Thomas Schäbinger  
Chairman of the Board

## 2. BUSINESS MODEL

The Pfleiderer Group is a leading European manufacturer of ecological, wood-based panel solutions with 124 years of experience. The company specializes in the production of materials for the furniture, interior and construction industries. The Group offers a wide range of premium products, starting from furniture boards, kitchen worktops, HPL laminates to artificial wall coverings. The entire product assortment and underlying production processes are aligned to high sustainability and low-emission standards Pfleiderer is committed to.

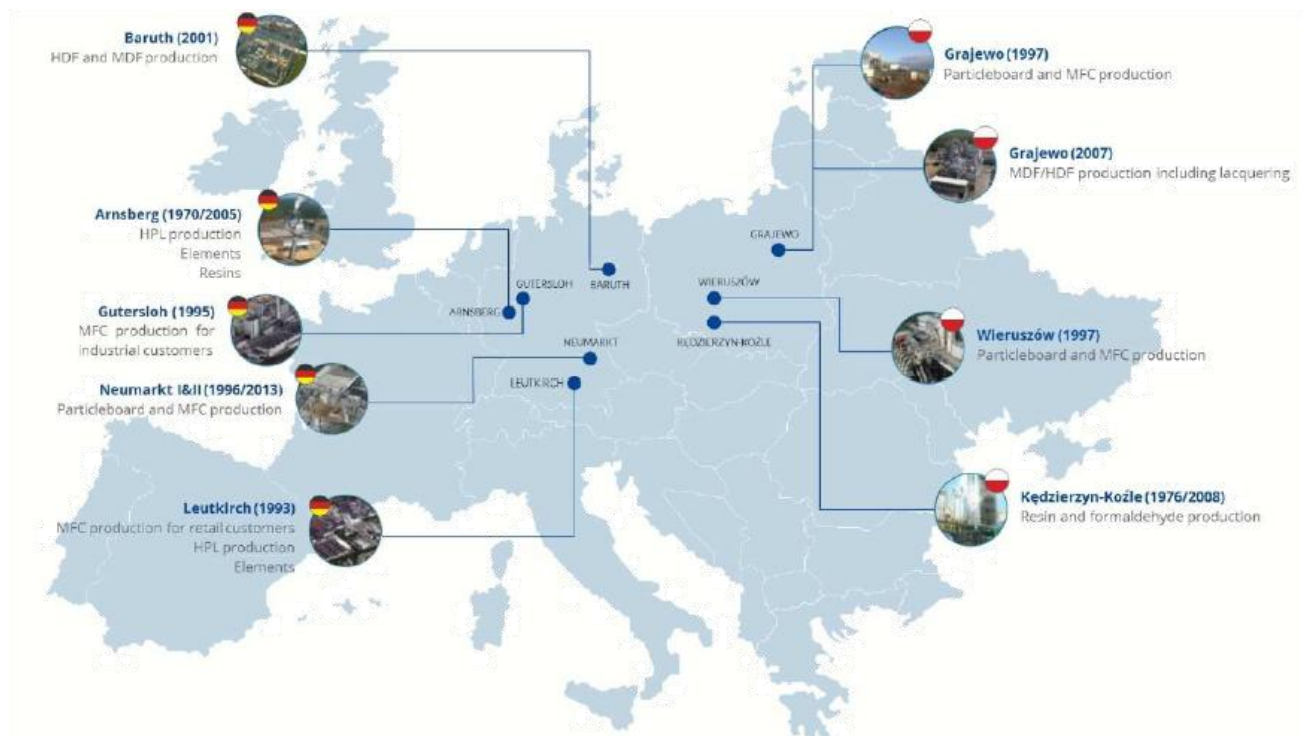
The company is based in Wrocław and in Neumarkt and has nine manufacturing facilities. Four production plants are located in Poland and five in Germany. In addition, the company has sales departments in the United Kingdom, the Netherlands, France, Switzerland, Austria and Romania. The Pfleiderer Group is listed as Pfleiderer Group S.A. on the Warsaw Stock Exchange.



The quality, reliable workmanship, comprehensive range and durability of the products on offer allowed the Company to gain loyal clients. The Company's products are available on international markets, including Great Britain, the Netherlands, France, Switzerland, Austria and Romania.

Pfleiderer provides its clients with standardized products all over the world because of synchronized production plants operation ranging from the optimization of the assortment and standardization of its products. In its assortment, Pfleiderer owns wood-based materials of which it offers the following:

- Decors - over 360 different decors in various design groups,
- Textures - 22 structures in various variants, including surfaces in gloss, matte, pearl, parchment and creative structures that reflect the naturalness of wood,
- Materials for processing - intended for special environment, among others light construction, fire protection, high humidity,
- Decorative materials - a wide selection of materials, including classic wood-like materials, low-flammable products, light and dedicated to shipbuilding,
- Raw panels - a wide range of standard and specialized solutions, for example, fire-resistant and moisture-resistant.



## 2.1 KEY PERFORMANCE INDICATORS AND GOAL OF THE UNITED NATIONS

The impact of the Group's activities on non-financial aspects is monitored by performance indicators. The Group pays a lot of attention to elements that can improve its operations in this area.

KEY PERFORMANCE INDICATORS				
No.	INDICATOR NAME	INDICATOR DESCRIPTION	VALUE OF THE INDICATOR	
			2017	2018
<b>HUMAN CAPITAL - INDICATORS</b>				
1	Profitability of labour costs	The indicator informs the ratio of the company's net profit to the total labour costs incurred in the company and indicates what profit the company achieves with the employment costs incurred in the enterprise	0,09	0,03
<b>STRUCTURAL CAPITAL – INDICATORS</b>				
2	Productivity of R&D outlays	The indicator informs about the ratio of the outlays incurred for the research and development of the company to the company's generated revenues	0,20%	0,15%
3	Relation of R&D outlays to labour costs	The indicator informs about the ratio of outlays incurred for research and development of the company to the labour costs employed in the R & D department of employees	183%	153%
4	The ratio of intangible assets	The indicator informs the share of intangible assets in the company's fixed assets	11%	11%
5	Share of investments in generated revenues	The indicator informs about the ratio of investment outlays to the company's generated revenues	7,6%	7,6%
<b>RELATIONAL CAPITAL - INDICATORS</b>				
6	Overdue receivables Indicator	The ratio shows the share of bad debts whose maturity date has been exceeded by at least 6 months in the total receivables structure	4%	15%

In 2015, the United Nations published a list of 17 Sustainable Development Goals and 169 related tasks. The adopted goals and tasks are interdependent and indivisible and ensure a balance between three aspects of sustainable development: economic, social and environmental. Pfleiderer supports the aforesaid UN initiative by implementing 7 objectives. The idea initiated by the United Nations is strongly related to the day-to-day activities of the Group. Thus, below we present the Group's contribution to the implementation of the indicated goals.

ASPECT	SDG AREA	PFLEIDERER GROUP ACTIONS
EMPLOYEES		<ul style="list-style-type: none"> <li>○ Conducting accident prevention actions,</li> <li>○ A systematic approach to health and safety,</li> <li>○ The implemented OHSAS 18001 standard, which defines the Group's objectives to improve the health and safety management system of employees.</li> </ul>
		<ul style="list-style-type: none"> <li>○ Respect for workers' rights,</li> <li>○ Undertaking activities supporting human dignity and improving the satisfaction of cooperation in the organization,</li> <li>○ Transparent principles of employee remuneration, development access, training and promotions.</li> </ul>
ENVIRONMENT		<ul style="list-style-type: none"> <li>○ Measurement and monitoring of water consumption,</li> <li>○ Rational management of water resources from waterworks and own intakes,</li> <li>○ installations for treatment and recycling of sewage to reduce water consumption.</li> </ul>
		<ul style="list-style-type: none"> <li>○ Emission Control of volatile compounds into the atmosphere,</li> <li>○ Undertaking emission-reducing measures</li> <li>○ Implementation of plans aimed at reducing emissions,</li> <li>○ All plants have installed filters that meet the requirements of the BAT Regulation, which reduces the emissions of compounds to the atmosphere,</li> <li>○ Having an ISO 50001 certificate confirms the operation for energy efficiency.</li> <li>○ Having a Nordic Ecolabel license, which means that the boards bearing this sign have the least environmental impact in their category.</li> </ul>
ECONOMY		<ul style="list-style-type: none"> <li>○ The Group's production plants are part of the 4.0 industry revolution in the dimension of automation and robotics,</li> <li>○ R &amp; D activities focused on creating innovative products,</li> <li>○ Customer solutions that meet specialist standards</li> <li>○ The use of raw materials not used in industry so far.</li> </ul>
SOCIETY		<ul style="list-style-type: none"> <li>○ The implemented ISO 9001 standard, which affects the assurance of product quality,</li> <li>○ Having an EfbV certificate confirming that the Group is responsible in its approach to the removal and disposal of waste.</li> </ul>
		<ul style="list-style-type: none"> <li>○ The obtained FSC certificate (Forest Stewardship Council®) confirms that the Group attaches great importance to raw materials used for production processes,</li> <li>○ Having a PEFC certificate (Program for the Endorsement of Forest Certification) confirming the origin of raw materials from sustainable forestry areas.</li> </ul>

### 3. SUPPLY CHAIN AND RESPONSIBILITY FOR CLIENTS

#### 3.1 PRODUCT LIABILITY

The Pfleiderer Group pays special attention to the responsibility of products that are delivered to clients around the world. Responsibility is perceived in terms of meeting the expectations of clients and providing them with the highest quality products. For this purpose, the Group tracks trends and changing clients' tastes. Based on the conducted research, it changes and improves the existing products, as well as introducing new innovative product lines. At the same time, the Group implements the assumptions of sustainable development ahead of the expectations of clients through the use of organic raw materials, which until now have not been used as a component of the offered products.

In order to meet the expectations of clients in terms of aesthetics, functionality, harmony with the environment of the used materials, as well as meeting technical requirements, the Group carries out research and development activities that facilitate the construction of innovative products. In addition, the Group looks for new raw materials and their possible applications in order to reduce the consumption of natural forest resources by replacing them with alternative components of natural origin. At the same time, it encourages cooperation with its partners and clients with whom it co-creates competitive solutions. Furthermore, clients set goals for us through special requirement profiles that we have implemented. The Group not only develops solutions that meet the aesthetic expectations, but it also provides special construction and safety standards with the documentation and certificates.

An example of the solution that has been introduced by the Group is the "Pfleiderer Individual program, which allows clients to design a custom, individual decoration made in the highest technology of digital printing. The solution allows full customization of products through a client's own photographs, illustrations, company logos and commercial slogans made on any material. Another issue worth mentioning is the fact that the Group has quality materials certified by IMO (International Maritime Organization) confirming the products safety for interior development and shipping repairs, as well as the implementation of exclusive projects. A highly innovative solution dictated for the care of the natural environment is the use of resource-efficient, fast-growing annual plants. The use of this type of raw material allowed the Group to meet the clients' expectations in terms of getting lightweight panels for interior design. The group combined a small weight with high compressive strength, obtaining a panel for example DecoBoard Balance which meets the requirements in terms of quality, dressing and sustainable development.

Product safety issues are a key element of the integrated management system in the Pfleiderer Group. Thus, the Group complies with all regulations imposed by the EU and national legislation. In addition, the Group submits its products to regular certification procedures and outsources audits conducted by external entities, confirming the quality and safety of the offered products. For this purpose, procedures and specific rules for labelling products that meet the legal requirements in this area have been implemented. Labelling of the products includes wood-based panels which have



been applied in the production process of materials containing formaldehyde, in particular aminoplast resins. It should be emphasized that the boards produced in the Pfleiderer Group meet the permissible emission standards regarding the formaldehyde released from them, including products to the most rigorous class E1, which means that the products are environmentally friendly and people-friendly. Compliance with the E1 class is an absolutely mandatory legal requirement, without which it would be impossible to sell Pfleiderer brand products. The company voluntarily subjected itself to additional monitoring carried out by independent institutes in order to ensure fulfilment of the requirements. In addition, selected products of the Group have a CE certificate, which means that the sale of these products can take place in all European Union Member States within the framework of the single European market. At the same time, clients and end-users can verify product properties on their own based on the CE marking and the declaration of performance and compare the product with other products with the same specification.

It should be emphasized that the Pfleiderer Group's products have received the Nordic Ecolabel license, which means that the boards with this label logo have the lowest impact on the environment in their category. Products that receive Nordic Ecolabel have undergone evaluation by an independent certification body and meet very strict requirements. Obtaining a license is a validation that products are environmentally friendly throughout the lifespan of the product. This standard requires the use of certified wood raw materials, processed plastics and metals, and the use of substances that are less harmful to health and the environment, as well as high strength and recyclability. In addition, the Group also has other approvals and certificates issued for its products. They are, among others: FSC / PFSC, CARB, TSCA, Blue Angel for LivingBoard products, Nordic Swan certificate for the MDF boards for Scandinavia and JIS F\*\*\*\* for the Japanese market.

Thanks to the owned confirmations, clients can be assured that the Pfleiderer Group's products have been made of high-quality wood-based materials, while also being ecological and made with the highest quality. It should be mentioned that during the reporting period, the Company did not report any non-conformities regarding labelling.

### 3.2 QUALITY MANAGEMENT

In addition, the Group conducts a process of continuous improvement of the quality management system to provide clients with products that meet their expectations. The Group has implemented the **ISO 9001** standard, which defines clearly the implementation of individual production processes influencing the final product. The ISO certificate includes the management of central functions including sales, production management, human resources, quality management, purchasing, development, environment and occupational safety, energy management. In the sales area, the ISO certificate concerns the sale of various wood-based panels, like uncoated and melamine faced chipboards (e.g. raw chip boards and MDF boards), laminated material (HPL), flat bonded HPL elements and postforming elements together with accessories.

### 3.3 SUPPLY CHAIN

The supply chain of the Pfleiderer Group is based on an integrated management concept (SCM - Supply Chain Management), which assumes a monthly review of production capacities in the entire Group. Production scheduling in the whole group is prepared based on information of accepted orders and the currently used production capacities in given plants. This type of approach allows for the allocation of production orders to individual plants and production lines. The group thus achieves a reduction of unit costs while reducing the time needed to produce a given product group, constantly analyzing such parameters as production readiness, spare capacity, location of plants and their specialization.

Supply chain management covers areas such as procurement, production and distribution by overseeing supply logistics as part of a decentralized delivery system. The adopted operating philosophy on the one hand allows for the central management of the total production capacity, and on the other, certain autonomy of individual plants in Poland and Germany, which are mainly managed by the plant's management. The developed solutions allow for quick decision making and a flexible response to market changes. It should be emphasized that a series of centralized activities guarantees operational synergy and knowledge transfer between the plants that obtain the best results in the Group, thus making good practices possible, which has an impact on production efficiency. At the same time, the adopted structure facilitates the identification of regional problems in the area of quality assurance and quick implementation of solutions, which include transferring selected products to more cost-effective production plants.

### 3.4 PRODUCTION

The Group carries out its production based on nine production plants. Four production plants are located in Poland and five in Germany. The Group's production plants are part of 4.0 industrial revolution in terms of automation and robotics, which enables the achievement of the desired quality by clients and competitiveness by means of productivity and efficiency. This is achieved by sharing technologies and creating factories specialized in the production of standard and higher added value products.

In recent years, the Group has completed a number of work projects in the area of production optimization, which allowed for the harmonization of products by sharing technologies and closer cooperation among manufacturing sites. The production and lamination of products derived from wood-based materials and vegetable fiber of various classes and to different degrees adapted to the specific needs of clients is carried out in individual Group's plants. The main stage of the production process is the production of a wood-based material panel, which is obtained by pressing wood and combining it with adhesives. In addition, the Group manufactures products of secondary products, such as edges, foils and impregnated paper; In addition, the Group not only transfers electricity produced by its own co-generation plants, but also supplies it to external clients. In addition, it produces its own adhesives for manufacturing applications.

### 3.5 LOGISTICS

An important element of supply chain management is the optimization of inventory levels and the improvement of logistics services and tasks. Logistics and management of the fleet are carried out by the subsidiaries belonging to the Group. In Poland, JURA Polska Sp. z o.o., is a company dedicated to this purpose, while German plants use a centrally managed fleet of JURA-Spedition GmbH trucks. The time of order completion to clients and delivery of raw materials to production plants depends on the type of product and the destination. The most commonly used means of transport are trucks, in which the Group transports harvested wood-like material within a radius of approx. 50-200 km from the plant and supplies finished products to clients within a radius of 150-600 km. JURA-Spedition GmbH does about 15% of the product transportation in the Western European segment. The remaining approx. 85% of transport services are provided by external suppliers, who are selected and managed centrally by the Company. JURA-Spedition GmbH cooperates with regional and international transport companies. The logistic tasks carried out are also aimed at supply management in order to limit the negative impact on the environment, thus in specific cases the Group introduces the greener forms of supply available.

In the territory of Poland, a significant proportion of deliveries of finished products is carried out using the means of transport of a client. The vast majority of clients order deliveries in bulk quantities, which facilitates the transportation by fully filled trucks. In Germany, the situation is different because the Group provides the majority of products to clients. On the German market, clients order smaller quantities of products, which results in having different delivery logistics. Taking the customer expectations and the environmental impact into account, the Pfleiderer Group combines orders from different clients into one transportation load, thus maximizing the level of truck loading. At the same time, when transporting orders to faraway destinations, the Group introduces alternative transport solutions, such as containers transported by rail or sea. In the case of transport within the Group, other ways of transporting raw materials or semi-finished products are also used, for example deliveries from Silekol Sp. z o.o. to production plants are transported by rail.

In addition to the applied means of transport, the Group attaches great importance to meeting the environmental standards in terms of its trucks. It is worth noting that JURA-Spedition GmbH was one of the first companies in Germany which in 2013 replaced the entire fleet of trucks to meet the new Euro 6 emission standard aimed at improving air quality in the European Union.

### 3.6 RAW MATERIALS

In purchasing processes, the Group uses its spending power by negotiating favourable trading conditions for individual plants. The Group plans annual volumes of purchases based on the general budget and constantly updates its acquiring strategy throughout the year. The most important raw materials include wood, chemicals and paper.

In the case of wood purchase, the Group enters contracts with local suppliers, located approximately 150-200 km from the production plant. The proximity of wood suppliers reduces transport costs, impact on the natural environment and reduces delivery time of ready-made materials for clients. Nevertheless, the Group also obtains wood from global sources, such as producers from Lithuania or North America, in order to protect itself against lags in supplies from local markets and to strengthen its bargaining position. Each production plant uses a dual source of raw-wood materials to effectively manage the supply chain and maintain a competitive advantage.

The Group supports initiatives that shape the sustainable management of available resources, including forest goods. The obtained **FSC certificate (Forest Stewardship Council®)** confirms that the Group attaches great importance to raw materials used for production processes and gives an example to other business partners how to behave and understand responsible business. Following the principles set out in the framework of FSC certification, the Group selects raw materials that come from accepted sources and forest areas managed in accordance with the principles of sustainable management, which protect key plant and animal habitats. On the one hand, the certificate is an expression of support for pro-ecological initiatives and on the other hand, it guarantees that the purchased product comes from the appropriate forest areas.

The PEFC certificate (Program for the Endorsement of Forest Certification), which along with the FSC certificate confirms the origin of raw materials from sustainable forestry areas, while also being an important certificate confirming the pro-ecological approach of the Group to supply chain management. The PEFC certification is a recognized international standard that promotes a mature approach towards the management of natural resources that affects the sustainability of forest management and the preservation of biological balance.

Chemicals such as resins are produced by the Group independently at the Silekol and Arnsberg plant. Resins are used for its own production process and are also sold to external clients. However, the Group buys adhesives and additives from verified global suppliers. The Group applies a portfolio management strategy for chemical products to manage the supply chain and reduce the risk of disruptions in supplies.

The last of the key raw materials, which is decorative paper and technical paper used in the production of decorative wood-based panels, is ordered by the Group from suppliers with global connections. Through the process of buying paper globally, the Group is able to reduce prices by combining orders and reducing the diversity of decorative paper while maintaining the expected quality of products. The Group implements a supply strategy from a single source for certain types of decorative paper and therefore chooses one supplier in order to maximize the volume of orders, although there are other comparable suppliers in the supplier database, which allows for the changing of supplier if necessary. In this way, the Group may enter into a strategic partnership with the supplier, which leads to higher quality products and lower total costs. The Group implements the dual source strategy for other raw-paper materials.

#### 4. STRATEGY AND COMMUNICATION WITH STAKEHOLDERS



The company implements "Diamond Strategy", which has been applied since September 2017. The strategy assumes the implementation of activities in five dimensions, including: Commercial, Operations, People, Corporate Culture and Shareholder Value. The adopted strategy is aimed at strengthening the Company's competitiveness and accelerating further growth of shareholder value. The defined initiatives allow the achievement of the intended goals, which are defined in the perspective until 2021. In financial terms, the Company earns revenue of EUR 1.3 billion and an EBITDA margin of over 16% during the strategy implementation period. Detailed strategic plans have been implemented for operational teams, which are responsible for the implementation of its individual elements.

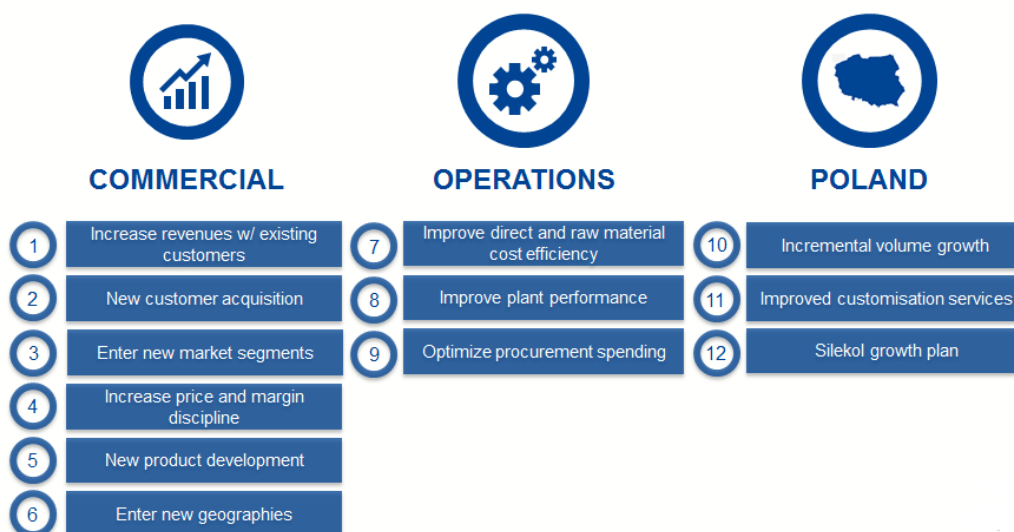
The main goals and objectives of the strategy published by Pfleiderer Group include:

<b>Sales approx. EUR 1.3 bn</b>	Achievement of sales revenue of approximately EUR 1.3 bn for the year ended 31 December 2021
<b>EBITDA margin at least 16%</b>	Achievement of EBITDA margin at a level of at least 16% for the year ended 31 December 2021

<b>CAPEX EUR 70 m p. a.</b>	Capital outlays (including EUR 20 million of maintenance capital expenditures p.a.) in the amount of EUR 70 m per annum.
<b>Net financial leverage between 1.5 and 2</b>	Target level of net financial leverage between 1.5 and 2 - maintaining a secure level of debt
<b>Equity ratio above 25%</b>	Equity ratio targeted above 25%
<b>Dividend payment up to 70%</b>	Based on unchanged dividend policy, dividend payment of net profit up to 70%

In the future, the Company plans to implement 12 major initiatives related to three areas, which include: Commercial, Operations and Poland. The initiatives will contribute to the strengthening of the Company's core business while developing add-on products as well as new markets and segments. The company assumes strengthening its operational excellence by using modern tools that will facilitate the segmentation of clients and better adjustment of the product and price strategy. The company focuses on strengthening long-term relationships with clients and the development of the Company with their identified needs. Modern machines such as Leutkirch lacquering line, which have already been introduced, will allow for the expansion of the offered portfolio to new decors and surfaces that are meet the needs of clients.

12 key initiatives were identified across the organisation,  
allocated to three workstreams on three areas:



The strategy is to maintain the ongoing program of continuous improvement of operational efficiency. The program is designed to optimize costs and increase production by improving efficiency and delivery time. In this area, it is also important to reduce material consumption through operational improvements. Thus, it is important to increase the share of more cost-effective wood recycling to the maximum production capacity level in selected plants.

It should be noted that the Company also recognizes the potential of Silekol Company, which specializes in the production of resin adhesives and hardener. The Company's plans are to develop this segment by introducing new and improved products.

Pfleiderer Group strategy

A **smart market segmentation** will drive our sales strategy and will enable a value-added customer proposition

Our salesforce will harvest the **new capacity**, implement **smart pricing** and **active product portfolio management**

We will focus on **operational excellence & disciplined capacity** debottlenecking

**Attractive shareholder value** will be delivered by strong cash generation, attractive dividend policy, potential additional share buyback programs and open investor relations communication

**Our culture will become more cost-conscious and performance driven**

#### 4.1 STAKEHOLDERS

The Pfleiderer Group ensures the information expectations of its stakeholder. It is necessary to emphasize that the Group's social responsibility is expressed in building positive and lasting relationships with the external environment. In the process of making economic, social and environmental decisions, the group has in mind the interests of particular groups of stakeholders. The ongoing dialogue and cooperation with stakeholders play a very important role in building shared values. Communication, while also transparency of the information provided is in the Group's opinion one of the elements conditioning the success and implementation of the adopted strategy. In addition, the conducted communication provides the Group with knowledge in terms of



expectations from the environment and influences the development and improvement of the organization.

The main sources of communication in the Group include direct communication, corporate website <https://www.pfleiderer.com/row/Investor-Relations>, current and periodical reports, fairs and exhibitions as well as presentations of trends and new products during special events for clients. The group contacts clients by publishing digital content on the website and by using social media such as Facebook, LinkedIn, Instagram, and YouTube and on its own designer blog called " Designer ". In addition to its online activities, Pfleiderer operates with the aid of traditional PR and marketing tools:

- Publishing advertisements and advertorials, sponsored articles in selected industry magazines,
- Organizing conferences and press meetings,
- Giving interviews and answering journalists' questions.

MAP OF STAKEHOLDERS OF PFLEIDERER GROUP	
EMPLOYEES	/potential employees, full-time employees, former employees, employees of subcontractors and suppliers, trade unions, the National Labour Inspectorate, the Regional Labour Inspectorate and other supervisory institutions/.
INVESTORS	/shareholders, strategic, institutional and individual investors, the Warsaw Stock Exchange, brokerage houses, banks/.
CLIENTS	/institutional and individual clients, business partners, key suppliers, subcontractors/.
SOCIETY AND LOCAL COMMUNITY	/local communities, inhabitants and social leaders, media, universities and academics, technical and industry organizations, local self-government administration, government administration, local non-governmental organizations/.
NATURAL ENVIRONMENT	/ecological organizations, environmental protection institutions, Ministry of Environmental Protection, Agenda of the Ministry of Environmental Protection, Provincial Inspectorate for Environmental Protection/.

## 5. ORGANIZATIONAL CULTURE AND RISK MANAGEMENT

### 5.1 COMPANY GOVERNING BODIES

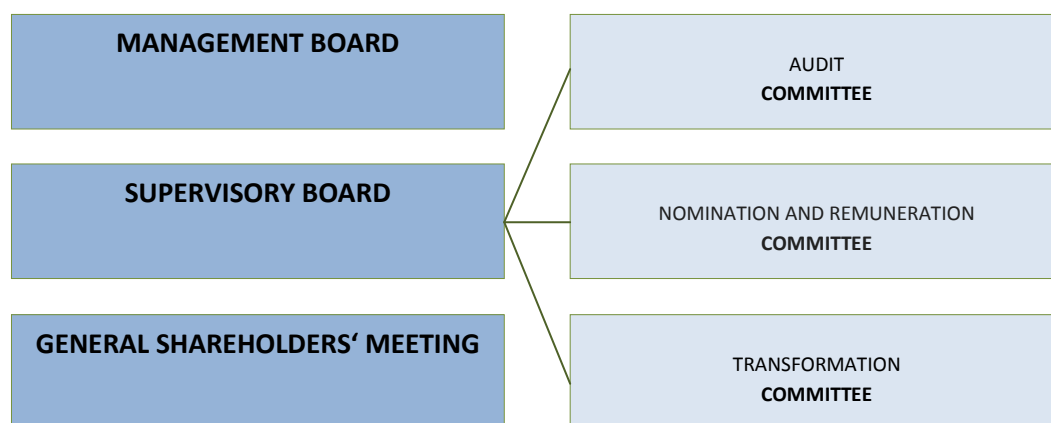
The General Meeting of Shareholders, the Supervisory Board and the Management Board are the main bodies of Pfleiderer Group S.A. In addition, there are also Supervisory Board Committees whose task is to monitor, among others, the process of financial reporting, changes in employment, staff



turnover and conducting employee satisfaction surveys, as well as provide support for the Supervisory Board in making decisions in the scope of received requests from the Board in the area of budgets and plans of the Company.

The functioning of the afore-mentioned governing bodies is regulated by the Commercial Companies Code, the Company's Articles of Association, the Regulations of the Management Board, Supervisory Board Regulations, Regulations of the General Meeting as well as the corporate governance principles set out in the document "Best Practices of WSE Listed Companies", which were introduced by the Warsaw Stock Exchange S.A.

### CORPORATE BODIES



### 5.2 MANAGEMENT BOARD

The Management Board represents the Company in contacts with third parties, directs the Company's operations, manages its assets and conducts corporate affairs related to the Company's operations, which are not reserved by law or the Company's Articles of Association to the competence of the General Meeting or the Supervisory Board. The scope of competences and activities of each member of the Management Board as part of ordinary business activities is specified in the regulations of the Management Board of the Company. The Management Board is obliged to make decisions in the form of resolutions in areas exceeding the scope of ordinary management regarding the following: directions and development programs, annual and multi-annual plans, organizational regulations, work and remuneration, profit distribution, investment and share capital decisions exceeding PLN 1,000,000, taking loans, granting guarantees or making donations.

As of December 31, 2018, the Management Board of the Company is represented by three people who combine managerial and operational functions in the Company's structures. The President of the Management Board responds to the strategic area, with the Members of the Management Board

for the operational and financial area. Each member of the Management Board has the right and obligation to manage the affairs of the Company as part of its regular activities.

Name and Surname	Position
<b>MEMBERS OF THE BOARD</b>	
Thomas Schäbinger	Chairman of the Board
Dirk Hardow	Member of the Management Board, Operating Director
Dr Nico Reiner	Member of the Board, Financial Director

### 5.3 SUPERVISORY BOARD

The Supervisory Board exercises permanent supervision over the Company's activities covering all areas of the Company's operations. The council consists of at least five, seven or nine members. The number of members of the Supervisory Board is determined by the General Meeting. The term of office of the Supervisory Board is five years. The mandates of the members of the Supervisory Board expire on the day of the General Meeting approving the financial report, balance sheet and profit and loss account for the last year of their office. Meetings of the Supervisory Board are held at least three times in the financial year.

At the meetings, the Supervisory Board makes decisions in the form of resolutions. The Supervisory Board may express an opinion on all Company matters and apply the Management Board with motions and initiatives. The Management Board should notify the Supervisory Board of its position regarding the opinion, motion or initiative at the next Supervisory Board meeting. In particular, the Council's competences include the following: auditing the Management Board and annual financial statement reports and ensuring their verification by auditors selected by them, auditing each year and approving business plans, financial and marketing plans, issuing opinions on the Management Board's motion and presenting a proposal for distribution of profit to the General Meeting, concluding work contracts with members of the Management Board and determining their remuneration. As of December 31, 2018, the Supervisory Board of the Company consists of seven members.

Name and surname	Position
<b>MEMBERS OF THE SUPERVISORY BOARD</b>	
Zbigniew Prokopowicz	Chairman
Michael F. Keppel	Deputy-chairman
Jason R. Clark	Deputy-chairman
Jan Woźniak	Member of the Supervisory Board
Krzysztof Sędzikowski	Member of the Supervisory Board
Anthony O'Carroll	Member of the Supervisory Board
Florian Kawohl	Member of the Supervisory Board

## 5.4 SUPERVISORY BOARD COMMITTEES

Committees are appointed by the Supervisory Board from among its members. The tasks, organization and mode of operation of the Supervisory Board Committees are set out in separate regulations adopted by the Supervisory Board. Each Committee may appoint experts from outside the Supervisory Board to assist in the performance of its tasks.

The Company has three permanent committees, including the Audit Committee, the Nomination and Remuneration Committee and the Transformation Committee. The Audit Committee, among others controls the accuracy of the financial reporting processes carried out, including the accuracy of financial information provided by the Company. The Nomination and Remuneration Committee is responsible for personnel and payroll policies, including monitoring employee fluctuations. The tasks of the Transformation Committee include mainly support for decision-making in the area of transformation projects and ongoing verification of the Group's strategic objectives in this respect.

OBLIGATIONS AND TASKS OF PERMANENT COMMITTEES	
No.	AUDIT COMMITTEE
1	Process monitoring and accuracy of financial reporting
2	Ensuring effectiveness of internal control systems, internal audit and risk management, review of the effectiveness of the external audit process
3	Reviewing of the terms of appointment, appointments and dismissals, auditing and monitoring of cooperation
4	Monitoring the implementation of guidelines set by statutory auditors, board members and employees

OBLIGATIONS AND TASKS OF PERMANENT COMMITTEES	
No.	NOMINATION AND REMUNERATION COMMITTEE
1	Monitoring changes in employment, employee turnover and employee satisfaction surveys
2	Overseeing the Company's payroll policy, including monitoring employee prizes and the bonus system, as well as other issues related to human resources

OBLIGATIONS AND TASKS OF PERMANENT COMMITTEES	
No.	TRANSFORMATION COMMITTEE
1	Supporting the implementation of the 'One Pfleiderer' initiative
2	Acquiring all necessary information about the current operations of the Company and future strategic plans
3	Supporting the Supervisory Board in making the right decisions regarding applications addressed to the Supervisory Board by the Management Board, including changes in the structure of the Company, as well as approving budgets, medium-term plans, M & A and any unplanned capital expenditure
4	Concentrating on the relations between the Company's bodies, shareholders and other stakeholders, such as employees

## 5.5. RISK MANAGEMENT

The Pfleiderer Group is guided by the principle of transparency and fairness in every area of its influence. With regard to the afore-mentioned issues, it pays a lot of attention to monitoring financial, as well as non-financial risks and possible consequences if a given risk occurs. Furthermore, it is also part of the Risk Management System to monitor opportunities. The company monitors risks that may occur in the course of its operations. The fundamental objectives of risk management include the following:

- Ensuring the company's future success
- Ensuring that the company's goals are met
- Enhancing goodwill in the long-term
- Optimising risk costs
- Identifying risks that may put resources in jeopardy
- Identifying all pertinent risks

Identification and assessment of individual risks and opportunities takes place at the level of the holding company in cooperation with department managers and supervising departments. Risk owners report their significant risks and opportunities (defined to mean exerting an adverse or positive impact of EUR 100,000 or more) on a quarterly basis. The Risk Manager monitors and measures them in the entire portfolio. The risk report is distributed quarterly to the Management Board and the Compliance Committee. The Supervisory Board is advised of the identified risks and opportunities at least once a year.

The table below presents an overview of the identified key social and environmental risks Pfleiderer Group faces.

RISK TITLE	RISK DESCRIPTION AND MEASURES
Demography / Lack of specialists	Due to demographic changes, Pfleiderer is exposed to a potential lack of specialists. This results, among others, from a high average age of employees, especially in production in the whole Group. In addition, there are too few young people who can be recruited to replace the know-how gap created by departing employees. To mitigate this risk, Pfleiderer prepares a succession plan and offers training.
Overloading of key employees caused by special orders	A large number of new projects outside of everyday business activities combined with a relatively flat organizational structure leads to the risk of overloading key employees. Consequently, there is a risk of the sick leave rate trending upward over time due to overload or the number of employees leaving the Company. In order to improve the situation, a qualification matrix was prepared to stimulate and enhance the transfer of know-how in the organization.
Risk of accidents due to unsafe behaviour of employees and due to unsafe conditions	There is a higher risk of accidents in the manufacturing industry. They are mainly caused by improper behaviour by employees, not by the lack of appropriate security systems or tools, which can also be recognized due to a lower potential loss of technical risk. The protection of employee health and life is Pfleiderer's key focus. Therefore, a number of measures have been implemented, such as safety-related training and the Near-Miss-System (system of reporting potentially dangerous situations) and more safety-related communication to reduce the number of accidents).
Reclassification of titanium	Titanium dioxide is one of the most important pigments in decor papers, as it is

<p>dioxide into class 2</p>	<p>used as colouring pigment as well as filler (partially degree of filling up to 40 %). In the course of the REACH process (Registration, Evaluation, Authorisation and Restriction of Chemicals) titanium dioxide might be reclassified and graded with class 2, due to the petition of France to classify it as carcinogenic. This would have the consequence that titanium dioxide containing dusts and other production residues would be classified as "hazardous waste". These measures are to conduct lobbying work to outline the concern of the engineered wood industry and participate in VCI [Verband der Chemischen Industrie] task force regarding titanium dioxide in order to come to an agreement with other industrial sectors concerned.</p>
<p>Non-compliance with emission limit for formaldehyde out of particle dryers as of 2019 in Core West (not evaluable)</p>	<p>As of 2019, new emission limits for formaldehydes produced in the drying process for the production of wood-based panels will apply in the European Union. The changes are introduced as part of the BAT conclusions, which form part of the BREF. Each EU country is required to implement guidelines in national law. Solutions - emission limits - may vary depending on the country. In Germany, it is assumed that from 2019, dryers used for the production of wood-based panels will have to meet the formaldehyde emission limit, i.e. 10 mg / m<sup>3</sup>; in Poland, this limit is 15 mg / m<sup>3</sup>. The current limit in Germany is 20 mg / m<sup>3</sup>, and in Poland there is no specific limit. Due to the introduced changes, there is a risk that Pfleiderer will not be able to meet this limit in Germany, using currently used filtering devices or devices currently available on the market. Several European countries plan to reduce emissions to 15 mg / m<sup>3</sup>. It is currently not possible to assess this risk, but in the worst case scenario there is a risk of production being shut down. Pfleiderer carries out internal tests to check whether a specific future emission limit is available, trying to determine in technical terms the lowest possible value. In addition, there are talks in this regard with the manufacturers of filtration equipment.</p>
<p>Non-compliance with emission limit for VOC (volatile organic compounds) of 200 mg/m<sup>3</sup> air for indirectly heated particle dryers as of 2019 in Core West (not evaluable)</p>	<p>BAT conclusions also provide for the introduction of a limit of VOC emissions (volatile organic compounds) as of 2019. The limit value has been set for direct and indirect particle driers at 200 mg / m<sup>3</sup>. Due to the use of various technologies, it is not possible to meet this limit for indirectly heated particle dryers that are used in the production plants in Gütersloh and Neumarkt. The effects of materialization of this risk may be similar to the risk of non-compliance with the formaldehyde emission limits, i.e. interrupting the production flow. In this area, Pfleiderer also conducts internal technical tests to determine the lowest achievable values. The company is also considering the possibility of requesting that the European Commission exclude the intermediate particle dryer from the obligation to meet this stipulated limit.</p>

## 5.6 COMPLIANCE

Pfleiderer Group attaches great significance to corporate governance. That is why compliance and business ethics play such an important role. To ensure compliance with legal and ethical requirements, the Company implemented an Internal Control System, a Risk Management System and a Compliance Management System to mitigate risks (the GRC department was created). It also adopted the "Business Conduct Guidelines" (BCG) to serve as a signpost for employees to indicate what we deem to be appropriate and ethical conduct.

Confidence, ethics and transparency of relationships inside and outside the organization occupy a significant place in the Pfleiderer Group. The Group values its image and the relationships developed with business partners. Thus, the Group is aware that any unacceptable behaviour can result in the

loss of reputation resulting in financial losses. Being aware of the threats in this area, the Pfleiderer Group attaches great importance to the corporate governance that regulates compliance with the rules in the organization.

In order to ensure operation in accordance with the applicable rules and regulations, the Group has implemented a Compliance System based on three principles: prevention, diagnosis and response. The Group has an Internal Control System, a Risk Management System and a Compliance Management System. As part of the implemented systems, the Company operates the GRC Department (Governance, Risk, Compliance), which is dedicated to counteract irregularities. The key document regulating and defining the desired behaviours in the Group is implemented according to the "Business Conduct Guidelines".

The basic goals of the Compliance Management System include:

- corruption prevention,
- compliance with antitrust laws,
- protection of the environment and the following occupational safety and health rules.

It should be emphasized that the Group has subjected all its activities to the principle of the rule of law, understood as unlimited compliance with laws, state regulations as well as the application of principles of ethical and socially responsible conduct in management and cooperation. The Group is aware that the company's image is significantly affected by the actions and conduct of the Company's employees. Due to this, all employees of the company are required to familiarize themselves with the guidelines and the application of the adopted rules and standards in their daily work. It should be emphasized that the guidelines regulate the most important areas of business life and are a signpost for employees in such areas as: contacts with business partners and third parties, avoidance of conflicts of interest, information policy, environmental protection and health and safety at work. Employees at all levels are expected to comply with legal provisions, social norms, adopted standards and values of the organization as well as respect diversity and human rights in the workplace and the environment. Compliance with the applicable regulations and the Business Conduct Principles are regularly controlled in all units of the Group. It is implemented in accordance with the procedures and statutory requirements provided for in individual regions. We require all our employees to comply with the Business Conduct Guidelines. Supervisors are obliged to confirm that they are well-versed with them.

Employees have the possibility to report irregularities, complaints or violations of the Business Conduct Guidelines or other regulations. For this purpose, they can use dedicated communication channels that have been specified in the Business Conduct Guidelines. Thus, employees can provide information through their supervisor, director or Compliance Department directly or using the internet Web-based Whistleblower System, ensuring anonymity, available at: <https://www.bkms-system.com/pfleiderer>. This system is also available for third parties (e.g. clients, business partner), also anonymously. Employees who report suspected violations of law or internal guidelines in good faith do not have to worry about the consequences of informing about irregularities if they do not violate applicable laws and regulations.

In the event of a breach of the adopted rules, the Group applies the "zero tolerance policy" according to which each employee must face disciplinary consequences. Depending on the type and the

seriousness of the violation, employees may receive sanctions in the form of an informal warning of suspension or immediate dismissal.

The Company has established a dedicated Compliance Committee that identifies, analyzes the occurrence of adverse events and proposes corrective actions and solutions preventing their occurrence in the future. Its task is also to propose directions of system development in order to increase its reliability. At the same time, the Committee is authorized to make judgments and make recommendations regarding proper reaction to behaviour violating the principles of compliance with regulations, including unethical and unacceptable behaviour. The Compliance Manager prepares a quarterly report based on analyses and evaluations which are discussed by the Management Board and the Supervisory Board on a regular basis.

## 5.7 PREVENTION OF CORRUPTION AND BRIBERY

In order to counteract corruption and bribery, the Capital Group has implemented guidelines governing this area. The adopted rules are included in the document "Guidelines for business conduct". It is the duty of every employee to read the document and notify his supervisor of this fact. The document starts with a brief introduction to the issue of corruption in the context of business relations and contacts with officials. At the same time, they clearly define the differences between the acceptance and granting of property benefits. In addition, the rules indicate the consequences of the infringement with respect to the individual and entrepreneur in question.

It should be emphasized that the Group has implemented guidelines in line with the British Anti-Corruption Act, including:

- introduction to the British Anti-Corruption Act,
- possible crimes,
- consequences of violations and examples.

Issues in the field of corruption and bribery are subject to verification as part of the compliance policy. Any applicable rules in this area are communicated to all employees by e-mail and are made available in the Pfleiderer intranet (on the homepage of the corporate governance, risk and compliance department (GRC)).

The Group in the case of all its subsidiary companies identified areas potentially exposed to the phenomenon of corruption and bribery. As a result of the actions taken, the following risks have been defined in this regard:

1. Granting an official undue advantage
2. Bribery of an official
3. Active corruption (bribery):
  - conclusion of a contract or fictitious invoice
  - inappropriate sponsorship of events



4. Passive corruption (corruption):

- acceptance of benefits contrary to the rules / guidelines
- susceptibility to bribes as part of operations, especially in the field of purchases / orders

Pfleiderer applies the following preventive measures to the occurrence of adverse events in the field of corruption and bribery:

- A firm position at the highest levels of management - a policy of zero tolerance in relation to corruption.
- Regular anti-corruption training in which all directors and employees of the purchasing and sales department participate (training at least every two years). In addition, the target group is required to participate in annual SAM (e-learning) training on counteracting corruption.
- Commitment of all managers to comply with the Business Conduct Guidelines (BCG).
- A coherent division of duties in the areas of shopping and sales. Making purchases and selling in accordance with the principle of four eyes.
- Acceptance of potential suppliers is after prior examination. In the case of orders (indirect payment) over EUR 25,000, obtaining at least three offers.
- Recording of invoices only in the ERP system after the previous release (manually or through the system of filing requests) in accordance with the release matrix.
- Avoiding cash payments in excess of significant amounts. Cash payments should be avoided in accordance with accepted guidelines.
- (Manual) financial transfers carried out by direct debit signed by at least two authorised people.

In the case of agents and sales representatives, preventive measures are:

- Compliance with the instruction: "Conclusion and monitoring of contracts with external sales agents / sales representatives"
- Use of a checklist for monitoring external sales agents / sales representatives.

## 6. EMPLOYEE AND SOCIAL DIMENSION

### 6.1 SOCIAL RESPONSIBILITY

The Pfleiderer Group is fully aware of its impact on the environment in which it operates, and thus perceives social responsibility in several dimensions. The most important one is the responsibility for the state, society, environment and employees. The company carries out its responsibility towards the state by complying with the applicable legal regulations, as well as regulations and adopted ordinances. At the same time, in this area, it sees its role in the development of the national economy, which affects the position of Member States on the international stage.



This is reflected, among others, in innovative solutions that are applied in the company and are part of the industry 4.0 in the form of automation of the main processes in the company. It should also be noted that the Pfleiderer Group attaches great importance to cooperation with reliable entities. This means that the Company makes every effort to translate its values in this area into business partners in its supply chain.

An equally important area is society itself. The sensitivity of the Pfleiderer Company is reflected in the adopted declarations included in the pages of the "Social Card" document. In order to implement the provisions of the document, the Company cares about good external communication, thus enabling all interested parties to access current information and events taking place in the Company. In addition, the Group conducts responsible marketing communication and is greatly responsible for consumer safety through reliable and correct labelling of products in accordance with the standards and regulatory requirements.

The company supports the society by providing valuable models for young people who intend to enter the labour market. The Group cooperates with technical universities in Germany and Poland. With the cooperation of universities such as Duale Hochschule Baden-Württemberg Mosbach, Hochschule für angewandtes Management Ismaning Campus Neumarkt, Hochschule Rosenheim in Germany and in Poland: University of Applied Sciences, Warsaw University of Life Sciences in Warsaw, University of Life Sciences in Poznań. The company enables the use of theoretical knowledge in a practical way during apprenticeships and internships. This type of approach has mutual benefits. On the one hand, it allows students to get to know the organization and to assess whether their knowledge will allow them to find employment in such an organization in the future. On the other hand, the Company ensures continuity of employment and diversity of competences through the subsequent employment of selected apprentices or trainees. At present, in Germany, five companies offer apprenticeships in 17 different professions, ranging from electronics technicians to administrative and industrial tasks. In Poland, this kind of cooperation is possible in two plants in the form of six-month internships. The forms of development offered for young people are very popular because in a friendly environment they can get their first professional experience. During internships and apprenticeships, students receive reliable specialist knowledge, supported by experienced employees and their own development by means of participation in ongoing projects. The group places special emphasis on the development of the personality of young employees, which often begins with this type of cooperation. Open work environment, cross-cutting projects with which trainees are confronted and getting to know the company from the inside and mutual understanding of the role of employee and employer mean that after completing the internship, in many cases, students receive a job offer in the Company.

In environmental aspects, the Company sees its role as an entity that introduces modern solutions that enable production to be implemented in a way that limits the negative impact on nature. Conditionally, all planned activities in the product area are analyzed by taking into account the environmental area. The last area mentioned is the employees. The Pfleiderer Group perceives employees as the most important link in the implementation of all business processes in the Company, which is why it makes every effort to care for its workforce. This is manifested, in among other ways, in the employment conditions offered, while also equality and the possibility of implementing self-initiatives and broadly understood skills and competence development.

## 6.2 RIGHTS OF EMPLOYEES AND EMPLOYMENT CONDITIONS

In the Pfleiderer Group, the overriding goal is to provide employees with safe and decent working conditions. The company is aware that employees are a key resource of the Company, which is why it creates working conditions that will allow us to meet the expectations of both parties. The Pfleiderer Group respects employees' rights and takes actions that support human dignity and enhance the satisfaction of cooperation in the organization.

Human resource management policy is very important for the Group, and issues regarding employment conditions, remuneration and professional development are key to its sustainable development. Building a team by competently selecting employees for a particular job profile, fully utilizing the employee's potential to achieve goals through appropriate motivating and building the Group's reputation as a loyal and stable employer are the main assumptions of the broadly understood HR policy. In all processes related to employee issues, the generally binding provisions of the Labour Code and mutual respect are always observed. The Management Board and the management team make every effort to ensure that professional relationships are based on a sense of mutual trust and transparent rules of conduct. These activities are aimed at building a mutual and honest employee-employer relationship, which in turn leads to the acceptance of the Management Board's decisions as appropriate and employee actions as trustworthy and in line with the originally set goals. The adopted style of human resources management in the Group also has a significant dimension of the employees' ability to shape the work environment.

In connection with the above, the group applies the principle of equal remuneration of employees. Thus, employees irrespective of gender and type of contract they receive, the same level of remuneration for work in the same position applies. It should be emphasized that all employees receive remuneration and at the level specified in the contract, but no less than the statutory minimum. It is crucial for the Company to eliminate unfair practices in this area, which is why the level of remuneration is also based on external expertise in terms of the level of remuneration. Thus, the basis for determining the remuneration of employees in a given position is the methodology developed for job evaluation and employee appraisal. In addition, the Group has a bonus system prepared for administrative employees, production and commercial employees. The company has individual bonus rules for top level managers, which are individually regulated in the form of attachments to employment contracts.

In addition to an equal level of remuneration, the distinction in the scope of additional benefits for employees was eliminated throughout the Group. Thus, the same types of benefits are guaranteed for full-time and part-time employees, including defined contract period employees or part-time employees. All employees receive clearly worded and written information, in the appropriate language of the country relating to the terms and dates of remuneration.

It should be emphasized that employees assigned by the employer receive at least the same working and pay conditions as employees employed at the delegation's location. Employees are also entitled to compensation for any additional costs caused by the transfer.

The Group respects the right to associate and form trade unions. Thus, employees can take advantage of the opportunities offered by participating in such organizations, including the right to collective bargaining of pay conditions. It is worth noting that employees' representatives are not discriminated against in any way due to their status or activities related to the representative function in trade unions. Trade union representatives get the opportunity to use the premises of the plant and tools to facilitate communication with employees, e.g. notice boards, internet.

The Group is aware that cooperation within the organization is possible through openness and mutual understanding, therefore the presence of employee representatives allows for possible negotiations or clarification of disputes or misunderstandings.

In 2018, there were no major shutdowns or strikes in the Pfleiderer Group. The company believes that relations with employees and trade unions are satisfactory.

### 6.3 TRAINING

For the Company, the key resource is the employees and their competences, which influence the implementation of the strategy and the achievement of the set goals. An important element of the company's functioning and shaping the company is the knowledge and skills of employees. The group attaches great importance to the professional development of employees. The company organizes internal and external trainings that facilitate the updating and acquiring of new areas of knowledge. As part of the training plan, specialist, interpersonal, managerial and language trainings are carried out. Employees are encouraged to share knowledge within the organization because this approach favours building open relations between employees and building a creative organization. Employees have the opportunity to use development programs in accordance with a specific development path. The training program is built based on individual employee skills as well as current identified competence gaps. The development of employees is important from the very inclusion of candidates into the organization and from the very first days of work great emphasis is placed on the increase of the professional skills of the team. An important element of acquiring knowledge about the company is that of product trainings that allow for the easy implementation of a new employee specificity of the business.

The company implemented the "FIRST TIME MANAGER" training program. It is dedicated to employees who start their work on managerial positions. The program is a series of trainings and workshops enabling the transfer of key knowledge in the field of project management, team management, delegation of tasks that affect the implementation of tasks and performance of the team leader's responsibilities. The afore-mentioned trainings include Assessment Centre sessions within which the participants focus on situational management and incentive mechanisms.

As part of educational activities, the Company also undertakes initiatives outside organizations that are targeted at young people. Since 2006, the company in Grajewo and Wieruszów has been running the educational program "Show your tongue", which aims to promote language learning. In order to efficiently implement the assumptions of the program, the Company established the "Show language" foundation whose task is to coordinate the project and collect resources to finance

activities. The project itself is aimed at young people aged 16 to 18 who want to improve their language skills. The undertaken activities allow the youth to be made aware that the knowledge of foreign languages increases their chances on the labour market and affects their personal competitiveness. As part of the program, the Company engages in dialogue and cooperation with teachers, school heads and representatives of local self-government, as well as journalists in order to build teaching standards and social integration. The stimulation of activity in the field of the project is carried out through the organization of competitions, interesting meetings with experts and special guests. The most involved students receive scholarships and teachers who contribute to the educational success of their beneficiaries.

<b>GRI 102-8 Total number of employees by employment contract (permanent and temporary), by region (as of 31-Dec-2018)</b>		
<b>Total number of employees by employment contract</b>	<b>3 734</b>	
<b>Total number of employees by region</b>		
<b>Eastern Europe</b>	<b>1 374</b>	
	<b>permanent (as of 31-Dec-2018)</b>	<b>temporary (as of 31-Dec-2018)</b>
<b>Western Europe</b>	2350	10
PCF GmbH	26	0
Pfleiderer Austria GmbH	2	0
Pfleiderer Southeast Europe S.R.L.	2	0
Pfleiderer Deutschland GmbH	402	0
Pfleiderer Neumarkt GmbH	470	5
Pfleiderer Gütersloh GmbH	375	3
Pfleiderer Leutkirch GmbH	419	0
Pfleiderer Erwerbengesellschaft mbH	0	0
Pfleiderer Arnsberg GmbH	392	0
Pfleiderer Baruth GmbH	130	2
Heller Holz GmbH	6	0
JURA-Spedition GmbH	91	0
Pfleiderer France S.A.S.	13	0
Pfleiderer Benelux B.V.	6	0
Pfleiderer Suisse AG	5	0
Pfleiderer UK Ltd.	11	0
Pfleiderer Vermögensverwaltung GmbH & Co. KG	0	0
Pfleiderer Infrastrukturtechnik GmbH & Co. KG (in bankruptcy)	0	0
Pfleiderer Infrastrukturtechnik Verwaltungs-GmbH (in bankruptcy)	0	0
Allgäuer Holzindustrie und Imprägnierwerk Aulendorf GmbH (in liquidation)	0	0
Blitz 11-446 GmbH (in liquidation)	0	0

Western Europe		
GRI 102-8 Total number of employees by employment contract (permanent and temporary), by gender (as of 31-Dec-2018)		
	permanent (as of 31-Dec-2018)	temporary (as of 31-Dec-2018)
Total number of employees by employment contract (as of 31-Dec-2018)	2350	0
Women	345	0
Men	2005	10

Western Europe				
GRI 102-8 Total number of employees by employment type (full-time and part-time), by gender. (as of 31-Dec-2018)				
	full-time (as of 31-Dec-2018)		part-time (as of 31-Dec-2018)	
	Women	Men	Women	Men
contract of employment	253	1994	92	11
contract work	0	0	0	0
fee-for-task agreement	0	0	0	0
agency contract	0	0	0	0
management contract	0	0	0	0

Western Europe	
GRI 102-41 Employees covered by a collective agreement	
Report the percentage of all employees covered by collective agreements.	88.77%

## 7. HEALTH AND SAFETY IN THE WORKPLACE

Ensuring an adequate level of security for the employees of the Group is one of the greatest priorities. In addition to compliance with regulations in this area, activities are also undertaken that increase the comfort and safety of work. The Group takes care of the systemic approach in this respect, therefore the **OHSAS 18001** standard has been implemented, which defines the Group's objectives to improve the health and safety management system of employees. The procedures in this area have an effect on more effective management and contain clear guidelines defining how to develop this area. Since 2018, all Polish and German plants have been certified in accordance with the OHSAS 18001 norm of Occupational Safety and Health Management System standard.

In addition to the procedural approach, the Group sees improved safety through changes in the organizational culture and approach to the duties performed by employees. Due to the importance of the issue, the area has been included in the "Guidelines for Business Conduct". The Group applies the principle that employees are responsible for the safety of the workplace equally by observing the rules, but also by co-responsibility for colleagues and colleagues. The aforesaid principles are applicable in all areas of the work carried out, including aspects of work organization, task planning at individual positions, security of machines and devices, and performance of entrusted tasks. The Group systematically develops the effective safety culture through good practices, training and continuous monitoring of employee safety. At the core of the measures taken to ensure healthy and comfortable working conditions are ethical principles that indicate the need to take all actions possible to achieve in the given conditions in order to prevent accidents, breakdowns or disasters in the place of work. It is worth noting that the security system covers both employees of the Capital Group, as well as employees of external entities. As part of the system, the Group performs systematic inspections of cargo securing and transport safety. Employees, subcontractors or contractors providing services in the group plants undergo mandatory training on safety before proceeding with the work assigned.

The Group monitors all accidents of the Group's employees and contractors who perform tasks in the Group Plants of Pfleiderer. Accidents are analyzed and on this basis, corrective actions and implementation of preventive measures are implemented, the task of which is to eliminate similar events in the future.

At the core of the safety management system at the Pfleiderer Group there are two pillars. The first one concerns the highest standards of work safety, including the implementation of best practices and the application of the latest scientific and technical achievements in operational areas. The second one includes shaping the desirable behaviour patterns among employees, raising their awareness of safety in their work environment aimed at preventing accidents at work. The level of employee safety is influenced by the machinery and production lines which are automated and robotized. Modern solutions include security zones and automated workstations without human intervention. Our solutions are part of the 4.0 industry revolutions and an innovative approach to managing work safety and machinery

As part of the uniform occupational health and safety management system implemented throughout the Group, in 2017 the ONE SAFETY program was introduced, which was maintained and continued in 2018. The program is based on five areas:

- Leadership
- Communication
- Qualifications
- Organization
- Standards

In the past reporting period, the Group has taken actions affecting the transformation of organizations in the field of cultural changes in the field of security, which included:

- Ongoing leadership and communication workshops (on shift and employee level),

- strengthening the focus inside "Near-miss system" to behavioural safety,
- ongoing improvement of "5 minutes for safety" communication on management and supervision level,
- starting a new training method to improve the risk awareness of employees.

In terms of safety, indicators (KPI) based on the "pyramid of injuries" were adopted for the purpose of effectiveness assessment:

- number of accidents
- number of instances of providing first aid
- number of reported potentially dangerous situations

The afore-mentioned data is generated at the level of the entire Group, as well as by individual companies.

In the process of implementing changes, incentive mechanisms were introduced at the management and production level, a bonus system is applied that takes the occupational safety aspects into account. In order to strengthen the above process, a monthly lottery promoting workplace safety was introduced in line with the ZERO ACCIDENTS policy.

As a result of the activities under the ONE SAFETY program, the number of accidents in 2018 was again reduced in the Group:

- Reduction of accidents at Group level in relation to the numbers from 2017 by 35%
- Reduction of accidents at Group level in relation to the numbers from 2016 by 63%

NAME	DESCRIPTION	2018
Fatal accident	Fatal accident relates also to APT employees	0
Level 1 accident	Accident with absence of over 3 days (date of accident not included. Saturdays, Sundays, holidays included) also relates to APT employees	38
Level 2 accident	Accident with absence of 1,2, 3 days (date of accident not included. Saturdays, Sundays, holidays included) also relates to APT employees	5
Level 3 accident	Accident with < 1 day of absence (when the employee must leave the workplace but comes back the next day to work. Also relates to APT employees	0
Level W accident	Accident directly on way to work / home. Also relates to APT employees	17
Level C accident	An accident of an employee of a foreign company working on the premises based on our order	10
First-Aid Cases	External and internal help provided as part of first aid (with entries in first aid books)	586
Near-Misses	Dangerous conditions, dangerous behaviour and "real" potentially accidental situations without injuries	45631
Absence Hours L1-L3	Absence caused by Level 1 + 2 accidents calculated in hours (1 day of absence = 8 hours). The following are not included: accident day, days / shifts off work, holidays. The maximum number of hours of absence is 182 days or 1456 hours	10514
Absence Hours LW	Absence caused by accidents to/from work calculated in hours (1 day of absence = 8 hours). The following are not included: accident day, days / shifts off work, holidays. The maximum number of hours of absence - see definition " Absence Hours L1-L3"	3646
1000-Men-Quote	1,000 Men-Quote = (1,000 x number of level1 accidents) / (actual working hours of all employees / 1,580)	9



## 8. ETHICS AND DIVERSITY

### 8.1 EQUALITY AND VARIETY

The principles of the adopted corporate policy put the respect and the construction of employee relations in first place based on trust and mutual understanding. At the core of the values with which the Group identifies is the recognition of dignity of all people and partnership in the workplace, which is the basis for building a positive atmosphere of work in the company and creating an organizational culture that favours all employees. The Pfleiderer Group provides equal opportunities to employees and treats them equally regardless of gender, race, nationality, disability, age, sexual identity, trade union membership, ethnic or social origin, religious or political beliefs.

During recruitment, the company treats all candidates equally and an important criteria for their selection is their individual professional competences and job experience. The proper selection of employees according to the key necessary competences, expectations and potential that can be developed within the organization gives the employee a conscious choice of the company as an environment in which they want to develop, work and identify with as an employer. The sense of security is based on the maintenance of employee rights within the organization. Their observance is an important element of organizational culture. The Group is aware of the fact that the organizational culture and atmosphere is strongly influenced by the employees who co-create it, which is why the recruitment process is multi-staged that enables the selection of employees who will influence the Group's market success.

The approach to employee issues is multi-dimensional in the Group. On the one hand, these are internal solutions in the form of policies and regulations that counteract situations going beyond the law and accepted norms and rules that give employees a guarantee of compliance with employee rights and introducing transparency of proceedings, while on the other hand, all actions taken by the employer aimed at building a workplace that is friendly, open and provides opportunities. The Pfleiderer Group also sees the responsibility for employees in a broader sense, which also includes the supply chain. Thus, it draws attention to the employment conditions of employees who indirectly provide services to the Company. Activities in this area confirm the signing of the International Framework Agreement on social standards. The signatories of the contract are IG Metall Deutschland, the International Organization of Construction Workers and the Woodworking Industry (BWI) and the European Works Council of Pfleiderer AG. The agreement has been in force since 2010.

The group derives from the diversity that provides the international character of the work and age diversity of employees, because in this element it is looking for aspects affecting the maintenance of the current position on the market. The key element for the Group is the potential of a given employee, irrespective of their age, gender, ethnic origin, disability, beliefs, religion, sexual orientation, family and socio-economic status or other aspects that differentiate people. All employees are treated equally and can enjoy equal rights in the field of promotion. The Group is characterized by individual strengths, substantive knowledge and skills to carry out tasks. The company supports the free flow of know-how in the organization, the development of innovation and employee initiatives affecting the development of the organization. The Company's goal is to create and improve a working environment in which every employee, regardless of their physical or



mental condition, feels comfortable, respected and valued, and whose potential is fully utilized and commercialized.

The company is guided by the broad diversity policy towards members of management bodies and in relation to key managers. This applies in particular to the profile of education, age and professional experience. The key management positions in the Group are occupied by both women and men. The diversity policy aims to provide highly qualified managers with diverse experience useful for a given position. In this respect, the Company adheres to the document "Diversity policy within the Pfleiderer Group S.A. capital group" which has been approved by the Management Board of the Company.

Eastern Europe		
GRI 405-1 Diversity	Women	Men
up to 30 years	4.15%	14.22%
from 31 to 50 years	12.18%	37.82%
over 51 years	3.60%	28.03%

Western Europe		
GRI 405-1 Diversity	Women	Men
up to 30 years	5.10%	15.20%
from 31 to 50 years	6.30%	33.90%
over 51 years	3.10%	36.40%

Eastern Europe		
GRI 405-1 Employees by employment category Eastern	Women	Men
Managers	0.82%	1.22%
Production employees	3.94%	64.15%
Non-production employees	15.17%	14.70%

Western Europe		
GRI 405-1 Employees by employment category Eastern	Women	Men
Managers	0.00%	0.30%
Production employees	3.80%	61.00%
Non-production employees	10.80%	24.10%

## 9. ENVIRONMENTAL DIMENSION

### 9.1 MANAGEMENT SYSTEMS

The Pfleiderer Group implements its processes adhering to the principles of sustainable development and consciously manages its impact on the natural environment. The goal of the Group is to introduce innovative solutions that have a positive impact on the environment and maintain ecological neutrality. The basic document confirming the afore-mentioned declarations is the Policy of the Integrated Management System. In accordance with the adopted policy, the Group undertakes activities that allow it to increase efficiency in relation to:

- Quality of manufactured products,
- Environmental protection,
- Occupational health and safety,
- Energy management.

In order to implement the above ideas, the Group has implemented an integrated management system based on international standards. Thus, the organization applies stringent standards and procedures that define the Group's approach to quality management and environmental aspects. The applied system and management solutions regulate the internal processes and affect the supply chain. The adopted standards give the Group the assurance that it is cooperating with environmentally aware partners who understand the forces affecting the sustainable development of our Group. In addition to compliance with laws and regulations regarding environmental protection, we monitor industry requirements and emerging technological solutions that give a new dimension to our production processes. The Pfleiderer Group has implemented restrictive management standards in its plants, including: **ISO 9001, ISO 14001, ISO 50001, EfbV, OHSAS, FSC, and PEFC**. The company meets all the requirements of the implemented management systems. By means of monitoring and analysis, it regularly improves their efficiency and results. This is confirmed by the positive opinions issued during regular inspections carried out by certifying organizations allowing the renewal of their certificates.

IMPLEMENTED MANAGEMENT SYSTEMS							
	ISO 9001	ISO 14001	ISO 50001	FSC	PEFC	EfbV	OHSAS
Arnsberg	✓	✓	✓	✓	✓		✓
Baruth	✓	✓	✓	✓	✓	✓	✓
Grajewo	✓	✓	✓	✓	✓		✓
Gütersloh II	✓	✓	✓	✓	✓	✓	✓
Gütersloh III	✓	✓	✓	✓	✓		✓
Leutkirch	✓	✓	✓	✓	✓		✓
Kędzierzyn Koźle	✓	✓	✓				✓
Neumarkt II	✓	✓	✓	✓	✓		✓
Neumarkt III	✓	✓	✓	✓	✓	✓	✓
Wieruszów	✓	✓	✓	✓	✓		✓
Wrocław	✓	✓	✓	✓	✓		✓

## 9.2 ENVIRONMENTAL MANAGEMENT

It should be emphasized that the Group has implemented the **ISO 14001** standard regarding environmental management and is a confirmation that the company operates in a sustainable and environmentally friendly manner. The Group makes every effort to achieve the assumptions of environmental goals consistent with the idea of sustainable development. By monitoring the results achieved, the Group implements solutions that support environmental protection and prevent pollution, while taking account of socio-economic needs. Thus, the Group performs reviews of the environmental effects achieved in the areas covered by the certificate relating to, inter alia, the process of sales, production, purchasing, energy management and product development.

## 9.3 ENERGY MANAGEMENT

It is worth noting that the Group also attaches great importance to the rational management of energy and used fuels. Thus, the Group has the **ISO 50001** certificate, which is a confirmation that its energy supply systems operate in accordance with the recognized approach, which aims to continuously improve the energy used to achieve energy efficiency. Based on the monitoring of consumption and energy use, the Group takes actions to achieve the adopted goals.

The Group aims to reduce the level of energy used in each of its plants, thus for this purpose the level of energy consumption is regularly monitored and controlled. Based on energy data collected since 2011, the Group regularly evaluates and analyzes individual plant locations in this area. The results of analyses are the basis for identifying potential improvements and making changes. The improvements introduced are examined in terms of efficiency and the achieved effects. The Group has set goals for each plant, which make up the following values indicated for the Western Segment:

- Reduced heat consumption: 5%
- Reduction of electricity consumption: 3%

The Group undertakes organizational activities to increase energy efficiency in processes. As part of this, Group has reduced energy consumption in production processes by connecting power plants in Baruth, Gutersloh and Neumarkt. At the same time, the implementation of these goals is possible by means of investment in infrastructure.

It should be emphasized that waste from the production process in every plant, such as biomass, is burned, thanks to which energy is generated in the production process. As a result, only a small portion of energy comes from fossil fuels such as oil and gas. The water content in biomass during combustion is also constantly monitored to optimize energy efficiency. As a result of biomass burning, the granted CO<sub>2</sub> limits are not used and certificates can be sold on the market under the European emissions trading system. It should be noted that biomass is a fuel that is not harmful to the environment: the amount of carbon dioxide emitted to the atmosphere during combustion is offset by the amount of CO<sub>2</sub> absorbed by the plants that recover biomass in the process of

photosynthesis. In all Western and Eastern Segment plants, KPIs are defined in terms of energy and gas consumption in the panel production process (MWh / m<sup>3</sup>), which allows comparison between the production plants.

#### 9.4 WATER

The Group has a responsible approach to water management . Water used for production processes is supplied to sections of the plants by municipal waterworks. However, the plants in Neumarkt and Gutersloh also have their own approach to water resources in the form of wells from which water is used for technological purposes. The objective of rational management of natural resources, the uptake of well water is regulated and limited. In addition, installations for treatment and recycling of sewage were installed to reduce water consumption in the Eastern Segment plants. In all plants, the consumption of water and the amount of sewage generated are measured.

#### 9.5 ATMOSPHERIC EMISSIONS

The Group is particularly interested in limiting emissions of volatile compounds. All Pfleiderer Group plants have installed filters that meet the requirements of the BAT Regulation, which reduce the emissions of compounds to the atmosphere as much as possible. It should be emphasized that formaldehyde and other volatile organic compounds (VOC) evaporate in the drying process and pose no risk to people or society because these emissions do not persist in the air. However, the values of legal limits that the production facilities meet and control their level have been set. The group also identifies the possibilities of reducing formaldehyde emissions. Thus, the Group at the plant tests various types of filters, wood type and drying temperatures that reduce the emission of compounds. In addition, all production facilities are constantly monitored in connection with the emissions trading scheme. Every year, external certificates are issued in accordance with European standards.

In addition, three power plants in Germany that operate in accordance with the provisions of the European Directive on the incineration of waste meet the emission limits for heavy metals, dioxins, HCl, HF, SOX. The Pfleiderer Group also undertakes actions aimed at minimizing emissions, the effect of which is to achieve a maximum value of 80% below the limit set for heavy metals and dioxins in German locations in Gutersloh and Neumarkt. The Group performs continuous emission monitoring at the site of the power plant and carries out continuous measurements, the results of which are published daily on the Pfleiderer website.

It should be emphasized that no other hazardous chemicals are used in Pfleiderer's production facilities.

## 9.6 WASTE AND WASTEWATER

The company has implemented a certified waste disposal system in some of its factories in Germany, which allows them to be rationally managed. The purpose of implementing the **EfbV** certificate is to confirm that the Group is responsibly approaching the disposal of waste. The Group monitors the amount of generated waste and disposed waste, and based on this type of data it takes actions to improve the process, thus having a positive impact on the natural environment.

The Pfleiderer Group uses innovative solutions to reduce waste and wastewater that is intended for external disposal. Thus, the Group applies solutions under which most of the wastewater generated in plants is re-treated or incinerated in its own power stations or incinerators. A significant part of waste destined for utilization is ash generated in the process of waste incineration (about 60,000 tons in the Western Segment and 25,000 tons in the Eastern Segment). The remaining waste is disposed in accordance with applicable legal requirements.

In most cases, wastewater generated in plants goes to the municipal treatment system. In factories in Poland, where there is no municipal cleaning system available, Pfleiderer has built its own installations that meet the required limits for the discharge of sewage to rivers. The purpose of reducing the amount of water discharged outside the sewage is used in the recycling process. They are subjected to evaporation and the vapours are condensed and reused in the production process or circulate in a closed circuit while the solids are separated. In addition, some of the wastewater from the production process is used in other places, for example as water for mixing the glue. Wastewater treatment is monitored in all plants of the Capital Group. Group companies use reports on the quality and quantity of sewage, which are transferred on an ongoing basis to external companies dealing with collection and utilization of sewage.

## 9.7 ADDITIONAL INFORMATION

During the course of and before the reporting period at Pfleiderer, no leaks were observed that could be harmful to human health, soil, vegetation, water and groundwater. In the reporting period, no penalties were imposed on the Pfleiderer Capital Group for non-compliance with environmental protection standards and no proceedings are pending against the Company. In addition, no non-financial sanctions have been imposed on the Company for non-compliance with regulations or regulations regarding environmental protection.

Western Europe	
GRI 302-1 Energy consumption	Quantity
Electricity (MWh)	632 127
Thermal energy (GJ)	605 694
Coal (kg)	11 790 256
Natural gas (m3)	19 849 616
Diesel (l)	5 881 790

Eastern Europe	
<b>GRI 303-3</b> Total water withdrawal (m3):	555 000

Western Europe	
<b>GRI 303-3</b> Total water withdrawal (m3):	450 000

Eastern Europe	
<b>GRI 306-2</b> Total weight of waste, with a breakdown by disposal methods	Quantity
<b>Hazardous waste [Mg]:</b>	96
Recycling	✓
Recovery, including energy recovery	✓
Incineration (mass burn)	✓

Western Europe	
<b>GRI 306-2</b> Total weight of waste, with a breakdown by disposal methods	Quantity
<b>Hazardous waste [Mg]:</b>	28 000
Other - Special storage externally	✓

Eastern Europe	
<b>GRI 306-2</b> Total weight of waste, with a breakdown by disposal methods	Quantity
<b>Non-hazardous waste [Mg]:</b>	27 200
Recycling	✓
Recovery, including energy recovery	✓
Incineration (mass burn)	✓

Western Europe	
<b>GRI 306-2</b> Total weight of waste, with a breakdown by disposal methods	Quantity
<b>Non-hazardous waste [Mg]:</b>	43 000
Incineration (mass burn)	✓
Landfill	✓

Eastern Europe	
GRI 305-1 Total Emissions to Air in 2018	Quantity
Emission level - CO <sub>2</sub> [Mg]:	63 000

Western Europe	
GRI 305-1 Total Emissions to Air in 2018	Quantity
Emission level - CO <sub>2</sub> [Mg]:	600

Eastern Europe	
GRI 305-7 Total Emissions to Air in 2018	Quantity
Emission level - NOx[Mg]:	740

Western Europe	
GRI 305-7 Total Emissions to Air in 2018	Quantity
Emission level - NOx[Mg]:	1 300 000

## 10. HONEST COMMUNICATION



An important goal of the Pfleiderer Group in the area of marketing communication is to conduct marketing activities at every stage in a manner consistent with the law, banners and honesty. The group shapes marketing communication based on good morals and ethics. Advertising and marketing activities are conducted in a reliable manner, free of intrusive or misleading behaviour. The Group does not sell prohibited or controversial products, but provides products that correspond to the following values:

- A wide range of decorative surfaces offered,
- Operational excellence and sales and marketing services in the supply chain,
- Ecological and social sustainability.



The Group uses the possibility of direct contacts that take place during trade fairs and exhibitions. During such events, it is possible to present trends and new products. At the same time, through the ongoing dialogue, they give the opportunity to better understand the expectations of clients and to find out how consumers evaluate the offered products. This type of information is the basis for the activities carried out in the field of improvements or launching new products on the market. For example, the Group regularly participates in "Days of Inspiration", which have been organized every year since 2003. In order to communicate with clients clearly, the Group provides its partners with a wide selection of samples and other advertising materials that can be used in marketing activities. All clients of the Group are treated with respect and equal care. The Group strives to meet all clients' expectations and respond to the needs and expressed opinions. For example, at the client's request, advertising materials were offered together with its logo. In order to get in touch with architects and designers, the Group ensures running loyalty programs that facilitate building better relationships with clients.

As part of the communication, the Group has defined the rules for granting co-financing or donations. Due to the importance of the afore-mentioned area, the principles that the Group uses are contained in the document "Guidelines for business conduct". The Group does not transfer funds to individuals or to profit-oriented organizations. Other requests regarding financial support are considered by the Management Board, which takes decisions in this respect. In addition, the Company in no case transfers funds to organizations that may harm the Company's reputation. The legitimacy of the donation and its intended use must be legal and properly documented. In the process of managing these entire issues related to the positioning and the desired image of the Pfleiderer brand as part of marketing, advertising, promotional and sponsorship activities, the Group applies the following rules:

- compliance with applicable laws,
- not causing damage in a deliberate manner,
- bearing responsibility for the consequences of the activity,
- proper use of education, vocational training and employee experience.

In 2018, The Company did not report any incidents of non-compliance with legal regulations or voluntarily applied regulations regarding marketing communications, including advertising, promotions and sponsorship.

The Group is committed to the highest degree of customer privacy and confidentiality of personal data. Each employee is responsible for compliance with the safety rules in force at the Pfleiderer Group. In order to regulate the most important rules, in the document entitled "Principles of Running a Business Activity" the general rules regarding protection of the private sphere and leakage of confidential data are stipulated. The IT Department is responsible for providing adequate technology for effective prevention. The Group recognizes the need to monitor the IT area, which is developing strongly due to globalization and the speed of introducing new solutions. Thus, the aforesaid area is exposed to the risk of loss or leak of sensitive data about clients.

In accordance with the EU General Regulation on the protection of personal data, in force since 25 May 2018 (in Poland, GDPR, Germany, DSGVO Regulation), the Group carried out intensive work in 2017 and 2018 to meet the requirements in this area aimed at ensuring compliance in terms of the processing of personal data with legal requirements. The Group conducts activities aimed at unifying the management of personal data protection by implementing a dedicated portal called "Privacy soft" in the Western Segment. The portal covers various areas of data protection management and helps meet DSGVO requirements. It is also used as a basic tool for on-line employee training in the area of DSGVO, whereas in 2019, the Group plans to implement the "Privacy soft" portal in the Eastern segment, allowing full integration of all companies.

The Group, in cooperation with an external entity acting as a data protection officer, as part of its operations in Germany, reviews documentation and identifies areas for improvement, organizational changes or additional technical procedures in this area.

## 11. INFORMATION ABOUT THE REPORT

The non-financial data of the Pfleiderer Group was prepared based on the Global Reporting Initiative GRI STANDARDS / core level guidelines. This is the second report of the Group and presents data for the period from January 1, 2018 to December 31, 2018. In order to exercise due diligence in the reporting process, the Group was supported by an independent consulting company Kapital Intelktualny Sp. z o. o. The document has been subject to internal verification carried out by a designated project team consisting of the Group's employees. The report has not been subject to external verification, its application will be considered in subsequent years.

The process of defining the content of the Report has been prepared using the GRI STANDARDS Standard Guidelines covering: identification, prioritization and validation of activities.

No.	STAGE	ACTIONS TAKEN
1	IDENTIFICATION	<p>Indication of significant business issues and areas of sustainable development of the Group defined during workshops conducted with the participation of the Board and managerial staff, while also consultation with employees.</p> <p>During the course of work documents, procedures, regulations, procedures, regulations, while also internal materials of the companies of the Group, as well as external publications on this issue.</p> <p>The process of economic identification and international guidelines in the field of social affairs and non-financial reporting.</p>

<b>2</b>	<b>PRIORITIZATION</b>	Cascading of identified key areas and giving weight to aspects emerged through dialogue with stakeholders and the project team.
<b>3</b>	<b>VALIDATION</b>	Conducting a validation workshop with the participation of the Management Board, the management staff and key employees facilitating the definition of the final list of issues to be reported.

The selected stakeholders of the Group were included in the process of selection of issues, through consultations, meetings and individual expert interviews. Thus, the key areas presented in the report were identified in the process. The matrix of the significance of issues and their content is presented below.

RELEVANT ASPECTS OF REPORTING	IMPORTANCE OF ASPECT			IMPACT OF ASPECT	
	LOW	MEDIUM	HIGH	WITHIN THE GROUP	OUTSIDE THE GROUP
<b>ECONOMIC ASPECTS</b>					
Business strategy and development perspectives			●	●	●
Supply chain			●	●	●
<b>SOCIAL ASPECTS</b>					
Employee safety			●	●	●
Training and employees development			●	●	●
Relationships with the local community		●		●	●
Employee Relations			●	●	●
<b>ENVIRONMENTAL ASPECTS</b>					
Waste management			●	●	●
Emissions management			●	●	●
Reducing the impact on the environment			●	●	●
Rational management of raw materials			●	●	●

## 12. GRI INDEX

STANDARD DISCLOSURE	DISCLOSURE REQUIREMENTS	PAGE IN THE REPORT	COMMENT / DESCRIPTION
102-1	Name of the organization	page 4	Pfleiderer Group S.A.
102-2	Activities, brands, products, and services	page 4	/BUSINESS MODEL/
102-3	Location of headquarters	page 4	/BUSINESS MODEL/
102-4	Location of operations	page 4	/BUSINESS MODEL/
102-5	Ownership and legal form	page 4	joint-stock company
102-6	Markets served	pages 4-5	/BUSINESS MODEL/
102-7	Scale of the organization	pages 4-5	/BUSINESS MODEL/
102-8	Information on employees and other workers	page 28	/ EMPLOYEE AND SOCIAL DIMENSION/
102-9	Supply chain	page 8	/SUPPLY CHAIN AND RESPONSIBILITY FOR clients /
102-10	Significant changes to the organization and its supply chain	-	No changes
102-11	Precautionary Principle or approach	pages 19-24	/ RISK MANAGEMENT AND ORGANIZATIONAL CULTURE /
102-12	External initiatives	pages 7	/BUSINESS MODEL/
102-13	Membership of associations	pages 7	/BUSINESS MODEL/
102-14	Statement from senior decision-maker	page 3	/ LETTER OF THE PRESIDENT OF THE BOARD/
102-15	Key impacts, risks, and opportunities	page 13	/STRATEGIES AND COMMUNICATION WITH INVESTORS /
102-16	Values, principles, standards, and norms of behaviour	pages 32, 39	/ EQUALITY AND DIVERSITY/ HONEST COMMUNICATION /
102-17	Mechanisms for advice and concerns about ethics	pages 32, 39	/ EQUALITY AND DIVERSITY/ HONEST COMMUNICATION /
102-18	Governance structure	pages 16-19	/ RISK MANAGEMENT AND ORGANIZATIONAL CULTURE/
102-40	List of stakeholder groups	pages 15-16	/ STRATEGIES AND COMMUNICATION WITH INVESTORS /
102-41	Collective bargaining agreements	page 29	/ STAFF AND SOCIAL DIMENSION /
102-42	Identifying and selecting stakeholders	pages 43-44	/ INFORMATION ABOUT THE REPORT /
102-43	Approach to stakeholder engagement	pages 43-44	/ INFORMATION ABOUT THE REPORT /
102-44	Key topics and concerns raised	pages 43-44	/ INFORMATION ABOUT THE REPORT /
102-45	Entities included in the consolidated financial statements	page 4	/BUSINESS MODEL/
102-46	Defining report content	pages 43-44	/ INFORMATION ABOUT THE REPORT /

102-47	Relevant topics identified in the process of defining report content	pages 43-44	/ INFORMATION ABOUT THE REPORT /
102-48	Changes and corrections in relation to the previous report	-	No changes
102-49	Significant changes compared to the previous report regarding scope, range	-	No changes
102-50	Reporting period	pages 43-44	/ INFORMATION ABOUT THE REPORT /
102-51	Date of most recent report		10-April-2018
102-52	Reporting cycle	-	Yearly
102-53	Contact point for questions regarding the report		bartek.godlewski@pfleidere.com
102-54	Claims of reporting in accordance with the GRI Standards	pages 43-44	/ INFORMATION ABOUT THE REPORT /
102-55	GRI content index	pages 44-47	/ GRI INDEX/
102-56	External assurance	pages 43-44	/ INFORMATION ABOUT THE REPORT /
103-1	The scope and importance of defined topics	pages 43-44	/ INFORMATION ABOUT THE REPORT /
103-2	The management approach and its components	pages 16-22	/ RISK MANAGEMENT AND ORGANIZATIONAL CULTURE /
103-3	Evaluation of the management approach	pages 26-22	/ RISK MANAGEMENT AND ORGANIZATIONAL CULTURE /
<b>ENVIRONMENTAL TOPICS</b>			
302-1	Energy consumption within the organization	page 37	/ ENVIRONMENTAL DIMENSION /
303-3	Water withdrawal	page 38	/ ENVIRONMENTAL DIMENSION /
305-1	Emission to the atmosphere (range 1)	page 40	/ ENVIRONMENTAL DIMENSION /
305-7	Emission to the atmosphere	page 40	/ ENVIRONMENTAL DIMENSION /
306-2	Waste by type and disposal method	page 38	/ ENVIRONMENTAL DIMENSION /
<b>SOCIAL ISSUES</b>			
404-3	Employees receiving regular performance and career development reviews	page 23	/ ENVIRONMENTAL DIMENSION /
405-1	Diversity of governance bodies and employees	page 33	/ ETHICS AND DIVERSITY/